

# PROCEDURE GOVERNING RELATED- PARTY TRANSACTIONS

(pursuant to Article 2391-*bis* of the Italian Civil Code, Article 4 of Consob Regulation no. 17221 of March 12, 2010, as amended by Resolutions no. 17389 of June 23, 2010, no. 19925 of March 22, 2017, no. 19974 of April 27, 2017, no. 21396 of June 10, 2020 and no. 21624 of December 10, 2020 and the Corporate Governance Code approved by the Corporate Governance Committee)

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<b>REV. No.</b>	<b>DATE</b>	<b>DESCRIPTION OF THE GENERAL REGULATION</b>
1	06-07/2012	Elimination attached 1.bis
2	03/2013	Addition of new exemptions to Section 16.3.
3	11/2014	Procedure revision/update
4	07/2021	Procedure revision/update

## 1. INTRODUCTION

The Consob, in implementation of the requirements of Article 2391-bis of the Italian Civil Code,<sup>1</sup> issued Regulations setting forth provisions concerning related-party transactions<sup>2</sup>, the purpose of which is to ensure the transparency and the substantive and procedural fairness of transactions executed by publicly traded companies, directly and through their subsidiaries, with parties in a position of exercising “influence” over it (including, in addition to others, parent companies, directors of the Company and the parent companies and their immediate family).

The above-mentioned Regulations contain procedural provisions, i.e., rules that must be followed in the **decision-making-process** by the entities/parties with jurisdiction over the transaction (**substantive rules**), as well **transparency requirements**, i.e., disclosure requirements vis-à-vis the market that the Company must comply with when preparing accounting documents (**transparency rules**) concerning material transactions.

The Regulations classify transactions as follows:

- **of inconsequential amount** (exempt from compliance with the Regulations);
- **less material transactions** (to which the less complex general rules of the Regulations are applicable);
- **highly material transactions** (to which the more stringent special rules are applicable).

The regulation also provides for certain transactions that may be exempted, under certain conditions, from the application of the substantive rules, but for which certain disclosure requirements must still be observed (such as intercompany transactions, regular transactions and urgent transactions).

The Regulations also require that the Board of Directors of each publicly traded company adopt “internal procedures” to regulated in detail a series of issues and choose among the options provided by the Regulations for items left to a company’s discretion.

To satisfy this requirement, the Company produced this General Regulation, which defines procedures that, taking into account the specific organization and governance of the Edison Group, are suitable for the purpose of integrating and completing the rules set forth in the Consob Regulations. The Procedure, and subsequent amendments, was approved by the Company's Board of Directors subject to a favourable opinion issued by a committee made up exclusively of Independent Directors.

The main aspects of the relevant rules are reviewed below.

<sup>1</sup> As last amended by Article 1, paragraph 1, letter a) of Legislative Decree no. 49 of May 10, 2019.

<sup>2</sup> Adopted by Resolution no. 17221 of March 12, 2010, as subsequently amended by Resolutions no. 17389 of June 23, 2010, no. 19925 of March 22, 2017, no. 19974 of April 27, 2017, no. 21396 of June 10, 2020) and no. 21624 of December 10, 2020.

## Decision-making Process (Substantive Rules)

It applies primarily to Highly Material Transactions and Less Material Transactions.

The following is required to ensure that these transactions are substantively fair:

- An information gathering phase designed to determine whether the requirements of the Regulations and this Procedure are applicable.
- Limited to Highly Material Transactions, exclusive decision-making jurisdiction by the Board of Directors.
- Establishment of a standing committee, comprised exclusively of non-executive, independent Directors who do not qualify as related parties, which will be required to issue a factual opinion stating whether a transaction is in the Company's interest and if the transaction's terms and conditions are beneficial and substantively fair. The abovementioned opinion shall be binding for Highly Material Transactions and non-binding for Less Material Transactions. A negative opinion rendered with regard to a Highly Material Transactions prevents the transaction's implementation.
- The establishment of special alternative, equivalent oversight entities, activated when needed, in individual cases in which Independent Directors who are members of the Related Party Transactions Committee qualify as related parties or parties involved with regard to the transaction.
- the operating rules of the Related Party Transactions Committee;
- complete and prompt flow of information concerning the transaction's characteristics, provided to the corporate governance body or party qualified to adopt resolutions or make a decisions and to the above-mentioned Committee<sup>3</sup>;
- Limited to Highly Material Transactions, prompt involvement in the transaction's negotiations by the Related Party Transactions Committee<sup>4</sup>, which must be provided with an extensive, complete and timely flow of information and has the right to request further clarifications.
- The right of the Related Party Transactions Committee<sup>5</sup> to use Independent Experts, with cost limits for Less Material Transactions and without cost limits for Highly Material Transactions.
- The requirement that the minutes of the deliberations or the decisions setting forth approvals of Highly Material or Less Material Transaction include an adequate explanation as to why a

<sup>3</sup>Or the Alternative, Equivalent Oversight Entity, as established on each occasion pursuant to Section 10.2, if required.

<sup>4</sup> See note 3.

<sup>5</sup> See note 3.

transaction is in the Company's interest and whether its terms and conditions are beneficial and substantively fair.

- The requirement that the minutes of the deliberations or the decisions setting forth approvals of Regular Transactions or Intercompany Transactions, include evidence showing, respectively, that the transaction qualifies as ordinary and that the relevant related party does not have a material interest in the transaction.
- Verification, by the Related Party Transactions Committee, that the conditions for exemption provided for by the regulations on related party transactions are correctly applied to regular transactions exceeding a certain size threshold;
- Special rules for Urgent Transactions and for Transactions Executed Through Subsidiaries.

### **Disclosure Requirements/Reporting Process (Transparency Rules)**

The following is required in order to provide the market and the Company's governance bodies with accurate information:

- For highly material and less material transactions, an adequate flow of information about the implementation of the abovementioned transactions provided to Directors and Statutory Auditors at least once every three months.
- For related party transactions exceeding a certain size exempt from the application, in part or in full, of the rules on Related Party Transactions, an adequate annual report to the Related Party Transactions Committee;
- For highly material transactions, the rules governing price sensitive information notwithstanding, the publication, within the statutory deadline, of a special information memorandum describing, in addition to other items, the characteristics of the transaction, the Company's economic justification for executing the transaction and the method used to determine the transaction's consideration.
- For less material transactions, the rules governing price sensitive information notwithstanding, the release to the public, at least once every three months, of an information memorandum concerning transactions approved despite a negative opinion by the Related Party Transactions Committee, with the concurrent publication of the negative opinions.

The inclusion in the interim financial report and the annual financial report of a section reserved for Related-party Transactions, in which specific information is provided with regard to Highly Material Related-party Transactions and any other Related-party Transaction with a material effect on the Company's balance sheet or income statement.

## 2. DEFINITIONS

<b>DIRECTORS INVOLVED IN THE TRANSACTION</b>	Directors who have an interest in the transaction, on their own behalf or on behalf of third parties, that conflicts with that of the Company;
<b>INDEPENDENT DIRECTORS</b>	Directors, appointed in accordance with Art. 14 of the <b>COMPANY</b> 's Articles of Association, who are considered independent in accordance with the <b>GOVERNANCE CODE</b> (which establishes independence requirements at least equivalent to those set out in art. 148, paragraph 3 of the <b>TUF</b> ), whether or not they are members of the <b>RELATED PARTY TRANSACTIONS COMMITTEE</b> ;
<b>DIRECTORS WHO ARE NOT RELATED PARTIES</b>	Directors other than the counterparty of a given <b>TRANSACTION</b> and its <b>RELATED PARTIES</b> ;
<b>NON-EXECUTIVE DIRECTORS</b>	Directors who are not members of the Executive Committee, if any, are not delegated powers and do not perform, even de facto, functions relating to the management of the <b>COMPANY</b> ;
<b>CONTROL CHART</b>	a document prepared on a monthly basis by the <b>CORPORATE AFFAIRS DEPARTMENT</b> , containing a list of the Group's subsidiaries and associated companies and made available on the <b>COMPANY</b> 's intranet;
<b>GOVERNANCE CODE</b>	the Corporate Governance Code adopted by the Corporate Governance Committee, to which the <b>Company</b> adheres;
<b>RELATED PARTY TRANSACTIONS COMMITTEE</b>	The special-purpose, standing Committee established by the Board of Directors, whose members, insofar as <b>HIGHLY MATERIAL</b> or <b>LESS MATERIAL TRANSACTIONS</b> are concerned, are exclusively <b>NON-EXECUTIVE INDEPENDENT DIRECTORS</b> , and, based on an assessment performed in accordance with the <b>PROCEDURE</b> for each individual <b>TRANSACTION</b> , <b>NON-RELATED PARTIES</b> . If three <b>NON-EXECUTIVE INDEPENDENT DIRECTORS</b> are available, the Committee shall be comprised of three members. This Committee, which has the jurisdictional authority and powers assigned by the Regulations to a committee comprised of Independent Directors, is governed by the <b>OPERATING RULES</b> (Annex 6 to the <b>PROCEDURE</b> ).
<b>COMMITTEE</b>	the Committee occasionally established as an <b>ALTERNATIVE, EQUIVALENT OVERSIGHT ENTITY</b> , consisting of three <b>NON-EXECUTIVE AND INDEPENDENT DIRECTORS</b> , if any, who are not already members of the <b>RELATED PARTY TRANSACTIONS COMMITTEE</b> governed by the <b>OPERATING RULES</b> (Annex 6 to the <b>PROCEDURE</b> );
<b>CONSOB COMMUNICATION</b>	Consob Communication no. DEM/10078683 of September 24, 2010;
<b>DIVISION/DEPARTMENT/BUSINESS UNIT</b>	the Organisational Unit of the <b>COMPANY</b> , as identified in the Group Organisational Chart, in the organisational provisions, and more generally in the internal provisions of the <b>COMPANY</b> , from time to time involved in relation to the execution of a specific <b>RELATED PARTY TRANSACTION</b> and competent in relation to the provisions of the <b>PROCEDURE</b> ;

<b>RELEVANT RULES</b>	the Rules on the subject of <b>RELATED PARTY TRANSACTIONS</b> pursuant to the provisions of article 2391-bis of the Italian Civil Code, the <b>CONSOB REGULATIONS</b> and <b>COMMUNICATION</b> , and the <b>GOVERNANCE CODE</b> ;
<b>MEMORANDUM</b>	the Document made available to the public pursuant to article 7, paragraph 1, letter g of the <b>REGULATION</b> , on the occasion of <b>LESS MATERIAL TRANSACTIONS</b> , carried out also through <b>SUBSIDIARIES</b> , in the presence of a negative opinion of the <b>RELATED PARTIES TRANSACTIONS COMMITTEE OR EQUIVALENT ALTERNATIVE CONTROL</b> , where activated from time to time;
<b>INFORMATION MEMORANDUM</b>	the Document referred to in Annex 4 of the <b>REGULATION</b> (Annex 4 of the <b>PROCEDURE</b> ) made available to the public on the occasion of <b>HIGHLY MATERIAL TRANSACTIONS</b> , also carried out by <b>SUBSIDIARIES</b> ;
<b>INDEPENDENT EXPERTS</b> or <b>EXPERTS</b>	experts external to the <b>COMPANY</b> , who qualify as independent, in accordance with Annex 4 of the <b>REGULATION</b> (Annex 4 of the <b>PROCEDURE</b> ), as well as having recognised professionalism and competence in the field, and whose absence of conflict of interest has been carefully assessed, with any tasks assigned under the <b>PROCEDURE</b> ;
<b>MATERIAL INTERESTS</b>	any Interest of a financial nature, as assessed by the <b>COMPANY</b> , taking into account what is indicated in § 21 <sup>6</sup> of the <b>CONSOB COMMUNICATION</b> (Annex 5 of the <b>PROCEDURE</b> ) relating to a <b>TRANSACTION</b> from which a financial benefit may arise for a <b>RELATED PARTY</b> of the <b>COMPANY</b> by virtue of a <b>TRANSACTION</b> entered into with, or between, subsidiaries or associates and suitable to prevent the application of the specific exemption provided for in the same <b>PROCEDURE</b> .
<b>ACCOUNTING CONTROL MODEL 262</b>	The Company's Model adopted pursuant to Law no. 262 of December 28, 2005.
<b>OPERATING RULES</b>	the provisions adopted by the Board of Directors of the <b>COMPANY</b> , regulating the functioning of the <b>RELATED PARTY TRANSACTIONS Committee</b> and the <b>COMMITTEE</b> (Annex 6 of the <b>PROCEDURE</b> );
<b>RELATED PARTY TRANSACTIONS</b> or <b>TRANSACTIONS</b>	Transactions defined as such by the international accounting standards adopted in accordance with the procedure set out in Article 6 of EC Regulation 1606/2002 (IAS 24) and therefore any transfer of resources, services or obligations regardless of whether a price is agreed. In any case, this concept shall include the following: (i) merger, demerger by absorption or simple non-proportional demerger <b>TRANSACTIONS</b> , when executed with a <b>RELATED PARTY</b> ; (ii) all decisions concerning the awarding of compensation and economic benefits, under any guise, to <b>COMPANY</b> Directors, Statutory Auditors and, when identified, other executives with strategic responsibilities, to whom the Related Parties Regulation applies. For the purposes of the <b>PROCEDURE</b> , transactions addressed indistinctly to all shareholders on equal terms, such as capital increases through rights offerings for shareholders, share capital increases free of

<sup>6</sup> See note Annex 5.



charge and reductions of capital through shareholder redemption, and simple proportional demerger Transactions, shall not be treated as **RELATED-PARTY TRANSACTIONS**.

<b>RELATED-PARTY TRANSACTIONS OF SUBSIDIARIES</b>	<b>RELATED PARTY TRANSACTIONS</b> of the <b>COMPANY</b> carried out by <b>SUBSIDIARIES</b> ;
<b>RELATED-PARTY TRANSACTIONS EXECUTED THROUGH SUBSIDIARIES</b>	<b>RELATED PARTY TRANSACTIONS</b> of the <b>COMPANY</b> carried out by <b>SUBSIDIARIES</b> , which must be examined or approved by the <b>COMPANY</b> ;
<b>TRANSACTIONS OF INCONSEQUENTIAL AMOUNT</b>	<b>RELATED PARTY TRANSACTIONS</b> defined and identified on the basis of the criteria indicated in Annex 2 of the <b>PROCEDURE</b> ;
<b>HIGHLY MATERIAL TRANSACTIONS</b>	<b>RELATED PARTY TRANSACTIONS</b> in which at least one of the materiality indices indicated in Section 1.1. of Annex 3 of the <b>REGULATION</b> (Annex 3 of the <b>PROCEDURE</b> ), applicable depending on the specific transaction, is higher than the threshold of 5%, or 2.5% in the case of transactions carried out with the listed parent company or with parties related to it that are themselves related to the <b>COMPANY</b> . The <b>COMPANY</b> has decided not to set significance thresholds lower than those mentioned above for <b>TRANSACTIONS</b> that may affect management autonomy (e.g. sale of intangible assets such as trademarks or patents). A separate communication shall set forth the reference amounts for the computation of materiality thresholds. This communication, shall be updated periodically by the Corporate Affairs & Governance Department, with the support of the Accounting and Tax Department, subsequent to the publication of the periodic accounting documents (annual and semi-annual or quarterly financial reports) and shall be posted on the Company's Intranet site.
<b>LESS MATERIAL TRANSACTIONS</b>	<b>RELATED-PARTY TRANSACTIONS</b> other than <b>HIGHLY MATERIAL TRANSACTIONS</b> , <b>REGULAR TRANSACTIONS</b> , <b>INTERCOMPANY TRANSACTIONS</b> and <b>TRANSACTIONS OF INCONSEQUENTIAL AMOUNT</b> .
<b>INTERCOMPANY TRANSACTIONS</b>	<b>TRANSACTIONS</b> with or between Italian or foreign subsidiaries of the <b>COMPANY</b> and <b>TRANSACTIONS</b> with associates and their Italian or foreign subsidiaries of <b>EDISON</b> <sup>7</sup> ;
<b>REGULAR TRANSACTIONS</b>	<b>TRANSACTIONS</b> that are part of the regular exercise of the <b>COMPANY</b> 's operating activities or related financial activities and are executed on the same terms as those applied to non-related parties for transactions of a corresponding nature, size and risk, or based on regulated rates or mandatory prices, or those applied to parties with whom the <b>COMPANY</b> is required to do business for a predetermined consideration pursuant to law. The specific requirements and clarifications set forth in § 3 to the <b>CONSOB COMMUNICATION</b> (Annex 5 to the <b>PROCEDURE</b> ) must also be taken into account to determine whether a <b>TRANSACTION</b> qualifies as a <b>REGULAR TRANSACTION</b> .

<sup>7</sup> Reference should be made to Annex 1 of the Procedure, *inter alia* for references to the concepts of "control" and "significant influence" in the extract from the international accounting standards which is an appendix to the Regulations.

<b>URGENT TRANSACTIONS</b>	<b>RELATED PARTY TRANSACTIONS</b> to be carried out in cases of urgency not related to a corporate crisis;
<b>QUALIFIED CORPORATE GOVERNANCE BODY OR PARTY</b>	The <b>COMPANY</b> 's governance body (Board of Directors, Chief Executive Officer or Shareholders' Meeting) or Party (non-executive Director or Agent) who, on each occasion, is qualified to review, discuss or decide <b>RELATED-PARTY TRANSACTIONS</b> or, more in general, perform the tasks required pursuant to the <b>REGULATIONS</b> .
<b>COMMITTEE</b>	parties defined as such from time to time by the international accounting standards adopted according to the procedure in Art. 6 of EC Regulation 1606/2002 (IAS 24), see Annex 1 of the <b>PROCEDURE</b> ;
<b>ALTERNATIVE OVERSIGHT ENTITIES</b>	the Supervisory Authorities activated by the <b>COMPANY</b> from time to time according to the order indicated in the <b>PROCEDURE</b> , in the event of a small number or lack of <b>INDEPENDENT UNRELATED DIRECTORS</b> in cases where the opinion of <b>INDEPENDENT UNRELATED DIRECTORS</b> or their participation in the preliminary investigation and negotiation phases of the <b>TRANSACTIONS</b> is required under the <b>PROCEDURE</b> ;
<b>PROCEDURE</b>	this General Rule, adopted pursuant to art. 4 of the <b>REGULATIONS</b> , as updated from time to time
<b>PROCEDURE FOR MANAGING CORPORATE INFORMATION</b>	the procedure adopted by the <b>COMPANY</b> on "Internal handling and external communication of confidential and insider information concerning Edison and its financial instruments";
<b>PROTOCOL TO MANAGE RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH SIGNIFICANT PARTIES</b>	the procedure adopted by the <b>COMPANY</b> for the management of <b>RELATED PARTY TRANSACTIONS</b> ;
<b>REGISTER OF RELATED PARTY TRANSACTIONS OR REGISTER</b>	the Register in which all <b>RELATED PARTY TRANSACTIONS</b> entered into are recorded and which, for each Transaction, must indicate: counterparty, type of Transaction, relative amount (where determinable) and duration.
<b>ISSUERS' REGULATION</b>	the Regulation implementing Legislative Decree no. 58 of February 24, 1998, adopted by the Consob with Resolution no. 11971 of May 14, 1999, as amended.
<b>RELATED REGULATION PARTIES OR REGULATION</b>	the Consob Regulation on <b>RELATED PARTY TRANSACTIONS</b> adopted by resolution no. 17221 of March 12, 2010 and subsequent amendments and additions;
<b>OFFICER RESPONSIBLE FOR INFORMATION FLOWS AND THE REGISTER</b>	the person identified by each Division/Department/Business Unit and by each <b>SUBSIDIARY</b> who, to the extent of his/her competence, ensures the flow of information and keeps the <b>REGISTER OF RELATED PARTY TRANSACTIONS</b> ;
<b>SHAREHOLDERS WHO ARE NOT RELATED PARTIES</b>	parties, who have the right to vote, other than the counterparty to a given <b>TRANSACTION</b> and parties related both to the counterparty to a given transaction and to the <b>COMPANY</b> ;

<b>COMPANY</b>	Edison S.p.A.;
<b>SUBSIDIARIES</b> <b>SUBSIDIARY COMPANIES</b>	or the <b>COMPANY</b> 's Italian or foreign Subsidiaries, pursuant to Article 2359 of the Italian Civil Code, except as provided for in the definition of <b>INTERCOMPANY TRANSACTIONS</b> ;
<b>UNIFORM FINANCIAL CODE</b> <b>(“TUF” IN ITALIAN)</b>	Leg. Dec. no. 58 of February 24, 1998, as amended.

### 3. PURPOSE

**3.1.** The purpose of this Procedure is to define the rules, methods and principles applied to ensure the transparency and the substantive and procedural fairness of Related-party Transactions, irrespective of who may have deliberative or decision-making jurisdiction over Related-party Transactions executed directly by the Company or by and through Subsidiaries.

**3.2.** In particular, the Procedure:

- defines the Procedure’s scope of implementation, setting forth, inter alia, the criteria for the designation of Related Parties;
- indicates the choices made by the Company with reference to the options provided for by the Regulations and referred to the companies, including cases of exemption from the total or partial application of the Regulations;
- establishes the rules and principles in accordance with which the Company reviews and approves Related-party Transactions, also addressing instances in which the Company reviews or approves Transactions executed by Subsidiaries;
- provides for the obligation to abstain for the Directors involved in the Transaction;
- Identifies the independence requirements of Company Directors, pursuant to and for the purposes of this Procedure.
- Determines the methods and timing by which information about Related-Party Transactions and the respective supporting documents must be supplied to the Related Party Transactions Committee<sup>8</sup> when asked to render opinions with regard to Related-party Transactions, and to the Board of Directors and Board of Statutory Auditors, before the adoption of a resolution and during and after a Transaction’s implementation
- Establishes the procedures and timing for informing the Related Party Transactions Committee about Related Party Transactions subject to partial or total exemption.

<sup>8</sup> See note 3.

- 3.3.** This procedure shall be forwarded, also by posting it on the Company website, by the Company's Corporate Affairs & Governance Department to the Company's Directors, Statutory Auditors and Executives with strategic responsibilities, to whom it applies.
- 3.4.** This Procedure shall also be forwarded, also by posting it on the Company website, by the Company's Corporate Affairs & Governance Department to the relevant governance bodies of subsidiaries with securities that are publicly traded or widely held, or with securities traded on the AIM, so that they may become familiar with it, specifically with regard to the provisions of this Procedure concerning the identification of Related Parties, and, making any adjustments required by and consistent with their organization peculiarities, adopt their own procedures concerning Related-party Transactions, taking into account the principles and rules of this Procedure.
- 3.5.** In every case, this Procedure shall also be forwarded, also by posting it on the Company website, by the Company's Corporate Affairs & Governance Department to the relevant governance bodies of subsidiaries other than those indicated in Section 3.4 above, so that they may become familiar with it, specifically with regard to the provisions of this Procedure concerning the identification of Related Parties, and comply with the requirements of this Procedure that apply to them and their governance bodies and functions.
- 3.6.** Periodically and at least once every three years, the Company's Board of Directors, shall make a determination whether this Procedure should be revised, taking into account, among other factors, any changes that occurred in the Company's ownership base and the effectiveness shown by this Procedure in its practical use. The amendments to this Procedure shall be approved by the Board of Directors based on a favourable opinion provided by the Related Party Transactions Committee or, when less than three Independent Directors are in office, by the Independent Directors who are present or, if none is available, based on a non-binding opinion by an Independent Expert. The above-mentioned opinion must be provided even when a decision is made not to revise the existing Procedure.
- 3.7.** The Board of Statutory Auditors ensures that this Procedure is consistent with the principles of the Related-party Regulations, monitors the implementation of this Procedure and reports its findings to the Shareholders' Meeting. To that effect, one or more Board members shall attend the meetings of the Related Party Transactions Committee or of the Alternative, Equivalent Oversight Entity.

## **4. SCOPE OF IMPLEMENTATION**

- 4.1.** The provisions of this Procedure apply to the Company and, insofar as issues specifically applicable and defined by this Procedure are concerned, to all Subsidiaries, consistent with the respective principles and rules set forth in the Procedure.
- 4.2.** The provisions of this Procedure apply to Related-party Transactions executed directly by the Company and to Related-party Transactions Executed Through Subsidiaries. Related-party Transactions Executed Through Subsidiaries, to which the special rules set forth in Section 15 below are applicable, shall be understood to be Transactions Executed Through Subsidiaries with Related Parties that were reviewed or approved by the Parent Company, consistent with the jurisdictional authority of the governance bodies of the individual Subsidiaries with regard to evaluation and decision making, pursuant to law and the Bylaws, including instances in which the review and approval processes are not carried out pursuant to internal regulations or are not reflected in an express resolution, a mere review and approval carried out by virtue of a power of attorney being sufficient. In instances in which the Company's review and approval refers to Transactions by publicly traded Subsidiaries, as defined above, the above-mentioned Subsidiaries, upon final disposition of the Transaction, are required to abide by the rules set forth in the special procedures governing Related-party Transactions adopted by the Subsidiaries.

## **5. CORPORATE GOVERNANCE BODIES AND ORGANISATIONAL UNITS INVOLVED BY THE PROCEDURE**

- 5.1.** The following corporate governance bodies or organisational units are involved by the Procedure:
- a) the Shareholders' Meeting;
  - b) the Board of Directors;
  - c) the Chief Executive Officer;
  - d) the Board of Statutory Auditors;
  - e) the Related Party Transactions Committee or the Committee or the Alternative, Equivalent Oversight Entity, as established on each occasion, if required;
  - f) the Accounting & Tax Department of the Finance Division;
  - g) the Divisions/Departments/Business Units;
  - h) the Legal & Corporate Affairs Division;
  - i) the Information & Communication Technology Department

- j) the Planning & Control Department of the Finance Division
- k) the Corporate Affairs & Governance Department of the Legal & Corporate Affairs Division;
- l) the Media & External Relations Function of the External Relations & Communications Department;
- m) the Corporate Governance Bodies of the Subsidiaries.

## **6. MAIN RESPONSIBILITIES OF THE ORGANIZATIONAL UNITS AFFECTED BY THIS PROCEDURE**

**6.1. The managers of each Division/Department and/or Business Unit and the Corporate Governance Bodies of the Subsidiaries** shall be responsible for ensuring compliance with and the implementation of the rules defined and detailed in the following chapters and sections of this Procedure, and shall designate an Officer Responsible for Information Flows and the Register. More specifically, they shall ensure that:

- the Transaction's information gathering process is carried out correctly and completely, the required information flows are provided to the Corporate Governance Bodies, the Qualified Governance Parties and the Related Party Transactions Committee, and the corresponding supporting documents concerning the Related-party Transactions listed in Sections 13 and 14 are preserved on file, acting with the support of the Corporate Affairs & Governance Department Function, of any other relevant Functions of the Legal & Corporate Affairs Division and of the various organizational units of the Finance Division;
- monitoring, for Regular Transactions, whether the size thresholds set out in section 18.1.7 have been exceeded, for the purposes of the communications contained therein;
- the identification of the objective terms of verification of the equivalence of the conditions of the Regular Transactions to those of the market or standard ones and of the reasons why the Transaction was considered Regular;
- the register of Related-Party Transactions is kept up-to-date and data are entered into it, following completion of the information gathering and decision-making phases, acting with the support of the Corporate Affairs & Governance Department and of any other relevant Functions of the Legal & Corporate Affairs Division;
- the preparation, working in coordination with the various organizational units of the Finance Division, of the periodic reports referred to above for the Corporate Bodies and the public

- a certification is provided as to the correct handling of the above-mentioned activities, in accordance with the requirements and methods set forth in the Accounting Control Model 262 (control matrices/periodic certifications);
  - all of the documents produced for information gathering purposes, pursuant to Article 9 of the Procedure, for decision making purposes, pursuant to Article 11 of the Procedure, and for the purpose of providing quarterly reports to the Board of Directors and Board of Statutory Auditors on Related-party Transactions, pursuant to Sections 17.1 and 17.2 of the Procedure, and annually or punctually to the Related Party Transactions Committee pursuant to Sections 17.4 and 18.1.7, with respect to Related Party Transactions;
  - the support, liaising with the other organizational units of the Finance Division, the Corporate Affairs & Governance Department, in the preparation of the Information Memorandum that must be published for Highly Material Transactions and, when applicable, for Less Material Transactions executed by the Company or its Subsidiaries.
- 6.2.** In connection with the approval of annual and semi-annual financial reports, the **Accounting & Tax Department** shall collect and organize, on an aggregate basis, the information flows received from Divisions/Department/Business Units with jurisdiction over Related-party Transactions in accordance and consistent with the requirements of the Accounting Control Model 262 for the purpose of providing the disclosure to the Board of Directors and the Board of Statutory Auditors as per Section 17.3.
- In addition, the Accounting & Tax Department supports the Corporate Affairs & Governance Department in the periodic communication of the amounts to be taken as reference for the calculation of the materiality indices.
- 6.3.** The **Information & Communication Technology Department**, with the support of the Corporate Affairs & Governance Department, shall defines the IT architecture of the Register of Related-party Transactions, providing the necessary development, maintenance and compute support.
- 6.4.** The **Planning & Control Department** ensures, in the preliminary phase of Transactions, pursuant to Sections 9 and 13.2 of the Procedure, eventual support to the Divisions/Departments/Business Units concerned for the purposes of verifying the objective terms of the equivalence of the conditions of the Transaction to market or standard conditions.
- 6.5.** The **Corporate Affairs & Governance Department** in particular:



- provides the support needed to enable the Department/Business Units involved on each occasion to perform the activities that are part of the information gathering process, pursuant to Section 9 of this Procedure;
- informs the Related Party Transactions Committee<sup>9</sup> about the nature of the Transaction and handle the disclosure process designed to verify compliance with the independence requirements by the Committee members<sup>10</sup>;
- communicates to the Corporate Governance Body or the Qualified Governance Party the opinion rendered by the Related Party Transactions Committee<sup>11</sup> on the Transaction and prepare the report that, pursuant to Section 12.1 of the Procedure, must be provided to the Chairman of the Board of Directors in connection with Urgent Transactions, in the manner and in accordance with the conditions set forth therein;
- supports the Divisions/Departments/Business Units involved from time to time in preparing the periodic report to the Corporate Bodies on the execution of Highly Material and/or Less Material Related-Party Transactions, as well as the report to be made to the Related-Party Transactions Committee pursuant to Sections 17.4 and 18.1.7 on cases of exemption;
- keeps on file the documents provided to the Related Party Transactions Committee<sup>12</sup> and the documents related to the resolutions of the Board of Directors pursuant to Section 11;
- working with the support of other Organizational Units of the Legal & Corporate Affairs Division, the Finance Division and the other Divisions/Departments/Business Units involved, prepares the Information Memorandum referred to in Sections 17.1 and 17.2;
- working with the support of the Accounting and Tax Department, handles the periodic communication of the amounts that must be used as a reference for computing the materiality thresholds;
- assists, together with other relevant Functions within the Legal & Corporate Affairs Division, the Divisions/Departments/Business Units in updating and entering data into the Register of Related-party Transactions and manages the Register.

In order to facilitate the handling of the specific responsibilities assigned within the framework of this Procedure, a special organizational unit called “Related Party Oversight Unit,” responsible for providing consulting assistance and support to the Divisions/Departments/Business Units and Subsidiaries with regard to Related-party

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<sup>9</sup> See note 3.

<sup>10</sup>Or the members of the Alternative, Equivalent Oversight Entity, as established on each occasion pursuant to Section 10.2 of the Procedure, if required.

<sup>11</sup> See note 3.

<sup>12</sup> See Note 3.



Transactions, shall be established within the Legal & Corporate Affairs Division – Corporate Affairs & Governance Department.

- 6.6. The Media & External Relations Function of the External Relations & Communications Division**, which handles the preparation of press releases for the public concerning price sensitive Related-party Transactions, working in collaboration with the Corporate Affairs & Governance Department and based on the information provided by the Divisions/Departments/Business Units involved.

## **7. IDENTIFICATION OF RELATED PARTIES**

- 7.1** Taking into account that the Related Parties Regulation identifies related parties on the basis of IAS 24 in force from time to time, for the purposes of the Procedure, the parties identified therein are Related Parties.

Please refer to Annex 1 of the Procedure for the definition of Related Parties, as reported in the extract from the international accounting standards which is an appendix to the Regulations. For the purposes of this Procedure, reference should be made to Annex 1 for the concepts of "control", "joint control", "significant influence", "immediate family" and "executives with strategic responsibilities".

## **8. EXCLUSIVE JURISDICTION**

Without prejudice to the provisions of the Bylaws and the powers of attorney approved by the Board of Directors, the Board of Directors, acting further to a reasoned favourable opinion by the Related Party Transactions Committee<sup>13</sup>, shall have exclusive jurisdiction over decisions concerning Highly Material Transactions. Should a Transaction involve one of the subject matters over which the Shareholders' Meeting has decision-making jurisdiction, the Board of Directors shall have exclusive jurisdiction over the drafting of the motion that will be submitted to the Shareholders' Meeting for approval.

## **9. GATHERING INFORMATION ABOUT THE TRANSACTION**

- 9.1.** During the initial stage of a Transaction's information gathering phase, and as soon as possible compatibly with the specific characteristics of the different types of Transactions and the

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<sup>13</sup> Or the Alternative, Equivalent Oversight Entity referred to in Items (i) and (ii) of Section 10.2, as established on each occasion if required, or the prior factual opinion of the Independent Expert referred to in Item (iii) of the above-mentioned Section 10.2, when activated as the Alternative, Equivalent Oversight Entity.

minimum required information available, the Division/Department/Business Unit involved, working with the support of the Corporate Affairs & Governance Department and any other Function of the Legal & Corporate Affairs Division, is required to:

- (i) determine:
  - whether the counterparty (or potential counterparties) meets (meet) the requirements for designation as a Related Party;
  - whether the Transaction qualifies for exclusion or total or partial exemption pursuant to this Procedure;
  - whether the Transaction qualifies as a Highly Material Transaction or a Less Material Transaction;
  - which provisions of the Regulations and of this Procedure are applicable to the Transaction;
  - the deliberative or decision-making jurisdiction determined based on the applicable provisions of laws, regulations and Bylaws, instances of exclusive jurisdiction by the Board of Directors set forth in this Procedure notwithstanding;
  - whether a Transaction is “price sensitive” and, therefore, whether the Procedure for the Management of Corporate Information should be applied to the Transaction;
  
- (ii) activates the preliminary procedure aimed at preparing (except in the case of Transactions of Inconsequential Amount and Intercompany Transactions) an "information note" highlighting:
  - information about the nature of the related-party relationship;
  - how the Transaction will be implemented;
  - the schedule and financial terms for the Transaction's implementation (for Transactions involving continuous or periodic performance, if the overall consideration due for them has not been determined, the Division/Department/Business Unit shall produce an estimate based on the unit value of the services for the entire length of the contract or for one year). If the conditions of the Transaction are defined as equivalent to those of the market or standard, the Division/Department/Business Unit concerned shall collect, give evidence and keep objective terms of reference, with the eventual support of the Planning & Control Department;
  - the reasons why the Transaction is to be considered Regular;
  - the valuation process applied;
  - the underlying interests and motivations;

- any risks for the Company and/or its Subsidiaries;
- (iii) preserve on file the supporting documents of the information gathering phase for each Related-party Transaction and, when a Transaction does not require an opinion by the Related Party Transactions Committee<sup>14</sup> send an information memorandum, if any, about the Transaction to the Qualified Corporate Governance Body or Party.

## **10. ESTABLISHMENT AND ACTIVITIES OF THE RELATED PARTY TRANSACTIONS COMMITTEE AND EQUIVALENT ALTERNATIVE OVERSIGHT ENTITIES**

**10.1.** A Related Party Transactions Committee, the members of which shall be appointed by the Board of Directors for the full length of their term as Director, shall be established to handle Highly Material and Less material Transactions, it being understood that the Alternative, Equivalent Oversight Entities shall be activated automatically on each occasion, in the order listed in Section 10.2. below, in the event of Transactions with regard to which members of the Related Party Transactions Committee disclose that they qualify as a Related Party. It is understood that for these purposes, the independent director who qualifies as a Director Involved in the Transaction is equated with a Related Director.

**10.2.** The following constitute Alternative, Equivalent Oversight Entities:

- (i) The remaining Independent Directors who are members of the Related Party Transactions Committee, provided that at least two of them are Independent Director who are not Related Parties.
- (ii) The Independent Directors who are neither Related Parties nor members of the Related Party Transactions Committee who may be present, provided that at least two or up to three Directors are available, taken from a list drawn up based on the Directors' seniority of service as a Company Independent Director or, alternatively, their age seniority. If three Independent Directors are available, the Committee shall than be empanelled.
- (iii) An Independent Expert appointed jointly by the Chairman of the Board of Directors and the Chief Executive Officer. If the abovementioned parties cannot reach an agreement, the Independent Expert shall be appointed by the Board of Statutory

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<sup>14</sup> See note 3.

Auditors with a resolution adopted with the favourable vote of at least two Statutory Auditors.

- 10.3.** The Related Party Transactions Committee<sup>15</sup> issues the opinions referred to in Section 11.2.1 and 11.3.1. For this purpose, it shall be provided with the information referred to in Section 10.6 below and, limited to Highly Material Transactions, shall participate promptly, through the Corporate Affairs & Governance Department or other relevant Functions of the Legal & Corporate Affairs Division in the negotiations and the information gathering phase, in accordance with the provisions of Section 10.9 below.
- 10.4.** Once a Transaction is classified as a Highly Material or Less Material Transaction, the Division/Department/Business Unit involved, acting through the Corporate Affairs & Governance Department, shall promptly provide the members of the Related Party Transactions Committee with the necessary information, enabling them to determine whether there are any personal related-party relationships with regard to a specific Related-party Transaction. If there is a related-party relationship, the Independent Director who is a Related Party, acting through the Corporate Affairs & Governance Department, shall promptly inform the other members of the Related Party Transactions Committee, who, when the existence of the above-mentioned related-party relationship is unclear, shall have jurisdiction over deciding this issue. The unanimous vote of all voting Directors is required to exclude the existence of a related-party relationship, but the Independent Director whose relationship is the reason for the voting being held shall not be allowed to cast a vote on each occasion. If none of the members of the Related Party Transactions Committee qualify as a Director Who Is not a Related Party, the Chairman of the Related Party Transactions Committee shall communicate this information to the Chief Executive Officer, who, upon receiving the communication disclosing the related-party relationships, shall activate the Alternative, Equivalent Oversight Entities, in the order they are listed in Items (ii) and (iii) of Section 10.2. If there is uncertainty about the existence of a related-party relationship affecting one of the member of the Alternative, Equivalent Oversight Entity, as activate on each occasion, the Chief Executive Officer, acting in concert with the Chairman of the Board of Directors, shall resolve this issue.
- 10.5.** Moreover, if an Independent Director, who is either a member of the Related Party Transactions Committee or serves as an Alternative, Equivalent Oversight Entity, while qualifying as a non-related party nevertheless has a relationship with the counterparty that, in a specific Transaction, could undermine his/her independence vis-à-vis the counterparty, the

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<sup>15</sup> See note 3.

disclosure requirements referred to in Section 10.4 above and the substitution mechanisms required for a related-party relationship pursuant to Section 10.2 above shall apply.

- 10.6.** The Function or Division/Department/Business Unit involved in each case, acting through the Corporate Affairs & Governance Department and preserving on file documentary evidence of its actions, shall provide the Related Party Transactions Committee<sup>16</sup> with an adequate and complete written report of the Transaction, accompanied by the respective supporting documents, so that it may render its opinion in advance. In order to allow the Related Party Transactions Committee<sup>17</sup> to reach an informed decision on the matter, the aforesaid report must be provided by the Division/Department/Business Unit, from time to time competent, without delay as soon as it is available, without prejudice to the provisions of Section 11.1.2 below. The Related Party Transactions Committee, through the same intermediary, receives timely information on any examination of the Transaction carried out by internal committees of the Board of Directors, from the respective secretaries of these committees.
- 10.7.** When a date for a meeting or a decision by the Qualified Governance Body or Party has already been set in connection with a Transaction, the Related Party Transactions Committee<sup>18</sup> shall receive the above-mentioned documents at least 15 (fifteen) days before the date of the above-mentioned meeting or decision, unless there are specific and justified reasons for urgent action. The Related Party Transactions Committee<sup>19</sup> shall review the documents supporting the above-mentioned report in order to render an opinion and allow its transmission to the Qualified Governance Body within the deadline set forth in Section 11.1.2 below.
- 10.8.** The Related Party Transactions Committee<sup>20</sup> through the Corporate Affairs & Governance Department, may request from the Division/Department/Business Unit involved on each occasion additional information to supplement those it already received.
- 10.9.** Only in connection with Highly Material Transactions, the Related Party Transactions Committee (or one or more of its members)<sup>21</sup>, acting through the Corporate Affairs & Governance Department or another relevant Function of the Legal & Corporate Affairs Division, shall become promptly involved in the Transaction's negotiation phase and information

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<sup>16</sup> See note 3

<sup>17</sup> See note 3.

<sup>18</sup> See note 3.

<sup>19</sup> See note 3.

<sup>20</sup> See note 3.

<sup>21</sup> Either the Committee (or one or more members delegated by the Committee) or, if one of the other Alternative, Equivalent Oversight Entities is activated, one or more of the Independent Directors who are not Related Parties who may be present or the Independent Expert.

gathering phase, receiving on each occasion a complete and updated flow of information delivered without delay as soon as it becomes available by the Division/Department/Business Unit involved through the Corporate Affairs & Governance Department or another relevant Function of the Legal & Corporate Affairs Division, which shall preserve on file documentary evidence of its actions. More specifically, the reports containing the abovementioned information shall include details about the nature of the related-party relationship, how the Transaction will be implemented, the schedule and financial terms for the Transaction's implementation, the valuation process applied, the underlying interests and motivations and any risks for the Company and/or its Subsidiaries. With regard to the above-mentioned reports, the Related Party Transactions Committee (or one or more of its members to whom they delegated this task)<sup>22</sup> may request additional information and make recommendations to the delegated entities and the parties in charge of the negotiations and the information gathering process. In any case, the Related Party Transactions Committee (or one or more of its members to whom they delegated this task)<sup>23</sup> shall attend the meetings of the Board of Directors convened to review or deliberate about the Transaction.

- 10.10.** When dealing with Highly Material or Less Material Transactions, the Related Party Transactions Committee<sup>24</sup> may request the support of independent consultants of its choosing, retained at the Company's expense. The Related Parties Transactions Committee verifies in advance the independence of the experts taking into account the reports indicated in section 2.4 of Annex 4 of the Related Parties Regulation, as reproduced in Annex 4 of the Procedure. Experts must declare their independence at the time of their appointment, giving reasons why any relationships indicated in the aforementioned section 2.4 of Annex 4 of the Related Parties Regulation are not relevant for the purposes of judging independence. **10.11.** In the case of Less Material Transactions, the costs and expenses entailed by the services provided by the consultants shall be borne by the Company for an amount of up to 350,000 euros per Transaction. This limit does not apply to Highly Material Transactions, but the costs incurred in connection with them shall never be patently unreasonable.
- 10.11.** The Related Party Transactions Committee<sup>25</sup> shall issue its opinion about the Transaction to the Qualified Governance Body or Party early enough to allow it to develop adequate information about the Transaction, the provisions of Section 11.1.2 below notwithstanding.
- 10.12** The Related Party Transactions Committee, on the basis of information received from the Division/Business Unit concerned and/or from the Finance Division, through the Corporate

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<sup>22</sup> See note 3.

<sup>23</sup> See note 20.

<sup>24</sup> See note 3.

<sup>25</sup> See note 3.

Affairs & Governance Department, shall verify the correct application to Regular Transactions as per Section 18.1.3. of the exemption conditions provided for by the Procedure for Regular Transactions concluded at conditions equivalent to market or standard conditions. For these purposes, the relative disclosure is made to the Related Party Transactions Committee in the terms set out in Section 18.1.7. The Committee shall review such Transactions within 7 days of receipt of the relevant information, reporting to the Board of Directors at the earliest opportunity. If the Regular Transaction referred to in Section 18.1.7 is to be approved by the Board of Directors, the Related Party Transactions Committee shall receive the relevant information at least 10 days before the date set for the meeting of the Board of Directors and shall report on its assessments at that meeting.

**10.13** The Related Party Transactions Committee, on the basis of the information received annually pursuant to Section 17.4, verifies the adequacy, also for the purposes of a possible revision, of the Related Party Procedure with regard to Related Party Transactions subject to partial or total exemption carried out during the financial year. The Committee examines these Transactions within 30 days of receiving the relevant information, reporting back to the Board of Directors at the earliest opportunity.

## **11. REPORTING AND DECISION-MAKING PHASE**

### **11.1. *Highly Material or Less Material Transactions***

**11.1.1** The Qualified Corporate Governance Body or Party shall receive the following:

- (i) from the Division/Department/Business Unit involved on each occasion, through the conduit of the Corporate Affairs & Governance Department when the Board of Directors has decision-making jurisdiction, a written report, with the corresponding supporting documents, concerning the Transaction, with specific information about the nature of the related-party relationship, how the Transaction will be implemented, the schedule and financial terms for the Transaction's implementation, the valuation process applied, the underlying interests and motivations and any risks for the Company and/or its Subsidiaries;
- (ii) from the Related Party Transactions Committee<sup>26</sup> through the conduit of the Corporate Affairs & Governance Department, an opinion about the transaction, together with any reports provided by independent consultants.

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<sup>26</sup> See Note 3.



**11.1.2.** The Qualified Corporate Governance Body or Party must receive the above-mentioned documents and opinions promptly and without delays, as soon as they become available. When a date for the meeting or the decision by the Qualified Corporate Governance Body or Party has already been set in connection with a Transaction, the abovementioned documents and opinions must be received at least 4 (four) days before the date of the abovementioned meeting or decision, unless there are specific and justified reasons for urgent action.

**11.1.3** The minutes of resolutions or the decisions shall officially record in a clear, analytical and exhaustive fashion the reasons upon which the resolutions or decisions are based, with regard to the Company's interest in executing the Transaction and whether its terms and conditions are beneficial and substantively fair.

**11.1.4** The above-mentioned determinations and the respective supporting documents and opinions shall be preserved on file by the Divisions/Department/Business Unit involved on each occasion or by the Corporate Affairs & Governance Department, when a transaction falls within the jurisdiction of the Board of Directors. The Division/Department/Business Unit involved on each occasion shall communicate the above-mentioned determinations to the Accounting & Tax Department within the fifth day of the month following the date of adoption.

**11.1.5** If the Transaction is within the jurisdiction of the Board of Directors pursuant to Section 8 above, the Directors Involved in the Transaction shall abstain from voting.

**11.2. *Highly Material Transactions Within the Jurisdiction of the Board of Directors***

**11.2.1** The Board of Directors shall approve Highly Material Transactions based on:

- (i) a prior favourable factual opinion by the Related Party Transactions Committee or, when applicable, the Committee or the Independent Directors Who Are Not Related Parties activated on each occasion in the capacity of Alternative, Equivalent Oversight Entity pursuant to Section 10.2. Items (i) and (ii); or
- (ii) a prior favourable factual opinion by an Independent Expert serving in the capacity of an Alternative, Equivalent Oversight Entity pursuant to Section 10.2. Item (iii).

The opinion shall concern the Company's interest in executing the Transaction and whether the Transaction's terms are beneficial and substantively fair. The opinion is attached to the minutes of the meeting of the Related Party Transactions Committee in which it was approved.



**11.2.2.** Without prejudice to the provisions of Section 11.2.4 below, an opinion shall be deemed to be favourable only if it approves the Transaction in its entirety and the consent is expressed by:

- i. a majority of the members of the Related Party Transactions Committee, not counting abstaining members, if activated from time to time as Alternative, Equivalent Oversight Entity, when applicable;
- ii. unanimously, by two members of the Related Party Transactions Committee who are not Related Parties, as mentioned in Section 10.2, Item (i);
- iii. the majority of the members of the Committee referred to in Section 10.2, Item (ii), not counting abstaining members;
- iv. unanimously by two Independent Directors who are not Related Parties or members of the Related Party Transactions Committee, if present, as mentioned in Section 10.2, Item (ii).

If the two Independent Directors who are not Related Parties referred to in Items (ii) and (iv) above or, if one member is abstaining, the two voting Directors referred to in Items (i) and (iii) above should cast a diverging vote, the opinion shall be rendered by the Alternative, Equivalent Oversight Entity referred to in Section 10.2, Item (iii).

**11.2.3** If the Related Party Transactions Committee<sup>27</sup> renders a negative opinion, the Board of Directors may not approve the Transaction. If the Related Party Transactions Committee<sup>28</sup> renders an opinion conditional on the resolution of specific issues raised in the opinion, the Board of Director may approve the Transaction provided that the above-mentioned issues, as raised, are effectively addressed in the Transaction and that clear evidence thereof is provided to the Related Party Transactions Committee or the Alternative, Equivalent Oversight Entity, it being understood that, in such cases, this Procedure does not require the issuance of a new opinion. In any case, the report on the implementation of the Transaction that must be submitted to the Board of Directors and the Board of Statutory Auditors, as referred to in Section 17 below, shall provide evidence that any conditions placed on the issuance of the opinion in question were effectively satisfied.

**11.2.4** Limited to instances when the opinion is rendered by an Independent Expert, activated in a specific case as the Alternative, Equivalent Oversight Entity referred to in Section 10.2, Item (iii), the Transaction may be executed as originally planned, even in the event of a negative or conditional opinion and, in the latter case, with no obligation to satisfy the opinion's conditions.

<sup>27</sup> Or the Alternative, Equivalent Oversight Entity referred to in Items (i) and (ii) of Section 10.2, as established on each occasion if required.

<sup>28</sup> See note 26.

### **11.3. Less Material Transactions**

**11.3.1** In the case of Less Material Transactions, the Related Party Transactions Committee<sup>29</sup> shall issue in advance a non-binding, factual opinion as to whether a Transaction is in the Company's interest and its terms and conditions are beneficial and substantively fair. Voting shall be carried out in accordance with the provisions of Section 11.2.2. The opinion is attached to the minutes of the meeting of the Related Party Transactions Committee in which it was approved.

**11.3.2** A Transaction may be executed as originally structured even if the corresponding opinion is negative or conditional (in the latter case without having to effectively comply with the conditions), provided that the disclosure requirements referred to in Section 18.2 below are satisfied.

**11.3.3** An opinion shall not be deemed to be negative only if it approves the Transaction in its entirety or, in the case of an opinion conditional on the resolution of one or more issues, if these conditions are effectively satisfied upon the approval, stipulation or execution of the Transaction.

**11.3.4** In the case of resolutions about issues different from those included in the total amount approved in advance by the Shareholders' Meeting, pursuant to Article 2389, Section 3, of the Italian Civil Code, concerning the compensation of Directors serving in special capacities and any other executives with strategic responsibilities, to whom the Related Parties Regulation must be applied, if the conditions of Article 13, Section 3, Letter b) of the Regulations are not complied with, the tasks assigned to the Related Party Transactions Committee and the powers vested in said Committee shall be transferred to the Compensation Committee, established by the Company's Board of Directors pursuant to the Governance Code, provided that it is comprised exclusively of non-executive Directors, the majority of whom are Independent Directors, unless the latter chooses to seek the opinion of the Related Party Transactions Committee.

### **11.4. Highly Material Transactions Within the Jurisdiction of the Shareholders' Meeting**

In instances in which Highly Material Transactions approved by the Board of Directors involve subject matters over which the Shareholders' Meeting has deliberative jurisdiction, the negotiation phase, the information phase and the phase entailing the approval of the motion

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<sup>29</sup> See note 3.

prepared by the Board of Directors for submission to the Shareholders' Meeting shall be governed by the provisions of Sections 9 to 11, the requisite adjustments having been made.

## 12. URGENT TRANSACTIONS

12.1. If a Highly Material or Less Material Transaction does not fall within the jurisdiction of the Shareholders' Meeting or does not require its approval, in urgent cases, when allowed by the Bylaws, the Transaction may be executed without meeting the requirements of Sections 9 to 11 with regard to Highly Material and Less Material Transactions, without prejudice in any case, for Highly Material Transactions, to the exclusive decision-making jurisdiction by the Board of Directors, provided that:

- (i) in the case of a Less Material Transaction, when it is not subject to the prior approval of the Board of Directors, the Chairman of the Board of Directors shall be promptly informed in writing by the relevant Division/Department/Business Unit, through the Corporate Affairs & Governance Department, of the reasons for the urgency prior to the execution of the Transaction and of the additional elements referred to in Section 11.1.1 (i). If the Chairman of the Board of Directors does not qualify as an Independent Director who is not a Related Party, the abovementioned information must be provided to: (i) the members of the Related Party Transactions Committee Who Are Not Related Parties; or (ii) if none of the members of the Related Party Transactions Committee qualify as Directors Who Are Not Related Parties, to the other Independent Directors Who Are Not Related Parties, if available;
- (ii) subsequently, the Highly Material or Less Material Transaction, its effectiveness not being affected, shall be the subject of a non-binding resolution by the first available Ordinary Shareholders' Meeting;
- (iii) the Corporate Body convening the Shareholders' Meeting prepares a report containing adequate reasons for the urgency. The Board of Statutory Auditors shall report to the Shareholders' Meeting on its assessment of the existence of the reasons for urgency;
- (iv) the report and assessment referred to in Item (iii) above shall be made available to the public at the Company's head office, at least 21 (twenty one) days before the date of the Shareholders' Meeting, in the manner set forth in Part III, Title II, Chapter

I, of the Issuers' Regulations. These documents may be included in the Information Memorandum referred to in Section 18 below;

- (v) within the day following the date of the Shareholders' Meeting, the Company shall make available to the public, in the manner set forth in Part III, Title II, Chapter I, of the Issuers' Regulations, information about the outcome of the vote, specifically with regard to the total number of votes cast by Shareholders who are not Related Parties.

**12.2.** The effectiveness of the exemption from complying with the provisions of Sections 9 to 11 is predicated upon the adoption of a corresponding amendment to the Bylaws.

**12.3.** The public disclosure requirements set forth in Section 18 shall also apply.

### **13. REGULAR TRANSACTIONS**

**13.1.** Without prejudice to the implementation of Sections 9, 17.3, 18.3, 18.4 and 19, if following the information gathering phase a Transaction is found to be a Regular Transaction, the following provisions shall apply:

**13.2.** A resolution or a decision concerning a Regular Transaction shall provide evidence, taking also into account the provisions of § 3 of the Consob Communication (Annex 5 to this Procedure), that the Transaction qualifies as a Regular Transaction insofar as it can be viewed as part of the regular exercise of the Company's operating activities or related financial activities, evaluating in particular the subject of the Transaction, the frequency with which Transactions of this type are executed as part of the Company's operations, the size of the Transaction, its contractual terms and conditions (also with regard to the characteristics of the consideration) and the nature of the counterparty. The competent Division/Department/Business Unit must provide evidence of the regular nature of the Transaction and the objective terms of verification with the support of the Planning & Control Department regarding the equivalence of the conditions of the Transaction to market or standard conditions.

**13.3.** The above-mentioned determinations and the respective supporting documents and opinions shall be preserved on file by the Division/Department/Business Unit involved on each occasion, which shall communicate the above-mentioned determinations to the Accounting and Tax Department with the fifth days of the month following the month of adoption.

**13.4** The provisions of Sections 10.13, 10.14, 17.4 and 18.1.7 shall also apply to Regular Transactions pursuant to the Procedure, the amount of which exceeds (including as a result of any accumulation) the materiality thresholds used to identify Highly Material Transactions.

## **14. INTERCOMPANY TRANSACTIONS**

**14.1.** Without prejudice to the implementation of Sections 9 (with the sole exception of the preparation of the information note pursuant to section 9.1 (ii), 17.3, 18.3, 18.4 and 19, if following the information gathering phase a Transaction is found to be an Intercompany Transaction, the provisions of this Procedure shall not apply, provided no Material Interests are involved.

**14.2.** A resolution or a decision concerning an Intercompany Transaction must provide evidence that no Material Interests are involved with regard to the specific Transaction, making reference to the provisions of § 21 of the Consob Communication.

**14.3.** The above-mentioned determinations and the respective supporting documents and opinions shall be preserved on file by the Division/Department/Business Unit involved on each occasion, which shall communicate the above-mentioned determinations to the Accounting and Tax Department with the fifth days of the month following the month of adoption.

**14.4** Transactions that qualify as Intercompany Transactions pursuant to the Procedure, the amount of which exceeds the materiality thresholds used to identify Highly Material Transactions, are also subject to the provisions of Sections 10.14 and 17.4.

## **15. RELATED-PARTY TRANSACTIONS EXECUTED THROUGH SUBSIDIARIES**

**15.1.** Without prejudice to the application of Sections 9, 17, 18 and 19, if, following the preliminary investigation, the Transaction falls within the sphere of Highly Material or Less Material Transactions Executed through Subsidiaries, the provisions indicated in Sections 15.2 to 15.5 shall apply. If the Transaction is a Regular Transaction, the provisions of Sections 13.2 and, if Highly Material, also the provisions of Section 13.4 shall apply and if the Transaction is an Intercompany Transaction, the provisions of Section 14.2 and, if Highly Material, also the provisions of Section 14.4 shall apply.

- 15.2.** Less Material Transactions shall be reviewed in advance or approved by the Company's Qualified Corporate Governance Body or Party, based on a factual opinion provided beforehand by the Company's Related Party Transactions Committee<sup>30</sup> which shall not be binding on the above-mentioned Corporate Governance Body.
- 15.3.** Highly Material Transactions shall be reviewed in advance or approved by the Company's Board of Directors, based on a prior factual favourable binding opinion provided earlier by the Company's Related Party Transactions Committee or, when activated from time to time as the Alternative, Equivalent Oversight Entity, the Committee or the Independent Directors who are not Related Parties or, when activated as the Alternative, Equivalent Oversight Entity, a prior favourable factual opinion by the Independent Expert.
- 15.4.** In order to allow the transparent and correct execution of Highly Material or Less Material Related Party Transactions, the Related Party Transactions Committee<sup>31</sup> receives, within the terms set out in Sections 10.6 and 10.7, from the competent bodies of the Subsidiaries, which shall keep documentary evidence of it and take care of its preservation, through the Corporate Affairs & Governance Department, ample and exhaustive written information, with the relevant documentation, about the Transaction subject to examination or approval by the Company. In turn, the Qualified Corporate Body or Party receives the documentation and opinions within the time limits set out in Section 11.1.2. The provisions of Sections 11.1.3, 11.1.4 and 11.1.5 shall apply.
- 15.5.** In the event of urgency, Highly Material or Less Material Transactions executed through Subsidiaries, where permitted by the Bylaws, may be examined or approved by the Qualified Corporate Bodies or Parties, notwithstanding the provisions of Sections 15.3 and 15.4 above, except for the application of Section 12.1(i) and without prejudice to the application of Section 15.2 to Highly Material Transactions.

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<sup>30</sup>Or the Company's Alternative, Equivalent Oversight Entity, as established on each occasion pursuant to Section 10.2, if required.

<sup>31</sup> See note 3.

## 16. OTHER EXEMPTIONS

- 16.1.** The provisions of this Procedure shall not be applicable to resolutions adopted by the Shareholders' Meeting pursuant to Article 2389, Section 1, and Article 2402 of the Italian Civil Code, concerning compensation payable to Directors and Statutory Auditors, or to resolutions concerning the compensation of Directors serving in special capacities, when included in the total amount approved in advance by the Shareholders' Meeting pursuant to Article 2389, Section 3, of the Italian Civil Code.
- 16.2.** The provisions of this Procedure and the Regulations do not apply to transactions resolved by the Company and addressed to all shareholders on equal terms, including:
- a) share capital increases by option, including those servicing convertible bonds, and free capital increases as provided for by Article 2442 of the Italian Civil Code;
  - b) full or partial demergers in the strict sense of the term, with proportional share allocation;
  - c) reductions in share capital by means of reimbursement to shareholders pursuant to Article 2445 of the Italian Civil Code;
  - d) purchases of treasury shares pursuant to Article 132 of the TUF.
- 16.3.** The provisions of this Procedure shall also not be applicable to transactions executed in the normal course of business activity or related to the Company's financial activities that are executed through trading platforms or other means through which it is impossible to know the identity of the trading counterparty.
- 16.4.** The Provisions of Section 19.4 do not apply to Intercompany Transactions where no Material Interests are involved, to transactions involving the purchase and sale of commodities, foreign exchange, or hedging commodity price, foreign exchange and interest rate risks, provided that such transactions are recorded in company systems that are capable of ensuring the traceability and documentation of contractual terms and conditions and that make it possible to detect, as a result of any accumulation, the materiality thresholds set forth in Section 18.1.7.
- 16.5** Without prejudice to the applicability of the provisions of Article 5, Section 8, of the Related-party Regulations, the provisions of this Procedure shall not apply to the following Transactions:
- (i) Transactions of Inconsequential Amount, as defined in Annex 2 to this Procedure, to which only Section 9 shall apply;



- (ii) Compensation plans based on financial instruments approved by the Shareholders' Meeting pursuant to Article 114-bis of the TUF and related implementative transactions;
- (iii) Resolutions, different from those referred to in Section 16.1 above, concerning the compensation of Directors who perform special functions and Executives with strategic responsibilities, to which the Related Parties Regulation applies, to which the provisions of Article 13, Section 3, Letter b) of the Regulations shall apply.

## 17. PERIODIC REPORTS TO CORPORATE BODIES

**17.1.** Without prejudice to statutory and regulatory disclosure requirements, the Division/Department/Business Unit involved on each occasion, acting through the Corporate Affairs & Governance Department, shall submit on a quarterly basis to the Board of Directors and the Board of Statutory Auditors a written report, together with any supporting documents, providing information about the implementation of the Highly Material and Less Material Transactions. This disclosure may be included among the communications made by the Chief Executive Officer pursuant to Article 150 TUF. More specifically, when there is a discrepancy with the information provided to the Board of Directors during the Transaction's review and/or approval phase, the abovementioned report must provide the following information:

- (i) the nature of the related-party relationship;
- (ii) the Transaction's implementation process, as actually observed or planned;
- (iii) the schedule and financial terms for the Transaction's implementation;
- (iv) the valuation process applied;
- (v) the underlying interests and motivations.

**17.2.** In the case of Highly Material and Less Material Transactions Executed Through Subsidiaries, the quarterly information referred to in Section 17.1 shall be provided to the Parent Company's Board of Directors and Board of Statutory Auditors, on the occasion of meetings of the Company's Board of Directors, by the Qualified Governance Bodies of the Subsidiaries by means of a report describing the implementation of Transactions executed by the Subsidiaries and reviewed or approved by the Company. This disclosure may be included among the communications made by the Chief Executive Officer pursuant to Article 150 TUF.

**17.3.** The Parent Company's Board of Directors and its Board of Statutory Auditors shall be informed about Related-party Transactions executed by the Company and its Subsidiaries, taken on an



aggregate basis, by the Accounting & Tax Department, pursuant to and consistent with the requirements of the Accounting Control Model 262, on the occasion of the approval of the financial reports required by Article 154-ter of the TUF, which shall contain a special section about Related-party Transactions.

- 17.4** The Related Party Transactions Committee is informed by the Division/Department/Business Unit concerned and/or by the Finance Division through the Corporate Affairs & Governance Department about the application of the cases of exemption as per sections 13, 14 and 16 to Transactions (carried out also through Subsidiaries) that have exceeded the size thresholds used to identify Highly Material Transactions, on an annual basis and in any case by the month of February of the year following the year in which the Transaction was carried out. Section 10.14 shall apply.

## **18. PUBLIC DISCLOSURES ABOUT RELATED-PARTY TRANSACTIONS**

### **18.1. *Highly Material Transactions***

- 18.1.1.** When Highly Material Transactions are being executed directly by the Company or by its Subsidiaries, the Corporate Affairs & Governance Department, working, if necessary, with the support of other Functions of the Legal & Corporate Affairs Division involved on each occasion or the relevant Division/Department/Business Unit and the Finance Division, shall draw up an Information Memorandum prepared in accordance with Annex 4 to the Regulations (see Annex 4 to this Procedure), which shall be governed by the provisions of Article 5 of the Related-party Regulations.

- 18.1.2** If, over the course of the fiscal year, the Company or its Subsidiaries were to execute with a Related Party or with parties related to it or to the Company a series of homogeneous transactions or transactions executed in pursuit of a common purpose that, while failing to qualify individually as Highly Material Transactions, exceed in the aggregate the materiality threshold, the Corporate Affairs & Governance Department Function, working, if necessary, with the support of other Functions of the Legal & Corporate Affairs Division involved on each occasion or the relevant Department/Business Unit and the Finance Division, shall prepare an Information Memorandum, which shall be governed by the provisions of Article 5 of the Related-party Regulations. In such cases, only Transactions executed since the start of the fiscal year that do not qualify as excluded Transactions under the Regulation and Procedure shall be counted to verify whether the materiality thresholds were exceeded. Moreover, the

Transactions disclosed in the Information Memorandum published when the size thresholds are exceeded due to the effect of the aggregate computation will no longer have to be taken into account, even if the reporting year has not ended, when determining whether the size thresholds had again been exceeded on an aggregate basis.

**18.1.3** The Information Memorandum shall be made available to the public within the deadlines and in the manner specified in Part III, Title II, Chapter I, of the Issuers' Regulations.

- (i) Within 7 (seven) days from the approval of a transaction by a Qualified Corporate Governance Body or Party or, if the Qualified Corporate Governance Body or Party decides to submit a contract proposal, from the moment a final or preliminary contract is executed, pursuant to the applicable statutes. When a transaction falls within the jurisdiction of the Shareholders' Meeting, the corresponding Information Memorandum shall be made available within 7 (seven) days from the approval of the motion that will be submitted to the Shareholders' Meeting.
- (ii) Within 15 (fifteen) days from the approval of a transaction or the execution of a contract that causes the transaction amount to exceed a materiality threshold, when exceeding the materiality threshold is caused by aggregating transactions that are either homogeneous or executed in pursuit of a common purpose with the same related party or with parties related to it or to the same companies.
- (iii) Within 15 (fifteen) days from the moment the Company is informed that a transaction was approved or from the execution of a contract that causes the transaction amount to become material, when exceeding the materiality threshold is caused by transactions executed by Subsidiaries. For the purpose of meeting this requirement, Subsidiaries shall promptly provide the information needed to prepare the Information Memorandum.
- (iv) Concurrently with its dissemination to the public, the Information Memorandum shall be forwarded to the Consob, together with the relevant supporting documents and opinions, and in the manner specified in Article 5, Section 7, of the Related-party Regulations.

**18.1.4** It shall be understood that when the materiality thresholds are exceeded due to effect of aggregating multiple Transactions, the Company may also provide the required information on an aggregate basis, for homogeneous Transactions, in accordance with the provisions of Article 5, Section 4, of the Regulations.

- 18.1.5** When a Transaction consists of a merger, demerger, capital increase through a conveyance in kind or a significant acquisition or divestment (pursuant to Article 70, paragraphs 4 and 5 and Article 71 of the Issuers' Regulations), if the Consob asks a company that chose to avail itself of the option of not publishing the Information Memorandum required by the above-mentioned regulations to instead proceed with the publication of such a document, the company in question may comply with this requirement by publishing a single Information Memorandum containing the information that, pursuant both to Article 70 and Article 71 of the Issuers' Regulations and to Article 5, Section 1, of the Related-party Regulations, must be made available to the public within the shortest of the various deadlines set forth in each of the applicable provisions. The Corporate Affairs & Governance Department, with the support of the various Departments of the Finance Division, shall ensure that the Company proceeds with the publication of this document.
- 18.1.6** For the purposes of the provisions of Article 154-*ter* of the TUF, the disclosure to the public of individual Highly Material Transactions is included by reference to the Information Memoranda published pursuant to Article 5, Sections 1, 2 and 6, of the Related-party Regulations, providing any significant updates.
- 18.1.7** In the case of Regular Transactions the amount of which exceeds the materiality thresholds used to qualify transactions as Highly Material Transaction (including instances when this is caused by aggregating transactions that are either homogeneous or executed in pursuit of a common purpose with the same related party or with parties related to it or to the Company), without prejudice to the obligation to disclose to the market price sensitive transactions, pursuant to Article 17 of Regulation (EU) no. 596/2014, the Company notifies Consob, by the deadline specified under Section 18.1.3 above, and the Related Party Transactions Committee, under the terms indicated in Section 10.13 above, of the name of the counterparty and the purpose and consideration of any transaction that benefited from an exemption from the publication requirements applicable to Highly Material Transactions pursuant to the Regulations and the reasons why it is considered that the Transaction is Regular and concluded at arm's length or standard conditions, providing objective evidence thereof. The disclosure obligation does not apply to Transactions of Inconsequential Amount which are eligible for the exemption and, consequently, are not counted for cumulative purposes.

## **18.2. Less Material Transactions**

In cases when Less Material Transactions are approved or decided despite a negative opinion by the Related Party Transactions Committee or the Alternative, Equivalent Oversight Entity, the Corporate Affairs & Governance Department, working, if necessary, with the support of other internal Functions of the Legal and Corporate Affairs Division specified on each occasion or the relevant Division/Department/Business Unit and the Finance Division, shall prepare and make available to the public the Memorandum within 15 (fifteen) days from the end of each quarter of the reporting year.

Concurrently with its dissemination to the public, the Memorandum shall be forwarded to the Consob, together with the relevant supporting documents and opinions, and in the manner specified in Article 5, Section 7, of the Related-party Regulations.

## **18.3. Price Sensitive Information**

When a Transaction is also subject to the disclosure requirements of Article 17 of Regulation (EU) no. 596/2014, the press release issued to the public, which shall be prepared by the Media & External Relations Function in concert with the Corporate Affairs & Governance Department, based on the information provided by the Division/Department/Business Unit involved on each occasion and in accordance with the Procedure for the Management of Corporate Information, cited here by reference, shall provide, in addition to the information disclosed pursuant to the above-mentioned provision, the information required by Article 6, Section 1, Letters a) to f), of the Related-party Regulations.

## **18.4. Disclosures in the semi-annual and annual financial reports**

**18.4.1** Pursuant to Article 154-ter of the TUF and consistent with the guidelines set forth in §10 of the Consob Communication (Annex 5 to this Procedure), the Company must provide in its semi-annual and annual financial report information about:

- (i)** Individual Highly Material Transactions executed during the reporting period;
- (ii)** Any other individual Related-party Transaction, executed during the reporting period that had a material effect on the Company's balance sheet or income statement;
- (iii)** Any changes or developments affecting Transactions described in the latest annual report that had a material effect on the Company's balance sheet or income statement during the reporting period.

**18.4.2** In the case of the Regular Transactions referred to Section 18.1.7 above, the information referred to in Section 18.4.1 above provided in interim and annual reports on operations shall list the transactions that were executed benefiting from exemptions for said Regular Transactions.

## **19. PRESERVING SUPPORTING DOCUMENTS AND MONITORING THE PROCEDURE**

**19.1.** Each relevant Division/Department/Business Unit shall preserve on file supporting documents concerning the activities and reviews performed pursuant to Section 9 above and the resolutions adopted by the Qualified Corporate Governance Body or Party pursuant to Sections 13 and 14 above concerning Related-party Transactions.

**19.2.** The Corporate Affairs & Governance Department shall preserve on file the supporting documents concerning the communications provided to the Related Party Transactions Committee<sup>32</sup> and the documents concerning the determinations adopted by the Board of Directors pursuant to Section 11 above.

**19.3.** Each Division/Department/Business Unit, for transactions within its jurisdiction, shall prepare a written report about the execution of Highly Material and Less Material Related-party Transactions, which it shall submit on a quarterly basis to the Company's Board of Directors, as required by Section 17 above. A copy of this report, which shall be forwarded to the Accounting & Tax Department.

**19.4.** Each relevant Division/Department/Business Unit, working, if needed, with the support of the Corporate Affairs & Governance Department and other Functions that are part of the Legal & Corporate Affairs Division, shall provide input for the Register of Related-Party Transactions for multiple purposes, including identifying the cumulative thresholds referred to in Section 18.1.2 above. The Register of Related-Party Transactions must be updated within 3 (three) days from the date of approval of Highly Material and Less Material Transactions and the execution of the Regular Transactions referred to in Section 18.1.7, or the date when a contract is executed or a commitment is undertaken, and on a monthly basis within fifth day of the following months for all other Transactions. For Transactions reflected in contracts or requiring commitments with

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<sup>32</sup> See note 2.

effectiveness or duration spanning multiple reporting years, within 30 (thirty) days from the start of the reporting year, each Division/Department/Business Unit shall verify, for the transactions it entered into the Register, whether a third-party relationship still exists and, in the affirmative, re-enter the Transaction into the Register.

- 19.5** In order to allow the preparation of the periodic disclosures that must be included in the semi-annual and annual financial reports, each relevant Division/Department/Business Unit shall provide the Accounting & Tax Department with any additional specific information that it may require with special instruction.
- 19.6.** The compliance requirements set forth in Sections 19.1 to 19.5 above shall also apply to Subsidiaries for the transactions that they execute.

## **20. CONFIDENTIALITY**

Insofar as the Transactions governed by this Procedure are concerned, all information received or otherwise obtained by Independent Directors, Independent Experts and managers of the Company's Divisions/Departments/ Business Units and of the companies of the Edison Group, who are involved for any reason in the above-mentioned Transactions, must be treated as strictly private and confidential and, when the information qualifies as insider information pursuant to the Procedure for the Management of Corporate Information, must be handled in accordance with the above-mentioned Procedure, unless it is communicated to the public as part of the disclosures required by Section 18 of this Procedure and/or its disclosure is otherwise indispensable for correct compliance with this Procedure or to comply with mandatory obligations pursuant to law, regulations or court orders.

## **21. FINAL PROVISIONS**

- 21.1.** All contracts stipulated by the Company with a Related Party shall contain a declaration whereby the parties mutually acknowledge that they are Related Parties, based on the requirements of the Procedure. The above-mentioned contracts shall be preserved on file by the relevant Divisions/Department/ Business Unit.
- 21.2.** It shall be understood that, insofar as they are applicable and compatible with the provisions of this Procedure, specific rules set forth in the Company's internal regulations shall continue to

apply.

- 21.3.** All amendments to this Procedure shall be approved by the Company's Board of Directors, further to a favourable opinion rendered by the Related Party Transactions Committee, or the Committee, except for mandatory amendments to this Procedure—for which, therefore, no other option is available—required as a result of amendments to earlier Consob regulations that are reproduced or cited in this Procedure or its Annexes, which shall be handled by the Chief Executive Officer. Before rendering an opinion, the Committee may seek the input of the Board of Statutory Auditors.
- 21.4.** The Company's Board of Directors shall draw up any motions to amend the Bylaws that may be necessary to implement the rules and procedural mechanisms defined in this Procedure (as updated from time to time) and in the applicable laws and regulations.
- 21.5.** This Procedure, as updated or amended over time, shall be published on the Company's website by the Corporate Affairs & Governance Department through the Media & External Relations Function. In addition, the obligation to provide the same disclosure in the annual report on operations must also be complied with by citing the above-mentioned website.
- 21.6.** The Procedure, as amended, shall apply as of July 1, 2021.
- 21.7.** The provisions of sections 3.4, 6.1 and 15 shall apply to Subsidiaries subject to functional unbundling requirements, consistent with and within the limits of the applicable industry regulations.

## **Annex 1: Related Parties**

*The following is an excerpt of the definitions of related parties pursuant to IAS 24 as of the date of issue of the 04 version of the procedure, as well as a reminder of the additional definitions of related parties provided by the international accounting standards*

### **1. Definitions of related parties and related party transactions under international accounting standards**

#### ***Related parties***

A related party is a person or entity that is related to the reporting entity.

- a) A person or a close family member of that person is related to a reporting entity if that person:
  - i) has control or joint control over the reporting entity;
  - ii) has significant influence over the reporting entity; or
  - iii) is an executive with strategic responsibilities of the reporting entity or one of its parents.
  
- b) An entity is related to a reporting entity if any of the following conditions applies:
  - i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and group member is related to the others);
  - ii) an entity is an associate or joint venture of the other entity (or an associate or joint venture that is part of a group of which the other entity is a member);
  - iii) both entities are joint ventures of the same third party;
  - iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - v) the entity is a post-employment benefit plan for the benefit of employees of the reporting entity or an entity related to the reporting entity;
  - vi) the entity is controlled or jointly controlled by a person identified in (a);
  - vii) a person identified in (a)(i) has significant influence over the entity or is an executive with strategic responsibilities of the entity (or of a parent of the entity);
  - viii) the entity, or any member of a group to which it belongs, provides key management personnel to the reporting entity or the reporting entity's parent [IAS 24, paragraph 9].

In the definition of related party, an associate includes the subsidiaries of the associate and a joint venture includes the subsidiaries of the joint venture. Therefore, for example, a subsidiary of an associate and the investor that has significant influence over the associate are related to each other [IAS 24, paragraph 12].



### ***Related party transactions***

A related party transaction is a transfer of resources, services or obligations between an entity and a related party, regardless of whether a consideration is agreed [IAS 24, paragraph 9]<sup>33</sup>.

## **2. Definitions functional to those of "related parties" and "related party transactions" according to international accounting standards**

The terms 'control', 'joint control' and 'significant influence' are defined in IFRS 10, IFRS 11 (Arrangements for Joint Control) and IAS 28 (Investments in Associates and Joint Ventures) and are used with the meanings specified in those IFRSs [IAS 24, paragraph 9].

### ***Executives with strategic responsibilities***

An executive with strategic responsibilities is a person who has the power and responsibility, directly or indirectly, to plan, manage and control a company's activities. Company directors, with or without executive authority, are also deemed to be executives with strategic responsibilities [IAS 24, paragraph 9].

### ***Immediate family***

The members of a person's immediate family are those relatives who are presumed to have influence over, or be influenced by, the above-mentioned person in their dealings with the Company, including:

- (a) the children and spouse or cohabiting partner of that person;
- (b) the children of that person's spouse or partner;
- (c) the dependants of that person or of a spouse or cohabiting partner [IAS 24(9)].

## **3. Principles of interpretation of definitions**

3.1 In reviewing each related party relationship, attention shall be paid to the substance of the relationship and not simply its legal form [IAS 24, paragraph 10].

3.2 The above definitions shall be interpreted by reference to the body of international accounting standards adopted in accordance with the procedure laid down in Article 6 of Regulation (EC) no. 1606/2002.

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<sup>33</sup> Such transactions include:

- mergers, demergers by incorporation or demergers in the strict non-proportional sense, if carried out with related parties;
- decisions relating to the allocation of remuneration and economic benefits, in any form, to members of the management and control bodies and to executives with strategic responsibilities.

## **Annex 2: CRITERIA DEFINING TRANSACTIONS OF INCONSEQUENTIAL AMOUNT**

For the purposes of this Procedure, the expression Transactions of Inconsequential Amount shall be understood to mean the following:

- (i) Transactions entailing the supply of facilities and services and collaborative agreements to operate and develop business activities for amounts of up to 500,000 (five hundred thousand) euros per Transaction or multiple Transactions executed in pursuit of a common purpose or Transactions in which the Related Party is one of the parties listed in Letter (a) in Annex 1, for amounts of up to **150,000 (one hundred and fifty thousand) euros**.
- (ii) Mergers and demergers that meet all of the following parameters taken from the latest published or available financial statements:

  - (a) total assets of the company or of the activities/business operations subject of the Transaction: up to **10,000,000 (ten million) euros**;
  - (b) profit before taxes of the company or (when determinable) of the activities/business operations subject of the Transaction: up to **3,000,000 (three million) euros**;
  - (c) total shareholders' equity of the company the activities/business operations subject of the Transaction: up to **1,000,000 (one million) euros**.
- (iii) Other types of transactions, different from those listed in Items (i) and (ii) above (including acquisitions and divestments of companies, equity investments, businesses or business operations, issues of financial instruments, provisions of loans and guarantees) for amounts of up to **1,000,000 (one million) euros** or, if the Related Party is one of the subjects listed under Letter (a) of Annex 1, up to **300,000 (three hundred thousand) euros** per Transaction or multiple Transactions executed in pursuit of a common purpose.

### **Annex 3: Materiality Indices**

**a) Transaction amount materiality index:** It is the ratio between the transaction amount and the company's shareholders' equity, taken from its most recent published balance sheet (consolidated, if one is prepared), or, for publicly traded companies, the company's capitalization measured at the close of the last stock market trading day included in the reference period of the most recent periodic accounting document published by the company (annual or semi-annual financial report or interim report on operations), whichever is greater.

If the financial terms of a transaction are specified, the transaction amount is:

- i) for cash components, the amount paid to/by the contractual counterparty;
- ii) for components consisting of financial instruments, their fair value determined on the transaction date in accordance with the international accounting principles adopted pursuant to EC Regulation no. 1606/2002;
- iii) for transactions involving financing or the provision of guarantees, the maximum disburseable amount.

If the financial terms of a transaction are based on whole or in part on quantities that are not yet known, the transaction amount is the highest receivable or payable amount pursuant to the agreement.

**b) Asset materiality index:** It is the ratio between the total assets of the entity subject of the transaction and the company's total assets. The data used for this purpose should be taken from the Company's most recent published balance sheet (consolidated, if one is prepared); whenever possible, data of the same type should be used to determine the total assets of the entity subject of the transaction.

For transactions involving the acquisition or divestments of equity interests in companies that have an impact on the scope of consolidation, the numerator amount is the value of the investee company's total assets, irrespective of the share capital percentage that is being divested.

For transactions involving the acquisition or divestment of equity interests in companies that do not have an impact on the scope of consolidation, the numerator amount is equal to:

- i) For acquisitions, the transaction amount plus any liabilities of the acquired company assumed by the buyer;

- ii) For divestments, the consideration for the divested assets.

For transactions involving the acquisition or divestment of other assets (different from the acquisition of an equity interest), the numerator amount is equal to:

- i) For acquisitions, the transaction's consideration or the book value that will be attributed to the assets, whichever is greater;
- ii) For divestments, the book value of the assets.

**c) *Liability materiality index:*** It is the ratio between the total liabilities of the acquired entity and the Company's total liabilities. The data used for this purpose should be taken from the Company's most recent published balance sheet (consolidated, if one is prepared); whenever possible, data of the same type should be used to determine the total liabilities of the acquired company or business operations.

See the information provided in § 2 of the Consob Communication for additional details.

## **Annex 4: Information Memorandum**

The Information Memorandum required pursuant to Article 5 of the Regulations, which must be published for Highly Material Transactions executed by the Company or its Subsidiaries, must provide, as a minimum, the following information:

### ***Contents***

#### ***1. Disclaimer***

Provide an overview of the risks arising from the potential conflicts of interest inherent in the related-party transaction described in the Memorandum.

#### ***2. Information About the Transaction***

**2.1.** A description of the transaction's characteristics, implementation methods, terms and conditions.

**2.2.** A listing of the related parties with whom the transaction was executed, the nature of the relationship and, when such information was provided to a corporate governance body, the nature and scope of the related parties' interest in the transaction.

**2.3.** An explanation of the financial reasons for the transaction and why the Company would benefit from the transaction. When a transaction is approved despite an adverse recommendation by the Board of Directors or the independent directors, an analytical and adequate explanation of the reasons why the abovementioned recommendation was disregarded.

**2.4.** The method used to determine the transaction's consideration and assessments about the consideration's fairness vis-à-vis market values for similar transactions. If the transaction's financial terms are found to be equivalent to market or standard terms, adequately justify such a statement with objective supporting data. State whether independent experts provided opinions supporting the consideration's fairness and list their conclusions, providing the following information:

- The governance bodies or parties who requested the opinions and appointed the experts;
- the assessments made to select the independent experts and the verifications of their independence. In particular, indicate any economic and financial relations between the independent experts and: (i) the related party, its subsidiaries, the parties that control it, the companies subject to joint control and the directors of the aforesaid companies; (ii) the company, its subsidiaries, the parties that control it, the companies subject to joint control and the directors of the aforesaid companies, taken into consideration for the purposes of qualifying the expert as independent and the reasons why these relationships were considered irrelevant for the purposes of the judgement on independence. Information about any existing relationships may be provided by annexing an affidavit by the independent experts;

- The terms and subject of the assignment awarded to the experts;
- The names of the experts retained to assess the fairness of the consideration.

State whether, pursuant to Article 5 of the Issuers' Regulations, the opinions of the independent experts or the key elements of the opinions are annexed to the Information Memorandum or have been published on the Company website. The key elements of the opinions that must always be published include the following:

- If applicable, evidence of any specific restrictions encountered in performing their assignment (e.g., with regard to accessing material information), of the assumptions used and of any conditions upon which the opinion is conditional;
- Evidence of any problems pointed out by the experts with regard to the transaction in question;
- Indication of the valuation methods used by the experts to express an opinion on the fairness of the consideration;
- Indication of the relative importance assigned to the valuation methods adopted for the purposes specified above;
- Indication of the valued generated by each valuation method used;
- If the valuation methods used produced a range of values, explanation of the criteria used to determine the final value of the consideration;
- Description of the sources used to determine the relevant data used for computation purposes;
- Description of the main parameters (or variables) used as benchmarks when applying each method.

With regard to the published elements of the experts' opinions, confirm that the information that is being presented is consistent with the content of the corresponding opinions and, to the best knowledge of the issuer, that the information being presented does not contain omissions that could make it inaccurate or deceptive.

**2.5.** An illustration of the transaction's impact on the income statement, balance sheet and financial position, providing, as a minimum, the key applicable indices. If the transaction exceeds the materiality parameters determined by the Consob pursuant to Articles 70 and 71 of the Issuers' Regulations, indicate that pro forma financial information will be published in the Memorandum required, depending on the situation, by Section 4 of the above-mentioned Article 70 or by Article 71 and within the deadlines specified in the above-mentioned provisions. In any case, the option of publishing a single Memorandum, pursuant to Article 5, Section 6, is also available.

**2.6.** If the amount of the compensation of the members of the corporate governance body of the Company or its subsidiaries changes as a result of the transaction, detailed indications of the changes. If no changes are expected, include a statement to that effect.

**2.7.** In the case of transactions in which the related parties are members of the management and control bodies, general managers and executives of the issuer, information concerning the issuer's financial instruments held by the abovementioned parties and the interests of such parties in the

extraordinary transactions referred to in Sections 14.2 and 17.2 of Annex I to Regulations No. 809/2004/EC.

**2.8.** Indication of the corporate bodies or directors who handled or were involved in the negotiations and/or researched and/or approved the transaction, specifying their respective roles, specifically mentioning any independent directors. With regard to the resolutions approving the transaction, list the names of those who voted for or against the transaction or abstained, specifying in detail the reasons for any negative votes or abstentions. State that, pursuant to Article 5 of the Issuers' Regulations, the opinions of any independent directors have been annexed to the Information Memorandum or published on the Company's website.

**2.9.** If, pursuant to Article 5, Section 2, the materiality of the transaction results from the cumulative value of multiple transactions executed during the year with the same related party or with parties related to it or to the Company, the information listed in the preceding sections must be supplied for all of the abovementioned transactions.



## Annex 5: Consob Communication (§ 3, § 10 and § 21)

### § 3. Definition of “Regular Transactions” [Article 3, Letter d) of the Regulations]

3.1. The Regulations provide companies with the option of applying a system of exemptions with regard to disclosures and procedures, when related-party transactions can qualify as “regular transactions,” provided that the transactions are executed on market or standard terms.

The reason for this provision stems from the desire to calibrate the compliance burden, taking into account the resulting costs for a company’s operations, in the case of transactions that entail lower risks of harming the interests of the shareholders. The exemption thus applies to transactions that are part of the “*regular exercise of a company’s operating activities*” or related “*financial activities*.”

In some cases, the characteristics that are relevant for the definition of *regular transactions* are already known to companies in that they are based in part on the international accounting principles and, therefore, for the most part<sup>34</sup> are taken into account in the preparation of accounting documents, with special emphasis on the classification of the origin of cash flows, as required to prepare the statement of cash flows (IAS 7)<sup>35</sup>.

According to the Regulations, a “regular” transaction occurs when two selection criteria are met concurrently. First of all, the transaction must be attributable to the operating activities or, alternatively, to the related financial activities (see Sections 3.2 and 3.3). Second of all, in order to qualify for the exemption, the transaction must be executed as part of the “regular” exercise of the operating activity or the related financial activity (see Section 3.4).

3.2. The main element of the definition of *regular transaction* is the notion of *operating activities*, which is the expression used to indicate the whole complex of (i) a company’s main revenue producing activities; and (ii) all other business activities that cannot be classified as “investment” or “financial” activities.

The notion of operating activities thus includes, in the affirmative, transactions that are part of activities that contribute to producing the main revenue components—or for non-industrial companies, that are part of current operations—and, in the negative, all other transactions that,

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<sup>34</sup> The transactions taken into account in this Communication include transactions that are not reflected in the statement of cash flows because they do not entail the use of cash or cash equivalents (so-called non-cash transactions).

<sup>35</sup> Therefore, the characteristics that in this Communication define *regular transactions* are interpreted by the Consob in accordance with international accounting principles. On the other hand, the notion of *regular transaction* set forth in the Regulations and the guidelines provided for its use obviously have no impact on the interpretation of the definitions contained in the international accounting principles.

while not part of the main activity within the corporate purpose, cannot be classified under the other two areas of business (investing and financial).

For the purposes of this document, investing activities include the following:

- (i) Transactions resulting in purchases or sales of non-current assets—such as, for example, purchases and sales of buildings, plant and machinery or intangible assets—except for non-current<sup>36</sup> assets held for sale;
- (ii) financial investments that do not qualify as “cash equivalents.”<sup>37</sup>

Therefore, transactions resulting in purchases or sales of non-current assets held for sale and cash equivalents can be deemed to be exempt, provided they are executed as part of the regular exercise of a company’s operating activities, as specified more in detail in Section 3.4. below.

Financial activities include activities that produce changes in:

- (i) the size and composition of the paid-in share capital;
- (ii) the financing facilities obtained by the company.

Obviously, the classification of a transaction under one of the three broad areas of activity (operating, investing, financial) should be made in the most appropriate manner, taking into account the type of business pursued by the company: take, for example, the activities carried out by banks or the financial companies referred to in Articles 106, 107 and 113 of Legislative Decree No. 385 of September 1, 1993 (“Uniform Bank Code”), for which the granting of loans, in any form, is usually classifiable as an operating activity, rather than an investing activity, as it is one of the company’s main revenue producing activities.

**3.3.** The second element of the definition of “regular transaction” is represented by the *financial activity* (also called “financing activity”) related to the operating activity. This element makes it possible to extend the benefit of the exemption to transactions that, in principle, would qualify as financial transactions, to the extent that they are incidental to the performance of operating activities.

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<sup>36</sup> The expression “non-current” indicates tangible, intangible and financial assets of a long-term nature. An asset is deemed to be current when: (i) it is presumed that it was built or held for sale or consumption, in the regular operating cycle of an entity; or (ii) it is held mainly for trading purposes; or (iii) it is presumed that it will be realized within 12 months from the date of the financial statements; or, lastly, (iv) it consists of cash or cash equivalents, unless it may not be exchanged or used to satisfy an obligation for at least 12 months from the date of the financial statements. When the regular operating cycle of an entity cannot be identified, it is assumed to last 12 months.

<sup>37</sup> Cash and cash equivalents include, in addition to cash and sight deposits (so-called “liquid assets”), short-term and highly liquid financial investments that can be readily converted into cash and are exposed to a negligible risk of changes in their value.

On the other hand, financing obtained to execute transactions that are not part of operating activities (because they are related to investing activities) do not qualify as *regular transactions*.

In some instances, the requirement of an incidental relationship is easily met because such a relationship is evident in the purpose of the loan agreement (think, for example, of special purpose loans and non-cash transactions<sup>3835</sup>) or can be unequivocally inferred by the transaction's characteristics (think, for example, of short-term liabilities incurred to purchase raw materials): among the other criteria taken into account in the monitoring activity, special attention should be paid to the duration of a loan, taking into account the useful lives acquired with it. As a rule and except for specific exceptional circumstances, an incidental relationship with the operating activities is deemed to exist also in the case of bank "bridge loans" obtained for the purpose of securing temporarily financial continuity or to meet a financial requirement.

If a financing transaction lacks sufficient objective elements to allow an unambiguous reconstruction of its nature as incidental to the operating activities, the presence of circumstances that can justify a reasonable belief that the financing will be used for that purpose is deemed to be sufficient. To that effect, the reasonableness of such a conclusion will be assessed based on the circumstances that exist when the transaction is executed, irrespective of different subsequent destinations, when justified by changes in actual circumstances.

As a rule, capital increases with exclusion of the preemptive right—the only ones that are relevant, as capital increases with preemptive rights are not considered "related-party transactions," as defined in Section 1—are not deemed to be part of the regular exercise of financial activities related to operating activities (see Section 3.4).

**3.4.** Lastly, the definition of *regular transactions* requires that a transaction, in order to benefit from the exemption must be part of the *regular exercise* of the operating activities or the related financial activities. Therefore, an additional selection criteria must be applied, compared with the classifications mentioned above.

More specifically, the following elements must be taken into account to determine whether a transaction is part of a company's operating activities or the related financial activities:

- i) *Subject of the transaction.* A transaction the subject of which is extraneous to the activities normally carried out by a company is an indication of anomaly and could indicate that the

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<sup>38</sup> These are financing transactions that do not generate flows of cash or cash equivalents (for example, the acquisition of an asset through the assumption of debt).

transaction is not a regular transaction.

- ii) *Recurring nature of this type of transaction within the framework of a company's activities.* Specifically, absent other indications to the contrary, the repetition of a transaction on a regular basis by a company constitutes a significant indication that the transaction is part of its regular activities.<sup>3936</sup>
- iii) *Size of the transaction.* A transaction that is part of a company's operating activities could be viewed as not being part of the regular exercise of such activity because it is of a particularly material size. However, it is important to keep in mind that the exemption discussed here can also be applicable to highly material transactions (i.e., transactions that exceed the materiality thresholds computed in accordance with Annex 1). In order to qualify as a regular transaction, a transaction's size must not be significantly larger than that of similar transactions executed by the company.
- iv) *Contractual terms and conditions, also regarding the characteristics of the consideration.* As a rule, transactions that entail non-cash consideration, even when appraised by an independent expert, are deemed to be outside the exercise of a company's operating activity. Likewise, contract clauses that are not consistent with contractual uses and practices can be a significant indicator that a transaction may not be a regular transaction.
- v) *Nature of the counterparty.* Within the scope of the transactions subjectively qualified because they are executed with related parties, it is possible to identify a subset of transactions that are not executed as part of the regular exercise of a company's operating activities (or related financial activities) in that they are executed with a counterparty with characteristics that are anomalous for transactions of such type: take, by way of example, the case of a company that sells a production asset, classified as a non-current asset held for sale, to a company controlled by a director that does not operate in the industry in which the asset would be used or clearly lacks an organization capable of using the asset.

The relevance of the elements discussed above must also be assessed by paying special attention to the timing of a transaction's approval and execution. More specifically, when evaluating the indicators that qualify a transaction as part of regular exercise of a company's operating activities and related financial activities, one should keep in mind that an indicator of anomaly can have greater weight in the evaluation process if a transaction is approved near the close of the fiscal

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<sup>39</sup> Consider in particular the role played by the repetition element for the purpose of identifying a company's regular activities within the *Systematic framework for the preparation and presentation of financial statements* (Section 72), according to which "it is common practice to differentiate between those revenues and cost items that originate from an entity's regular activities and those that do not. This distinction is made because of the fact that the source of an item is relevant when assessing an entity's ability to generate future flows of cash or cash equivalents. For example, extraordinary transactions, such as the divestment of a long-term equity investment, are unlikely to recur on a regular basis. When a distinction between different elements is made on this basis, the nature of an entity and of its activity must be taken into account. Elements that originate from an entity's regular activities may be unusual for another entity."

year of a publicly traded company or a related party.

**3.5.** When determining whether a transaction may qualify as a “regular transaction,” attention must also be paid to the type of activity carried out by the company that executes the transaction: this is also true when the company executing the transaction prepares consolidated financial statements or is included in the scope of consolidation of the financial statements prepared by a company required to apply this Procedure. Therefore, if the transaction is executed by a subsidiary of a publicly traded company, the relevant activity will be the activity carried out (or one of the activities carried out on a regular basis) by the subsidiary. However, if the company executing a related-party transaction is a vehicle company established for the purpose of executing the transaction, the test as to whether the transaction is an ordinary transaction must be performed also with respect to at least one of the activities carried out by the vehicle company’s group, which is comprised of the companies included in the consolidated financial statements prepared by the publicly traded controlling company or by a controlling company higher up on the chain of control. This is because, in the case of transactions executed by a vehicle company, the concurrent satisfaction of both conditions (ordinary nature for the company executing the transaction and ordinary nature in light of one of the group’s business activities) is more consistent with the logic, as explained above, that underlies the exemption provided for ordinary transactions. This approach makes it impossible to use the exemption through vehicle companies established for the sole purpose of executing a transaction that is extraneous to the core activities carried out up to that point by companies included in the scope of consolidation.

**3.6.** For the purpose of applying the exemption for regular transactions executed on market or standard terms, the procedures adopted by companies pursuant to Article 4 of the Regulations can identify more specifically, based also on the activity carried out by each company, the general characteristics of transactions to which the exemption may apply.

## § 10. Periodic Financial Reporting [Article 5, Section 8 of the Regulations]

The disclosure requirements of IAS 24 notwithstanding, Article 5, Section 8, of the Regulations sets forth rules concerning the periodic reporting of transactions with related parties.

More specifically, the interim report on operations and the annual report on operations must provide information about:

- a) individual highly material transactions executed during the reporting period (Article 5, Section 8, Letter a));
- b) other individual related-party transactions “with a material impact” on the company’s balance sheet and income statement (Article 5, Section 8, Letter b));
- c) changes or developments affecting related-party transactions described in the previous annual report that had a “material impact” on the company’s balance sheet and income statement during the reporting period (Article 5, Section 8, Letter c)).

The provisions of Letters b) and c) implement, consistent with Article 154-ter, Section 6, of the Uniform Financial Code, the provisions of the EU directives about related party transactions that must be disclosed in the interim report on operations (Article 5, Section 4, of Directive No. 2004/109/EC and Article 4 of Directive No. 2007/14/EC). For this reason, the subject of the disclosure, including the relevant scope of the correlation, is defined by making reference to the notion set forth in the international accounting principles, as required by the EU directives applicable to companies that prepare their financial statements in accordance with the abovementioned principles (see Whereas Clause 5 of Directive No. 2007/14/EC)<sup>40</sup>. On the other hand, Letter a) refers to “highly material transactions” as defined pursuant to Article 3, Section 1, Letter b), of the Regulations insofar as both subjective determinations and a transaction’s materiality criteria are concerned.

As for the information that must be included in periodic reports on individual transactions, the following is deemed to be material information:

a) *In the annual report on operations:*

- 1) When applicable, a description of the policies governing related-party transactions, also concerning the strategy pursued with these transactions;
- 2) The following information, optionally presented in a table, about each transaction:
  - ✓ the name of the transaction’s counterparty;
  - ✓ the nature of the relationship with the related party;
  - ✓ the subject of the transaction;
  - ✓ the transaction’s consideration;
  - ✓ any other information that may be necessary to understand the impact of the related-

<sup>40</sup> The clarification is no longer necessary since the notion of Related Party assumed by the Consob Regulations is identical to that of the international accounting standards.

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party transaction on the company's financial statements.

*b) In the interim report on operations:*

- 1) any change affecting related-party transactions described in the previous annual report that had a "material impact" on the company's balance sheet and income statement during the reporting period;
- 2) for each transaction, a listing, presented in a table, if desired, of the information referred to in Letter a), Item 2, above.

As stated in Article 5, Section 9, of the Regulations, information may be included in periodic financial reports by way of reference to information memoranda published upon the approval of highly material transactions, when available.



## **§ 21. Exclusion Option for Transactions With or Between Subsidiaries and With Affiliated Companies (Article 14, Section 2 of the Regulations)**

The Regulations provide the option of exempting from procedural and transparency rules (except for the provisions of Article 5, Section 8, of the Regulations concerning periodic financial reports) transactions executed with or between subsidiaries and with affiliated companies<sup>41</sup>, provided that other related parties of the company required to comply with the Regulations (with publicly traded and widely held shares) that exercises control or a significant influence do not hold significant interests in the abovementioned companies. The qualification of the materiality of the interests held by other related parties is left to the companies, but must be based on criteria provided in the procedures. In any case, the Regulations specify that the mere fact of sharing one or more directors or other executives with strategic responsibilities by a company and its subsidiaries (and, even more so, its affiliated companies) does not automatically give rise to significant interests that can exclude the exemption option.

The assessment of the materiality of the interests held by other related parties in a subsidiary or affiliated company is left to the discretion of the companies that are required to comply with the Regulations, in accordance with the general criteria provided in the procedures. Within this framework, companies can be guided by the financial relationships that may exist between subsidiaries or affiliated companies, on the one hand, and other related parties of the company, on the other hand. Consider, for example, a situation in which there is a significant loan owed by a subsidiary to the Chief Executive Officer of the controlling company: clearly, such a legal relationship could be an incentive to execute transactions that strengthen the subsidiary's balance sheet but may not be beneficial for the controlling company.

For example, a significant interest can exist when, in addition to the mere sharing of one or more directors or other executives with strategic responsibilities, the directors and executives are the beneficiaries of incentive plans based on financial instruments (or other forms of variable compensation) that are tied to the results achieved by the subsidiaries or affiliated companies with whom the transactions are executed. The assessment of the materiality should be performed taking into account what portion of the overall compensation of a director or executive with strategic responsibilities is represented by the compensation tied to the subsidiary's performance (including the abovementioned incentive plans).

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<sup>41</sup> For the purposes of this exemption, the definitions of what constitute a significant subsidiary and affiliated company are those set forth in Annex 1. As a result, it is possible, for example, to apply the exemption to transactions executed with joint ventures in which a company that is required to comply with the Regulations has an interest.

The materiality assessment is also left to the company's discretion when the subsidiary or affiliated company is an investee company (directly or indirectly through parties other than a company with publicly traded and widely held shares, which is required to comply with the Regulations) of the party that controls the company. In such cases, the equity interest held in the related party by the party that exercises control or a significant influence over the company constitutes a significant interest if the effective weight of the abovementioned equity interest is greater than the effective weight of the equity interest held by the same party in the issuer. For the purpose of determining the effective weight, direct equity interests are weighted for their full amount, while indirect equity interests are weighted based on the percentage interest held in the share capital of the subsidiary through which the equity interest in the related party is held.<sup>42</sup> If the equity interest held in a related party is coupled with other financial interests, these interests are considered together with those derived from the equity investment, computed at its effective weight.

The mere ownership of an equity interest in a subsidiary or affiliated company by other subsidiaries or affiliated companies of a publicly traded company does not constitute by itself a significant interest.<sup>43</sup>

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<sup>42</sup> The following examples of how a materiality criterion is assessed are provided merely by way of example:

(i) Company A, by owning 50% of the capital represented by voting shares, controls company B (publicly traded), which, in turn, controls, with the same percentage, company C, which is privately held. In addition A holds directly the remaining 50% of C. In a transaction between company B and company C, company A has a significant interest in C because the effective weight of its equity interest in C is equal to  $50\% + (50 \times 50\%) = 75\%$ , while the weight of the equity interest in B is equal to 50%: consequently, there is an incentive for a net transfer of resources from B to C.

(ii) Company A, by owning 30% of the capital represented by voting shares, controls company B (publicly traded), which, in turn, by owning 50% of the capital represented by voting shares, controls company C, which is privately held. In addition, A holds directly 10% of C. In a transaction between company B and company C, company A does not have a significant interest in C because the effective weight of its equity interest in C is equal to  $10\% + (30 \times 50\%) = 25\%$ , while the weight of the equity interest in B is equal to 30%: consequently, absent other significant interests, there is no incentive for a net transfer of resources from B to C.

<sup>43</sup> For example, consider this situation: Company A (publicly traded) controls company B (privately held) by owning 51% of its capital represented by voting shares. Company C (privately held), over which A exercises control or a significant interest, holds the remaining 49% of company B's capital. In a transaction between A and B, the equity interest held by C in B does not constitute a significant interest for the purposes of Article 14, Section 2, of the Regulations.

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## **Annex 6: Operating Rules of the Related Party Transactions Committee**

*In these Rules, terms with a capital letter have the meaning indicated in the Procedure Governing Related Party Transactions*

### **Art. 1 Composition and positions**

- 1.1. The Board of Directors shall establish, within its framework, a Related Party Transactions Committee composed, unless otherwise determined by the Board of Directors, of three Non-Executive and Independent Directors.
- 1.2. The Board of Directors appoints the Chairman from among the members of the Related Party Transactions Committee; if the Board of Directors has not done so, the Chairman is appointed by the Related Party Transactions Committee itself.
- 1.3. In order to organise its work, the Related Party Transactions Committee shall be supported by a secretary, chosen by the Board of Directors, in agreement with the Related Party Transactions Committee, even from persons other than the members of the Committee itself, as well as by the support of the competent corporate functions. In the event of the absence or impediment of the secretary thus appointed, the Related Party Transactions Committee shall, from time to time, appoint a substitute for the meeting<sup>44</sup>.
- 1.4. The Chairman of the Related Party Transactions Committee prepares the work with the support of the secretary, coordinates and moderates the discussion and represents the Committee at Board meetings and before the Chief Executive Officer, also being able to sign on behalf of the Committee the reports and opinions to be submitted to the Board of Directors.

### **Art. 2 Convening and attendees**

- 2.1. The Related Party Transactions Committee is convened by its Chairman or by a person appointed by him by means of a written communication containing a list of the items to be discussed, sent to all members also by e-mail or other suitable means to ensure certain communication, at least 2 days or, in case of urgency, at least 12 hours before the time set for the meeting.
- 2.2. Meetings of the Related Parties Transactions Committee may be held at a physical location, including outside the Company's registered office, in Italy or abroad, or solely by

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<sup>44</sup> This provision regarding the appointment of the secretary will apply following the first renewal of the Board of Directors (and the appointment of the Related Party Transactions Committee) after this version of the Procedure comes into force. Until such time, the secretary shall be appointed by the Related Party Transactions Committee each time for each meeting.

remote connection or by mixed mode, i.e. any means of connection that allows participation, including by remote connection, in different places<sup>45</sup>, the "remote connection".

- 2.3.** The call notice shall indicate the date, time, place and a detailed list of the items to be discussed; the modalities of the Remote Connection may also be indicated in a separate communication.
- 2.4.** In the event of the meeting being held exclusively by means of a Remote Connection, the indication of the place where the meeting is to be held may be omitted.
- 2.5.** If the meeting is also held by means of a Remote Connection, the Committee is considered to be held in the place where the Chairman is located and where the Secretary must also be located; this provision does not apply if the meeting is held solely by means of a Remote Connection or is permitted by the applicable regulations.
- 2.6.** A meeting of the Related Party Transactions Committee shall be deemed to have been validly convened even absent a formal notice of the meeting, provided all members are present. However, in such instances, each participant may object to discussing issues about which he/she does not believe that sufficient information has been provided.
- 2.7.** Each member of the Related Party Transactions Committee, if he/she is related to or involved in a Related-Party Transaction on which the Related Party Transactions Committee itself must issue an opinion, pursuant to paragraph 1 of art. 4 of these Regulations, must promptly inform the other members of the Related Party Transactions Committee, in compliance with the specific provisions of the Procedure. In all cases, any members of the Related Party Transactions Committee who have an interest of some sort, personally or on behalf of third parties, in the Related-Party Transaction shall disclose it to the other members of the Related Party Transactions Committee, specifying the interest's nature, terms, origin and scope.
- 2.8.** The convening of a Committee meeting must be communicated to the Board of Statutory Auditors, which may ask one or more of its members to attend the meeting.
- 2.9.** The independent consultants who may be asked to assist the Related Party Transactions Committee pursuant to Article 4, Section 2, of these Regulations, may be invited to attend meetings of the Related Party Transactions Committee from time to time. The Related Party Transactions Committee, acting merely for information purposes, may also invite the Chairman, the Chief Executive Officer, or other Company executives or employees to attend its meetings.

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<sup>45</sup> The Connection must ensure that the following conditions are met: all participants are identified; are able to follow the discussion; are able to intervene in real time in the discussion of the items on the agenda and to receive, transmit and view documents.

### **Art. 3 Meetings**

- 3.1.** Meetings are chaired by the Chairman or, in his/her absence, by the longest-standing committee member.
- 3.2.** A meeting of the Related Party Transactions Committee shall be deemed to have been validly convened when all of its members or a majority of them is in attendance, i.e., when two members are present and the absent member expressed his/her consent to the meeting being held.
- 3.3.** The Related Party Transactions Committee approves resolutions by a majority vote of its members, i.e., with the vote of at least two of its members, except for the provisions of Section 11.2.2 of the Procedure Governing Related-party Transactions adopted by the Company.
- 3.4.** Minutes of each Committee meeting are taken and signed by the Chairman and Secretary. The Committee's opinions, prepared in accordance with the Consob Related Parties Regulation, are attached to the Committee minutes.

### **Art. 4 Duties**

- 4.1.** The Committee also performs the functions envisaged by the Reference Regulations and the Procedure. More specifically, within the scope of the responsibilities assigned by the Board of Directors in the Procedure, the Related Party Transactions Committee expresses a factual opinion stating whether executing a related-party transaction is in the Company's interest and if its terms and conditions are beneficial and substantively fair.
- 4.2.** With regard to related-party transactions, the Related Party Transactions Committee has the right to request, at the Company's expense, the assistance of one or more independent consultants of its choosing. The Related Party Transactions Committee shall ascertain in advance that the consultants are not in situations (taking into account the relationships indicated in section 2.4 of Annex 4 of the Consob Related Party Regulations) that compromise their independence of judgement and that they do not have a conflict of interest. The provisions of Section 10.11<sup>46</sup> of the Procedure shall apply to issues regarding the cost of the support provided to the Related Party Transactions Committee by the independent experts.
- 4.3.** Consistent with the provisions of the Procedure, the Related Party Transactions Committee may delegate to its Chairman and/or to other Committee members responsibility for participating in the negotiations and the information gathering phase for Highly Material

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<sup>46</sup> Section 10.11 of the Related Parties Procedure states that in relation to Less Material Transactions, the costs and expenses relating to the services provided by consultants shall be borne by the Company up to a maximum amount, per individual transaction, not exceeding 350,000 euros and that this limitation shall not apply to Highly Material Transactions. For such transactions, the costs and expenses of consultants must not, in any event, be manifestly unreasonable.

Transactions. With regard to such transactions, the Committee member(s) to which this responsibility has been delegated shall have the power to request information from and make recommendations to the corporate governance entities or parties responsible for handling the negotiations and the information gathering phase.

#### **Art. 5 Information Flows**

- 5.1.** When asked to render an opinion about a related-party transaction prior to its execution, the Related Party Transactions Committee must be provided with an adequate written report, together with the corresponding supporting documents, about the transaction's information gathering process, as required by the Procedure.
- 5.2.** The Chairman of the Related Party Transactions Committee, with the support of the secretary, shall ensure that the documentation on the items on the agenda contains adequate and complete information with respect to the matters to be discussed and is sent, at the latest, two days prior to the meeting, unless the meeting is convened on an urgent basis, in which case the documentation shall be sent together with the call notice.
- 5.3.** The opinion, which must be rendered in accordance with Article 1, Section 4, of these Regulations, must be promptly forwarded by the Chairman of the Related Party Transactions Committee or, should the Committee Chairman be absent or otherwise incapacitated, by another member of the Related Party Transactions Committee, to the Qualified Corporate Governance Body or Party for whom it was intended, pursuant to the Procedure, without prejudice to the other disclosure obligations required by the Procedure and the laws and regulations in effect.
- 5.4.** The Committee Chairman provides the Chairman of the Board of Directors and/or the Chief Executive Officer with recommendations about items that should be included in the agenda of Board meetings.
- 5.5.** At the first Board meeting held after each committee meeting, the Committee Chairman usually communicates to the Board of the Directors the resolutions adopted by the committee, which may take the form of a proposal to the Board, on the activities carried out and regarding assessments and opinions on issues within its jurisdiction.

#### **Art. 6 Final provisions**

- 6.1.** With regard to the tasks and powers of the Related Party Transactions Committee in connection with related-party transactions, any issues that are not expressly addressed by these Operating Rules shall be handled in accordance with the principles and rules set forth in the Procedure.