

**F.I.L.A. – FABBRICA ITALIANA LAPIS ED AFFINI S.P.A.**

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**TRANSACTIONS WITH RELATED PARTIES PROCEDURE**

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Text approved by the Board of Directors of Space S.p.A. (now F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A.) on October 15, 2013 and subsequently amended by the Board of Directors of FILA on March 21, 2017, May 10, 2017 and May 15, 2018.

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## 1. INTRODUCTION

The present procedure (the “**Procedure**”) governs the transactions with related parties carried out by F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A. (the “**Company**”), directly or through subsidiaries, according to the regulation adopted by the National Commission for Companies and the Stock Exchange (Consob) with motion No. 17221 of March 12, 2010, as subsequently amended (the “**Regulation**”), taking account also of the indications and clarifications provided by Consob in communication No. DEM/10078683 of September 24, 2010.

## 2. DEFINITIONS

2.1 In addition to the definitions contained in other articles, the terms and expressions with an upper case initial letter used in the present Procedure are defined as follows, with the same meaning applicable both in the singular and plural:

**Independent Directors:** Directors defined as independent by the Company in accordance with Article 148, paragraph 3 of the Consolidated Act and the Self-Governance Code for Listed Companies of Borsa Italiana S.p.A. (the “**Self-Governance Code**”).

**Unrelated Directors:** Directors not acting as a counterparty in a specific Transaction or a Related Party to such.

**Control and Risks and Related Parties Committee:** the Control and Risks and Related Parties Committee appointed by the Board of Directors of the Company in accordance with Article 7 of the Self-Governance Code.

**Control:** the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when a party holds, directly or indirectly through its subsidiaries, more than half of the voting rights of an entity except where, in exceptional circumstances, it can be clearly demonstrated that this holding does not constitute control. Control also exists when a party owns half or less of the voting power of an entity when there is:

- (a) control of more than half of the voting rights under an agreement with other investors;
- (b) the power to govern the financial and operating policies of the entity under a By-Law or an agreement;

- (c) the power to appoint or remove the majority of the members of the Board of Directors or equivalent governing body and control of the entity is held by that board or body; or
- (d) the power to cast the majority of votes at meetings of the Board of Directors or equivalent governing body and control of the entity is held by that board or body.

**Joint Control:** the contractually agreed sharing of control over an economic activity.

**Executive Officer for Financial Reporting:** executive officer for financial reporting, appointed by the Board of Directors of FILA as per Article 154-*bis* of the CFA.

**Senior Executives:**

- (a) the members of the Board of Directors;
- (b) the members of the Board of Statutory Auditors;
- (c) the Executive Officer for Financial Reporting;
- (d) other parties with the power and the responsibility, directly or indirectly, for the planning, management and control of company operations, identified by the Board of Directors of the company with the support of the Chief Executive Officer, within the company and the subsidiaries, in compliance with Article **Errore. L'origine riferimento non è stata trovata.** and in view of the group governance model.

**Significant Influence:** the power to participate in the financial and operating policy decisions of an entity, however not exercising control over those policies. Significant Influence may be gained by share ownership, By-Law clauses or agreements. If an investor holds, directly or indirectly (e.g. through Subsidiaries), 20% or more of the voting rights of the investee, it is presumed that the investor has Significant Influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds, directly or indirectly (e.g. through Subsidiaries), less than 20% of the voting rights of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having Significant Influence. The existence of Significant Influence by an investor is usually apparent in one or more of the following ways:

- (a) representation on the Board of Directors or equivalent governing body of the investee;
- (b) participation in policy-making processes, including participation in decisions about dividends or other distributions;
- (c) material transactions between the investor and the investee;
- (d) interchange of managerial personnel;
- (e) provision of essential technical information.

**Significant Interests:** concerns the holding – directly or indirectly – of greater than 5% of the share capital or the sharing, between the company and the subsidiary or associate with which the operation is undertaken, of one or more Senior Executives which benefit from financial instrument-based incentive plans (or however variable remuneration), which is directly and significantly based upon the results achieved by such subsidiaries or associates.

**Joint Venture:** a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

**Transaction with a Related Party:** a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. This however include: (a) mergers, spin-offs for incorporation or non-proportional spin-offs, where carried out with Related Parties; (b) all decisions relating to the allocation of remuneration or benefits, in any form, to members of the corporate boards and the Senior Executives.

**Minor Transactions:** Transactions with Related Parties expected to result in maximum consideration or an expected maximum value of not greater than, for each transaction, Euro 200,000, also in the case of Transactions with Related Parties of a similar nature with the same party or within a series of similar transactions, considered cumulatively.

**Significant Transactions:** those transactions where one or more of the following significance thresholds, applicable depending on the specific transaction, exceeds 5%:

- (a) value significance ratio: the ratio of the transaction value to equity, as reported in the latest published balance sheet (consolidated, if prepared), or for listed companies, if greater, the capitalisation of the company at the end of the last trading day of the most recent published financial report (annual accounts, half-yearly report or quarterly report). Should the economic conditions of the transaction be established, the value of the transaction shall be:

- (i) for the cash component, the amount paid to/by the contractual counterparty;
- (ii) for the components comprised of financial instruments, the fair value at the date of the transaction in accordance with international accounting standards adopted under EU Regulation No.1606/2002;
- (iii) for funding transactions or guarantees given, the maximum amount disburseable.

Should the economic conditions of the transaction depend, in whole or in part, upon amounts not yet known, the value of the transaction is the maximum amount receivable or payable under the agreement;

- (b) asset significance ratio: the ratio between total assets of the counterparty to the transaction and the total assets of the Company. The most recent balance sheet published by the Company must be utilised (consolidated, if prepared); if possible, similar data for the determination of the total assets of the counterparty to the transaction should be utilised. For transactions involving the acquisition or disposal of investments in entities impacting the scope of consolidation, the value of the numerator is the investee's total assets, regardless of the percentage of capital available. For transactions involving the acquisition or disposal of investments in entities not impacting the scope of consolidation, the value of the numerator is:

- (i) in the event of acquisitions, the corresponding value of the transaction plus liabilities of the acquired entity that may be assumed by the acquirer;
- (ii) in the event of disposals, the consideration paid on disposal.

For transactions involving the acquisition or disposal of other assets (other than equity interests acquired), the value of the numerator is:

- (i) in the event of acquisitions, the purchase price consideration or, if higher, the carrying amount attributable to the asset;
- (ii) in the event of disposals, the carrying amount of the asset.

- (c) liabilities significance ratio: the ratio between the total liabilities of the entity acquired and the total assets of the Company. The most recent balance sheet published by the Company must be utilised (consolidated, if prepared); if possible, similar data for the determination of the total liabilities of the company or the business unit acquired should be utilised.

**Less Significant Transactions:** Transactions with Related Parties other than Significant Transactions and Minor Transactions.

**Ordinary Transactions:** Transactions with Related Parties which: (a) take place within the ordinary operations of the company or the related financial activities; and (b) are concluded at conditions which are: (i) in line with those usually undertaken with unrelated parties for transactions of a similar nature, size and risk, (ii) based on regulated tariffs or prices, or (iii) corresponding to those undertaken with parties with which the company is obliged by law to contract at a set price.

**Related Party:** a party which:

- (a) directly or indirectly, also through Subsidiaries, trustees or nominees:
- (i) Control the company, or is controlled by it or subject to common control;
  - (ii) have an interest in the company that establishes Significant Influence;
  - (iii) exercises Joint Control on the Company;

- (b) is an Associated Company;
- (c) is a joint venture in which the Company has a holding;
- (d) is a Senior Executive of the Company or its parent company;
- (e) is a Close Family Member of a party at the preceding letters (a) or (d);
- (f) is an entity in which one of the parties at (d) or (e) exercises Control, Joint Control or Significant Influence or holds, directly or indirectly, a significant holding – in any case not less than 20% of the voting rights;
- (g) is a supplementary, collective or individual pension fund, Italian or overseas, created on behalf of Company employees, or any other related entity.

**Issuers' Regulation:** regulation in accordance with motion No. 11971 of May 14, 1999 and subsequent amendments and supplements.

**Unrelated Shareholders:** parties with voting rights not acting as a counterparty in a specific transaction or related to the counterparty or the Company.

**Associated Company:** any entity, also without legal personality, as in the case of a partnership, on which a shareholder exercises Significant Influence but not Control or Joint Control.

**Subsidiary Company:** any entity, registered in Italy or abroad, also without legal personality, as in the case of a partnership, subject to the Control of another entity.

**Close Family Member:** family members who may reasonably be considered to influence, or be influenced by, that individual in their dealings with the entity. They may include: (a) the non-legally separated spouse or cohabitees (b) children or dependents of the individual, of the non-legally separated spouse or cohabitee.

**Consolidated Act:** Legislative Decree No. 58 of February 24, 1998.

- 2.2 The interpretation of the definitions of Related Party and Transaction with Related Party and other definitions at the initial part of the document make reference to the international accounting standards adopted according to the procedure at Article 6 of Regulation (EC) No. 1606/2002.

### 3. SCOPE OF APPLICATION



- 3.1 The provisions of the Regulation and this Procedure do not apply to:
- (a) Shareholders' Meeting motions pursuant to Article 2389, first paragraph of the civil code, relating to remuneration paid to the members of the Board of Directors and the Executive Committee and resolutions concerning the remuneration of Directors with specific duties within the overall amounts previously determined by the Shareholders' Meeting in accordance with Article 2389, paragraph three, of the civil code;
  - (b) Shareholders' Meeting motions, as per Article 2402 of the Civil Code concerning remuneration of the members of the Board of Statutory Auditors;
  - (c) Minor Transactions.
- 3.2 In accordance with Article 5, paragraph 8 of the Regulation, the provisions of the Regulation and the present Procedure do not apply to:
- (a) financial instrument-based remuneration plans approved by the Shareholders' Meeting in accordance with Article 114-*bis* of the Consolidated Act and the relative executory operations;
  - (b) resolutions, other than those indicated at Article 3.1(a), concerning fees for Directors and those with specific responsibilities and fees for senior executives provided that:
    - (i) the company has adopted a remuneration policy;
    - (ii) in the drawing up of the remuneration policy a committee exclusively made up of non-executive directors, the majority of whom Independent, was involved;
    - (iii) the remuneration policy report was put to the consultative vote of the Shareholders' Meeting;
    - (iv) the remuneration awarded was in line with this policy;
  - (c) Ordinary Transactions, except where concerning Less Significant Transactions, or Significant Transactions, the appointed board must in advance provide information to the Board of Directors and/or a Committee – which may also be the Control and Risks and Related Parties Committee – comprised of at least three Non-related and Non-Executive Directors, the majority of whom Independent Directors;
  - (d) to Transactions with Related Parties with or between Subsidiary Companies, also

jointly, in addition to those with Associated Companies, as long as the other Related Parties of the Company do not hold Significant Interests in the Subsidiary Companies or the Associated Companies involved in the transaction.

#### **4. GOVERNANCE OF TRANSACTIONS WITH RELATED PARTIES**

##### **4.1 Less Significant Transactions**

- (a) The Board of Directors and the appointed boards approve the Less Significant Transactions following a prior non-binding opinion from a Committee on the interest of the Company with regard to the transaction, as well as the substantial correctness and material benefits of the conditions.
- (b) The Committee at the previous paragraph (a) is comprised of at least three Unrelated and Non-Executive Directors, the majority of whom Independent; the membership may equate with that of the Control and Risks and Related Parties Committee.
- (c) The Board of Directors may directly proceed with identifying the directors called to sit on the Committee and may supplement where necessary the Committee and allocate the functions to one of the already established internal committees and whose composition meets the necessary requirements. If it is not yet been established by the Board of Directors, the members of the Committee are appointed – for each Less Significant Transaction – by a majority of the independent directors, having consulted the Chairman of the Board of Statutory Auditors.
- (d) Where the Board of Directors does not include at least two Independent and Unrelated Directors, the opinion established by the previous paragraph (a) is provided by: (i) the Board of Statutory Auditors, on the condition that the members of the Board of Statutory Auditors, where they have an interest, on their own behalf or on behalf of third parties, in the transaction, provide notice of such to the other statutory auditors, stating the nature, the conditions, the origin and the extent of the interest; or (ii) an independent expert, appointed by the Chairman of the Board of Directors, having consulted the Chairman of the Board of Statutory Auditors; or (iii) any Unrelated Independent Director.
- (e) The Chairman and/or the Chief Executive Officer ensure that the members of the committee receive in a timely manner, via e-mail or fax, complete and adequate

information concerning Less Significant Transactions, in addition to, in the case of transactions defined as standard or equivalent, related information in this regard. In the case in which Less Significant Transactions are within the remit of the Board of Directors, the Chairman or the Chief Executive Officer ensures that the information is sent in a timely manner to the directors, via e-mail or fax.

- (f) Notwithstanding that stated above, the chairman ensures that adequate information on Less Significant Transactions within the scope of the board is provided to all directors in compliance with Article 2381 of the Civil Code, in addition to the Board of Statutory Auditors.
- (g) The Committee must provide its opinion before the definitive approval of the Less Significant Transaction by the Board of Directors where such transactions are within their scope. In the other cases, the opinion must be before the Company executes the transaction.
- (h) The committee may be assisted by one or more independent experts appointed by them and at the expense of the Company. In this case, the Committee must comply with the set budget limits, for each individual transaction, by the Board of Directors.
- (i) The Board of Directors' motions which approve a Less Significant Transaction must be supported by appropriate reasoning, concerning the interest of the company in the transaction, in addition to the benefit and substantial correctness of the relative conditions.
- (j) The appointed boards report at least on a quarterly basis to the Board of Directors and to the Board of Statutory Auditors on the execution of Less Significant transactions.
- (k) Notwithstanding the communication obligations established by Article 17 of Regulation (EC) No. 596/2014, within fifteen days from the closing of each quarter the company makes available to the public at the registered office and in the manners established by Section II, Heading 1 of the Issuer's Regulation in addition to its website, a document containing indication of the counterparty, the subject and the consideration concerning the Less Significant Transactions approved in the quarter upon which the Committee expressed a negative opinion (or of the other parties indicated at the previous point (h)), in addition to the reasons for which it was decided not to act upon this opinion. The negative opinions of the committee are attached to this document.

## 4.2 Significant transactions

- (a) The approval of Significant Transactions is exclusively within the scope of the Board of Directors.
- (b) The Chief Executive Officer ensures that a Committee comprised of at least three Independent and Unrelated Directors – whose membership may also equate with that of the Control and Risks and Related Parties Committee – is involved in the negotiating and preliminary stages, through the receipt of complete and adequate information concerning the Significant Transaction, in compliance with the previous paragraph 4.1(d). The committee may also be involved in the negotiation and preparatory phases, requesting information and drawing up observations for the appointed boards and the party appointed to undertake negotiations or preliminary activities. The Committee may delegate to one or two of its members for these purposes. The previous paragraphs 4.1(c), 4.1(d), 4.1(e), 4.1(f) (first part), 4.1(g) (first part) and 4.1(i) are applied *mutatis mutandis* to the committee.
- (c) The Board of Directors considers Significant Transactions:
  - (i) following the prior favourable opinion of the committee indicated in the previous point (b) of the interest of the Company with regards to the transaction, in addition to the benefit and substantial correctness of the relative conditions; or
  - (ii) with a favourable vote of the majority of Independent Directors (excluding the majorities necessary for the undertaking of board motions in accordance with law and the By-Laws).
- (d) In any case the Board of Directors may approve a Significant Transaction, also in the presence of a contrary opinion from a majority of the Independent Directors, where: (i) if permitted by the Company By-Laws, the ordinary Shareholders' Meeting has authorised the transaction; (ii) in the case in which Unrelated Shareholders attending the Shareholders' Meeting at the time of voting represent more than 10% of the share capital with voting rights, the majority of Unrelated Shareholders do not vote against the transaction.

Where that established at the previous point (ii) is not contained in the By-Laws, the Board of Directors must include – in the Shareholders' Meeting proposal motion – the option for the Board of Directors to execute the approving Shareholders' Meeting motion only with the favourable vote of a majority as per the previous point (ii).

- (e) Where at least three Independent and Unrelated Directors do not sit on the Board of Directors, the activities at the previous point (b) and the opinions indicated in the preceding point (c)(i) are, respectively, provided by: (i) the Board of Statutory Auditors, on the condition that the members of the Board of Statutory Auditors, where they have an interest, on their own behalf or on behalf of third parties, in the transaction, provide notice of the such to the other Statutory Auditors, stating the nature, terms, origin and extent of the interests; or (ii) an independent expert, appointed by the Board of Directors having consulted the Board of Statutory Auditors; or (iii) any Unrelated Independent Director present.
- (f) Within 7 days of the approval of the transaction by the Board of Directors or, where the Board decides to present a contractual proposal, from the moment in which the contract (even preliminary) is concluded, the company makes available to the public at the registered office and according to the manners indicated by Section II, Heading I, of the Issuers; Regulation a disclosure document prepared in accordance with Article 5 of the Regulation and attachment 4 of the Regulation.
- (g) If a Significant Transaction is considered an Ordinary Transaction according to the present Procedure, the Company:
  - (i) will communicate to Consob, within the time period indicated in Article 5, paragraph 3 of the Regulation, the counterparty, subject and consideration involved in the transaction which benefitted from the exclusion at the previous Article 3.2(c);
  - (ii) will indicate in the interim report and the Annual Directors' Report, within the disclosure required by Article 5, paragraph 8 of the Regulation, which of the transactions within this latter provision were concluded using the exclusions established by the Article 3.2(c).

#### 4.3 **Transactions subject to Shareholders' Meeting approval**

- (a) Outside of the cases established by the previous paragraph 4.2(d) and that set out by point (b) below, where a Less Significant Transaction or a Significant Transaction is within the remit of the Shareholders' Meeting, or must be authorised by this latter, the provisions of Articles 4.1 and 4.2 are applied in relation to the approval – by the Board of Directors – of the motion to be submitted to the Shareholders' Meeting.
- (b) Proposals concerning Significant Transactions may be approved also following a contrary opinion from the Independent Directors. In this case, the Board of Directors will not implement the Shareholders' Meeting motions and will not complete the necessary deeds authorised by this latter where the Unrelated Shareholders which attend the Shareholders' Meeting at the time of voting represent more than 10% of the share capital with voting rights and the majority of voting Unrelated Shareholders oppose the Board of Directors' proposal.

#### 4.4 **Framework resolutions**

- (a) The Board of Directors may approve, in a single motion, a series of similar Related Party Transactions with the same Related Party or with certain categories of Related Parties.
- (b) In the case indicated at the previous point (a) and notwithstanding the previous Article 3:
  - (i) the provisions of the preceding Articles 4.1 and 4.2 apply to the framework resolutions of the Board of Directors on the basis of the expected maximum amount of the constituent transactions with Related Parties, considered cumulatively;
  - (ii) the provisions of the previous Articles 4.1 and 4.2 do not apply to individual Transactions with Related Parties undertaken in execution of a Board of Directors framework resolution, unless the motion:
    - (1) is not effective for more than one year;
    - (2) refers to sufficiently defined Transactions with Related Parties;
    - (3) indicates the expected maximum amount of the transactions which, in the effective period of the motion, may be carried out;

- (4) contains an adequate illustration of the conditions of the transactions;
- (iii) at least quarterly, the chairman or one of the executive directors informs the Board of Directors in relation to the implementation of the framework resolution;

where the expected maximum amount of Transactions with Related Parties concluded in execution of the framework resolution of the Board of Directors exceeds the significance threshold established for the definition of “Significant Transactions” contained in Article 2 of the present Procedure, the Company makes available to the public, at the registered offices and in the manners indicated by Section II, Heading I of the Issuers’ Regulation a disclosure document prepared in compliance with Article 5 of the Regulation and Attachment 4 of the Regulation

## **5. TRANSACTIONS WITH RELATED PARTIES CARRIED OUT BY SUBSIDIARY COMPANIES**

5.1 The Procedure applies also to Transactions with Related Parties carried out by Subsidiaries and which are examined preliminary by the Board of Directors or by a Senior Executive, while that established by the previous Article 3 is applied also to Transactions with Related Parties which are Subsidiary Companies.

5.2 In order to implement that established by the previous point (a), the Subsidiary Companies inform in a timely manner the Chief Executive Officer of the Company of the Transactions with Related Parties which they intend to approve, sending the information and necessary documentation to ensure the implementation of the present Procedure.

## **6. IDENTIFICATION OF SENIOR EXECUTIVES**

6.1 Senior executives are identified by the Board of Directors of FILA, with the support of the Chief Executives Officer, on the basis of the Company and Subsidiary structure, as per this Procedure.

6.2 The list of Senior Executives is revised by the Board of Directors of the company wherever considered necessary on the basis of information received from the Chief Executive Officer, as per this Procedure.

## **7. COMMUNICATIONS TO THE COMPANY**

7.1 The Related Parties of the Company communicate in a timely manner to the executive officer responsible for the preparation of the financial statements the necessary information to enable the Company to fulfil the obligations established by the Regulation and by the Procedure.

7.2 The chairman and the appointed boards ensure that all Transactions with Related Parties approved in accordance with the Regulation and the present Procedure are communicated in a timely manner to the executive officer responsible for the preparation of the financial statements, in order to ensure fulfilment of the disclosure obligations as per Article 154-bis of the Consolidated Act.

## **8. GENERAL PROVISIONS**

8.1 The application of the Regulation and the Procedure does not impact that established by:

(a) Article 2497-*ter* of the Civil Code; therefore, where the company is subject to direction and coordination, the motions affected by these activities must be properly reasoned and provide precise indication of the motives and the interests contributing to the decision. This is adequately outlined in the report as per Article 2428 of the Civil Code; and

(b) Article 2391 of the Civil Code; therefore, the directors with an interest, also potential or indirect, in a Related Party Transaction must inform in a timely manner the Board of Directors, stating the nature, terms, origin, and extent of the interest. Where a Transaction with the Related Party falls within the scope of an executive director and this latter has an interest in the transaction, they must abstain from its execution, referring it to the Board of Directors.