

# Policy on Related Party Transactions

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## Legal framework:

With the 9<sup>th</sup> review of Circular no. 263 of 27 December 2006, made on 12 December 2011, the Bank of Italy has introduced in the “New Regulations for the Prudential Supervision of Banks”, the Title V, Chapter 5, headed “Risk Activities and Conflicts of Interest with Related Parties” (hereinafter, the “New Regulations”).

The New Regulations aim at containing the risk that the proximity of certain parties to the decision-making units of the holding company and of the companies belonging to the banking group owned by the same holding company may compromise the objectivity and impartiality of decisions regarding the granting of loans and other transactions involving the aforesaid parties, with possible distortions during the fund allocation process, company’s exposure to risks not adequately measured or contained, potential damage to creditors and shareholders.

Specific measures have been identified for these purposes, including:

- prudential limits on risk activities conducted by a bank or banking group with related parties;
- properly formalized decision-making processes;
- accurate indications on organizational set-up and internal controls.

The scope of the New Regulations includes:

- on an individual basis, the banks authorized in Italy, except for branches of non-EU banks with registered office in one of the G-10 Countries or in those countries included in a specific list published and periodically updated by the Bank of Italy;
- on a consolidated basis (i) banking groups and (ii) reference undertakings, also with regard to the banking, financial and instrumental companies controlled by EU parent financial holding companies.

## 1 INTRODUCTION

This Policy shall regulate the manner in which Tages Holding S.p.A. (hereinafter also “**TH**” or “**Holding Company**” or “**Company**”), as holding company of the banking group “Tages Group” (hereinafter also “**Group**”), shall identify and approve or monitor, as the case may be, Related Party Transactions (as defined in the New Regulations), conducted by TH and/or by the Group’s subsidiaries.

More specifically, this Policy, drawn up pursuant to the New Regulations, shall identify, in relation to the intermediary’s complexity and size:

- criteria for identifying Related Party Transactions and “Major Transactions” in particular;
- rules governing the examination, discussion of and decision on the Transactions, distinguishing between major and minor transactions and explaining, in particular, the role of the Independent Director;
- the definition of the roles and duties of the different Group members;
- any applicable exemptions.

This Policy identifies specific measures that can be applied to concluded transactions where these generate losses, non performances, court or out-of-court settlement agreements.

TH is undergoing a reorganization for the purposes of adapting itself completely to the role of bank holding company; this Policy will thus be updated and reviewed as the Company consolidates its governance and adapts itself to the role of bank holding, with regard, in particular, to the definition of the Group’s internal controls system.

## 2 THE GROUP AND ITS ACTIVITY

In consideration of the New Regulations providing for the application of provisions on Related Party Transactions to the whole Group, it is deemed necessary to specify the Group’s composition and the ongoing reorganization of the Holding Company.

## 2.1 Group composition

"Tages Group", a banking group enrolled with the Register of Banking Groups held by Bank of Italy under no. 20050, took shape following the acquisition, on 31 October 2013, by TH, of the majority stake in Credito Fondiario S.p.A., a bank active in the field of distressed assets.

The other companies belonging to the Group, i.e. Tages Capital SGR and Tages Capital LLP, perform the asset management activity with particular reference to alternative funds. Besides coordinating the Group, the Holding Company engages in corporate finance transactions.

## 2.2 Corporate bodies

The main duties attributed to TH corporate bodies are:

- The Board of Directors is the Company's management board counting, among its members, an Independent Director (as defined below). The Board of Directors is responsible for supervising and managing the company and performing ordinary and extraordinary administration activities as deemed necessary or instrumental to achieve the company's purpose, in accordance with the provisions of the law and the Corporate By-laws ("By-laws").
- The Managing Director occupies the highest position in the company's internal structure and, as such, runs the company in accordance with the guidelines approved by the Board of Directors.
- The Shareholders' Meeting will resolve on the matters falling within their competence at either ordinary or extraordinary meetings.
- The Board of Statutory Auditors is, according to the traditional administration and control model adopted by TH, the board with control functions (or "supervisory board"), which is entrusted by law (art. 2403 of the Italian Civil Code) with the task of ensuring that the provisions of law and of the By-laws, as well as the correct administration principles, are complied with, and that the organizational, administrative and accounting structure adopted by the Company is adequate and operating.

## 3 DEFINITIONS

For the purposes of this Policy and subject, in any case, to the provisions set out from time to time by the New Regulations, the terms set out below shall have the following meaning :

|                        |   |
|------------------------|---|
| <b>Related Persons</b> | <p>the persons specified below, by virtue of the relationships with a single bank, with a bank or regulated intermediary belonging to a group, with the parent financial holding company:</p> <p>a) company member, i.e. the person performing administration, management and supervisory duties at the Bank, parent financial holding company or regulated intermediary. This definition will include, in particular, within the traditional administration and control system, directors and statutory auditors. The definition includes general managers and the managers holding positions entailing the exercise of the same functions as general managers';</p> <p>b) participant, i.e. the person required to ask for the authorizations mentioned in articles 19 and ff. of the Consolidated Banking Law ("TUB");</p> <p>c) a person other than a participant, in a position to appoint, on his own, one or more members of the management or strategic supervisory board, according also to agreements howsoever entered into or to By-laws provisions regarding or resulting in the exercise of such rights or powers;</p> <p>d) a company or firm established not in the form of a corporation on which the Bank or a Group company can exercise control or a Significant Influence.</p> |
|------------------------|---|

|                              |   |
|------------------------------|---|
| <b>Connected Parties</b>     | <p>means:</p> <ul style="list-style-type: none"> <li>a) companies and firms also established not in the form of a corporation controlled by a related person;</li> <li>b) the persons controlling a related person among those set out in paragraphs b) and c) above, or the persons subject, either directly or indirectly, to joint control with the same related person;</li> <li>c) close family members of a related person and the companies or firms controlled by the latter</li> </ul>   |
| <b>Related Parties</b>       | <p>means a related person and all its connected parties. For application at individual level, each bank belonging to a banking group refers to the perimeter of related parties determined by the holding company for the entire banking group.</p>   |
| <b>Control</b>               | <p>has the meaning given in art. 23 TUB. It includes:</p> <ul style="list-style-type: none"> <li>- the cases contemplated by art. 2359, paragraphs 1 and 2 of the Italian Civil Code, which defines "controlled (or subsidiary) companies" as: <ul style="list-style-type: none"> <li>a) companies in which another company has a majority of the votes exercisable at an ordinary meeting;</li> <li>b) companies in which another company has sufficient votes to exercise a dominant influence at an ordinary meeting;</li> <li>c) companies which are under the dominant influence of another company by virtue of particular contractual bonds with it.</li> </ul> </li> </ul> <p>For the purposes of the application of paragraphs a) and b) above, the votes pertaining to controlled companies, to fiduciary companies and to an interposed person are also included in the computation; the votes available on behalf of third parties are not included in the computation.</p> <ul style="list-style-type: none"> <li>- Control under contracts or By-laws provisions covering or resulting in the power to exercise direction and coordination activity;</li> <li>- control in the form of dominant influence.</li> </ul> <p>Control also includes joint control, meant as – contractually established - sharing of control on an economic activity.</p> <p>In such cases, controlling entities are considered as: (i) the entities that can exercise a dominant influence on the company's financial, operative and strategic decisions<sup>1</sup>; (ii) the other entities that can influence the management of the company based on the stakes held, agreements entered into, By-laws provisions, covering or resulting in the possibility to exercise control.</p> <p>Control may also be exercised indirectly, through controlled companies, fiduciary companies or interposed persons. Companies and firms controlled by entities who, in turn, are subject to joint control, shall not be considered indirectly controlled companies.</p> |
| <b>Significant Influence</b> | <p>power to participate in determining the financial and operating policies of an affiliate, without exercising a control over it.</p> <p>A significant influence is presumed to be exercised in case of holding of a direct or indirect stake equal to or higher than 20% of the corporate capital or of voting rights at ordinary meetings or other equivalent board of the affiliate, or 10% in case of companies whose shares are listed on regulated markets.</p> <p>If the holding does not reach the aforesaid threshold, closer examinations need be conducted so as to ascertain the existence of a significant influence upon satisfaction of the following conditions and taking any other relevant circumstance into account:</p>   |

<sup>1</sup> This situation applies, for example, in the presence of two or more persons each having the possibility to prevent the adoption of financial and strategic decisions in the controlled company, through the exercise of a veto or as a result of the quorums of corporate bodies.

a) to be represented in the management or strategic supervisory boards of the affiliate; the mere designation of the minority representative member, in accordance with the rules and regulations on issuers of shares listed on regulated markets, is not *per se* an indicator of significant influence;

b) to participate in the strategic decisions of a firm, in particular when holding decisive voting rights in the meeting's resolutions on accounts, profit allocation and reserve distribution, in the absence of a joint control;

c) the existence of significant transactions – meaning “Major Transactions” as defined below – the exchange of managerial staff, the provision of crucial technical information.

Significant influence applies also when it is exercised indirectly, through controlled companies, fiduciary companies or interposed persons. Affiliates which are in turn controlled by companies subject to joint control are not considered indirectly subject to significant influence.

|                             |               |  |
|-----------------------------|---------------|--|
| <b>Close Members</b>        | <b>Family</b> | relatives up to second degree of kinship and spouse or cohabiting partner of a related person, as well as the children of the latter.  |
| <b>Independent Director</b> |               | the Director that meets the independence requirements provided for by art. 148, paragraph 3 of TUF.  |
| <b>Related Transactions</b> | <b>Party</b>  | <p>means transactions with related parties involving the engagement in risk activities, transfer of resources, services or obligations, regardless of the payment of a consideration, including merger and spin-off transactions.</p> <p>Related Party Transactions shall not include:</p> <p>a) transactions among members of a banking group when these are related by a sole control relationship, including joint control;</p> <p>b) the fees paid to the company members, if compliant with the regulatory provisions on bank incentive and remuneration systems;</p> <p>c) transactions involving intra-group transfer of funds or collaterals carried out as part of the liquidity risk management system at consolidated level;</p> <p>d) transactions to be executed according to stability-oriented instructions given by the Bank of Italy, or based on provisions issued by the holding company for the execution of instructions given by the Bank of Italy in the interest of the group's stability.</p> |
| <b>Ordinary Transaction</b> |               | means a minor related party transaction falling within the Company's ordinary activity and finalized at arm's length/standard conditions. The criteria the transaction shall satisfy are: its ordinary nature, objectivity of conditions, simplicity of the economic-contractual structure, moderate size, counterparty type.  |
| <b>Major Transaction</b>    |               | has the meaning given in paragraph 5.1 below.  |
| <b>Minor Transaction</b>    |               | has the meaning given in paragraph 5.2 below.  |
| <b>TUF</b>                  |               | means Legislative Decree no. 58 of 24 February 1998, as amended.   |
| <b>TUB</b>                  |               | means Legislative Decree 385/93, as amended.   |
| <b>Urgent Transactions</b>  |               | has the meaning given in paragraph 5.4.5 below.  |
| <b>Risk Activity</b>        |               | means net exposures as defined for the purposes of risk concentration rules referred to in (i) Title V, Chapter 1, Section I, Paragraph 3 of the New Regulations as well as (ii) the “Instructions for Preparing Reports on Regulatory Capital and Prudential Ratios”.   |
| <b>Regulatory Capital</b>   |               | means the aggregate amount defined under Title V, Chapter 1, Section I, paragraph 3 of the New Regulations, regarding risk concentration.  |

## 4 OPERATIONAL CHOICES IN RELATION TO RELATED PARTY TRANSACTIONS

Below is a description of the operational choices defined in relation to the identification of and decisions on Related Party Transactions.

### 4.1 Specific rules in addition to the New Regulations

In accordance with proportionality principle, according to which the duties an intermediary is required to fulfill are proportional to its size and complexity, given the operational characteristics and the importance of the risks assumed by the Group, considering the size, shareholding structure and legal form, and the evolution of its activity, focused on transactions with limited exposure to conflict of interest situations and risks, TH does not envisage laying down specific rules that are stricter than those provided for by the New Regulations.

### 4.2 Role of the Independent Director in relation to this Policy

In consideration of the activity previously described, the Holding Company does not envisage establishing a specific committee within the strategic supervisory board, or within the Board of Directors, in charge of evaluating Related Party Transactions. Therefore, in accordance with the New Regulations, the duties assigned to independent directors within the Holding Company are expected to be performed exclusively by the director who meets the independence requirements set out in art. 148, paragraph 3, of TUF.

The Independent Director is responsible for overseeing any issue connected to Related Party Transactions, to the extent of his/her duties pursuant to the laws in force. More specifically, he/she shall:

- give an analytical and motivated binding opinion on the overall suitability of this Policy (as amended from time to time) to pursue the goals of the relevant provisions, upon prior approval of the Policy by the Board of Directors;
- be involved in conducting Related Party Transactions, focusing in particular on Major Transactions, through:
  - i. the analysis of an adequate informative report at a pre-decision stage;
  - ii. a prior and motivated opinion at a decision stage,

in accordance with the terms and procedures set out below.

The opinions given by the Independent Director must be motivated, formalized and accompanied by adequate documentation in support of the evaluations and remarks formulated.

### 4.3 Relationships with the provisions under art. 136 TUB

If a Related Party Transaction is subject to the provisions of art. 136 of TUB, the enhanced decision-making procedures provided for therein shall also apply (i.e. resolution passed by the board of directors unanimously and with the favourable vote of all members of the supervisory board, subject to the obligations provided for by the Italian Civil Code with regard to the interests of directors), along with the rules set out in this Policy in relation to the pre-decision stage and, with regard to the decision stage, the obligation to motivate decisions.

### 4.4 Treatment of transactions conducted by Italian and foreign subsidiaries of the Group

The Holding Company, as contact entity of the Bank of Italy for the purposes of consolidated supervision, hereby sets out the guidelines, which will be followed by specific instructions and provisions, which the Italian and/or foreign subsidiaries have to comply with for the purposes of handling Related Party Transactions, consistently with and in observance of the applicable regulations.

To this purpose, "Related Parties" shall include the parties already identified by the Group Holding Company.

Regarding the Related Party Transactions on which subsidiaries can take autonomous decisions, the latter, in line and in compliance with the applicable regulations – shall follow the procedures provided for by chapters 5 and 6 of this Policy, with the involvement of the Holding Company only in the event in which the involvement

of the Holding Company's Independent Director is requested (as a similar figure is missing at the subsidiaries and/or foreign subsidiaries do not have a supervisory board) and if no exemption applies and the Transactions are not small sized transactions. In any case, the Group's subsidiaries will annually report, on an aggregate basis, to the Board of Directors of the Holding Company in relation to the Related Party Transactions conducted over the period, whether these are exempted or not from the application of decision-making procedures.

## 5 EXEMPTIONS APPLICABLE TO THE RULES ON RELATED PARTY TRANSACTIONS

### 5.1 Major transactions

Transactions are considered "Major" under the New Regulations if their value in relation to the consolidated Regulatory Capital as at the latest official document, exceeds the 5% threshold.

Value means:

- in relation to cash, the amount paid to/by the counterparty;
- in relation to financial instruments, the fair value of same determined on the date of the transaction;
- for financing transactions and granting of guarantees, the maximum disburseable amount.

Regarding acquisitions, mergers and spin-offs, the New Regulations define as major the transactions for which the ratio between the total assets of the company involved in the transaction and the total assets of the banking group is higher than 5%.

"Total assets of the company involved in the transaction" means:

- as for transactions having effect on the Group consolidated perimeter, the value of the company's total assets;
- as for transactions with no effect on the Group consolidated perimeter, in case of acquisition of stakes, the value of the transaction increased by the liabilities, if any, of the acquired company or, in case of transfer of stakes, the consideration received for the transferred assets;
- as for other transactions not mentioned above, in case of acquisition of other assets, the higher of the consideration paid and the accounting value of the assets or, in case of transfers of other assets, the accounting value thereof.

In case of homogeneous transactions or transactions implemented according to a common plan, conducted, over the period, with the same related party and not regulated by master resolutions, their value need be combined for the purposes of calculating the relevance threshold.

### 5.2 Minor transactions

Transactions are considered "minor" as different from Major Transactions and small sized transactions.

### 5.3 Master resolutions

The Board of Directors, subject to specific resolution passed with the favourable vote of the Independent Director and the favourable vote of the Board of Statutory Auditors, can envisage that categories of homogeneous and sufficiently determined transactions be conducted, for a foreseeable maximum amount, for certain categories of Related Parties based on suitable master resolutions. Master resolutions shall:

- have a term not exceeding 1 year;
- meet specificity, homogeneity and determinability of expected transactions requirements;
- envisage a maximum threshold at consolidated level, verified on an ongoing basis;
- envisage a quarterly report to the Board of Directors regarding their implementation.

Individual transactions conducted pursuant to such master resolutions are not subject to the rules provided for by this Policy.



Where a transaction, even if initially referable to a master resolution, does not comply with the specificity, homogeneity and determinability requirements which are at the base of the resolution, it cannot be conducted in pursuance of such resolution; therefore, such transaction will be subject to the general rules established for each Related Party Transactions.

## 5.4 Exemptions and derogations

The transactions listed below can partially or wholly derogate from the provisions set out in this Policy.

### 5.4.1. Ordinary Transactions

Transactions are defined as “Ordinary” if conducted according to arm’s length/standard conditions, if are minor and are not reserved to the exclusive competence of the Shareholders’ Meeting pursuant to the By-laws and the applicable law, and fall, because of their object, nature and conditions, within the ordinary activities of the Group.

Except for the Transactions specified in article 5.4.4 below, with regard to Ordinary Transactions, TH envisages not applying the measures provided for the pre-decision and decision stages, provided that:

- the relevant resolution/decision shall include elements proving the “ordinary” character of the transaction. To this purpose, the board with decision-making powers on this issue shall verify that the transaction complies with ordinary transaction requirements, acting, where necessary, in order to enforce the measures envisaged for Minor/Major Transactions;
- an ex-post annual informative report on the transactions concluded is provided - also on an aggregate basis - to the Independent Director, so as to allow proper monitoring of same.

### 5.4.2. Small sized transactions

Transactions are defined as “small sized” if their value does not exceed the value set out in the relevant definition within the New Regulations, or:

- for banks whose (consolidated, in case of groups) regulatory capital is lower than EUR 500 million, the threshold shall be EUR 250,000;
- for banks whose (consolidated, in case of groups) regulatory capital is higher than EUR 500 million, the threshold shall be represented by the lower of EUR 1,000,000 and 0.05% of the regulatory capital.

As far as the definition of “value” is concerned, this is consistent with the definition provided for Major Transactions.

TH shall not apply to these transactions the measures provided for both pre-decision and decision stages.

### 5.4.3. Intra-group transactions

In accordance with the New Regulations, as far as intra-group transactions are concerned, none of the measures provided for in this Policy shall be applied where the following circumstances are ascertained:

- if a sole control relationship is in place; or
- in case of companies not subject to sole control or companies subject to Significant Influence, provided that (aggregate) information flows are in place so as to guarantee, on an annual basis, adequate monitoring by the Independent Director on such type of transactions.

This exemption does not apply if the transaction involves significant interests of other Related Parties, emerging when:

- the Related Party holds more than 20% of the subsidiary or company subject to Significant Influence;
- remuneration systems for company members are in place (shared by the Company and the subsidiary or affiliate) depending considerably on the period results achieved by the subsidiaries or affiliates with which the transaction is conducted.

In this case, the measures provided for by this Policy shall apply.



#### 5.4.4. Loss generating transactions

In the event that Related Party Transactions generate losses, non performances, court and out-of-court settlement agreements, the connected and consequent significant decisions shall be always approved by the Board of Directors, with the opinion of the Independent Director.

#### 5.4.5 Urgent transactions

Urgent transactions, where provided for in the By-laws, shall not be subject to the application of the measures provided for by this Policy at both pre-decision and decision stages.

The urgent nature of the transaction shall be specifically proven by the decision-making board based on objective circumstances.

In case of Urgent Transactions falling under the decision-making competence of the management or strategic supervisory boards, the other corporate bodies (with strategic supervision, management and control functions) shall be informed about the urgency reasons before conducting the transaction. If one or more of these bodies, as well as the Independent Director, do not consider the transaction as urgent, they shall give prompt communication to the other bodies and, as soon as possible, to the meeting. If, on the contrary, the relevant decision falls on other company functions, Urgent Transactions shall be communicated, at least annually, to the Independent Director and to the Board of Statutory Auditors.

#### 5.4.5 Transactions requiring assumption of risk activities with Related Parties

These transactions fall under the wider category of "Related Party Transactions" and, in addition to the measures set out in this Policy, are subject to specific ongoing monitoring meant to limit the assumption of Risk Activities with Related Parties within the limits set out in the New Regulations.

These limits, referred to Regulatory Capital, to be met both on an individual basis (banks) and on a consolidated basis (at Group level), differ depending on the different Related Persons, in proportion to the strength of the relationships and to the significance of the consequent risks for a sound and prudent management. More specifically, when a Related Party Transaction is identified, the Holding Company and/or the Bank shall measure the impact of the envisaged transaction for the purposes of compliance with prudential limits where the same activity generates Risk Activity.

If, for reasons not dependent on the negligence or the intention of the Holding Company or each bank of the Group, one or more limits are exceeded, Risk Activities shall be brought within their set limits, as soon as possible. To this end, if the individual limit is exceeded, the Bank shall prepare, within 45 days, a specific plan, approved by the Board of Directors, after hearing the Board of Statutory Auditors, to be sent to the Bank of Italy within 20 days from approval, along with the minutes including the decisions adopted by the corporate bodies. If limits are exceeded by a Related Party by virtue of the stake held in the bank or in a Group company, the administrative rights connected to such stake shall be suspended.

## 6 RELATED PARTY TRANSACTIONS OPERATIONAL PHASES

Below is a description of the preliminary phases to decisions on Related Party Transactions.

### 6.1 Survey of related parties

The periodic survey and review of all the Group's Related Parties rest with the **Managing Director** who shall rely, to this purpose, on the Company's competent functions.

The list of Related Parties, as updated from time to time, is available on the relevant list notified and made available to subsidiaries.

## 6.2 Identification of Related Party Transactions

For the purposes of identifying Related Party Transactions, the competent company functions (adequately informed by the corporate bodies which, based on the internal delegation system adopted, are in charge of following the transaction), before the transaction is executed, shall verify that:

- the counterparty to the transaction is included as related party in the list of Related Parties;
- if the counterparty to the transaction is a related party, the transaction falls under the definition of "Related Party Transaction" (refer, in this regard, to the paragraph headed "Definitions" above);
- if the first two points apply, the transaction falls under one of the cases listed above, to which the measures set out in this Policy apply.

If all controls have had successful result, the competent company functions shall activate proper procedures as specified below.

If the transaction cannot be subject to the aforesaid measures, as subject to exemption pursuant to art. 5.4, the competent company functions shall be required to document such possibility, dismissing the relevant documentation and giving notice thereof to the Managing Director, subject to fulfillment of the obligations provided for above.

## 6.3 Document preparation

The competent company functions are required to inform the Managing Director about the need to activate decision-making processes, in case of transactions to which the measures can be applied, and to prepare all the necessary documentation specifying:

- the counterparty and nature of relationship;
- the transaction execution procedures;
- the type of transaction (if minor or major transaction and if based on a master resolution);
- timeframe and economic terms and conditions for the execution of the transaction;
- the evaluation procedure adopted;
- the opportunity and grounds of the transaction;
- any risk for the Group arising from executing the transaction.

The Managing Director shall transmit the documentation to the Independent Director so as to proceed to the activities provided for by the pre-decision stage.

## 6.4 Decisions

Decisions on Related Party Transactions, in accordance with the New Regulations, consist of two stages:

- pre-decision;
- decision.

Besides the **Independent Director**, the following corporate bodies shall be involved in these two stages:

- the **Board of Directors**, responsible for resolving mandatorily on each Major Transaction conducted by TH (unless the competence, pursuant to the law and the By-laws, falls on the Shareholders' Meeting) and to which, well in advance of the transactions approval date, complete and adequate information and all related documentation shall be provided;
- the **Board of Statutory Auditors** is responsible for:
  - giving its – non-binding and motivated - opinion, on the opportunity to conduct a major transaction, if the Independent Director has given a negative or qualified opinion;
  - giving its opinion in relation to the expense limits fixed, pursuant to art. 6.4.1 below, in relation to the resort to independent experts by the Independent Director.

### 6.4.1 Pre-decision stage

Before a Related Party Transaction is entered into, the **Independent Director** shall receive, well in advance, proper information on the different aspects of the transaction on which a decision has to be taken, as

previously specified; the Independent Director shall be also timely involved in negotiations by corporate bodies with decision-making powers, in order to allow the same to request additional information and formulate remarks, as better specified below.

The Independent Director may, if necessary and at the Group's expenses, request advice from independent experts, chosen from among recognized professionals with competence on the issues concerned by the decision. To this purpose, the Board of Directors shall, in agreement with the Independent Director, set expense limits to the advice from independent experts requested by the Independent Director, by adopting reasonability and consistency criteria with respect to the major and/or minor importance of the transaction.

If the Independent Director is a counterparty or qualifies as a Related Party in relation to a transaction or has an interest in such transaction pursuant to art. 2391 of the Italian Civil Code, the Independent Director shall not be involved, in relation to this transaction, in such stage.

In these circumstances, such stage is expected to be implemented by the Board of Directors, supported, if necessary, by an external expert. The Board of Directors shall adopt the decisions with the quorums provided for by the last paragraph of article 6.4.2.

The Independent Director, after having analyzed the documents received, will:

- report any identified deficiencies to the persons qualified to decide on the transaction;
- request information and explanation, if any, and submit remarks to the corporate bodies with decision-making powers on the issue;
- express a preliminary and motivated opinion on the interest in conducting the transaction and on the suitability and substantial fairness of the relevant economic and contractual terms.

If the Independent Director expresses a negative or qualified opinion on major transactions, the transaction shall also be analyzed by the **Board of Statutory Auditors**, which shall provide a preliminary and motivated opinion pursuant to the same rules provided for the preliminary opinion of the Independent Director.

### 6.4.2 Decision stage

Following the analysis conducted by the Independent Director at the pre-decision stage, the decision stage will be undertaken as follows:

- in case of Minor Transactions, the power to resolve shall fall on the **corporate bodies with decision-making powers on the matter involved**<sup>2</sup>. The corporate bodies shall then formalize:
  - adequate motivation as to the opportunity and economic convenience of the transaction;
  - properly documented reasons for any deviation, in economic and contractual terms and other aspects, from arm's length/standard conditions;
  - in case of a preliminary negative or qualified opinion by the Independent Director, the reason why the Transaction should be in any case finalized and the prompt replies to the remarks formulated by the Independent Director in his opinion. In such case, the transaction conducted, if the body with the competent decision-making powers is not the Board of Directors, shall be notified to the Board of Directors, at the first possible meeting;
- in case of Major Transactions, the power to decide shall fall on the **Board of Directors**, unless the law or the By-laws refer this matter to the competence of the Shareholders' Meeting. In such case, the Board of Directors shall apply the measures provided for Minor Transactions, formalizing the decision as specified above, thus providing:
  - adequate motivation as to the opportunity and economic convenience of the Transaction;
  - properly documented reasons for any deviation, in economic and contractual terms and other aspects, from arm's length/standard conditions;

<sup>2</sup> In case of decisions on transaction generating losses, non performances, court and out-of-court settlement agreements, the relevant competence, including in case of minor transactions, falls on the Board of Directors, in accordance with the provisions set out in art. 5.4.4 above.

- in case of a preliminary negative or qualified opinion by the Independent Director, the reason why the Transaction should be in any case formalized and the prompt replies to the remarks formulated in the opinion by the Independent Director. In such case, the transaction conducted, if the body with the competent decision-making powers is not the Board of Directors, shall be notified to the Board of Directors, at the first possible meeting;

In addition, it is envisaged that the Shareholders' Meeting be annually informed about the transactions conducted on which the Independent Director and/or Board of Statutory Auditors have expressed a negative or qualified opinion.

- In case of transactions falling within the competence of the **Shareholders' Meeting**, the proposal stage is subject to the previously established rules, depending on the transaction importance.

If one or more members of the Board of Directors are in a – potential or indirect - conflict of interest situation, on their own or on third parties' account, all measures provided for by the law and the By-laws in these situations shall apply in the execution of the transaction.

If the transaction has been analyzed at the pre-decision stage by the Board of Directors due to the impossibility to involve the Independent Director, in that he qualifies as a Related Party or holder of an interest pursuant to art. 2391 of the Italian Civil Code, and if the decision-making competence falls on the Board of Directors, the decision shall be made unanimously and with the favourable opinion of all the members of the Board of Statutory Auditors.

## 7 POLICY ADOPTION AND FOLLOWING REVIEWS

The Policy was adopted with resolution passed at the Board of Directors' meeting held on [●], subject to the favourable opinion of the Independent Director and of the Board of Statutory Auditors.

More specifically, this Policy has been judged, after a careful examination by the Board of Statutory Auditors and the Independent Director, also on the basis of analyses conducted by the internal functions involved in the procedure, consistent, in both substance and form, with the New Regulations.

The Policy will be updated with resolution adopted by the Board of Directors, following amendments introduced by national regulations, internal procedural and/or organizational changes or if activities, differing from those currently established, are conducted.

Any following amendment to this Policy will be subject to approval by the Board of Directors, after a close examination - which will be binding for the decision purposes - by the Board of Statutory Auditors and the Independent Director.

This Policy, and any amendment hereto, shall be published on the Company's website and made publicly available on request.