

**Translation from the Italian original version (which remains the definitive version)  
for the convenience of an international reader**

**M&C S.p.A.**

**Related party transactions  
procedure**

**Applicable since 10 May 2018**

## 1. INTRODUCTION

This procedure for Related party transactions (the “**Procedure**”) has been prepared to comply with article 2391-bis of the Italian Civil Code and the Consob resolution no. 17221 issued on 12 March 2010 and subsequent amendments and integrations (the “**Regulation**”). The current text (in Italian) is attached to the Italian version of this procedure of for ease of consultation.

This Procedure is an integral part of the internal controls system of the group headed by M&C S.p.A. (“**M&C**” or the “**Company**”).

It also acts as the instructions imparted by the Company to its subsidiaries, pursuant to article 114.2 of the Legislative Decree n.58 dated 24 February 1998 (the “**Consolidated Act**”).

The Board of Directors considers (at least annually and in any case considering any change in the ownership of the Company) the need to review of the Procedure also taking into consideration any change in the law or regulations and the related future practice and application.

## 2. DEFINITIONS AND EXCLUSIONS

The definitions included in the Regulation are applicable herein, except for that set out below.

### **2.1 Directors Related**

Are those directors that in a specific transaction are counterparty of such a transaction or are related party of the conterparty.

### **2.2 Independent directors**

Directors recognised as independent by the Company or identified as such in the annual corporate governance report or based on information provided by them subsequently.

### **2.3 Committee**

The Related Party Transactions Committee, required by the Regulation, set up and operational pursuant to the provisions of section 4 of this Procedure.

## **2.4 Significant interest**

A Related Party has an interest in a transaction when an independent party, acting with professional diligence, deems that the Related Party may directly or indirectly gain an advantage or disadvantage of any kind should the transaction be carried out with the company or one of its subsidiaries, as defined by communication DEM/10078683 issued by Consob on 24 September 2010.

Significant interest does not exist when the Related Party adheres to a tax consolidation scheme or there are other related parties, if the transactions are performed on an arm's length basis.

## **2.5 Most significant transactions**

Transactions that do not qualify as Excluded Transactions and that exceed at least one of the relevance thresholds set in annex 3 to the Regulation is exceeded by 5%.

The abovementioned threshold is halved (to 2.5%) for the cases provided for by article 1.2 of annex 3 to the Regulation.

Calculation of consolidated equity should only consider equity attributable to the owners of the parent without including equity pertaining to minority shareholders.

The 154-bis Manager performs annually the calculation and informs about the threshold (in Euro) the Related Parties and the Company management

## **2.6 Less significant transactions**

Transactions that do not qualify as Excluded Transactions but are not Most significant transactions.

## **2.7 Excluded Transactions**

Without prejudice to that set out in sections 7.1 and 7.2 below, this Procedure is not applicable to all the cases identified by article 13 of the Regulation, as long as the conditions set out therein for exemption are complied with, as well as those identified by article 14.2 of the Regulation about the lack of Significant Interest of another Related Party.

## **2.8 Minor Transactions**

Transactions of small amounts as per article 13.2 of the Regulation which, therefore, qualify as Excluded Transactions.

A transaction is a Minor Transaction when the relevant value is lower than Euro 100,000 or Euro 50,000 in case the counterparty is a corporate entity or an individual (or a corporate entity fully owned by an individual), respectively.

## **2.9 Ordinary Transactions**

This procedure does not apply to transactions that are within the ordinary course of business (and related financial activity) provided that these are carried out on a harm-length basis.

## **2.10 Related Parties**

Those parties (or party) identified in annex 1 to the Regulation as well as those identified in the article 2427.2 of the Italian Civil Code. Related Parties also include the standing members of the board of statutory auditors of the Company and of the companies whose directors are considered Related Parties.

## **2.11 Procedure**

This procedure, that sets forth the inquiry and the implementation of the transactions with Related Parties carried out by the Company and or its Italian and foreign subsidiaries .

## **2.12 Related Parties Register**

List of all the Company's Related Parties.

This Register is updated on a timely basis or it should be noted that no changes are necessary on at least a monthly basis.

## **2.13 Regulation**

The Consob regulation approved with resolution no. 17221 and subsequent integrations and amendments.

## **2.14 Company**

M&C S.p.A.

## **2.15 154-bis Manager**

The Company manager appointed as per article 154-bis of the Consolidated Act.

### **3. MANAGEMENT OF INFORMATION ABOUT RELATED PARTIES**

#### **3.1 Identification of Related Parties**

With respect to the definition in this Procedure, the 154-bis Manager identifies the Company's Related Parties and maintains the Related Parties Register availing of internal resources or services provided by external qualified consultants.

The 154-bis Manager consults the Committee in the case of doubts.

If unable to resolve the doubt, it is discussed at the next board of directors meeting, after having received the opinion of the board of statutory auditors.

#### **3.2 Documentation of transactions with Related Parties**

3.2.1 The Manager records the amounts of each transaction covered by this Procedure carried out with Related Parties during the year by the Company and its subsidiaries in the Related Parties Register availing of internal resources or services provided by external qualified consultants.

3.2.2 When the sum of the transactions equals the amount set for the Most significant transactions, the 154-bis Manager immediately checks if the transactions are homogeneous or performed as part of a single project in order to comply with the provisions of article 5.2 of the Regulation.

3.2.3 The 154-bis Manager also checks the existence of transactions that, combined together, give rise to the obligations provided for by article 5.2 of the Regulation on an ongoing basis, even when they are not performed with the same Related Party.

3.2.4 If there are doubts about the qualification of the transactions as per points 3.2.2 and 3.2.3, the 154-bis Manager consults the Committee.

#### **4. RELATED PARTY TRANSACTIONS COMMITTEE**

**4.1** The Committee comprises a minimum of two independent directors elected by the board of directors.

**4.2** Except as provided for in the following paragraph 5.1 letter e), the independent director, who is not a member of the Committee, stands in for committee members should they have a direct interest or an interest on behalf of third parties in a Related Party transaction that coincides with that of the company.

**4.3** The Committee's working, meetings and majority vote requirements are the same as those for board meetings as per the company's by-laws.

**4.4** Unless the board of directors has elected a chair, committee meetings are chaired by the member unanimously elected by the participants, which may differ from one meeting to another. If the participants are unable to agree, the director with the longest term of office chairs the meeting. If two directors have the same length of term of office, the older director chairs the meeting.

**4.5** The Committee may agree a budget for its costs to be approved by the board of directors. There is no limit to the cost of engaging experts for the Most significant transactions.

## **5. RULES FOR RELATED PARTY TRANSACTIONS**

### **5.1 Most significant transactions**

As long as M&C maintains the qualification of PMI according to article 10.1 of the Regulation, the Company will apply and use the procedure set forth in the following paragraph 5.2 also for the Most significant transactions.

The Chairman, the managing director (“amministratore delegato”) or the Board of Directors can severally decide – for specific transactions or for all transactions – to apply the procedure set forth in this article 5 in full or partially.

- a) the board of directors has exclusive and binding powers for these transactions, except in the cases where such a powers are allocated to the shareholders meeting by the law;
- b) Should the managing director/chair concretely starts the negotiations to conclude a Most Significant Transaction with a Related Party, he/she shall inform the Committee members (also informally).
- c) Within two business days from the communication of the information as per point b), the managing director/chair provides the Committee with a written summary of the transaction as set out at the date of preparing the document.
- d) After this written communication, the managing director/chair ensures that the Committee receives timely updates about the negotiations, within the timeframes and methods agreed (also informally) with the Committee and/or its members, allowing the request for information and having in mind the comments received, in accordance with article 7.1 letter d) and article 8.1 letter d) of the Regulation.
- e) In the event that there are not at least two Independent directors, the managing director/chair shall make use of the specific alternative means set forth by article 7.1 letter d) and article 8.1 letter d) of the Regulation. Alternative means are:
  - (i) Independent directors that are not members of the Committee;
  - (ii) A resolution of the Board of Directors, after having received - from the board of statutory auditor and from an expert appointed by the Board of Directors – a non binding opinion on the interest of the Company to carry

out such a transaction and on the substantial correctness of the relevant terms and conditions.

- f) The Committee may avail of the assistance of one or more independent experts, the costs of whom are borne by the Company.
- g) The managing director/chair provides the Committee with a draft resolution to be proposed to the board of directors at least five days before the date on which it will be presented.
- h) The Committee prepares its written reasoned opinion before the board meeting at the latest.
- i) Should the Committee not be in favour of the transaction, it indicates if and how this situation could be eventually remedied.
- l) Should the board of directors approve the transaction as amended by the Committee or however amended to reflect the issues raised by the Committee, the board suspends its meeting to allow the Committee to meet immediately and prepare a new opinion and, if favourable, recommence discussions to approve the transaction.
- m) If the Committee is still not able to agree to the transaction, and without prejudice to the procedures set out above in points h) and i), the board of directors may decide to present the transaction to the shareholders for their approval. Its report should include the various proposals and opinions prepared by the Committee as well as those prepared by the experts engaged for this purpose by the Committee in an annex thereto.
- n) Regardless of the outcome of the vote taken by the shareholders in their meeting, the board of directors and their delegates may not commence the transaction if the majority of the unrelated shareholders with voting rights vote against the transaction, as long as the total number of unrelated shareholders with voting rights equals at least 5% of the voting rights exercisable at that meeting. To this end, unrelated shareholders with voting rights are those that are not the Company's related parties or parties related to the counterparty or that have an interest either on their own



behalf of on behalf of third parties that may coincide with that of the Company in the transaction and/or resolution.

## **5.2 Less significant transactions**

- a) Without prejudice to the powers delegated and sub-delegated within the Company, parties that undertake a less significant transaction with a Related Party should inform the managing director/chair who, in turn, informs the Committee (also on an informal basis).
- b) The managing director/chair ensures that the Committee is provided with detailed information about the transaction at least five days before it takes place.
- c) If deemed necessary, the Committee may request the assistance of one or more independent experts selected by it and paid for by the Company.
- d) The Committee may ask the managing director/chair to postpone the transaction so as to obtain additional information about it and/or obtain the experts' opinions.

## **5.3 Transactions reserved to the shareholder meeting**

- 5.3.1 When the shareholders meeting's approval is required for a Related Party transaction, the provisions of sections 5.1 and 5.2 apply. By approval is meant approval of the directors' report to the shareholder about the transaction.
- 5.3.2 The board of directors presents proposals to the shareholders for Less significant transactions that require shareholder approval, in accordance with article 10 of the Company by-law.
- 5.3.3 The board of directors includes the text of the proposed resolution to be adopted in its report to the shareholders.

## **5.4 Transactions with fiduciary companies**

With respect to transactions performed with fiduciary companies and agents acting on behalf of third parties, that are not Excluded Transactions, the Company shall obtain

written confirmation from the fiduciary company or the other party that its mandate was not conferred by a Related Party, after it provides the fiduciary company or other party with a list of its related parties.

## **5.5 Post-transaction obligations**

5.5.1 The 154-bis Manager ensures that execution of Related Party transactions, covered by this Procedure, is communicated.

5.5.2 The Manager ensures that the requirements of section 7 are complied with.

## **6. TRANSACTIONS PERFORMED BY SUBSIDIARIES**

- a) The 154-bis Manager provides the company's directly controlled subsidiaries with a list of its Related Parties.
- b) Each subsidiary is required to provide its direct subsidiaries with the same list and they are required to do likewise. If provided for in writing, the list may be communicated in another manner as long as all the Company's subsidiaries receive the list and its updates.
- c) When a subsidiary has to perform a transaction with a Related Party, it independently assesses whether it is an Excluded Transaction, for example, if it is an Ordinary transaction carried out at market or standard conditions.  
In all other cases, the subsidiary informs the 154-bis Manager so that they can, in turn, inform the Committee. The procedure set out in Section 5 will be applicable.

## **7. OBLIGATIONS WITH CONSOB AND DISCLOSURES TO THE MARKET**

**7.1** The 154-bis Manager ensures that the communication obligations with Consob (the Commission for listed companies and the stock exchange) and/or the market as per the Regulation are complied with promptly and that the directors' report includes the information required by article 5.8 of the Regulation, considering also Excluded Transactions as per the terms of this Procedure.

**7.2** Specifically, the Party 154-bis ensures compliance with the provisions of article 13.3.c) of the Regulation.

**7.3** Before issuing press releases about Related Party transactions, the Press Office checks that their content complies with article 6 of the Regulation.

## **8. REQUIREMENTS OF DIRECTORS**

**8.1** Without prejudice to the working of board meetings and, specifically, attainment of the legal number for meetings to be valid, the director who has an interest in a Related Party transaction either directly or on behalf of third parties, which may coincide with that of the Company, abstains from discussions about the relevant matter on the meeting agenda.

**8.2** The board of directors may decide, in their absence, to have the director participate in the discussions.

## **9. VALIDITY**

This Procedure is effective from 10 May 2018.