

## **DEFINITION OF RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES AND RELATED AND FUNCTIONAL DEFINITIONS THEREOF**

### **1. Definitions of related parties and transactions with related parties**

For the purposes of Article 3(1)(a) of this regulation, the following definitions shall apply:

#### *Related parties*

A party is a *related party* of a company if it:

- (a) directly or indirectly, including through subsidiaries, trustees or intermediaries:
  - (i) controls the company, is controlled by or is subject to joint control;
  - (ii) holds a stake in the company which enables it to exert significant influence over the company;
  - (iii) exercises control over the company jointly with other parties;
- (b) is an associate of the company;
- (c) is a joint venture in which the company is a participant;
- (d) is a manager with strategic responsibilities of the company or its parent;
- (e) is a close relative of a party referred to in paragraphs (a) or (d);
- (l) is an entity in which a person referred to in paragraphs (d) or (e) exercises control, joint control or significant influence or owns, directly or indirectly, a significant portion, but not less than 20%, of voting rights;
- (g) is a supplementary pension fund, collective or individual, Italian or foreign, established for the employees of the company, or of any other entity associated with it.

#### *Transactions with related parties*

A *related party transaction* shall be understood as any transfer of resources, services or obligations between related parties, regardless of whether it is for valuable consideration.

The following are deemed to be included:

- merger transactions, spin-off by incorporation or strictly non-proportional spin-off, if carried out with related parties;
- any decision on the allocation of compensation and economic benefits, in whatever form, for members of the administrative and control bodies and managers with strategic responsibilities.

### **2. Functional definitions to the definitions of “related parties” and “transactions with related parties”**

For the purposes of the definitions above the notions of "control", "joint control", "significant influence", "close relatives", "managers with strategic responsibilities", "subsidiary", “associated company” and "joint venture" are following.

#### *Control and joint control*

*Control* is the power to govern the financial and operating policies of an entity so as to obtain

benefits from its operations.

It is assumed that control exists when a party owns, directly or indirectly through subsidiaries, more than half of the voting rights in an entity unless, in exceptional cases, it can be clearly demonstrated that such ownership does not constitute control. Control also exists when a party owns half or less of the voting rights exercisable at shareholders' meetings if they have:

- (a) control of more than half of the voting rights by virtue of agreement with other investors;
- (b) the power to govern the financial and operating policies of the entity by virtue of articles of association or an agreement;
- (c) the power to appoint or remove the majority of the members of the board of directors or equivalent corporate governance body, and said board or body holds control of the entity;
  
- (d) the power to exercise the majority of voting rights in meetings of the board of directors or equivalent corporate governance body, and said board or body holds control of the entity;

*Joint control* is the contractually agreed sharing of control over any economic activity.

### *Significant influence*

*Significant influence* is the power to participate in determining financial and operating policies of an entity without having control thereof. Significant influence may be achieved through share ownership, clauses in the articles of association or agreements.

If a party owns, directly or indirectly (e.g. through subsidiaries), 20% or more of the votes which can be exercised in the investee's shareholders' meeting, it is presumed to have significant influence, unless it can be clearly demonstrated otherwise. Conversely, if the party owns, directly or indirectly (e.g. through subsidiaries), less than 20% of the votes which can be exercised in the investee's shareholders' meeting, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. The presence of a party in possession of an absolute or relative majority of voting rights does not necessarily preclude another party from having significant influence.

The existence of significant influence is usually evidenced by one or more of the following circumstances:

- (a) representation on the board of directors or equivalent governing body of the investee;
- (b) participation in decision making, including participation in decisions regarding dividends or other distribution of profits;
- (c) the existence of material transactions between the investor and the investee;
- (d) exchange of managerial personnel;
- (e) the provision of essential technical information.

### *Managers with strategic responsibilities*

*Managers with strategic responsibilities* are those parties who have the power and responsibility, directly or indirectly, of planning, directing and controlling company operations, including directors (whether executive or otherwise) of the company.

### *Close relatives*

*Close relatives* of a party are those family members who may be expected to influence or be influenced by that individual in their dealings with the company.

They may include:

- (a) the non-legally separated spouse and cohabitating partner;
- (b) the children and dependants of the party, of the non-legally separated spouse or of the

cohabitating partner.

### *Subsidiary*

A *subsidiary* is an entity, even without legal personality, as in the case of a partnership, which is controlled by another entity.

### *Associated company*

An *associated company* is an entity, even without legal personality, as in the case of a partnership, in which a shareholder exercises significant influence but not control or joint control.

### *Joint venture*

A *joint venture* is a contractual arrangement whereby two or more parties undertake an economic activity subject to joint control.

## **3. Principles for interpreting the definitions**

**3.1.** In considering each possible related party relationship, attention must be focused on the substance of the relationship and not merely its legal form.

**3.2.** The definitions above shall be interpreted by referring to the set of international accounting standards, adopted under the procedure referred to in Article 6 of Regulation (EC) no. 1606/2002.

## IDENTIFYING TRANSACTIONS OF GREATER MATERIALITY WITH RELATED PARTIES

1. Internal procedures set out quantitative criteria for the identification of the "transactions of greater materiality" so as to include at least the categories of transactions listed below.

1.1. Transactions in which, at least one of the following materiality ratios, applicable depending on the specific transaction, is greater than the 5% threshold:

- a) ***Equivalent-value materiality ratio***: the ratio between the equivalent value of the transaction and the equity drawn from the latest balance sheet (consolidated, if so prepared) published by the company or, for listed companies, if greater, the capitalisation of the acquired company at the end of the last trading day included in the period covered by the latest periodic accounting document published (annual, half-yearly, or interim report on operations). For banks, it is the ratio between the equivalent value of the transaction and the regulatory capital drawn from the latest published balance sheet (consolidated, if so prepared).

If the economic terms of the transaction have been established, the equivalent value of the transaction is:

- i) for the cash components, the amount paid to/by the contractual counterparty;
- ii) for the financial instrument components, the fair value as at the transaction date, in compliance with international accounting standards adopted by Regulation (EC) no. 1606/2002;
- iii) for funding transactions or granting of guarantees, the maximum amount payable.

If all or part of the economic terms of the transaction depend upon amounts not yet known, the equivalent value of the transaction is the maximum amount receivable or payable under the terms of the agreement.

**b) *Asset materiality ratio***: the ratio between the total assets of the entity used in the transaction and the total assets of the company. Data to be used shall be obtained from the latest balance sheet (consolidated, if so prepared) published by the company. Whenever possible, similar data should be used for determining the total assets of the entity which are used in the transaction.

For acquisitions and disposals of investments in companies affecting the scope of consolidation, the numerator value is the total assets of the investee, regardless of the capital percentage involved in the disposal.

For acquisitions and disposals of investments in companies with no effect on the scope of consolidation, the numerator value is:

- i) if an acquisition, the equivalent value of the transaction plus any liabilities of the acquired company taken over by the buyer;
- ii) if a disposal, the consideration received for the discontinued asset.

For acquisitions and disposals of other assets (i.e. not involving acquisition of an investment), the numerator value is:

- i) if an acquisition, the higher between the consideration paid and the book value to be assigned to the asset;
- ii) if a disposal, the book value of the asset.

**c) *Liability materiality ratio:*** the ratio between the total liabilities of the entity acquired and the total assets of the company. Data to be used shall be obtained from the latest balance sheet (consolidated, if so prepared) published by the company. Whenever possible, similar data should be used for determining the total liabilities of the entity or business branch acquired.

**1.2.** Transactions with the listed parent company or with parties that are related to the latter which are in turn related to the companies, where at least one of the materiality ratios pursuant to subsection 1.1. is higher than the threshold of 2.5%.

**1.3.** Companies assess whether to identify materiality thresholds that are lower than those indicated in subsections 1.1 and 1.2 for transactions that could affect the issuer's management independence (e.g., disposal of intangible assets such as trademarks or patents).

**1.4.** In the event of the accumulation of multiple transactions pursuant to Article 5(2), companies shall firstly determine the materiality of each individual transaction on the basis of the ratio or ratios applicable thereto, as set forth in subsection 1.1. To verify whether the thresholds specified in subsections 1.1, 1.2 and 1.3 are exceeded, the results for each ratio are added together.

**2.** Where a transaction or several accumulated transactions under Article 5(2), are identified as having "greater materiality" according to the ratios established in subsection 1 and this result seems manifestly unreasonable in view of special circumstances, at the request of the company Consob may indicate alternative arrangements to be followed for determining these ratios. To this end, the company shall notify Consob of the essential characteristics of the transaction and the specific circumstances upon which the request is based, prior to the conclusion of the negotiations.

## **INFORMATION DOCUMENT REGARDING TRANSACTIONS OF GREATER MATERIALITY WITH RELATED PARTIES**

In the event that companies with shares listed on regulated markets, with shares widely distributed among the public (hereinafter, together, "the companies") conduct transactions of greater materiality with related parties, the information document envisaged in Article 5 shall contain at least the following information:

### ***Contents***

#### ***1. Warnings***

Highlight, in brief, the risks related to potential conflicts of interest arising from the transaction with related parties described in the information document.

#### ***2. Information on the transaction***

**2.1.** Description of characteristics, formalities, terms and conditions of the transaction.

**2.2.** Indication of related parties with which the transaction was conducted, the nature of the relationship, and whether such relationship has been disclosed to the Board of Directors, and the nature and extent of the interests of such parties in the transaction.

**2.3.** Indication of the economic rationale and cost-effectiveness of the transaction for the company. If the transaction was approved despite advice to the contrary from directors or independent directors, an analytical and adequate justification of the reasons why it was deemed suitable not to agree with said advice.

**2.4.** Methods for determining the consideration for the transaction and assessments of the fairness of the consideration with respect to market values of similar transactions. If the economic terms of the transaction are defined as market-equivalent or standard, provide adequate justification for such claim by providing comparison elements. Indicate if opinions from independent experts have been provided in support of the fairness of said consideration, and the conclusions thereof, stating:

- the bodies or parties which commissioned the opinions and appointed the experts;
- the assessments performed to select the independent experts. In particular, indicate any economic, equity and financial relations between the independent experts, and (i) the issuer, (ii) the parties that control the issuer, the subsidiaries of the issuer, or parties under joint control with the issuer, (iii) the directors of the companies mentioned under (i) and (ii) taken into account for purposes of classifying the expert as independent and the reasons why these relationships were considered irrelevant to the opinion of independence. The information about possible relationships can be provided by attaching a statement from the independent experts;
- the terms and purpose of the assignment granted to the experts;
- the names of the experts appointed to provide a fairness opinion on the consideration.

Indicate that the opinions of the independent experts or the essential elements thereof, pursuant to Article 5 of the Issuers' Regulations, are attached to the information document or published on the company website. The following essential elements of the opinions are required to be published:

- evidence, where applicable, of the specific limits encountered in the performance of the assignment (e.g. with regard to access to material information), the assumptions used and the conditions to which the opinion is subject;
- evidence of any critical issues reported by experts in relation to the specific transaction;
- indication of the valuation methods adopted by the experts in order to issue their fairness opinion on the consideration;
- indication of the relative importance attributed to each of the valuation methods adopted for the above purposes;
- indication of the values resulting from each valuation method adopted;
- in the event the valuation methods used provided a range of values, an indication of the criteria used to determine the final value of the consideration;
- indication of the sources used to compile the material data being processed;
- indication of the main parameters (or variables) taken as reference in applying each method.

With regard to elements of the expert opinions made public, confirm that this information has been reproduced in keeping with the content of the opinions to which it refers, and that, as far as the issuer is aware, there are no omissions that would render the information reproduced inaccurate or misleading.

**2.5.** An illustration of the transaction's economic, equity and financial effects, providing at least the applicable materiality ratios. If the transaction exceeds the parameters for materiality determined by Consob pursuant to Articles 70 and 71 of the Issuers' Regulations, highlight the fact that pro-forma financial information will be published in the document, envisaged, as appropriate, by Article 70(4) or Article 71, in the terms established therein. The above without prejudice to the right to publish a single document pursuant to Article 5(6).

**2.6.** If the amount of compensation for members of the board of directors of the company and/or its subsidiaries is bound to change as a result of the transaction, detailed specifics of the changes. If no changes are foreseen, however, a statement to that effect must be included.

**2.7.** In the case of transactions where the related parties involved are the members of the administrative and control bodies, general managers or directors of the issuer, information concerning the financial instruments of the issuer that are held by the parties identified above and the interests of these parties in extraordinary transactions, provided for by paragraphs 14.2 and 17.2 of Annex I to Regulation no. 809/2004/EC.

**2.8.** Indication of the bodies or directors who conducted or participated in negotiations and/or oversaw and/or approved the transaction, specifying the respective roles, with specific regard to independent directors, if any. In relation to the resolutions approving the transaction, specify the names of those who voted for or against the transaction or abstained, specifying the reasons for any dissent or abstentions. Indicate that, pursuant to Article 5 of the Issuers' Regulations, any opinions from independent directors are attached to the information document or published on the company website.

**2.9.** If the materiality of the transaction results from the accumulation - under Article 5(2) - of multiple transactions carried out during the year with the same related party, or with parties related to both the latter and to the company, the information specified in the preceding subsections shall be provided with reference to all the above transactions.