

**FINE FOODS & PHARMACEUTICALS N.T.M. S.P.A.**



**RELATED PARTY TRANSACTIONS PROCEDURE**

*Approved by the Fine Foods & Pharmaceuticals N.T.M. S.p.A. Board of Directors*

*on March 31, 2020*

*The English text is a translation of the Italian official "Related Party Transactions Procedures of Fine Foods & Pharmaceuticals N.T.M. S.p.A.". For any conflict or discrepancies between the two texts the Italian text shall prevail.*

## **RELATED PARTY TRANSACTIONS PROCEDURE**

### **1 INTRODUCTION AND SOURCES**

- 1.1 This procedure (hereafter the **Procedure**) governs the approval and execution of transactions entered into by the Company with Related Parties (as defined below), under art. 2391-*bis* of the Civil Code and "*Regulations for transactions with related parties*" adopted by Consob with resolution 17721 of 12 March 2010 (as subsequently amended and supplemented). The procedure contains principles and rules that boards of directors, which have recourse to the risk capital market, must follow "*to ensure transparency and substantive and procedural correctness of transactions with related parties carried out directly or through subsidiaries*" (**Consob Related Party Regulation**).
- 1.2 For anything not expressly regulated by this Procedure, refer to the provisions of the **Consob Related Party Regulation**.

### **2 DEFINITIONS**

- 2.1 In addition to the terms defined in other parts of this Procedure, those indicated below have the following meanings:

**Directors involved** are those who are the counterparty to a specific Transaction or one of the counterparty's Related Parties.

**Independent Director** is a director recognised by the Company as being independent under Article 148, third paragraph, of Legislative Decree no. 58/1998 (**Consolidated Law on Financial Intermediation -TUF**).

**Unrelated Directors** are Company directors who are not the counterparty to a specific Transaction or counterparty's Related Parties.

**Non-Executive Directors** are Company directors who do not have executive functions.

**Board of Statutory Auditors** is the Company Board of Statutory Auditors in office.

**The Related Party Transactions Committee or Committee** is composed of 3 (three) or 4 (four) Independent Directors or 2 (two) Independent Directors and 1 (one) Non-Executive Director. If there is only one Independent Director on the Company Board of Directors, the Related Party Transactions Committee is constituted even if only the latter is present. If the Committee cannot be formed under these rules, Equivalent Supervision is used instead. If the Board of Directors has not already done so, the Related Party Committee may appoint a Chairman from among its members, who will conduct the Committee work, call meetings and draft the minutes, with the assistance of a secretary who may be a non-Committee member.

**Key Management Personnel** are those who have the direct or indirect power and responsibility for planning, management, and control of the company's activities, including the company executive or non-executive directors and statutory auditors<sup>1</sup>.

**Significant interests** are the interests identified by the Board of Directors based on the Consob indications in the 24 September 2010 Communication no. DEM/10078683 (and later Consob communications). Interests deriving from simply sharing of one or more directors or other managers with strategic responsibilities between the Company and its Subsidiaries or Associated Companies are not significant. There are significant interests of other Company related parties (i) if one or more directors or managers with Company strategic responsibilities benefit from incentive plans based on financial instruments or variable remuneration based on results achieved by the Subsidiaries or Associated Companies with which the Transaction is carried out; and (ii) if the party who directly or indirectly controls the Company, holds an equity investment in the Subsidiary or Associated Company with which the transaction is carried out, and this investment's sufficient weight is greater than that of the shareholding held by the same party in the Company. This is without prejudice to the obligations under art 12 of this Procedure.

**Related Party Transactions or Transactions** are any transfer of resources, services, or obligations between the Company and one or more Related Parties, regardless whether any consideration been agreed<sup>2</sup>. These transactions include: (i) Merger, demerger by incorporation or demergers in the strict non-proportional sense, carried out with Related Parties; (ii) any decision on assigning remuneration and economic benefits to the members of the governing and supervisory bodies, and Key Management Personnel. This is without prejudice to any Excluded Transactions.

---

<sup>1</sup> See IAS 24, paragraph 9.

<sup>2</sup> See IAS 24, paragraph 9.

**Transactions of Negligible Amount:** (i) Related Party Transactions which do not individually exceed Euro 250,000, if the counterparty is a legal person, or Euro 100,000 if the counterparty is an individual (including professional associations or companies of which the Related Party is a member or related Companies). (ii) several similar Transactions or Transactions carried out under an individual plan which do not exceed cumulatively Euro 300,000 during a single financial year, if the counterparty is a legal person or Euro 150,000 if the counterparty is an individual (including professional associations or companies of which the Related Party is a member or related Companies).

**Transactions of Greater Importance** are "*transactions of greater importance*" as defined by Annex 3 of the Consob Related Party Regulation.

**Transactions of Lesser Importance** are those other than Transactions of Greater Importance and Transactions of Negligible Amount.

**Excluded Transactions** are transactions excluded, in whole or in part from this Procedure, under the exemption provisions referred to in the Consob Related Party Regulation and described in Article 13 below.

**Ordinary Transactions** are transactions that fall within the ordinary operating activities and related financial activities.

**Related Parties** are those defined as such by the international accounting standards adopted under the procedure laid down in Article 6 of Regulation (EC) no. 1606/2002 and, therefore, IAS 24 *pro tempore* in force. Under the current IAS 24 wording, and its future amendments, a Related Party is a person or entity connected to the financial statements reporting entity.

- a) A person or a close family member is related to a reporting entity if:
  - (i) they have control<sup>3</sup> or joint control<sup>4</sup> of the reporting entity;
  - (ii) they have significant influence<sup>5</sup> over the reporting entity; or
  - (iii) is a key manager of the reporting entity or its parent.
- b) An entity is related to a reporting body if any of the following conditions apply:
  - (i) an entity and a reporting body are part of the same group (meaning that each parent, subsidiary and group company is related to the others);
  - (ii) an entity is an associated company or joint venture of the other entity (or an associated company or joint venture in a group to which the other entity belongs);
  - (iii) both entities are joint ventures of the same counterparty;
  - (iv) an entity is a joint venture of a third party and the other entity is a third-party associated company;

---

<sup>3</sup> The terms "control", "joint control" and "significant influence" are defined in IFRS 10, IFRS 11 (Joint Control Agreements) and IAS 28 (Investments in Associated Companies and Joint Ventures) and in the Procedure are used with the meanings specified in those IFRS (IAS 24, paragraph 9).

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

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

- (v) the entity has a post-employment benefit plan for employees of the reporting entity or a related entity;
- (vi) the entity is controlled or jointly controlled by a person identified in point (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a key manager of the entity (or one of its parents) (IAS 24, paragraph 9).

When defining a Related Party, an associated company includes subsidiaries of the associated company and a *joint venture* includes subsidiaries of the *joint venture*. For example, a subsidiary of an associated company and the investor who has significant influence over the associated company are related to each other (IAS 24, paragraph 12).

Associations of Professional firms to which a Company-related party belongs are included among Related Parties. This is limited to those professional firms which are the Company-related party and have a majority stake or can exercise considerable influence due to their personal prestige or the turnover generated for the firm.

**Equivalent Supervision** is supervision defined by Article 5 below and adopted by the Company for this Procedure if it is impossible to establish a Committee under its rules, for a specific Transaction.

**Unrelated Shareholders** are those who have voting rights, other than those of a specific Transaction counterparty and parties related to the Transaction counterparty, and the Company.

**Close Relative** is a close family member who is expected to influence, or be influenced by that person during their relationships with the Company, including: (a) children, spouse or cohabitant; (b) children of the spouse or cohabitant; (iii) and the dependants of that person, spouse or cohabitant<sup>6</sup>.

### 3 RELATED PARTY REGISTER AND IDENTIFICATION OF TRANSACTIONS OF GREATER IMPORTANCE

- 3.1 The Company establishes a special register where Related Parties identified under Article 2 are registered. This register and the related communications to Related Parties may be managed directly or through an external party.
- 3.2 Preparing and updating the Related Party Register is the responsibility of the Company's Investor Relations department, which updates it at least annually.

---

<sup>6</sup> See IAS 24, paragraph 9.

- 3.3 The Company's Investor Relations department (i) identifies the direct Company Related Parties and (ii) reports in writing to each Director and Statutory Auditor and Company Key Management Personnel of the party who controls the Company that the registration has been completed. Simultaneously the department requests from each interested party data about Close Relatives, entities in which they, or their close relatives, exercise control, joint control, or significant influence, as identified under Article 2 above.
- 3.4 Directors and Statutory Auditors, and the Key Management Personnel or the party who controls the Company must promptly notify the Company's Investor Relations department by e-mail: [ir@finefoods.it](mailto:ir@finefoods.it) of any significant changes needed to identify their related parties.

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

- 4.1 The Related Party Transactions Committee meets at the request of the Chairman of the Board of Directors.
- 4.2 Those identified as Committee members must promptly declare any Related Party Transaction relationship, to allow for the application of Equivalent Supervision.
- 4.3 If there is a Committee general meeting, its decisions can be made by tele/audio conferencing or a written consultation procedure. The meetings and the written consultation procedure, or the acquisition of the express written consent, are not subject to constraints if each member can participate in the decision-making and has adequate information. Committee members unanimously adopt the decision by written approval.

#### **5 EQUIVALENT SUPERVISION**

- 5.1 If it is impossible to establish a Related Party Transactions Committee as a board composed of all the Independent Directors of the Company's Board of Directors under this Procedure, the following equivalent supervision must be adopted:
- A. If one of the Committee members cannot be considered an Unrelated Director, the Committee's opinion is unanimously issued by the remaining Committee Unrelated Directors;
  - B. If the supervision referred to in the previous letter A. cannot be applied, the opinion is issued by the board of statutory auditors or an independent appraiser identified by the Board of Directors among those possessing appropriate professionalism and skills. The appraiser must be independent and must not have any conflicts of interest.

## **6 TRANSACTION ASSESSMENT AND DISCLOSURE TO THE RELATED PARTY COMMITTEE**

- 6.1 The parties who intend to carry out a transaction must first check whether this transaction counterparty is included in the Related Party Register prepared under Article 3. If the transaction's direct counterparty acts on behalf of third parties, the party to whom powers have been attributed for carrying out the related transaction must check whether the ultimate transaction beneficiary is included in the Company Related Party list.
- 6.2 A party who intends to carry out a transaction with a Related Party identified under the previous paragraph promptly informs the Company Chief Executive Officer unless it is a Transaction of Negligible Amount.
- 6.3 Depending on the Transaction's size, the CEO obtains the Related Party Committee's opinion and then assesses whether it is a Transaction of Greater or Lesser Importance or exempted under this Procedure. If the Transaction is exempted, the CEO informs the relevant department, which will complete the transaction and notify the CEO afterwards.
- 6.4 When a Transaction with a Related Party is not exempted under this Procedure, the CEO, with the assistance of the Investor Relations department, shall promptly provide the Related Party Committee with a written communication outlining the transaction indicating:
- a) the Company Related Party who is the transaction counterparty;
  - b) the relationship's nature;
  - c) if it is a Transaction of Greater or Lesser Importance;
  - d) the Transaction conditions, including the operating procedures, the methods for determining the consideration and general terms and conditions;
  - e) the Company's interest in carrying out the Transaction;
  - f) the transaction's underlying reasons and any risks that may arise from it.

## **7 RELATED PARTY TRANSACTIONS APPROVAL**

- 7.1 Under art. 10 of the Consob Related Party Regulation, the Company can apply the procedure established for Transactions of Lesser Importance to Transactions of Greater Importance. Therefore, this article applies to Transactions of Greater and Lesser Importance.

- 7.2 The approval of Related Party Transactions which are not exempted under this Procedure is the appointed body's responsibility if it falls within the scope of its powers and subject to compliance with Article 2391 of the Civil Code, the Board of Directors or the Shareholders' Meeting, if these transactions fall within their responsibility under the law, articles of association or board resolution. If the appointed body is not responsible for the Transaction's approval, then the Board of Directors will approve it. The Board of Directors is responsible for resolutions concerning transactions of Greater Importance that are not part of Excluded Transactions.
- 7.3 The Directors involved in the Transaction abstain from voting on these matters. This is without prejudice to the provisions of Article 2391 of the Civil Code.
- 7.4 The Company's Board of Directors or relevant delegated body approves the Transactions with Related Parties (not only the Transactions final approval but also advance approval of their essential terms). This is subject to the Committee's non-binding reasoned opinion based on the Company's interest in the Transaction and the conditions' convenience and substantial fairness. This opinion shall be attached to the Committee meeting minutes.
- 7.5 The Related Party Transactions Committee issues the reasoned opinion in time for the Transaction's implementation or resolution and provides the body responsible for resolving or implementing the Transaction with information on the preliminary investigation on the Transaction under approval. This information must at least cover the relationship's nature, Transaction terms and conditions, timing, valuation procedure, the reasons underlying the Transaction, and any risks for the Company and its subsidiaries. If the Transaction economic conditions following the preliminary investigation are equivalent to market or standard conditions, i.e. like those usually applied to unrelated parties with similar nature, size and risk, the prepared documentation must contain objective supporting evidence. This opinion must be drawn up using analytical procedures and provide a precise indication of the Committee's favourable or contrary opinion of the analysed Transaction. The Committee must report other opinions on the Transaction referred to in paragraph 7.6 below to the body responsible for making the decision.
- 7.6 The Related Party Transactions Committee must receive complete and adequate information in advance so that it may issue a reasoned opinion.
- 7.7 If the Related Party Transactions Committee deems it necessary or appropriate, it may use the advice of one or more independent appraisers, after confirming their independence, considering the reports indicated in paragraph 2.4 of Annex 4 of the Consob Related Party Regulation. It must comply with the spending limit of two per cent of the Transaction value.

- 7.8 When the Transaction is under the Board of Directors' responsibility, the approval resolutions' minutes must contain an adequate reason for the Company's interest in the Transaction and its convenience and related conditions' substantial correctness. If the Board of Directors disagrees with the Committee's opinion, it must specify its reasons.
- 7.9 The regulation referred to in this Article applies to the preliminary and approval phase of the resolution proposals for Related Party Transactions that must be authorised by the Shareholders' Meeting.
- 7.10 If a Transaction of Greater Importance resolution proposal submitted to the Shareholders' Meeting is approved but opposed by the Independent Directors, without prejudice to Articles 2368, 2369 and 2373 of the Civil Code, this transaction cannot be carried out if the majority of the Unrelated Shareholders, representing a stake of at least ten per cent of the share capital, vote against it.

## 8 **FRAMEWORK RESOLUTIONS**

- 8.1 For this Procedure's purposes, framework resolutions which allow the Company to perform, directly or through subsidiaries, a series of similar recurring transactions with the same Related Party identified by the Board of Directors, are permitted (the "**Framework Resolutions**").
- 8.2 The Framework Resolutions, which are effective for a maximum of a year, refer to sufficiently determined transactions and report the foreseeable amount of the transactions to be carried out in the reference period and related conditions reasons.
- 8.3 The provisions of Article 7 are applied to the Framework Resolutions, but they do not apply to individual transactions which implement a Framework Resolution.
- 8.4 If it is foreseeable that the maximum amount of transactions crosses the threshold for Transactions of Greater Importance under this Procedure, the Company will publish an Information Document under Article 10 of this Procedure as part of the Framework Resolution approval.
- 8.5 The Company CEO makes a complete quarterly report on the implementation of framework resolutions to the Board of Directors.

## 9 **SUBSIDIARIES' TRANSACTIONS WITH RELATED PARTIES**

- 9.1 If the Company acquires control of one or more companies after this Procedure comes into force, it will be applied, *mutatis mutandis*, to Related Party Transactions carried out through subsidiaries, trustees or intermediaries.

9.2 The Related Party Transactions Committee will issue its opinion in time to allow the relevant corporate body to authorise or examine the Related Party Transaction carried out through subsidiaries.

## 10 PERIODIC REPORTING TO THE BOARD OF DIRECTORS

10.1 The CEO provides the Board of Directors and the Board of Statutory Auditors with adequate and complete information on the implementation of Related Party Transactions. The CEO provides information to the Board of Directors and the Board of Statutory Auditors, at least quarterly, on Transactions of Lesser and Greater Importance, particularly on the relationship's nature, executive procedures, terms and conditions, valuation procedure, underlying reasons and any risks to the Company or its subsidiaries.

10.2 If Transactions of Greater Importance are approved, including those carried out by subsidiaries, the Board of Directors prepares an information document under art. 114, paragraph 5 of the Consolidated Law on Financial Intermediation (TUF) - prepared under Annex 4 of the Consob Related Party Regulation (the "**Information Document**").

10.3 The Information Document must be prepared if the Company carries out transactions with the same Related Party or their related parties or Company-related parties, during the same year. These transactions must be similar or part of an individual plan which cannot be identified individually as Transactions of Greater Importance but cross the significance thresholds referred to in Annex 3 of the Consob Related Party Regulation, when aggregated. Under these provisions, the Excluded Transactions must not be considered. If the indices referred to in Annex 3 of the Consob Related Party Regulation create a manifestly unjustified result, the Chairman of the Board of Directors may request the relevant authority to suggest alternative aggregation calculation methods to follow.

10.4 The Information Document is publicly available at the registered office, using additional applicable methods, within 7 (seven) days after the Transaction's approval by the relevant body, or if the body resolves to submit a contractual proposal, if the contract (or preliminary contract), was signed based on applicable regulation.

10.5 The Company makes public any opinions given by the Related Party Transactions Committee or any independent appraisers which that Committee or governing body used in an Information Document attachment or on its *website*, under the same Information Document publication deadline.

- 10.6 If the Transaction of Greater Importance approval is the Shareholders' Meeting responsibility, the Information Document is made available within 7 (seven) days following the approval of the proposal submitted to the meeting. If the Information Document needs to be significantly updated, the Company makes a new version of the Information Document available to the public at its registered office following deadlines which allow the shareholders to make a complete evaluation of the Transaction, by the twenty-first day before the meeting.
- 10.7 If Transactions cross the significance threshold due to a combination of transactions, the Information Document is made available to the public within 15 (fifteen) days following the Transaction approval or the contract's signing. This Information Document must contain information, (including any aggregated information), for single Transactions considered for aggregation purposes. If Transactions that cross the significance threshold are carried out by subsidiaries, the Information Document is made available to the public within 15 (fifteen) days after the Company was informed of the Transaction approval or contract's signing.

## **11 PERIODIC REPORTING OBLIGATIONS**

- 11.1 In the six-month interim and annual management report, The Company Board of Directors reports:
- a) Transactions of Greater Importance completed during the reference period;
  - b) any other Related Party Transactions carried out during the reference period that significantly impacted the Company's financial position or results;
  - c) modifications or developments of Related Party Transactions described in the latest annual report that had a relevant impact on the Company's financial position or results during the reference period.
- 11.2 This information can be included in the periodic financial documentation by referring to Information Documents published at the time of approval of Transactions of Greater Importance, reporting any important updates.
- 11.3 If a press release was not sent to the market because Related Party Transactions were carried out or approved after an unfavourable Committee opinion, a document containing information on the counterparty, subject matter, the consideration for the Transactions approved in the relevant quarter despite the unfavourable Committee opinion and the reasons for which it was decided not to agree with the opinion, must be made available to the public at the registered office, within 15 (fifteen) days from the end of each quarter of the year. The opinion is made public as a document attachment or on the Company's website under the same deadline.

## 12 PUBLIC DISCLOSURE OBLIGATIONS

12.1 If a Related Party Transaction is the subject of public disclosure under the law, it must contain the following information:

- a) Transaction description;
- b) a declaration that the Transaction counterparty is a Related Party and a description of the relationship;
- c) the Related Party's name or business name;
- d) the possible crossing of significance thresholds for Transactions of Greater Importance and that a later Information Document might be released (as defined below);
- e) the description of the procedure used to approve the Related Party Transaction and if it is under the Excluded Transactions;
- f) any Transaction approval despite the Related Party Transactions Committee's unfavourable opinion.

## 13 EXCLUDED TRANSACTIONS

13.1 The Excluded Transactions are Related Party Transactions for which, under the Consob Related Party Regulation, the provisions of this Procedure on instructions and approval, and information regulations on Related Party Transactions, do not apply, unless otherwise stated below.

13.2 The following Transactions are excluded:

- a) Transactions of Negligible Amount;
- b) Transactions with or between subsidiaries, or companies jointly controlled by the Company and transactions with associated companies, if subsidiaries or associated companies acting as Transaction counterparties have no Relevant Interests of other Company Related Parties;
- c) Shareholders' Meeting resolutions under Article 2389, first paragraph, of the Civil Code on the Board of Directors' remuneration, and, under Article 2402 of the Civil Code on the Board of Statutory Auditors' remuneration and the resolutions under Article 2389, third paragraph, of the Civil Code on the remuneration of Directors holding special powers falling within the amount determined by the Shareholders' Meeting;

- d) Without prejudice to Article 5, paragraph 8 of the Consob Related Party Regulation on periodic accounting information, Ordinary Transactions carried out under market equivalent or *standard* conditions (i.e. conditions similar to those applied to unrelated parties for transactions of a similar nature, size and risk, or based on regulated tariffs or imposed prices, or charged to parties with which the Company must legally stipulate fixed-prices or contracts as part of a public tender procedure). If the transactions benefiting from the exemption referred to in this paragraph are Transactions of Greater Importance, without prejudice to the provisions of Article 17 of Regulation (EU) no. 596/2014, the Company will: (i) notify Consob, within the deadline in art. 5, paragraph 3 of the Consob Related Party Regulation, of the counterparty, subject and consideration of the Ordinary Transactions that benefited from the exclusion; (ii) include in the annual management report the counterparty, subject and consideration of Transactions of Greater Importance entered into during the year using the exclusion provided for Ordinary Transactions.
- e) urgent transactions referred to in Article 13, paragraph 6, of the Consob Related Party Regulation under the related limits and methods;
- f) without prejudice to the provisions of Article 5, paragraph 8 of the Consob Related Party Regulation on periodic accounting information, where applicable:
- I. remuneration plans based on financial instruments approved by the Shareholders' Meeting under Article 114-*bis* of the Consolidated Law on Financial Intermediation (TUF) and the related executive transactions. The Company is not required under legislation or internal procedures to apply Article 114-*bis* of the Consolidated Law on Financial Intermediation (TUF), and
  - II. resolutions other than Shareholders' Meeting resolutions under letter c. of this Article, regarding the remuneration of Directors holding special powers and other Company Key Top Management, provided that:
    - (1) the Company has adopted a remuneration policy approved by the Shareholders' Meeting;
    - (2) while defining this remuneration policy, a committee consisting of non-executive Directors, the majority of whom are independent, has been involved;
    - (3) the remuneration assigned is consistent with this adopted policy.

g) the following transactions approved by the Company and addressed to all shareholders on equal terms:

- I. share capital increases as options and free-of-charge increases in share capital under Article 2442 of the Civil Code;
- II. total or partial demergers in the strict sense with their proportional share allocation criteria;
- III. reductions in share capital using reimbursement to shareholders under Article 2445 of the Civil Code.

13.3 The above exclusions are without prejudice to the public disclosure obligations under Regulation (EU) no. 596/2014, where applicable.

13.4 The exclusions under this article apply to Related Party Transactions carried out through Subsidiaries referred to in Article 9 of the Procedure.

#### **14 PROCEDURE SUPERVISION**

14.1 The Board of Statutory Auditors supervises Procedure compliance with the principles contained in the Consob Related Party Regulation and its application, and reports to the meeting under art. 2429, paragraph 2, of the Civil Code.

#### **15 ENTRY INTO FORCE AND CHANGES**

15.1 The Company's Board of Directors lastly approved this procedure on 31 March 2020, subject to the Independent Directors' approval.

15.2 The Company's Board of Directors approve resolutions on the Procedure and related amendments, subject to the approval of a Committee composed of three Independent Directors.

15.3 The Committee shall meet before the Board of Directors' meeting called to approve the Procedure or its amendments. The Committee's opinion is then forwarded to the Board of Directors before the resolution is passed.

15.4 If at least three Independent Directors are not in office, resolutions on the Procedure or its amendments are approved by those Independent Directors in office, or if unavailable, the non-binding approval of an independent appraiser appointed by the Company's Board of Directors. The opinion is sent to the Board of Directors before the resolution is passed.

15.5 At least every three years, the Board of Directors evaluates whether to revise the Procedure. This decision takes into account any changes in the law or regulations, ownership structure, and the Procedure's effectiveness.

15.6 This Procedure is published on the Company's *website* in the Investor Relations section.