

**REGULATION**  
**OF**  
**CORPORATE**  
**GOVERNANCE**

2021



## **Introduction**

With the term Corporate Governance we refer to the set of tools, rules, relationships, processes and business systems aimed at a proper and efficient management of the company. The structure of the corporate governance therefore expresses the rules and processes by which decisions are taken, the ways in which corporate objectives are decided and the means for achieving the results.

### **1. Manual**

#### 1.1 Purpose

The Corporate Governance handbook is the document of self-regulation of the FAAC Group whose aim is to univocally define the roles of management and execution of business strategies, identify the related powers and responsibilities, as well as the forms of control of the activity performed.

This Manual completes the Company's Articles of Association and the framework of the applicable rules with reference to the tasks and functioning of the corporate bodies.

All FAAC subsidiaries must adapt their framework of operational rules in respect of what provided by this document.

An essential element for the functioning of the Corporate Governance model is the set up of the following functions :

- Corporate Governance Office (CG)
- Chief Compliance Officer (CCO)
- Internal Auditing Director (IA)

Any conflict between local regulations and the principles of this CG handbook will be solved with the involvement of CG and CCO which will provide indications on how to manage exceptions, in accordance with the decisions of the HQ's Top Management and/or the possible support of local professionals.

It is the responsibility of the Board of Directors of FAAC S.p.a. to approve and formally adopt this Handbook.

#### 1.2 Application

This manual applies to all subsidiaries of FAAC SPA .

For subsidiary we intend each company where FAAC SpA is, directly or indirectly, able to exercise the function of government and control, through the appointment of corporate bodies in compliance with the local regulations.

While defining the requirement of a subsidiary, a qualifying element, is the possibility to appoint the entire Board of Directors .

## **2. Corporate Governance Office (CG)**

The Corporate Governance Office is in charge of the following tasks and responsibilities:

- Keep up to date the map of group shareholdings, of its governance and control, including the list of BoD members and the list of attorneys,
- Organise and update an electronic archive with all the corporate information, such as Articles of Association, minutes, Companies' register, VAT, etc.,
- Adopt - in coordination with the Legal Dept. - a network of external consultants at local level with the aim to have an independent source of information to promote the respect of the obligations,
- Create an appropriate information flow among the HR Department, CFO, CEO and the Chairman of the Group in case of needs related to CG matters.
- Check that the processes of convening, execution and verbalization of all Board Meetings are carried out properly and return to apical positions anomalies in the management of these processes.
- Ensure the update of this handbook.

## **3. Chief Compliance Officer (CCO)**

The CCO is Responsible for the Group Corporate Governance, compliance duties and risk assessment. His main activities and responsibilities include:

- Development of an adequate set of policies and operating procedures in line with best practices and regulatory requirements, making sure mandatory corporate bodies are properly appointed and effectively working, activating an effective system of internal controls aimed to constantly monitor compliance with established guidelines.
- Strengthen internal control environment,
- Ensure an adequate level of safeguard over company's assets (i.e. cash, receivables, inventory, fixed assets)
- Minimize risks of fraud and mistakes in business transactions

#### **4. Internal Auditing (IA)**

The Group IA has the responsibility to check on the level of compliance of Corporate and local operations to applicable legislation and Corporate policies and procedures.

This activity will be performed through periodical internal audits aimed to check compliance with legal and financial regulations, mainly but not only related to: code of business ethics, relations with institutions and public authority, anti-bribery, data protection, segregation of duties, transactions with related parties, international accounting standards and corporate accounting policies.

#### **5. Organization of the FAAC subsidiaries**

The system of government of FAAC subsidiaries defines the allocation of functions and powers to the Shareholders' Meeting and the Board of Directors; how should the members of the Board of Directors be selected and possible power of attorney be assigned, along with an authorization signatures matrix, which regulates the substantial signature/approval powers of key positions of the organisation.

##### **5.1 Shareholders' Meeting**

The Shareholders' Meeting regularly constituted represents all the shareholders.

###### **5.1.1 Powers**

The Shareholders' Meeting is in charge to decide at least with regards to the following subjects:

- the appointment and dismissal of the members of the Board of Directors,
- the approval of the annual financial statement and the allocation of profits
- the amendments to the Bylaws
- the purchase or sale of shareholdings or real estates,
- change in the capital structure (increase or decrease of share capital)
- mergers and spin-off

The Bylaws of the subsidiary must clearly reflect this framework if not conflicting with local laws.

## 5.2 Board of Directors

### 5.2.1 Composition

BODs should be composed of 3 (three) members selected as:

- the Regional Director or Cluster Director or BU Director, in quality of Chairman
- the local General Manager, as Managing Director
- the Group CFO or Regional Controller or BU controller, as board member  
(CFO in case of external sales > 10 million Euro turnover)

### 5.2.2 Appointment of BoD's Members

The Board of Directors formally appoints the Chairman and the Managing Director and is in charge of the delegation of the powers to the members of the Board

### 5.2.3 Powers

The Board of Directors is in charge to decide at least with regards to the following subjects:

- approve draft of annual accounts
- approve Annual Operating Plans
- approve 3 Years Operating Plans
- appoint Chairman and Managing Director
- transactions over real estates
- proposal of purchase or sell of shareholdings and real estates

### 5.2.4 Duration

The Board of Directors is appointed with a duration depending on applicable local country practice, and usually expires concurrently with the Annual General Meeting approving the financial statements for the last year of the cycle in charge .

### 5.2.5 Fees

No compensation should be expected by the employees of the FAAC group appointed as Board Members, being such compensation included within the pay package proposed in the employment agreement.

#### 5.2.6 Secretary of the Board

The Local Finance Manager of the subsidiary should serve as Secretary of the Board. He/She is in charge of sending out the notices of the meeting and the agenda, drafting out the resolution and taking care of filing them in the official company's book, in addition to sending scanned copy to Corporate Governance Office.

The Bylaws of the subsidiary must clearly reflect this framework if not conflicting with local laws.

### **6. Functioning of the Shareholders' general meeting and of the Board of Directors**

In order to facilitate the organization of the shareholders' meetings and boards, it is necessary that the Articles of Association allow the use of tools such as teleconferences and/or phone calls, the possibility of convening a meeting with short time notice along with the possibility of quick and short resolutions in the written form.

#### 6.1 Functioning of the Shareholders' General Meeting (SGM)

Where local rules require it, the SGM must be called at least once a year, for the approval of the previous year financial statement.

The SGM shall meet also in all the cases where it is required by local law or company's Bylaws (see par. 5.1 of this CG Handbook).

It is responsibility of the Chairman of the Board of Directors to proceed with the call of the SGM when required.

#### 6.2 Functioning of the Board of Directors (BOD)

The Board of Director must be called mandatorily at least once a year (as a rule within the end of March) for the approval of the previous year financial statement.

The BOD shall meet also in all the cases where it is required by local law or company's Bylaws (see par. 5.2 of this CG Handbook).

It is responsibility of the Chairman of the Board of Directors to proceed with the call of the BOD meeting when required.

## **7. Power of Attorney (POA)**

The system of formal power of attorney should reflect what is strictly necessary for the management of ordinary course of business and should be perfectly in line with the provisions of CSAM and possible LSAM.

It is responsibility of the Secretary of the Board to coordinate the process of appointing attorney, in compliance with local laws, ensuring a correct management and maintenance of the proxies given.

The appointment and revocation of the attorneys must be carried out also in coordination with CG office.

## **8. Corporate Signature Authority Matrix & Local Signature Authority Matrix (CSAM&LSAM )**

The CSAM represents the backbone of the Corporate Governance structure; it is meant to be an operating tool aimed to define internal approval limits for key business transactions, a key reference document to understand «who has to approve what» on daily transactions.

The operational limits expressed in the CSAM for the General Manager (GM) and the Finance Manager (FM) of a subsidiary are defined by the HQ and cannot be changed.

Local entities are allowed to put in place a Local Signature Authority Matrix (LSAM). This will reflect how local General Management and Finance Management decide to sub delegate powers to colleagues in order to make approval process easier to be managed and to avoid approval bottlenecks. Subdelegation of powers by GM and local FM is an option, not a mandate.

FM cannot delegate GM its own powers and vice versa. Delegation needs to be approved by Group CFO + IA and properly documented.

The LSAM needs to be approved by Group CFO + IAA. Sample of the latest version of the CSAM is shown in the attachment "A"

## **9. Corporate Governance Reporting: Operating Instructions**

### 9.1 Annual General meeting & Board of Directors resolutions

- Minutes of the Board Meetings must be available in English, and archived locally in official company's books.
- The board secretary has to email a PDF of the approved Minutes to the CG Office.
- All resolutions must be kept, both in paper and digital format, for at least 5 years.

It is responsibility of the Group CG Office to transmit twice a year to the FAAC Group Management Team an updated situation of the BOD composition, changes in attorneys, and all main changes occurred in the period.

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Attachment A: CSAM