

GEFRAN S.p.A. – Considerations of the outgoing Board of Statutory Auditors in line with the *Rules of Conduct of the Board of Statutory Auditors of listed companies of the CNDCEC of 21 December 2023*

Introduction – Purpose of the Document - *The rules of conduct of the Board of Statutory Auditors of listed companies* of the CNDEC of 21 December 2023 – The Corporate Governance Code.

1. Evolution of the activities of the Board of Statutory Auditors provided for by law
2. Considerations on the composition of the Board of Statutory Auditors
3. The activities carried out by the Board of Statutory Auditors: areas of operation and commitment required
4. Considerations on the remuneration of the Board of Statutory Auditors
5. Conclusions

Introduction – Purpose of the Document - *The rules of conduct of the Board of Statutory Auditors of listed companies of the CNDEC of 21 December 2023 – Legislative Decree 27 January 2010 No. 39 - The Corporate Governance Code.*

The mandate of the Board of Statutory Auditors of Gefran S.p.A. currently in office will expire with the Shareholders' Meeting convened for the approval of the financial statements as at 31 December 2023. On this occasion, the Shareholders' Meeting will be called to appoint the new board of statutory auditors.

Based on the provisions of the *Rules of conduct of the board of statutory auditors of listed companies of the CNDCEC of 21 December 2023* (hereinafter "Rules of conduct") to the specification of the application criteria of point Q.1:5., "it is good practice that the outgoing board expresses to the shareholders, in view of the renewal, its orientation on professional profiles and skills that appropriately integrate the qualitative composition of the board, as well as the time commitment required to fulfil of the office and the appropriate remuneration to attract people of adequate standing, without neglecting the provisions of Law No. 49 of 21 April 2023".

This document has been prepared by the Board of Statutory Auditors in office in accordance with the aforementioned indication and with the aim of encouraging knowledge of the Shareholders' Meeting and the candidates for statutory auditors of an exhaustive picture of the activities that the Company's board of statutory auditors is called to fulfil, in order to evaluate in a considered manner the necessary professional skills and the adequacy of the remuneration proposed for the performance of the office.

In fact, with reference to the profile of professionalism, the "Application Criteria" of the Standard

of Conduct Q.1.1. (“Appointment, incompatibility and termination of the members of the Board of Statutory Auditors”, provide that “*The composition of the Board should be adapted to the characteristics of the company*” and that “*when presenting the lists of candidates, the professional, experience, including managerial, and gender characteristics of the candidates are evaluated, in relation to the size of the issuer, the complexity and specificity of the sector of activity in which it operates, as well as the size of the Board of Statutory Auditors*”. Indications in this regard can also be found in Article 19, paragraph 3, **Legislative Decree 39/2010** according to which “*the members of the internal control committee and audit committee, as a whole, are competent in the sector in which the audited entity operates*”.

With regard to the aspect of remuneration, the Standard of Conduct Q.1.5. provides the following principle “*Before accepting the position, the statutory auditor assesses whether the amount of the proposed remuneration is adequate to remunerate the professionalism, experience and commitment with which he or she must fulfil the assignment, considering the public relevance to the public of the function held*”.

In assessing the adequacy of the remuneration, the statutory auditor candidate must consider:

- “*the extent and complexity of the office in relation to the nature, the size including economic..., the complexity, the sector of activity, the organisational structure, the number and size of companies included in the conditioning,...;*
- *The document, if any, prepared by the outgoing Board of Statutory Auditors, carefully assessing the time commitment required to fulfil of the office, as well as the professional skills and experience required;*
- *The remuneration paid to non-executive directors as well as the criteria for remuneration for participation in internal committees;*
- *With reference to the remuneration of the chairman of the board of statutory auditors, the time commitment required for the performance of the function, as well as the remuneration paid to the chairman of the control and risk committee;... ”*

Similar indications can also be found in the Code of Corporate Governance currently in force in Recommendation No. 30, “*The remuneration of the members of the control body is adequate to the competence, professionalism and commitment required by their role and the company’s size, industry and current situation*”.

Before being made available to shareholders and published, this document is sent to the Chairman of the Board of Directors to be brought to the attention of the Board of Directors of the Company.

1. Evolution of the activities of the Board of Statutory Auditors provided for by law.

The Board of Statutory Auditors of a listed company, in carrying out its supervisory duties, in addition to referring to civil law regulations, interpreted according to the rules of conduct issued by

the CNDCEC, to the rules of Italian Legislative Decree 58/1998 and the Consob regulations, must consider a series of regulatory interventions that have taken place over the last decade in terms of legal audit and sustainability reporting.

In fact, it should be noted that the European Legislator intervened on the discipline of statutory audit with **Regulation (EU) No. 537/2014** and with **Directive 2014/56/EU**, transposed into Italian legislation with **Legislative Decree 135/2016** which amended the provisions dictated by Legislative Decree 39/2010, with the aim of strengthening the audit quality and strengthening, in particular, the auditor's independence verification mechanisms, by entrusting the Board of Statutory Auditors, as the Internal Control and Audit Committee, with specific monitoring duties.

In this context, the Board of Statutory Auditors:

- informs the board of directors of the audited company of the outcome of the statutory audit (Article 19, paragraph 1, letter a) of Legislative Decree 39/2010) and transmits to this body the additional report accompanied by any observations (Article 11, EU Regulation);
- monitors the financial reporting process and presents recommendations/proposals aimed at guaranteeing its integrity (Article 19, paragraph 1, letter b) of Legislative Decree 39/2010);
- checks the effectiveness of the company's internal quality control and risk management systems and, if applicable, of the internal audit, connected to the financial reporting of the audited entity (Article 19, paragraph 1, letter c) of Legislative Decree 39/2010);
- monitors the statutory audit of the financial statements and consolidated financial statements, even considering any results and conclusions of the quality controls carried out by Consob (Article 19, paragraph 1, letter d) of Legislative Decree 39/2010);
- verifies the independence of the statutory auditor (Article 19, paragraph 1, letter e) of Legislative Decree 39/2010);
- is responsible for the selection procedure of the statutory auditor (Article 16 EU Regulation 537/2014 and Article 19, paragraph 1, letter f) of Legislative Decree 39/2010);
- approves the performance of non-audit services by the auditor and the entities of the relevant network (Article 5 EU Regulation 537/2014).

In terms of sustainability reporting, we also recall the legislation on non-financial information introduced by **Legislative Decree 254/2016**, according to which the Board of Statutory Auditors:

- monitors compliance by the directors with the provisions contained in Legislative Decree 254/2016 on the preparation of the non-financial statement (Article 3, paragraph 7, Legislative Decree 254/2016);
- informs the Shareholders' Meeting of the outcome of the aforementioned supervision, as part of the annual report (Article 3, c7. Legislative Decree No 254/2016);
- is heard by the administrative body in the event that, in exceptional circumstances, information

that could compromise the business position of the company is omitted from the non-financial statement (Article 3, paragraph 8, Legislative Decree 254/2016).

Finally, it should be noted that on 5 January 2023 the Corporate Sustainability Reporting Directive (CSRD) came into force, which regulates the ways in which an increasing number of companies will have to prepare their sustainability reports.

Companies subject to the CSRD will have to prepare their sustainability report applying the *European Sustainability Reporting Standards* (ESRs), the new principles developed by the EFRAG. The rules introduced by the CSRD, which must be implemented in Italy by 6 July 2024, update what was previously provided for by the so-called Non-Financial Reporting Directive (NFRD), implemented in Italy with Legislative Decree 254/2016, which will remain in force, therefore, until the companies have to apply the new rules of the CSRD.

With reference to Gefran S.p.A., as a listed company, the first application of the CSRD will be with reference to the 2024 financial statements.

2. Considerations on the composition of the Board of Statutory Auditors

Considering the sector in which the Company operates, the company organization, as well as the size and structure of the Group that belongs to the company itself, it is believed that the performance of the tasks entrusted to the Board of Statutory Auditors requires the possession of specific skills in the following areas:

- Regulations, principles and rules of operation of listed companies;
- Accounting processes and preparation of the financial statements and consolidated financial statements;
- Taxation of multinational groups;
- International accounting standards;
- Non-financial statement (Legislative Decree 254/2016) and CSRD;
- Economic and financial evaluations;
- Process and evaluations for the impairment test;
- Risk management and internal control systems;
- *Internal audit*;
- *External audit*.

In particular, the skills and experiences as a statutory auditor or director of listed companies appear essential.

It is also advisable for the Board to have the skills of people who have gained experience in the areas mentioned above on a complementary basis. That is, it is important that the members of the board of statutory auditors have different training and that together they cover the areas of competence in question.

Based on the self-assessment activities carried out annually, the Board of Statutory Auditors in

office has been found to have the skills mentioned above.

The Board has also found that, in order to fulfil its tasks, an important element of efficiency and effectiveness in its action is made up of highly complementary training and past experiences of each member. This ensures functional and complete coverage of the various topics that the Board is called upon to oversee and translates into a fruitful work that allows, among other things, for the professional enrichment of each member of the Board.

The Board also positively assessed its structure in terms of gender diversity, skills and professionalism, as well as work experience.

3. The activities of the Board of Statutory Auditors: areas of operation and commitment required

3.1 The main areas and related activities carried out by the Board of Statutory Auditors are the following:

(i) Supervision of compliance with the law and the Articles of Association

- participation in all meetings of the Board of Directors (BOD) and of the various committees (see below chart), issuing opinions and attestations on specific resolutions;
- meetings with the *Internal Audit* function and with the Supervisory Body (OdV);
- any further information.

(ii) Supervision of compliance with the law with particular regard to Legislative Decree 254/2016

- monitoring the process of preparing the consolidated non-financial statements (DNF) and its methodological approach until it is approved by the Board of Directors;
- meetings with the auditing firm on issues of representation and *disclosure* regarding the DNF.

(iii) Supervision of compliance with the principles of proper administration

- participation in all meetings of the Board of Directors and the various endo-board committees (see below chart);
- meetings with managerial functions for in-depth analysis of relevant transactions;
- further details, whenever deemed appropriate.

(iv) Supervision of the adequacy of the organisational structure

- participation in all meetings of the Board of Directors and the various endo-board committees with particular regard to the Control and Risk Committee (CCR) and the Sustainability Committee (see below chart);
- insights into specific meetings with the *Chief People & Organization Officer* (HRO) function (even at the meetings of the Appointments and Remuneration Committee);

- specific insights with the *Internal Audit* function and with the *Chief Financial Officer* (CFO);
- meetings with the Supervisory Bodies of the Italian subsidiary (at least once a year);
- meetings with the *Chief Executive Officer* (CEO).

(v) Supervision of the adequacy and functioning of the internal control and risk management system (SCIGR)

- participation in all meetings of the Board of Directors and the various endo-board committees, with particular regard to the CCR and the Sustainability Committee (see below chart);
- meetings with the Head of the *Internal Audit* Department;
- at least one meeting yearly with the OdV pursuant to Legislative Decree 231/2001;
- further information whenever deemed appropriate.

(vi) Supervision of the adequacy of the administrative-accounting system

- participation in all meetings of the Board of Directors and the various endo-board committees, with particular regard to the CCR and the Sustainability Committee (see Table below);
- periodic meetings with the CFO and also with its structure;
- periodic meetings with the External auditor and examination of the additional report prepared by the same pursuant to Article 11 EU Regulation.

(vii) Audits and monitoring activities in the field of statutory audit

- approval of allowed non-audit services (NAS),
- meetings with the audit team to understand the Work Plan, the materiality thresholds applied, the execution of the various phases, any corrections of accounting errors, etc., including within the CCR meetings;
- in-depth information on the work plan, the controls carried out and the relative findings in the field of DNF, by the External auditor;
- review and discussion with the external auditor of the declarations of independence.

3.2 the Chart below summarises the number of meetings attended by the Board of Statutory Auditors in 2021 (starting from the appointment on 27 April 2021), 2022, 2023 and 2024 up to today's date.

Corporate Bodies and Endo-Council Committees Meetings	2021 from the appointment (27/04/2021)	2022	2023	2024 up to 7/03/2024
Shareholders' Meeting	1	1	1	
Board of Directors	6	13	9	1
Control and Risks Committee	4	5	5	2

Appointments and Remuneration Committee	1	3	4	2
Sustainability Committee	1	3	2	1
CCR- Related Parties			1	
Independent Directors				1
Board of Statutory Auditors	5	9	9	4
	18	34	31	11

In accordance with the provisions of current regulations and the indications contained in the Code of Corporate Governance of listed companies approved in January 2020 by the Corporate Governance Committee, to which Gefran S.p.A. adheres, statutory auditors are required to attend, in addition to the meetings of the Board of Directors, the Control and Risk Committee, the Appointments and Remuneration Committee, the Sustainability Committee and the Related Party Transactions Committee.

These rules and indications were fully respected by the Board of Statutory Auditors in the three-year period 2021/2023. In fact, the Board of Statutory Auditors attended, mainly totally or through the Chairman and/or the statutory auditors, in all the meetings of the Board of Directors and the aforementioned Committees.

The average duration of committee and board of directors meetings is one hour and 30 minutes.

In addition to the average duration of the meetings, the time spent by the statutory auditors studying the documentation and preparing the meetings must obviously be added, which – although not analytically quantifiable – represents a particularly significant component of commitment.

The Chairman of the Board of Statutory Auditors also devotes his time to the planning of meetings, the drafting of the related minutes, the drafting of the reports of the Board of Statutory Auditors, exchanges of correspondence and interviews with management, with the Chairmen of the Committees and with the Supervisory Body, in order to ensure the best coordination of the work of the Board of Statutory Auditors.

Based on the above, it should be noted that the average commitment of each statutory auditor, for the activities carried out, was about 30 days per year.

4. Considerations on the remuneration of the Board of Statutory Auditors

In view of the activities described in the preceding paragraphs, the annual remuneration of each Standing Auditor, approved by the Shareholders' Meeting of the Company on 27 April 2021, is equal to €20,000 and the annual remuneration of the Chairman of the Board of Statutory Auditors is equal to €30,000, valid for the three-year term of appointment.

Regarding the adequacy of the remuneration of the new board of statutory auditors, reference should be made to the provisions of Recommendation No. 30 of the Corporate Governance Code, to which the Company adheres, *“The remuneration of the members of the control body is adequate to the competence, professionalism and commitment required by their role and the company’s size, industry and current situation.”*, as well as the provisions of the “Rules of Conduct of the Board of Statutory Auditors of Listed Companies” issued by the National Council of Chartered Accountants and Accountants, in the latest version of 21 December 2023. According to Rule Q.1.5.: at the time of acceptance of the application, the statutory auditor candidate evaluates the adequacy of the proposed remuneration considering:

- the scope and complexity of the office in relation to the nature, the size, including the economic dimension (for example, the volume of positive income components and assets), the complexity, the sector of activity, the organisational structure and the size of the companies included in the consolidation, the condition and other characteristics of the company, also considering comparable foreign experiences;
- any document prepared by the outgoing Board of Statutory Auditors, carefully evaluating the time commitment required to fulfil the office, as well as the professional skills and experience required;
- the remuneration paid to non-executive directors as well as the criteria for remuneration for participation in internal committees;
- with reference to the remuneration of the Chairman of the Board of Statutory Auditors, the time commitment required for the performance of their function, as well as the remuneration paid to the Chairman of the Control and Risks Committee.

Moreover, the Standard of Conduct Q.1.5., with reference to the evaluation of the adequacy of the remuneration, requires that the provisions of Law 21 April 2023 No. 49 on the subject of “fair compensation” (the so called “equo compenso”).

With reference to Gefran SpA, the application of the aforementioned legislation would lead to the determination of the following fees:

- for standing Auditors: from a minimum of €22,623.00 to a maximum of €29,609.00 (average €26,116.00),
- for the Chairman: from a minimum of €33,934.00 to a maximum of €44,414.00 (average €39,174).

As for the invitation, provided for in the same Rule, to consider, for the purposes of assessing adequacy, the remuneration of the Chairman of the Control and Risk Committee, it is recalled that the Shareholders’ Meeting of Gefran SpA, on 21 April 2023, resolved on a gross annual

remuneration for the entire Management Body equal to €300,000.00 and the Board of Directors, on 11 May 2023, distributed the remuneration as follows: €30,000.00 gross per year, pro rata temporis, to each director, including those with managing powers, €1,000.00 gross per year to the Lead Independent Director and €29,000.00 available to the Committees, to be paid by means of attendance fees of €500.00 gross to each committee member for each meeting, up to the maximum amount. Therefore, the gross annual remuneration of the Chairman of the Control and Risk Committee amounts to €30,000.00 to which the attendance fees for the committees must be added.

In light of all the above, it is suggested to consider in determining the remuneration for the application of Law 21 April 2023 No. 49 on the subject of “fair remuneration” (the so called “equo compenso”) and review the adequacy of the remuneration to be paid to the Statutory Auditors and the Chairman of the Board of Statutory Auditors.

5. Conclusions

In conclusion, from the point of view of the professional skills of the members of the Board of Statutory Auditors, considering: (i) the sector in which the company operates, (ii) the complexity of the related company organisation, as well as (iii) the size of the reference group, it is considered desirable, if not appropriate, that the new board of statutory auditors is also characterised by skills and experience gained on a complementary basis in the relevant disciplinary areas referred to in paragraph 3 above.

In particular, it is, important that this mix of skills is well balanced and distributed among the different members of the board of statutory auditors and is accompanied by an appropriate knowledge of the operating rules of the listed companies.

With reference to the remuneration, considering the growth that has occurred, the complexity of the business model adopted, the expansion of the Group’s perimeter, the Board of Statutory Auditors suggests that the Company considers the application of Law 21 April 2023 No. 49 on the subject of “fair remuneration” (the so called “equo compenso”) and review its assessment of the adequacy of the remuneration to be paid to the members of the Board of Statutory Auditors and to be submitted to the approval of the Shareholders’ Meeting.

The outgoing Board of Statutory Auditors therefore asks the Shareholders to consider the above, in the interest of the Company and the members of the new Board of Statutory Auditors and to consider the need for the Statutory Auditors to ensure adequate availability of time for the

performance of their duties, having assessed the number and complexity of the positions possibly held by them in the corporate bodies of other companies, in compliance with the regulations, including current bylaws in force regarding the cumulation of assignments, as well as the commitment required by the further professional services performed.

Date: 7 March 2024

The outgoing Board of Statutory Auditors

Roberta Dell'Apa – Chairwoman

Luisa Anselmi – Standing Auditor

Primo Ceppellini – Standing Auditor