



BEYOND TECHNOLOGY

INTERNAL PROCEDURE

Transactions with Related Parties

SUMMARY OF REVISIONS				
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INTERNAL PROCEDURE FOR TRANSACTIONS WITH RELATED PARTIES

This Internal Procedure for Transactions with Related Parties ("**Procedure**") is adopted by Gefran S.p.A. ("**Gefran**" or the "**Company**"), in implementation of article 2391-bis of the Italian Civil Code and the regulation containing provisions on related party transactions adopted by the CONSOB with Resolution No. 17221 of 12 March 2010 as amended ("**RPT Regulation**"), defines and identifies the rules of substantial and procedural fairness for the approval and execution of related party transactions entered into by Gefran directly or through companies controlled by it ("**Subsidiaries**" and together with Gefran, the "**Group**") pursuant to Art. 2359 of the Italian Civil Code and Art. 93 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented (the "**Consolidated Finance Act**").

It should be noted that terms not specifically defined in this Procedure have the meaning given to them in the RPT Regulation, to which reference should be made for further details.

PART ONE - DEFINITIONS

1. Related Party

For the purposes of this procedure, Gefran's related parties ("**Related Parties**") are the persons defined as such in the RPT Regulation.

2. Related Parties Register

2.1. The Company shall set up a special register in which the names of Related Parties identified pursuant to the previous Art. 1 ("**Related Parties Register**") are registered. Each counterparty identified as a Related Party is given a specific identifier in the ERP (Enterprise Resource Planning) system adopted by Gefran, in order to monitor the Transactions (as defined below) planned and thus to ensure that the process described in this Procedure is initiated, where applicable.

2.2. At least once a year, Gefran's Legal and Corporate Affairs Department sends an email to Gefran's directors and statutory auditors, as well as to the Group's key management personnel, for updates using a special form (Annex 1). It is understood that it is the obligation of such persons to fill in the required information in line with their actual situation and to inform, in a timely manner, the contacts of the Legal and Corporate Affairs Department in the event of any change in the information already communicated so that the Related Parties Register can be updated.

3. Related party transactions

3.1. "Related Party Transactions" or "Transactions" are those identified as such by the RPT Regulation.

- 3.2. For the purposes of the application of this Procedure, Transactions that are interconnected within the same strategic plan or executive programme shall be considered as a single Transaction, also for the purpose of calculating the relevance thresholds.

4. Transactions of greater importance

- 4.1. "Transactions of Greater Importance" are those in which at least one of the following relevance ratios, applicable depending on the specific transaction, exceeds 5%:
- "relevance index of the value": the ratio between the value of the transaction and equity taken from the company's most recently published consolidated balance sheet;
 - "relevance index of assets": is the ratio of the total assets of the entity involved in the transaction to the total assets of the company, gathered from the most recently published consolidated financial statements;
 - "relevance index of liabilities": is the ratio of the total liabilities of the acquired entity to the total assets of the company, gathered from the most recently published consolidated financial statements.

The amount of the relevance thresholds is calculated and updated by the Chief Financial Officer on the occasion of the approval of the annual and semi-annual financial reports and interim reports. For further details on the identification of transactions of greater importance, please read Annex 3 of the RPT Regulation.

5. Transactions of lesser importance

- 5.1. "Transactions of Lesser Importance" are those other than Transactions of Greater Importance and Transactions of Smaller Amount.

6. Transactions of smaller amount

- 6.1. "Transactions of Smaller Amount" are those not exceeding the total amount of:
- a. Euro 30,000.00 if the Related Party is a natural person;
 - b. Euro 50,000.00 if the Related Party is a legal person.
- 6.2. The amounts referred to in letters a. and b. of the preceding point 6.1 apply to each Transaction or set of homogeneous Transactions.

7. Intragroup transactions

7.1. "Intragroup transactions" are those conducted with or between companies included in the consolidated financial statements prepared by Gefran.

8. Ordinary transactions

8.1. "Ordinary Transactions" are those that are attributable to the transactions or related financial asset of the Company and/or the companies included in the consolidated financial statements prepared by Gefran.

9. Smaller companies

9.1. "Smaller companies" are those for which neither the assets on the balance sheet nor the revenues, as shown on the most recently approved consolidated financial statements, exceed EUR 500 million. Smaller Companies may no longer qualify as such if they fail to meet both of the above requirements for two consecutive financial years.

9.2. As it falls into the category referred to in point 9.1, Gefran avails itself of the option under art. 10 of the RPT Regulation to apply the procedure identified for Transactions of Lesser Importance to Transactions of Greater Importance, without prejudice to the need to comply with the provisions of art. 5 of the RPT Regulation on public disclosure of related party transactions. Therefore, provided that the conditions set out in the RPT Regulation are still met, the approval of Transactions of Greater or Lesser Importance with Related Parties shall require following the procedure set out in point 13. It is understood that a Transaction of Greater Importance shall be approved exclusively by the Board of Directors of the Company by following the procedure set out in point 13.

9.3. If Gefran S.p.A. no longer qualifies as a Smaller Company, the Company will adapt this Procedure in accordance with the timeframe set out in Art. 10, paragraph 2 of the RPT Regulation.

10. Directors involved in the transaction

10.1. Directors who have an interest in the Related Party Transaction, on their own behalf or on behalf of third parties, that conflicts with the interest of the Group company called upon to implement the Related Party Transaction are "Directors Involved in the Transaction".

10.2. Without prejudice to the obligations of transparency and motivation on the subject of directors' interests pursuant to Article 2391 of the Italian Civil Code, both in the case of Transactions of Lesser Importance falling within the competence of the Board of Directors and in the case of Transactions of Greater Importance reserved to the competence of the Board of Directors

pursuant to the RPT Regulation, the Directors involved in the Transaction shall abstain from voting on the same.

10.3. In light of the provisions of paragraph 10.2 with reference to the calculation of the *quorums* for the formation and deliberation of the Board of Directors, the Director Involved in the Transaction contributes to the attainment of the formation *quorum* of the Board of Directors, as provided for by Article 2388, paragraph 1, of the Italian Civil Code, but is excluded from the deliberative one, provided for by paragraph 2 of the same Article 2388 of the Italian Civil Code.

10.4. The Director Involved in the Transaction is allowed to participate in the discussion of the Related Party Transaction as per point 10.1, it being understood that the Director Involved in the Transaction shall abstain from voting on it.

11. Independent directors

11.1. "Independent Directors" are those directors who have been assessed as meeting: (i) the requirements of independence set forth in article 148, paragraph 3 of the Consolidated Law on Finance; and (ii) by virtue of Gefran S.p.A.'s adherence to the Corporate Governance Code promoted by the Italian Corporate Governance Committee, also those set forth in that code of conduct.

PART TWO - PROCEDURES

12. Identification of transactions with related parties

12.1. Following the identification of a Related Party Transaction, even in the context of the ERP system adopted by Gefran, in order to ascertain whether or not it falls within the scope of this Procedure and, if so, how, the Legal and Corporate Affairs Department, with the support, if necessary, of the other corporate functions, shall ascertain whether the transaction:

- i) falls within one of the cases of exclusion from the application of the Procedure, as described below; or
- ii) is classifiable as a Transaction of Lesser or Greater Importance, in accordance with the provisions of this Procedure.

12.2. These are excluded from the application of this Procedure and from the related approval procedures, in addition to those provided by the RPT Regulation:

- a. Transactions of Smaller Amount;
- b. compensation plans based on financial instruments approved by the Shareholders' Meeting pursuant to Article 114-bis of the Consolidated Law on Finance and related transactions;

- c. resolutions on the remuneration of directors holding special offices as well as key management personnel in the Group, provided that all the following requirements are met:
 - i. Gefran has adopted a remuneration policy approved by the shareholders' meeting;
 - ii. the Appointments and Remuneration Committee referred to in the Corporate Governance Code was involved in the definition of the remuneration policy;
 - iii. the remuneration awarded is identified in accordance with this policy and quantified on the basis of criteria that do not involve discretionary assessments;
- d. Intragroup Transactions provided that there are no significant interests of other related parties of Gefran in the Subsidiaries or Associated Companies. In this respect, interests arising from the mere sharing of one or more directors or key management personnel by the company and its subsidiaries are not considered significant interests. Moreover, the mere holding of a shareholding in a subsidiary or associated company by other companies controlled by Gefran or associated with it does not in itself constitute a significant interest;
- e. Related Party Transactions approved by the Company and addressed to all shareholders on equal terms. Examples include, but are not limited to:
 - i. rights issues, including those servicing convertible bonds, and free capital increases pursuant to Article 2442 of the Italian Civil Code;
 - ii. spin-offs in the strict sense, whether total or partial, with proportional share allocation;
 - iii. reductions of share capital by means of reimbursement to shareholders pursuant to Article 2445 of the Italian Civil Code and purchases of treasury shares pursuant to Article 132 of the Consolidated Law on Finance.

Related Parties and shareholders are excluded from this exemption, as they are not treated equally in any situation:

- i. merger transactions with related parties;
 - ii. spin-offs with a non-proportional share allocation criterion;
 - iii. spin-offs in which a Related Party is the beneficiary;
- f. Ordinary Transactions that are concluded at arm's length or standard terms. In the event of the applicability of this exclusion clause, the Company is only bound by the periodic disclosure obligations referred to in Article 5, paragraph 8 and Article 13, paragraph 3, letter c) of the RPT Regulation, without prejudice to the provisions of Article 114, paragraph 1 of the Consolidated Law on Finance.

12.3.A Related Party of Gefran is deemed to have a significant interest in a subsidiary or associated company at least when it holds a stake of more than 20% of the share capital in that company, or holds the position of executive

director of that company, without prejudice to the provisions of the previous paragraphs.

13. The procedure for Transactions of Lesser Importance

13.1. The approval process for Transactions of Lesser Importance is structured as follows:

a) Examination of the Transaction of Lesser Importance:

Following the classification of the transaction as a Transaction of Lesser Importance, the Chief Executive Officer, having received the information and completed the preliminary investigation phase, authorises the transmission to the members of the Related Parties Committee, through the Legal and Corporate Affairs Department, of all the documentation relating to the transaction in question for the fulfilment of their duties.

The Related Parties Committee must be composed of three non-executive, unrelated directors (as defined in Article 3, paragraph 1, letter i) of the Regulation), at least two of whom are Independent Directors. If the composition of Gefran's Control and Risk Committee meets these requirements, it will be assigned the function of Related Parties Committee ("Committee").

The information, sent at least five days before the date of the Committee meeting, must concern in particular the nature of the relationship, the main terms and conditions of the Transaction of Lesser Importance, the presumed overall value of the transaction and the way in which the consideration is to be determined, the expected timing of its implementation, the evaluation procedure followed, the underlying reasons for the transaction itself, as well as any risks for the Company or its Subsidiaries.

The Committee carries out its evaluations within a timeframe compatible with the completion of the Transaction of Lesser Importance and draws up a report on the resolutions taken on the matter. It expresses in writing its non-binding reasoned opinion on the Company's interest in carrying out the Transaction of Lesser Importance as well as on the appropriateness and substantial fairness of the relevant economic conditions, if necessary even in the light of the overall result of the management and coordination activity or of the possible transactions aimed at fully eliminating any damage deriving from the individual Related Party Transaction. If the economic conditions of the Transaction of Lesser Importance are deemed to be equivalent to market or standard conditions, the supporting documentation submitted to the Committee for examination and the opinion issued by the Committee shall objectively highlight the elements of verification. If one or more members of the Committee express a negative opinion on the execution of the transaction, they shall indicate in the minutes the reasons supporting their individual opinions. For the purposes of its evaluations, the Committee may request the Company to make use of independent experts appointed by the

Company or, alternatively, it may make use of specialised consultants who are independent and external to the Company, and check their status by taking into account the reports indicated in paragraph 2.4 of Annex 4 to the RPT Regulation.

The costs of the services rendered by consultants shall be borne by the Company.

If there are not at least two unrelated Independent Directors, the opinion shall be given, in order, by the unrelated Independent Directors who may be on the Board of Directors, or by the Board of Statutory Auditors, or by an independent expert appointed by the Board of Directors. To this end, as soon as the information on the Transaction of Lesser Importance is received, the members of the Committee shall promptly notify the Legal and Corporate Affairs Department of the existence of any relation situations between them in relation to each specific transaction.

b) Approval of the Transaction of Lesser Importance

Once it has issued its opinion, the Committee shall forward it, through the Corporate Legal Affairs Department, to the Chairman of the Board of Directors and to the Chief Executive Officer, for the purpose of convening the Board of Directors' meeting, unless - by virtue of the value of the Transaction of Lesser Importance - the latter may be concluded by another person with the appropriate proxy.

The full report on the transaction itself and on the preliminary investigation carried out is provided by the Legal and Corporate Affairs Department to the members of the Board of Directors, normally at least 5 days before the date set for the Board meeting, supplemented by the opinion issued by the Committee.

If the Committee's opinion is favourable, the approval of the Related Party Transaction shall be accompanied by adequate justification regarding the Company's interest in carrying out the transaction, as well as the convenience and substantial fairness of the relevant conditions.

If the Committee's opinion on the execution of the Related Party Transaction is unfavourable, a decision may be taken not to proceed with the transaction or, in any case, to authorise the transaction.

In such a case, the Board of Directors shall explain in detail, in the resolution approving the transaction, the reasons underlying the decision, having regard to the Company's interest in carrying out the transaction and the fairness and convenience of the conditions thereof, attaching the Committee's opinion to the minutes of the meeting.

c) Transactions approved even with a negative opinion

Without prejudice to the provisions of Article 17 of Regulation (EU) No. 596/2014, a document containing an indication of the counterparty, the object and the consideration of the transactions approved in the reference quarter will be made available to the public, within fifteen days of the end of each quarter of the financial year, at the company's registered office and in the manner set out in Part III, Title II, Chapter I, of the Issuers' Regulation, in the

presence of a negative opinion expressed pursuant to letter a) as well as the reasons why it was decided not to share that opinion. Within the same period, the opinion is made available to the public as an annex to the disclosure document or on the Company's website.

14. The procedure for transactions of greater importance

- 14.1. In light of what is indicated in point 9.2, Transactions of Greater Importance shall follow the procedure described in point 13 on the subject of Transactions of Lesser Importance, it being understood that they will be the exclusive competence of the Board of Directors, subject to the favourable opinion of the Committee. If the Committee expresses an unfavourable opinion, the Transaction of Greater Importance may be submitted to the vote of Gefran's Shareholders' Meeting.
- 14.2. Without prejudice to the provisions of point 14.1, Gefran will be obliged to prepare the disclosure documents which, pursuant to the RPT Regulation, must be made available to the public in the manner and within the time limits indicated therein.

15. The procedure for urgent transactions

- 15.1. Without prejudice to the competence of the Board of Directors for Transactions of Greater Importance, in urgent cases, the Related Party Transactions referred to in this Procedure may be exempted from the approval procedures set out in points No. 13 and No. 14, except for the Transactions that fall within the competence of the Shareholders' Meeting.
- 15.2. In order for urgent transactions to benefit from this exemption, it is required that:
- a) if the transaction to be executed falls within the competence of a Managing Director, the Chairman of the Board of Directors and the Lead Independent Director are to be informed of the reasons for the urgency before the transaction is executed;
 - b) such transactions are subsequently subject, without prejudice to their effectiveness, to a non-binding resolution of the body responsible for its approval;
 - c) if the resolution falls within the competence of the shareholders' meeting, prior to convening the meeting, the Board of Directors shall prepare a report containing an adequate explanation of the reasons for the urgency. The Board of Statutory Auditors shall report its assessment of the existence of such reasons to the shareholders' meeting;
 - d) the report and the assessments referred to in letter c) are made available to the public at least twenty-one days before the date set for the shareholders' meeting at the company's registered office and in the ways specified in Title II, Chapter I, of the Issuers' Regulation. These documents shall also be attached to the disclosure document to be prepared in accordance with point No. 15;
 - e) by the day after the shareholders' meeting, the company shall make available to the public, in the ways specified in Title II, Chapter I, of the

Issuers' Regulation, information on the results of the vote, with particular regard to the number of total votes cast by unrelated shareholders.

16. Framework Resolutions

16.1. For the purposes of this Procedure, the adoption of framework resolutions relating to series of homogeneous Transactions to be carried out by the Company, directly or through Subsidiaries, is allowed.

16.2. In the cases referred to in point 16.1, framework resolutions:

- a) shall be effective for a period not exceeding one year; and
- b) must refer to sufficiently determined Related Party Transactions, indicating at least the foreseeable maximum amount of the Transactions to be carried out in the reference period and the reason for the conditions envisaged.

16.3 Framework resolutions must be adopted in accordance with the provisions of the preceding points 16.1 and 16.2, depending on the foreseeable maximum amount of the Transactions covered by the framework resolution, taken together.

16.4 The Chief Executive Officer of the Company, in the context of the periodic report on the management performance due according to law and the Articles of Association, provides the Board of Directors and the Board of Statutory Auditors, at least on a quarterly basis, a full report on the status of implementation of framework resolutions.

16.5 Individual Related Party Transactions entered into in implementation of a framework resolution shall not be subject to the provisions of the preceding paragraphs 13 and 14.

17. Transactions within the competence of the shareholders' meeting

17.1 If the Transaction to be carried out falls within the competence of the Shareholders' Meeting or has to be authorised by it, *mutatis mutandis*, the same procedures indicated in the preceding point 13, shall be followed.

17.2 In such a case, the Committee must issue its opinion when the Board of Directors of the Company approves the proposed resolution to be submitted to the Shareholders' Meeting.

18. Related Party Transactions executed by Subsidiaries

18.1 Related Party Transactions involving Gefran's Subsidiaries are managed directly by Gefran, by following the Procedure. The Chief Executive Officer or General Manager of the Subsidiary informs the contacts in Gefran's Legal and Corporate Affairs Department in advance about the Related Party Transaction so that the procedure described herein can be started.

PART THREE - DISCLOSURE AND SUPERVISION

19. Disclosure requirements for transactions executed with related parties

a) Information on Related Party Transactions

The Board of Directors shall disclose, in the report on operations pursuant to Article 2428 of the Italian Civil Code (annual and interim), Related Party Transactions carried out during the financial year (individually Transactions of Greater Importance and, in aggregate form, other Transactions).

b) Information to the Board of Statutory Auditors

The Board of Directors informs the Board of Statutory Auditors, at least quarterly, of Related Party Transactions concluded during the quarter and also reports on the state of implementation - at the end of the quarter - of peculiar Related Party Transactions whose execution is deferred in time, or occurs periodically.

In particular, the Board of Directors reports on the interest underlying Related Party Transactions, the way they are executed and the nature of the relationship.

20. Public disclosure obligations

20.1 In all cases in which a transaction of greater importance is carried out, even through Subsidiaries, with a Related Party, Gefran prepares a disclosure document with the contents of Annex 1, which is made available to the public within seven days of the approval of the transaction or the conclusion of the contract.

20.2 If the company enters into transactions with the same related party that are homogeneous and carried out in execution of a unitary plan, and which exceed, when considered cumulatively, the thresholds set out in point 3, the disclosure document shall be made available to the public within fifteen days of the approval of the transaction or the conclusion of the contract.

20.3 This document, in particular, highlights the risks related to potential conflicts of interest arising from the transaction, describes the terms, the reasons and the economic and financial effects of the transaction, indicates the method of determining the consideration and identifies the persons who participated in the negotiations and approved the transaction.

20.4 If a related party transaction is also subject to the disclosure requirements laid down in Article 17 of Regulation (EU) No. 596/2014, in addition to the other information to be published pursuant to the aforementioned regulation, the press release to be disseminated to the public shall contain the following information:

a) a description of the Related Party Transaction;

a) indication that the counterparty to the transaction is a related party and a description of the nature of the relationship;

- b) the name or business name of the counterparty to the transaction;
- c) whether or not the transaction exceeds the relevance thresholds identified pursuant to Article 3, and an indication of whether or not the disclosure document will be published subsequently pursuant to this Article 15;
- d) the procedure which has been or will be followed for the approval of the transaction and, in particular, whether the company has availed itself of any of the cases of exclusion provided for in point 13;
- e) the possible approval of the Transaction of Lesser Importance notwithstanding the contrary opinion expressed by the Committee or by the Board of Statutory Auditors.

21. Supervision of compliance with the Rules

- 21.1 The Board of Statutory Auditors ensures that these Rules are followed and reports on it in the report referred to in Article 2429 of the Civil Code.
- 21.2 The members of the Board of Directors and strategic managers shall inform the Board of Statutory Auditors without delay of any alleged breach of these Rules they become aware of in the performance of their duties.

22. Final provisions

- 22.1 The Chief Executive Officer is responsible for implementing the Regulation. He may amend the definitions contained in Annex 1 to this Procedure on his own if necessary.
- 22.2 Should it become necessary to draft second level procedures ("Second Level Procedures") with respect to this Procedure, even with respect to Subsidiaries, the approval of the Second Level Procedures shall be given by the Chief Executive Officer of Gefran.
- 22.3 Key management personnel of the Company or its parent company shall be provided with a copy of this Regulation, as well as the subsequent amended or supplemented versions.

GEFRAN S.p.A.

Annex 1

Template of declaration

Messrs.

Gefran S.p.A.

Via Sebina, 74

25050 Provaglio d'Iseo (BS)

Declaration pursuant to the CONSOB Regulation on Related Party Transactions and the Procedure for regulating related party transactions, approved by the Board of Directors on 12 November 2010 and subsequent amendments (hereinafter the "Procedure").

With reference to the CONSOB Regulation on transactions with related parties and for the purposes of application of the Procedure, the undersigned, in his/her capacity as of Gefran S.p.A. (*in the case of key management personnel of subsidiaries of Gefran S.p.A., please indicate the respective company name*) provides, under its own responsibility, a list of his/her close relatives:

First name and surname	Place and date of birth	Family relationship

He/She also declares, under his/her responsibility:

- that he/she controls, jointly controls, exercises significant influence, or holds a significant share, in any case 20% or more of the voting power, or holds the position of executive director of the same of the companies/bodies listed below:

Company/Entity	Tax ID/VAT No.	Registered Office	Nature of the relationship
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- that the close relatives identified in the table provided above, control, jointly control, exercise significant influence, or otherwise hold a significant share, in any case 20% or more of the voting power, or hold the position of executive director of the same of the companies/bodies listed below:

Relative	Company/Entity	Tax ID/VAT No.	Registered Office

The undersigned undertakes to promptly notify Gefran S.p.A. in future of any changes/additions to the information provided above.

The undersigned authorises Gefran S.p.A. to process the data and information contained in this document in accordance with the General Data Protection Regulation and Legislative Decree No. 196/2003 as amended.

Date Place Signature

Definitions useful for the purpose of filling in

Annex 1 - Template of declaration

1. DEFINITIONS FROM IAS 24

A. RELATED PARTY

A **related party** is an individual or entity that is related to the reporting entity (referred to in this standard as the 'reporting entity').

(a) An individual or a close relative of that individual are related to a reporting entity if that individual:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is one of the key management personnel of the reporting entity or of one of its parent companies.

(b) An entity is related to a reporting entity if any of the following conditions are met:

- (i) the entity and the reporting entity are members of the same group (meaning that each parent company, subsidiary and group company is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture that is part of a group the other entity is a member of);
- (iii) both entities are joint ventures of the same counterparty;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
- (vi) the entity is controlled or jointly controlled by an individual identified in point (a);
- (vii) an individual identified in (a)(i) has a significant influence over the entity or is one of the key management personnel of the entity (or of a parent company of the entity).

In the definition of related party, an associated company includes the subsidiaries of the associate and a joint venture includes the subsidiaries of the joint venture. Thus, for example, a subsidiary of an associated company and the investor having significant influence over the affiliated company are related to each other.

B. TRANSACTION WITH RELATED PARTY

A **related party transaction** is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether any price has been agreed upon.

C. CLOSE RELATIVES

Considered as **close relatives** are family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity, including:

- (a) the children and the spouse or person living with that individual;
- (b) the children of the spouse or person living with that individual; and
- (c) the dependants of that individual or of the spouse or the person living with that individual.

2. DEFINITIONS OF OTHERS IAS / IFRS

The terms '**control**', '**joint control**' and '**significant influence**' are defined in IFRS 10, IFRS 11 (Arrangements for Joint Control) and IAS 28 (Investments in Associated Companies and joint ventures) and are used with the meanings specified in such IFRSs [IAS 24, paragraph 9].

IFRS 10

An investor controls an investee if and only if it has at the same time:

a) power over the investee entity. An investor has power over an investee when it holds valid rights that give it the ability to manage relevant business activities, i.e. the business activities that significantly affect the returns of the investee. Power derives from rights: in some cases, the determination of power is immediate, as in the case where power over an investee entity is obtained directly and solely through the voting rights conferred by equity instruments such as shares, and can be determined by considering the voting powers derived from such equity investments. In other cases, the verification will be more complex and more factors need to be taken into account, e.g. where the power results from one or more contractual arrangements

b) the exposure to, or rights to, variable returns arising from the relationship with the investee entity. An investor is exposed to or entitled to variable returns arising from its relationship with the investee entity when the returns from that relationship are likely to vary in relation to the economic performance of the investee entity. The

investor's returns may be only positive, only negative or, overall, positive and negative. Although a single investor may control an investee entity, several parties may share in the returns. For example, holders of minority interests may share in the profits or dividends of an investee entity

c) the ability to exercise its power over the investee entity to affect the amount of its returns. An investor controls an investee entity if, in addition to having power over it and exposure to or entitlement to variable returns arising from its relationship with the investee entity, it also has the ability to exercise its power to affect the returns arising from that relationship

IFRS 10

Control is achieved when a Group is exposed to or entitled to variable returns from its relationship with the investee entity and, at the same time, has the ability to affect those returns by exercising its power over that entity.

Specifically, a Group controls an investee if, and only if, the Group has:

- power over the investee entity (i.e. it has valid rights that give it the ability to manage the relevant business activities of the investee entity);
- the exposure to, or rights to, variable returns arising from the relationship with the investee entity;
- the ability to exercise its power over the investee entity to affect the amount of its returns.

Generally, there is the presumption that the majority of the voting power involves control. To support this presumption and when the Group holds less than the majority of the voting power (or similar power), the Group considers all relevant facts and circumstances to determine whether it controls the investee, including:

- contractual arrangements with other holders of voting power;
- rights arising from contractual arrangements;
- voting power and potential voting power of the Group.

IFRS 11

An agreement subject to joint control is an agreement in which two or more parties have joint control. Joint control is the sharing, on a contractual basis, of control over an agreement, which exists only when the unanimous consent of all parties sharing control is required for decisions concerning the relevant business activities.

An agreement subject to joint control has the following characteristics:

- a)** the parties are bound by a contractual arrangement
- b)** the contractual arrangement gives two or more parties joint control over the agreement

An agreement subject to joint control may be a business subject to joint control or a joint venture. A business subject to joint control is an agreement subject to joint control in which the parties with joint control have rights to the assets and obligations for the liabilities related to the agreement. Such parties are referred to as joint managers. A joint venture is an agreement subject to joint control in which the parties with joint control have rights to the net assets of the agreement. Such parties are referred to as joint venturers.

IAS 28

An associate is a company over which the Group exercises significant influence. Significant influence means the power to participate in determining the financial and operating policies of an investee without having control or joint control over it.

The existence of significant influence by an entity is usually indicated by the occurrence of one or more of the following circumstances:

- a) representation on the board of directors, or equivalent body, of the investee company;
- b) participation in decision-making, including participation in decisions about dividends or other profit distributions;
- c) the existence of relevant transactions between the entity and the investee;
- d) the exchange of management personnel; or
- e) the provision of essential technical information

3. PRINCIPLES FOR INTERPRETING DEFINITIONS

In examining each related party relationship, attention must be paid to the substance of the relationship and not merely its legal form.

The above definitions are interpreted by making reference to the body of international accounting standards adopted in accordance with the procedure laid down in Article 6 of Regulation (EC) No. 1606/2002.