

Corporate Governance – Statement of compliance

Introduction

The Prospects Rules issued by the Malta Stock Exchange require, to remain admitted, that Prospects MTF Company shall comply with, provide equivalent disclosure or explain the extent to which it adheres to the relevant corporate governance standards, in this case the Code of Principles of Good Corporate Governance (the “Code”), published by the Competent Authority, and publish a statement thereon by the Company’s Auditors.

The Company notes that the Code does not prescribe mandatory rules but recommends principles so as to provide proper incentives for the Board of Directors (the “Board”) and the Company’s management to pursue objectives that are in the interests of the Company and its shareholders. The Board strongly believes that it would be in the interest of the Company and its shareholders if it adopts the Code to the fullest extent that it is practical to do so.

The Board has taken such measures as are necessary in order for the Company to comply with the requirements of the Code to the extent that these were considered appropriate and complementary to the size, nature and operations of the Company.

As demonstrated by the information set out in this Statement, the Company believes that it has, save as indicated herein in the section entitled Non-Compliance with Code applied the principles and complied with the provisions of the Code throughout the accounting period under review. In the Non-Compliance Section, the Board indicates and explains the instances where it has departed from or where it has not applied the provisions of the Code, as allowed by the same Code

Compliance with the Code

Principle 1: The Board

The Board’s role and responsibility is to provide the necessary leadership, to set strategy and to exercise good oversight and stewardship. It’s responsible for monitoring, strategy formulation and policy development.

The Company is managed by a Board of Directors, which may exercise all such powers and duties except such powers and duties as are required to be exercised by the company in a General Meeting.

Albo Gestore Rifiuti Categorie 4, 5, 8, 9, 10 - Azienda Certificata ISO 14001:2004, ISO 9001:2008, OHSAS 18001:2007 - Azienda attestata SOA RINA

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Directors, individually and collectively, are fit and proper to direct the company's business, with the necessary skills and experience to contribute effectively to the decision making process.

The Board of Directors meets regularly and all Directors are given ample opportunity to discuss the agenda and convey their opinions.

Furthermore, in terms of the Company's Memorandum and Article of Association, a Director is prohibited from voting on any question in which he has material interest.

Board members are accountable for their performance and that of their delegates to shareholders and relevant stakeholders.

Besides having a broad knowledge of the Company's business they are also conversant with the statutory and regulatory requirements regulating this business.

The Board determines the Company's strategic aims and organizational structures and regularly reviews management performance.

Moreover, it exercises prudent and effective controls which enable risk to be assessed and managed in order to achieve the short and long term sustainability of the business.

The Board delegates specific responsibilities to the Audit Committee. Further detail in relation to this committee and their responsibilities can be found under principle 4 of this statement.

The process of appointment of Directors is conducted in terms of the Memorandum and Articles of Association of the company.

The Board consists of five Directors who are elected by the shareholders.

Shareholders have the power to appoint or to remove them, through a resolution adopted by the company's general meeting.

Principle 2: Chairman and Chief Executive Officer

The position of the Chairman and of the Executive Directors are occupied by different persons and related responsibilities are clearly established, rendering these positions completely separate from one another.

The separation of roles of the Chairman and Chief Executive Officers avoids concentration of authority and power and differentiates leadership of the Board from the running of the business.

The Chairman is responsible to lead the Board and to set its agenda. The Chairman ensures that the Board's discussions on any issue put before it go into adequate depth, that the opinions of all the Directors are taken into account, and that all the Board's decisions are supported by adequate and timely information.

The Chairman ensures that the CEO develops a strategy which is agreed to by the Board. The Chairman of the Company is dr. Marco Sciannameo.

During Board meetings, he encourages active engagement by all Board members for the discussion of complex and contentious issues and ensures that Directors constructively challenge senior management.

The Chief Executive Officer develops, drives and delivers performance within strategic goals, commercial objectives and business plans agreed by the Board.

Principle 3: Composition of the Board

The Board considers that the size of it is appropriate to ensure the effective management and oversight over the Company's operations.

The Board is composed of five Directors (3 executive and 2 non-executive and independent Directors). Each of whom is skilful, competent, knowledgeable and experienced to fulfil one's role diligently. Each Director possesses the requisite ability to assess business risk and to identify key performance indicators.

Throughout the year under review, the composition of the Board was as follows:

Executive Directors:

- Alferi Tonino, Vice Chairman, CEO, responsible for administration, finance and control areas;
- Salotti Samuele, CEO, responsible for safety, production and commercial areas;
- Cani Vincenzo, CEO, responsible for commercial area, relationship with clients and development programs;

Non-Executive Directors:

- Sciannameo Marco, Chairman, non-executive, independent Director;
- Petris Giovanni, non-executive, independent Director.

(With effect from 25th October 2018, Mr. Sergio Testa has resigned from the office of non-executive Director of the Company and Mr. Giovanni Petris has resigned from the office of Chairman of the Company. Mr. Marco Sciannameo has appointed as Chairman and Mr. Giovanni Petris has appointed as non-executive Director).

In determining the independence or otherwise of its Directors, the Board has considered, inter alia, the principles relating to independence embodied in the Code, as well as general principles of good practice.

To be considered independent by the Board, the Director should meet the following criteria:

- is not a shareholder, or otherwise associated directly or indirectly with, a shareholder;
- is not, or has not been employed in an executive capacity by the Company;
- is not, or has not been within the last three years, a partner, director or senior employee of a material professional adviser of the Company or another group member whose billings exceed 5% of the adviser's total revenues. A Director who is a partner, director or senior employee of a professional adviser will not participate in any consideration of the possible appointment of the professional adviser and will not participate in the provision of any service to the Company by the professional adviser;
- is not, or has not been within the last three years a significant supplier or customer of the Company another group member, or an officer or otherwise associated directly or indirectly with a significant supplier or customer;

- has no other material contractual relationship with the Company or another group member other than as a Director of the Company;
- has no close family ties with any person who falls within any of the categories described above;
- has not been a director of the entity for such a period that his or her independence may have been compromised; or
- has no interest or relationship that could influence in a material respect a Director's ability to act in the best interests of the Company and its shareholders generally.

Principle 4: The Responsibilities of the Board

The Board has the first level responsibility of executing the basic roles of corporate governance (accountability, monitoring, strategy formulation, policy development); an Audit Committee required under Prospects Rule 1.01.01.01 (d) has been established.

The Board develops the Company's strategy, policies and business plans; decides which are the powers of Executive directors; actively participate in the appointment of senior management; ensure that there is adequate training in the Company for directors, management and employees; has established a succession plan for senior management; and ensure that all Directors have at all times precise, timely and clear information so that they can effectively contribute to Board decisions.

The Board continuously assesses the Company's strengths and weaknesses in the micro-environment and its opportunities and threats in the macro-environment.

Board Committees

Audit Committee

The Board of Directors has set up the Audit Committee. This Committee has the tasks, *inter alia*, to evaluate the Board's performance and to manage conflicts of interest; to approve or exercise the power of veto on transactions with related parties; to ensure the professional development of the Board; to protect the interest of the Company's shareholders and assist the Directors in conducting their role effectively.

The Committee is also responsible for managing the Board's relationships with internal and external auditors.

The Audit Committee comprises of the following Executive / Non-executive members:

Name	Qualifications	Role
Petris Giovanni	Independent	Non-executive Director and Chairman
Sciannameo Marco	Independent	Non-executive Director
Alferi Tonino	CEO	Executive Director

In the period under review the Audit Committee has held two meetings.

Independent Statutory Auditors Board

According to the Italian Civil Code provisions (from art. 2397 to art. 2409 of the Italian Civil Code), the Company also has an Independent Statutory Auditors Board, composed of three members.

The Statutory Auditors Board verifies if the decisions of the Board of Directors of the Company are compliant with the provisions of law and regulations and of the Statute. Also they inspect and ascertain the adequacy of the administrative and accounting organization and proper administration of the company, reporting to the shareholders' assembly any relevant facts. The members of the supervisory board can report to the Court any irregularity in the management.

Being composed by professional independent auditors, the supervisory board also has extensive tasks regarding control of accounting system and internal audit of financial statements.

With the admission of the securities of the Company on Prospects, and according to the Art 2409 bis of the Italian Civil Code, the accounting control is entrusted to external auditors.

The Statutory Auditors Board comprises of the following members

Name	Qualifications	Role
Graber Paolo	Auditor	President of the Statutory Supervisory Board
Silvia Brini	Auditor	Member of the Statutory Supervisory Board
De Faveri Michele	Auditor	Member of the Statutory Supervisory Board

(With effect from 25th October 2018, Mr. Fabrizio Giglio has resigned from the office of Member of the Statutory Auditors Board. Mrs. Silvia Brini has appointed as Member of the Statutory Auditors Board).

Principle 5: Board Meetings

The Board usually meets on a bi-monthly base, unless further meetings are required to discharge its duties effectively. During the period under review the Board held eight meetings. The Chairman ensures that all relevant issues are on the agenda, supported by all the available information. The agenda strikes a balance between long-term strategic objectives and short term performance issues. Notice of the dates of Board meetings together with supporting materials are circulated to the Directors well in advance of the meetings. Minutes are prepared during Board meetings that record faithfully attendance, discussed matters and decisions. These minutes are subsequently circulated to all the Directors as soon as practicable after the meeting.

Principle 6: Information and Professional Development

The Board ensures that the CEO maintains systems and procedures for the development and training of the management and employees generally, in order to retain the best quality staff, optimize on management and to continue developing the succession plan for senior management.

Directors may, where they judge it necessary to discharge their duties as Directors, take independent professional advice or consult the Corporate Advisor, on any matter at the Company's expense.

From time to time, the Board organizes regular information briefing sessions to ensure that the Directors are made aware of their duties, the Company's operations and plans, the general business environment and the Board's expectations.

Principle 7: Evaluation of the Board Performance

The Board believes that its current composition has the necessary expertise and experience and achieves the right balance to make it work effectively. In view of the size and nature of the Company, it was not considered necessary to perform an official evaluation of the Board's performance.

Principle 8: Remuneration and Nomination Committees

In view of its size and nature, the Company does not consider the appointment of a Remuneration Committee to be necessary.

Pursuant to the Company's Articles of Association, the appointment of Directors to the Board is reserved exclusively to the Company's shareholders. Within this context, the Board believes that the setting up of a Nomination Committee with the functions and responsibilities, as envisaged by the Code, is currently not suited to the Company.

Principles 9 and 10: Relations with Shareholders, with the Market, and with Institutional Shareholders

The Company recognizes the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood.

The Board is of the view that during the period under review the Company has communicated effectively with the market through the Company's Annual General Meeting, the Annual Report and Financial Statements, by way of Company announcement, and publishing and sending to the shareholders its results on a six-monthly basis.

The Company's website also contains information about the Company and its business, including an Investor Relations Section.

Principle 11: Conflicts of Interest

The Directors are strongly aware of their responsibility to act at all times in the interest of the Company and its shareholders as a whole and of their obligation to avoid conflicts of interest on specific matters.

In such instances, the Company has strict policies in place which allow it to manage such conflicts, actual or potential, in the best interest of the Company.

These policies include:

- a) that a Director is to make full and frank disclosure with respect to any matter where there is a potential or actual conflict, whether such conflict arises from personal interests or the interests of the companies in which such person is a Director or officer;
- b) that the said Director is excused from the meeting and accordingly is not involved in the Company's Board discussion on the matter; and
- c) that the said Director does not vote on any such matter.

Furthermore, conflict of interests: are disclosed and managed in compliance with the Italian law.

Principle 12: Corporate Social Responsibility

The Company recognizes the importance of its role in the corporate social responsibility arena and seeks to ensure that in its operations the environment is respected. The Directors are also aware of the importance of having good relations with stakeholders and strive to work together with them in order to invest in human capital, health and safety issues and to adopt environmentally responsible practices.

The Company has elaborated and approved an Ethic Code which is compliant with Prospects' corporate governance guidelines.

Non-compliance with the Code

Principle 3: Composition of the Board

The Company does have a majority of Executive Directors appointed to the Board, it does not, at this stage, have a majority of Independent Directors. Given the circumstances of the Company's business, full adherence to this principle is not necessary.

Principle 5: Board Meetings

Given the nature and the scale of the Company's business and activities, it has not yet been necessary to set procedures to determine the frequency, purpose, conduct and duration of meetings

The Company has set regular periodic meetings, and these have always been attended by the Executive and Non-executive Directors in accordance with the terms of the Company's Articles of Association.

Principle 7: Evaluation of the Board Performance

In view of the size and nature of the Company, it was not considered necessary to perform an official evaluation of the Board's performance.

Principle 8: Remuneration and Nomination Committees

In view of its size and nature, the Company does not consider the appointment of a Remuneration Committee and a Nomination Committee to be necessary.

Closing Remarks

In the light of the factors mentioned above, and except for the instances of non-adherence which have been explained above, the Board is of the opinion that the Company is in compliance with the Code.

Approved by the Board of Directors.

Pianiga (Ve), 22 March 2019

On behalf of the Board of Directors

Mr. Tonino Alferi

