



GESSI TRANSFER PRICING POLICY

GOALS OF THIS POLICY

Gessi s.p.a. (hereinafter: “Gessi” or the “Company”) is committed to upholding the highest standards of ethical integrity, transparency and accountability in all its business practices, as well as ensuring fairness and transparency of inter-company transactions. The Company considers internal transparency of cost and pricing structures to be important.

For these reasons, Gessi has deemed appropriate the adoption of a Transfer Pricing Policy (hereinafter: “Policy”) that provides a mandatory framework for dealing with all intercompany transactions within the Gessi Group (hereinafter: “Group”).

Therefore, the purpose and scope of this document is to determine the principles and procedures on intercompany transactions of any subsidiary of Gessi (hereinafter: “Group Companies”). This Policy applies to any transaction between Group Companies.

All directors, officers, employees, consultants, and contractors of the Group Companies must comply with this Policy. The Board of Directors of the Company may review and update this Policy from time to time to ensure it remains consistent with the Board of Directors’ objectives.

PRINCIPLES IN INTERCOMPANY TRANSACTIONS

In all intercompany transactions regarding sale or purchase of goods and service, Gessi Group Companies determine the value or price in line with the arm’s length principle. Arm’s length principle refers that the price or the value applied in purchase or sale of goods or services with related parties, follows the price or the value which would be applied in case there was no such a relation. All kinds of transactions shall be targeted by the arm’s length principle: sale of goods, provision of services, intellectual property licensing, financial transactions, etc.

Therefore, any intercompany transaction shall be conducted on an arm’s-length basis, after consulting the relevant bodies and valuating the market prices.

Furthermore, Group Companies shall comply with the applicable tax legislation in all kinds of goods or service purchases and sales transactions with related parties. Group Companies are also required to fulfil the transfer pricing documentation obligations.

METHODS TO BE APPLIED IN INTERCOMPANY TRANSACTIONS

Group Companies determine the prices or the values to be applied in the intercompany transactions by using one of the below methods which is more appropriate to the nature of the operation.

(I) Comparable Uncontrolled Price method: in this method, where the sales price to be applied by a taxpayer which is in line with the arm’s length principles is determined by comparing with the price applied by the unrelated real or legal persons and engages in comparable purchase or sale of goods or services.

(II) Cost Plus method: in this method, the arm’s length price is determined by adding a reasonable gross profit to the costs of the goods and services.

(III) Resale Price method: in this method, the arm’s length price is determined by decreasing a reasonable gross sales profit from the price to be applied if a commodity or service is resold to independent real or legal persons.



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(IV) Profit Split method: this method is based on the distribution of the operating profit or loss among related parties according to their functions performed and risks assumed.

(V) Transaction Net Margin method: this method is applied according to the net operating profit margin that is found by considering the costs, sales or any other appropriate base.

If the arm's length price cannot be settled through one of the abovementioned methods, the Group Companies can use other methods appropriate to the nature of the operations.

REPORTS

Gessi believes that compliance with this Policy is fundamental to promote highest standards of integrity, fairness, transparency, and accountability in all business relationships between the parties. The values indicated in this Policy are of particular importance to Gessi and, therefore, all Group Companies shall comply strictly with the rules set forth herein.

For these reasons, Gessi requires all Group Companies to promptly report to us any violations of this Policy and/or the relevant laws, whether suspected or confirmed.

To report any alleged or confirmed violations Group Companies may use the following contact information:

e-mail: gessi@gessi.it

mail: Fraz. Vintebbio, Parco Gessi, 13037 Serravalle Sesia, (Vercelli) Italy

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