

Euronext Growth Milan

# **GENERAL ORGANIZATIONAL REQUIREMENTS – COMPANY CONTROL FUNCTIONS**

(Euronext Growth Advisor)

25 OCTOBER 2021

*The Italian text of these Rules shall prevail over the English version*



**BORSA ITALIANA**

# General organizational requirements – company control functions (Euronext Growth Advisor)

## Introduction

These guidance notes lay down general principles concerning the organization of entities not subject to the Consob/Bank of Italy regulation and entered in the Register of **Euronext Growth Advisors** at the date on 1 August 2014; in particular, they identify the aims and main tasks of the compliance and risk management function.

The notes apply to non-bank Euronext Growth Advisors only with reference to their activity as Euronext Growth Advisors on Euronext Growth Milan.

The objective of these guidance notes is to achieve a balance between the need to ensure adequate safeguards for the internal functions of compliance and risk management of Euronext Growth Advisors not characterized by general controls by the supervisory authorities and the need to adapt them to structures of a small size.

Non-bank Euronext Growth Advisors must produce suitable documentation concerning alignment with the guidance notes listed below and update it periodically.

### **1. Non-bank Euronext Growth Advisors are required to set up and maintain a permanent, effective and independent internal function devoted to safeguarding and checking compliance and risk management**

In order to ensure the effectiveness and independence of the internal compliance and risk management function, it is necessary that:

- ◆ such function have the authority, resources and skills needed for the performance of its tasks;
- ◆ the persons responsible for the function not be hierarchically below the persons responsible for the functions subject to control;
- ◆ the persons engaged in such function not participate in the provision of the services on Euronext Growth Milan that they are called upon to control and not be members of decision-making bodies/committees.

### **2. The compliance function: main activities**

The main tasks that the compliance function is required to perform are:

- ◆ the regular control and verification of the adequacy and effectiveness of the procedures adopted, with a view to avoiding violations of the Rules and the legislative provisions from time to time applicable, with special reference to the management of conflicts of interest and transparency vis-à-vis the market;
- ◆ the identification on a continuing basis of the legislative provisions applicable to the Euronext Growth Advisor and the assessment of their impact on company processes and procedures;

- ◆ proposals for organizational and procedural changes designed to ensure adequate safeguards against risks of non-compliance that have been identified;
- ◆ verification of the effectiveness of the organizational adjustments (to structures, processes and procedures, both operational and commercial) suggested to prevent the risk of non-compliance;
- ◆ the periodic assessment of the adequacy of the number of key executives and other employees engaged in corporate finance, with reference to the number and characteristics of the Euronext Growth Milan companies for which the Euronext Growth Advisor acts.

### 3. The risk management function: main activities

The company's risk management function is taken to mean the activities of identifying the risks and operational limits assigned to the company's functions and the function of controlling their consistency with the company's activity.

For example, in the case of non-bank Euronext Growth Advisors, the risk management function:

- ◆ identifies the risks to which the non-bank Euronext Growth Advisor is exposed in view of the business model and organizational structures adopted and updates its assessment in light of the evolution of the level and type of activity performed;
- ◆ supports the strategic choices of the company's Euronext Growth Advisor and underscores the risks deriving from new activities, processes and systems;
- ◆ assesses – on the basis of what is performed by the units involved in the exercise of the activity of Euronext Growth Advisor – the adequacy of the activity of providing assistance and support to Euronext Growth Milan companies on an ongoing basis.

### 4. Other company control functions

Applicants for non-bank Euronext Growth Advisors are required to assess – considering their size characteristics (turnover, number of employees, etc.) and operational features – the creation of an independent internal audit function. The decision not to create such a function must be adequately explained in the periodic reports that the head of the compliance and risk management function is required to prepare.

In particular, the internal audit function evaluates:

- ◆ the adequacy and effectiveness of the company's information systems, management processes, and control procedures and mechanisms;
- ◆ the effectiveness of the controls carried out on outsourced activities.

### 5. Communications with Borsa Italiana

The head of the compliance and risk management function is required to prepare and keep available to **Borsa Italiana** a report (to be retained pursuant to rule 22 of the **Rules for Euronext Growth Advisors**) containing a description of: the checks carried out by the function he/she heads, in relation to compliance by the units involved in the

exercise of the activity of Euronext Growth Advisor with what is provided for by the Rules and the Euronext Growth Advisor's corporate finance compliance manual, the results achieved; the remedial measures planned and those actually adopted. This report must be produced where the non-bank Euronext Growth Advisor is assisting at least one Euronext Growth Milan issuer, by January of each year.

In each report a section must be devoted to the activities carried out by the internal audit function or – in accordance with the principle of comply or explain – to the reasons for the decision not to create such a function.



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