

DIRECTORS' REPORT
ON THE FIFTH AND SIXTH ITEMS ON THE AGENDA

*to Shareholders' Meeting
of Equita Group S.p.A.
of 7th May 2020*

(Published on 27th March 2020)



Item 5 of the Agenda

5. Appointment of the Board of Directors:

5.1 determination of the number of members and duration of the mandate;

5.2 appointment of Directors;

5.3 determination of remuneration of each member for each year of mandate.

Dear Shareholders,

The mandate of the Board of Directors of Equita Group S.p.A. ("**Equita**" or the "**Company**"), currently consisting of 7 (seven) members, appointed by the Shareholders' Meeting of 15 June 2017 and with effect from 1 July 2017, is due to expire with the approval of the financial statements for the year ending 31 December 2019.

The Shareholders of Equita are therefore called to appoint the members of the new Board of Directors, in accordance with the statutory provisions and regulations in force.

The members of the Board of Directors are appointed, pursuant to art. 12 of the By-laws, by the Shareholders' Meeting of Equita based on **lists** that may be submitted by the outgoing Board of Directors as well as Shareholders who, alone or together with other Shareholders, overall own at least **2.5%** (two point five per cent) of the share capital with voting rights. The ownership of this percentage, necessary to submit lists, must be proven by **appropriate certification** issued by the intermediary, and must be produced when the list is filed (or, otherwise, in accordance with time limits set out by the applicable law).

Following the submission of the lists, the Shareholders' Meeting shall elect the directors in accordance with the procedures set out in articles 12.6. to 12.10. of the By-laws and in accordance with the applicable law, to which reference should be made.

5.1 determination of the number of members and duration of the mandate;

Pursuant to art. 12.1. of Equita's By-laws, before appointing the Board of Directors, the Ordinary Shareholders' Meeting shall determine the **number of members and duration of the mandate**.

As regards the **number** of members, the Equita's By-laws provides, under art. 11.1., that the Company is managed by a Board of Directors consisting of **7 (seven) to 11 (eleven) members**.

The outgoing Board of Directors is currently made up of **7 (seven) Directors**.

In this regard, the Board considers – as formalised within the "Guidelines on management and professional profiles" published on the Company's website together with this Report – that the current size of the Board is appropriate and would therefore be maintained. This size ensures the Board is sufficiently diverse and has an appropriate balance of skills and experience, taking into account the size, type and complexity of the business conducted by the Company.

Therefore, at the Shareholders' Meeting of 7 May 2020, it will be proposed to the Shareholders to approve the appointment of a Board of Directors consisting of **7 (seven) Directors**, in continuity with the current size of the Board.

As regards the **duration** of the Board's mandate, please note that under art. 11.3. of the By-laws, Directors are appointed for a period of **3 (three) financial years**, or for the period, **of not more than 3 (three) financial years, established at the time of appointment**, and may be re-elected.

The Directors of the current Board of Directors were appointed for a period of 3 (three) financial years. Therefore, again with a view to maintaining continuity, at the Shareholders' Meeting of 7 May 2020, it will be proposed to appoint the new Board of Directors for a period of 3 (three) financial years.

5.2 appointment of Directors;

Directors are appointed on the basis of **lists** on which candidates are assigned a progressive number.

Please note that, as set out in art. 12.2. of the By-laws, the lists - signed by those who submit them - must contain a number of candidates not more than the maximum number of members to be elected, and must be filed at the Company's registered office – within the deadlines and according to the terms set out by the applicable legal and regulatory provisions – accompanied by the documentation required by the By-laws and the regulations in force, to which reference should be made.

Please note too that, as established by art. 12.3. of the By-laws, the lists must contain a number of candidates who meet the requirements of **independence** and a number of **candidates of different gender**, so as to ensure compliance with applicable legal and regulatory provisions.

Finally, it should be remembered that the lists submitted without observing the provisions set out in art.12 of the By-laws as well as the applicable legal and regulatory provisions shall be regarded **as not having been submitted**.

Therefore, during the Shareholders' Meeting of 7 May 2020, it will be proposed to the Shareholders to vote for the lists submitted, in accordance with Equita's By-laws and the legislative and regulatory provisions in force.

However, it is understood that, for the appointment of those Directors who cannot be elected through the list vote procedure and/or in the event that no lists are submitted, the Shareholders' Meeting shall decide the issue in accordance with the majorities required by law.

Finally, note that art. 13.1. of the Company's By-laws further establishes that the Board itself is responsible for appointing the Chairman of the Board of Directors when the Shareholders' Meeting has not done so. The Shareholders' Meeting may therefore decide on the appointment of the Chairman, inasmuch as this is a decision regarding the appointment of the Board.

5.3 determination of remuneration of each member for each year of mandate.

In accordance with the legislation in force, the **remuneration** due to members of the Board of Directors is set by the Shareholders' Meeting.

Art. 16 of the By-laws provides that Directors are entitled to **be reimbursed the expenses** incurred in exercising their function, and, in addition, that the Shareholders' Meeting may grant them remuneration and an end-of-mandate indemnity, also in the form of an insurance policy, within the limits set by applicable legal and regulatory provisions.

At the Shareholders' Meeting of 7 May 2020, the Shareholders will have to determine the **remuneration** due to members of the Board of Directors.

In this regard, it should be remembered that for the 2017-2019 three-year mandate, the **gross annual remuneration** due to each member of the Board of Directors, *pro tempore* and for the period in office, as determined by the Shareholders' Meeting, was set at Euro 20,000.

The Shareholders' Meeting of 7 May 2020 will be asked to approve the proposal to grant to each member of the Board of Directors a **gross annual remuneration**, *pro tempore* and for the period in office, equal to **Euro 25,000**.

Item 6 of the Agenda

6. Appointment of the Board of Statutory Auditors:

6.1 appointment of three Standing Auditors and two Alternate Auditors;

6.2 appointment of the Chair;

6.3 determination of the remuneration of each Standing Auditor for each year of mandate.

Dear Shareholders,

The mandate of the Board of Statutory Auditors in office will expire with the approval of the financial statements for the year ending 31 December 2019. The Board of Statutory Auditors was appointed by the Shareholders' Meeting of 15 June 2017, with effect from 1 July 2017, and subsequently supplemented by the Shareholders' Meeting of 16 April 2018 following the resignation of the Chairman for reasons of incompatibility with other positions.

The Shareholders of Equita are therefore called to appoint the members of the new Board of Statutory Auditors, in accordance with the statutory provisions and the regulations in force.

The members of the Board of Statutory Auditors are appointed, pursuant to art. 18 of the By-laws, by the Shareholders' Meeting based on **lists** that may be submitted by Shareholders who, alone or together with other Shareholders, overall own at least **2.5%** (two point five per cent) of the share capital with voting rights. The ownership of this percentage, necessary to submit lists, must be proven by **appropriate certification** issued by the intermediary, and must be produced when the list is filed (or, otherwise, in accordance with time limits set out by the applicable law).

As is known, the aforementioned lists are divided into **two sections: one** for candidates for the position of Standing Auditor and **the other** for candidates for the position of Alternate Auditor.

Following the submission of the lists, the Shareholders' Meeting shall elect 3 (three) Standing Auditors and 2 (two) Alternate Auditors in accordance with the procedures set out in articles 18.5. to 18.9. of the By-laws and the applicable law, to which reference should be made.

6.1 appointment of three Standing Auditors and two Alternate Auditors;

Pursuant to articles 17.1. and 17.2. of Equita's By-laws, company management is controlled by a Board of Statutory Auditors, consisting of **3 (three) Standing Auditors and 2 (two) Alternate Auditors**, appointed and operating in accordance with the law, who must satisfy **legal requirements**.

Auditors are appointed on the basis of **lists** on which candidates are assigned a progressive number.

Please note that, as set out in art. 18.1. of the By-laws, the lists - signed by those who submit them - must contain a number of candidates not more than the maximum number of members to be elected, and must be filed at the Company's registered office – within the deadlines and according to the terms set out by the applicable legal and regulatory provisions – accompanied by the documentation required by the By-laws and the regulations in force, to which reference should be made.

Please note too that the lists must contain a number of candidates of **different gender**, so as to ensure compliance with applicable legal and regulatory provisions.

Finally, it should be remembered that the lists submitted without observing the provisions set out in art. 18 of the By-laws shall be regarded **as not having been submitted**.

Therefore, during the Shareholders' Meeting of 7 May 2020, it will be proposed to the Shareholders to vote for the lists in accordance with Equita's By-laws and the legislative and regulatory provisions in force.

However, it is understood that, for the appointment of those Auditors who cannot be elected through the list vote procedure and/or in the event that no lists are submitted, the Shareholders' Meeting shall decide the issue in accordance with the majorities required by law.

6.2 appointment of the Chair:

Art.148, paragraph 2-*bis*, of the TUF, establishes that the Chairman of the Board of Statutory Auditors **is appointed by the Shareholders' Meeting from among the Auditors elected by the minority**.

Art. 18.5. of the By-laws establishes that the position of Chairman shall be taken by the candidate of the list that received the second highest number of votes and which was submitted by Shareholders that are not linked even indirectly with the Shareholders that submitted or voted for the list that obtained the highest number of votes.

If a single list is submitted, the entire Board of Statutory Auditors, and therefore also its Chairman, are wholly taken from this single list, if this list obtains the majority required by law at the Shareholders' Meeting.

Therefore, at the Shareholders' Meeting of 7 May 2020, the Shareholders shall be asked to appoint the Chairman of the Statutory Board of Auditors from among the members of the new Board of Statutory Auditors, in accordance with the legislative and statutory provisions in force.

6.3 determination of the remuneration of each Standing Auditor for each year of mandate.

Finally, in accordance with the provisions of the current legislation and art. 18.11. of the By-laws, the Shareholders' Meeting is asked to determine the **remuneration to be paid** to the **Standing Auditors** and anything else necessary pursuant to the laws and regulations in force.

The Shareholders will therefore have to determine the **remuneration** due to members of the Board of Statutory Auditors.

In this regard, it should be remembered that for the 2017-2019 three-year mandate, the **gross annual remuneration**, *pro tempore* and for the period in office, was determined by the Shareholders' Meeting as equal to:

- for the Chairman of the Board of Statutory Auditors, Euro 37,000;
- for each Standing Auditor, Euro 25,000.

The Shareholders' Meeting of 7 May 2020 will be asked to approve the proposal to grant:

- to the Chairman of the Board of Statutory Auditors, *pro tempore* and for the period in office, a **gross annual remuneration** equal to **Euro 42,000**;
- to each Standing Auditor, *pro tempore* and for the period in office, a **gross annual remuneration** equal to **Euro 30,000**.

THE BOARD OF DIRECTORS OF EQUITA GROUP S.P.A.