Explanatory report of the Board of Directors prepared in compliance with article 125-ter of Legislative Decree no. 58 (“TUF”) of 24 February 1998, as subsequently amended, on the fifth item on the agenda of the Ordinary Shareholders' Meeting convened for 28 August 2020 and, if necessary, for 29 August 2020:

5. **Stock Grant Plan 2021-2023 concerning the ordinary shares of Sesa S.p.A. reserved for the executive directors of Sesa S.p.A. or the subsidiaries Var Group S.p.A. and Computer Gross S.p.A.. Pertinent and consequent resolutions.**

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Dear Shareholders,

we hereby submit for your approval an incentive and loyalty plan (the “**Stock Grant Plan 2021-2023**”) reserved for executive directors of Sesa S.p.A. (“**Sesa**” or the “**Company**”) and its subsidiaries Computer Gross S.p.A. and Var Group S.p.A. (the “**Subsidiaries**”) pursuant to art. 114-*bis* of the Consolidated Law on Finance (TUF), to be implemented by means of a free allocation of Sesa ordinary shares through the use of treasury shares held in the Company's portfolio.

It should be noted that the proposal to authorise the purchase and disposal of Sesa treasury shares, pursuant to the combined provisions of articles 2357 and 2357-ter of the Italian Civil Code, and of article 132 of the TUF and relative implementing provisions will be submitted to the examination and approval of the Ordinary Shareholders' Meeting convened for 28 August 2020 and, if necessary, for 29 August 2020, as the sixth item on the agenda. It shall be valid also for the possible implementation of the incentive plans based on the Company's financial instruments that may be approved by the Shareholders' Meeting (and, therefore, also at the service of the Stock Grant Plan 2021-2023), illustrated by a specific report prepared in accordance with articles 125-ter of the TUF and 73 of Consob Regulation no. 11971/1999 (the “**Issuers' Regulation**”).

The informative document on the Stock Grant Plan 2021-2023, drawn up in compliance with art. 84-bis of the Issuers' Regulations and with Annex 3A of the same Regulations, will be made available to the public following the procedures and within the terms of the law.

1. Reasons for adopting the Stock Grant Plan 2021-2023

The Stock Grant Plan 2021-2023 is an instrument which, by attributing instruments representing the value of the Company on the basis of the achievement of set performance targets, makes it possible to focus the attention of the Beneficiaries on factors of strategic interest, favouring loyalty and encouraging them to remain within the Company and its Subsidiaries. The Stock Grant Plan 2021-2023 has the following main goals: (i) to align the remuneration of Beneficiaries with the interests of the shareholders and the indications of the Corporate Governance Code; (ii) to constitute the prevailing incentivising remuneration of the executive directors necessary to remain in the STAR Segment of Borsa Italiana; (iii) to make management loyal to decisions that pursue the creation of value for the Sesa group in the medium to long term and to contribute to the growth of sustainable value in a view compatible with the development strategies of the group's activities.

With regard to the remuneration of executive directors, it should be noted, among other things, that the adoption of share-based remuneration plans is in line with the recommendations of article 6 of the Corporate Governance Code of Borsa Italiana S.p.A.

The proposal relating to the adoption of the Stock Grant Plan 2021-2023 was formulated by the Board of Directors, after consulting the Remuneration Committee.

2. Purpose and procedures for implementing the Stock Grant Plan 2021-2023

The Stock Grant Plan 2021-2023 envisages the free allocation to each of the beneficiaries identified within the category of recipients indicated in Paragraph 3 below, (the "**Beneficiaries**"), of the right to receive ordinary Sesa shares from the Company (free of charge).
We propose the determination of the maximum total number of ordinary Sesa shares at the service of the Stock Grant Plan 2021-2023 as 265,000 ordinary shares, equating to 1.71% of the Company's current share capital (equating to Euro 37,126,927.50 and divided into 15,494,590 ordinary shares with no specific par value). It should be noted that, as of the date of this report, the Company already holds 87,961 ordinary shares in its portfolio.

The Stock Grant Plan 2021-2023, being based on the attribution of ordinary shares held by the Company, will not dilute Sesa's share capital.

The Company will make the ordinary shares available to the Beneficiary according to the terms and conditions established in the Stock Grant Plan 2021-2023. The ordinary shares due to the Beneficiary will have the same entitlement as the ordinary shares of the Company as of the delivery date and will therefore be endowed with the coupons current on that date.

The Stock Grant Plan 2021-2023 also envisages the adoption of a Claw-Back clause, which allows the Board of Directors of the Company to (i) request the refund of the value of any ordinary shares delivered under the Stock Grant Plan 2021-2023, net of any and all taxes sustained by the Beneficiary; (ii) refrain from proceeding or, where it has already been resolved, to cancel the allocations and/or attributions of ordinary shares during the vesting period, if said shares have been received on the basis of data, relating to the results attained and/or the performance achieved, which subsequently turn out to be incorrect, due to illicit or malicious conduct that substantially affects the achievement of the performance targets.

The Stock Grant Plan 2021-2023 will not receive any support from the Special Fund of incentives for employee shareholdings in companies, pursuant to article 4, paragraph 112, of Law 350 of 24 December 2003.

3. Addressees of the Stock Grant Plan 2021-2023

On the assignment date, the Company's Board of Directors, after consulting the Remuneration Committee, identifies the individual Beneficiaries, the number of ordinary shares and the terms and conditions for the assignment and delivery of said ordinary shares, taking into account the number, category, organisational level, responsibilities and professional skills of the Beneficiaries. After verifying the degree of achievement of the performance targets during the meeting to approve the consolidated financial statements, the Board of Directors passes resolution on the number of ordinary shares to be allocated to each Beneficiary ("**Allocation Date**").

The Stock Grant Plan 2021-2023 is aimed at those who, on the Allocation Date, are permanently employed by the Company or hold office as Executive Directors in Sesa or the Subsidiaries.

The Remuneration Committee performs advisory and consultative functions in relation to the implementation of the Stock Grant Plan 2021-2023, in compliance with the Corporate Governance Code of Borsa Italiana S.p.A..

4. Duration of the Stock Grant Plan 2021-2023 and assignment and delivery of shares

The Stock Grant Plan 2021-2023 will be valid until the approval of the financial statements as at 30 April 2023 and in any case until 31 December 2023 - notwithstanding the provisions contained herein with regard to the delivery terms of the Ordinary Shares - and will envisage a vesting period. In detail:

A. a total of 174,000 Ordinary Shares (the "**Annual Shares**") will be delivered (free of charge) to the Beneficiaries as follows:

- *(i)* 58,000 Ordinary Shares with a maximum of 10 trading days from the approval by the Ordinary Shareholders' Meeting of the financial statements as at 30 April 2021 (the "**First Tranche**");
- *(ii)* 58,000 Ordinary Shares with a maximum of 10 trading days from the approval by the Ordinary Shareholders' Meeting of the financial statements as at 30 April 2022 (the "**Second Tranche**");
- *(iii)* 58,000 Ordinary Shares with a maximum of 10 trading days from the approval by the Ordinary Shareholders' Meeting of the financial statements as at 30 April 2023 (the "**Third Tranche**");

B. a total of 76,000 Ordinary Shares (the "Three-year Shares") will be delivered (free of charge) to the Beneficiaries as of the approval by the Ordinary Shareholders' Meeting of the financial statements as at 30 April 2023, with delivery of 12,000 shares, scheduled with reference to certain Beneficiaries only, by 30 September 2024 and 2025, on condition that: (i) the Three-year Value Generation Targets (EVA) 2021-2023, as defined below, are achieved; (ii) the Beneficiary concerned maintains or renews the executive management relationship with Sesa or its Subsidiaries, depending on the status of the Beneficiary; (iii) there are no bad leavers, as defined below. The delivery of the 12,000 shares will be accelerated in the event of good leavership, as defined below, on the date on which the relevant good leavership occurs, after verifying the value generation targets.

C. a total of 15,000 Ordinary Shares (the "**Extra Bonus Shares**") will be delivered (free of charge) to the Beneficiaries between 2024 and 2026, on condition that: (i) the Extra Bonus Targets 2021-2023, as defined below, are achieved; (ii) the Beneficiary concerned maintains or renews the executive management relationship with Sesa or its Subsidiaries, depending on the status of the Beneficiary; (iii) there are no bad leavers, as defined below. The delivery of the Extra Bonus Shares will be accelerated in the event of good leavership, as defined below, on the date on which the relevant good leavership occurs, after verifying the value generation targets.

The allocation of the Annual Shares will be subject to the achievement, also in combination, of set and measurable performance targets, identified by parameters of sustainable growth of consolidated Ebitda and the attainment of a positive consolidated Net Financial Position or, if negative, no higher than 1x of the consolidated Ebitda, with recognition as at 30 April of each financial year of the Plan (the "**Annual Target**"), as indicated by the Board of Directors, after consulting the Remuneration Committee.
In order to determine the amount of the Annual Shares to be allocated free of charge to the Beneficiary within each tranche, a calculation system will take into account the negative deviation from the Annual Target. In detail: (i) in the event of achievement of the minimum limit set at 60% of the Annual Target, the Beneficiary will be entitled to the allocation of 50% of the Ordinary Shares assigned within each tranche; (ii) in the event of achievement of between 60% and 100% of the Annual Target, the Beneficiary will be entitled to the allocation of a number of Ordinary Shares between 50% and 100% of the Ordinary Shares assigned within each tranche, in linear progression; (iii) in the event of achievement of more than 100% of the Annual Target, the Beneficiary will be entitled to the allocation of 100% of the Ordinary Shares assigned within each tranche.

Annual Shares for which the Annual Target has not been reached will automatically be subject to the achievement of the Three-year Target (as defined below). The Beneficiary will therefore retain the right to the allocation of the Ordinary Shares if the Three-Year Target (as defined below) is reached, assuming that the obligations, procedures and terms set out in the Stock Grant Plan 2021-2023 are complied with.

The allocation of the Three-Year Shares will be subject to the achievement of a value creation target represented by the EVA (Economic Value Added) cumulative income growth index (the "**Three-year Target**") for the three-year period from 2021 to 2023, increasing compared to the previous three-year period from 2018 to 2020 as indicated by the Board of Directors, after consulting the Remuneration Committee.
In order to determine the amount of the Three-Year Shares to be allocated free of charge to the Beneficiary, a calculation system will take into account the negative deviation from the Three-Year Target. In detail, (i) in the event of achievement of the minimum limit set at 60% of the Three-Year Target, the Beneficiary will be entitled to the allocation of 50% of the Three-Year Shares assigned; (ii) in the event of achievement of between 60% and 100% of the Three-Year Target, the Beneficiary will be entitled to the allocation of a number of Ordinary Shares between 50% and 100% of the Ordinary Shares assigned, in linear progression; (iii) in the event of achievement of more than 100% of the Three-Year Target, the Beneficiary will be entitled to the allocation of 100% of the Three-Year Shares assigned.

The allocation of the Extra Bonus Shares will be subject to the achievement of set and measurable performance targets, identified in the parameters of the average annual consolidated Ebitda for the three-year reference period and the cumulative EVA result 2021-2023 (the "**Extra Bonus Targe**t"), as indicated by the Board of Directors, after consulting the Remuneration Committee.

In order to determine the amount of the Extra Bonus Shares to be allocated free of charge to the Beneficiary, a calculation system will take into account the negative deviation from the Extra Bonus Target. In detail, (i) in the event of achievement of the minimum limit set at 75% of the Extra Bonus Target, the Beneficiary will be entitled to the allocation of 50% of the Extra Bonus Shares assigned; (ii) in the event of achievement of between 75% and 100% of the Extra Bonus Target, the Beneficiary will be entitled to the allocation of a number of Ordinary Shares between 50% and 100% of the Extra Bonus Shares assigned, in linear progression; (iii) in the event of achievement of more than 100% of the Extra Bonus Target, the Beneficiary will be entitled to the allocation of 100% of the Extra Bonus Shares assigned.

If, on the Allocation Date, the Company does not have enough Ordinary Shares in its portfolio to allocate to the Beneficiaries in execution of the allocation resolution, the value of the Annual, Three-Year or Extra Bonus Shares, calculated on the basis of the average stock market price recorded in the 30 days prior to the date of delivery, will be paid, in full or in part, in cash for any remaining part not covered by the delivery of shares. The Board of Directors will then identify the Beneficiaries whose Rights may be liquidated, in full or in part, in cash or with the delivery of Ordinary Shares. To this end, the evaluation of the Annual Shares, Three-year Shares or Extra Bonus Shares to be liquidated in cash will take place as envisaged in the Regulations of the Plan, on the basis of the Stock Exchange price of Sesa S.p.A. shares for the 30 days prior to the Delivery Date, and the relative amount will be paid by the same date.

One of the conditions of the Stock Grant Plan 2021-2023 is the maintenance of the permanent employment relationship or office as an executive director with Sesa or its Subsidiaries, depending on the status of the Beneficiary (the "**Relationship**").

In detail, the Stock Grant Plan 2021-2023 envisages, in the event of termination of the Relationship due to bad leavership, the automatic, definitive and irreversible forfeiture of the Beneficiary's right to receive from the Company the allocation of the Ordinary Shares, with consequent release of the Company from any obligation or responsibility towards the Beneficiary, except for the Ordinary Shares already allocated.

Cases of bad leavership may be any of the following: (i) dismissal of the Beneficiary, termination of the office of director and/or of the mandates of the Beneficiary, or non-renewal of the office of director and/or of the mandates of the Beneficiary, all due to the recourse to a just cause for breach of the law or the articles of association; (ii) termination of the relationship due to voluntary resignation of the Beneficiary that does not imply good leavership.

Notwithstanding the provisions of letters B) and C) above, in the event of termination of the Relationship with good leavership, the Beneficiary or their heirs, subject to compliance with the obligations, procedures and terms of the Stock Grant Plan 2021-2023, will retain the right to receive all the Ordinary Shares assigned, whether they have already been or are still to be allocated, taking into account the attainment of the targets for the entire reference period.

Cases of good leavership may be any of the following: (i) dismissal of the Beneficiary without just cause for breach of law or the articles of association; (ii) termination of the office of director or non-renewal of the office of director without just cause due to breach of law or the articles of association;

(iii) resignation in the event of a change of control of the Company (iv) resignation from the position of director if the Beneficiary's office is terminated or mandates are not renewed without just cause due to breach of the law or the articles of association, to such an extent that their relationship with the Company or the Subsidiary is substantially altered; (v) resignation from office or withdrawal from the employment relationship if even one of the following cases occurs: (a) permanent physical or mental incapacity (due to illness or accident) of the Beneficiary, as certified by an independent doctor; (b) death of the Beneficiary.

5. Transferral of Shares

No Beneficiary may be considered a shareholder of the Company until the ordinary shares have actually been delivered to the Beneficiary.

It should be noted that there are no restrictions to the transferral of the ordinary shares actually delivered to the Beneficiaries, it being understood that the delivery of part thereof may be extended to subsequent years with respect to the vesting of the relative rights.

It should also be noted that the Stock Grant Plan 2021-2023 envisages that the sale of the shares delivered to the Beneficiaries must take place in compliance with the operating conditions envisaged by market practices for operations on listed financial instruments.

* * *

Dear Shareholders,

In view of the above, we invite you to pass the following resolutions:

"*The Ordinary Shareholders' Meeting of Sesa S.p.A., having seen and approved the Explanatory Report of the Board of Directors,*

resolves

(i) to approve, in compliance with article 114-bis of Legislative Decree no. 58 of 24 February 1998, the establishment of a new incentive plan called the "Stock Grant Plan 2021-2023" with the characteristics (including implementation conditions and assumptions) indicated in the Report of the Board of Directors annexed to these minutes, issuing a mandate to the Board to adopt the relative regulations;

(ii) to grant the Board of Directors all the powers necessary or appropriate to implement the "Stock Grant Plan 2021-2023", including, but not limited to, all powers to identify the beneficiaries and determine the number of ordinary shares to be assigned to each of them, to allocate them to the beneficiaries, define the performance targets, verify the achievement of the performance targets for the allocation of ordinary shares, proceed with the assignment to the beneficiaries of the ordinary shares, and carry out any act, fulfilment, formality or communication necessary or appropriate for the management and/or implementation of said plan".

Empoli, 14 July 2020

On behalf of the Board of Directors

The Chairman, Paolo Castellacci