



GIGLIO GROUP S.P.A.

ORDINARY MEETING

BOARD OF DIRECTORS' REPORT ON THE ONLY ITEM OF THE AGENDA PURSUANT TO ART. 125-TER OF LEGISLATIVE DECREE NO. 58/1998 AS AMENDED AND INTEGRATED, AND TO ART. 84-TER OF THE REGULATION ADOPTED WITH CONSOB RESOLUTION NO. 11971/99 AS AMENDED AND INTEGRATED

Dear Shareholders,

pursuant to Art. 125-ter of Legislative Decree no. 58 of 24 February 1998, as amended and integrated (the "CFA"), as well as with Art. 84-ter of the Regulation adopted with Consob resolution no. 11971/99, as amended and integrated (the "Issuers' Regulation"), the Board of Directors of Giglio Group S.p.A. (the "Company") provides you with the explanatory report regarding (the "Report") the only item on the agenda of the ordinary Shareholders' Meeting called for 09 December 2021 (with call notice published on 09 November 2021) at 15:00 in a single call, to discuss and resolve upon the following:

Agenda

1. Consensual termination of the audit engagement previously signed with the company EY S.p.A. and appointment of the new auditing company for the period 2021-2029. Determination of its monetary consideration. Resolutions pertaining thereto and resulting therefrom.

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Dear Shareholders,

as you may know, the current auditing company of the Company, EY S.p.A. ("EY"), was appointed during the Ordinary Shareholders' Meeting of the Company held on 01 December 2017 for the 2017-2025 period; subsequently, due to lengthy transition procedure from the AIM market to the MTA-STAR market managed by Borsa Italiana S.p.A., the Shareholders' Meeting resolved, on 11 May 2018, to amend the reference period of the company, bringing it to 2018-2026.

The Company, taking into consideration the significant (more than 50%) increase in the auditing costs proposed to Giglio Group S.p.A. and its subsidiaries (the "Giglio Group") by the standing auditing company, wished to assess, within the context of its own management cost-reduction policy, the possibility to obtain, on the same efficiency and effectiveness conditions of the auditing as those of the service currently provided, a reduction of the auditing costs charged to Giglio Group, taking into consideration the SME nature of the Group.

For this purpose, the Company request to EY its availability to consensually terminate the audit engagement with regards to the fiscal years ending on 31 December 2021, 2022, 2023, 2024, 2025 and 2026, in compliance with Art. 13 of Legislative Decree no. 39 of 27 January 2010 ("Legislative Decree no. 39/2010") and with Art. 7 of Ministerial Decree no. 261 of 28 December 2012 ("Ministerial Decree no. 261/2012"), specifying that the consensual termination of the audit engagement currently in force

Giglio Group S.p.A.

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would be conditional upon favourable resolution by the Shareholders' Meeting of the Company and upon the appointment of a new auditing company for Giglio Group.

Upon the substantial consensus given by the auditing company EY, a consensual termination agreement was signed, conditional upon the observations made by the auditing company, annexed as Annex 1, with which the auditor, inter alia, clarifies that he has no further observations to make pursuant to Art. 7 of the Ministerial Decree no. 261 of 28 December 2012, notwithstanding the respect of all substantive and procedural provisions set forth in the applicable law.

Within the signed agreement, it is specified that the consensual termination is by no means due to differences of opinion with regard to accounting treatments or to auditing procedures.

Therefore, the Company considered it appropriate to initiate the selection procedure for a new auditing company to which to appoint, upon a Meeting's resolution, the office of statutory auditor for the following nine fiscal years starting from the approval of the Financial Statements as of 31 December 2021, for all the companies of Giglio Group subject to audit, in conformity with the provisions set forth in Art. 16 of the Regulation (EU) 537/2014 (the "Regulation") and in Legislative Decree no. 39/2010. To this procedure, Art. 16 of the Regulation is particularly applicable, without prejudice (given that Giglio is a small- and medium-sized business) to par. 3 of the same article.

Upon completion of the selection procedure, the Company received by major auditing companies no. 3 proposals for the office of Giglio's statutory auditor, which have been made available to the Board of Statutory Auditors in its role of Internal Control and Financial Audit Committee of the Company.

Therefore, the Board of Statutory Auditors has assessed the proposals received and has drafted - in a separate document that shall be published under the same conditions of this Report, to which reference is made - and submitted to the Meeting the reasoned proposal for the appointment of the statutory auditor within its competence.

The Board of Statutory Auditors, within the same document, also gave its opinion on the consensual termination of the audit engagement with EY, pursuant to Art. 7, par. 2 of the Ministerial Decree no. 261/2012.

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On the basis of the foregoing, You are hereby called to approve the consensual termination of the audit engagement with EY and, at the same time, upon reasoned proposal of the Board of Statutory Auditors, also to appoint company recommended in the aforementioned proposal, to which reference is made, as the new auditing company of the Company, in compliance with the applicable laws, for a period of nine years, i.e. for fiscal years 2021-2029.

Therefore, we propose that You adopt the following resolution:

"Giglio Group S.p.A. Ordinary Shareholders' Meeting:



-having examined the Directors' Report, prepared pursuant to Art. 125-ter of Legislative Decree no. 58 of 24 February 1998;

-having taken into account the conditional consensual termination agreement for the audit engagement signed by the Company and EY S.p.A., in which it is specified that the termination is by no means due to differences of opinion with regard to accounting treatments or auditing procedures;

-having taken into account the observations made by EY S.p.A. with regard to the termination of its activity, as provided by Art. 7, par. 2 of the Regulation adopted with Ministerial Decree no. 261 of 28 December 2012, as well as the relevant opinion of the Internal Control and Financial Audit Committee;

-having taken into account the favourable opinion of the Company's Board of Statutory Auditors with regard to the consensual termination of the current audit engagement with EY S.p.A. and of the simultaneous proposal to appoint the company recommended therein as the new auditing company of the Company for the following nine years and, more specifically, for the fiscal years ending from 31 December 2021 to 31 December 2029, in accordance with the economic conditions included in the offer submitted to the Company by the aforementioned auditing company, which are annexed to the same proposal;

resolves

- to initiate the consensual early termination of the audit engagement appointed to EY S.p.A. by the Shareholders' Meeting of 01 December 2017, pursuant to Art. 13 of Legislative Decree no. 39/2010 and to Art. 7 of Ministerial Decree no. 261/2012;

- to appoint the company recommended in the reasoned proposal of the Board of Statutory Auditors as the new auditing company of the Company for a period of nine years, with regard to fiscal years 2021-2029, within the terms and conditions provided for by the offer submitted and annexed to the reasoned proposal of the Board of Statutory Auditors, pursuant to Art. 13, par. 1 and Art. 17, par. 1 of Legislative Decree no. 39/2010, as well as to Art. 16 of the Regulation (EU) no. 537/2014;

- to appoint to the Board of Directors and, on its behalf, to the Chairman of the Board of Directors and to the CEO, also with separate signing power, all of the powers necessary or appropriate to draft and subscribe all of the deeds and the contracts and, more in general, to carry out all of the formalities regarding the termination of the current audit engagement with EY S.p.A. and to appoint the aforementioned company as its new auditing company."

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Milan, 09 November 2021

For the Board of Directors

The Chairman, Alessandro Giglio