



**GVS S.p.A.**

*Registered office in Zola Predosa (BO), Via Roma, 50 - share capital Euro 1,750,000.00 fully paid up.*

*Bologna Register of Companies and tax code 03636630372 and VAT number 00644831208 - Economic and Administrative Index (REA) BO-305386*

*Explanatory Report by the directors on the fifth item on the agenda of the Shareholders' Meeting convened in an ordinary session for 03 May 2023, at single call.*

5. *Fifth item on the agenda - Appointment of the Board of Directors: 5.1. Determination of the number of members of the Board of Directors; 5.2. Determination of the term of office of the Board of Directors; 5.3. Appointment of the members of the Board of Directors; 5.4. Appointment of the Chairman of the Board of Directors; 5.5. Determination of the compensation of members of the Board of Directors.*

Dear Shareholders,

You are convened at the Ordinary Shareholders' Meeting to discuss and resolve upon the appointment of the new Board of Directors and, specifically, to: (i) determine the number of members of the Board; (ii) determine their term of office; (iii) appoint the relevant members; (iv) appoint the Chairmain of the Board of Directors; and (iv) determine the remuneration of its members.

With the Shareholders' Meeting approval of the financial statements of GVS S.p.A. ("**GVS**" or the "**Company**") as of 31 December 2022, the term of office of the Board of Director, appointed by the Shareholders' Meeting on 13 March 2020, will expire.

Pursuant to Article 16 of the Company Bylaws, the Shareholders' Meeting is convened to appoint the members of the Board of Directors, consisting of no fewer than 5 and no more than 9 members, and, before proceeding to their appointment, to determine their number within the aforementioned limits.

Pursuant to applicable laws and regulations, as well as to Article 17 of the Company Bylaws, the Board of Directors will be appointed by the Shareholders' Meeting on the basis of lists of candidates.

Directors are appointed for a period of three financial years, or for the different period determined at the time of appointment, in any case not exceeding three financial years, and may be re-elected. The directors are appointed by the shareholders' meeting, in compliance with applicable laws and regulations in force from time to time, including the ones relating to gender balance, on the basis of lists submitted by the shareholders, in which the candidates, no more than 9 in number, and in possession of the requirements provided for by applicable laws and regulations in force from time to time, must be listed by means of a progressive number.

Without prejudice to compliance with the gender balance criterion, in each list comprising more than five candidates at least two individuals must meet the independence requirements established pursuant to applicable laws and regulations in force from time to time, as well as the provisions of the Corporate Governance Code of listed companies approved by the Corporate Governance Committee (the "**Corporate Governance Code**"). Each list shall indicate which candidates meet the aforementioned independence requirements. Lists that do not comply with the above terms are not considered to have been submitted.

In this regard, shareholders entitled to submit lists are invited to take into consideration the criteria for assessing the materiality of business, financial and professional relationships and additional remuneration as set forth in Recommendation 7, first paragraph c) and d), of the

Corporate Governance Code, described below, established by the Board of Directors on 17 December 2021.

In particular, in relation to the criterion for assessing the materiality of commercial, financial or professional relations as per Recommendation 7, first sentence, letter c) of the Corporate Governance Code, any commercial, financial or professional relationship with the Company or its subsidiaries, or with the relevant executive Directors or top management, as well as with a person who, also together with others through a shareholders' agreement, controls the Company or with the relevant executive Directors or top management, whose total annual remuneration exceeds the total amount of the fixed annual remuneration received by the Director for the office and for any participation in Board Committees, are qualified as material.

With reference to the criterion for assessing the materiality of additional remuneration set forth in Recommendation 7, first sentence, letter d) of the Corporate Governance Code, additional remuneration received in the current and previous three fiscal years by the Company or its parent company or a GVS Group company that is equal to or greater than the total fixed amount received by the Director for the office of Director and for any participation in Board Committees is normally considered material.

Each candidate may appear on only one list under penalty of ineligibility.

Shareholders who have the right to submit lists are also invited to take into consideration the orientation adopted by the Board of Directors on 22 March 2022, described below, regarding the maximum number of administrative and control positions that Directors can have in other companies of significant size and that can be considered compatible with effective performance of the role of director of the Company, taking into account the commitment deriving from the role held.

Specifically:

- (a) an executive Director, in addition to the office held in the Company, should not hold office in companies of significant size:
  - (i) no executive Director positions;
  - (ii) more than 3 offices as non-executive Director and/or standing auditor;
- (b) a non-executive Director, including an independent one, in addition to the office held in the Company, should not hold office in companies of significant size:
  - (i) more than 2 offices as an executive Director and more than 4 offices as a non-executive Director and/or standing auditor; and
  - (ii) more than 6 offices as non-executive Director and/or permanent auditor.

For the purposes of the aforesaid cumulation criteria, companies of significant size are understood to be:

- (a) companies with shares listed on regulated markets, including foreign markets;
- (b) Italian or foreign banking, insurance or financial companies, whereby relevant financial companies are understood to be the financial intermediaries referred to in Article 106 of Legislative Decree no. 385 of 1993 (the "**Consolidated Banking Act**" or "**CBA**") and companies that provide investment services or collective asset management pursuant to the Consolidated Finance Act, it being understood that, where foreign companies are concerned, substantial equivalence must be assessed;
- (c) other companies with consolidated revenues in excess of 500 million euros.

For the purposes of the calculation (i) the offices held within GVS and its subsidiaries or in Board Committees are not relevant; and (ii) offices held in several companies belonging to the same group will count for only one unit.

Each shareholder as well as (i) shareholders belonging to the same group, by which is meant the entity, including non-corporate entities, that is the controlling party within the meaning of Article 2359 of the Civil Code and any company controlled by, or under the common control of, the same entity, or (ii) shareholders who are party to the same shareholders' agreement pursuant to Article 122 of the TUF, or (iii) shareholders who are otherwise associated with each other by virtue of relevant relationships relevant pursuant to applicable laws and regulations in force, may not submit - or participate in the submission, even by means of a third party or trust company - more than one list or vote for different lists. Endorsements and votes cast in violation of this prohibition will not be attributed to any list if they determine the outcome of the vote.

Only shareholders who, alone or together with other shareholders, hold shares representing at least 2.5% of the share capital, as established by CONSOB Resolution No. 76 of 30 January 2023, are entitled to submit lists.

The lists of candidates must be filed at the registered office by the shareholder(s), no later than 25 calendar days prior to the date set for the shareholders' meeting (i.e. by Saturday 8 April 2023), in one of the following ways: (i) by hand delivery to the Legal and Corporate Affairs Office, Via Roma, 50, 40069 Zola Predosa (BO), during normal office hours, or (ii) by certified e-mail to the address [gvsspa.gvs@legalmail.it](mailto:gvsspa.gvs@legalmail.it).

It is recalled that ownership of the minimum shareholding required to submit lists, to the extent indicated above, is determined by taking into account the shares registered to the shareholder on the day the lists are filed with the company. The relevant certification may also be produced after the filing of the list, provided that it is within the deadline set for the publication of the lists by the Company, by means of a communication issued by an authorised intermediary pursuant to the regulations in force.

Together with each list, within the time limits set forth by the laws and regulations in force from time to time, declarations must be filed by each candidate accepting their candidacy and certifying, under their own responsibility, the non-existence of causes of ineligibility and

incompatibility, as well as the existence of the requirements prescribed by the regulations in force for the respective offices. Together with the declarations, a CV will be filed for each candidate regarding his or her personal and professional characteristics, with an indication of his or her eligibility to qualify as independent, pursuant to the laws and regulations in force, as well as the provisions of the Corporate Governance Code, as well as information regarding the identity of the submitting Shareholders, with an indication of the overall percentage of shareholding held, proven by appropriate documentation issued by an intermediary qualified pursuant to law. Lists for which the aforesaid provisions are not observed are considered as not submitted. Appointed directors must inform the board of directors without delay of the loss of independence requirements, as well as of the occurrence of grounds for ineligibility or incompatibility.

It should also be noted that those submitting a 'minority list' are addressees of the recommendations made by Consob in Communication No. DEM/9017893 of 26 February 2009.

The lists will be made available to the public, by the Company, at least twenty-one days prior to the date of the Shareholders' Meeting (*i.e.* by 12 April 2023), in the manner provided for by the regulations in force.

Each person entitled to vote may only vote for one list. At the end of the vote, the candidates on the two lists that have obtained the highest number of votes, provided that they exceed half of the percentage of share capital required for the presentation of lists, to be calculated at the time of voting, will be elected according to the following criteria:

- a) a number of directors equal to the total number of members of the Board of Directors, as previously established by the Shareholders' Meeting, minus one, shall be drawn from the list that obtained the highest number of votes (the "**Majority List**"); within these numerical limits, the candidates shall be elected in the numerical order indicated in the list;
- b) one director shall be drawn from the list obtaining the second highest number of votes and which is not connected in any way, not even indirectly, with the shareholders who submitted or voted for the Majority List (the "**Minority List**"), in the person of the candidate indicated with the first number in that list.

In the event of a tie in votes between two or more lists, the votes obtained by the lists are divided by one, two, three and so on, depending on the number of directors to be appointed. The resulting ratios are assigned sequentially to the potential candidates on each of the lists in the respective order established by each list. The ratios assigned to potential candidates from the various lists are ranked in decreasing order. The potential candidates who obtained the highest ratios are elected. With reference to the potential candidates who have obtained the same quotient, the potential candidate of the list that has expressed the smallest number of nominations will be selected; in the case of several lists that have already expressed the same number of nominations, and always with the same quotient, the potential candidate who is the oldest will be elected. If only one list has been presented, all the directors will be drawn, in

progressive order, solely from the list presented.

If the candidates elected in the manner described above do not ensure the appointment of as many Independent Directors as required by current legislation: (a) if there is a Majority List, the non-independent candidates (representing the number of missing Independent Directors) elected as last in numerical order on the Majority List shall be replaced by the unelected Independent Directors on the same list according to the sequential order; (b) if there is no Majority List, the non-independent candidates (representing the number of missing Independent Directors) elected as last on the lists from which no Independent Director was drawn shall be replaced by the unelected Independent Directors on the same lists according to the sequential order. Furthermore, if as a result of the above procedures the composition of the Board of Directors does not allow compliance with the gender balance requirements, the candidate of the most represented gender elected last in numerical order from the only list presented or, if more than one list is presented, from the Majority List, will be excluded and will be replaced by the first unelected candidate, taken from the same list, belonging to the other gender; and so on until a number of candidates equal to the minimum number required by the regulations in force over time on gender balance are elected. If the procedure described above does not ensure, in whole or in part, compliance with the gender balance, the Shareholders' Meeting shall supplement the members of the Board of Directors with the majorities required by law, ensuring that the requirement is met.

If only one list is presented, the Shareholders' Meeting shall pass resolutions with the majorities required by law and all the directors shall be elected from that list, according to the relative progressive order. However, if the candidates elected in the manner set forth above do not ensure the presence of a minimum number of directors in possession of the independence requirements set forth by the law and regulations in force at the time and compliance with the minimum requirements set forth by the law and regulations in force at the time on gender balance, the Shareholders' Meeting shall make the appointment with the legal majorities, subject to the submission of nominations of candidates who meet the necessary requirements, in such a way as to ensure compliance with the minimum requirements set forth by the law and regulations in force at the time concerning the independence of directors and gender balance.

In the absence of lists and in the event that, through the list voting mechanism, the number of candidates elected is less than the minimum number provided for by the Articles of Association for the composition of the Board, the Board of Directors is, respectively, appointed or supplemented by the Shareholders' Meeting with the majorities provided for by law, so as to ensure compliance with the minimum requirements provided for by law and the pro tempore regulations in force on gender balance.

The list voting procedure applies only in the case of the appointment of the entire board of directors. If, during the course of the financial year, one or more directors cease to hold office, Art. 2386 of the Civil Code shall be applied, provided that the majority is still made up of directors appointed by the Shareholders' Meeting.

#### Determining the number of members

Pursuant to Article 16 of the Articles of Association, the Shareholders' Meeting is called

upon to appoint the Board of Directors consisting of no fewer than 5 and no more than 9 members.

To this end, it should be noted that the Corporate Governance Code, to which the Company adheres, recommends that the boards of directors conduct a self-assessment activity at least every three years, in view of the renewal of the administrative body, concerning the size, composition and actual functioning of the administrative body and its committees, also considering its role in defining strategies and monitoring operating performance and the adequacy of the internal control and risk management system.

As part of the aforementioned self-assessment activity, the expiring Board of Directors considered the current number of nine Directors to be appropriate, as it is suitable to ensure an adequate balance of the skills and experience required by the complexity of the business of the Company and the GVS Group.

For further information, please refer to the report on corporate governance and ownership structure available to the public on the Company's website [www.gvs.com](http://www.gvs.com) "Governance/ Shareholders' Meeting" section.

#### Determination of fees

Pursuant to Art. 22 of the Articles of Association, the Shareholders' Meeting may assign an annual remuneration to the Directors and recognise an indemnity for the termination of the relationship or may determine a total amount for the remuneration of all Directors, including those holding special offices, the allocation of which will be the responsibility of the Board of Directors, after hearing the opinion of the Board of Statutory Auditors.

It should be noted that the remuneration of the expiring Board of Directors was originally set by the Shareholders' Meeting of 13 March 2020 at a gross annual amount of euro 20,000 for each of the Directors, with the express exclusion of the additional remuneration of the Directors holding special offices and/or participants in Board Committees. The shareholders' meeting had also provided for a so-called severance payment in favour of, inter alia, the CEO, in the amount of 20% of the fixed remuneration.

In relation to the above, the Board of Directors, with the support of the Appointments and Remuneration Committee and an external consultant, carried out an in-depth study in terms of benchmarking against a basket of comparable issuers: the study confirmed, with reference to the remuneration due to directors, a positioning that was overall in line with that of the market.

It is therefore proposed that, for the three-year term of office of the Board of Directors to be appointed by the Shareholders' Meeting, and therefore until the date of the Shareholders' Meeting that will be called to approve the financial statements for the financial year ending 31 December 2025, each member of the Board be paid a gross annual fee of euro 20,000, *pro rata temporis*, in addition to the reimbursement of expenses, with the express exclusion of the additional remuneration of directors holding special offices and/or participating in committees, which will be determined by the Board of Directors, after hearing the opinion of the Board of Statutory Auditors, in compliance the Remuneration Policy submitted for approval to the Shareholders' Meeting.

Lastly, it is proposed, in line with what has been done in previous mandates to set aside

an end-of-service indemnity (TFM), - in favour of the Chief Executive Officer alone, who carries out his activity on behalf of the Company in the sole context of his office as director (without at the same time having any managerial employment relationship with the same) and is not the beneficiary of any so-called "parachute" or other contractual treatment for the termination of the relationship.

The proposal - which, with a view to maximising the so-called "say on pay", is submitted to the shareholders' meeting for resolution - is to provide for an allocation in an amount equal, for each year, to 20% of the total fixed emolument paid to the Chief Executive Officer (including the basic emolument envisaged for the office of director and the additional fixed emolument to be determined in his favour by the Board of Directors for the exercise of mandates).

Such end-of-service indemnity shall be paid in full upon the termination of the term of office of the Chief Executive Officer (as may be renewed upon the termination of the present term of office).

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Resolutions proposed by the Board of Directors

Shareholders,

In light of the foregoing, the Board of Directors proposes that you pass the following resolutions:

*"the Ordinary Shareholders' Meeting of GVS S.p.A.,*

- *having examined and discussed the explanatory report of the Board of Directors;*  
*considering the provisions of Articles 16, 17 and 22 of the Articles of Association, resolves*
- (i) *to set the number of members of the Board of Directors at 9 (nine);*
- (ii) *to determine the term of office of the Board of Directors; to appoint the members of the Board of Directors and to appoint the Chair; and*
- (i) *to confirm in euro 20,000.00 gross per annum, pro rata temporis, the remuneration for each of the members of the Board of Directors, in addition to the reimbursement of expenses, with the express exclusion of the additional remuneration of directors holding special offices and/or participating in committees, which will be determined by the Board of Directors, after hearing the opinion of the Board of Statutory Auditors, in compliance with the Remuneration Policy submitted for approval to the Shareholders' Meeting, as well as the provision of an end-of-service indemnity (TFM), - to be allocated in favour of the Chief Executive Officer alone, in an amount equal, for each year, to 20% of the total fixed emolument paid to the Chief Executive Officer envisaged for the office of director and for the exercise of the power of attorney; such end-of-service indemnity shall be paid in full upon the termination of the term of office of the Chief Executive Officer (as may be renewed upon the termination of*



*the present term of office).”.*

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Zola Predosa, 24 March 2023

For the Board of Directors

The Chair, Grazia Valentini