



**SHAREHOLDERS' MEETING**

**27<sup>TH</sup> APRIL 2023**

**EXPLANATORY REPORT PREPARED BY THE BOARD OF DIRECTORS PURSUANT TO ART. 73 OF THE  
ISSUERS' REGULATION.**



*Proposal to authorize the Board of Directors to purchase and make use of treasury shares; related and consequent resolutions.*

Shareholders,

As indicated in the notice calling the Ordinary Shareholders' Meeting (*Proposal to authorize the Board of Directors to purchase and make use of treasury shares; related and consequent resolutions*) you are requested to discuss and resolve on the proposed authorization of a plan for the purchase and use of ordinary shares in the Company, on one or more occasions, on a revolving basis and on the terms and in the manner indicated in this Report.

### **1. Reasons for which authorization for the purchase and use of treasury shares is requested**

The Shareholders' Meeting is requested to authorize the purchase and use of treasury shares in compliance with the related regulations, including the European and other legislation and regulations in force from time to time, and with the market practices permitted and recognized by Consob, respectively pursuant to art. 13 of Regulation (EU) 596/2014 and art. 180, para. 1.c) TUF (the "**Market Practices**"). This is because it is appropriate to give the Board of Directors appropriate and necessary flexibility in order to: (i) use the treasury shares purchased as possible consideration for the acquisition of equity investments, in the context of the investment policy adopted by the Company; (ii) carry out investment transactions in compliance with current regulations, either directly or via authorized intermediaries, for example in order to contain anomalous market price fluctuations, stabilize trading and price trends and support the liquidity of the security in the marketplace, thereby facilitating the proper conduct of trading without prejudice to the normal fluctuations attributable to market conditions; (iii) use the treasury shares in the context of stock incentive plans (stock options), or as consideration for the services and/or advice of key persons of particular value to the Company, with the exclusion from such plans of the majority shareholders and those strategic executives who are also executive directors and first-degree relatives of said shareholders; (iv) benefit, if deemed strategic by the Board of Directors, from any investment or divestment opportunities that may arise, having regard for the liquidity available. This request for authorization includes the right of the Board of Directors to carry out repeated, consecutive purchase and sale transactions (or other forms of disposition) in treasury shares on a revolving basis, even for fractions of the maximum quantity authorized, so that, at all times, the quantity of shares covered by the proposed purchase and held by the Company does not exceed the legal limit.

With regard to its principal terms and conditions, the authorization to purchase treasury shares is requested for the maximum period allowed by art. 2357, para. 2, of the Italian Civil Code and, therefore, for a period of 18 months from the date of the Shareholders' Meeting, should it grant such authorization. On the other hand, the authorization to make use of any treasury shares purchased would not have a time limit. The unit price for the purchase of shares must not be more than 10% above or below the reference stock price established in the trading session immediately prior to each purchase transaction; on the other hand, with regard to the consideration for disposals of the treasury shares acquired, the Meeting will be recommended to fix solely the minimum consideration, granting the Board the power to determine, in each case, all other disposal conditions and procedures, including the related timing. Such minimum consideration may not be more than 10% below the reference stock price established in the trading session immediately prior to each disposal transaction. The lower limit placed on the consideration does not apply in the event of disposals to directors, employees and/or collaborators of the Company and/or its subsidiaries, or in the case of disposals other than by sale including, in particular, disposals in the form of exchanges, swaps, contributions or other dispositions as part of the purchase of equity investments or the implementation of industrial projects or other special financing transactions that involve the assignment or availability of treasury shares (such as mergers, spin-offs, the issue of convertible bonds or warrants, etc.).

Without prejudice to the requirements of mandatory legislation, the Board of Directors will in all cases be



entitled not to proceed, in whole or in part, with the purchase and/or use treasury shares, should it believe at any time that the reasons for which this would be appropriate pursuant to the shareholders' authorization do not apply.

For all of the above reasons, the Board of Directors believes it appropriate to propose that the Shareholders' Meeting authorize it to purchase and subsequently use treasury shares pursuant and consequent to arts. 2357 and 2357-ter of the Italian Civil Code, art. 132 TUF and art. 144-bis of the Issuers' Regulations, on the basis described below.

## **2. Maximum number, category and nominal value of the shares to which the authorization relates**

The requested authorization entitles the Board of Directors to purchase, on one or more occasions, a freely determinable number - on each occasion - of treasury shares via a Board resolution (which may grant powers of implementation to one or more directors, with the right to delegate), up to a maximum that - summed together with the treasury shares already held at the time, whether directly or indirectly - does not exceed 10% of the share capital. Accordingly, no more than 1,798,322 shares may be purchased during the period for which authorization is requested.

## **3. Compliance with the provisions of art. 2357, paras. 1 and 3, of the Italian Civil Code**

At today's date, the Company holds 8,937,519 treasury shares representing 8.325% of share capital, the voting rights for which are suspended pursuant to para. 2 of art. 2357-ter, of the Italian Civil Code; accordingly, 98,424,985 votes are exercisable at the Ordinary Shareholders' Meeting. No subsidiary of the Company holds treasury shares in the Company.

Pursuant to para. 1 of art. 2357 of the Italian Civil Code, treasury shares may be purchased up to the amount of the distributable profits and available reserves reported in the latest approved financial statements, having regard for any subsequent restrictions arising up to the date of the resolution concerned.

The separate financial statements as of 31<sup>st</sup> December 2021, duly approved on 28<sup>th</sup> April 2022, reported a share premium reserve of € 69,334,410, of which € 67,997,875 was distributable, and other available reserves and distributable profits of € 23,247,636.

In all cases, the Board of Directors is required to check compliance with the conditions for the purchase of treasury shares, specified in art. 2357, para. 1, of the Italian Civil Code, immediately prior to adopting the resolution to make each authorized purchase.

## **4. Period for which the authorization is requested**

The authorization to purchase treasury shares is requested for the maximum period allowed by art. 2357, para. 2, of the Italian Civil Code and, therefore, for a period of 18 months from the date of the Shareholders' Meeting that resolved to grant the authorization. During that period, the Board of Directors may make purchases on one or more occasions, at any time, determining freely their quantity and timing in compliance with the relevant European and other legislation and regulations in force at the time, as well as with the related Market Practices.

The authorization to use any treasury shares purchased is requested without any time limitation, since there are no regulatory restrictions in this regard and it is appropriate to maximize the period of time over which assignments are made, in order to benefit from the opportunities indicated above.

## **5. Minimum and maximum price**

The Board of Directors recommends that the unit price paid for the shares be established at the time of each transaction, on condition that it is not more than 10% (ten percent) higher or lower than the reference price established for them in the trading session immediately prior to each purchase transaction.

In all cases, the quantities and unit prices of the purchases will be determined in compliance with the provisions of art. 3 of Commission Delegated Regulation (EU) 2016/1052. In particular:



- the purchases will be made for a consideration that does not exceed the higher of the price of the last independent transaction and the highest current independent bid price in the bidding market;
- the quantities acquired on each trading day will not exceed 25% of the average daily volume of shares traded on the market on which the purchase is made, as calculated in accordance with the provisions of art. 3 of the Commission Delegated Regulation.

Purchases (i) to support the liquidity of the market and (ii) to establish a so-called "stock" of shares, will be made in accordance with the established Market Practices.

With regard to the consideration recognized on assignment of the treasury shares purchased, the Board of Directors recommends that the Shareholders' Meeting establish solely the minimum amount, granting the Board of Directors the power to determine, in each case, all other conditions, procedures and timing.

Such minimum consideration may not be more than 10% (ten percent) lower than the reference price established for the shares in the trading session immediately prior to each disposal transaction. The lower limit placed on the consideration does not apply in the event of disposals to directors, employees and/or collaborators of the Company and/or its subsidiaries, or in the case of disposals other than by sale including, in particular, disposals in the form of exchanges, swaps, contributions or other dispositions as part of the purchase of equity investments or the implementation of industrial projects or other special financing transactions that involve the assignment or availability of treasury shares (such as mergers, spin-offs, the issue of convertible bonds or warrants, etc.).

## **6. Methods by which purchases and uses will be made**

Purchase operations will begin and end on the dates established by the Board of Directors.

In view of the differing objectives that may be pursued by transactions in treasury shares, the Board of Directors recommends that authorization be granted to make purchases using any of the methods allowed under current regulations and, in particular, in compliance with art. 132 TUF, art. 144-*bis* of the Issuers' Regulations and all other applicable regulations, as well as with the Market Practices, to be identified in each case at the discretion of the Board of Directors and, accordingly, at present:

- (i) by public offer for the purchase or exchange of shares;
- (ii) by purchases made in regulated markets, in the manner established by Borsa Italiana S.p.A., which does not allow the direct matching of proposed purchases with predetermined proposals for the sale of shares;
- (iii) by the purchase or sale of derivative instruments traded in regulated markets that envisage physical delivery of the underlying shares, on the conditions established by Borsa Italiana S.p.A., subject to the requirement that the market regulations envisage procedures for the purchase/sale of the above instruments that:
  - do not allow the direct matching of proposed purchases with predetermined proposals for the sale of shares;
  - guarantee easy trading by investors in the above derivative instruments used for the purchase of treasury shares;
- (iv) by the proportional allocation to shareholders of put options to be exercised during the period corresponding to the duration of the shareholders' authorization to purchase treasury shares;
- (v) in accordance with the Market Practices allowed by Consob pursuant to art. 13 of Regulation (EU) 596/2014.

With regard to disposals, the Board of Directors recommends that authorization be granted to allows the adoption of any method deemed appropriate to achieve the objectives pursued, including assignment as



consideration for equity investments made in the context of the investment policy adopted by the Company, in compliance with the relevant European and other legislation and regulations in force, as well as with the Market Practices allowed at the time.

Given the effect on the number of floating shares of executing the plan for the purchase and use of treasury shares, the Board of Directors recommends that the authorization require it to make purchases and sales of treasury shares in a manner and with timing that does not prevent the Company from maintaining the minimum float required for STAR status.

**7. Additional information, if the purchase is part of an operation to reduce share capital via cancellation of the treasury shares acquired**

It is confirmed that the purpose of the purchases is not to reduce the share capital of the Company.

At the Shareholders' Meeting, the Board of Directors will therefore propose the following resolution to the Shareholders:

"The Ordinary Shareholders' Meeting of Aeffe S.p.A., having examined and discussed the explanatory report prepared by the Board of Directors and given art. 2357 *et seq.* Italian Civil Code, art. 132 of Decree 58 dated 24<sup>th</sup> February 1998 and the regulations issued by Consob

**resolves**

1. "to authorize the Board of Directors, pursuant and consequent to art. 2357 of the Italian Civil Code, to purchase ordinary shares in AEFFE S.p.A., on one or more occasions and on a revolving basis, in pursuit of the objectives indicated in the explanatory report of the Board of Directors relating to this agenda item, on the following terms and conditions:
  - a. the maximum number of shares to be purchased, summed with the treasury shares already held at the time of each purchase and those held by subsidiaries, must not exceed 10% of the share capital of the Company on the purchase date; accordingly, no more than 1,798,322 shares may be purchased during the period for which authorization is granted;
  - b. the shares may be purchased until the end of the eighteenth month following the date of this resolution;
  - c. the purchases may be made using any of the methods allowed under current regulations and, in particular, in compliance with art. 132 TUF, art. 144-*bis* of the Issuers' Regulations and all other applicable regulations in force, as well as with the Market Practices allowed at the time, to be identified in each case at the discretion of the Board of Directors and, specifically:
    - i. by public offer for the purchase or exchange of shares;
    - ii. by purchases made in regulated markets, in the manner established by Borsa Italiana S.p.A., which does not allow the direct matching of proposed purchases with predetermined proposals for the sale of shares;
    - iii. by the purchase or sale of derivative instruments traded in regulated markets that envisage physical delivery of the underlying shares, on the conditions established by Borsa Italiana S.p.A., subject to the requirement that the market regulations envisage procedures for the purchase/sale of the above instruments that:
      - do not allow the direct matching of proposed purchases with predetermined proposals for the sale of shares;
      - guarantee easy trading by investors in the above derivative instruments used for the purchase



of treasury shares;

- iv. by the proportional allocation to shareholders of put options to be exercised during the period corresponding to the duration of the shareholders' authorization to purchase treasury shares;
- v. in accordance with the Market Practices allowed by Consob pursuant to art. 13 of Regulation (EU) 596/2014
- vi. the unit price paid for the shares may not be more than 10% (ten percent) higher or lower than the reference price established for them in the trading session immediately prior to each transaction. The volume of purchases and their unit prices must, in all cases, be determined in accordance with the requirements of art. 3 of Commission Delegated Regulation (EU) 2016/1052. In particular:
  - the purchases will be made for a consideration that does not exceed the higher of the price of the last independent transaction and the highest current independent bid price in the bidding market;
  - the quantities acquired on each trading day will not exceed 25% of the average daily volume of shares traded in the market in which the purchase is made, as calculated with reference to average daily volume of trading during the 20 trading days prior to the purchase date, when the volume is not indicated in the program;
- vii. the purchases and sales of treasury shares must be made in accordance with resolutions adopted by the Board the Board of Directors in a manner and with timing that does not prevent the Company from maintaining the minimum float required for STAR status;

2. to authorize, pursuant and consequent to art. 2357-*ter* of the Italian Civil Code, the use on one or more occasions of the treasury shares purchased and held from time to time by the Company, in accordance with the laws and regulations in force from time to time, for the purposes described in the explanatory report of the Board of Directors to the shareholders on this agenda item, on the following terms and conditions:

- a. the shares may be sold or otherwise transferred at any time without restriction;
- b. uses may be made even before the maximum quantity of shares has been purchased and may take place on one or more occasions in the market, in blocks or via sale or exchange (including by offer to the shareholders or to the public or to the directors, employees or collaborators of the Company or its subsidiaries, whether as part of share incentive plans or otherwise), or as consideration for exchanges, swaps, contributions, assignments or other dispositions of treasury shares as part of the purchase of equity investments or the implementation of industrial projects or other special financing transactions that involve the assignment or availability of treasury shares (such as mergers, spin-offs, the issue of convertible bonds or warrants, etc.), as well as in any other way envisaged by the relevant European and other legislation and regulations in force, as well as by the Market Practices allowed at the time, at the discretion of the Board of Directors;
- c. the unit price for the disposal of the shares may not be more than 10% (ten percent) lower than the reference stock price established in the trading session immediately prior to each disposal transaction, with delegation to the Board of Directors of the power to determine, in each case, all other disposal conditions and procedures, including the related timing. This lower limit placed on the consideration will not apply in the event of disposals to directors, employees and/or collaborators of the Company and/or its subsidiaries as part of share incentive plans, or in the case of disposals other than by sale including, in particular, disposals in the form of exchanges, swaps, contributions or other dispositions as part of the purchase of equity investments or the implementation of industrial projects or other special financing transactions that involve the



assignment or availability of treasury shares (such as mergers, spin-offs, the issue of convertible bonds or warrants, etc.);

3. to authorize the Board of Directors to refrain from making any purchases should it believe and/or consider that to be appropriate, having regard for market conditions and the performance of the share price;
4. to grant the Board of Directors, with specific powers to delegate, all the widest powers necessary or appropriate in order to implement this resolution, including approval for each and every transaction that is part of the share purchase program, as well to make the disclosures to the market that are required by the relevant European and other legislation and regulations in force, as well as by the Market Practices allowed at the time."

San Giovanni in Marignano, 30<sup>th</sup> March 2023

**For the Board of Directors**

*The Chairman - Massimo Ferretti*