



**EXPLANATORY REPORT
OF THE BOARD OF DIRECTORS
OF SECO S.P.A.
ON POINT 2) OF THE AGENDA
OF THE ORDINARY SHAREHOLDERS' MEETING CALLED FOR
JULY 28, 2023 IN SINGLE CALL**

prepared pursuant to Article 114-*bis* and Article 125-*ter* of Legislative Decree No. 58 of February 24, 1998, as amended

June 27, 2023

Explanatory report of the Board of Directors of SECO S.P.A. prepared pursuant to Article 114-bis and Article 125-ter of Legislative Decree No. 58 of February 24, 1998, as amended

Dear Shareholders,

the Board of Directors of SECO S.p.A. (hereafter, “SECO” or the “Company”) (the Company, together with its subsidiaries as per Article 93 of Legislative Decree No. 58/1998, the “Group”), has called you to the Ordinary and Extraordinary Shareholders’ Meeting, for July 28, 2023 at the time of 9AM, at the offices of Notary Jacopo Sodi, Via dei Della Robbia 38, in Florence, in single call, to discuss and consider, among other matters, the following point 2) on the Agenda of the Ordinary session:

2. Proposal for approval of the "2024-2027 Plan for employees, senior executives and collaborators". Resolutions thereon as per Article 114-bis of Legislative Decree No. 58/1998.

With this report (the “Report”) - prepared pursuant to Article 114-bis and Article 125-ter of Legislative Decree No. 58 of February 24, 1998, as subsequently amended (“CFA”), we wish to provide an explanation of the reasons for the proposals related to point 2) on the Agenda of the Shareholders' Meeting, in Ordinary session.

Specifically, the Board of Directors has called you to the Shareholders' Meeting to discuss and resolve on the approval, pursuant to Article 114-bis of the CFA, of an incentive and loyalty plan called the “2024-2027 Plan for Employees, Senior Executives and Collaborators” (hereinafter the “Plan”), based on the free granting to employees, senior executives and collaborators of SECO S.p.A. or its subsidiaries (the “Beneficiaries”) of up to 7 million options (hereinafter referred to as the “Options”), to be granted over the duration of the Plan in two tranches.

The Options establish the right to receive an amount of ordinary shares calculated as follows:

- (i) in the case of the exercise of options with the payment of the exercise price, 1 (one) ordinary newly-issued SECO share for every 1 (one) Exercised option; or, alternatively (the “Paid Capital Increase”);
- (ii) in the case of the free grant (and therefore without the payment of the exercise price), on the request of the Beneficiaries to the company, a variable number of ordinary SECO shares, calculated on the basis of the market price of the shares at the exercise date of the Options (the “Free Capital Increase”), in any case in a ratio of not greater than 1 (one) ordinary share for every 1 (one) option exercised.

all as more fully described in the Plan Prospectus attached to this Report.

The Options may be granted over the duration of the Plan in two tranches.

The first tranche of Options, subject to the approval of the relative resolutions by the Shareholders' Meeting, are expected to be granted by August 31, 2023 (the “First Grant Date”). The exercise price of each Option granted by the First Grant Date, exercisable within the Paid Capital Increase, shall be Euro 5.90.

The Options to be granted subsequently to the First Grant Date shall establish the right to subscribe to newly-issued ordinary SECO shares, as part of the Paid Capital Increase, at an exercise price calculated on the basis of the arithmetic average of the closing prices of ordinary SECO shares recorded in the 6 months preceding the grant date, increased by 17% (the “**Exercise Price for Subsequent Grants**”).

The resolution submitted to the Shareholders' Meeting for approval is subject to the approval of the resolutions to increase the share capital set forth in Agenda Item 2) of the Extraordinary Shareholders' Meeting.

The proposal for adoption of the Plan formulated by the Board of Directors' resolution on June 27, 2023 took into account the proposal of the Appointments and Remuneration Committee, which met on June 16, 2023, and following on from the issue of the opinion of the Related Parties Committee limited to the Senior Executives, which met on June 21, 2023.

With regard to the reasons for the approval of the Plan, it is considered that the Plan, based on the granting of stock options, the maturity and exercise of which are subject to a vesting period, is a suitable incentive tool, as well as an instrument for attracting and retaining staff. In addition, the Company considers that this incentive system ensures the alignment between the interests of the Beneficiaries and those of shareholders, being naturally linked to the growth in value of SECO's share. It should be noted that the Company considers it useful and appropriate to now define the terms and conditions of the new Plan, for the purpose of achieving the above objectives, taking into account the status of the current stock option plan originally approved by the Company's Shareholders' Meeting of March 1, 2021 and subsequently amended by the Shareholders' Meeting of April 27, 2022.

The objectives of the Company in adopting the Plan, in addition to its formulation, are in line with that recommended by Article 5 of the Corporate Governance Code promoted by the Corporate Governance Committee of Borsa Italiana S.p.A. and the principles of the 2023 Remuneration Policy (as outlined in Section I), approved by the Shareholders' Meeting of April 27, 2023.

The proposed Plan covers a long-term timeframe with the maturing of Options in two tranches.

Specifically, the Options granted by the First Grant Date mature on completion of the vesting period, as follows:

- (i) for 20%, from May 31, 2025;
- (ii) for 40%, from May 31, 2026;
- (iii) for 40%, from May 31, 2027.

The Options to be granted subsequent to the First Grant Date mature on completion of a vesting period established by the Board of Directors, on a case by case basis, and according to the relative date of effective grant, as determined by the Board of Directors on the basis of best practice for financial instrument-based plans and on the features of the Plan.

The exercise price of each Option granted by the First Grant Date, and therefore as part of the first tranche, shall be Euro 5.90.

The exercise price of each Option granted subsequent to the First Grant Date, and thus as part of the second tranche, will be calculated on the basis of the arithmetic average of the closing prices of SECO ordinary shares recorder in the 6-month period preceding the relevant grant date, plus 17%.

The Plan also establishes an alternative means to grant the shares to the Beneficiaries without the payment of the exercise price. In this case, the number of ordinary SECO shares granted for free shall be variable and established on the basis of the market price of the shares at the date of exercise of the Options. In particular, the proposal before the Shareholders' Meeting provides that, as an alternative to the subscription of newly-issued shares covered by the Paid Capital Increase, SECO shares may be granted to the Beneficiaries free of charge as part of the Free Capital Increase - and therefore without the payment of the exercise price by the Beneficiaries - upon their request when exercising the Options to which they are entitled, but for a variable amount - in any case in a ratio not exceeding (one) ordinary share for 1 (one) Option exercised - , determined according to the market price on the date of exercise of the Options, based on the following formula:

$\frac{\text{Number of Shares Received} = [\text{Market Value Opted Shares} - (\text{Exercise Price} * \text{Opted Shares})]}{\text{Unitary market value}}$

For the purposes of the above formula:

- "Opted Shares" means the number of ordinary shares of SECO that would vest to the Beneficiaries based on the ratio of 1 Share for each Option exercised;
- "Exercise Price" means the exercise price of the Options equal, as the case may be, to Euro 5.90 (for options granted by the First Grant Date) or the Exercise Price for Subsequent Grants (for options to be granted after the First Grant Date);
- "Market Value Opted Shares" is the value equal to the arithmetic average of the official prices of SECO's ordinary shares recorded on the regulated market on which such shares are listed, during the last month prior to the exercise date;
- "Unitary Market Value" is the price equal to the arithmetic average of the official prices of SECO's ordinary shares recorded on the regulated market on which such shares are listed, during the last month prior to the Option exercise date.

In the event that a public tender offer is made for all of SECO's shares for the purpose of delisting, and if such offer is successful, the Market Value Opted-Shares and the Unitary Market Value will be equal to the consideration for the public tender offer. In the event that the Company's ordinary shares are no longer listed on a regulated market, the normal value of SECO's ordinary shares will be calculated in accordance with Article 9 of Presidential Decree 917 of December 22, 1986.

It should be noted that in any case of allocation of the shares free of charge (without payment of the exercise price), no more than 1 (one) ordinary share per 1 (one) Option exercised may be allocated to the Beneficiaries, even where, from the above formula, a higher number of shares results.

Options granted may be exercised by Beneficiaries in arrears in the years following vesting, and in any case not beyond May 31, 2030. The Plan does not require conditions to be met related to the achievement of certain economic/financial performance targets. The right to exercise the Options is however linked to the position held by the Beneficiaries, according to the cases of good leavers, bad leavers and leavers, in line with market practice.

For further information on the key features of the Plan - and in particular, by way of example, the procedures and clauses for its implementation, as well as the determination of the exercise price of the Options and the restriction on the non-transferability of the Options - please refer to the information document attached to this Report and prepared pursuant to Article 84-bis of Consob Regulation No. 11971/1999, as subsequently amended and supplemented, in accordance with the indications contained in Schedule No. 7 of Annex 3A of the Regulation.

* * *

Dear Shareholders,

in view of that outlined, we propose the following resolutions:

"The Ordinary Shareholders' Meeting of SECO S.p.A.,

- having acknowledged the explanatory report of the Board of Directors concerning the " 2024-2027 Plan for employees, senior executives and collaborators"*

RESOLVES

- 1. to approve, pursuant to and in accordance with Article 114-bis of Legislative Decree No. 58/1998, the establishment of a new incentive plan called the "2024-2027 Plan for Employees, Senior Executives and Collaborators" having the characteristics (including the conditions and prerequisites for implementation) illustrated in the Prospectus attached to the Board of Directors' Explanatory Report, empowering the Board of Directors to adopt the relevant regulations and delegating the implementation and administration of the Plan to the Board of Directors of the Company, with the right to sub-delegate;*
- 2. to grant the Board of Directors, with the right to sub-delegate, any power necessary or appropriate to implement the "2024-2027 Plan for employees, senior executives and collaborators" and thus, in particular, by way of example only, any power indicated in the Prospectus prepared pursuant to Article 84-bis of Consob Regulation No. 11971/1999, as subsequently amended and supplemented, including any power to make allocations to the beneficiaries, make any necessary or appropriate amendments and/or additions to the Plan, within the limits permitted by the applicable regulations and according to the applicable adjustment criteria and generally-accepted financial markets methods, also in the case of any corporate transactions affecting the company share capital structure and/or which modify the financial content of the Plan, extraordinary and/or non-recurring and/or non-core activity events, significant changes to the economic environment and/or other events which may affect the shares and, more generally, the Plan, in order to adjust it to the altered situation and reflect the above changes, while at the same time maintaining the substantial content and financial content of the Plan unchanged, as well as perform any act, fulfillment, formality, and/or communication that is necessary or appropriate for the purposes of managing and/or implementing the Plan."*

Arezzo, June 27, 2023

For the Board of Directors

The Chairman

Daniele Conti

Annex

PROSPECTUS ON THE 2024-2027 PLAN FOR EMPLOYEES, SENIOR EXECUTIVES AND COLLABORATORS

(prepared pursuant to Article 84-bis of the Issuers' Regulation adopted by Consob with Resolution No. 11971 of May 14, 1999 and subsequent amendments and additions)

Definitions

For purposes of this Prospectus, the terms below shall have the meanings ascribed to them as follows:

"Shareholders' Meeting" means the Shareholders' Meeting of SECO;

"Shares" or **"SECO Shares"** means the ordinary shares of the Company, with no par value indicated;

"Beneficiary(ies)" means the addressee(s) of the Plan who are employees, senior executives or collaborators, who have an ongoing employment relationship with the Company or companies that are part of the SECO Group;

"Related Party Committee" means the related party transactions committee;

"Board of Directors" or **"Board"** means the Board of Directors of the Company;

"Subsidiaries" means the companies controlled, directly or indirectly, by SECO pursuant to Article 93 of the CFA, or which qualify as subsidiaries in accordance with the accounting standards applicable from time to time, or which are included in the consolidation scope.

"Prospectus" means this document prepared in accordance with Article 84-bis of the Issuers' Regulation and complying with, also in terms of the numbering of the relative paragraphs, the indications of Schedule 7 of Annex 3A of the same Issuers' Regulation.

"SECO Group" means SECO and the Subsidiaries;

"Options" means the financial instruments covered by the Plan, which give the Beneficiaries the right to receive newly issued SECO Shares;

"Plan" means the incentive plan based on stock options reserved for the Beneficiaries, subject to approval by the Shareholders' Meeting;

"Exercise Price" means the subscription price for newly-issued SECO Shares arising from the exercise of the Options under the first tranche, as set out in Section 4.19;

"Exercise Price for Subsequent Grants" means the subscription price for newly-issued SECO Shares arising from the exercise of the Options under the second tranche, as set out in Section 4.19;

"First Grant Date" means the grant date of the first tranche of Options, which must take place by August 31, 2023;

"Relationship" means the employment relationship of indefinite duration and/or the equivalent relationship under the laws from time to time applicable to the Company or Subsidiaries, between the Beneficiary and, as the case may be, the Company or a Subsidiary;

"**Regulations**" means the regulations of the "2024-2024 Plan for Employees, Senior Executives and Collaborators", together with the annexes that form an integral part thereof;

"**Issuers' Regulation**" means the Regulation issued by Consob Resolution No. 11971 of 1999 (as subsequently amended).

"**REMCO**" means the Appointments and Remuneration Committee;

"**Company**" or "**Issuer**" or "**SECO**" means SECO S.p.A.

"**CFA**" means Legislative Decree No. 58/1998, as subsequently amended and supplemented.

Introduction

This prospectus (the "**Prospectus**"), drawn up pursuant to Article 84-*bis* and Schedule 7 of Annex 3A of the Issuers' Regulation, concerns the incentive and loyalty plan (hereafter the "**Plan**") submitted, in accordance with Article 114-*bis*, first paragraph of the CFA, for the approval of the Shareholders' Meeting of the Company called in a single call for July 28, 2023, as per the explanatory report approved by the Board of Directors' meeting of June 27, 2023, on the basis of the proposal of the REMCO on June 16, 2023, and following on from the issue of the opinion of the Related Parties Committee limited to the Senior Executives, which met on June 21, 2023.

The Plan is to be considered of "particular relevance" in accordance with Article 114-*bis*, paragraph 3 of the CFA and Article 84-*bis*, paragraph 2 of the Issuers' Regulation as addressing the Senior Executives of the Company and subsidiaries as per Article 93 of the CFA.

The above proposal to adopt the Plan is submitted for the approval of the Shareholders' Meeting called on July 28, 2023 as point 2 on the Agenda of this Shareholders' Meeting in ordinary session.

At the date of this Prospectus, the Proposal to adopt the Plan has not yet been approved by the Shareholders' Meeting. Therefore:

- (i) this Prospectus is prepared based on the contents of the proposal for the Plan approved by the Board of Directors, on the basis of the proposal of REMCO and following on from the issue of the opinion of the Related Parties Committee limited to the Senior Executives mentioned above;
- (ii) any reference to the amendments to the Plan in this Prospectus should be understood to refer to the proposed adoption of the Plan.

1. The beneficiaries

1.1 Names of the beneficiaries who are members of the financial instruments issuer's Board of Directors or of the management board, the companies controlling the issuer and the companies directly or indirectly controlled by it.

1.2 Categories of employees or collaborators of the issuer and of the parent companies or subsidiaries of this issuer.

The Plan is aimed at employees who have an open-ended employment relationship (or in any case an equivalent relationship pursuant to the legislation applicable from time to time), senior executives and collaborators of the Company or with companies belonging to the SECO Group.

Options may be granted to other employees also identified as other Senior Executives by the Company's Board of Directors or Chief Executive Officer and/or who also serve as Directors in certain subsidiaries. In some rare cases, persons having relationships similar to those of an employee who hold corporate offices in the Subsidiaries fall into the category of Beneficiaries of the Plan and therefore potential recipients of Options.

We note that the Plan qualifies as a "particularly significant" plan, pursuant to Article 114-*bis*, paragraph 3 of the CFA and Article 84-*bis*, paragraph 2 of the Issuers' Regulation, since the Beneficiaries of the Options include other Senior Executives.

1.3 Beneficiaries of the plan belonging to the following groups:

a) General Managers of the issuer of financial instruments.

Not applicable, as the Company has not appointed General Managers.

b) other Senior Executives of the issuer of financial instruments which are not considered of "small", as per Article 3, paragraph 1, letter f) of Regulation No. 17221 of March 12, 2010, in the case in which they have received during the year total remuneration (obtained by adding the monetary compensation and the financial instrument-based compensation) of greater than the higher total compensation between that allocated to the members of the Board of Directors, or the management board, and to General Managers of the issuer of financial instruments.

Not applicable.

c) physical persons controlling the issuer of the shares, who are employees or who collaborate with the issuer.

Not applicable.

1.4 Description and numeric indication, by category:

a) of Senior Executives other than those indicated at letter b) of paragraph 1.3.

Information regarding the Senior Executives is set out in (b) below.

b) in the case of "small" companies, pursuant to Article 3, paragraph 1 (f) of Regulation No. 17221 of March 12, 2010, the aggregate indication of all the Senior Executives of the issuer of the financial instruments.

Not applicable, as at the date of this Prospectus, the Plan has not yet been approved by the Shareholders' Meeting. It should be noted that the Beneficiaries of the Options that the Board may grant may include, following the Shareholders' Meeting's approval of the Plan, the Senior Executives of SECO or its Subsidiaries, as identified by the Company's Board of Directors or Chief Executive Officer.

c) of any other categories of employees or collaborators for which differentiated features of the plan are provided for (e.g. Executives, managers, white-collar employees etc.)

There are no categories of employees or collaborators for which differentiated features of the Plan are provided for.

2. Reasons for the adoption of the Plan

2.1 The objectives intended to be achieved through the plan.

The Company, in line with international practices, believes that the Plan, based on the granting of stock options, the maturity and exercise of which are subject to a vesting period, is a suitable incentive tool, as well as an instrument for attracting and retaining staff, capable of relating this further variable component of the total remuneration of the Beneficiaries to objective and predetermined parameters such as the creation of new value for the Group.

Specifically, the Company believes that this incentive system ensures full and constant alignment between the interests of employees, senior executives and collaborators and those of shareholders, being naturally linked to the growth in value of SECO's share.

The objectives that the Company seeks to achieve with the adoption of the Plan are in line with the 2023 Remuneration Policy (as outlined in the relative Section I), approved by the Shareholders' Meeting held on April 27, 2023, as well as with the recommendations of the Corporate Governance Code promoted by the Corporate Governance Committee of Borsa Italiana S.p.A.

The Plan has a long-term timeframe with the Options granted in two tranches, as illustrated in greater detail in Section 4 below. Options granted are subject to a vesting period as outlined below in Section 2.2 and may be exercised by Beneficiaries in arrears in the years following vesting and however by and not beyond May 31, 2030. It is believed that the above terms facilitate the achievement of the incentive and retention objectives of management and employees under the Plan.

The number of Options to be granted to each of the Beneficiaries is established by the Board of Directors, with the right to sub-delegate to the Chairperson of the Board of Directors and/or to one of the Chief Executive Officers of the Company *pro tempore* in office, also severally, upon the proposal of the REMCO.

The Plan does not provide for a predetermined ratio between the number of Options granted to an individual Beneficiary and the total compensation received.

In identifying the Beneficiaries and the number of Options granted to each, the Board of Directors will take into account not only the importance of the role played by each Beneficiary within the Group, but also the market benchmarks, as well as the Company's interest in graduating their long-term incentive as part of its strategies.

2.2 Key variables, also in the form of performance indicators, considered for the granting of financial instrument based plans.

Below are the key variables considered in the Plan for the granting of options:

Vesting

The Plan provides that the grant of the first tranche of Options will occur by August 31, 2023 (the "**First Grant Date**").

Specifically, the Options granted by the First Grant Date mature on completion of the vesting period, as follows:

- (iv) for 20%, from May 31, 2025;
- (v) for 40%, from May 31, 2026;
- (vi) for 40%, from May 31, 2027.

The Exercise Price of each Option granted by the First Grant Date, exercisable within the Paid Capital Increase, shall be Euro 5.90.

The Options to be granted subsequent to the First Grant Date mature on completion of a vesting period established by the Board of Directors, on a case by case basis, and according to the relative date of effective grant, as determined by the Board of Directors on the basis of best practice for financial instrument-based plans and on the features of the Plan.

These Options will entitle the holder to subscribe to Shares at the Exercise Price for Subsequent Grants, which is calculated on the basis of the arithmetic average of the closing prices recorded by SECO's Shares on the market organized and managed by Borsa Italiana S.p.A. in the 6-month period preceding the grant date, plus 17%.

The granting of Options under the Plan is not linked to the achievement of performance targets, being instead linked to the position held by the Beneficiary as specified in paragraph 2.3 below.

2.3 Factors underlying the determination of the extent of remuneration based on financial instruments, or the criteria used for its determination.

The number of Options granted to Beneficiaries is linked to the Company's organizational structure and is determined taking into account not only the importance of the organizational position held by the Beneficiaries concerned, but also market benchmarks and the Company's interest in graduating their long-term incentive as part of its strategies.

In determining the total number of Options, the Board of Directors, upon the proposal of the REMCO and with the involvement of the Related Parties Committee limited to the Senior Executives, acted with discretion in accordance with the Company's compensation and incentive policies. This discretion shall be exercised:

- having regard to the interests of the Company and the Group;
- with a view to ensuring that the granting of Options is consistent with the Company's overall choices in terms of strategies, long-term objectives and corporate governance structure;
- taking into account, among other things, the role of the employee for the results of the Company and the Group, the strategic importance of the position, the potential of the employee and any other useful element, within the limits established by the applicable laws and regulations. In granting Options to each of the Beneficiaries, the Board of Directors and the Chief Executive Officer also consider the criticality of the role held and the value of the individual performance of the Beneficiaries.

2.4 Reasons for any decision to grant remuneration plans based on financial instruments not issued by the issuer of financial instruments, such as the financial instruments issued by subsidiaries or parent companies or third party companies outside of the Group; in the case in which the above instruments are not traded on regulated markets, information on the criteria utilized for the calculation of the attributable value.

Not applicable.

2.5 Evaluations concerning significant tax and accounting implications impacting the drawing up of the plans.

There are no significant tax or accounting implications impacting the drawing up of the Plan.

2.6 Support to the Plan by the Special fund to incentivize worker involvement in enterprises, as per Article 4, paragraph 112 of Law No. 350 of December 24, 2003.

The Plan does not receive support from the special fund for the incentivization of the involvement of workers in enterprises, as per Article 4, paragraph 112 of Law No. 350 of December 24, 2003.

3. Approval procedure and timeframe for the granting of the instruments

3.1 Scope of powers and functions delegated by the Shareholders' Meeting to the Board of Directors for implementation of the Plan.

3.2 Indication of the parties appointed to administer the Plan and their functions and duties.

The Board of Directors on June 27, 2023, based on the proposal of the REMCO of June 16, 2023 and following on from the issue of the opinion of the Related Parties Committee limited to the Senior Executives, meeting on June 21, 2023, resolved to submit the proposal for adoption of the Plan under Article 114-*bis* CFA to the Shareholders' Meeting for approval. The Ordinary Shareholders' Meeting is therefore called to resolve, inter alia, (i) to approve the proposal to adopt the Plan, and (ii) to grant the Board of Directors, and on its behalf the Chairperson and the Chief Executive Officer, with the right to sub-delegate all powers necessary to implement the resolution.

It is proposed to the Shareholders' Meeting to delegate the implementation and administration of the Plan to the Board of Directors of the Company, with the power to sub-delegate, also granting it any power indicated in this Prospectus, including any power to make allocations to the beneficiaries, make any necessary or appropriate amendments and/or additions to the Plan, within the limits permitted by the applicable regulations and according to the applicable adjustment criteria and generally-accepted financial markets methods, also in the case of any corporate transactions affecting the company share capital structure and/or which modify the financial content of the Plan, extraordinary and/or non-recurring and/or non-core activity events, significant changes to the economic environment and/or other events which may affect the shares and, more generally, the Plan, in order to adjust it to the altered situation and reflect the above changes, while at the same time maintaining the substantial content and financial content of the Plan unchanged, as well as perform any act, fulfillment, formality, and/or communication that is necessary or appropriate for the purposes of managing and/or implementing the Plan. It is understood that in the above cases, resolutions will be taken by the Board in compliance with the rules on related party transactions, where applicable.

At any time, the Company may entrust, in whole or in part, the management of the administrative tasks related to the Plan, to an external trust company or a company specialized in the operational management of stock option plans.

3.3 Any existing procedures for the review of the plans, also in relation to potential changes in the underlying objectives.

Subject to the Shareholders' Meeting to resolve any substantial amendments with respect to the Plan, the Board of Directors is the competent body to make amendments to the Plan.

3.4 Means to establish availability and for the assignment of the financial instruments on which the Plans are based (e.g.: free allocation of shares, share capital increases with exclusion of pre-emption rights, purchase and sale of treasury shares)

The Plan stipulates the free grant of 7,000,000 million Options for the right to receive an amount of SECO Shares calculated as follows:

- (i) in the event of exercise of the Options, as the case may be, with payment of the Exercise Price or the Exercise Price for Subsequent Grants, 1 (one) newly-issued SECO ordinary share for each 1 (one) Option or, alternatively;
- (ii) in the case of a grant free of charge (and therefore without payment, as the case may be, of the Exercise Price or the Exercise Price for Subsequent Grants) at the request of the Beneficiaries who are employees or Senior Executives to the Company or one of its Subsidiaries, a variable number of SECO Shares determined according to the market price of the Shares on the date of exercise of the Options and, in any case, in a ratio not exceeding 1 (one) Share for every (one) Option exercised.

The newly-issued shares will stem from:

- A. a paid capital increase, in divisible and progressive form, for a maximum nominal amount of Euro 70,000, plus share premium, with the exclusion of option rights pursuant to Article 2441, paragraphs 5 and 6, of the Civil Code (the "**Paid Capital Increase**"), by issuing a maximum 7,000,000 new ordinary shares of the Company, with no indication of par value, having the same features as those outstanding, to service the Plan and reserved for the Beneficiaries;
- B. a free capital increase for a maximum nominal amount of Euro 70,000, in divisible form, by means of the allocation to capital, pursuant to Article 2349 of the Civil Code, of a corresponding amount taken from profits and/or retained earnings (the "**Free Capital Increase**"), with the issuance of a maximum of 7,000,000 (seven million) ordinary shares, to be granted to employees and senior executives of SECO or its subsidiaries, as beneficiaries of the Plan, concurrently to the Paid Capital Increase.

With respect to the method of awarding shares to Beneficiaries who are employees or senior executives of the Company or one of its Subsidiaries without payment of the exercise price described above under point (ii), the number of SECO Shares allotted free of charge will be variable and determined according to the market price of the Shares on the date of exercise of the Options. In particular, the Plan provides that, as an alternative to the subscription of newly-issued shares covered by the Paid Capital Increase, SECO Shares may be granted to the above Beneficiaries free of charge as part of the Free Capital Increase - and therefore without the payment of the exercise price - upon their request when exercising the Options to which they are entitled, but for a variable amount - in any case in a ratio not exceeding (one) Share for 1 (one) Option exercised - , determined according to the market price on the date of exercise of the Options, based on the following formula:

$\text{Number of Shares Received} = \frac{[\text{Market Value Opted Shares} - (\text{Exercise Price} * \text{Opted Shares})]}{\text{Unitary market value}}$

For the purposes of the above formula:

- "Opted Shares" means the number of ordinary Shares of SECO that would vest to the Beneficiaries based on the ratio of 1 Share for each Option exercised;
- "Exercise Price" means the exercise price of the Options equal, as the case may be, to Euro 5.90 (for options granted by the First Grant Date) or the Exercise Price for Subsequent Grants (for options to be granted after the First Grant Date);
- "Market Value Opted Shares" is the value equal to the arithmetic average of the official prices of SECO's shares recorded on the regulated market on which such Shares are listed, during the last month prior to the exercise date;
- "Unitary Market Value" is the price equal to the arithmetic average of the official prices of SECO's Shares recorded on the regulated market on which such Shares are listed, during the last month prior to the Option exercise date.

In the event that a public tender offer is made for all of SECO's Shares for the purpose of delisting, and if such offer is successful, the Market Value Opted-Shares and the Unitary Market Value will be equal to the consideration for the public tender offer. In the event that the Shares are no longer listed on a regulated market, the normal value of SECO's Shares will be calculated in accordance with Article 9 of Presidential Decree 917 of December 22, 1986.

It should be noted that in any case of allocation of the Shares free of charge (without payment of the exercise price), no more than 1 (one) ordinary SECO share per 1 (one) Option exercised may be allocated, even where, from the above formula, a higher number of shares results.

3.5 Role carried out by each Director in defining the features of these plans; any conflicts of interest involving the Directors concerned.

The features of the Plan were determined collectively by the Board of Directors of the Company - also with the support of some corporate functions (Group Finance Department, Group Legal and Corporate Affairs Department, Group Human Resources Department) - based on the proposal of the REMCO, and following on from the issue of the opinion of the Related Parties Committee limited to the Senior Executives.

3.6 For the purposes of the requirements as per Article 84-bis, paragraph 1, the date of the decision taken by the relevant body to propose the approval of the plans to the Shareholders' Meeting and any proposal of the Remuneration Committee.

Please refer to paragraph 3.2 of this Prospectus.

3.7 For the purposes of Article 84-bis, paragraph 5, letter a), the date of the decision taken by the relevant body for the granting of the instrument and the proposal to the aforementioned body by the Remuneration Committee.

As of the Date of the Prospectus, the Plan has not yet been approved by the Shareholders' Meeting.

3.8 Market price, recorded on the above-stated dates, of the financial instruments on which the plans are based, if traded on regulated markets.

Although at the date of this Prospectus the Plan has not yet been approved by the Shareholders' Meeting, the market price of the Shares was: (i) Euro 5.10 as of the date of approval of the Plan proposal to be submitted to the Shareholders' Meeting by the Board of Directors (*i.e.* June 27, 2023); (ii) Euro 5.32 as of the date of approval of the Plan proposal to be submitted to the Board of Directors by REMCO (*i.e.* June 16, 2023).

3.9 In case of plans based on financial instruments traded on regulated markets, within which terms and according to which procedures the issuer takes into account, when identifying the timing for the granting of the instruments in implementation of the plans, the possible timeframe between:

- i) the granting or any decisions undertaken by the Remuneration Committee, and**
- ii) the communication of any relevant information in accordance with Article 17 of Regulation (EU) No. 596/2014; for example, where this information is:**
 - a) not yet published and which may prompt an increase in the market share price, or**
 - b) already published and may prompt a decrease in the market share price.**

At present, the structure of the Plan, the conditions, the duration and the granting methods of the Options do not suggest that this could be significantly influenced by any disclosure of relevant information pursuant to Article 114, paragraph 1, of the CFA.

The Directors and Senior Executives shall be required to comply with the applicable regulatory provisions, particularly with regards to the market abuse regulation and concerning the exercise of Options and the availability of shares from the exercise of the Options allocated as a result of participation in the Plan.

4. Features of the instruments granted

4.1 Description of the forms by which the financial instrument-based compensation plans are structured; e.g. indicate whether the Plan is based on the granting of: financial instruments (granting of restricted stock); the increase in the value of these instruments (phantom stock); rights which permit the subsequent acquisition of financial instruments (grant options) with settlement by physical provision (“stock options”) or in cash on the basis of a differential (“stock appreciation right”).

The Plan is based on the granting of stock options, i.e. option rights that allow the Beneficiaries to receive ordinary shares of the Company, with settlement by physical delivery, in relation to which please refer to paragraph 3.4 above.

4.2 Indication of the effective implementation period of the plan with regards also to any differing cycles.

4.3 Plan duration.

The exercise of Options granted by the First Grant Date will be settled, subject to the maintenance of the Ratio, as follows:

- (i) for 20%, from May 31, 2025;
- (ii) for 40%, from May 31, 2026;
- (iii) for 40%, from May 31, 2027.

The Options to be granted subsequent to the First Grant Date mature on completion of a vesting period established by the Board of Directors, on a case by case basis, and according to the relative date of effective grant, as determined by the Board of Directors on the basis of best practice for financial instrument-based plans and on the features of the Plan.

Options granted may be exercised by Beneficiaries in arrears in the years following vesting, and in any case not beyond May 31, 2030. It is believed that the above terms facilitate the achievement of the incentive and retention objectives of the Beneficiary under the Plan.

Options that have not become exercisable pursuant to the Regulations will automatically lapse and will be deprived of any effect and validity with regard to the Beneficiary. Forfeited Options shall be reallocated by the Board, taking into account the provisions of the Regulations.

Vested Options may be exercised at any time, in whole or in part, for up to a maximum of 2 (two) fiscal years during each calendar year.

We also note that the Plan provides for a right of early exercise of the Options by the Beneficiaries upon the occurrence of the events indicated below and provided, at that time, retention of the Relationship:

- (i) for the whole period in which the Company's shares are listed on a regulated market, promotion of a public tender offer bid for the Company's shares pursuant to Article 102 and thereafter of the CFA; or
- (ii) for the whole period in which the Company's shares are listed on a regulated market, resolution of transactions from which the listing on a regulated market of the SECO shares.

4.4 Maximum number of financial instruments, also in the form of options, granted in each fiscal year in relation to the parties identified or to the categories indicated.

Please refer to Section 4.3 above.

4.5 Methods and implementation clauses of the Plan, specifying whether the effective granting of the instrument is subject to the achievement of conditions or the achievement of results (including performance based); description of these conditions and results.

With regard to the methods and clauses for the implementation of the Plan, please refer to that set out in the individual sections of this Prospectus and, in particular, to Paragraph 4.3 above.

The Plan does not require conditions to be met related to the achievement of certain economic/financial performance targets. The granting of Options is however linked to the position held by each Beneficiary, according to the cases of good leavership, bad leavership and leavership, in line with market practice.

4.6 Indication of any restrictions on the availability of the instruments granted or the instruments resulting from the exercise of the options, with particular reference to the terms within which the subsequent transfer to the company or third parties is permitted or prohibited.

The Plan provides that, unless otherwise resolved by the Board of Directors, Options may not be transferred under any title, other than *mortis causa*, or traded, pledged or otherwise encumbered by the Beneficiaries and/or pledged as security by the Beneficiaries, whether by deed between living persons or pursuant to law. The Options shall become null and void and may not be exercised as a result of any attempted transfer or negotiation, including, without limitation, any attempted transfer by deed between living persons or in application of law, pledge or other real right, seizure and attachment of the Option. Options may be exercised only by Beneficiaries or legal representatives, in case of incapacity, or by heirs, in case of death.

Each Beneficiary shall have the right to sell, at any time, all or part of the shares resulting from the exercise of the Options.

4.7 Description of any resolution conditions for the granting of plans if the beneficiaries undertake hedging transactions that neutralize any restrictions on the sale of the financial instruments granted, including those in the form of options, or the financial instruments resulting from the exercise of such options.

Not applicable.

4.8 Description of the effects caused by the termination of the relationship with the Company or a subsidiary.

Reference should be made to paragraphs 2.2 and 4.5 of this Prospectus.

Except as otherwise provided in specific agreements entered into between the Company or Subsidiaries and the individual Beneficiary or in the related Option Agreement, in the event that, for any reason, the Relationship between the Beneficiary and, as the case may be, the Company or a Subsidiary terminates (each such event, the "**Relationship Termination**"), the following rules shall apply:

- A. "**Just Cause**": shall mean (a) the breach by the Beneficiary of the legal provisions relating to the Relationship; (b) the definitive criminal conviction of the Beneficiary for an intentional or negligent crime; (c) the performance of acts that irreparably damage the fiduciary relationship that characterizes the Relationship and prevent its continuation;
- B. "**Bad Leaver**": means those cases of Relationship Termination due to: (i) revocation of the office held by the Beneficiary, or dismissal of the Beneficiary, upon the occurrence of a Just Cause; (ii) voluntary resignation of the Beneficiary not justified by the occurrence of a Good Leaver event;
- C. "**Good Leaver**": means those cases of Relationship Termination due to: (i) dismissal of the Beneficiary, without Just Cause; (ii) revocation or substantial diminution without Just Cause of the powers or duties held by the Beneficiaries as of the relative grant date, without the written consent of the said Beneficiaries, where provided for in the relevant Option Agreement; (iii) removal from the office held by the Beneficiary, or dismissal of the Beneficiary, as a result of permanent physical or mental incapacity (due to illness or injury) of the Beneficiary resulting in more than 50% inability to work; and (iv) death of the Beneficiary.

In the event of Relationship Termination, the conditions for the application of the above rules shall not apply if the Beneficiary - without interruption - maintains (or takes on) another Relationship that is suitable for attributing to him/her the status of Beneficiary pursuant to the Regulations.

In the event of Relationship Termination before the Options are exercised, due to a Bad Leaver scenario, all the Options assigned to the Beneficiary shall automatically lapse and be deprived of any effect and validity, regardless of the date of the Relationship Termination, with consequent release of the Company from any obligation or liability towards the Beneficiary.

In the event of Termination of the Relationship prior to the exercise of the Options, due to one of the Good Leaver assumptions, the Beneficiary (or the Beneficiary's heirs in the case referred to in point C (iv) above) shall retain the right to exercise (i) the Options vested as of the date of Termination of the Relationship, as well as (ii) the Options that have not yet vested as of the date of Termination of the Relationship in a number proportional to the duration of the Relationship as of the relevant grant date with respect to the period between such grant date and the vesting date of the Options or on the basis of the different criterion to be adopted by the Board, having also consulted where necessary the opinion of the REMCO, provided that it is not more unfavorable to the Beneficiary.

Forfeited Options shall be reallocated by the Board in accordance with the provisions of the Regulations.

The Plan also provides that, unless otherwise determined by the Board of Directors, in the event that the employer of the Beneficiary with the Relationship is no longer a Subsidiary, the exercisable Options must be exercised under penalty of forfeiture by (a) the 30th calendar day following the initial option exercise date or, if later, (b) the 30th calendar day following the cessation of the status of Subsidiary.

4.9 Details of any other causes for the plan cancellation.

Except for that indicated in other paragraphs of this Prospectus, there are no other causes for the cancellation of the Plan.

4.10 Reasons behind the provision for the “redemption”, by the company, of the financial instruments subject to the plans, established as per Articles 2357 and subsequent of the Civil Code; for the beneficiaries of the redemption indicate whether such applies only to particular categories of employees; the effects of termination of the employment relationship on this redemption.

The Plan does not stipulate redemption clauses in favor of the Company.

4.11 Any loans or other facilities intended to be granted for the purchase of shares pursuant to Article 2358 of the Civil Code.

If necessary, the Company may consider granting financing to the Beneficiaries who are employees of the Company or other SECO Group companies, on market terms, in connection with the subscription, purchase of the Shares and payment of all or part of the amounts owed by each of the Beneficiaries in connection with the execution of the Plan. The granting of financing is reserved for the sole discretion of the Company.

4.12 Indication on the valuations regarding the expected charge upon the company at the relative grant date, as may be estimated on the basis of the terms and conditions thus far defined, for the total amount and in relation to each plan instrument.

Not applicable, as at the date of this Prospectus, the Plan has not yet been approved by the Shareholders' Meeting.

4.13 Details of any dilution effects on the capital resulting from the remuneration plans.

As indicated in the relative explanatory report made available to the public by publication on the Company's website www.seco.com, "Investors / Corporate Governance / Shareholders' Meeting" section, the Paid Capital Increase and the Free Capital Increase may be carried out in the aggregate for a maximum nominal amount of Euro 70,000, with the issue/allotment of a maximum of 7,000,000 Ordinary Shares. As a result, SECO's approved share capital, as a result of both capital increase

transactions, may increase by a maximum total of Euro 70,000 (seventy thousand). Therefore, the above maximum number of shares (i.e. 7.000.000) serving the Plan represents, as of the date of the Prospectus, approx. 5% of the fully diluted share capital.

4.14 Any limits for the exercise of voting rights and for the granting of equity rights.

Not applicable.

4.15 In the case in which the shares are not traded on regulated markets, all useful information for a comprehensive valuation.

Not applicable.

4.16 Number of financial instruments underlying each option.

Under the Plan, under the Paid Capital Increase, each Option grants the right to receive 1 (one) SECO Share.

In the context of the Free Capital Increase, the number of Shares due to the Beneficiaries who are employees or senior executives of the Company or one of its Subsidiaries arising from the Free Capital Increase shall consist of a variable amount of Shares for each Option exercised (in any event, not more than 1 (one) SECO Share per 1 (one) Option exercised), determined according to the market price on the date of exercise of the Options, based on the formula indicated in paragraph 3.4 above.

4.17 Maturity of the options.

See paragraph 4.3.

4.18 Mode (American/European), timing (e.g., valid exercise periods), and exercise clauses (e.g., knock-in and knock-out clauses).

See paragraph 4.3.

4.19 The exercise price of the option or the methods and criteria for its determination, with particular regard to:

- a) the formula for calculating the exercise price in relation to a given market price (so-called fair market value) (for example: exercise price equal to 90%, 100% or 110% of the market price), and**
- b) the methods for determining the market price used as a reference for determining the exercise price (for example: last price on the day prior to the granting, average for the day, average of the last 30 days, etc.).**

In case of subscription of the Paid Capital Increase Shares, the exercise price has been set:

- (a) for each Option granted by the First Grant Date as Euro 5.90;
- (b) for Options that will be granted after the First Grant Date at the Exercise Price for Subsequent Grants, calculated on the basis of the arithmetic average of the closing prices of SECO Shares during the 6-month period preceding the grant date, plus 17%.

The Exercise Price was identified as being equal to the arithmetic average of the closing prices recorded by SECO's ordinary shares on the market organized and managed by Borsa Italiana S.p.A. in the 6 (six) months preceding the date of June 15, 2023 inclusive (the day before the meeting of the Appointments and Remuneration Committee), increased by a premium of 17%, therefore amounting to Euro 5.90, per newly-issued SECO ordinary share, as the exercise price of each option granted by the First Grant Date.

It should be noted that the Exercise Prices shown above compare to the following arithmetic average of the closing prices of SECO Shares recorded up to June 15, 2023:

- arithmetic average of the closing prices recorded in the 30 calendar days preceding the date of the REMCO's meeting: Euro 4.83;
- arithmetic average of the closing prices recorded in the three months preceding the date of the REMCO's meeting: Euro 4.77.
- arithmetic average of the closing prices recorded in the six months preceding the date of the REMCO's meeting: Euro 5.04.

As an alternative to the Paid Capital Increase, Shares may be allotted free of charge to Beneficiaries who are employees or senior executives of the Company or one of its Subsidiaries and therefore without the payment of the relevant strike price, but for a variable amount (in any case in a ratio not exceeding no more than 1 (one) Share for every 1 (one) Option exercised) determined according to the market price on the date of exercise of the Options, based on the formula indicated in Section 3.4 above.

For further information on the Paid Capital Increase and on the Free Capital Increase, reference should be made to the explanatory report made available to the public through publication on the Company's website www.seco.com in the Investor Relations/Corporate Governance/Shareholders' Meeting section".

4.20 In the case in which the exercise price is not equal to the market price as indicated in point 4.19.b (fair market value), reasons for this difference.

The Exercise Price, as indicated in Section 4.19 above, was set by the Board of Directors, based on the proposal of the REMCO and following on from the issue of the opinion of the Related Parties Committee limited to the Senior Executives, according to the features of the Plan.

4.21 Criteria upon which different exercise prices are considered between the various parties or various beneficiaries.

As indicated in Section 4.19. in case of subscription of the Paid Capital Increase Shares, the exercise price has been set:

- a) for each Option allocated by the First Grant Date as Euro 5.90;
- b) for Options to be granted after the First Grant Date at the Exercise Price for Subsequent Grants.

As an alternative to the Paid Capital Increase, they may be allotted to Beneficiaries who are employees or senior executives of the Company or one of its Subsidiaries free of charge and therefore without the payment of the relevant strike price, but for a variable amount (in any case in a ratio not exceeding no more than 1 (one) Share for every 1 (one) Option exercised) determined according to the market price on the date of exercise of the Options, based on the formula indicated in Section 3.4 above.

For further information on the criteria identified by the Board of Directors, please refer to the explanatory report on the proposed Paid Capital Increase and Free Capital Increase made available to the public by publication on the Company's website www.seco.com, "Investors / Corporate Governance / Shareholders' Meeting" section.

4.22 In the case in which the underlying financial instruments to the options are not traded on regulated markets, indication of the value attributable to the underlying instruments or their measurement criteria.

Not applicable.

4.23 Criteria for adjustments necessary following extraordinary share capital operations or other operations affecting the number of underlying instruments (share capital increases, extraordinary dividends, reverse stock split and splits of underlying shares, mergers and spin-offs, conversions to other share classes etc.).

The Plan provides that in the event of (i) corporate transactions affecting the Company's share capital structure (such as, purely by way of example, stock splits, reverse stock splits, free or paid increases in the Company's capital with the issuance of shares or other instruments of a dilutive nature - such as, e.g., warrants and/or convertible bonds - mergers by incorporation, spin-offs and/or distribution of extraordinary dividends) and/or having the effect of modifying the economic contents of the Plan, (ii) events of an extraordinary and/or non-recurring nature and/or not concerning core operations (by way of example only, purchase or sale of business units), (iii) significant changes in the economic environment and/or (iv) other events likely to affect the Shares and, more generally, the Plan, the Board of Directors shall make such changes to the Plan regulations as it deems necessary or, at its discretion, appropriate, within the limits permitted by the regulations in force from time to time and according to the applicable adjustment criteria and generally-accepted financial market methods, in order to adapt it to the changed situation and reflect the aforementioned changes, while keeping the substantive and economic content of the Plan unchanged.

The Board of Directors, therefore, will have the power to proceed with the modification of the exercise price per Share in order to reflect the changes resulting from the above-mentioned corporate transactions and to make further amendments and/or additions to the Plan itself where deemed necessary or appropriate to keep the essential contents of the Plan, the number of Shares issued and the maximum amount of the increase linked to the Plan, unchanged as much as possible, within the limits allowed by current regulations, subject to any proposal and/or resolution of the internal committees where necessary, notifying the Beneficiary.

In addition, the Board of Directors may make such amendments and additions to the Plan and its regulations as it deems appropriate, independently and without the need for further Shareholders' Meeting approval, in order to, *inter alia*, (i) take into account any legislative changes; (ii) ensure that the Beneficiary may benefit, or continue to benefit, from favorable regulations, by promptly notifying the Beneficiary of such changes.

Any rounding that may be necessary due to the existence of fractions shall be made downward and therefore the Beneficiary, regardless of the size of the fraction, will have the right, subject to all other conditions, to one less Share.

For information on the early exercise of the Options, please refer to Section 4.3.

4.24 Financial instrument-based remuneration plans (table)

Table No. 1 required by paragraph 4.24 of the same Schedule 7 of Annex 3A of the Issuers' Regulation will be provided according to the terms and conditions indicated by Article 84-bis, paragraph 5, letter a) of the same Regulation.