

**GENERALFINANCE S.P.A.**

**ORDINARY SHAREHOLDERS' MEETING 5 APRIL 2024**



**EXPLANATORY REPORT OF THE BOARD OF DIRECTORS  
ON THE ITEMS ON THE AGENDA**

(pursuant to Art. 125-ter of Italian Legislative Decree no. 58/1998, and Art. 84-ter of CONSOB Regulation No. 11971/1999)

**FOURTH ITEM ON THE AGENDA  
OF THE SHAREHOLDERS' MEETING CALLED FOR 5 APRIL 2024**

- 4. Appointment of the Independent Auditors for the financial years 2026-2034.  
Inherent and consequent resolutions**

#### 4. Appointment of the Independent Auditors for the financial years 2026-2034. Inherent and consequent resolutions

Dear Shareholders,

the Shareholders' Meeting is called upon to resolve on the conferral of the appointment for the official audit of the accounts to an Independent Auditing Firm for the years 2026-2034, as the mandate granted by the shareholders' meeting of 8 March 2022 to the current Auditing Firm, Deloitte & Touche SpA, also taking into account the previous period in which the same, starting from 2017, acted as auditor of the Company, will expire.

In this regard, it should be noted that the Company deems it appropriate for the Shareholders' Meeting to determine well in advance the party who will have to take on the role of official auditor starting from the financial year 2026, in order to guarantee an adequate period of rotation between the current and the future official auditor and avoid that, during the year prior to the start of the new mandate (so-called *cooling in period*), prohibited tasks pursuant to Article 5.1, letter e) of EU Reg. 537/2014, may be conferred to the person in charge of the audit. The Company therefore launched a procedure for selecting the new auditor, receiving specific offers from 2 (two) auditing firms. The offers received, which remain filed with the Company's documents, were made available to the Board of Statutory Auditors, which carried out the activities it is responsible for and formulated a justified proposal pursuant to Article 13.1 of Italian Legislative Decree No. 39 of 27 January 2010 ("It. Leg. **Decree No. 39/2010**") regarding the conferral of the appointment for the official audit of the Company's accounts for nine financial years, starting from 2026, to the auditing firm **EY S.p.A.** based in Milan (MI), Via Meravigli no.12 ("**EY S.p.A.**"). The Board of Directors therefore submits to you the proposal formulated by the Board of Statutory Auditors pursuant to Article 13.1 of Italian Legislative Decree No. 39/2010 regarding the conferral to EY S.p.A. of the appointment for the official audit of the accounts for nine financial years, starting from 2026, attached under letter "A".

Now therefore, we submit for your approval the following proposed resolution:

"The Ordinary Shareholders' Meeting of Generalfinance S.p.A.:

- *having formally acknowledged the justified proposal formulated by the Board of Statutory Auditors pursuant to Article 13 of Italian Legislative Decree No. 39/2010,*

*RESOLVES*

1. *to grant the independent auditing firm **EY S.p.A.** based in Milan (MI), Via Meravigli no.12 for nine financial years starting from 2026 and expiring at the time of the shareholders' meeting called to approve the financial statements as at 31 December 2034, the appointment for the official audit of the accounts of the financial statements, as well as the limited audit of the half-yearly financial reports, the periodic accounting audits on a quarterly basis, the regular keeping of the accounts and related obligations envisaged by the regulations in force, under the conditions, formalities and terms contained in the offer proposal formulated by the aforementioned auditing firm;*
2. *to determine the fee due to the appointed independent auditors in the amount indicated in the offer made by it, as specified in the justified proposal of the Board of Statutory Auditors attached under letter A);*
3. *to grant the Chairperson of the Board of Directors and the Chief Executive Officer, signing separately — also by means of ad hoc legal representatives — the mandate to carry out all the activities inherent, consequent or connected to the implementation of the above resolution".*

The following is attached:

- proposal formulated by the Board of Statutory Auditors pursuant to Article 13.1 of Italian Legislative Decree No. 39/2010

Milan, March 6, 2024.

On behalf of the Board of Directors  
The Chairman  
Maurizio Dallochio

**REASONED PROPOSAL**  
**OF THE BOARD OF STATUTORY AUDITORS OF GENERALFINANCE S.P.A.**  
**ON THE ASSIGNMENT OF THE INDEPENDENT AUDIT AND DETERMINATION OF THE**  
**REMUNERATION FOR THE PERIOD 2026-2034**

(pursuant to and for the purposes of Italian Legislative Decree 39/2010)

Dear Shareholders,

the approval of the financial statements as at 31 December 2025 marks the expiry of the independent audit engagement assigned to Deloitte & Touche S.P.A.

On the basis of current legislation - i.e. European Regulation no. 537/2014 (hereinafter "**Regulation**") implemented in Italy by Italian Legislative Decree no. 135/2016 - this mandate is no longer renewable and the new independent audit engagement must be assigned by the Shareholders' Meeting on the reasoned proposal of the Board of Statutory Auditors of Generalfinance S.p.A. (hereinafter also the "**Board of Statutory Auditors**" and "**Generalfinance**" or the "**Company**"), following a specific selection procedure, according to the criteria and methods set forth in article 16 of said Regulation.

The Board of Statutory Auditors, acting as Internal Control and Audit Committee pursuant to art. 19 paragraph 2, lett. c) of Italian Legislative Decree 39/2010 ("**Decree**"), deemed it appropriate to bring forward the start of the selection procedure for the assignment of the independent audit for the period 2026-2034, in consideration of the prohibition envisaged by art. 5 of the aforementioned European Regulation which, in order to protect the independence of the auditor, requires the latter to refrain from providing certain types of non-audit services from the year immediately prior to the first audit year.

Given the above, the Shareholders' Meeting, called to approve the Company's financial statements as at 31 December 2023, is also called upon to resolve on the choice of the new independent auditor of Generalfinance, as well as to approve its remuneration and the associated adjustment criteria, based on the reasoned proposal of the Board of Statutory Auditors (the "**Reasoned Proposal**").

In accordance with the provisions of the aforementioned art. 16 of the Regulation, since it is the assignment of the independent audit for a Public Interest Entity ("**PIE**") as defined by art. 16 of the Decree, the Reasoned Proposal provides two possible alternatives for the engagement and indicates the preference for one of the two.

The preliminary process for the assessment of the offers was guided by the Board of Statutory Auditors and supported by the **Financial Reporting Manager** and by the Legal and Corporate Affairs Department, with whom the Board of Statutory Auditors met on several occasions, in order to constantly monitor the progress of the entire process. In addition, the Board of Statutory Auditors held specific meetings to discuss the matter in question and met, also informally, with the Financial Reporting Manager who had direct contacts with the candidate independent auditing companies.

#### **The tender process**

The tender process was officially launched on 17 January 2024 by means of a special letter of invitation to offer (the "**Letter of Invitation**"), by virtue of which only three companies of the same standing as the one currently appointed were asked (the *big four*, with the exclusion of Deloitte & Touche S.p.A., as auditor whose mandate is due to expire, to be replaced) to provide their offers and the related supporting documentation (the "**Engagement Proposal**") by 16 February 2024, a deadline then extended, for organisational reasons, to 2 March 2024.

The Letter of Invitation, defined on the basis of market benchmarks, made it possible to define the contractual conditions in advance for the audit of Generalfinance, including:

- the terms and methods of the offer, with particular reference to legal and economic aspects;

- the list of items of information required with reference to the governance of the independent auditing company, the relative coordination mechanisms, the independence and incompatibilities, the technical expertise of the team, the presence on the market in terms of geographical coverage and the economic offer;
- the description of the audit services or voluntary services to be quoted;
- the object of the engagement (auditing of the accounts, including therein the verification of the regular keeping of the accounts and the correct recognition of the operating events in the accounting records, the verification of the consistency of the report on operations and of some specific information contained in the report on corporate governance and the ownership structures indicated in art. 123-bis of the Consolidated Law on Finance with the financial statements and their compliance with the law, as well as the limited audit of the condensed half-yearly financial statements) and, specifically:
  - the audit of the financial statements, carried out on the financial statements prepared by the Company on the basis of the “IFRS” adopted by the European Union, as well as the provisions issued in enforcement of art. 9 of Italian Legislative Decree no. 38 of 28 February 2005; it should be noted that the Company, being listed on the Euronext STAR Milan segment, is required to produce the financial statements both in Italian and English;
  - where the Company is required to prepare consolidated financial statements, the audit of the consolidated financial statements, carried out on the financial statements prepared by the Company on the basis of the international accounting standards (“IFRS”) adopted by the European Union, as well as the provisions issued in enforcement of art. 9 of Italian legislative decree no. 38 of 28 February 2005;
  - verification, during the year, of the regular keeping of the company accounts and the correct recognition of the operating events in the accounting records;
  - verification of the consistency of the report on operations and the information of the report on corporate governance and ownership structures pursuant to art. 123-bis paragraph 1, letters c), d), f), l), m) and paragraph 2 letter b) of Italian Legislative Decree 58/98 with the financial statements and the verification of their compliance with the law as well as the issue of a declaration regarding the identification of significant errors in the report on operations;
  - verification of the preparation, by the Directors, of the second section of the Report on the remuneration policy and compensation paid, as envisaged by paragraph 8-bis of Art. 123-ter of Italian Legislative Decree 58/98;
  - the checks on the compliance of the draft financial statements, included in the annual financial report, and if applicable - where the Company is required to prepare the consolidated financial statements - of the consolidated financial statements with the provisions of Delegated Regulation (EU) 2019/815 on the regulatory technical standards relating to the specification of the European Single Electronic Format (ESEF) (hereinafter also the “Delegated Regulation”);
  - the limited audit of the condensed half-year financial statements and possibly - where the Company is required to prepare consolidated financial statements - of the consolidated financial statements prepared by the Company on the basis of the international accounting standard applicable to interim financial reporting (IAS 34) adopted by the European Union, pursuant to art. 154-ter, paragraph 2 of Italian Legislative Decree no. 58 of 24 February 1998;
  - audits aimed at the signing of Tax Returns (SC, IRAP and 770 income tax return forms) based on art. 1, paragraph 5, Presidential Decree no. 322 of 22 July 1998;
  - services other than mandatory ones:
    - i. the quarterly checks of the Hedge Ratio envisaged by the loan agreement entered into by Generalfinance with a pool of lending banks on 4 November 2021, as subsequently renewed (the "**Loan Agreement**"), according to the methods indicated in Annex 1 of the Loan Agreement itself;

- ii. the annual audits on the Financial Parameter envisaged by the Loan Agreement, according to the methods indicated in Annex 2 of the Loan Agreement;
- iii. quarterly, half-yearly and annual statements - where required by the Company - for the purpose of including the profit for the period, net of expected dividend income, in own funds reported to the Bank of Italy.

### **Procedure for selecting the companies to be invited to the tender**

The selection procedure was defined and conducted in full compliance with art. 16 of the Regulation with the aim of guaranteeing a high quality independent audit service, suited to the size of the Company and the nature of its business.

The Board of Statutory Auditors firstly shared with the competent corporate structures the criteria considered for the identification of the independent auditors to be invited to the tender, the structure of the offer request and the evaluation criteria of the proposals received.

Three companies were identified (namely KPMG S.p.A., EY S.p.A. and PricewaterhouseCoopers S.p.A.), deemed compliant with the aforementioned standards; these companies were therefore sent a formal invitation to participate in the tender for the assignment of the independent audit mandate.

Only KPMG S.p.A. and EY S.p.A. have produced the required documentation.

### **Evaluation criteria**

The Board of Statutory Auditors has previously identified the evaluation metrics to be used for the analysis of the Engagement Proposals, whose analysis is based on the information provided in the documents sent by the Proposer and on that independently acquired by Board of Statutory Auditors.

The existence of some key requirements was assessed:

- characteristics of the Proposer and information on its independence;
- specific professional experience in the financial sector, proven by the fulfilment of auditing engagements at comparable companies;
- an adequate level of economic independence with respect to the income that would derive from the mandate granted by the Company.

The Board of Statutory Auditors assessed the Engagement Proposals in full autonomy.

### **Evaluation of offers**

The Board of Statutory Auditors, having consulted the Financial Reporting Manager, assessed and discussed the two Engagement Proposals received and independently acquired additional assessment elements, in addition to those already included in the Engagement Proposal documents.

The documentation collected, the meetings held and the analyses conducted showed the high quality of the offers received and the professionalism of the audit teams presented.

The Engagement Proposal of the company EY S.p.A. was of equal quality and professionalism but more advantageous from an economic perspective.

In view of the above, the Board of Statutory Auditors, in relation to the assignment of the independent audit of the accounts of Generalfinance S.p.A. for the nine-year period 2026-2034, on the basis of the selection procedure, the Engagement Proposals received, the assessments carried out and the results of the same, considering that art. 16 of the Regulation provides that the reasoned proposal to the Shareholders' Meeting contains at least two possible engagement alternatives and requires the expression of a duly justified preference for one of them,

## RECOMMENDS

to the Shareholders' Meeting of Generalfinance S.p.A., pursuant to art. 16 paragraph 2 of European Regulation no. 537/2014 as well as articles 13 and 17 of Italian Legislative Decree 39/2010, to appoint one of the following two companies to audit the accounts for the nine-year period 2026-2034: EY S.p.A. or KPMG S.p.A.

## EXPRESSING ITS PREFERENCE

for the company EY S.p.A., with registered office in Milan, Via Meravigli no. 12, as its Proposed Engagement presents better economic conditions, namely the following:

	<b>EUR</b>
Total audit services	84,000
Total non-audit services	13,000
<b>Overall total</b>	<b>97,000</b>
<b>Total audit, if any, of the consolidated financial statements</b> (if the Company is so required during the term of office)	<b>20,200</b>
The Engagement Proposal provides for the ISTAT adjustment and the repayment of expenses in a lump sum equal to 3% of the fees.	

The Board of Statutory Auditors, in compliance with art. 16, paragraph 2 of Regulation (EU) 537/2014,

## DECLARES

that this recommendation was not influenced by third parties and that none of the clauses of the type referred to in paragraph 6 of the aforementioned Art. 16 of the Regulation were applied.

Milan, 4 March 2024.

on behalf of the Board of Statutory Auditors

The Chairman

Paolo Francesco Maria Lazzati