



EXPLANATORY REPORT OF THE BOARD OF DIRECTORS ON THE AGENDA ITEMS OF THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF SECO S.P.A. CALLED FOR APRIL 29, 2024

Point 4 on the Agenda

4. *Appointment of the Board of Statutory Auditors.*

4.1 *Appointment of the Statutory Auditors and Alternate Auditors;*

4.2 *Appointment of the Chairperson of the Board of Statutory Auditors;*

4.3 *Determination of remuneration.*

Dear Shareholders,

the approval of the financial statements for the year ended December 31, 2023, concludes the term of office of the Board of Statutory Auditors of your company (the "**Company**" or "**SECO**"), appointed by the Shareholders' Meeting on March 1, 2021, based on the provisions of the By-Laws in effect on the date of the appointment and therefore prior to the trading commencement date (the "**Trading Commencement Date**") of SECO's shares on the regulated market Euronext STAR Milan ("**Euronext STAR Milan**"), organized and managed by Borsa Italiana S.p.A. ("**Borsa Italiana**"), without the application of slate voting. It is therefore necessary to appoint the new supervisory body and its Chairperson, in compliance with the applicable statutory and regulatory provisions.

In this regard, please note the following in particular.

Composition of the Board of Statutory Auditors

In accordance with Article 24.1 of the By-Laws, the Board of Statutory Auditors comprises 3 (three) Statutory Auditors and 2 (two) Alternate Auditors.

The members of the Board of Statutory Auditors are appointed for a period of 3 (three) years. Their mandate expires on the date of the Shareholders' Meeting called for the approval of the financial statements relating to the third year in office. They are eligible for re-election.

Statutory Auditors must meet the requirements provided under the relevant legislation, including regulations *pro tempore* in force, including those on the maximum number of positions as per the legislation, including regulations, *pro tempore* in force. For the purposes of Article 1, Paragraph 2 (b) and (c) of Minister of Justice Decree No. 162 of March 30, 2000, as subsequently amended and supplemented, matters regarding commercial law, corporate law, tax law, business economics, corporate finance, disciplines with similar or assimilated subject matter, and finally matters and areas pertaining to the field of activity carried out by the Company and referred to in Article 4 of the By-Laws, are considered strictly within the scope of the Company's business.

The Board of Statutory Auditors must also be composed in compliance with rules on gender balance pursuant to Article 148, paragraph 1-*bis*, of Legislative Decree No. 58/1998 (the "**CFA**"), taking into account the provisions of Article 25 of the By-Laws as specified below.

We also note that since the Board of Statutory Auditors functions as the "*Internal Control and Audit Committee*" pursuant to Article 19 of Legislative Decree No. 39/2010 (as amended by Legislative Decree No. 135/2016), the members of the Board of Statutory Auditors must be, as a whole, competent in the field in which the Company operates.

Finally, we also note that the Corporate Governance Code promoted by the Corporate Governance Committee, with which the Company complies (the "**Corporate Governance Code**"), recommends that the supervisory body should be composed so as to ensure the independence and professionalism of its function and that all members of the supervisory body should meet the independence requirements of the Corporate Governance Code for Directors.

In this regard we note that the SECO Board of Directors, with the support of the Appointments and Remuneration Committee, has defined the quantitative and qualitative criteria for assessing the significance of relationships (including financial ones) that could compromise the independence of its members, (which also apply to the members of the Company's Board of Directors, with the appropriate modifications, as resolved by SECO's Board of Statutory Auditors); these criteria are specified in the *"Policy for the identification of qualitative and quantitative criteria for assessing the significance of situations that may compromise the independence of Directors provided for in Article 2, Recommendation No. 7 (c) and (d) of the Corporate Governance Code"* published on SECO's website (www.seco.com/it).

Without prejudice to the legal and By-Laws requirements regarding professionalism and gender balance, Shareholders are invited to propose nominations that give appropriate consideration to the guidelines expressed by the outgoing Board of Statutory Auditors at its meeting on March 14, 2024, contained in the document attached to this Report (the **"BoSA Guideline"**).

Mechanism to appoint the Board of Statutory Auditors on the basis of slate voting

Pursuant to Article 25 of the By-Laws, the Shareholders' Meeting appoints the standing and alternate members of the Board of Statutory Auditors on the basis of slates submitted by shareholders in the manner set out below, in compliance with the gender balance rules set forth in Article 148, paragraph 1-bis, of the CFA and other relevant provisions in force.

In this regard, we note that with reference to the term of office of the new Board of Statutory Auditors, taking into account that this is the slate appointment of the Company's Board of Statutory Auditors following the Trading Commencement Date, the under-represented gender must obtain at least one-fifth (rounded down) of the standing members of the Board of Statutory Auditors, in accordance with the provisions of Article 1, paragraph 304 of Law No. 160/2019¹.

Slates may be submitted by shareholders who, at the time of submitting the slate, own shares, alone or with others, representing at least the minimum percentage of the share capital with voting rights at the Ordinary Shareholders' Meeting as set down by Consob. In this regard, it should be noted that Consob has set the shareholding required to submit slates for the election of the Company's Board of Statutory Auditors at 2.5% of the share capital (see the Executive Determination of the Head of the Corporate Governance Division of Consob No. 92 of January 31, 2024).

Each shareholder, shareholders who are members of a shareholder agreement pursuant to Article 122 of the CFA, the parent company, the subsidiaries and those subject to joint control and any other party among which there is a connection, even indirectly, pursuant to the applicable law and regulations, may not submit or take part in the submission of more than one slate or vote for different slates, either directly or through a nominee or trust company.

¹ Pursuant to Article 1, paragraph 304 of Law No. 160 of December 27, 2019, *"the allocation criterion of at least one-fifth provided for in Article 2 of Law No. 120 of July 12, 2011 for the first renewal following the date on which trading commences"*, remains unaffected.

Each candidate may run on one slate only, on penalty of ineligibility.

Each slate bears the names, listed in sequential order, of a list of candidates not exceeding the number of members to be elected.

The slates comprise 2 (two) sections: one for candidates for the position of Statutory Auditor and the other for the position of Alternate Auditor. The first candidate in each section must be a registered auditor and have practiced the profession of legal auditor for a period of no less than 3 (three) years. Should they not comply with this requirement in the period immediately preceding their appointment, the other candidates must comply with the other professional requisites set out in the applicable legislation and regulations.

Every slate that contains - considering both sections together - a number of candidates equal to or greater than 3 must also include candidates belonging to both genders, so as to ensure a composition of the Board of Statutory Auditors that complies with the aforementioned rules on gender balance.

We also note that Shareholders presenting a "Minority Slate" should comply with the recommendations of Consob under Communication No. DEM/9017893 of February 26, 2009.

Slates must be received by the Company in one of the following ways:

- delivery by certified electronic mail to seco.corporate@pec.it by Thursday, April 4, 2024, together with a copy of a valid identity document of the those presenting the slate;
- delivered to the registered office in Arezzo, Via Achille Grandi, No. 20, to the kind attention of the Lawyer Alessandro Guido, on working days, by 18:00 pm on Thursday, April 4, 2024.

The slates shall be accompanied by:

(a) information concerning the identity of the shareholders who have submitted the slates, with an indication of the total percentage of the shareholding, together with certification issued by a broker authorized by law proving said ownership, it being understood that this certificate may be presented also after the slates have been filed, provided this is within the deadline set for the publication of the slates by the Company as specified below;

(b) a statement by shareholders other than those who hold, including jointly, a controlling interest or a relative majority, certifying the absence of any connection, even indirect, with the latter, pursuant to the applicable law and regulations;

(c) exhaustive information on the personal and professional characteristics of the candidates, with an indication as to the positions of administration and control held in other companies, along with a declaration by those candidates certifying that they are in possession of the requisites, including those of good standing, professionalism, independence, and those relating to the accumulation of positions held, provided for by the law and other applicable regulations and by the By-Laws, and their acceptance of the nomination and of the position, if elected;

(d) any other or differing statement, information and/or document provided for by the applicable law or regulations.

Slates presented that do not comply with the above provisions are considered as not presented. However, lack of documentation relating to individual candidates on a slate shall

not imply the automatic exclusion of the entire slate, but only of those candidates who do not meet the requirements.

In the event that only one slate - or only slates submitted by shareholders between whom there are significant relationships pursuant to the law and regulations *pro tempore* in force - is filed by the deadline for the submission of slates as indicated above (Thursday, April 4, 2024), slates may be submitted until the 3rd (third) day following that date (pursuant to Article. 144-sexies, paragraph 5, of Consob Regulation No. 11971/1999, the "**Issuers' Regulation**"), i.e., by (and no later than) 10AM on Monday, April 8, 2024 (the "**Reopening of the Deadline**"); in the event of Reopening of the Deadline, the minimum threshold for the submission of slates is reduced to half, i.e. 1.25% of the share capital.

The slates will be publicized as per the laws and regulations in *pro tempore* in force. Specifically, at least twenty-one days before the date of the Shareholders' Meeting (Monday April 8, 2024) the slates shall be made available to the public at the registered office, on the Company's website (www.seco.com) and by the other means established by Consob.

Pursuant to Article 144-sexies, paragraph 4-*quater* of the Issuers' Regulation, ownership of the total shareholding held by those presenting slates shall be attested by the intermediary authorized to maintain accounts, who shall send to the Company the notice provided for in Article 43 of Consob and Bank of Italy's consolidated regulation on post-trading of August 13, 2018 ("*Regulations on central counterparties, central depositories and centralized management activities*") including after the slate has been filed, provided that it is at least twenty-one days before the date set for the Shareholders' Meeting on single call, i.e., by 18:00 pm on Monday April 8, 2024. The ownership of the holding is established considering the shares which have been registered in favor of the shareholder on the day on which the slates are filed with the Company.

Method to appoint the Board of Statutory Auditors

Pursuant to Article 25.6 of the By-Laws, the Board of Statutory Auditors is elected as follows:

- a) 2 (two) Statutory Auditors and 1 (one) Alternate Auditor are chosen from the slate that has obtained the highest number of votes, in the order in which they are listed in the corresponding sections of the slate;
- b) the remaining Statutory Auditor and the remaining Alternate Auditor are chosen based on the progressive order in which they were listed in the corresponding sections of the slate that has obtained the second highest number of votes after the slate referred to in letter a) above, votes cast by shareholders who are not connected in any way, either directly or indirectly, pursuant to the legislation and applicable regulations, with the shareholders who submitted or voted for the slate that obtained the highest number of votes.

In the event of parity between slates, the slate submitted by the shareholders holding the largest shareholding, or subordinately by the largest number of shareholders, shall prevail.

If, at the end of the vote and with the candidates duly elected, the composition of the Board of Statutory Auditors does not comply with applicable law and regulations on gender balance among the candidates for the position of Statutory Auditor, the candidate of the over-represented gender elected last in progressive order in the related section of the slate which obtained the highest number of votes shall be excluded, and replaced by the first unelected candidate of the same section of the under-represented gender according to the progressive order. At the end of this replacement procedure, should the composition of the Board of Statutory Auditors not comply with applicable law and regulations on gender balance, the replacement shall be carried out by means of a motion passed by the Shareholders' Meeting, subject to the presentation of candidates from the under-represented gender.

If the number of candidates elected on the basis of the slates submitted is lower than the number of Auditors to be elected, the remaining Auditors shall be elected by the Shareholders' Meeting with a majority of the votes cast and, in any case, in such a way as to ensure compliance with the applicable law and regulations on gender balance. In the event of a tie between multiple candidates, a further ballot shall take place and the candidate who obtains the highest number of votes shall be elected.

If only one slate is submitted, the Shareholders' Meeting shall vote on it and, if that slate obtains the majority of votes cast, all members of the Board of Statutory Auditors shall be taken from this slate, in compliance with the applicable law and regulations, including those concerning gender balance.

The Chairperson of the Board of Statutory Auditors is the Statutory Auditor elected from the Minority Slate referred to in letter b) above, unless only one slate is voted for, or no slate is submitted. In such cases, the Chairperson of the Board of Statutory Auditors is appointed by the Shareholders' Meeting based on the majority of the votes represented therein.

In the event that no slate is submitted, or if only one slate is submitted and does not obtain the majority of votes at the Meeting, or if the whole Board of Statutory Auditors is not to be renewed, or if it is not possible for any reason to appoint the Board of Statutory Auditors according to the aforementioned procedures provided under Article 25.6 of the By-Laws, the members of the Board of Statutory Auditors shall be appointed by the Shareholders' Meeting according to the ordinary procedures and the majority of the votes cast, without application of the slate voting mechanism, and in any case so as to ensure compliance with the applicable law and regulations on gender balance.

Determination of the remuneration of the Board of Statutory Auditors

Finally, we note that, pursuant to Article 2402 of the Civil Code, the Shareholders' Meeting will also be called upon to determine the compensation to be paid to the members of the control body for its entire term of office.

In this regard, we also note that the Corporate Governance Code recommends that the compensation of the Board of Statutory Auditors should be appropriate to the competence,

professionalism, and commitment required by the significance of the role held and the size and sector characteristics of the Company and its circumstances.

In this regard, Shareholders are invited to give due consideration to the remuneration guidance expressed by the outgoing Board of Statutory Auditors and contained in the BoSA Guideline attached to this Report.

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Finally, we invite:

- Shareholders submitting their own slate of candidates for appointment to the Board of Statutory Auditors to ensure that these slates are accompanied by all the information necessary to enable shareholders to cast their votes in an informed manner, including an indication of the candidate they intend to propose to the Shareholders' Meeting as Chairperson of the Board of Statutory Auditors (if drawn from that slate);
- Shareholders submitting a slate containing more than half of the members to be elected to formulate - and to send to the certified e-mail address *seco.corporate@pec.it*- the proposals required for the appointment of the Board of Statutory Auditors (remuneration), well in advance so that these proposals can be published by the Company at the same time as the slates.
- Shareholders submitting a "minority list", to consider the recommendations made by Consob's Communication No. DEM/9017893 of 26 February 2009.

Arezzo, March 18, 2024

For the Board of Directors

The Chairperson

Daniele Conti

Guidance to SECO S.p.A. shareholders

regarding the appointment of the Board of Statutory Auditors 2024-2027

The next Shareholders' Meeting will renew the Board of Statutory Auditors. As such, and having come to the end of its mandate, the latter has provided this document for shareholders, drawing from its experience and the results of its self-assessment. This text provides guidance on the optimal quantitative and qualitative composition of the Board of Statutory Auditors, to be proposed to the Shareholders' Meeting.

Context

The guidance provided by the outgoing Board comes at the end of a mandate that has seen the Company transform into a Group with a strong international outlook, and one that is constantly strengthening its management structure. The increase in the Group's size and geographic extension has naturally created increased complexity at the organizational level and in terms of procedural and information flows. This also necessarily changes the Board of Statutory Auditors' approach to its role as supervisor of the parent company. Finally, the functions required of the control body have been and will be further expanded in terms of monitoring activities as European-level implementing regulations come into force over the next three years (regarding, among other matters, the statutory audit and non-financial reporting).

Size, Requirements, Tenure, and Diversity

The Company's By-Laws provide that the Board comprise three Statutory Auditors and two Alternate Auditors, and, among the professionalism requirements for its members, places particular emphasis on commercial law, business economics and corporate finance. The Board draws shareholders' attention to the need to comply with the regulatory requirement that the Board as a whole must possess expertise in the field in which the company operates. The Board recognizes the value of diversity - and not just of gender - in its composition, in relation to the primary objective of ensuring adequate skill and professionalism among its members.

In addition to the Standards of Conduct of the Board of Statutory Auditors, for the purposes of this document we believe that the Corporate Governance Code's recommendations for the outgoing Board of Directors may also be applicable to a Board of Statutory Auditors renewal.

Time availability

To effectively perform their role, it is vital that candidates give full evidence that they have the necessary time to prepare for and carry out the demanding work of the assignment. The Chairperson of the Board must also be able to commit the time required to prepare, organize and coordinate activities and meetings, in addition to their participation in meetings of internal Board committees.

Experience, Skills

Based on the experience gained and the activities and challenges that the new body will have to face, the Board considers it essential that the professionals appointed possess - as a whole - adequate experience in large and internationally operating listed companies in a variety of industrial sectors, with complex and multi-faceted governance.

The Board of Statutory Auditors has also identified the ability to work in a team and manage complexities in a constructive and balanced manner as essential qualities for its efficient and effective functioning. Against this backdrop, the Chairperson of the Board must ensure full cohesion and collaboration between members, in addition to appropriate and efficient interaction with the other corporate bodies and with all company figures generally, and in particular those responsible for managing the Internal Control and Risk Management System.

Finally, the Board suggests that the following areas should be prioritized when assessing the key skills, experience and knowledge - including soft skills - that the Board of Statutory Auditors should possess:

- expertise in financial and non-financial reporting;*
- expertise in risk management, governance and compliance;*
- experience in corporate finance and M&A transactions;*
- collaboration, influence and resolution of potential conflicts;*
- assertiveness, dialogue skills, integrity, standing and communication skills.*

Remuneration

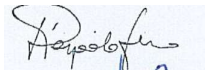
The Board of Statutory Auditors deems it appropriate to mention the Corporate Governance Code, which establishes that, to attract staff of adequate standing, the remuneration of members of the control board must provide appropriate compensation considering the skill, professionalism and commitment required by the role. It should also take into account the company's size, sector and circumstances, and should be defined considering the remuneration practices applied in the sector in question and for companies of a similar size, also taking into account overseas companies and practices.

The remuneration awarded to Non-Executive Directors, inclusive of their fees for committee participation, is a useful comparison in assessing the adequacy and fairness of the remuneration awarded by the Shareholders' Meeting to Board members.

March 14, 2024

The Board of Statutory Auditors

Mr. Pierpaolo Guzzo



Dott. Gino Faralli



Dott. Fabio Rossi

