DIRECTORS' REPORT
ON THE FIRST ITEM ON THE AGENDA
(extraordinary part)

for the Ordinary and
Extraordinary Shareholders' Meeting
of Equita Group S.p.A.
of 29 April 2021

(published on 29 March 2021)

ITEM 1 ON THE AGENDA

1. Paid share capital increase in accordance with Art. 2441, paragraph 8 of the Italian Civil Code and consequent modification of the Articles of Association: related and consequent resolutions.

Dear Shareholders,

The Board of Directors, also in view of the modifications to the incentive plans indicated in the third and fourth item on the Agenda (ordinary part), suggests to the Shareholders' Meeting to resolve on the issuance of shares to be offered for subscription to employees of the Company or of subsidiary companies, thus excluding the right of option in accordance with Art. 2441, paragraph 8 of the Italian Civil Code, as part of and for the purpose of implementing the two incentive plans currently in force and approved by the shareholders' meeting (namely, the "*2019-2021 Equita Group Plan based upon financial instruments*" and the "*2020-2022 Equita Group Plan for senior management based upon Stock Options*") as well as, residually, in the event that shares are owed, the further incentive plans approved from time to time by the shareholders' meeting, in conformity with the remuneration policies adopted by the Company ("*Paid Increase*").

The proposed Paid Increase resolution would give greater flexibility to the Company if the beneficiaries exercise the *Stock Options*/purchase options envisaged by the incentive plans, thereby allowing the Company not to use treasury shares at all or exclusively in service of the *Stock Options*/purchase options of the incentive plans; those shares are, on the other hand, particularly useful for extraordinary operations or to attract qualified personnel.

In particular, the Shareholders' Meeting is asked to approve the Paid Increase having the following characteristics:

(i) maximum amount of the Paid Increase of Euro 800,000, by way of issuance of a maximum 3,500,000 new shares, all without indication of par value ("*Newly-Issued Shares*"), with exclusion of the right of option in accordance with Art. 2441, paragraph 8 of the Italian Civil Code, to be offered for subscription exclusively to employees of the Company and/or of subsidiary companies as part of the two incentive plans currently in force as well as, residually, if shares are owed, the further incentive plans approved from time to time by the Shareholders' Meeting, in conformity with the remuneration policies adopted by the company;

(ii) issuance price of the Newly-Issued Shares determined in accordance with the incentive plans;

(iii) for each Newly-Issued Share, allocation to capital of an amount at least equal to the implicit par value of the outstanding shares at the time of issuance;

(iv) if the aforementioned Paid Increase is not fully subscribed by 31 May 2028 (date that coincides with the end of the exercise period of the *Stock Options* indicated in the "*2020-2022 Equita Group Plan for senior management based upon Stock Options*"), reduction of the increase within the limits of the subscriptions made; and

(v) immediate effectiveness (with consequent simultaneous attribution of the subscribed shares and respective corporate rights) of the individual subscriptions (to be implemented according to the methods and timescales envisaged in the incentive plans), even partial and/or by tranches.

In order to facilitate more efficient management of the issuance process, it is proposed to grant to the Managing Director every power to execute the Paid Increase, to issue the respective shares, to identify the assignees as part of incentive plans approved by the Shareholders' Meeting, to deal with the processes and formalities necessary for the exact execution of the Paid Increase, with the right also:

– to establish the issuance price of the Newly-Issued Shares, in accordance with the provisions of the incentive plans;
– to establish the terms and methods for exercising the *Stock Options*/purchase options, including the effective date of the exercise of the same and the consequent assignment of shares, in accordance with the provisions of the incentive plans;
– to establish the methods for subscribing and paying the Paid Increase, in accordance with the provisions of the incentive plans;
– to fix the start date of enjoyment of the Newly-Issued Shares, in accordance with the provisions of the incentive plans;
– to proceed, in accordance with Art. 2436, final paragraph of the Italian Civil Code, from time to time, to file the updated articles of association with the new text of Art. 5, together with the filing of the certification of subscription of the Paid Increase, in accordance with Art. 2444 of the Italian Civil Code, or the expiry of the subscription period.

In addition, with the approval of this resolution, the Shareholders' Meeting is asked to approve the insertion, at the foot of Art. 5 of the articles of association, of a new paragraph having the following wording: "*The shareholders' meeting on 29 April 2021 resolved upon the increase of the share capital for a maximum nominal Euro 800,000 by way of issuance of a maximum 3,500,000 shares without par value, in service of incentive plans in favour of employees of the Group, to be subscribed by 31 May 2028*".

The motivations underlying the aforementioned Paid Increase proposal are indicated below, noting in particular that:

(i) by virtue of the "*2019-2021 Equita Group Plan based upon financial instruments*" (which states that the maximum number of *Stock Options* and *Performance Shares* available to that plan is 3,000,000):

- the maximum number of *Stock Options* that it is considered may be attributed (and therefore of shares that can be purchased/subscribed by exercising the *Stock Options*) is approximately 2,200,000;
- the maximum number of *Performance Shares* that it is considered may be attributed (and thus shares that can be assigned) is approximately 800,000; the plan approved by the Shareholders' Meeting currently states that the shares originating from the accrual of the *Performance Shares* may consist of treasury shares or newly-issued shares by way of free capital increase pursuant to Art. 2349 of the Italian Civil Code;

(ii) by virtue of the "*2020-2022 Equita Group Plan for senior management based upon Stock Options*", the maximum number of *Stock Options* available to that plan, and therefore shares that can be purchased/subscribed by exercising the *Stock Options*, is 1,300,000;

(iii) in light of the above, the maximum total number of *Stock Options* available to the "*2019-2021 Equita Group Plan based upon financial instruments*" and the "*2020-2022 Equita Group Plan for senior management based upon Stock Options*", and therefore shares that can be purchased/subscribed by exercising the *Stock Options* by virtue of the two incentive plans, amounts to 3,500,000, namely exactly the maximum number of shares of which it is suggested that the Shareholders' Meeting resolves upon the issuance by way of the Paid Increase in place of the use of a corresponding number of treasury shares (which, as already illustrated, are considered to be more appropriate to allocate for the benefit of extraordinary finance operations and/or attraction of qualified staff).

It is also noted that, by virtue of the aforementioned Paid Increase, the maximum diluting effect on the capital, respectively, of the "*2019-2021 Equita Group Plan based upon financial instruments*" and the "*2020-2022 Equita Group for senior management based upon Stock Options*" would remain unchanged, at, respectively, 5.66% and 2.53%.

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THE EQUITA GROUP S.P.A. BOARD OF DIRECTORS