

DIRECTORS' REPORT
ON THE FIFTH AND SIXTH ITEMS ON THE
AGENDA
(ordinary part)

*for the Ordinary and
Extraordinary Shareholders'
Meeting of Equita Group
S.p.A.
of 28 April 2022*

(published on 29 March 2022)



ITEM 5 ON THE AGENDA

5. New incentive plan based upon financial instruments known as “2022-2024 Equita Group Plan based on financial instruments”: related and consequent resolutions.

Dear Shareholders,

The Board of Directors want to submit to the Shareholders’ Meeting, in accordance with article 114-bis of Italian Legislative Decree no. 58 of 1998 (“TUF”), as later amended, approval of a new incentive plan called “2022-2024 Equita Group Plan based on financial instruments” (**2022-2024 Equita Group Plan**”).

The adoption of the 2022-2024 Equita Group Plan has become opportune since 2021 represents the last of three years governed by the “2019-2021 Equita Group Plan based on Financial Instruments” in relation to which financial instruments could be assigned as part of the annual incentive cycle.

Therefore, due to the expiration of the aforesaid “2019-2021 Equita Group Plan based on Financial Instruments”, it has become opportune - including in light of the normative requirements concerning remuneration of “Key Personnel” (so-called risk takers) to propose to the Shareholders’ Meeting the approval of a new three year remuneration plan based on financial instruments.

The 2022-2024 Equita Group Plan is an incentive, retention and attraction instrument of beneficiaries and is aimed at creating a more direct involvement in the process of creating value for the Company of those subjects who hold positions determinant for the growth and development of the same, attracting, inter alia, qualified personnel, and in general, anyone who can collaborate in the Company’s and its subsidiaries’ business growth.

In particular, the beneficiaries of the 2022-2024 Equita Group Plan include (i) employees and, if the Board of Directors deems it appropriate, contractors of Group companies, in consideration of the tasks assigned to them and for the duration thereof, as well as (ii) directors and categories of personnel whose professional activities have or may have a significant impact on the Group’s risk as a whole.

Specifically, the 2022-2024 Equita Group Plan envisages that a part (upfront and/or deferred) of the variable amount can be recognised in the form of financial instruments, in compliance with applicable laws as well as the Remuneration Policy in force from time to time, in the Company’s annual incentive cycle, taking into account if a beneficiary is among the “Key Personnel” (so-called risk takers). Therefore, after specific performance targets have been met both at company level (so-called gates) and individual, as well as taking into account if the beneficiary is included among Key Personnel, the Company, at the terms and conditions as per the 2022-2024 Equita Group Plan Regulations (which will be submitted for approval of the Board of Directors after the hoped for approval of the 2022-2024 Equita Group Plan by the Shareholders’ Meeting) assign at no cost to beneficiaries, for the upfront and/or deferred part of the variable amount, one or more of the following financial instruments (“**Financial Instruments**”):

- Company shares from capital increases at no cost or, up to the Company’s discretion, treasury shares (“**Shares**”); and/or

- "Performance Shares", i.e. rights to receive Shares on a later date (variable based on whether the beneficiary is among Key Personnel or not), in the ratio of 1 Share for each Performance Share assigned (in particular, the Shares are from capital increases at no cost or, up to the Company's discretion, treasury shares ("**Performance Shares**"); and/or
- "Stock Options", i.e. rights to subscribe Shares in a certain period, in the ratio of one Share for each assigned Stock Option, at an exercise price established on the assignment date of the same Stock Options (in particular, the Shares, would come from capital increases for consideration or, up to the Company's discretion, treasury shares) ("**Stock Options**"); and/or
- "Phantom Shares", i.e. the unit representing the value of 1 Share to convert into a bonus, i.e. a gross amount in cash paid to each beneficiary according to the following formula: number of Phantom Shares assigned to the beneficiary multiplied by the "normal share value" ("**Phantom Shares**");
- "Subordinated Bonds", i.e. newly issued subordinated bonds (Tier 2), with unit par value equal to Euro 1,000 each, that pay annual interest at the gross rate of 5.5% (or at a different interest rate determined by the Board of Directors, before issue of the relative subordinated debt, based on market conditions), issued in dematerialised form and obligatorily convertible in Shares when the Company's common equity tier 1 ratio falls below the threshold required by laws applicable from time to time (in that case, for the purposes of obligatory conversion, treasury shares would be used). With the exception of cases of early reimbursement of obligatory conversion, described in the information document, the repayment of the Subordinated Bonds is made in a lump sum on the expiration date (i.e. 5 years after the date when the Subordinated Bonds were assigned by the Board to the beneficiary) at 100% of the par value of the same Subordinated Bonds ("**Subordinated Bonds**"). The issue of Subordinated Bonds will be voted on in later Board of Directors' meetings, in accordance with article 2410 of the Italian Civil Code, through notary minutes.

According to the 2022-2024 Equita Group Plan, the Financial Instruments would be assigned by the Board of Directors, in the Company's annual incentive cycle and relative to the years 2022, 2023 and 2024, on the "Assignment Date" while they would be definitively assigned to beneficiaries on a later date, i.e. the "Assignment Date", variable depending on whether the beneficiary is among the Key Personnel or not.

The 2022-2024 Equita Group Plan entails the physical delivery of the Shares (including to assign due to maturity of the Performance Shares and exercise of the Stock Options). However, the 2022-2024 Equita Group Plan also provides that, up to the sole discretion of the Board of Directors:

- in the event of assignment of Shares and/or Performance Shares, before the assignment date, the Company may decide to assign to the beneficiary, as alternative to the Shares, a cash bonus representing the value of the Shares or, in the event of "Key Personnel" (so-called risk takers), Phantom Shares;
- in the event of exercise of Stock Options, the Company may decide, without asking for payment of the exercise price, to:

- (1) attribute to the beneficiary, alternatively to the Shares, a cash bonus representing the value of the Shares (for which the Stock Options have been exercised) net of the exercise price, and/or
- (2) assign the beneficiary with a lower number of Shares determined according to the following formula: *no. Stock Options MULTIPLIED BY (normal value of the Equita Group shares MINUS the exercise price) DIVIDED BY the Normal Share Value.*

In the case of Key Personnel, the options sub (1) and (2) above are permitted only if exercise of the Stock Options occurs at the end of the “Retention Period”.

Furthermore, in reference to the Phantom Shares, the 2022-2024 Equita Group Plan entails that, alternative to payment of the cash bonus, the Board of Directors, up to its sole discretion, based on a proposal from the Remuneration Committee, may decide to assign, in all or part, Shares in a ratio of 1 Share for 1 Phantom Share, in compliance with applicable normative and regulatory provisions; If the beneficiary is among the Key Personnel, these Shares will be subject to a Retention Period.

Without prejudice that the number of Shares, *Performance Shares*, *Stock Options* and/or Subordinated Bonds assigned in accordance with the 2022-2024 Equita Group Plan will be determined based on the level of company performance targets reached or exceeded and identifiable (established time to time by the Board of Directors) as well as based on the beneficiary’s qualification as Key Personnel, for the years 2022-2024 the maximum number of Shares (including those potentially from the maturity of Performance Shares and exercise of Stock Options) assigned pursuant to the 2022-2024 Equita Group Plan, will be equal to 2.5 million while the maximum number of Subordinated Bonds assignable according to the 2022-2024 Equita Group Plan will be equal to 10,000.

Moreover, assignment of the Shares in accordance with the 2022-2024 Equita Group Plan for Company shareholders may entail a dilution of their shareholding in share capital, equal to - a maximum - of approximately 4.72%.

The 2022-2024 Equita Group Plan is to be considered of “particular importance” according to article 114-bis, paragraph 3, of TUF and article 84-bis, paragraph 2, of the Issuers’ Regulation, because Board members may be included with positions significant for achieving the Group’s strategic targets, including the Managing Directors of Group companies (even where they are not employees).

Lastly, it should be noted (i) that the 2022-2024 Financial Instruments Plan is in line with the Company’s Remuneration Policy as well as with normative and regulatory provisions applicable to the variable remuneration and Key Personnel of the Company and Group (since, for example, it entails periods of deferment and retention of financial instruments assigned to Key Personnel), and (ii) that the Company’s Remuneration Committee has expressed a favourable opinion regarding adoption of the new 2022-2024 Equita Group Plan.

The information document related to the 2022-2024 Equita Group Plan, which can be consulted for more

information, prepared in accordance with article 84-bis, article 114-bis and Annex 3A of the Issuers' Regulation, is available at the Company's registered office in Milan, Via Filippo Turati no. 9, on the Company's website www.equita.eu (*Corporate Governance* section, *Shareholders' Meetings* area) and the authorised storage mechanism *eMarket Storage* www.emarketstorage.com.

In light of the above, the Shareholders' Meeting will be called, after having read this Board of Directors' explanatory report, prepared in accordance with articles 114-bis and 125-ter of TUF and the information document prepared in accordance with article 84-bis of the CONSOB Issuers' Regulation, which has been made available to the public according to the methods described above, to:

- approve, in accordance with article 114-bis of TUF adoption of the Plan, called “2022-2024 Equita Group Plan based on financial instruments”, with the characteristics indicated in this explanatory report of the Board of Directors and information document on the plan itself;
- grant the Board of Directors, with the right of sub-delegation, every power necessary or opportune to implement the 2022-2024 Equita Group Plan, in particular by means of example but not limited to, every power to define and approve the relative regulation, identify the beneficiaries, determine the Financial Instruments to assign, assign the Shares and/or cash bonus depending on the case, amend the plan as indicated in the information document, make all the decisions, exercise every right and perform every act, requirement, formality and communication necessary or opportune for the purposes of management and/or implementation of the same plan;
- grant to the Chairman of the Board of Directors and to the Managing Director, severally, every power, with the right of sub-delegation, to carry out the legislative and regulatory requirements consequent to the adopted resolutions.

ITEM 6 ON THE AGENDA

6. **New incentive plan based upon financial instruments called “2022-2025 Equita Group Plan based on Phantom Shares” : related and consequent resolutions.**

Dear Shareholders,

The Board of Directors would like to propose to the Shareholders' Meeting, in accordance with article 114-bis of the TUF, a new incentive plan called “2022-2025 Group Equita Plan based on Phantom Shares” (“**2022-2025 Phantom Shares Plan**”), not for all of the Group's personnel but exclusively for senior management of the Group, i.e. (i) the Managing Director of the Company and other Group companies (even where they are not employees) and (ii) other Group employees/contractors that hold positions of responsibility and are able to influence the Company's results. In particular, this plan is aimed at further incentive to senior management to reach certain targets for revenue and performance in 2024, i.e. in the third year of the 2022-2024 business plan approved by the Board of Directors in this meeting.

Specifically, the 2022-2025 Phantom Shares Plan entails that, in line with the provisions of the Remuneration Policy, in 2022 the Board of Directors may assign at no cost to each beneficiary a certain number of Phantom Shares, which shall be definitively assigned in 2025 (or, as better explained in the

Information Document of the plan, in 2026), at the end of the deferral period.

In particular, in 2022, subordinate to the hoped-for approval of the 2022-2025 Phantom Shares Plan by the Shareholders' Meeting, the Board of Directors, based on a proposal from the Remuneration Committee:

- identify the beneficiaries of the 2022-2025 Phantom Shares Plan based on the criteria as per the Information Document; and
- assign free of charge to each beneficiary the rights to free assignment, in 2025, of a certain number of Phantom Shares, subordinated to (i) reaching certain performance/revenue targets, and (ii) meeting other conditions included in the 2022-2025 Phantom Shares Plan.

The final number of Phantom Shares to assign in 2025 (or, depending on what is stated in the plan Information Document, in 2026) will be determined subordinate to:

- (i) reaching certain performance targets, both individual and company in 2024 and 2025; and
- (ii) meeting other conditions included in the 2022-2025 Phantom Shares Plan.

It remains understood that if the Board of Directors finds that none or only some of the performance targets have been reached, or if the conditions required for the plan are not met, the Board of Directors may decide to assign a lower number of Phantom Shares or, depending on the case, not assign any Phantom Shares to the beneficiaries.

On the Assignment Date, the Phantom Shares give the right to payment of a cash bonus, representing the value of the Shares. The Phantom Shares assigned to Key Personnel are subject to a Retention Period and, therefore, the bonus will be paid at the end of the Retention Period.

As an alternative to payment of a cash bonus, the Board of Directors, at its sole discretion and in compliance with applicable normative and regulatory provisions, may decide to assign in 2025 (or, depending on what is stated in the plan Information Document, in 2026) all or in part, based on a proposal from the Remuneration Committee, Equita Group shares in a ratio of 1 share for 1 Phantom Share. If the Beneficiary is among the Key Personnel, these shares will be subject to the Retention Period. If Equita Group shares are assigned in lieu of payment of a cash bonus, Company treasury shares will be used for the plan.

Without prejudice to the fact that the number of Phantom Shares will be definitively assigned determined based on the level of company and individual performance targets reached or not, the maximum number of Phantom Shares that can be assigned/attribution as per the 2022-2025 Phantom Shares Plan is equal to 2,000,000.

The 2022-2025 Phantom Share Plan will not have any diluting effects unless the Board of Directors, up to its sole discretion, assigns shares (treasury) all or in part in lieu of the Phantom Shares.

In this case, assuming that all of the performance targets have been met, that the other conditions required by the plan are met, that 2 million Phantom Shares are to be assigned and that the Board of Directors at its discretion decides to attribute 2 million shares (treasury) in lieu of 2 million Phantom Shares, the maximum diluting effect would be equal to 3.81%.

Lastly, it should be noted (i) that the 2022-2025 Phantom Share Plan is in line with the Company's

Remuneration Policy as well as with normative and regulatory provisions applicable to the variable remuneration and Key Personnel of the Company and Group (since, for example, it entails periods of deferral and retention of financial instruments assigned to Key Personnel), and (ii) that the Company's Remuneration Committee has expressed a favourable opinion regarding adoption of the same 2022-2025 Phantom Shares Plan.

The information document related to the 2022-2025 Phantom Shares Plan, which can be consulted for more information, prepared in accordance with article 84-bis, article 114-bis and Annex 3A of the Issuers' Regulation, is available at the Company's registered office in Milan, Via Filippo Turati no. 9, on the Company's website www.equita.eu (Corporate Governance section, Shareholders' Meetings area) and the authorised storage mechanism eMarket Storage www.emarketstorage.com.

In light of the above, the Shareholders' Meeting will be called, after having read this Board of Directors' explanatory report, prepared in accordance with articles 114-bis and 125-ter of TUF and the information document prepared in accordance with article 84-bis of the CONSOB Issuers' Regulation, which has been made available to the public according to the methods described above, to:

- approve, in accordance with article 114-bis of TUF adoption of the Plan, called “Equita Group Plan based on Phantom Shares 2022-2025”, with the characteristics indicated in this explanatory report of the Board of Directors and information document on the plan;
- grant the Board of Directors, with the right of sub-delegation, every power necessary or opportune to implement the 2022-2025 Phantom Shares Plan, in particular by means of example but not limited to, every power to define and approve the relative regulation, identify the beneficiaries, determine the number of Phantom Shares to assign, assign the cash bonus and/or shares depending on the case, amend the plan as indicated in the information document, make all the decisions, exercise every right and perform every act, requirement, formality and communication necessary or opportune for the purposes of management and/or implementation of the same plan;
- grant to the Chairman of the Board of Directors and to the Managing Director, severally, every power, with the right of sub-delegation, to carry out the legislative and regulatory requirements consequent to the adopted resolutions.

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