



**DIRECTORS' REPORT
ON ITEMS ON THE AGENDA**

(Ordinary Shareholders' Meeting of 30 April 2019)

This is a courtesy English translation of the Italian version. In case of any discrepancy between the English translation and the Italian version, the latter shall prevail.

(Courtesy Translation)

Dear Shareholders,

this Report has been prepared by the Board of Directors of EQUITA GROUP S.p.A. (“**Equita Group**” or the “**Company**”), pursuant to art. 125-ter of Legislative Decree no. 58/1998 (“**TUF**”), for the purposes of the Ordinary Shareholders’ Meeting called at the Company’s registered office in Milan, at via Filippo Turati, 9, **in single call**, on 30 April 2019 at 11.00 a.m., to discuss the following:

AGENDA

1. *Approval of the Financial Statements as of 31st December 2018, accompanied by the Management Report of the Board of Directors, the Report of the Board of Statutory Auditors and the Report of the Auditing Firm. Allocation of the fiscal year profits and distribution of reserves. Related and consequent resolutions. Presentation of the Consolidated Financial Statements as of 31st December 2018.*
2. *Remuneration policies:*
 - 2.1 *Remuneration and incentive policies applicable to the Equita Group starting from 2019: related and consequent resolutions;*
 - 2.2 *Cap on the ratio between the variable and fixed component of the remuneration of maximum 2:1: related and consequent resolutions;*
 - 2.3 *Remuneration Report: resolution pursuant to article 123-ter, paragraph 6, of Legislative Decree no. 58 of 24th February 1998 as amended and supplemented;*
3. *2019-2021 Equita Group Compensation Plan based on financial instruments: related and consequent resolutions.*

Item 1 of the agenda

Approval of the Financial Statements as of 31st December 2018, accompanied by the Management Report of the Board of Directors, the Report of the Board of Statutory Auditors and the Report of the Auditing Firm. Allocation of the fiscal year profits and distribution of reserves. Related and consequent resolutions. Presentation of the Consolidated Financial Statements as of 31st December 2018.

Dear Shareholders,

the Annual Report of Equita Group for the fiscal year 2018, containing the Financial Statements and Consolidated Financial Statements of Equita Group for the year ending 31 December 2018, the Management Report, the declaration described in Article 154-bis, paragraph 5, of the Consolidated Finance Act, the Report of the Independent Auditors and the Report of the Board of Statutory Auditors, is made available to the public at the Company's registered office in Milan, Via Filippo Turati, 9, on the Company's website www.equita.eu (Corporate Governance section, Shareholders' Meetings area) and on the eMarket Storage authorised storage mechanism www.emarketstorage.com.

Pursuant to the law, the Shareholders' Meeting, having examined the Annual Financial Report, shall be called to approve:

1. the Board of Directors' Report on management performance;
2. the Financial Statements of Equita Group for the year ending 31 December 2018, with a net profit for the fiscal year 2018 of Euro 3,508,378.38;
3. the proposal to allocate the net profit for the fiscal year 2018 to the legal reserve for Euro 175,418.92;
4. the proposal to distribute a dividend of Euro 0.22 per outstanding share, gross of taxes, by distributing the remaining profit for the year (i.e. net of the amount allocated to the legal reserve), equal to Euro 3,332,959.46, and available reserves of Euro 6,666,475.04;
5. the payment of the dividend from 8 May 2019 onwards, subject to the detachment of coupons on 6 May 2019 and record date on 7 May 2019;
6. the granting to the Chairman of the Board of Directors and to the Chief Executive Officer, severally and with the power to subdelegate, to meet the legislative and regulatory obligations resulting from the adopted resolutions.

(Courtesy Translation)

Item 2 of the agenda

Remuneration policies:

2.1 Remuneration and incentive policies applicable to the Equita Group starting from 2019: related and consequent resolutions

Dear Shareholders,

in compliance with current legislation, on 12 February 2019, the Board of Directors of Equita Group approved the Remuneration Policies applicable to the Equita Group from 2019 onwards. The Compliance Department of the Company has expressed a favourable opinion regarding these policies, noting their substantial compliance with the current regulatory framework.

The main terms of the Remuneration Policies, applicable to the Equita Group from 2019 onwards, are contained in the document entitled “*Equita Group S.p.A.- Remuneration Policy 2019 - Executive Summary*”, as well as in the Remuneration Report (which shall be discussed in point 2.3 on the Agenda of the Shareholders’ Meeting of 30 April 2019), made available to the public at the Company’s registered office in Milan, Via Filippo Turati, 9, on the Company’s website www.equita.eu (*Corporate Governance* section, *Shareholders’ Meetings* area) and on the eMarket Storage authorised storage mechanism, www.emarketstorage.com.

In particular, the Remuneration Policies, to which reference should be made for details:

- (i) identify the recipients of the Remuneration Policies themselves;
- (ii) describe the purposes and principles underlying the Remuneration Policies;
- (iii) describe the changes introduced relative to the previous Remuneration Policies;
- (iv) define the role and responsibilities of the Board of Directors, the Shareholders’ Meeting and other corporate bodies in the approval and review of the Remuneration Policies;
- (v) describe the process for the identification of the so-called “more relevant personnel” (a notion which includes so-called “managers with strategic responsibilities”);
- (vi) describe the structure of remuneration of the staff of all Group companies, providing for certain stricter limits for the “more relevant personnel”, with a view to ensuring compatibility with the objectives, corporate values, long-term strategies and prudent risk management policies;
- (vii) describe the structure of the remuneration of the members of the Board of Directors;
- (viii) describe conditions/thresholds and performance targets for the distribution of bonuses, as well as *ex post* correction mechanisms.

The Shareholders’ Meeting will be called upon to approve:

- the Remuneration Policies applicable to the Equita Group from 2019 onwards;

- the assignment to the Chairman of the Board of Directors and the Chief Executive Officer, severally and with the power to subdelegate, to meet the legislative and regulatory obligations resulting from the adopted resolution.

2.2 Cap on the ratio between the variable and fixed component of the remuneration of maximum 2:1: related and consequent resolutions

Dear Shareholders,

in compliance with current legislation, on 12 February 2019, the Board of Directors of Equita Group, in addition to approving the Remuneration and Incentive Policies applicable to the Equita Group from 2019 onwards, also approved the proposal to determine the ratio between the variable component and the fixed component of the remuneration of the “more relevant personnel”, with the exception of the resources belonging to the “most important staff” of the control functions, at 2:1 (compared to the standard limit of 1:1). The principal reasons underlying this choice are as follows:

- the desire to maintain adequate management flexibility, avoiding the economic and organisational risks associated with the potential increasing rigidity of fixed labour costs at high levels;
- the presence of competitors using the possibility of setting the limit at 2:1, which could put at risk both the retention of the most talented resources and the ability to attract new resources;
- the desire to adopt a remuneration policy which favours virtuous behaviour, rewarding merit according to an approach which recognises and differentiates the contributions of the individual and the Business Lines to the Group’s overall results.

It should be noted that pursuant to Article 8.2 of the Articles of Association, the proposal to determine the ratio between variable and fixed components of remuneration up to a maximum of 2:1 is approved by the Ordinary Shareholders’ Meeting when: (i) the Shareholders’ Meeting is constituted with at least half of the share capital and the resolution is passed with the favourable vote of at least 2/3 of the share capital represented at the Meeting; or (ii) the resolution is passed with the favourable vote of at least 3/4 of the share capital represented at the Meeting, whatever the share capital with which the Meeting is established.

The Shareholders’ Meeting is therefore called to approve the determination of the ratio between the variable component and the fixed component of the remuneration of the “more relevant personnel”, with the exception of the resources belonging to the “more relevant personnel” of the control functions, up to a maximum of 2:1.

2.3 Remuneration Report: resolution pursuant to article 123-ter, paragraph 6, of Legislative Decree no. 58 of 24th February 1998 as amended and supplemented

Dear Shareholders,

in accordance with article 123-ter of the TUF, article 84-*quater* and Annex 3A, Schedule 7-bis, of the Issuers' Regulations adopted by CONSOB with resolution No. 11971 of 14 May 1999, as subsequently amended ("**Issuers' Regulations**"), the Board of Directors of Equita Group prepared and approved a remuneration report ("**Remuneration Report**") on 13 March 2019.

In particular, the Remuneration Report consists of two Sections:

- Section I illustrates the Remuneration Policies applicable from 2019 onwards for members of the Board of Directors, "managers with strategic responsibilities" and Group employees, as well as the procedures to be used for the adoption and implementation of the Remuneration Policies, including the process of identifying the "more relevant personnel";
- Section II, by name for the remuneration paid in 2018 to the members of the Board of Directors and the members of the Board of Statutory Auditors of the Company and, in aggregate form, for the remuneration for 2018 of "managers with strategic responsibilities":
 - a) provides an adequate representation of each of the items comprising the remuneration, highlighting their consistency with the Remuneration Policies of the Company approved during the previous fiscal year;
 - b) analytically illustrates the remuneration for the fiscal year 2018 due in any capacity and form from the Company and its subsidiaries or associates, indicating any components of the above remuneration which refer to activities conducted during the fiscal years prior to that of 2018 and also highlighting the remuneration to be paid in one or more subsequent fiscal years for the activity executed in the fiscal year in question, possibly indicating an estimated value for the components which cannot be objectively quantified in that fiscal year.

Section II also contains information on the shareholdings held in the Company by Directors, Statutory Auditors and "managers with strategic responsibilities", as well as by spouses who are not legally separated and minor children of the aforementioned subjects, in compliance with the provisions of Article 84-*quater*, paragraph 4, of the Issuers' Regulations.

The additional information required pursuant to Article 450 of Regulation (EU) No. 575 of 26 June 2013 is then included in tabular form.

The Remuneration Report, to which reference should be made for further details, is made available to the public at the Company's registered office in Milan, Via Filippo Turati, 9, on the Company's website www.equita.eu (*Corporate Governance* section, *Shareholders' Meetings* area) and on the *eMarket Storage* authorised storage mechanism www.emarketstorage.com.

Pursuant to article 123-ter, paragraph 6 of the Consolidated Law on Finance, the Shareholders' Meeting will be called to approve:

- with a non-binding resolution, Section I of the Remuneration Report;
- the assignment to the Chairman of the Board of Directors and the Chief Executive Officer, severally and with the power of sub delegation, to implement the legislative and regulatory obligations resulting from the adopted resolutions.

Item 3 of the agenda

2019-2021 Equita Group Compensation Plan based on financial instruments: related and consequent resolutions

Dear Shareholders,

the Board of Directors wishes to submit to the Shareholders' Meeting, pursuant to art. 114-bis of the TUF, as subsequently amended, the approval of an incentive and loyalty plan named "Equita Group Plan based on financial instruments 2019-2021" (the "**Plan**"), reserved to all employees of the Equita Group (the "**Group**"), to be implemented through free allocation, upon achievement of certain performance objectives:

- (i) of the right to receive ordinary shares of the Company (the "**Performance Shares**"); and/or
- (ii) of stock options (the "**Stock Options**"), each of which will entitle the holder to purchase one (1) Equita Group ordinary share ("**Share**").

The information document on the Plan, to which reference should be made for further details, drawn up pursuant to Article 84-bis and Annex 3A of the Issuers' Regulations, is made available to the public at the Company's registered office in Milan, Via Filippo Turati, 9, on the Company's website www.equita.eu (*Corporate Governance* section, *Shareholders' Meetings* area) and on the eMarket Storage authorised mechanism www.emarketstorage.com.

1) Reasons for the Plan adoption

Through the implementation of the Plan, Equita Group intends to promote and pursue the following objectives:

- orienting employees' behaviour towards the priorities of the Company and the Group, supporting the creation of value in the medium and long-term;
- attracting and retaining highly qualified staff, encouraging the retention of key resources in the Company;
- motivating staff, recognising their merit and enhancing their professional development;
- linking remuneration to the increase in value for all shareholders;
- ensuring conduct consistent with the Group's code of conduct, internal regulations and current legislative and regulatory provisions applicable to the Group, as well as conduct consistent with attention to environment, social and governance (ESG) issues in general.

2) **Beneficiaries of the Plan**

The Plan includes among its beneficiaries (the “**Beneficiaries**”) all of the Group’s employees and, in particular, those holding strategic positions for the purposes of achieving the Group’s objectives, including: (i) the managing director and the heads of the business lines; (ii) employees who can assume significant risks (the so-called “more relevant personnel”/“risk takers”); and (iii) additional employees identified as significant by the Company. In any case, the beneficiaries of the Plan are only those who are granted a bonus of at least Euro 20,000 on an annual basis.

The Plan is to be considered “of particular importance” pursuant to art. 114-*bis*, paragraph 3, of the Consolidated Finance Act and art. 84-*bis*, paragraph 2, of the Issuers’ Regulations, insofar as Beneficiaries may include members of the Board of Directors with relevant roles for the achievement of the Group’s strategic objectives, including the Chief Executive Officer (if he is also an employee).

The Beneficiaries shall be expressly identified by the Board of Directors, at the proposal of the Remuneration Committee.

The dates of allocation of the aforementioned financial instruments will be disclosed with the procedures and within the deadlines indicated in Article 84-*bis*, paragraph 5, letter a) of the Issuers’ Regulations.

3) **Object, procedures and implementation and clauses of the Plan**

The Plan provides that, against the normal incentive cycle of the Company envisaged by the Remuneration Policies in effect from time to time, the deferred part of the variable component may be recognised in the form of financial instruments. Hence, in the event of the achievement of corporate and individual performance objectives (so-called gates), the Company, pursuant to the terms and conditions described in the regulations of the Plan which shall be approved by the Board of Directors (the “**Regulations**”), will allocate to the Beneficiaries free of charge:

- (i) the right to obtain *Performance Shares*, which shall be assigned on the so-called assignment date (i.e. the date, determined by the Board of Directors in the Regulations on which the Shares will be credited to the Beneficiary’s securities account) on satisfying certain conditions; and/or
- (ii) *Stock Options*, each of which will provide entitlement to purchase one (1) Share at the end of the so-called *Vesting Period* (i.e. the 24-month period starting from the date of assignment of the Stock Options, on lapsing of which, the *Stock Options* may be exercised by the Beneficiary) and on occurrence of certain conditions.

And this, provided that:

- (a) the number of *Performance Shares* and/or *Stock Options* shall be determined on the basis of the level of achievement and/or over-achievement of performance targets; and
- (b) for the three-year period 2019-2021, the maximum number of *Performance Shares* and *Stock Options* which may cumulatively be assigned under the Plan is set at 3,000,000.

Once allocated, the *Performance Shares* will be assigned on the assignment date if certain conditions are met. Once allocated, the *Performance Shares* are subject to a lock-up period (i.e. a period of 12 months from the assignment date). Once the lock-up period has ended, the Beneficiary may freely dispose of the *Performance Shares*, subject to any restrictions to which the Beneficiary is subject (e.g. due to shareholders' agreements).

The *Stock Options* shall mature at the end of the *Vesting Period*, subject to the occurrence of certain conditions. Hence, the *Stock Options* may be exercised at the exercise price during the exercise period (i.e. the period of time, starting from the end of the *Vesting Period*, in particular from the so-called exercise date, and ending on the date determined by the Board of Directors in the Regulations). The exercise price is determined by the Board of Directors at the time of allocation of the *Stock Options* and is equal to the greater of:

- (i) the book price at which the Company's own shares are recorded on the date of attribution, for the exercise of the *Stock Options*; and
- (ii) the arithmetic mean of the official prices recorded for the Equita share on the Mercato Telematico Azionario - STAR Segment, organised and managed by Borsa Italiana S.p.A., during the last three months prior to the assignment date.

Once the Shares resulting from the exercise of the *Stock Options* have been purchased, the Beneficiary may dispose of them freely, subject to any restrictions to which the Beneficiary is subject (for example, through shareholders' agreements).

The right of Beneficiaries to receive the *Performance Shares* and to receive and exercise the *Stock Options* pursuant to the Plan is linked to and conditional on the continuation of the relationship in existence with the Company or its subsidiaries on the assignment date of the *Performance Shares* and, where applicable, on the exercise date of the *Stock Options*, except in the event of termination of the relationship *mortis causa*.

The Remuneration Committee, at the proposal of the Chief Executive Officer, shall submit annually to the Board of Directors the allocation of the number of *Stock Options* and *Performance Shares* to be assigned to each Beneficiary, in line with the Remuneration Policies of the Company and the Group in effect from time to time. In particular, before the date of allocation, the Board of Directors shall verify whether or not the company's performance

objectives (so-called gates) and individual targets have been achieved, with the consequential assignment of the right to receive *Performance Shares* and/or *Stock Options* in the event that the conditions are met. The number of instruments to be granted shall be determined on the basis of the *bonus pool*, i.e. the total amount of the variable component defined annually by the Company's Board of Directors, at the proposal of the Chief Executive Officer and with the contribution of the Group's *Risk Management* function and the opinion of the Remuneration Committee.

As provided by the Group's Remuneration Policies, the Company reserves the right to take initiatives aimed at returning the variable remuneration already paid ("*clawback*") in the event of damage to its financial integrity, profitability and economic, financial or reputational situation, attributable to the conduct of individual staff, whether or not there is wilful misconduct or gross negligence.

The following may be used to service the Plan:

- A) with reference to the *Performance Shares*, the shares resulting from:
 - i) the decision of the General Meeting of 16 April 2018, which resolved, among other things, to grant to the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the power to increase the share capital on one or more occasions through bonus issues for the purposes of allocating profits and/or profit reserves to employees of the Company or Group companies within the framework of one or more incentive plans, pursuant to and in compliance with Article 2349 of the Italian Civil Code. (the "**Bonus Increase**"); and/or, at the discretion of the Company;
 - ii) the decision of the General Meeting of 31 October 2017, which granted to the Board of Directors, among other things, the power to dispose of the Company's treasury stock, including for the servicing of incentive plans (the "**Resolution on the disposal of treasury shares**").
 - B) with reference to the exercise of the *Stock Options*, the shares resulting from the resolution to dispose of treasury stock.
- 4) Possible support for the Plan by the Special Fund for the encouragement of the participation of Workers, described in art. 4, paragraph 112, of Law No. 350 of 24 December 2003**

The Plan is not supported by the Special Fund for the Incentive of Worker Participation in Enterprises, described in art. 4, paragraph 112, of Law No. 350 of 24 December 2003.

5) Availability constraints on *Performance Shares* and *Stock Options*

The Stock Options are personal, nominal, non-transferable, not available *inter vivos* and cannot be pledged or offered as a guarantee in favour of the Company or of third parties (without prejudice to the transfer to successors *mortis causa*). Any transfer attempted or made will be invalid and, in any case, ineffective against the Company.

Stock Options not exercised at the end of the exercise period shall automatically expire and consequently, shall be devoid of any effect or validity for Beneficiaries, no longer granting them any rights. By contrast, once the Shares resulting from the exercise of the *Stock Options* have been purchased, the Beneficiary may dispose of them freely, subject to any restrictions imposed on the Beneficiary (for example, through shareholders' agreements).

The right to receive *Performance Shares* is a personal, nominal, non-transferable, not available *inter vivos* and cannot be pledged or offered as a guarantee in favour of the Company or of third parties (without prejudice to the transfer to successors *mortis causa*). Any assignment attempted or made will be invalid and, in any case, ineffective against the Company (subject to the transfer to successors *mortis causa*).

Moreover, in compliance with the provisions of Bank of Italy Circular 285, once assigned, the *Performance Shares* are subject to a period of unavailability, equal to 12 months from the assignment date. Any transfer attempted or made during the unavailability period shall be invalid and, in any case, ineffective with regard to the Company (without prejudice to the transfer to the successors *mortis causa*).

The *Performance Shares* shall remain subject to the aforementioned lock-up period, even in the event of termination of employment, except in the event of death of the Beneficiary, in which case, this lock-up period shall cease.

Once the corresponding lock-up has elapsed, the *Performance Shares* shall be freely transferable and may be transferred, subject to any restrictions imposed on Beneficiary (for example, due to shareholders' agreements).

In light of the above, the Shareholders' Meeting shall be called on to:

- examine the illustrative report of the Board of Directors, prepared in accordance with articles 114-*bis* and 125-*ter* of the TUF;
- examine the information document, prepared pursuant to art. 84-*bis* of the Issuers' Regulations, made available to the public according to the procedures described above;
- approve, pursuant to and for the purposes of Article 114-*bis* of the TUF, the adoption of the Plan, named the "Equitable Group Plan based on financial instruments 2019-2021",

with the characteristics indicated in this explanatory report of the Board of Directors and in the information document on the Plan;

- grant to the Board of Directors, with the power to subdelegate, all powers necessary or appropriate for implementing the Plan;
- grant all powers severally to the Chairman of the Board of Directors and the Chief Executive Officer, with the power to subdelegate, in order to meet the legislative and regulatory obligations resulting from the adopted resolutions.

* * *

Milan, 29 March 2019

For the Board of Directors
The Chairman, Francesco Perilli