



**BOARD OF DIRECTORS EXPLANATORY REPORT**

**ON THE AGENDA ITEMS**

*(under article 125-ter of Legislative Decree no. 58/1998 and article 84-ter of Consob Regulation no. 11971/1999).*

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**Ordinary Shareholders' Meeting**

**10 May 2022 - single call**

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**FINE FOODS & PHARMACEUTICALS N.T.M. S.p.A.**

Via Berlino, no. 39 – 24040 Zingonia-Verdellino (BG),  
Tax code and VAT no. 09320600969

*This Board of Directors Explanatory Report on the Agenda Items has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.*

Dear Shareholders,

this report (the "**Report**") has been prepared by the Board of Directors of Fine Foods & Pharmaceuticals N.T.M. S.p.A. ("**Fine Foods**" or the "**Company**") under article 125-*ter* of Legislative Decree no. 58 of 24 February 1998, as amended and supplemented (the Consolidated Law on Finance "**TUF**") and article 84-*ter* of the Regulation adopted by Consob resolution no. 11971 of 14 May 1999, as amended and supplemented (the "**Issuers' Regulations**"), and illustrates the agenda items of the 10 May 2022 Ordinary Shareholders' Meeting on a single call.

You are asked to resolve on the following agenda:

1. 31 December 2021 Financial Statements; related and consequent resolutions:
  - 1.1. approval of the 31 December 2021 Company Financial Statements, accompanied by the Board of Directors' Report on Operations; the Board of Statutory Auditors and Auditing Company Reports; Presentation of the 31 December 2021 Consolidated Financial Statements and the Consolidated Non-Financial Statement prepared under Legislative Decree no. 254/2016 for the 2021 financial year;
  - 1.2. allocation of the result for the year;
2. Dividend distribution. Related and consequent resolutions;
3. Authorisation to buyback and dispose of treasury shares under articles 2357 and 2357-*ter* of the Italian Civil Code, subject to the revocation of a previous Shareholders' Meeting authorisation dated 21 April 2021. Related and consequent resolutions;
4. Report on remuneration policy and payment under Article 123-*ter*, paragraphs 3-*bis* and 6 of Legislative Decree no. 58/1998:
  - 4.1. First Section: report on remuneration policy. Binding resolution;
  - 4.2. Second Section: report on remuneration paid. Non-binding resolution.

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#### **ITEM 1 ON THE ORDINARY SHAREHOLDERS' MEETING AGENDA**

1. **31 December 2021 Financial Statements; related and consequent resolutions:**
  - 1.1. **approval of the 31 December 2021 Company Financial Statements, accompanied by the Board of Directors' Report on Operations, the Board of Statutory Auditors and Auditing Company Reports; Presentation of the 31 December 2021 Consolidated Financial Statements and the Consolidated Non-Financial Statement prepared under Legislative Decree no. 254/2016 for the 2021 financial year;**

Dear Shareholders,

the first item on the agenda of the 10 May 2022 Shareholders' Meeting is the 31 December 2021 Financial Statements, please read the Fine Foods Annual Financial Report as of 31 December 2021,

approved by Fine Foods Board of Directors on 30 March 2022 and containing the Company's draft Financial Statements and Consolidated Financial Statements, together with the Board of Directors' Report on Operations and the certification under Article 154-bis, paragraph 5 of the TUF.

On 30 March 2022, the Board of Directors approved the Consolidated Non-Financial Statement, separately from the Board of Directors' Report on Operations, prepared under Legislative Decree no. 254/2016.

The above documentation, the Board of Statutory Auditors and Auditing Company Reports are available under legal procedures and terms.

The Company's Consolidated Financial Statements as of 31 December 2021, which showed a loss of €1,426,751, and the Consolidated Non-Financial Statement prepared under Legislative Decree no. 254/2016, are brought to your attention but are not subject to approval by the Company's Shareholders' Meeting.

Referring to these documents, we invite you to approve the 31 December 2021 Financial Statements, which closed with a loss for the year of €4,120,450, proposing the following:

#### **- RESOLUTION PROPOSAL -**

*"The Ordinary Shareholders' Meeting of Fine Foods & Pharmaceuticals N.T.M. S.p.A.,*

- having heard the Chairman's presentation;*
- having examined the 31 December 2021 draft Financial Statements of Fine Foods & Pharmaceuticals N.T.M. S.p.A. and the Report on Operations;*
- having acknowledged the reports submitted by the Board of Statutory Auditors and the Auditing Company, and the 31 December 2021 Consolidated Financial Statements and the Non-Financial Statement for the 2021 financial year prepared under Legislative Decree no. 254 of 30 December 2016*

*resolved*

- 1. to approve the 31 December 2021 Financial Statements and the Board of Directors' Report on Operations;*
- 2. to grant a mandate to the Board of Directors, and, on its behalf, the Chairman and the CEO with several powers to sub-delegate, to carry out the formalities and communications, filing and publication for the above resolution, under applicable legislation, making any necessary formal amendments, additions or deletions."*

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#### **1.2. allocation of the result for the year**

Dear Shareholders,

the 31 December 2021 Financial Statements, which are subject to approval under this item on the agenda, showed a loss for the year of €4,120,450.

Regarding the allocation of the year's result, the Board of Directors proposed to cover the year's loss of €4,120,450 using the Extraordinary Reserve.

Given the above and as for this item of the agenda, the Board of Directors submits the following for your approval:

**- RESOLUTION PROPOSAL -**

*"The Ordinary Shareholders' Meeting of Fine Foods & Pharmaceuticals N.T.M. S.p.A., after approving the 31 December 2021 Financial Statements and considering the Board of Directors' proposal*

*resolved*

1. *to cover the loss for the year of € 4,120,450 using the Extraordinary Reserve."*

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**ITEM 2 ON THE ORDINARY SHAREHOLDERS' MEETING AGENDA**

**2. Dividend distribution. Related and consequent resolutions**

Dear Shareholders,

the year result (loss of € 4,120,450) is mainly due to a negative non-recurring effect. This non-recurring effect relates to the change in the fair value of the Company's warrants, for € 12.7 million (€ 9.7 million net of the related tax effect), which have already been fully settled, and to the write-down of the Euro Cosmetic investment of € 3.5 million (without tax effect) and other non-recurring charges of € 1.4 million (€ 1.0 million net of the related tax effect). Consequently, net of the above one-off costs, the Company would have closed the year with a largely positive result, i.e. an adjusted profit of € 10.1 million.

The Company's Board of Directors has called a meeting to discuss various agenda items and propose the distribution of Company reserves as an ordinary dividend.

The Board of Directors invites you to approve a dividend of € 0.16, gross of withholding taxes where applicable, for each eligible share (excluding treasury shares in the Company's portfolio).

The dividend distribution will be made using a portion of the € 19,556,720 Extraordinary Reserve as of 31 December 2021, for up to € 4.5 million. The Board of Directors stated that this reserve is in the amount specified today, without prejudice to the fact that, after the approval of the Financial Statements, it will be partly used to cover the loss for the year 2021 of € 4,120,450.

The exact amount of the Extraordinary Reserve portion to be used for the dividend distribution can only be determined later, based on the final number of shares entitled to receive the dividend on the date on which it accrues.

We invite you to approve the following:

**RESOLUTION PROPOSAL -**

*"The Ordinary Shareholders' Meeting of Fine Foods & Pharmaceuticals N.T.M. S.p.A.,*

- *having acknowledged the Board of Directors' Explanatory Report for the proposed distribution of an ordinary dividend of € 0.16 per share, excluding treasury shares in the portfolio;*
- *considering the existence of available reserves in an appropriate amount,*

*resolved*

1. *to distribute an ordinary dividend of € 0.16 (zero point sixteen) for each of the Company's outstanding shares, excluding treasury shares in the portfolio, for a maximum of € 4.5 million, to be paid from the Extraordinary Reserve;*

2. *to grant the Board of Directors, and, on its behalf, the Chairman and the CEO several powers necessary to verify the Extraordinary Reserve portion for the dividend based on the final number of eligible shares. This is without prejudice to the unit dividend as established above;*
3. *to confirm that the dividend will be paid on 25 May 2022, with ex-dividend dates 4 and 5 on 23 May 2022 and record date on 24 May 2022."*

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### **ITEM 3 ON THE ORDINARY SHAREHOLDERS' MEETING AGENDA**

#### **3. Authorisation to buyback and dispose of treasury shares under articles 2357 and 2357-ter of the Italian Civil Code, subject to the revocation of a previous Shareholders' Meeting authorisation dated 21 April 2021. Related and consequent resolutions.**

Dear Shareholders,

with reference to the third item on the agenda, a discussion will be held at the ordinary Shareholders' Meeting, to resolve on the revocation of the authorisation to buyback treasury shares which was approved by the Shareholders' Meeting on 21 April 2021 and to provide a new authorisation to buyback and dispose of treasury shares under articles 2357 and 2357-ter of the Italian Civil Code.

Consequently, under Article 73 of the Issuers' Regulations, the Board of Directors has approved this report, in compliance with Annex 3A, Scheme no. 4 of the above Issuers' Regulations, which illustrates authorisation purposes, methods and features to shareholders.

On 21 April 2021, the Company Shareholders' Meeting authorised the buyback and disposal of up to 20 per cent of the Company share capital treasury shares under articles 2357 and 2357-ter of the Italian Civil Code. This can be carried out several times over 18 months for a maximum amount of € 26,000,000.

Considering that the buyback authorisation lasts 18 months from the date of the shareholders' resolution and will expire during the 2022 financial year, the governing body convened the Shareholders' Meeting to authorise buyback and disposal of treasury shares under articles 2357 et seq. of the Italian Civil Code, subject to revocation of the 21 April 2021 resolution for the unexecuted part, without prejudice to the permanent validity of the authorisation for the future disposal of treasury shares already purchased by the Company.

We illustrate the proposed transaction terms and conditions.

#### *Reasons to authorise the buyback and disposal of treasury shares*

The purpose of the authorisation request to buyback and dispose of ordinary treasury shares is to provide the Company with a strategic investment opportunity for purposes permitted by legal provisions, including, (i) those in Article 5 of Regulation (EU) no. 596/2014 (Market Abuse Regulation, hereafter "**MAR**"), including "*to meet obligations arising from share option programmes, or other allocations of shares, to employees or to members of the administrative, management or supervisory bodies of the issuer*", (ii) stabilising, supporting liquidity and market efficiency, (iii) obtaining the availability of a portfolio of securities (so-called "securities stock") to be used for extraordinary transactions, including exchange of shareholdings, with other parties, and the use of bonds convertible into Company shares or bonds with warrants, dividends in shares, within the terms, purposes and in the manner that may be decided by the relevant corporate bodies; and (iv) any other purpose contemplated by market practices admitted by the supervisory authority under art. 13 MAR, within the limits provided for by current regulations and within the terms, purposes and in the manner decided by the relevant corporate bodies.

#### *Maximum number, category and nominal value of the shares to which the authorisation refers*

It is proposed that the Shareholders' Meeting authorises to buyback Company ordinary shares (fully paid-up), without a nominal value, in one or more tranches, on a revolving basis, in an amount freely determinable by the Board of Directors up to 20 per cent of the Company share capital. This must consider the portfolio of Company (treasury) shares held by the Company and any subsidiaries.

It is proposed to grant a mandate to the Board of Directors to identify the number of ordinary shares to be purchased prior to the start of each individual buyback programme, under the maximum limit mentioned above and the applicable *pro tempore* regulations.

It is proposed that the Shareholders' Meeting simultaneously authorises Fine Foods Board of Directors to dispose of and sell the Company's ordinary shares purchased under the procedures below and applicable laws and regulations.

#### Information needed for a full assessment of compliance with art. 2357, paragraphs 1 and 3 of the Italian Civil Code

Under art. 2357, paragraph 3 of the Italian Civil Code, the nominal value of the treasury shares that the Company may buyback cannot exceed a fifth of the share capital, considering the shares held by subsidiaries.

As of 30 March 2022, the Fine Foods subscribed and paid-up share capital was € 22,770,445.02 and was represented by 25,560,125 shares (of which 22,060,125 ordinary shares were listed on the Euronext STAR Milan market, organised and managed by Borsa Italiana S.p.A., and 3,500,000 unlisted multiple-voting shares), all without a nominal value being declared.

As of today's date, the company holds 1,311,331 ordinary treasury shares without voting rights under article 2357-ter of the Italian Civil Code, equal to about 5.13% of the share capital. None of the subsidiaries owns Fine Foods shares.

Under article 2357, paragraph 1 of the Italian Civil Code, treasury shares buyback is permitted within the limits of distributable profits and available reserves resulting from the latest approved Financial Statements at the time of each transaction. Only fully paid-up shares may be purchased.

The 31 December 2021 draft Financial Statements submitted for approval to the Shareholders' Meeting convened on a single call on 10 May 2022 (assuming approval by the Shareholders' Meeting under the terms proposed by the Board) includes available and freely distributable reserves of € 117,960,489, gross to cover the 2021 loss. Compliance with art. 2357, paragraphs 1 and 3 of the Italian Civil Code for the buyback of treasury shares must be verified with each authorised purchase, considering any further unavailability restrictions that may arise later.

The subsidiaries will be given specific instructions to promptly notify the Company of any buyback of parent company shares under art. 2359-bis of the Italian Civil Code to allow for verifications on the subsidiaries.

When buying back, selling, exchanging and transferring treasury shares, the Company will make the necessary accounting entries under the law and applicable accounting principles.

#### Authorisation duration

Authorisation to purchase treasury shares is requested for the maximum duration allowed by the applicable *pro tempore* regulations, under Article 2357, paragraph 2 of the Italian Civil Code, over a period of 18 months, starting from the date of any resolution approving this proposal by the Shareholders' Meeting.

Within the granted authorisation period and under applicable regulations, the Board of Directors may buyback ordinary shares several times, for purposes identified by the Board of Directors, to a freely

determined extent and period. This will be carried out gradually as deemed appropriate in the Company's interest.

The authorisation to dispose of or use any purchased treasury shares is requested without time limits, because there are no legal time limits and it will provide the Board of Directors with the maximum time flexibility to carry out the share disposal or use.

#### Minimum and maximum prices

The buyback price of shares will be set on a case-by-case basis, based upon current regulations and the chosen methods. The unit price shall be neither lower nor higher by more than 15 per cent than the official stock exchange price of shares recorded by Borsa Italiana S.p.A. in the session preceding each individual transaction, and for a maximum of Euro 26,000,000.

For the disposal or use of treasury shares, the Board will set the criteria for determining the price, methods, terms and conditions of use of the treasury shares in portfolio. This will consider legal provisions and regulations, accepted practices, practical methods and the share price trend in the period before the transaction, and the Company's best interests. If there are (i) transactions for which it is appropriate to exchange or transfer shares which can be carried out by means of exchange or contribution or during capital transactions involving the assignment or disposal of treasury shares (such as, mergers, demergers, issuance of convertible bonds or warrants using treasury shares or share dividends, etc.); and (ii) stock incentive plans, including free-of-charge stock grants reserved for directors, employees or partners belonging to the Company or other companies controlled by the Company or its parent, different criteria may be used, under the Company objectives and current legislation.

Under article 2357-ter of the Italian Civil Code, the Board of Directors proposed to be authorised to sell, dispose of or use (in any capacity and at any time, in whole or in part, in one or more tranches) treasury shares purchased as part of any authorisation granted by the Shareholders' Meeting for the above mentioned purposes. This is under the procedures, terms and conditions established by the Board of Directors, best practice, the Company's share price trend and its best interests. The proceeds of any treasury shares disposal or use may be used for further buyback of shares, until the expiry of the Shareholders' Meeting authorisation, within the limits set by the latter and current regulations.

#### Transaction procedures

Considering the various purposes that can be pursued through transactions on treasury shares, the Board of Directors proposes that authorisation be granted to carry out buyback of treasury shares in any of the ways allowed by applicable regulations.

The Board of Directors proposed that the authorisation involving the sale, disposal or use of treasury shares should allow for the adoption of any appropriate method. This includes the use of treasury shares to service stock incentive plans, including stock grants, which can be carried out using intermediaries, under applicable laws and regulations.

For example, the disposal or use operating methods could include selling them on or off the market, accelerated bookbuilding, exchange or contribution or for capital transactions or free-of-charge assignment, as part of share incentive plans or the transfer of related real or personal rights (for example, securities lending) granting the Board of Directors (or those delegated) the power to establish the terms, methods and conditions of the disposal or use of treasury shares that are most appropriate in the Company's interest and under legal provisions and regulations.

The transactions for the buyback and disposal or use of treasury shares for which authorisation is requested shall be carried out under applicable legislation and national and EU laws and regulations, including those related to market abuse.

This is without prejudice to the power of the Board of Directors to establish any method under market practices accepted by the supervisory authority under art. 13 MAR and conditions established by Delegated Regulation (EU) no. 1052 of 8 March 2016, where applicable.

Adequate communication of any buyback and disposal or use of treasury shares will be provided under the applicable information requirements.

Buyback exploitation to reduce the share capital

This buyback proposal is not aimed at reducing share capital. Should the Shareholders' Meeting resolve to reduce the share capital in the future, the Company reserves the right to implement it by cancelling the treasury shares purchased and held in its portfolio.

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Given the above and as for this item of the agenda, the Board of Directors submits the following for your approval, without prejudice to any necessary amendments or additions under applicable regulations:

**- RESOLUTION PROPOSAL -**

*"The Ordinary Shareholders' Meeting of Fine Foods & Pharmaceuticals N.T.M. S.p.A.,*

- having acknowledged the Board of Directors' explanatory report and proposals;*
- aware of the provisions contained in Articles 2357 and 2357-ter of the Italian Civil Code, art. 132 of Legislative Decree no. 58 of 24 February 1998, art. 144-bis of the Issuers' Regulations adopted by CONSOB with resolution no. 11971/1999, as subsequently amended, and the reference provisions set out in Regulation (EU) no. 596 of 16 April 2014 and Delegated Regulation (EU) no. 1052 of 8 March 2016;*
- having regard to the 31 December 2021 Financial Statements approved by today's Shareholders' Meeting;*
- having acknowledged the pertinence of authorising the buyback and disposal of treasury shares for the purposes and under the procedures above*

*resolved*

- (A) to revoke the previous resolution authorising the buyback of treasury shares taken on 21 April 2021, for the unexecuted part, without prejudice to the permanent validity of the authorisation for the future disposal of treasury shares already purchased by the Company;*
- (B) to authorise the buyback and disposal of ordinary treasury shares for the purposes indicated in the explanatory report, and:*

*1) to authorise, under art. 2357 of the Italian Civil Code, the buyback of FINE FOODS & PHARMACEUTICALS N.T.M S.p.A. ordinary shares in one or several tranches, on a revolving basis, over 18 (eighteen) months starting from the effective date of this resolution. These shares (without a nominal value being declared) shall hold a value of up to 20 per cent of the Company's share capital after considering Company ordinary shares held in the portfolio and any held by subsidiaries. This is carried out by severally giving the Board of Directors, Chairman and CEO a mandate to identify the number of shares to be purchased for explanatory report purposes, at a price to be defined on a case-by-case basis, considering the method chosen to carry out the transaction and in compliance with any applicable regulations. The unit price may not be more than 15 per cent lower or higher than the official*



stock exchange share price recorded by Borsa Italiana S.p.A. in the session preceding each transaction, and for a maximum of Euro 26,000,000;

2) to grant a mandate to the Board of Directors, its Chairman and Managing Director, each with several powers to sub-delegate, to identify the number of ordinary shares involved in each buyback programme, under the above purposes, before the programme's start, and to purchase ordinary shares according to legal provisions and regulations. This shall be gradually carried out in the Company's interest, granting them several powers to sub-delegate, and the widest purchasing powers under this resolution, including assigning tasks to legally authorised intermediaries and appointing special attorneys;

3) to authorise the Board of Directors, Chairman and CEO with several powers to sub-delegate, so that, under art. 2357-ter of the Italian Civil Code, they may dispose (at any time, in whole or in part, in one or more tranches) of the ordinary treasury shares purchased under this resolution, or shares in the Company's portfolio, by selling them on the regulated market or outside this system, assigning them as part of free-of-charge share incentive plans, accelerated book building, exchange or contribution or during capital transactions, transfer of share real or personal rights, including but not limited to securities lending, under applicable legal provisions and pro tempore regulations for the purposes set forth in this resolution, and according to the terms, methods and conditions of the disposal or use of treasury shares that are most appropriate in the Company's interest. They are granted the broadest several powers to carry out disposals or use under this resolution, including assigning tasks to legally authorised intermediaries and appointing special attorneys. Disposals or use of ordinary treasury shares in the portfolio shall be carried out under applicable laws and regulations on trading listed securities. They may be carried out in one or more tranches with timing based on the Company's interest. The authorisation under this point (B).3) is granted without time limits and includes the treasury shares already held by the Company at the date of this resolution;

(C) *that, under the law, purchases referred to in this authorisation must be within the limits of distributable profits and available reserves based on the latest Financial Statements (including interim statements) approved when the transaction is carried out. The necessary accounting entries must be made at the time of buyback, sale and disposal of ordinary treasury shares under legal provisions and the applicable accounting principles."*

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#### **ITEM 4 ON THE ORDINARY SHAREHOLDERS' MEETING AGENDA**

**4. Report on remuneration policy and payment under Article 123-ter, paragraphs 3-bis and 6 of Legislative Decree no. 58/1998:**

**4.1. First Section: report on remuneration policy. Binding resolution;**

**4.2. Second Section: report on remuneration paid. Non-binding resolution.**

Dear Shareholders,

as for the fourth item on the agenda, under art. 123-ter of the TUF, issuers shall make available and publish on their website a report on remuneration policy and payment.

This report consists of two sections where:

(i) the first section explains: (a) the Company's policy on the remuneration of the Board of Directors' members, General Managers and Key Management Personnel referred to at least the next financial

year and, without prejudice to art. 2402 of the Italian Civil Code, members of the control bodies and (b) the procedures used to adopt and implement this policy;

(ii) the second section explains the remuneration paid to the members of the governing and control bodies, General Managers and Key Management Personnel during the reference financial year.

The Board of Directors intends to submit the report on the remuneration policy and payment, approved by the governing body on 30 March 2022, to the vote of the Shareholders' Meeting as follows:

- the report "first section" to the binding vote, under art. 123-ter, paragraph 3-bis of the TUF;
- the report "second section" to the non-binding vote, under art. 123-ter, paragraph 6 of the TUF.

For a more detailed description, please refer to the related report on remuneration policy and payment, prepared under art. 123-ter of the TUF and art. 84-quater of Consob Regulation no. 11971/99, which will be made available under legal terms and procedures.

#### **4.1 First Section: report on remuneration policy. Binding resolution**

Given the above and as for this item of the agenda, the Board of Directors submits the following for your approval:

##### **- RESOLUTION PROPOSAL -**

*"The Ordinary Shareholders' Meeting of Fine Foods & Pharmaceuticals N.T.M. S.p.A.,*

- *having regard to Articles 123-ter of Legislative Decree no. 58/1998 and 84-quater of CONSOB Regulation no. 11971/1999;*
- *having acknowledged the report on remuneration policy and payment drawn up by the Board of Directors;*
- *considering that this resolution will be binding on the Board of Directors*

*resolved*

1. *to approve the first section of the Report on the remuneration policy and payment drawn up by the Board of Directors under Articles 123-ter of Legislative Decree no. 58/1998 and 84-quater of CONSOB Regulation no. 11971/1999."*

#### **4.2 Second Section: report on remuneration paid. Non-binding resolution**

Given the above and as for this item of the agenda, the Board of Directors submits the following for your approval:

##### **- RESOLUTION PROPOSAL -**

*"The Ordinary Shareholders' Meeting of Fine Foods & Pharmaceuticals N.T.M. S.p.A.,*

- *having regard to Articles 123-ter of Legislative Decree no. 58/1998 and 84-quater of CONSOB Regulation no. 11971/1999; and*
- *having acknowledged the report on remuneration policy and payment drawn up by the Board of Directors;*
- *considering that this resolution will not be binding on the Board of Directors*

*resolved*

1. *to express a favourable opinion on the second section of the Report on remuneration policy and payment drawn up by the Board of Directors under Articles 123-ter of Legislative Decree no. 58/1998 and 84-quater of CONSOB Regulation no. 11971/1999."*

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Zingonia-Verdellino, 08 April 2022

For the Board of Directors

Chairman

Marco Francesco Eigenmann