



**EXPLANATORY REPORT
OF THE BOARD OF DIRECTORS OF
SECO S.P.A
ON POINT 4) OF THE AGENDA
OF THE SHAREHOLDERS' MEETING, IN ORDINARY SESSION, CALLED FOR
APRIL 27, 2022 IN SINGLE CALL**

**prepared pursuant to Article 125-ter of Legislative Decree No. 58 of February 24, 1998, as
subsequently amended**

Explanatory report of the Board of Directors of SECO S.P.A. prepared pursuant to Article 125-ter of Legislative Decree No. 58 of February 24, 1998, as subsequently amended

Dear Shareholders,

the Board of Directors of SECO S.p.A. ("**SECO**" or the "**Issuer**" or the "**Company**") has called you to the Ordinary and Extraordinary Shareholders' Meeting, on 27 April 2022, at 10:00 a.m., at the office of Notary Jacopo Sodi, in Via delle Mantellate n. 9, Florence, in single call, to discuss and resolve, among other matters, on the following point 4) of the Agenda of the Shareholders' Meeting, in Ordinary session:

4) Proposal to supplement the total remuneration allocated to the Board of Directors by the ordinary Shareholders' Meeting of 1 March 2021. Related and consequent resolutions.

You have been called to the Ordinary Shareholders' Meeting to review and approve the proposal to amend, for the year 2022 and until the date of the Board of Directors' term of office, set at the date of the Shareholders' Meeting called to approve the 2023 Annual Accounts, the total remuneration of the Board of Directors resolved, pursuant to the Article 2389 Civil code, by the Shareholders' Meeting of March 1, 2021.

With this report (the "**Report**") - prepared pursuant to Article 125-ter of Legislative Decree No. 58 of February 24, 1998, as subsequently amended ("**CFA**"), we wish to provide an explanation of the reasons for the proposals related to point 4) on the Agenda of the Shareholders' Meeting, in Ordinary session.

We first note that on March 21, 2022, the Board of Directors of the Company approved, upon the proposal of the Appointments and Remuneration Committee, the Company's Remuneration Policy, which is submitted to the vote of the Shareholders' Meeting in Ordinary Session as the second item on the Agenda. We also note that, in order to take into account the provisions introduced into the Regulations of the Markets organized and managed by Borsa Italiana S.p.A. and the related instructions for the STAR segment, on which the Company's shares are traded, the remuneration of the Executive Directors consists of a fixed component and a significant variable component linked to quantitative and non-quantitative targets and to be allocated by motion of the Board of Directors, having heard the opinion of the Board of Statutory Auditors, in accordance with the law and with the provisions of Article 22.1 of SECO's By-Laws. For further information on the Remuneration Policy, reference should be made to Section I of the Remuneration Report pursuant to Article 123-*quater* of the CFA, which will be made available to the public at the registered office and will also be published on the Company's website www.seco.com (section "Section "Investor Relations > Corporate Governance /Shareholders' Meeting"), at least 21 days before the date set for the Shareholders' Meeting in single call.

We note that by a motion passed on March 1, 2021, the Company's Shareholders' Meeting authorized (i) for the entire Board of Directors, a total annual gross remuneration of a maximum Euro 800,000, including the remuneration of Directors holding specific offices pursuant to Article 2389, paragraph 3, of the Civil Code, in addition to the reimbursement of expenses incurred by its members for the exercise of their functions and the severance indemnity for the Executive Directors; (ii) a further maximum remuneration of Euro 450,000 as total annual variable remuneration for the Directors holding specific offices pursuant to Article 2389, paragraph 3 of the Civil Code; and (iii) the

provision, by way of severance indemnity, in favor of the Executive Directors for an amount equal to 10% per year of the fixed emoluments received by the Executive Directors, giving mandate to the Board of Directors to allocate such compensation among its members. On March 10, 2021, the Board apportioned the total remuneration approved by the Shareholders' Meeting pursuant to Article 2389, paragraph 3, second sentence, of the Civil Code, having heard the opinion of the Board of Statutory Auditors, in accordance with the law and in accordance with the provisions of SECO's By-Laws.

On the proposal of the Appointments and Remuneration Committee which met on 14 March 2022, following the assessments made regarding the significant growth in terms of size, structure and organizational complexity achieved by the Group also as a result of the acquisitions made after the date of listing, including, most recently, the acquisition of the German company Garz & Fricke, it proposed to increase the fixed annual remuneration of the Chief Executive Officer from the current Euro 400 thousand to Euro 500 thousand, with effect from January 1, 2022. Furthermore, the Appointments and Remuneration Committee proposed to increase the maximum amount of the total annual variable remuneration for the Chief Executive Officer, providing, also for the aforementioned reasons, that a maximum amount of Euro 600,000 may be recognized, on the basis of the determinations made according to the criteria defined in the Company's remuneration policy by the Board of Directors on the proposal of the Appointments and Remuneration Committee, having consulted the Board of Statutory Auditors, in accordance with the law and in compliance with Article 22.1 of SECO's By-Laws.

This is in line with the Company's Remuneration Policy approved by the Board of Directors on March 21, 2022, on the proposal of the Appointments and Remuneration Committee, which provides that, on the one hand, the fixed remuneration of Executive Directors may be increased if the Company carries out transactions that are exceptionally significant due to (i) strategic importance; and/or (ii) the effects on the results of the Company and/or the Group; and/or (iii) significant changes in the scope of the Company's activities such as the acquisition of a significant business and, on the other hand, that the variable component of the remuneration of Executive Directors may be established at a rate of up to 100% of the fixed remuneration in the event of achievement of the performance targets established by the Board of Directors, on the proposal of the Remuneration Committee, taking into account the budget approved by the Company, and up to 120% in the event of overperformance compared to the targets set.

On March 21, 2022, the Board of Directors approved the aforementioned proposals of the Appointments and Remuneration Committee subject to the motion passed by the Shareholders' Meeting and, therefore, resolved to propose to the Shareholders' Meeting to change for the year 2022 and until the conclusion of its term of office, set as the date of the Shareholders' Meeting called to approve the 2023 Annual Accounts: (i) the total fixed annual remuneration of the Board of Directors from Euro 800 thousand to Euro 900 thousand per annum, in addition to the reimbursement of expenses incurred by its members in the exercise of their functions and the severance indemnity for Executive Directors, specifying that the increase of Euro 100 thousand per annum is functional to the increase in the fixed remuneration of the Chief Executive Officer in the terms indicated above; (ii) the maximum total annual variable remuneration for Directors holding specific offices from Euro 450,000 to Euro 700,000, specifying that the increase of Euro 250,000 is functional to the increase of the maximum variable remuneration of the Chief Executive Officer in the terms described above, also confirming that the provision, by way of termination indemnity, in favor of the Executive Directors will be equal to 10% per year of the fixed emoluments received by the Executive Directors, as amended above.

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In view of the above, the Board of Directors wishes to submit to the Shareholders' Meeting the following proposal for a motion relating to point 4) on the Agenda of the Ordinary Session:

"The Ordinary Shareholders' Meeting of SECO S.p.A., having reviewed the explanatory report of the Board of Directors,

resolves

- *as an amendment to that resolved by the Ordinary Shareholders' Meeting of March 1, 2021, to supplement for the financial year 2022 and until the conclusion of the Board of Directors' term of office, set as the date of the Shareholders' Meeting called to approve the 2023 Annual Accounts, the fixed total annual remuneration of the Board of Directors by the amount of Euro 100,000 and, therefore, from Euro 800,000 to Euro 900,000, in addition to the reimbursement of expenses incurred by its members in the performance of their duties and the severance pay for the Executive Directors;*
- *as an amendment to that resolved by the Ordinary Shareholders' Meeting of March 1, 2021, to supplement for the financial year 2022 and until the conclusion of the Board of Directors' term of office, set as the date of the Shareholders' Meeting called to approve the 2023 Annual Accounts, the variable total annual remuneration of the Directors holding specific offices pursuant to Article 2389, paragraph 3, of the Civil Code by the amount of Euro 250,000 and, therefore, from Euro 450,000 to Euro 700,000;*
- *to confirm for the financial year 2022 and until the conclusion of the Board of Directors' term of office, set as the date of the Shareholders' Meeting called to approve the 2023 Annual Accounts, the motion passed by the Ordinary Shareholders' Meeting of March 1, 2021 concerning the provision, as severance indemnity, in favor of the Executive Directors for an amount equal to 10% per year of the fixed emoluments received by the Executive Directors;*

giving mandate to the Board of Directors to allocate such compensation among its members".

Arezzo, March 21, 2022

For the Board of Directors

The Chairperson

Daniele Conti