



BEYOND TECHNOLOGY

**EXPLANATORY REPORT  
BY THE BOARD OF DIRECTORS  
OF GEFRAN S.p.A.  
On items on the agenda**

**1. Annual Financial Statements for the year ending 31 December 2021**

Approval of the Annual financial statements for the year ending 31 December 2021, and of the reports of the Board of Directors, Board of Statutory Auditors and External Auditor. Presentation of the Consolidated Financial Statements for the year ending on 31 December 2021. Presentation of the Non-financial Statement prepared under Legislative Decree no. 254/2016. Related and consequent resolutions.

**2. Allocation of profit for the year ending on 31 December 2021.**

2.1 Approval of the proposed distribution of dividends. Related and consequent resolutions;

2.2 Allocation of the remaining portion of annual profit. Related and consequent resolutions.

**3. Report on Remuneration Policy and on the compensation paid. Approval of the first section of the Report under paragraph 3-ter of art.123-ter of Legislative Decree no. 58/1998.**

**4. Report on Remuneration Policy and on the compensation paid. Consultation on the second section of the Report under paragraph 6 of art.123-ter of Legislative Decree no. 58/1998.**

**5. Revoking of the previous authorisation to buy and sell own shares and release of new authorisation.**

**FOR THE ORDINARY SHAREHOLDERS' MEETING  
OF 28 April 2022**

This report has been written pursuant to article 125-ter of Legislative Decree no. 58 of February 24 1998 and articles 72 and 73 and Annex 3A schemes no. 3 and 4 of the regulation adopted by Consob under resolution no. 11971 on 14 May 1999 as amended (the "Issuers' Regulation"). The documentation on items on the agenda is available on the website <https://www.gefran.com/en/gb/meetings> and has been published pursuant to the laws in force.

**METHODS FOR HOLDING THE MEETING**

Note that the date and/or place and/or methods for attending and/or voting and/or holding the Meeting shall be required to comply with current legislation and the orders of the competent authorities concerning the "Covid-19" epidemic.

In view of the current epidemiological emergency, in compliance with art. 106 of Decree Law no. 18 of 17 March 2020 (the "Decree"), concerning "*Measures to strengthen the National Health Service and economic support for families, workers and businesses related to the Covid-19 epidemiological emergency*" – the applicability of which has been extended, most recently, by art. 3, paragraph 1, of Decree Law no. 228 of 30 December 2021 – the Company has determined that shareholders will be able to attend the Meeting exclusively by appointing a representative, in accordance with art. 135-*undecies* of Legislative Decree no. 58 of 24 February 1998 (the Consolidated Finance Act, referred to as "TUF").

The reader is referred to the summons for the Shareholders' Meeting for more information on attendance and voting methods.

**INDIVIDUAL PROPOSED RESOLUTIONS**

In accordance with Consob Memorandum no. 3 of 10 April 2020 - paragraph 6, anyone who is entitled to vote may present an individual proposal for a resolution concerning the topics on the agenda for the meeting, as permitted under art. 126-*bis*, paragraph 1, sentence three of TUF, by the methods and within the deadline identified in the summons for the Shareholders' Meeting. Proposals will be published by the methods and within the deadline identified in the summons for the Shareholders' Meeting to permit all those entitled to vote to make a conscious decision, taking the new proposals into account.

In these cases, this "Explanatory Report by the Board of Directors on the topics on the agenda" may be amended and/or supplemented.

**1. Annual Financial Statements for the year ending 31 December 2021**

Approval of the annual financial statements for the year ending 31 December 2021, and of the reports of the Board of Directors, Board of Statutory Auditors and External Auditor. Presentation of the Consolidated Financial Statements for the year ending 31 December 2021. Presentation of the Non-financial Statement prepared under Legislative Decree no. 254/2016. Related and consequent resolutions;

Dear Shareholders,

We hereby submit for your approval the annual financial statements for the year ending 31 December 2021, which show a net annual profit of 9,204,709 Euro.

We therefore submit for your approval the following resolution:

*“The Ordinary Shareholders' Meeting of Gefran S.p.A., having taken note of the Board of Statutory Auditors' Report and the External Auditors' Report,*

*hereby resolves:*

- *to approve the Board of Directors' Report on Operations and the annual financial statements for the year ending on 31 December 2021, which show a profit of 9,204,709 Euro, as presented by the Board of Directors;*

Provaglio d'Iseo, 28 March 2022

**For the Board of Directors**  
**The Chairwoman**  
Maria Chiara Franceschetti

**Second item on the agenda**

**2. Allocation of profit for the year ending on 31 December 2021**

- 2.1 Approval of the proposed distribution of dividends. Related and consequent resolutions;
- 2.2 Allocation of the remaining portion of annual profit. Related and consequent resolutions.

As stated in the first item on the agenda, the Annual Financial Statements for the year ending on 31 December 2021 reveal a profit of 9,204,709 Euro.

Note that the legal reserve reached the limit set by the Italian Civil Code some time ago and that the available reserves amply cover the development costs recorded under non-current assets.

The figures reported in the annual financial statements reveal that distribution of the dividend will not compromise the Group's prospects for growth, as Gefran S.p.A. has the equity and financial resources to support both distribution of the dividend and its plans for growth.

The Board of Directors submits to the shareholders the proposal to distribute an extraordinary dividend of 0.38 Euro for each of the shares in circulation, net of the 27,220 own shares, representing a total of 5,461,656.40 Euro of the net profit for the year.

The dividend distribution proposal is consistent with the Group's strategy of generating value for its shareholders, safeguarding the Group's growth.

We therefore submit for your approval the following resolution:

*"The Ordinary Shareholders' Meeting of Gefran S.p.A.*

*hereby resolves:*

- *to distribute to the shareholders, by way of dividend, gross of the legal withholdings, 0.38 Euro for each of the outstanding shares (net of own shares), using, for the necessary amount, the net profit for the year;*
- *to allocate to Retained Earnings the amount corresponding to the portion of the net profit for the year which remains net of the distribution as per the previous point".*

The dividend, in compliance with the provisions of the "Regulation of the markets organised and managed by Borsa Italiana S.p.A.", will be paid as follows: ex-dividend date 9 May 2022, record date 10 May 2022, in payment on 11 May 2022.

The amount of the dividend is fully covered by the profit for the period and sufficient financial funds are already available for the payment.

Provaglio d'Iseo, 28 March 2022

**For the Board of Directors**  
**The Chairwoman**  
Maria Chiara Franceschetti

**3. Report on Remuneration Policy and on the compensation paid. Approval of the first section of the Report under paragraph 3-ter of art.123-ter of Legislative Decree no. 58/1998.**

Dear Shareholders,

in compliance with the provisions of the Code of Corporate Governance of Listed Companies and art. 123-ter of the Consolidated Finance Act, the company has adopted a Remuneration Policy, contained in the first part of its Remuneration Report, to be made available to shareholders as required by law, in the shareholders' meetings section of the company's internet site (<https://www.gefran.com/en/gb/meetings>).

Legislative Decree no. 49 of 2019 implemented in Italian legislation, through amendments to the Civil Code and the Consolidated Law on Finance, the provisions of EU Directive 2017/828 (known as "Shareholders' Rights II"), including the specification that Remuneration Policy must be submitted to vote in the Shareholders' Meeting.

The Policy, approved by the Board of Directors on 10 March 2022 and published in full on the company's internet site, contains the guidelines for the remuneration of directors and managers. In particular, the policy defines the remuneration mix, specifying the fixed and variable components.

The Ordinary Shareholders' Meeting of Gefran S.p.A. shall therefore be asked to vote in a binding vote in favour of or against the Remuneration Policy adopted by the company and contained in section one of the Remuneration Report, and we therefore submit for your approval the following proposed resolution:

*"The Gefran S.p.A. Shareholders' Meeting:*

*having examined the Report on Remuneration Policy and Pay under art. 123 ter of TUF*

*votes*

- *to approve Section I, prepared in accordance with art. 123-ter of TUF, paragraph 3, containing the Gefran S.p.A. Remuneration Policy".*

Provaglio d'Iseo, 28 March 2022

**For the Board of Directors**  
**The Chairwoman**  
Maria Chiara Franceschetti

**4. Report on Remuneration Policy and on the compensation paid. Consultation on the second section of the Report under paragraph 6 of art.123-ter of Legislative Decree no. 58/1998.**

Dear Shareholders,

in compliance with the provisions of the Code of Corporate Governance of Listed Companies and art. 123-ter of the Consolidated Finance Act , the company has prepared a report on remuneration and pay in the year 2021, contained in the second part of its Remuneration Report, to be made available to shareholders as required by law, in the shareholders' meetings section of the company's internet site (<https://www.gefran.com/en/gb/meetings>).

Legislative Decree no. 49 of 2019 implemented in Italian legislation, through amendments to the Civil Code and the Consolidated Law on Finance, the provisions of EU Directive 2017/828 (known as "Shareholders' Rights II"), including the specification that the Report on Remuneration and Pay must be submitted to vote in the Shareholders' Meeting.

The Report, approved by the Board of Directors on 10 March 2022, specifies the remuneration paid to directors, auditors and top management, set forth in the form required by law.

The Gefran S.p.A. Shareholders' Meeting shall therefore be asked to express an opinion, in an advisory capacity, in favour of or against the second section of the Report on Remuneration and Pay in the year 2021, and we therefore submit the following proposed resolution for your approval:

*"The Gefran S.p.A. Shareholders' Meeting:*

*having examined the Report on Remuneration Policy and Pay under art. 123 ter of TUF*

*votes*

- *under art. 123-ter, paragraph 6, TUF (non-binding advisory vote) to resolve in favour of Section II, prepared in accordance with art. 123-ter, paragraph 4, TUF.*

Provaglio d'Iseo, 28 March 2022

**For the Board of Directors**  
**The Chairwoman**  
Maria Chiara Franceschetti

**5. Revoking of the previous authorisation to buy and sell own shares and release of new authorisation.**

Dear Shareholders,

In its 10 March 2022 meeting, the Board decided to submit for the approval of the Shareholders' Meeting – convened in ordinary session for 28 April 2022 – pursuant to sections 2357 and 2357-ter of the Italian Civil Code and Article 132 of Legislative Decree 58 of 24 February 1998 (the Consolidated Finance Act or "TUF"), authorisation to purchase and sell, on one or more occasions, a number of ordinary shares in the company representing a maximum of 10% of the share capital (at the date of this report, a maximum of 1,440,000.00 ordinary shares with a nominal value of Euro 1.00 per share).

It is also proposed to revoke the previous authorisation granted by the Shareholders' Meeting on 27 April 2021, which will be replaced by the new authorisation mentioned in this report.

There therefore follows a brief outline of the reasons and procedures for purchasing and selling own shares in the company for which the Board of Directors seeks authorisation.

**1. Reasons for requesting authorisation to purchase and sell own shares**

The request for authorisation to purchase and sell own shares is in order to give the company a valuable tool providing strategic and operational flexibility that would enable it to:

- act directly or through authorised brokers to limit any irregular movement in trading of the share and to regulate trading performance and runs due to excessive volatility or lack of liquidity in trading; these measures shall be taken without prejudice to the equal treatment of shareholders;
- offer shareholders an additional tool to monetise investments.

The Board of Directors recommends that the company have this option at its disposal, particularly when disposing of the own shares purchased, also in order to capitalise on opportunities to maximise value that may arise on the market, therefore for the purpose of trading.

**2. Maximum number, category and nominal value of the shares to which the authorisation relates**

As of the date of this report, the share capital was Euro 14,400,000.00, represented by 14,400,000 ordinary shares with a nominal value of Euro 1.00 per share.

The maximum number of own shares to be purchased is 1,440,000.00, or a maximum of 10% of the share capital, taking into account the own shares held directly and any shares held by subsidiaries in the case of resolutions for increases and reductions while this authorisation remains effective.

In any case, the number of own shares that may be purchased shall not exceed the amount that can be covered, in relation to the purchase price, by the available reserves shown in the last set of approved



financial statements.

In this regard, it should be noted that the following figures were shown in the financial statements for the year ending 31 December 2020, duly approved on 27 April 2021:

- available reserves: € 48,398,709 (at 31.12.2021 € 46,198,540).

### **3. Provisions pursuant to Article 2357, paragraph 3 of the Italian Civil Code**

In order to assess compliance with the limits set out in section 2357, paragraph three, please note that, as of today's date, the company and its subsidiaries hold 27,220 own shares in their portfolio.

### **4. Duration of authorisation**

The authorisation to purchase own shares is requested for a period of 18 months from the date of the Shareholders' Meeting that voted to grant the authorisation.

Authorisation to dispose of any own shares purchased is requested without a time limit.

### **5. Minimum and maximum payments and market valuation**

The Board of Directors proposes that own shares should be purchased at a unit price that is no less than their nominal value and no higher than the average price over the last three trading days prior to the purchase date plus 15%.

Concerning the price at which to sell own shares purchased, the Board of Directors shall have discretionary power to determine at the time any additional condition, procedure and deadline, while taking into consideration the procedures used, the share prices in the period prior to the transaction and the company's best interests. The minimum price may not be more than 10% lower than the price registered during the trading session prior to each disposal.

This price minimum shall not be applied in the case of disposal by means of exchange, transfer or any other means possible for acquiring shareholdings, implementation of industrial projects and other extraordinary financial transactions that involve assigning or disposing of own shares (such as, but not limited to, mergers, spin-offs, etc.).

The Board of Directors also proposes that, based on a prudent appraisal, own shares may be assigned, in full or partially, as dividends.

### **6. Procedures for the purchase and sale of shares**

Purchase transactions shall start and end within the time frame established by the Board of Directors following this authorisation.

Own shares shall be purchased in compliance with applicable law and regulatory provisions in force and, in particular, with Article 132 of the Consolidated Finance Act and Article 144-*bis*, letters a) and b) of the Issuers' Regulations:

- a) through a public tender or exchange offer;
- b) on regulated markets in accordance with the operational procedures set out in the rules of the markets in question, which do not allow direct association of purchase proposals with pre-determined sales offers.

Amongst the various procedures allowed by the Issuers' Regulations, conducting purchases on regulated markets is considered preferable for the purposes mentioned above, particularly with a view to stabilising the share price. This objective can be achieved more effectively through a simple, flexible mechanism such as direct purchase on the market in a timely and gradual manner according to need. Possible recourse to a public tender or exchange offer is therefore not ruled out.

Own shares may be purchased in a different manner from those set out above where allowed by Article 132, paragraph 3 of the Consolidated Finance Act or other provisions applicable as of the date of the transaction.

Furthermore, share purchases may be conducted in accordance with Article 3 of Regulation (EC) 2273/2003, in order to benefit, where possible, from the derogation from the provisions on market abuse pursuant to Article 183 of the Consolidated Finance Act, concerning insider dealing and market rigging.

Shareholders and the market shall be given timely information pursuant to Article 144-*bis*, paragraphs 3 and 5 of the Issuer Regulation.

Concerning sales transactions, the Board proposes that the authorisation should enable these to be conducted, on one or more occasions, without time limits, and in the manner deemed appropriate to achieve the objective in question, including selling on the stock market, lot trading, institutional placement, through the placement of structured securities of any kind and nature or as payment for the acquisition of shareholdings in companies and/or goods and/or assets.

It should be pointed out that the request for authorisation concerns the ability to carry out repeated and consecutive transactions to buy, sell or dispose of own shares in a revolving manner (meaning the maximum amount of own shares held in the portfolio at the time) also for fractions of the maximum amount authorised.

The Board proposes that the authorisation should provide an obligation for the Board of Directors to carry out transactions to buy and sell own shares while guaranteeing not to jeopardise the company's capacity to maintain the minimum amount of floating securities required for STAR qualification.

## 7. Other business

The purchase of own shares shall not be used to reduce share capital by cancelling the own shares purchased.

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For the reasons set out above, the Board of Directors of Gefran S.p.A. asks you to adopt the following resolutions:

*“The Ordinary Shareholders' Meeting of Gefran S.p.A.*

- having acknowledged the Board of Directors' Report;*
- having considered Articles 2357 et seq. of the Italian Civil Code, Article 132 of Italian Legislative Decree 58 of 24 February 1998, Article 144-bis of the regulation adopted with Consob resolution 11971 of 14 May 1999 as subsequently amended;*
- having taken into consideration the 27,220 own shares in the portfolio of Gefran S.p.A. and its subsidiaries as of 10 March 2022;*
- having considered the annual financial statements for the year ending 31 December 2021*

**votes**

**1.** *to revoke the previous authorisation to purchase and sell own shares, approved by the Shareholders' Meeting of 27 April 2021, lasting 18 months;*

**2.** *to authorise the Board of Directors, pursuant to Article 2357 et seq. of the Italian Civil Code, to purchase a maximum number of 1,440,000.00 ordinary shares or a different amount representing 10% of the share capital in the case of resolutions to increase and/or reduce the share capital during the authorisation period, also taking into account shares that may be held by the company's subsidiaries, and in any case in compliance with the limits laid down by law, in order to pursue the objectives set out in the Board of Directors' Report, and in accordance with the following terms and conditions:*

- transactions to buy own shares may be conducted on one or more occasions in a revolving manner (meaning the maximum amount of own shares held in the portfolio at the time), until the end of the eighteenth month starting from the date of this resolution;*
- purchases may be conducted according to one of the methods provided for by Article 132 of Legislative Decree 58 of 24 February 1998 and Article 144-bis, letters a) and b) of the Issuers' Regulations adopted with Consob resolution 11971/1999, taking into consideration – where necessary – the exception provided by paragraph 3 of Article 132 of Legislative Decree 58/1998, and in any case using any other method provided for by the laws and regulatory provisions in force at the date of the purchase;*
- the unit price to purchase own shares may not be less than their nominal value and may not be higher than the average price over the last three trading days prior to the purchase date plus 15%.*
- transactions to buy and sell own shares shall be conducted by the Board of Directors in a manner so as not to jeopardise the company's capacity to maintain the minimum amount of floating securities required for STAR qualification;*

**3.** *to authorise the Board of Directors, pursuant to section 2357-ter of the Italian Civil Code, to sell, on one or more occasions, the own shares purchased from time to time and held in the portfolio, in accordance with the regulatory provisions and legal rules in force at the time and to pursue the objectives set out in the Board of Directors' Report to the shareholders, and under the following terms and conditions:*

- the shares may be disposed of or sold at any time and without any time limit, and may also be assigned, also partially, as dividends;*
- transactions may be conducted even before all purchases have been made, and may be conducted on one or more occasions in the manner deemed appropriate to achieve the objective in question, including selling on the stock market, lot trading, institutional placement, through the placement of structured securities of any kind and nature or as payment for the acquisition of shareholdings in companies and/or goods and/or assets;*
- the minimum price may not be more than 10% lower than the price registered during the trading session prior to each disposal. This price limit shall not be applied in the case of a disposal other than sale, and in*

*particular, in the case where the disposal is by exchange, transfer or other means possible for acquiring shareholdings, implementing industrial projects or other extraordinary financial transactions that involve assigning or disposing of own shares;*

*4. to grant the Board of Directors, with the express right to delegate, the broadest powers, without exception, necessary and useful for the execution of this resolution, also approving all provisions of the purchase plan, in accordance with any requirements set by the competent authorities; as well as the introduction in the wording of the resolutions passed of any amendments required by the aforementioned authorities, the Notary or the competent Companies' Register for registration.*

Provaglio d'Iseo, 28 March 2022

**For the Board of Directors**

**The Chairwoman**

Maria Chiara Franceschetti