

# **CIR S.p.A. - Compagnie Industriali Riunite**

**ORDINARY SHAREHOLDERS' MEETING**

**12 September 2022 - Single Convocation**

**EXPLANATORY REPORT OF THE BOARD OF DIRECTORS ON  
UNDER AGENDA ITEM 1**

**PROPOSAL TO AUTHORISE THE PURCHASE AND DISPOSAL OF TREASURY SHARES, SUBJECT TO  
REVOCATION OF THE PREVIOUS AUTHORISATION. INHERENT AND CONSEQUENT RESOLUTIONS.**

*(drafted pursuant to Article 125-ter of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 72, paragraph 1-bis, of Consob Regulation No. 11971 of 14 May 1999, as amended)*

Dear Shareholders,

This report - prepared in accordance with Art. 73 of the Regulation adopted with Consob Resolution 11971/1999 (the "**Issuers' Regulation**") and Annex 3A, Schedule 4, to the aforesaid Issuers' Regulation - illustrates the proposal that the Board of Directors of CIR S.p.A. - Compagnie Industriali Riunite (hereinafter "**CIR**", the "**Company**" or the "**Issuer**") intends to submit for your approval in relation to the authorisation to purchase and any subsequent disposal of the shares in its portfolio or purchased, in accordance with Articles 2357 and 2357-ter of the Civil Code, in compliance with the provisions of Art. 5 of EU Regulation 596/2014 (the "Regulation") and EU Delegated Regulation 2016/1052 (the "Delegated Regulation"). 2357 and 2357-ter of the Italian Civil Code, in compliance with the provisions of art. 5 of EU Regulation 596/2014 (the "**Regulation**") and EU Delegated Regulation 2016/1052 (the "**Delegated Regulation**") as well as art. 132 of Legislative Decree no. 58/98 (the "**TUF**") and art. 144-bis of the Issuers' Regulations.

## 1. Foreword

The Board of Directors recalls preliminarily that the Ordinary Shareholders' Meeting of 29 April 2022 authorised the Board of Directors, pursuant to and for the purposes of article 2357 of the Italian Civil Code, as of the following day and for a period of eighteen months, to purchase CIR shares (the "**Authorisation in Force**"), as follows:

- > a maximum of 76,016,488 shares may be acquired, taking into account that, including in the count treasury shares already held also through subsidiaries, the number of shares acquired may in no case exceed a total number of shares representing one fifth of CIR's share capital;
- > the unit price of each individual purchase of shares shall not deviate by more than 15%, either in default or in excess, from the reference price recorded by the Company's shares in the stock exchange session preceding each individual purchase transaction or preceding the date on which the price is fixed in the case of purchases in the manner set forth in points (i) (iii) and (iv) of the following paragraph, and in any case, if the purchases are made with orders on the regulated market, the price shall not be higher than the higher of the price of the last independent transaction and the price of the highest current independent bid on the same market;
- > the purchase must take place on the market, in accordance with the provisions of Article 132 of Legislative Decree no. 58/98 and the provisions of law or regulations in force at the time of the transaction, and specifically (i) by means of a public purchase or exchange offer; (ii) on regulated markets in accordance with the operating procedures set forth in the regulations for the organisation and management of the markets themselves, which do not allow for the direct matching of trading proposals for purchase with predetermined trading proposals for sale (iii) through the proportional allocation to shareholders of put options to be assigned within 15 months of the date of the shareholders' meeting's authorisation resolution and exercisable within 18 months of the same; (iv) through the purchase and sale of derivative instruments traded on regulated markets that provide for the physical delivery of the underlying shares, complying with the additional provisions of Article 144-bis of the Issuers' Regulations issued by Consob, as well as pursuant to Articles 5 and 13 of EU Regulation 596/2014.
- > to authorise, pursuant to and for the purposes of Art. 2357-ter of the Italian Civil Code, the Board of Directors and, on its behalf, the Chairman and the Chief Executive Officer, severally, with the right to sub-delegate, to carry out, always within the limits provided for by law, subsequent purchase and sale transactions as well as to dispose of, without time limits or constraints, treasury shares purchased for sale - even before having completed the purchases as authorised above - on one or more occasions through authorised intermediaries, at prices not lower than the last purchase or book price or the current Stock Exchange value, with the specific exception of the Company's directors, employees of the Company and/or its subsidiaries to whom the shares

may be sold or assigned, also free of charge, in compliance with legal limits, in execution of specific share-based compensation plans of the Company;

- > to also authorise the Board of Directors and, on its behalf, the Chairman and the Chief Executive Officer, severally, with the right to sub-delegate, pursuant to and for the purposes of Article 2357-ter of the Italian Civil Code, to dispose - without time limits or constraints - of the treasury shares purchased, on one or more occasions, as consideration for the exchange of equity investments as well as for sale through offers to the public and/or to Shareholders, including through the placement of purchase vouchers (so-called warrants) and depositary receipts representing shares (American Depositary Receipts and similar securities) to fulfil any obligations arising from debt instruments convertible into or exchangeable for equity instruments, as well as for the allocation to employees and Directors of the Company and its subsidiaries, in connection with the execution of stock grant plans;
- > to authorise the Board of Directors, and on its behalf the Chairman and the Chief Executive Officer, to make the appropriate accounting entries pertaining to the "reserve for treasury shares in portfolio", resulting from the purchase, sale or exchange of treasury shares, in compliance with the provisions of the law and the accounting principles applicable from time to time, using and reconstituting the available reserves used for treasury share transactions as appropriate.

The Board of Directors recalls that, as of 28 July 2022), the Company holds 190,164,977 treasury shares, representing 14.89% of the number of shares making up the share capital, purchased pursuant to the authorisations in force from time to time; it should be noted that of these shares, 10,773,770 shares have been purchased during 2022, up to the date of 28 July 2022, for a total countervalue of EUR 4,433,555.75.

The Board of Directors is of the opinion that the reasons for which the Shareholders' Meeting was asked for the authorisation at the time are still valid.

The Board of Directors also notes that the Existing Authorisation was granted for a number of shares amounting to 76,016,488, 5.95% of the shares comprising the share capital, taking into account the amount of reserves available as of 31 December 2021 and the number of treasury shares held as of 7 April 2022.

In light of the Board of Directors' proposals to the Extraordinary Shareholders' Meeting that will precede the Ordinary Shareholders' Meeting to which this proposal is submitted, the number of treasury shares in portfolio could be reduced to approximately 20,000,000 and the amount of available reserves could increase by an amount equal to €218,604,607. Therefore, the reasons that determined the maximum number of shares in relation to the Existing Authorisation to be 76,016,488 would no longer apply, as the Company would be able to purchase treasury shares without any limitations other than those set forth by law, i.e., the limitations set forth in Article 2357 of the Italian Civil Code.

In consideration of the foregoing, the Board of Directors deems it appropriate for the Company to increase its flexibility to purchase treasury shares and to dispose of them (in compliance with the regulations in force and in accordance with the market practices allowed by Consob, as well as the Guidelines issued by the same in July 2019 and Practice No. 1 adopted by Consob resolution No. 21318 of 7 April 2020) both in terms of quantity and in terms of time duration.

The Board of Directors therefore proposes to the Shareholders' Meeting to issue a new authorisation for the purchase of a higher number of treasury shares than the number provided for in the Existing Authorisation, for a period of 18 months from the date of the relevant resolution, subject to revocation of the previous authorisation resolution passed, which was only partially executed.

The terms and procedures for the purchase and disposal of the Company's treasury shares, which the Board of Directors is submitting for the purpose of issuance - by the Shareholders' Meeting convened for 12 September 2022 - of the relevant authorisation (the "**Authorisation**"), are briefly outlined below, specifying that they are identical to

those of the Existing Authorisation, except for the maximum number of shares provided for in the authorisation, as well as the period of validity.

## **2. Purposes for which authorisation to purchase and/or sell treasury shares is requested**

Pursuant to the provisions of Articles 2357 and 2357-ter of the Italian Civil Code, as well as those of Article 132 of the Consolidated Law on Finance, the Authorisation is aimed, in the interest of the company, at

- > fulfilling obligations arising from any share option programmes or other allocations of shares in the Company to employees or members of the management bodies of CIR or its subsidiaries, as well as fulfilling any obligations arising from any debt instruments convertible into or exchangeable for equity instruments;
- > have a portfolio of treasury shares to be used as consideration in any extraordinary transactions, including share swaps, with other parties in the context of transactions in the Company's interest (so-called "securities warehouse"), all within the limits established by the regulations in force;
- > carry out activities to support market liquidity, optimise the capital structure, remunerate shareholders in particular market situations, all within the limits set by current regulations;
- > seize opportunities for value creation, as well as efficient use of liquidity in relation to market trends;
- > for any other purpose that the competent Authorities may qualify as accepted market practices under the applicable European and domestic regulations, and in the manner set forth therein.

## **3. Maximum number of shares to which the authorisation relates**

As of 28 July 2022, the Company's share capital amounted to EUR 638,603,657, divided into 1,277,207,314 ordinary shares, with no indication of the par value expressed (including 190,164,977 treasury shares. In the event of a vote in favour of the resolutions to cancel treasury shares (without reducing the share capital) and to reduce the share capital submitted to the Extraordinary Shareholders' Meeting on the same date as this authorisation request, and subject to the fulfilment of the further conditions (registration in the companies register and - limited to the reduction of the share capital - expiry of the opposition period in the absence of opposition by the legitimate creditors), the Company's share capital would be equal to EUR 420,000,000 divided into 1,107,207,314 ordinary shares, with no indication of express par value (including 20,164,977 treasury shares calculated *pro forma* as of 28 July 2022).

The authorisation entails granting the Board of Directors the power to purchase, in one or more instalments, up to a maximum of 220,000,000 treasury shares, and to dispose of all or part of the Company's treasury shares purchased on the basis of this resolution, as well as those already held by the Company (in this regard, it should be noted that no subsidiary company holds any shares of the parent company in its portfolio).

The maximum number of treasury shares from time to time owned by the Company as a result of transactions on treasury shares in portfolio will in any case be equal to the limit of 20% of the number of shares making up the share capital, in compliance with the provisions of Article 2357, Section 3, of the Italian Civil Code.

Purchases and disposals of treasury shares must be carried out in accordance with the provisions of Article 5 of the Regulation and the Delegated Regulation, where applicable, and as further detailed in point 7 below.

## **4. Minimum and maximum consideration**

Treasury shares may be purchased (in the case of purchases in the manner set forth in items (i), (iii) and (iv) of Section 7 below), in accordance with applicable laws and regulations:

- > at a minimum price not less than the closing price of the security during the stock exchange session on the day preceding the completion of each individual transaction, less 15%;
- > at a maximum price not exceeding the closing price that the security will have recorded in the stock exchange session on the day preceding the completion of each individual transaction, increased by 15%.

and in any event, where purchases are made by orders on the regulated market, the consideration shall not exceed the higher of the price of the last independent transaction and the price of the highest current independent bid on the same market, in accordance with Article 3 of EU Delegated Regulation No. 2016/1052.

With regard to the disposal (sale) of treasury shares, the resolution submitted provides that the Board of Directors has the power to establish from time to time, in accordance with the applicable regulations and/or market practices recognised from time to time, the criteria for determining the relative consideration, taking into account the implementation methods used, the share price trend in the period prior to the transaction and the best interests of the Company.

## **5. Useful information for the purposes of a full assessment of compliance with the provisions of Article 2357 of the Civil Code**

Pursuant to Article 2357(1) of the Civil Code, the purchases of treasury shares subject to the Authorisation must in any case be made within the limits of the distributable profits and available reserves resulting from the last approved financial statements at the time each transaction is carried out. Only fully paid-up shares may be purchased.

In this regard, the Board of Directors recalls that the approved financial statements as of 31 December 2021 show available reserves, net of the negative reserve for treasury shares, of EUR 19,882,610.00 (not considering the profits for the year). As of 30 June 2022, the available reserves, net of the negative reserve for treasury shares, amounted to EUR 16,472,719.06.

The Board of Directors will be required to verify compliance with the limits set forth in Article 2357 of the Civil Code, prior to the commencement of each purchase of ordinary shares for the purposes indicated in paragraph 1 above.

In order to allow for checks on the subsidiaries, specific directives will be issued to them to promptly notify the Company of any purchase of ordinary shares of the parent company made pursuant to Article 2359-bis of the Civil Code.

The legal provisions and accounting principles applicable from time to time shall be observed for the purposes of the accounting entries to be made when shares are purchased, sold, exchanged, contributed or written down.

In the event of a sale, exchange, contribution or depreciation, the corresponding amount may be reused for further purchases, until the expiry of the term of the Authorisation resolved upon by the Shareholders' Meeting, subject to the conditions, quantity and expenditure limits stipulated therein.

## **6. Duration for which authorisation is required**

The authorisation for the purchase of treasury shares subject to the Authorisation is requested for the maximum duration permitted by law, as set forth in Article 2357, paragraph 2, of the Italian Civil Code in a period of eighteen months, starting from the date of any resolution to approve this proposal by the Shareholders' Meeting.

Within the term of any Authorisation that may be granted, the Board of Directors may then make share purchases on one or more occasions and at any time, in an amount and at a time freely determined, in compliance with the applicable rules, with the gradualness deemed appropriate in the interest of the Company.

Authorisation for the disposal and/or use of treasury shares in portfolio or that will eventually be purchased is

instead requested without time limits, due to the absence of time limits under current provisions and the advisability of allowing the Board of Directors to avail itself of maximum flexibility, also in terms of time, to carry out the acts of disposition of the shares.

## **7. Modalities through which purchases and disposals will be made**

It should be noted that pursuant to the exemption set forth in Article 132, paragraph 3, of the Consolidated Law on Finance, the operating procedures do not apply in the event of the purchase of treasury shares from employees of the Company, its subsidiaries or its parent company that have been assigned to them as part of a share incentive plan.

That being said, the purchase must take place on regulated markets, on one or more occasions, on a *revolving* basis, in accordance with the provisions of Article 132 of the Consolidated Law on Finance and Article 144-bis, paragraph 1, letter b) of the Issuers' Regulations, with the operating procedures indicated in the organisational and management regulations of the markets themselves so as to ensure equal treatment among shareholders and not to allow the direct matching of trading proposals for purchase with predetermined trading proposals for sale; in particular, these purchases will be made

- (i)** through a public purchase or exchange offer;
- (ii)** on regulated markets in accordance with operating procedures laid down in the rules of organisation and management of those markets, which do not permit the direct matching of buy orders with predetermined sell orders;
- (iii)** through the proportional allocation to shareholders of put options to be granted within 15 months from the date of the authorising shareholders' resolution and exercisable within 18 months thereafter;
- (iv)** through the purchase and sale of derivative instruments traded on regulated markets that provide for the physical delivery of the underlying shares, complying with the additional provisions contained in Article 144-bis of the Issuers' Regulation issued by Consob, as well as pursuant to Articles 5 and 13 of EU Regulation 596/2014.

With regard to the disposal (sale) of treasury shares, the resolution submitted provides for the authorisation to perform certain acts of disposal, including the power to dispose of the treasury shares purchased, without time limits or constraints, also within the framework of the Company's share-based compensation plans.

## **8. Information in the event that the purchase transaction is instrumental to a capital reduction**

The purchase transaction subject to the Authorisation is not instrumental to the reduction of the share capital by cancellation of the purchased treasury shares.

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All of the above, we propose that you pass the following resolution:

*"The Shareholders' Meeting of CIR S. p. A. - Compagnie Industriali Riunite,*

*Having regard to the Board of Directors' Explanatory Report,*

- *having noted the favourable opinion of the Board of Auditors*
- *bearing in mind the provisions of Articles 2357 et seq. of the Italian Civil Code, Article 132 of Legislative Decree No. 58/98, Article 144-bis of Consob Resolution No. 11971/1999, EU Regulation No. 596/2014, EU Delegated Regulation No. 2016/1052, as well as Consob Resolution No. 20876 of 3 April 2019. the Consob Guidelines of July 2019 and Consob Resolution No. 21318 of 7 April 2020*

## RESOLVE

1. *To revoke, for the unused portion and for the period between the day following this Shareholders' Meeting and its natural expiry, the resolution authorising the purchase of treasury shares passed by the Ordinary Shareholders' Meeting of 29 April 2022 and, consequently, the related authorisation to dispose of them;*
2. *To authorize the Board of Directors, and on its behalf the Chairman and the Chief Executive Officer, severally and severally, with the right to sub-delegate, in accordance with and for the purposes of Art. 2357 of the Civil Code, as from the day following this Shareholders' Meeting and for a period of eighteen months, to buy back CIR shares as follows*
  - *a maximum of 220,000,000 shares may be acquired taking into account that, including in the count treasury shares already held also through subsidiaries, the number of shares acquired may in no case exceed a total number of shares representing one fifth of CIR's share capital;*
  - *the unit price of each individual purchase of shares must not deviate by more than 15%, either downwards or upwards, from the reference price recorded by the Company's shares in the stock exchange session preceding each individual purchase transaction or preceding the date on which the price is fixed in the case of purchases according to the procedures set forth in points (i) (iii) and (iv) of the following paragraph, and in any case, if the purchases are made with orders on the regulated market, the price shall not be higher than the higher of the price of the last independent transaction and the price of the highest current independent bid on the same market;*
  - *the purchase must be made on the market, in accordance with the provisions of Article 132 of Legislative Decree no. 58/98 and the provisions of the law or regulations in force at the time of the transaction and specifically (i) by means of a public purchase or exchange offer; (ii) on regulated markets in accordance with the operating procedures established in the regulations for the organisation and management of the markets themselves, which do not allow for the direct matching of purchase orders with predetermined sale offers; (iii) through the proportional allocation to shareholders of put options to be assigned within 15 months from the date of the shareholders' authorisation resolution and exercisable within 18 months from the same; (iv) through the purchase and sale of derivative instruments traded on regulated markets that provide for the physical delivery of the underlying shares, complying with the additional provisions of Article 144-bis of the Issuers' Regulations issued by Consob, as well as pursuant to Articles 5 and 13 of EU Regulation 596/2014.*
3. *to authorise, pursuant to and for the purposes of Art. 2357-ter of the Italian Civil Code, the Board of Directors and, on its behalf, the Chairman and the Chief Executive Officer, severally, with the right to sub-delegate, to carry out, always within the limits provided for by law, subsequent purchase and sale transactions as well as to dispose of, without time limits or constraints, the treasury shares purchased for sale - even before having completed the purchases as authorised above - on one or more occasions through authorised intermediaries, at prices not lower than the last purchase or book price or the current Stock Exchange value, with the specific exception of the Company's directors, employees of the Company and/or its subsidiaries to whom the shares may be sold or assigned, also free of charge, in compliance with legal limits, in execution of specific share-based compensation plans of the Company;*
4. *to also authorise the Board of Directors and, on its behalf, the Chairman and the Chief Executive Officer, severally, with the power to sub-delegate, pursuant to and for the purposes of Article 2357-ter of the Italian Civil Code, to dispose - without time limits or constraints - of the treasury shares purchased, on one or more occasions, as consideration for the exchange of equity investments as well as for sale through offers to the public and/or to Shareholders, including through the placement of purchase vouchers (so-called warrants) and depositary receipts representing shares (American Depositary Receipts and similar securities) to fulfil any*

*obligations arising from debt instruments convertible into or exchangeable for equity instruments, as well as for the allocation to employees and Directors of the Company and its subsidiaries, in connection with the execution of stock grant plans;*

5. *to authorise the Board of Directors, and on its behalf the Chairman and the Chief Executive Officer, to make the appropriate accounting entries pertaining to the "reserve for treasury shares in portfolio", resulting from the purchase, sale or exchange of treasury shares, in compliance with the provisions of the law and the accounting principles applicable from time to time, using and reconstituting the available reserves used for treasury share transactions as appropriate. "*