

ORDINARY SHAREHOLDERS' MEETING

DIRECTORS' REPORT

1) Appointment of the Board of Directors.

1.1 Determination of the number of members of the Board of Directors.

1.2 Determination of the term of office of the Board of Directors.

1.3 Appointment of the members of the Board of Directors.

1.4 Appointment of the Chairman of the Board of Directors.

1.5 Determination of the remuneration of the members of the Board of Directors

Dear Shareholders,

You have been called to the Ordinary Shareholders' Meeting to resolve on the appointment of the Board of Directors (the "Board") of ASTM S.p.A. ("ASTM").

The Board currently in office—which was appointed by the ASTM Shareholders' Meeting on 16 May 2019 for three financial years—should have expired on the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2021.

On 16 October 2019, the Shareholders' Meeting approved the merger by incorporation of the subsidiary SIAS S.p.A. into ASTM (the "Merger"), which became effective on 31 December 2019.

As a result of the effectiveness of the Merger, the new Articles of Association of ASTM came into force. These contain, among other things, a transitional clause that determined the early expiry of ASTM's Board of Directors with effect from the time when the Board is reconstituted by the Shareholders' Meeting, which will vote according to the list voting mechanism and in compliance with the principle of the necessary representativeness of non-controlling interests.

With regard to the above, the Board of ASTM called the Shareholders' Meeting for 12 February 2020 to resolve on: (1.1) determining the number of members of the Board of Directors;

(1.2) determining the term of office of the Board of Directors; (1.3) appointing the members of the Board of Directors; (1.4) appointing the Chairman of the Board of Directors and, finally, (1.5) determining the remuneration of the members of the Board of Directors.

1.1 Determination of the number of members of the Board of Directors

Article 16, paragraph 1 of the Articles of Association (which can be consulted on the website www.astm.it in the "governance" section), states that "*the company shall be managed by a Board of Directors consisting of a number of members varying from seven to fifteen, as determined by the Shareholders' Meeting, ensuring the presence of a number of independent directors and gender balance in accordance with the provisions of the law and these Articles of Association*".

The Board of Directors, therefore, invites you to determine the number of members of the Board of Directors within the aforesaid limits on the basis of proposals that may be made by the Shareholders also during the Shareholders' Meeting.

1.2 Determination of the term of office of the Board of Directors

Article 16 of the current Articles of Association states that "*the Directors shall remain in office for the time established by the Shareholders' Meeting, in any case, not exceeding three financial years*" and, therefore, the Board of Directors invites you to determine the term of office of the Board of Directors on the basis of the proposals that may be made by the Shareholders also during the Shareholders' Meeting.

1.3 Appointment of the members of the Board of Directors

The entire Board of Directors is appointed, in accordance with the procedures and terms set out in the aforementioned article 16 of the Articles of Association and the regulations in force, on the basis of lists submitted by Shareholders who, alone or together with other Shareholders, hold shares representing at least 1% of the share capital, as set out in Consob

Resolution no. 13 of 24 January 2019, taking into account the shares registered in favour of the Shareholder on the day on which the lists are filed with the Company.

The relevant certification, issued by an authorised intermediary, may, however, be produced even after the filing of the lists, provided that it is done no later than the twenty-first day prior to the date of the Shareholders' Meeting (and, therefore, no later than 22 January 2020).

Each member may submit or contribute to the submission of only one list.

The lists must be submitted, by the twenty-fifth day prior to the date set for the Shareholders' Meeting on single call (and, therefore, by 18 January 2020), by filing at the registered office or by sending them to the following e-mail address assembleaastm@astm.it.

Each list shall contain a number of candidates not exceeding the maximum number of Directors provided for in the aforementioned paragraph 1 of Article 16 of the Articles of Association and, at the time of filing at the registered office, shall be accompanied by i) an statement regarding the personal and professional characteristics of the candidates, ii) written acceptance of the candidature and a declaration of not being on other lists, as well as iii) further documentation required by applicable law.

With regard to candidates, in addition to the regulatory requirements laid down, the limits set out in the "*Procedure for the identification of the maximum number of offices as director or statutory auditor in other companies*" published on ASTM's website (in the "governance" section) are also applicable.

In addition, in compliance with the recommendations of the Corporate Governance Code for Listed Issuers issued by the Corporate Governance Committee of Borsa Italiana S.p.A., the Board of Directors has expressed to the Shareholders its position on the size and composition of the Administrative Body to be elected.

Each list must include at least two candidates who meet the independence requirements provided for by current legislation, indicating them separately and putting one of them in first place on the list. The lists containing a number of candidates equal to or greater

than three must also include, as indicated in the notice of call, candidates of different genders, so as to ensure the presence of at least one third of members of the less represented gender (or of any greater quota established by the regulations, where applicable, on the subject of gender balance) in the composition of the Board, rounded up, in the case of a fractional number, to the next higher unit.

The lists, accompanied by the prescribed documentation, shall be made available at the Company's registered office, on the Company's website (in the "governance" section), on the website of Borsa Italiana S.p.A. and on the authorised storage platform, at least 21 days before the date set for the Shareholders' Meeting on single call.

Given that for the purposes of appointing the directors to be elected, no account will be taken of lists that have not received a percentage of votes equal to at least half of that required by the Articles of Association or the laws in force at the time for the presentation of the lists themselves, the election of the members of the Board of Directors will proceed as follows:

- a) four-fifths of the Directors to be elected will be taken from the list that has received the majority of the votes cast by those entitled to vote, in the progressive order in which they are listed, rounded down in the case of a fractional number;
- b) the remaining Directors shall be taken from the other lists. To this end, the votes received by these lists shall be divided successively by one, two, three, according to the number of Directors to be elected. The quotients thus obtained will be progressively assigned to the candidates on each of these lists, according to the order in which they are listed respectively. The quotients thus attributed to the candidates on the various lists will be arranged in a single decreasing ranking. Those who receive the highest quotients will be elected.

If several candidates have received the same quotient, the candidate on the list who has not yet elected any Director or has elected the smallest number of Directors will be elected. In the event of a tie in list votes, and therefore in the event of a tie in quotient, a new vote will

be taken by the Shareholders' Meeting, with the candidate receiving a simple majority of votes being elected.

If, as a result of this procedure, the composition of the Board of Directors does not allow the gender balance to be observed, the candidates who would be elected in the various lists are arranged in a single decreasing ranking list, formed according to the quotient system indicated in letter b) above. The candidate of the more-represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced, subject to compliance with the minimum number of independent directors, by the first non-elected candidate belonging to the less-represented gender indicated on the same list as the replaced candidate.

If the candidates on different lists have received the same quotient, the candidate on the list from which the highest number of directors is taken will be replaced.

If the replacement of the candidate of the more-represented gender with the lowest quotient in the ranking does not allow, however, the presence of at least one third of the members of the less-represented gender (or of the higher quota established by the legislation, if applicable, regarding gender balance), the aforementioned replacement process shall also be carried out with reference to the candidate of the more-represented gender with the penultimate quotient, and so on from the bottom of the ranking. In all cases where the procedure described above is not applicable, the replacement is made by the Shareholders' Meeting with the majorities required by law, in accordance with the principle of proportional representation of non-controlling shareholders on the Board of Directors.

If no list is presented or admitted or, in any case, for any reason, the appointment of one or more Directors cannot be made in accordance with the provisions of article 16 of the Articles of Association, the Shareholders' Meeting shall resolve, with the majorities required by law, so as to ensure, in accordance with current legislation, the presence of the number of Directors meeting the requirements of independence and compliance with the provisions of the Articles of Association and/or the regulations in force at the time on gender balance.

In the light of the above, the Board of Directors, therefore, invites you to appoint the members of the Board of Directors on the basis of the lists of candidates for the office of members of the Board of Directors that will be presented and published in compliance with the above provisions.

1.4 Appointment of the Chairman of the Board of Directors

Considering that, pursuant to Article 17 of the Articles of Association, the Ordinary Shareholders' Meeting has the power to appoint the Chairman of the Board of Directors, the Board of Directors invites you to appoint the Chairperson of the Board of Directors on the basis of proposals that may be made by the Shareholders also during the Shareholders' Meeting.

1.5 Determination of the remuneration of the members of the Board of Directors

Pursuant to article 16 of the Articles of Association, "*the Shareholders' Meeting shall resolve on the annual remuneration due to the members of the Board of Directors. This remuneration shall also remain valid for the financial years following the one for which it was resolved, until otherwise determined by the Shareholders' Meeting*".

The Board of Directors therefore invites you to determine the remuneration of the members of the Board of Directors and its Chairman on the basis of proposals that may be made by Shareholders also during the Shareholders' Meeting.

Annex: *ASTM S.p.A. Board of Directors Guidelines to Shareholders on the size and composition of the new Board of Directors*

ASTM S.p.A. Board of Directors Guidelines to Shareholders on the size and composition of the new Board of Directors

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In compliance with the recommendations of art. 1.C.1, letter h) of the Corporate Governance Code for Listed Companies, ASTM's Board of Directors, taking into account:

- the results of the self-assessment for the 2019 financial year;
- that the merger by incorporation of the subsidiary SIAS S.p.A. into ASTM will lead to the early expiry of the current Board of Directors,

with a view to the renewal of the Board itself, provides the Shareholders with its guidelines on:

- the **size of** the new Board of Directors;
- the **composition**, referring to the managerial and professional figures whose presence on the new Board of Directors is deemed appropriate.

Size of the Board of Directors

ASTM's Board of Directors believes that:

- the current number of Directors (15)—the maximum provided for by the Company's Articles of Association—is appropriate to ensure an adequate balance of skills and experience required by the complexity of ASTM's business, as well as to allow adequate composition of Committees;
- the current relationship between executive (4), non-executive (11) and independent (9) Directors is balanced and adequate to ensure the effective functioning of the Board of Directors.

Composition of the Board of Directors

The Board of Directors, taking into account the role of industrial holding company that ASTM will assume within the Group and the more direct control it will have over its industrial investee companies, notes that the personal and professional characteristics deemed appropriate for the different roles within the new Board of Directors should be as follows:

The Chairman should:

- have authority and personal prestige such as to ensure, during the term of office, a correct and transparent management of the functioning of the Board of Directors and to represent a figure of guarantee for all Shareholders;
- possess personal characteristics such as to create a strong team spirit and a strong sense of cohesion among the members of the Board of Directors;
- have adequate preparation in the field of corporate governance, having gained previous experience in the field—and preferably at the helm—of boards of directors of listed companies of comparable complexity, size and international projection to those of ASTM, and having shown sensitivity towards governance and sustainability issues in the performance of these duties;
- possess skills in the economic-financial and legal fields, as well as experience and customary experience in managing issues of strategic importance within the Board of Directors, as well as business specifications;
- have gained experience in the international field, accompanied by adequate knowledge of foreign languages and, in particular, at least English.

The Chief Executive Officer should:

- be authoritative, with a recognised strategic vision and a deep knowledge of the Group's business and its evolution;
- have gained significant and successful experience at the top of listed companies of comparable complexity, size and international projection to those of ASTM;
- have expertise in the economic-financial as well as technical fields;
- have recognized leadership and a management style oriented towards management and the ability to team up and create team spirit among employees;
- have gained significant experience in the international field, accompanied by an excellent knowledge of foreign languages and, in particular, at least English.

The other Directors should, for the most part, preferably, meet the independence requirements established by law and the Corporate Governance Code, and in addition:

- a) have **managerial** and/or **professional** profiles (as specified below) in order to achieve a set of different and complementary skills and experience, also taking into account the benefits that may derive from the presence on the Board of different genders, age groups, and seniority in office;
- b) possess adequate seniority, understood as proven experience in complex organisational contexts in the corporate and/or professional and/or institutional environment;
- c) have gained experience on the boards of directors of companies, preferably listed companies, of significant size and/or complexity;
- d) possess skills such as to enable them to participate effectively both in the work of the Board of Directors and of the various Committees. To this end, the skills acquired in the industrial and/or economic-financial and/or risk management and/or legal and/or digital innovation fields are considered relevant;
- e) have adequate knowledge of Corporate Governance and Sustainability issues and the organisational and procedural aspects of Board activities;
- f) have gained experience in the international field, accompanied by adequate knowledge of foreign languages and, in particular, at least English.

In addition:

- those with **management profiles** should:
 - have gained experience in positions of responsibility within industrial groups of size and/or complexity and with international projection comparable to those of ASTM;
 - possibly have specific knowledge of the business segments of the Company and the Group;
 - possess business judgement skills and a high orientation towards strategy, understood as the ability to interpret market scenarios and trends in the reference sectors;

- those with **professional profiles** should:
 - have gained experience in positions of responsibility in relevant professional firms, consultancy firms or other organisations, public or private;
 - have carried out their professional activity with particular relevance to the activity of industrial enterprises.

All Directors candidates, in accepting their candidature, must carefully evaluate the availability of sufficient time to devote to the performance of their duties, taking into account both the number and quality of the positions held on the boards of directors and statutory auditors of other companies and the new commitment required of them. In this regard, individual positions must comply and adhere to the policy adopted by ASTM in this regard in the "Procedure for the identification of the maximum number of offices as Director or Statutory Auditor in other companies" (available on the Company's website in the "governance" section).