

## PANARIAGROUP INDUSTRIE CERAMICHE S.P.A.

Registered office in Finale Emilia (MO), at Via Panaria Bassa 22/A  
Share capital Euro 22,677,645.50 fully paid-in  
Registration number with Modena Companies House: 01865640369  
Website [www.panariagroup.it](http://www.panariagroup.it)

### BOARD OF DIRECTORS' REPORT ON ITEMS 1, 2 AND 3 ON THE AGENDA OF THE ORDINARY SHAREHOLDERS MEETING OF 29 APRIL 2021

*Drafted in accordance with article 125-ter of Legislative Decree no. 58 of 24 February 1998 (“Consolidated Finance Act”) and 84-ter of the Regulation adopted by Consob by means of resolution no. 11971/99 (“Issuers’ Regulation”), as subsequently amended and supplemented, for the ordinary Shareholders’ Meeting of Panariagroup Industrie Ceramiche S.p.A. set, at single call, on 29 April 2021.*

Dear Shareholders,

this report illustrates the proposals that the Board of Directors of Panariagroup Industrie Ceramiche S.p.A. (hereinafter “**Panariagroup**” or the “**Company**”) intends to submit for your approval with reference to the items on the agenda of the Shareholders’ Meeting that will be held at single call on 29 April 2021.

**Item 1 on the agenda-** Presentation of the Panariagroup Group consolidated financial statements and approval of the annual financial statements as at 31 December 2020; related and consequent resolutions.

*1.1 Approval of the annual financial statements as at 31 December 2020 and the Board of Directors’ report on operations;*

*1.2 Allocation of the net result for the year.*

Dear Shareholders,

the Board of Directors of your Company has convened you to an ordinary Shareholders’ Meeting to propose to you the approval of the Company’s annual financial statements as at 31 December 2020 and to present you with the consolidated financial statements at 31 December 2020.

The draft financial statements as at 31 December 2020 of the company were approved by the Board of Directors on 12 March 2021.

Please note that the report on operations and consolidated non-financial declaration (“NFD”) were made available to the public, together with the draft annual financial statements of Panariagroup as at 31 December 2020, the consolidated financial statements of Panariagroup as at 31 December 2020, the certificate of the manager appointed to prepare the Company's accounting documents, the report by the Board of Auditors and the report by the independent auditing firm, at the Company's registered office, at Borsa Italiana S.p.A., on the Company's website [www.panariagroup.it](http://www.panariagroup.it) as well as at the authorised storage mechanism IInfo at [www.linfo.it](http://www.linfo.it), in accordance with the terms of the law.

For complete information about the matter in question, please refer to the report by the Board of Directors on operations and the additional documentation as shall be made available to the public, in accordance with the law, at the registered office and at Borsa Italiana S.p.A., and on the company website [www.panariagroup.it](http://www.panariagroup.it), in the Investor Relations section, as well as on the authorised storage mechanism IInfo, at [www.linfo.it](http://www.linfo.it).

As specified above, only the annual financial statements will be submitted for approval by the Shareholders' Meeting, in accordance with Art. 2364, paragraph 1, point 1) of the Italian Civil Code, while the consolidated financial statements are subject merely to presentation to the Shareholders, but do not have to be approved by the Shareholders' Meeting.

\*\*\*

In light of the above, in relation to this item on the agenda, the Shareholders' Meeting will carry out two separate votes, based on the proposals formulated hereunder.

### ***1.1 Approval of the annual financial statements as at 31 December 2020 and the Board of Directors' report on operations.***

In light of the above, also making reference to the report on operations, the Board of Directors presents the following proposed resolution for your approval:

*“The ordinary Shareholders' Meeting of Panariagroup Industrie Ceramiche S.p.A.,*

- after examining the annual financial statements of the Company as at 31 December 2020 and the Board of Directors' report on operations;*
- having regard to the report by the Board of Auditors to the Shareholders' Meeting pursuant to Art. 153 of Italian Legislative Decree no. 58 of 24 February 1998;*
- having regard to the report by the Independent Auditing Firm in relation to the draft annual financial statements as at 31 December 2020;*

***resolved***

- to approve the annual financial statements of the Company as at 31 December 2020 and the Board of Directors' report on operations;*
- to confer to the Chairman of the Board of Directors and the Chief Executive Officer, separately and with the right to sub-delegate, the mandate for the performance of all the activities pertinent, consequent or connected to the implementation of this resolution”.*

## **1.2 Allocation of the net result of the year.**

In light of the above, also making reference to the report on operations, the Board of Directors presents the following proposed resolution for your approval:

*“The ordinary Shareholders’ Meeting of Panariagroup Industrie Ceramiche S.p.A.,*

- after examining the annual financial statements of the Company as at 31 December 2020 and the Board of Directors’ report on operations;*
- having regard to the report by the Board of Auditors to the Shareholders’ Meeting pursuant to Art. 153 of Italian Legislative Decree no. 58 of 24 February 1998;*
- having regard to the report by the Independent Auditing Firm in relation to the draft annual financial statements as at 31 December 2020;*

### **resolved**

- to carry forward the loss for the year*
- to confer to the Chairman of the Board of Directors and the Chief Executive Officer, separately and with the right to sub-delegate, the mandate for the performance of all the activities pertinent, consequent or connected to the implementation of this resolution”.*

\* \* \*

**Item 2 on the agenda** - *Resolutions regarding the report on the remuneration policy and on compensation paid pursuant to Art. 123-ter of Legislative Decree 58/1998 and art. 84-quater of Consob Regulation no. 11971/1999.*

- 2.1 Binding vote on the policy on remuneration relating to 2021 illustrated in the first section of the report; related and consequent resolutions;*
- 2.2 Consultation on the second section of the report related to the compensation paid in 2020 or relating to it; related and consequent resolutions.*

Dear Shareholders,

in relation to the second item on the agenda, the Board of Directors intends to submit for the approval of the Shareholders’ Meeting the report on the remuneration policy and on compensation paid in relation to the members of the administration and control bodies, general managers and executives with strategic responsibilities of the Company (the “**Report**”). The Report was prepared in accordance with articles 123-ter of the Consolidated Finance Act and 84-quater of the Issuers’ Regulation - as recently amended with Consob Regulation no. 21623 of 10 December 2020 - also taking account of the provisions of art. 5 of the Code of Corporate Governance and was drafted in compliance with Annex 3A, Schemes 7-bis and 7-ter, of the Issuers’ Regulation.

Pursuant to art. 123-ter of the Consolidated Finance Act - as recently amended by Legislative Decree no. 49 of 10 June 2019, in implementation of Directive (EU) 2017/828 (so-called “Shareholder II Directive”) of the European Parliament and Council of 17 May 2017 which modifies Directive 2007/36/EC (so-called “Shareholder I Directive”) as regards encouraging long-term shareholder commitment - the aforementioned Report is structured into two sections.

The first section illustrates, in a clear and easy-to-understand way, the Company’s policy on the remuneration of the members of the administrative and control bodies, general managers and managers with strategic responsibilities with reference to at least the following financial year as well as the procedures used to adopt and implement said policy. The remuneration policy illustrated in said section, pursuant to art. 123-ter, paragraphs 3-bis and 3-ter, of the Consolidated Finance Act, introduced by Legislative Decree no. 49/2019, is subject to the binding vote of the ordinary Shareholders’ Meeting.

The second section, in a clear and easy-to-understand way and, on a named basis for the members of the administrative and control bodies and general managers, and in aggregate form for managers with strategic responsibilities, instead must (i) provide an adequate representation of each of the items making up the remuneration, including the entitlements envisaged in the event of the termination of office or end of the employment contract, highlighting their consistency with the Company’s remuneration policy in relation to the reference financial year; (ii) provide a detailed breakdown of the compensation paid in the reference year for any reason and in any form by the Company and by its subsidiaries or associates, reporting any components of the aforementioned compensation that relate to activities carried out in years prior to the reference year and also outlining the compensation to be paid in one or more subsequent years for the activities performed in the reference year; (iii) show how the Company has taken account of the vote expressed in the previous year on the second section of the report. This section, pursuant to new paragraph 6 of art. 123-ter of the Consolidated Finance Act, as introduced by Legislative Decree no. 49/2019, is subject solely to a consultative and non-binding vote of the ordinary Shareholders’ Meeting, which is required to rule either for or against said section.

Lastly, any equity investments held by the above-mentioned parties in the Company or its subsidiaries are indicated in the Report.

For complete information on the matter in question, please refer to the Report drafted by the Board of Directors pursuant to articles 123-ter of the Consolidated Finance Act and 84-quater of the Issuers’ Regulation, as well as art. 5 of the Code of Corporate Governance, which will be made available to the public, according to the methods and terms prescribed by law, at the Company’s registered office, at Borsa Italiana S.p.A., on its website [www.panariagroup.it](http://www.panariagroup.it), as well as on the authorised storage mechanism IInfo at [www.linfo.it](http://www.linfo.it).

\*\*\*

In light of the above, in relation to this item on the agenda, the Shareholders’ Meeting will carry out two separate votes, based on the proposals formulated hereunder.

## ***2.1 Binding vote on the policy on remuneration relating to 2021 illustrated in the first section of the report; related and consequent resolutions.***

Now, therefore, the Board of Directors presents the following proposals relating to the first section of the aforementioned Report for your approval:

“The ordinary Shareholders’ Meeting of Panariagroup Industrie Ceramiche S.p.A.,

- *having examined the first section of the “Report on the remuneration policy and on the compensation paid” envisaged by art. 123-ter, paragraph 3, of Legislative Decree no. 58 of 24 February 1998, prepared by the Board of Directors based on the proposal of the Remuneration Committee, regarding the illustration of the Company’s policy on the remuneration of the members of the administrative and control bodies, general managers and managers with strategic responsibilities with reference to 2021, as well as the procedures used to adopt and implement said policy;*
- *having considered that the first section of the Report on the remuneration policy and on the compensation paid and the remuneration policy described therein conforms to the provisions of the applicable legislation and regulations governing the remuneration of the members of the administrative and control bodies, general managers and managers with strategic responsibilities; and*
- *having considered that the report on the remuneration policy and on the compensation paid will be provided to the public in accordance with the methods and time-scales set forth in the legislation in force,*

#### ***resolved***

- *to approve, pursuant to and in accordance with the provisions of art. 123-ter, paragraph 3-bis and 3-ter, of the Consolidated Finance Act, the remuneration policy described in the first section of the “Report on the remuneration policy and on the compensation paid”, prepared by the Company’s Board of Directors on 12 March 2021”.*

#### **2.2 Consultation on the second section of the report relating to the compensation paid in 2020 or relating to it; related and consequent resolutions.**

With reference to the second section of the aforementioned Report, the Board of Directors submits the following proposal for your approval:

“The ordinary Shareholders’ Meeting of Panariagroup Industrie Ceramiche S.p.A. .

- *having examined the second section of the “Report on the remuneration policy and on the compensation paid” envisaged by art. 123-ter, paragraph 4, of Legislative Decree no. 58 of 24 February 1998, prepared by the Board of Directors based on the proposal of the Remuneration Committee, regarding the indication of the compensation paid to the members of the administrative and control bodies, general managers and managers with strategic responsibilities with reference to 2020 or related to it;*
- *having considered that the second section of the Report on the remuneration policy and on the compensation paid described conforms to the provisions of the applicable legislation and regulations governing the remuneration of the members of the administrative and control bodies, general managers and managers with strategic responsibilities; and*

- *having considered that the report on the remuneration policy and on the compensation paid has been provided to the public in accordance with the methods and time-scales set forth in the legislation in force,*

*resolved*

- *to rule in favour, pursuant to and in accordance with the art. 123-ter, paragraph 6, of the Consolidated Finance Act, of the second section of the “Report on the remuneration policy and on the compensation paid”, prepared by the Company’s Board of Directors on 12 March 2021”.*

\* \* \*

**Item 3 on the agenda - Determination of the compensation of the members of the Board of Directors; related and consequent resolutions.**

Dear Shareholders,

in connection with item 3 on the agenda, we would like to remind you that, in accordance with Article 17 of the Articles of Association, you are called to determine the compensation to be paid to the Board of Directors for 2021.

Please remember that the Shareholders’ Meeting of 28 May 2020, at the time of the appointment of the Board of Directors and in implementation of the referenced art. 29 of the Articles of Association, determined that the fixed part of the amount to be paid to the Board of Directors by way of compensation for FY 2020 would be a gross figure of Euro 615,000.00 (six hundred and fifteen thousand) and, nonetheless until approval of the financial statements as at 31 December 2020, and the variable emoluments to be paid to directors with executive positions would be a gross maximum of Euro 200,000.00 (two hundred thousand); this was decided after consulting with the Board of Auditors and the Remuneration Committee.

In light of the foregoing, it is therefore necessary to determine the compensation of the Board of Directors for FY 2021.

In continuity with the resolution approved by the aforementioned Shareholders’ Meeting, notwithstanding that the compensation must be attributed in compliance with the remuneration policy approved recently by the shareholders according to the elements outlined in relation to the second item on the agenda, the Board of Directors submits the following proposed resolution for your approval:

*“The ordinary Shareholders’ Meeting of Panariagroup Industrie Ceramiche S.p.A., having acknowledged the explanatory report prepared by the Board of Directors*

*resolved*

- *to determine that the fixed part of the amount to be paid to the Board of Directors by way of compensation for FY 2021 would be a gross figure of Euro 615,000.00 (six hundred and fifteen thousand) and, nonetheless until approval of the financial statements as at 31 December 2021, and the variable emoluments for FY 2021 to be paid to directors with executive positions would be a gross maximum of Euro 200,000.00 (two hundred thousand); this was decided after consulting with the Board of Auditors and the Remuneration Committee;*
- *to assign a mandate to the Board of Directors, to carry out all the necessary legal and regulatory formalities related to the preceding resolution.”*

\* \* \*

**Item 4 on the agenda** - *Renewal of the authorisation to purchase and sell own shares; related and consequent resolutions.*

Dear Shareholders,

in connection with item 4 on the agenda, reference is made to the information given in the report prepared in accordance with art. 73 of the Issuers' Regulation, which will be made available to the public, in accordance with the methods and time-scales prescribed by law, at the registered office, at Borsa Italiana S.p.A., on the Company's website (at [www.panariagroup.it](http://www.panariagroup.it)) and on the authorised storage mechanism IInfo, at [www.linfo.it](http://www.linfo.it).

Sassuolo, 12 March 2021

For the Board of Directors  
The Chairman  
**Emilio Mussini**