



TESMEC S.P.A.
ORDINARY SHAREHOLDERS' MEETING HELD ON 21 MAY 2020
IN SINGLE CALL
DIRECTORS' REPORT
ON THE DRAFT RESOLUTIONS SUBMITTED TO THE MEETING

Report of the Board of Directors of Tesmec S.p.A., drawn up pursuant to Articles 125-*ter* of Italian Legislative Decree no. 58 of 24 February 1998 (“Consolidated Law on Finance (T.U.F.)”), and 84-*ter* of the Regulation adopted with Consob Resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented (“Issuers’ Regulation”).

Dear Shareholders,

This report shows the draft resolutions that the Board of Directors of **Tesmec** S.p.A. (hereinafter referred to as “Tesmec” or the “**Company**”) intends to submit for your approval in relation to the items on the agenda of the ordinary shareholders' meeting that will be held on 21 May 2020 10:30 a.m., in single call at Studio Notarile SNPZ Notai a Milano, in Milano, Piazza della Repubblica, 28.

1. **Approval of the financial statements as at 31 December 2019 and presentation of the Tesmec Group’s consolidated financial statements and relevant reports, including the Consolidated Disclosure of Non-Financial Information; allocation of result for the period; related and consequent resolutions.**
 - 1.1. **Approval of the financial statements as at 31 December 2019 and the Directors’ report;**
 - 1.2. **Allocation of result for the period.**

Dear Shareholders,

The Company, within the term established by Article 154-*ter* of the Consolidated Law on Finance (T.U.F.), must publish the annual financial statements comprising the draft financial statements, the consolidated financial statements, the directors' report (which includes the Consolidated Disclosure of Non-Financial Information, referred to Tesmec and its subsidiaries, relating to environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters) and the certification set forth in Article 154-*bis*, paragraph 5, of the Consolidated Law on Finance (T.U.F.). The audit reports prepared by the independent auditors as well as the reports indicated in Article 153 of the Consolidated Law on Finance (T.U.F.) are made fully available to the public together with the annual financial statements.

The draft financial statements were approved by the Board of Directors of the Company on 13 March 2020.

The directors' report has been made available to the public, together with the draft financial statements of Tesmec as at 31 December 2019, the consolidated financial statements of the Tesmec Group as at 31 December 2019, the certification of the Manager responsible for preparing the Company's financial statements, the report of the Board of Statutory Auditors and the Independent Auditors’ Report, at the registered office and Borsa Italiana S.p.A. (“**Borsa Italiana**”), as well as on the website of the Company: www.tesmec.com and in accordance with to the other modalities prescribed by Consob within the terms provided by the regulations in force.

For a complete information on the subject in hand, reference is made to the Directors' report and to the additional documents made available to the public, within the timeframe prescribed by law, at

the registered office and Borsa Italiana, as well as on the Company's website www.tesmec.com (Investors) and in accordance with to the other modalities prescribed by Consob.

You are invited to approve the financial statements as at 31 December 2019 of Tesmec that ended with a profit of Euro 4.2 million.

With reference to the results achieved, the Board of Directors proposes that you resolve to allocate the profit for the year to the extraordinary reserve.

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In light of the above, two separate votes will be taken on this item on the agenda at the Shareholders' Meeting, on the basis of the proposals set out below.

1.1 Approval of the financial statements as at 31 December 2019 and the Directors' report.

All this being stated, with regard to the approval of the financial statements as at 31 December 2019, the Board asks the Shareholders' Meeting convened to pass the following resolution:

"The Ordinary Shareholders' Meeting of Tesmec S.p.A.,

- after having examined the financial statements of the Company as at 31 December 2019 and the Directors' report, as well as the Consolidated Disclosure of Non-Financial Information included in it and prepared pursuant to Italian Legislative Decree 254/2016;*
- considering the Report of the Board of Statutory Auditors to the Shareholders' Meeting set forth in Article 153 of Italian Legislative Decree no. 58 of 24 February 1998;*
- considering the report of the Independent Auditors regarding the draft financial statements as at 31 December 2019;*

resolved

- to approve the Company's financial statements as at 31 December 2019 and the Directors' report;*
- to grant the Chairman of the Board of Directors and Chief Executive Officer, with the right to sub-delegate, a mandate to carry out all activities relating to, consequent to or connected with the implementation of this resolution."*

1.2 Allocation of result for the period

All this being stated, with regard to the allocation of result for the period, the Board asks the Shareholders' Meeting convened to pass the following resolution:

“The Ordinary Shareholders’ Meeting of Tesmec S.p.A.,

- after having examined the financial statements of the Company as at 31 December 2019 and the Directors’ report, as well as the Consolidated Disclosure of Non-Financial Information included in it and prepared pursuant to Italian Legislative Decree 254/2016;*
- considering the Report of the Board of Statutory Auditors to the Shareholders’ Meeting set forth in Article 153 of Italian Legislative Decree no. 58 of 24 February 1998;*
- considering the report of the Independent Auditors regarding the draft financial statements as at 31 December 2019;*

resolved

- to assign the profit for the year of Euro 4.2 million to the Extraordinary Reserve;*
- to grant the Chairman of the Board of Directors and Chief Executive Officer, with the right to sub-delegate, a mandate to carry out all activities relating to, consequent to or connected with the implementation of this resolution.”*

2. Resolutions related to the report on remuneration policy and remuneration paid pursuant to Articles 123-*ter* of the Italian Legislative Decree 58/1998 and Article 84-*quarter* of Consob Regulation no. 11971/1999; related and consequent resolutions.

2.1 Binding vote on the remuneration policy for 2020 set out in the first section of the report; related and consequent resolutions;

2.2 Consultation on the second section of the report on remuneration paid in or relating to the 2019 financial period or related to it.

Dear Shareholders,

In relation to the second item on the agenda, the Board of Directors intends to submit to the Shareholders’ Meeting the report on the remuneration policy and remuneration paid to members of the board of directors and supervisory 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 Law on Finance (T.U.F.) and 84-*quarter* of the Issuers’ Regulation, as well as Article 6 of the Corporate Governance Code (in the version of July 2018) and was drawn up in accordance with Annex 3A, Schemes 7-*bis* and 7-*ter*, of the Issuers’ Regulation.

Pursuant to Article 123-*ter* of the Consolidated Law on Finance (T.U.F.) – as recently amended by Italian Legislative Decree no. 49 of 10 June 2019, implementing Directive (EU) 2017/828 (known as “Shareholder Rights Directive II”) of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC (known as “Shareholder Rights Directive I”) as regards the encouragement of long-term shareholder engagement – the aforementioned Report is divided into two sections.

The first section shows in a clear and comprehensible manner the policy of the Company concerning the remuneration of the members of the boards of directors and supervisory bodies, of general managers and of executives with strategic responsibilities with reference at least to the following financial period as well as the procedures used for the adoption and implementation of this policy. The remuneration policy set out in this section, pursuant to Article 123-*ter*, paragraphs 3-*bis* and 3-*ter*, of the Consolidated Law on Finance (T.U.F.), introduced by Italian Legislative Decree no. 49/2019, is subject to the binding vote of the Ordinary Shareholders' Meeting.

On the other hand, the second section of the Report, must in a clear and comprehensible manner and, by name for the members of the board of directors, supervisory bodies and general managers and in aggregate form for executives with strategic responsibilities, (i) provide an adequate representation of each item forming the remuneration, including the salaries envisaged in case of termination of the office or termination of the employer-employee relationship, pointing out consistency with the Company's policy on remuneration related to the financial period under review; (ii) show in detail the remuneration paid during the financial period under review for any reason and in any form by the Company and by subsidiaries or associates, reporting any components of the remuneration mentioned above that refer to activities carried out in financial periods prior to the financial period under review and also pointing out remuneration to be paid in one or more subsequent financial periods for activities carried out in the financial period under review; (iii) explain how the Company has taken account of the vote cast the previous year on the second section of the Report. This section, pursuant to the new paragraph 6 of Article 123-*ter* of the Consolidated Law on Finance (T.U.F.), as introduced by Italian Legislative Decree no. 49/2019, is submitted only to the advisory and non-binding vote by the Ordinary Shareholders' Meeting, which is required to vote for or against it.

Finally, the Report indicates any shares held by the subjects mentioned above in the Company and its subsidiaries.

For a complete information on the matter in hand, reference is made to the Directors' report pursuant to Articles 123-*ter* of the Consolidated Law on Finance (T.U.F.) and 84-*quarter* of the Issuers' Regulation, as well as Article 6 of the Corporate Governance Code (in the version of July 2018), which will be made available to the public, within the timeframe prescribed by the law, at the registered office and Borsa Italiana, as well as on the Company's website www.tesmec.com, and in accordance with to the other modalities prescribed by Consob.

* * *

In light of the above, two separate votes will be taken on this item on the agenda at the Shareholders' Meeting, on the basis of the proposals set out below.

2.1 Binding vote on the remuneration policy for 2020 set out in the first section of the report; related and consequent resolutions.

All this being stated, the Board of Directors submits the following proposal concerning the first section of the abovementioned Report for your approval:

“The Ordinary Shareholders' Meeting of Tesmec S.p.A.,

- *after having examined the first section of the “Report on remuneration policy and remuneration paid” envisaged by Article 123-ter, paragraph 3, of Italian Legislative Decree no. 58 of 24 February 1998, prepared by the Board of Directors on proposal of the Remuneration and Appointments Committee, describing the policy of the Company concerning the remuneration of the members of the boards of directors and supervisory bodies, of general managers and of executives with strategic responsibilities with reference to the 2020 financial period as well as the procedures used for the adoption and implementation of this policy;*
- *considering that the first section of the Report on remuneration policy and remuneration paid and the remuneration policy described in it are in compliance with what is provided by the applicable regulations on the remuneration of the members of the board of directors, supervisory bodies, general managers and executives with strategic responsibilities; and*
- *considering that the Report on remuneration policy and remuneration paid was made available to the public in the manner and timeframe envisaged by the regulations in force,*

resolved

to approve, pursuant to and for the purposes of the provisions of Article 123-ter, paragraphs 3-bis and 3-ter, of the Consolidated Law on Finance (T.U.F.), the remuneration policy described in the first section of the “Report on remuneration policy and remuneration paid”, prepared by the Board of Directors of the Company on 13 March 2020.”

2.2 Consultation on the second section of the report on remuneration paid in or relating to the 2019 financial period or related to it.

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

“The Ordinary Shareholders’ Meeting of Tesmec S.p.A.,

- *after having examined the second section of the “Report on remuneration policy and remuneration paid” envisaged by Article 123-ter, paragraph 4, of Italian Legislative Decree no. 58 of 24 February 1998, prepared by the Board of Directors on proposal of the Remuneration and Appointments Committee, concerning the remuneration paid to the members of the boards of directors and supervisory bodies, to general managers and executives with strategic responsibilities with reference to the 2019 financial period or related to it;*
- *considering that the second section of the Report on remuneration policy and remuneration paid described is in compliance with what is envisaged by the applicable regulations on the remuneration of the members of the board of directors, supervisory bodies, general managers and executives with strategic responsibilities; and*
- *considering that the Report on remuneration policy and remuneration paid was made available to the public in the manner and timeframe envisaged by the regulations in force,*

resolved

in favour, pursuant to and for the effects of Article 123-ter, paragraph 6, of the Consolidated Law on Finance (T.U.F.), of the second section of the "Report on remuneration policy and remuneration paid", prepared by the Board of Directors of the Company on 13 March 2020."

- 3. Revocation of authorisation to purchase and dispose of treasury shares, subject to the withdrawal of the previous resolution passed by the Shareholder's Meeting of 16 April 2019; related and consequent resolutions.**

Dear Shareholders,

with reference to the third item on the agenda, we remind you that Italian Law Decree no. 23 of 8 April 2020 (known as "Liquidity Decree"), in regulating the causes impeding access to certain benefits envisaged in it, established that companies that approve the purchase of treasury shares during 2020 cannot obtain guarantees from public sources.

In order not to exclude the possibility of having recourse to the favourable conditions for access to credit envisaged by this measure, the Board of Directors deems it appropriate to follow the spirit of the regulations and propose the revocation of the current authorisation, received on 16 April 2019 and valid until October 2020, for the part not carried out to date.

In light of the foregoing, the Board asks the Shareholders' Meeting convened to pass the following resolution:

"The Ordinary Shareholders' Meeting of Tesmec S.p.A., after having examined the Report of the Board of Directors,

resolved

to revoke, for the part not yet carried out, the resolution authorising the purchase and disposal of treasury shares granted by the Ordinary Shareholders' Meeting dated 16 April 2019, effective as from the date of approval of this resolution."

* * *

Each point of the resolutions of the Ordinary Shareholders' Meeting shall be put up for separate voting, in order to allow everyone who is entitled to vote to do so, as well as those bearing proxies with voting instructions, in accordance with the voting instructions received on each point.

Grassobbio, 21 April 2020

TESMEC S.p.A.

The Chairman of the Board of Directors
Ambrogio Caccia Dominioni