SANLORENZO

Sanlorenzo S.p.A.

Registered office: Ameglia (SP), via Armezzone 3 – Share capital: Euro 34,500,000 fully paid-in
Company Register of Riviere di Liguria – Imperia La Spezia Savona and fiscal code: 00142240464

Explanatory report for the third item on the agenda of the ordinary shareholders' meeting

Resolutions, pursuant to Article 114-bis of Legislative Decree No. 58 of 24 February 1998, concerning the establishment of a Stock Option Plan. Related and consequent resolutions.

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<u>Explanatory report for the third item on the agenda of the ordinary shareholders' meeting</u>

Item no. 3 on the agenda - **Resolutions, pursuant to Article 114-*bis* of Legislative Decree No. 58 of 24 February 1998, concerning the establishment of a Stock Option Plan. Related and consequent resolutions.**

Dear Shareholders,

we submit for your approval an incentive and loyalty plan known as the "2020 Stock option plan" (the "**Plan**") reserved for executive directors, general managers, executives with strategic responsibilities and employees with an open-ended employment contract and qualification as at least an employee of Sanlorenzo S.p.A. ("**Sanlorenzo**" and "**Company**") and the companies directly or indirectly controlled by the same (hereinafter the "**Subsidiaries**" and, together with Sanlorenzo, the "**Group**"), pursuant to Article 114-*bis* of Legislative Decree No. 58 of 24 February 1998 ("**TUF**"), to be implemented through the free assignment of option rights valid for the subscription of ordinary shares of the Company.

The information document on the Plan, prepared pursuant to Article 84-*bis* of Consob Regulation No. 11971 of 14 May 1999 as subsequently amended (hereinafter the "**Issuers' Regulations**") and in accordance with Annex 3A of the Issuers' Regulations, is attached to this Explanatory Report and made available to the public in the manner and within the time limits required by law.

1. <u>Reasons for adopting the Plan</u>

The purpose of the Plan is to establish an incentive mechanism in favour of executive directors, general managers, executives with strategic responsibilities and employees with permanent employment contracts and at least as employees of Sanlorenzo and its Subsidiaries, through their involvement in the corporate structure of Sanlorenzo, for both incentive and retention purposes, aligning the interests of management with the pursuit of the priority objective of creating value for shareholders in the medium-long term and at the same time retaining the beneficiaries.

The proposal for the adoption of the Plan was formulated by the Board of Directors following the proposal of the Remuneration Committee.

The adoption of the Plan is also carried out in execution of the Guidelines concerning the incentive mechanisms adopted by Sanlorenzo in view of the initiation of trading of shares on the electronic stock exchange organised and managed by Borsa Italiana S.p.A. and reported in the Prospectus (Part One, Section XIII), available on Sanlorenzo's website (www.sanlorenzoyacht.com, “Investors” Section).

Furthermore, the adoption of share-based remuneration plans is in line with the recommendations of Article 6 of the Corporate Governance Code adopted by the Corporate Governance Committee, as also referred to in Article 2.2.3 of the Regulations for markets organized and managed by Borsa

Italiana S.p.A. for the purposes of obtaining and maintaining the status of Star, and with the remuneration policy adopted by the Company, as described in the Report on the remuneration policy and remuneration paid prepared pursuant to Article 123-*ter* of the TUF, which will be made available on Sanlorenzo's website, within the terms of the law (www.sanlorenzoyacht.com, "*Corporate Governance*" Section).

2. Subject matter and methods of implementation of the Plan

The Plan provides for the free assignment, to each of the beneficiaries identified by the Board of Directors, subject to the proposal of the Remuneration Committee within the categories of beneficiaries indicated in Paragraph 3 below (hereinafter, the "**Beneficiaries**"), of options (hereinafter, the "**Options**") which grant the Beneficiary the right to subscribe for Sanlorenzo ordinary shares to be issued in execution of the Capital Increase relating to the Plan itself (the "**Capital Increase**"), at a ratio of 1 share for every 1 Option exercised under the terms and conditions of the Plan itself, at a pre-established price of €16.00 per share (hereinafter the "**Exercise Price**"), corresponding to the placement price of Sanlorenzo shares at the time they begin trading on the electronic stock exchange organised and managed by Borsa Italiana S.p.A.

It is proposed to determine the maximum total number of ordinary Sanlorenzo shares, to be assigned to the Beneficiaries for the implementation of the Plan, as 884,615 ordinary shares, i.e. all the shares that may be issued in execution of the Capital Increase referred to in the following Paragraph.

For the execution of the Plan, the proposal to approve an increase in the share capital of Sanlorenzo with exclusion of option rights pursuant to Article 2441, paragraph 8, of the Italian Civil Code, to be carried out by issuing a total of 884,615 new ordinary shares, for a total maximum nominal value of €884,615.00 (the "**Capital Increase**"), to be allocated and disposed of in full to service the Plan, will be submitted to the Extraordinary Shareholders' Meeting of Sanlorenzo (convened for 21 April 2020, on first call, and for 22 April 2020, on second call) as item 1 on its agenda. For further details, please refer to the related explanatory report prepared pursuant to Article 114-*bis* of the TUF, which is available to the public within the terms and in the manner required by law.

The Options assigned under the Plan will therefore grant the Beneficiaries, if they vest the right to exercise them as specified in Paragraph 4 below, the right to subscribe a maximum of 884,615 ordinary shares, at the Exercise Price, at a ratio of 1 share for every 1 Option assigned and exercised, all under the terms and conditions of the Plan, as illustrated below.

The Company will make available to the Beneficiary the shares to which they are entitled following the valid exercise of the Options within and no later than 10 (ten) working days following the end of the calendar month in which the exercise took place. The shares due to the Beneficiary following the exercise of the Options will have regular dividend entitlement.

The Plan will not receive any support from the Special Fund for the encouragement of workers' participation in companies, referred to in Article 4, paragraph 112, of Law No. 350 of 24 December 2003.

3. <u>Recipients of the Plan</u>

The Plan is aimed at persons who, on the date that the Options are assigned by the Board of Directors (the "**Assignment Date**"), are Chief Executive Officers or hold special offices in Sanlorenzo or its Subsidiaries (or hold comparable offices under the laws and regulations, including those that are not Italian and are from time to time applicable) or who have an employment relationship with the Company or its Subsidiaries of indefinite duration and qualify as at least an employee (or in any case have a comparable relationship under the laws and regulations, including legislation that is not Italian and is from time to time applicable).

The Board of Directors will identify the individual Beneficiaries within the above categories and the number of Options to be allocated to each Beneficiary, taking into account the category, organisational level, responsibilities and professional skills of each Beneficiary.

The Plan provides that the Options may be assigned to the Beneficiaries by the Board of Directors within a period of three years from the date of approval of the Plan Regulations.

A condition for participation in the Plan is the maintenance of the director or employment relationship with Sanlorenzo or a Subsidiary (hereinafter, the "**Relationship**").

In particular, the Plan provides that, in the event of termination of the Relationship due to a bad leaver, all the Options assigned to the Beneficiary will lapse and will be deprived of any effect and validity.

The following events are included among the bad leaver assumptions:

(i) revocation or dismissal of the Beneficiary due to recourse to a just cause that is: (a) a violation by the Beneficiary of the law or of a contract that constitutes, as far as Beneficiaries who are directors are concerned, just cause for revocation from the office of director or just cause for revocation, even partial, of the management powers conferred and, as far as Beneficiaries who are employees are concerned, just cause or subjective reason for dismissal; (b) criminal conviction, even if not final, of the Beneficiary for intentional or negligent crime committed in the execution of the Relationship or, if not committed in the execution of the Relationship, if the penalty imposed is equal to or more than two years of imprisonment;

(ii) as the case may be, with regard to Beneficiaries who are directors, resignation from the position of director, or total or partial renouncement of, or total or partial non-acceptance of, management proxies and, with regard to Beneficiaries who are employees, resignation, if such events are not justified by the occurrence of (a) physical or mental incapacity (due to illness or accident) of the Beneficiary resulting in a period of incapacity to work exceeding 6 (six) months, or (b) just cause attributable to the Group company with which the Relationship is in place.

In the event of termination of the Relationship due to an assumption of good leaver, the Beneficiary (or in the event of death of their successors in title) will retain the right to exercise the Options assigned (i) already vested but not yet exercised, as well as (ii) not yet vested, the latter numerically proportional to the duration of the employment relationship following the Assignment Date compared to the period between the Assignment Date itself and the initial date of exercise of the Options. The non-exercisable Options will automatically expire with the consequent release of Sanlorenzo from any obligation or liability. Included among good leaver assumptions are cases of termination of the relationship due to:

(i) revocation or dismissal without just cause;

(ii) as the case may be, with regard to Beneficiaries who are directors, resignation from the position of director, or total or partial renouncement of, or total or partial non-acceptance of, management proxies and, with regard to Beneficiaries who are employees, resignation, if such events are justified by (a) physical or mental incapacity (due to illness or accident) of the Beneficiary resulting in a period of incapacity to work exceeding 6 (six) months, or (b) just cause attributable to the Group company with which the Relationship is in place;

(iii) death of the Beneficiary;

(iv) for Beneficiaries who are employees, retirement of the Beneficiary;

(v) loss of Subsidiary status by the Group company with which the Beneficiary Relationship is in place.

If, on the Assignment Date, a Beneficiary is both director and employee, the termination of the Relationship shall be deemed to have occurred at the time of the termination of the last between the Directorship and the employment relationship.

If the Relationship between a Beneficiary and Sanlorenzo or a Subsidiary is terminated without interruption and a new relationship is established, even of a different nature, between the same Beneficiary and the same or a different company of the Group, a termination of the Relationship will not be deemed to have occurred for the purpose of forfeiting the Options.

Without prejudice to the exercise procedures set out above, Beneficiaries are entitled to exercise their rights in advance upon the occurrence of certain events, including the following:

(i) change of control over Sanlorenzo pursuant to Article 93 of the TUF, even if this does not result in the obligation to launch a takeover bid; or

(ii) promotion of a takeover bid on Sanlorenzo shares pursuant to articles 102 *et seq*. of the TUF; or

(iii) resolution of transactions that may result in the delisting of Sanlorenzo ordinary shares on a regulated market.

The Plan also provides that the exercise of the Options by the Beneficiaries shall be suspended during the period between (i) the day on which the meeting of the Board of Directors which resolved to convene the Shareholders' Meeting called to approve the financial statements for the year and at the same time the proposal for the distribution of dividends or the proposal for the distribution of extraordinary dividends was being held and (ii) the day on which the relevant meeting was actually held (including details).

If the Shareholders' Meeting approves the distribution of a dividend, even of an extraordinary nature, the period of suspension will in any case expire on the day after the date of surrender of the relevant coupon.

The Board of Directors has the power to suspend, in certain periods of the year, the exercise by the Beneficiaries of the Options, or to allow the exercise of the Options if this corresponds to the best execution of the Plan, in the interest of the Company and the Beneficiaries.

4. Duration of the Plan and conditions and terms for exercising the Options

The Options assigned to the Beneficiary may be exercised in accordance with the provisions of the option contract stipulated by Sanlorenzo with each Beneficiary (the "**Option Contract**") in accordance with the provisions of the Plan.

The Plan provides, in particular, that the initial exercise date of the Options is established for each Beneficiary by the Board of Directors, and is therefore stated in the Option Agreement; each Beneficiary may be granted Options with a different initial exercise date, it being understood that (i) each initial exercise date may not in any case be earlier than 1 (one) year from the Assignment Date and that (ii) the average vesting period must be at least two years.

The Plan also provides that the Board of Directors shall establish for each Beneficiary the conditions of exercisability of the Options, to be reported in the Option Agreement; the right of the Beneficiary to exercise the Options, without prejudice to that indicated in Paragraph 3 above regarding the termination of the Relationship, will therefore be conditional on the conditions of exercisability. The Board of Directors may also determine the conditions of exercisability in a differentiated manner for each Beneficiary or category of Beneficiaries and, for each Beneficiary, different conditions of exercisability in relation to each different starting date of exercise; it may also provide that, in the event of partial occurrence of the conditions of exercisability, the same shall vest partially.

The Conditions of Exercisability shall be established in accordance with the provisions of the Plan, shall consist of predetermined and measurable performance targets and may refer to one or more of the following parameters (it being specified that if more than one Condition of Exercisability is established their occurrence may be requested separately or jointly):

(i) Consolidated EBITDA of the Group as at 31 December of the reference year, as emerging from the consolidated financial statements approved by the Board of Directors;

(ii) Consolidated Net Financial Position of the Group at 31 December of the reference year, as emerging from the consolidated financial statements approved by the Board of Directors;

(iii) personal objectives established according to the role and function of the Beneficiary, with an achievement rate of at least 85%.

Options that cannot be exercised due to the failure of the relative conditions of exercisability will be automatically extinguished with consequent release of Sanlorenzo from any obligation or responsibility.

5. Limits to the transfer of Options

The Options will be granted on a personal basis and may only be exercised by the Beneficiaries.

Unless otherwise resolved by the Board of Directors, except in the case of *mortis causa* transfers which will have the consequences described in Paragraph 3 above, the Options may not be transferred for any reason or in any way negotiated, pledged or be the subject of another right i*n rem* by the Beneficiary and/or granted as security, even if in application of the law.

There are no restrictions on the transfer of Sanlorenzo shares subscribed following the exercise of the Options.

6. Plan Regulations and other implementing acts of the Plan

The Board of Directors will be responsible for the execution of the Plan, which will be entrusted by the Ordinary Shareholders' Meeting for the management and implementation of the Plan.

The Board of Directors may delegate its powers, tasks and responsibilities in relation to the execution and application of the Plan to the Chairperson of the Board of Directors, to the Deputy Chairperson of the Board of Directors, to other members of the Board of Directors, even acting separately, and/or to an executive committee, it being understood that any decision that is relative and/or concerning the assignment of the Options to the Beneficiary who is also Chairperson of the Board of Directors and/or Deputy Chairperson of the Board of Directors and/or in any case to a director (like any other decision that is relative and/or concerning the management and/or implementation of the Plan with regard to them) will remain the exclusive competence of the Board of Directors.

The Remuneration Committee performs consultative and propositional functions in relation to the implementation of the Plan, in accordance with the regulation adopted by the Board of Directors that defines the functions and powers of the Remuneration Committee, the Corporate Governance Code adopted by the Corporate Governance Committee and the remuneration policy adopted by Sanlorenzo.

The Board of Directors' meeting of 12 February 2020, on the proposal of the Remuneration Committee and with a resolution subject in its effectiveness to the approval by the ordinary shareholders' meeting of the Plan and the Report on the remuneration policy and remuneration paid prepared pursuant to Article 123-*ter* of the TUF and to the approval by the extraordinary shareholders' meeting of the Capital Increase, approved, in compliance with the Plan as described in this Explanatory Report and in the information document attached to it, the regulations containing the provisions that will govern the Plan and a first list of Beneficiaries, which shows the number of Options assigned to them; these regulations and this list were supplemented and amended by a resolution of the Board of Directors on 20 March 2020, upon a proposal by the Remuneration Committee, also indicating the vesting period of the Options assigned to the Beneficiaries. The relevant information is provided in the information document attached to this Explanatory Report.

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The Board of Directors therefore submits the following motion for your approval.

Proposed resolution

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

(i) having heard from the Board of Directors;

(ii) having seen and approved the Explanatory Report of the Board of Directors;

(iii) having shared the reasons for the proposals contained therein

resolves

1. *to approve, pursuant to and for the purposes of Article 114-bis of Legislative Decree No. 58/1998, the establishment of a stock option plan known as the "2020 Stock Option Plan" having the characteristics (including the conditions and assumptions for its implementation) indicated in the Report of the Board of Directors and in the Information Document prepared in accordance with Article 84-bis of CONSOB Resolution No. 11971/1999 and subsequent amendments (attached to the same Report as Annex A"), confirming and conferring to the extent necessary the power to adopt the related regulations;*

2. *to confirm and grant, to the extent necessary, the power and authority to the Board of Directors to carry out any activity, pass any resolution and take any action to implement the "2020 Stock Option Plan", and in particular, by way of example and without limitation, any power to identify the Beneficiaries and determine the number of options to be assigned to each of them, determine the conditions of exercisability and the exercise starting dates in accordance with the plan, proceed with the assignment to beneficiaries, as well as carry out any other act, fulfilment, formalities, communications that are necessary or appropriate for the purposes of the management and/or implementation of the plan itself, with the power to delegate its powers, tasks and responsibilities in relation to the execution and application of the plan to the Chairperson of the Board of Directors, the Deputy Chairperson of the Board of Directors, other members of the Board of Directors, even acting separately, and/or an executive committee, it being understood that any decision relating to and/or relating to the allocation of options to beneficiaries who are also Chairperson of the Board of Directors and/or Deputy Chairperson of the Board of Directors and/or in any case a director of Sanlorenzo S.p.A. (like any other decision concerning and/or relating to the management and/or implementation of the plan with respect to them) shall remain the exclusive competence*

of the Board of Directors".

La Spezia, 20 March 2020

For the Board of Directors

The Chairperson

Massimo Perotti