

Report of the Board of Statutory Auditors to the Shareholders' Meeting of NEODECORTECH S.p.A. in accordance with Art. 2429, paragraph 2 of the Italian Civil Code and Art. 153 of Italian Legislative Decree no. 58/1998

To the Shareholders' Meeting of the Company NEODECORTECH S.p.A.

Introduction

The Board of Statutory Auditors of NEODECORTECH S.p.A. (hereinafter also "NEODECORTECH" or "Company"), pursuant to Art. 153 of Italian Legislative Decree no. 58 of 1998 (hereinafter also TUF) and Art. 2429, paragraph 2 of the Italian Civil Code, is called upon to report to the Shareholders' Meeting called to approve the Financial Statements, to discuss the supervisory activity carried out during the financial year in the performance of its duties, also in its capacity of "internal control and audit committee", any omissions and reprehensible facts found and on the results of the financial year, as well as to formulate proposals regarding the Financial Statements, the approval thereof and any other matters falling within its competence.

During the financial year ended 31 December 2020 and up to date, the Board of Statutory Auditors carried out its supervisory activities in compliance with Law provisions, Rules of Behaviour of the Board of Statutory Auditors of listed companies issued by the Italian Board of Certified Public Accountants and Bookkeepers, the CONSOB provisions regarding corporate controls, the Corporate Governance Code, as well as by the provisions contained in Art. 19 of Italian Legislative Decree 39/2010.

With effect from 25 May 2020, (the day of admission to listing of the Company's shares on the Electronic Share Market), the Company adhered to the Corporate Governance Code issued by the Corporate Governance Committee. During the meeting of the Board of Directors on 10 December 2020 modified its corporate governance rules to be in line with the provisions of the new Corporate Governance Code, in force from 1 January 2021.

The financial statements of NEODECORTECH were prepared in accordance with the IAS/IFRS international accounting standards, issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as in accordance with the provisions issued by CONSOB in implementation of Article 9, paragraph 3, of Italian Legislative Decree 38/2005.

The Company's Financial Statements were prepared in accordance with the Law and accompanied by the documentation required by the Italian Civil Code and the TUF. Moreover, in accordance with provisions of the Law, the Company prepared the Consolidated Financial Statements for the year 2020.

The Board of Statutory Auditors acquired the information necessary for the performance of the supervisory duties assigned to it by attending the meetings of the Board of Directors and the Board Committees, the hearings of the Company's and the Group's management, the information acquired from the competent company structures, as well as through the additional control activities carried out.

Appointment and Independence of the Board of Statutory Auditors

The Board of Statutory Auditors in office at the date of this Report was appointed by the Shareholders' Meeting of 24 February 2020 and is composed of the following members: Stefano Santucci (Chairman), Federica Menichetti (Statutory Auditor), Stefano Zonca (Statutory Auditor), as well as Marinella Monterumisi and Davide Mantegazza (Alternate Auditors). The control body will remain in office for three financial years and will expire on the date of the Shareholders' Meeting called to approve the Financial Statements for the year 2022.

The appointment was made on the basis of the list submitted by Finanziaria Valentini S.p.A., owner of n. 8.325.385 shares of the Company, amounting to 63,54% of its Shareholders Capital, in compliance within the terms and in the manner indicated in the notice calling the appointment meeting. This list was made available to the public within the terms and methods provided for by the Articles of Association.

The composition of the Board of Statutory Auditors complies with the gender distribution criterion set forth in Art. 148 of Italian Legislative Decree no. 58 of 1998.

At the time of its appointment and subsequently on 24 February 2020, the Board of Statutory Auditors checked the existence of the independence requirement as part of the broader process of self-assessment of the control body pursuant to Standard Q.1.1 of the Rules of Behaviour of listed companies; the check was carried out on the basis of the criteria envisaged by the aforesaid Standards and by the Corporate Governance Code applicable to independent directors.

The outcome of the check was communicated (pursuant to Art. 144-novies, paragraph 1-ter of CONSOB Regulation no. 11971 of 1999, Art. 8.C.1 of the Corporate Governance Code and Standard Q.1.1 of the Rules of Behaviour of listed companies) to the Board of Directors.

Supervision and control of the Board of Statutory Auditors

Supervisory activity on compliance with the law and articles of association

In carrying out its duties, the Board of Statutory Auditors carried out the supervisory activities required by Art. 2403 of the Italian Civil Code, Art. 149 of Italian Legislative Decree No. 58 of 1998, Art. 19 of Italian Legislative Decree No. 39/2010, CONSOB recommendations on corporate controls and the activities of the Board of Statutory Auditors and referring to the indications contained in the Corporate Governance Code, as well as the Rules of Behaviour of the Board of Statutory Auditors of listed companies.

Therefore, as part of its functions, the Board of Statutory Auditors:

- attended the meetings of the Shareholders and Board of Directors, monitoring compliance with the statutory, legislative and regulatory provisions regulating the operation of the Company's bodies as well as compliance with the principles of proper management;
- supervised, within the scope of its competences, the adequacy of the Company's organisational structure and compliance with the principles of proper management, through direct observation, gathering information from heads of the corporate functions and meetings with the Independent auditors to exchange data and information;
- assessed and supervised the adequacy of the internal control system and the administrative and accounting system, as well as its reliability in providing a fair presentation of operational transactions, through the information of the heads of the respective functions, the examination of company documents and the analysis of the results of the work carried out by the Independent Auditors;
- held 9 meetings during the year, lasting approximately 1 hour and a half, and also attended all the meetings of the Board of Directors, as well as of the board committees (Control and Risk Committee, Remuneration and Nomination Committee);
- supervised the adequacy of the reciprocal flow of information between NEODECORTECH and its subsidiaries pursuant to Art. 114, paragraph 2, of Italian Legislative Decree no. 58 of 1998, ensured by the instructions issued by the Company's management to Group companies;
- supervised compliance with the rules of "Market abuse", "Protection of savings" and "Internal Dealing", with particular reference to the processing of inside information and the procedure for the dissemination of statements and information to the public. The adjustment of the procedure adopted

by the Company for the management of inside relevant information, drawn up in the light of CONSOB Guidelines no. 1/2017, was monitored.

Moreover, the Board:

- obtained from the Directors adequate information on the business carried on and major economic and financial operations carried out by the Company and its subsidiaries pursuant to Art. 150, paragraph 1 of the TUF. In this regard, the Board of Statutory Auditors paid special attention to the fact that the transactions approved and implemented complied with the law and the Articles of Association and were not imprudent or risky, in contrast with the resolutions adopted by the Shareholders' Meeting, in potential conflict of interest or such as to compromise the integrity of the Company's assets;
- held meetings with representatives of the Independent Auditors pursuant to Art. 150, paragraph 3 of the TUF and there were no significant data and/or information to be reported;
- had exchanges of information with corresponding control bodies of the companies directly or indirectly controlled by NEODECORTECH S.p.A. pursuant to Art. 151, paragraph 1 and 2 of the TUF;
- supervised the procedures for effective implementation of the corporate governance rules envisaged in the Corporate Governance Code complied with, as adequately represented in the Report on Corporate Governance and Ownership Structure, in compliance with Art. 124-ter of the TUF and Art. 89-bis of the Issuers' Regulations;
- checked, in relation to the periodic assessment to be carried out pursuant to Application Principle 3.C.5 of the Corporate Governance Code, as part of the supervision of the procedures for effective implementation of the corporate governance rules, the correct application of the assessment criteria and procedures adopted by the Board of Directors, with regard to the positive assessment of the independence of the Directors.

As required by Application Principle 1.C.1, letter g) of the Corporate Governance Code, the Board of Statutory Auditors expressed its assessment of the size and composition of the Board of Directors and its operation, as well as the size, composition and operation of the board committees. The assessment was carried out on the basis of the results of a self-assessment questionnaire filled in by all the members of the Board of Directors.

The Board also acknowledges that it has issued:

- its favourable opinion on the appointment of the Financial Reporting Officer responsible for preparing the Company's accounting and corporate documents, pursuant to the Articles of Association and art. 154-bis, c. 1 of the TUF;
- its favourable opinion with regard to the regulation implementing the remuneration policy of the directors of the Company with particular powers, pursuant to Article 2389, paragraph 3 of the Italian Civil Code;
- its favourable opinion with regard to the compliance of the Related-Parties Transactions Procedure with the principles indicated in the Consob Regulation on transactions with Related-Parties
- its favourable opinion, pursuant to Article 5, paragraph 4, of Regulation (EU) 2014/537 to the provision by the Independent Auditors BDO S.p.A. of services other than the external audit to the NEODECORTECH Group, after having carefully assessed the potential risks for the independence of the auditor.

Supervisory activity on the adequacy of the administrative and accounting system and the auditing activity

Pursuant to Art. 19 of Italian Legislative Decree 39/2010 (Consolidated External Audit Act), the Board of Statutory Auditors is required to supervise:

- the financial reporting process;

- the effectiveness of the internal control and risk management systems;
- the External audit of annual accounts and consolidated accounts;
- the independence of the Independent Auditors, specifically as far as the provision of non-audit services is concerned.

The Board of Statutory Auditors carried out its activities in collaboration with the Control and Risk Committee in order to coordinate their responsibilities and avoid overlapping of activities.

Financial reporting process

The Board of Statutory Auditors supervised the existence of rules and procedures relating to the process of formation and dissemination of financial information. In this regard, it should be noted that the Report on Corporate Governance and Ownership Structure illustrates how the Group defined its Internal Control and Risk Management System in relation to the financial reporting process at the consolidated level. The Financial Reporting Officer is Fabio Zanobini.

The Financial Reporting Officer is supported by the Internal Audit Department to check the operation of the administrative and accounting procedures through control testing. In this regard, note that, in order to take account of the developments in the company's business and bring the procedures into line with current operating practices, during 2020 financial year, the administrative and accounting procedures drawn up pursuant to Law 262/2005 were implemented by the Financial Reporting Officer, of which the Board of Directors of the company was informed at the meeting of 10 December 2020.

The Board of Statutory Auditors acknowledges that it has received adequate information on the monitoring of business processes with an administrative and accounting impact within the Internal Control System, carried out both during the year in relation to the regular management reports, and during the closing of the accounts for the preparation of the Financial Statements, in compliance with the monitoring and certification requirements to which NEODECORTECH S.p.A. is subject pursuant to Italian Law no. 262/2005. In particular, the Board of Statutory Auditors acknowledged the Risk Assessment for 2020, as well as the periodic update on testing activities pursuant to Italian Law no. 262/2005.

The adequacy of the administrative and accounting system was also assessed through the acquisition of information from the heads of the respective departments and the analysis of the results of the work carried out by the Independent Auditors.

No particular critical issues or elements hindering the issue of the certification by the Financial Reporting Officer and by the Chief Executive Officer concerning the adequacy of the administrative and accounting procedures for the preparation of the financial statements of NEODECORTECH S.p.A. and the Consolidated Financial Statements for the year 2020 emerged.

The Board of Statutory Auditors supervised compliance with the regulations related to the preparation and publication of the Half-Yearly Report and the Interim Management Reports, as well as the settings given to them and the correct application of the accounting standards, also using the information obtained from the Independent Auditors.

Furthermore, it is acknowledged that:

- the Independent Auditors appointed to carry out the external audit currently in office, BDO S.p.A., were appointed for the financial years 2020-2028. The appointment took effect on May 21, 2020 following the release of the clearance by the supervisory authority for the listing of NEODECORTECH S.p.A. shares

on the market, which was a condition precedent with respect to the conferment approved on 9 December 2020: the procedure aimed at awarding the appointment was conducted in compliance with the provisions of art. 16 of EU Reg. 2014/537, with motivated recommendation of the Company's Board of Statutory Auditors then in office ;

- the Independent Auditors appointed to audit the company illustrated to the Board of Statutory Auditors the checks carried out and did not report any findings in the periodic meetings with the Board of Statutory Auditors the Board of Statutory Auditors supervised the auditing of the annual and consolidated financial statements, obtaining information and periodically having discussions with the Independent Auditors.

In particular, all the main phases of the audit activity were illustrated to the Board of Statutory Auditors, including the identification of the risk areas, with a description of the related audit procedures adopted; moreover, the main accounting principles applied by NEODECORTECH have been followed.

The Board also acknowledges that the Independent Auditors BDO S.p.A. issued their opinions on the Consolidated Financial Statements and the Separate Financial Statements on 23rd March 2020 and also issued on the same date the Additional Report to the Internal Control and Audit Committee pursuant to Article 11 of Regulation (EU) 2014/537. The reports on the separate Financial Statements and the Consolidated financial statements do not give rise to any observations or requests for information.

It is also acknowledged that the Independent Auditors expressed, in the reports mentioned above, a positive opinion with regard to consistency with the financial statements and compliance with the law with reference:

- to the Management report;
- to the information referred to in Art. 123-bis, paragraph 4, Italian Legislative Decree 58/98 contained in the Report on corporate governance and ownership structure.

Moreover, the reports issued by the Independent Auditors do not reveal any material shortcomings in the Company's internal control system for financial information and accounting system.

The Board of Statutory Auditors supervised the independence of the Independent Auditors BDO S.p.A., verifying the type and extent of services other than auditing with reference to NEODECORTECH and its subsidiaries and obtaining explicit confirmation from the Independent Auditors that the independence requirement was met. The statement on independence has been included, pursuant to Art. 11, paragraph 2, letter a), of Regulation (EU) 2014/537, in the above-mentioned Additional Report.

The fees paid by the NEODECORTECH Group to the Independent Auditors and to the companies belonging to the network of the Independent Auditors themselves are as follows:

| Activities | Amount EUR/000 |
|------------------------|----------------|
| Audit Services | 80,6 |
| Certification services | 119,4 |
| Other services | <u>3,0</u> |
| Total | 203,0 |

In the light of the above, the Board of Statutory Auditors considers that the Independent Auditors BDO S.p.A. meet the requirement of independence.

Supervisory activity on the adequacy of the internal control system and the organisational structure

The Board of Statutory Auditors assessed and supervised the adequacy of internal control and the effectiveness of the internal control and risk management systems. The Board of Statutory Auditors acknowledges that it has verified the most significant activities carried out by the overall internal control and risk management system by attending the meetings of the Control and Risk Committee (also with functions of Committee for related-party transactions) attended by:

- members of the Control and Risk Committee;
- members of the Board of Statutory Auditors;
- the Chief Executive Officer in charge of the internal control and risk management system;
- the Internal Audit Officer;
- the Financial Reporting Officer.

The Board of Statutory Auditors also acknowledges that it attended the periodic meetings among the Company's control bodies attended by:

- members of the Control and Risk Committee;
- members of the Board of Statutory Auditors;
- the Independent Auditors;
- the Chief Executive Officer in charge of the internal control system;
- the Financial Reporting Officer;
- the Internal Audit Officer;
- the Supervisory Body.

In particular, as part of these activities, the Board of Statutory Auditors acknowledges that it has received and examined:

- the periodic reports on the activities carried out, prepared by the Control and Risks Committee and the Internal Audit Officer;
- the reports drawn up at the end of the verification and monitoring activities by the Internal Audit Officer, with the relative results, the recommended actions and the controls on the implementation of the aforesaid actions;
- periodic updates on the development of the risk management process, the outcome of the monitoring and assessment activities carried out by Internal Audit and the objectives achieved.

The Board of Statutory Auditors then reviewed the periodic reports on the activities carried out by the Supervisory Body and examined the activity plan and the budget allocated for 2020. Similarly, the Board of Statutory Auditors acknowledged the compliance with the provisions of Italian Legislative Decree no. 231/2001 and the activity plan for 2020, examining and agreeing with the amendments made during the year to the Organisation and Management Model pursuant to Italian Legislative Decree no. 231/2001.

Following the activities carried out during the 2020 financial year, as detailed above, the Board of Statutory Auditors shared the positive assessment expressed by the Control and Risk Committee with regard to the adequacy of the Internal Control and Risk Management System.

With reference to the internal control system, the Board of Statutory Auditors acknowledges that, on March 3, 2021, the Company appointed Mr. Mauro Maestrini as the external manager of the Internal Auditing Function, who took over from the Head of the Internal Audit function previously in office, Mr. Antonio Candotti.

Supervisory activity on compliance the principles of proper management

The main transactions carried out by the Company during the financial year are summarized below, with respect to which the Board supervised compliance with the principles of proper administration.

In terms of ordinary management, NEODECORTECH's activity continued in line with previous years and consisted of industrial activity, strategic and management coordination of the Group, and the search for the optimization of the Group's financial flows. There are no extraordinary transactions to report.

The Neodecortech Group also made organic investments for € 6.2 million, mainly aimed at new product lines (EOS, PPLF, "lamine in 142" for the parent company, interventions aimed at increasing productivity on "balancing cards" and to the optimization of the plants in the press area, for the subsidiary Cartiere di Guarcino), while for the residual, they were dedicated to maintenance and replacement activities to keep the production equipment constantly updated and efficient and to targeted interventions from an industry 4.0 perspective.

Following the supervision and control activities carried out during the year, the Board of Statutory Auditors can certify that:

- during the course of the activity carried out, no omissions, irregularities or reprehensible or significant facts that would require reporting to the control bodies or mention in this Report emerged;
- no reports were received by the Board of Statutory Auditors pursuant to Art. 2408 of the Italian Civil Code, nor has it received any complaints from third parties;
- no transactions have been identified with third parties, intra-group and/or Related-Parties such as to highlight atypical and/or unusual profiles, in terms of content, nature, size and timing;
- all the transactions and management choices adopted are inspired by the principle of proper management and reasonableness.

Supervisory activity on implementation of the corporate governance rules

The Board of Statutory Auditors assessed the application of the corporate governance rules set out in the Corporate Governance Code that NEODECORTECH complies with (recently substituted by the new version in force as of 1* January 2021) and the relative level of compliance, also by analysing the Report on Corporate Governance and ownership structure and comparing its contents with what emerged during the general supervisory activity carried out during the year. Moreover, compliance with the obligation on the part of NEODECORTECH to inform the market in its report on corporate governance of its level of compliance with the Code itself was assessed, also in accordance with the provisions of Article 123-bis of the TUF. The Board of Statutory Auditors is of the opinion that the report on corporate governance was prepared in accordance with the provisions of Art. 123-bis of the TUF and the Corporate Governance Code, and following the format made available by the Corporate Governance Committee of Borsa Italiana S.p.A..

Supervisory activities in relation to the Financial Statements, the Consolidated financial statements

With regard to the separate Financial Statements for the financial year ended 31 December 2020, the Consolidated financial statements for the financial year ended on the same date and the related Management Report, note the following:

- the Board of Statutory Auditors ascertained, through direct audits and information obtained from the Independent Auditors, compliance with law provisions regulating their formation, the layout of the Financial statements, the Consolidated financial statements and the Management Report, and the financial statement formats adopted, certifying the correct use of the accounting standards described

in the explanatory notes and the Management Report.

- in pursuance of CONSOB Resolution 15519/2006, the effects of transactions with Related-Parties are expressly indicated in the financial statements. In pursuance of this Resolution in the Explanatory Notes, it is specified that during the year there were no significant non-recurring events or operations and no transactions deriving from atypical and/or unusual operations were carried out;
- the Financial statements are in keeping with the facts and information of which the Board of Statutory Auditors has become aware within its supervisory duties and its control and inspection powers;
- as far as the Board of Statutory Auditors is aware, the Directors, when preparing the financial statements, did not depart from the law provisions pursuant to Art. 2423, paragraph 5 of the Italian Civil Code;
- the Chief Executive Officer and the Financial Reporting Officer issued the certificate, pursuant to Art. 81-ter of CONSOB Regulation no. 11971/1999 as amended and Art. 154-bis of the TUF;
- the Management Report complies with legal requirements and is consistent with the data and results of the Financial Statements; it provides the necessary information on the activities and significant transactions of which the Board of Statutory Auditors was informed during the year, on the main risks of the Company and its subsidiaries, on intra-group and related-party transactions, as well as on the process of adapting the corporate organisation to the principles of corporate governance, in accordance with the Corporate Governance Code for listed companies;
- pursuant to the provisions of Art. 123-ter of the TUF, the Remuneration Report is presented to the Shareholders' Meeting (for approval in its first section, for reporting purposes in its second section): the Board of Statutory Auditors examined and agreed with the approach followed in preparing this report, at a joint meeting with the Remuneration Committee.

Supervisory activity on relationships with Subsidiaries

The Board of Statutory Auditors supervised the adequacy of the instructions given by the Company to the subsidiaries, in accordance with Art. 114, paragraph 2 of Italian Legislative Decree 58/1998.

Periodic meetings with the management and the company in charge of Internal Audit did not reveal any critical elements to be reported in this report.

Finally, we acknowledged that to date no communications have been received from the Control Bodies of the Subsidiaries containing findings to be noted in this report.

Supervisory activity on Related-Party Transactions

In relation to the provisions of Art. 2391-bis of the Italian Civil Code, the Board of Statutory Auditors acknowledges that the Board of Directors adopted a procedure for the regulation of Related-Party Transactions, whose main objective is to define the guidelines and criteria for identifying related-party transactions and setting out roles, responsibilities and operating methods so as to guarantee, for such transactions, adequate information transparency and the related procedural and substantial correctness.

That procedure was prepared in compliance with what was established by the CONSOB Regulation on Related-Party (no. 17221 dated 21 March 2010) and was last updated by the Board of Directors on 10 December 2020.

The Board of Statutory Auditors supervised the effective application of the rules by the Company and has no observations to make in this regard in this Report.

Risks related to the Coronavirus pandemic

The Directors, in the context of the Management Report, highlighted the initiatives undertaken in order to contain the impacts for the NEODECORTECH Group deriving from the worldwide outbreak of the pandemic reconnected to the COVID-19 virus.

The Group has taken the necessary precautionary measures, in terms of safety and protection of the health of workers too, including the requirements of the shared regulatory protocol for the contrast and containment of Covid-19 in the workplace of 14 March 2020, as subsequently amended and integrated, in compliance with the provisions of the Decrees of the President of the Council of Ministers, the ministerial circulars, the orders of the Civil Protection, as well as the indications disseminated by the other Authorities present in the territory, on whose application the College has supervised and has not any relief to highlight.

From a financial reporting stand-point, after an initial negative impact of the economic situation related to the outbreak of the COVID-19 Pandemic, connected to the decision to block the activity in the production plants of the group during the so-called "first wave" of the Pandemic (from March 23 to April 17 in the Filago and Casoli plants, and until May 3 in the Guarcino plants), the Group has undertaken a series of measures and actions aimed at coping with the variation in turnover recorded and at rationalizing costs, such as, for example, the use of the ordinary redundancy fund, the containment of discretionary costs, the postponement of investments, the renegotiation of supply and lease contracts, as well as the taking out of new loans on a prudential basis and the renegotiation of a leasing contract of the subsidiary Bio Energia Guarcino Srl to cope with possible financial tensions in the most acute period of the pandemic, as duly described in the Management Report.

The management monitoring activity led the NEODECORTECH Board of Directors, on April 27, 2020, to update its estimates for the year 2020 (the "Updated 2020 Budget") in order to take into account the impacts of the pandemic situation on the actual results (first quarter 2020), the closure of the factories in the months of March-April 2020 and the expected changes in demand for the Group in the rest of the 2020 financial year.

Starting from July 2020, despite the particularly challenging context due to the impacts of the emergency, the Group reversed the overall trend of the first half of the year, recording an increase in orders at a much higher level than the historical average. and has overcome the difficulties of the global economic recession triggered by the health emergency of 2020, still ongoing, fully recovering the objectives established prior to the pandemic scenario, in terms of orders, continuity and growth of business, achieving actual results for 2020, in terms of revenues, EBITDA and net profit, which were better than the expected results presented in the Updated 2020 Budget.

On February 12, 2021, the Parent Company's Board of Directors approved the 2021-2023 Business Plan, which also includes the 2021 budget and provides for both the consolidation of traditional business lines and the development of new products, due to a significant increase. of fully self-financed investments.

The consideration of these elements, together with the analysis of the main financial and operational risks to which the Group is exposed, reported in the Management Report, makes it possible to conclude that there are no criticalities and uncertainties regarding business continuity following the continuation of the associated pandemic to the Coronavirus.

Proposal to the Shareholders' Meeting

The Board of Statutory Auditors expresses a favorable opinion on the approval of the separate financial statements of the Company as at 31.12.2020 and has no objections to formulate regarding the proposed resolution presented by the Board of Directors as formulated in the Management Report by the directors.

Milan, March 23rd, 2021

The Board of Statutory Auditors

Stefano Santucci

Stefano Santucci

Federica Menichetti

Federica Menichetti

Stefano Zonca