

NEO DECOR TECH

**EXPLANATORY REPORT OF THE BOARD OF DIRECTORS ON THE NINTH ITEM ON THE
AGENDA OF THE SHAREHOLDERS' MEETING OF NEODECORTECH S.P.A., ORDINARY
SESSION, CONVENED ON 27 APRIL 2023 IN SINGLE CALL**

**EXPLANATORY REPORT OF THE BOARD OF DIRECTORS OF NEODECORTECH S.P.A. ON
THE PROPOSED RESOLUTIONS OF THE SHAREHOLDERS' MEETING**

Shareholders,

you have been convened on 27 April 2023 for the Shareholders' Meeting ("**Meeting**") of Neodecortech S.p.A. ("**Neodecortech**" or the "**Company**") to resolve, in ordinary session, on the following item on the agenda.

9. Additional fees to the Independent Auditors. Relevant and ensuing resolutions

This Report - prepared pursuant to Article 125-ter, paragraph 1, of Legislative Decree no. 58 of 24 February 1998, as amended and supplemented (the "**TUF**") and Article 84-ter of the Regulation adopted by CONSOB Resolution no. 11971 of 14 May 1999 (the "**Issuer Regulation**"), as amended and supplemented, and in accordance with Annex 3A to the Issuer Regulation (the "**Report**") - sets forth the proposals that the Board of Directors of Neodecortech intends to submit to your approval on the above item on the agenda of the Shareholders' Meeting.

At its meeting on 15 March 2023, the Board of Directors of the Company approved this Report, which was made publicly available within the time limits and in the manner envisaged by law and regulations, at the Company's registered office in Via Provinciale 2, Filago (BG), on the website (www.neodecortech.it, *Investors – Assemblee azionisti* section) and on the authorized storage mechanism "*1info*" at www.1info.it.

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With regard to item 9 on the agenda of the Shareholders' Meeting, the Board of Directors submits for your review, in accordance with the law, the proposal put forward by the Board of Statutory Auditors and attached to this Report under letter A, to adjust the fee to BDO Italia S.p.A. ("**BDO**") for the statutory audit activities, as indicated in BDO's request received by the Company on 6 December 2022.

The amount of the additional fees payable to the Independent Auditors, effective from 2022, is as follows:

- (i) € 3,600.00 plus VAT per year, for the activity related to the Company's separate financial statements, for an increase in the hourly commitment of 60 hours;
- (ii) € 1,750 plus VAT per year, for the activity related to the consolidated financial statements, for an increase in the hourly commitment of 25 hours;
- (iii) € 3,195 plus VAT per year, for the activity related to the consolidated half-year report, for an increase in the hourly commitment of 45 hours,

for a total amount of € 8,545. This amount supplements the fees determined by the Shareholders'

Meeting on 9 December 2019 upon granting of the statutory audit assignment.

For the sake of completeness, it should be noted that BDO has also made a request for an increase in the fees for the statutory audit of the financial statements of the subsidiaries Cartiere di Guarcino S.p.A. for the amount of € 2,700 (for an increased commitment of 45 hours) and Bio Energia Guarcino for the amount of € 1,800 (for an increased commitment of 30 hours).

The above increases are justified by the significant changes to the International Auditing Standards ISA Italia 200 and SA Italia auditing standards introduced by the Decision of the State Accountant General no. 219019 of 1 September 2023, including - in particular - the introduction of the new auditing standard ISA 315, envisaging the requirement to carry out important additional activities aimed at identifying and assessing risks.

The above increases are expressly permitted by paragraph 5.4 ("Criteria for the Adjustment of Fees") of the engagement letter approved by the Ordinary Shareholders' Meeting of 9 December 2019 and signed with BDO, which expressly provides for the possibility of additional fees in the event of "*changes in regulations, accounting standards and/or auditing standards.*"

The proposal was reviewed by the Control, Risk and Sustainability Committee, which expressed a favourable opinion on the related terms and conditions at its meeting on 14 March 2023.

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Shareholders,

in connection with the above, the Board of Directors of the Company proposes the Ordinary Shareholders' Meeting to pass the following resolution:

PROPOSED RESOLUTION

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

- *having reviewed the proposal of the Board of Statutory Auditors;*
- *having reviewed the Board of Directors' Report,*
- *taking account of the resolution passed by the Shareholders' Meeting on 9 December 2019, and acknowledging that, for the unspecified part in this proposal, the arrangements contained in the statutory audit assignment resolved at that meeting remain unchanged;*

resolves

1. to approve the integration of the annual fees to the Independent Auditors BDO Italia S.p.A. in the amount of € 8,545.00 plus VAT per year effective from 2022;

2. to grant the Board of Directors and, on its behalf, its Chairman and Chief Executive Officer severally and with the power to sub-proxy any power required or appropriate to execute this resolution, including the power to

enter into any agreement, deed or document, execute any fulfillment, perform any requirement and carry out any action necessary or beneficial for that purpose.”

* * *

Filago, 17 March 2023

For the Board of Directors

The Chairman

Luca Peli

Annex "A"

MINUTES OF THE BOARD OF STATUTORY AUDITORS

On Monday, 13 March 2023 at 4:45 p.m., the undersigned Standing Auditors of Neodecortech Spa met by electronic means, in the persons of:

- Stefano Santucci, Chairman;
- Federica Menichetti, Standing Auditor;
- Stefano Zonca, Standing Auditor.

The object of the meeting is the opinion of the Board of Statutory Auditors on the proposed Integration of the Independent Auditors' fee following amendments to the applicable auditing standards according to Legislative Decree 39/2010.

The Board reviews the notice sent by the Company responsible for the statutory audit of the Neodecortech Group, BDO S.p.A., dated 6 December 2022, requesting an adjustment of fees owing to the increased workload related to the performance of the statutory audit following approval, by a decision of the State Accountant General dated 1 September 2022, of the new versions of the ISA Italia and SA Italia auditing standards, applicable for the audit of financial statements as of 1 January 2022.

Specifically, the fee adjustment request refers to the significant changes in ISA Italia Standard 315 regarding risk identification and assessment procedures, which BDO said "resulted in significant changes in (their) audit approach" resulting in extra hours needed to complete audit procedures.

In the notice dated 6 December 2022, the Independent Auditors indicate the heavier workload for the assessment of inherent risk, introduced by the new Isa Italia 315, resulting in, among other things, the need to carry out the following new activities:

- implementation of activities to identify potential risks;
- determination, when assessing inherent risk, of the combination of the likelihood of an error and its magnitude according to the scale of variation called "inherent risk spectrum" and the inherent risk factors introduced by the new ISA Italia 315 standard;
- identification of which of the identified and assessed risks of significant errors are near the upper end of the inherent risk spectrum and therefore constitute significant risks under the *de quo* principle;
- resulting redefinition of the planned audit strategy and procedures to address the risks of significant errors determined as a result of applying the new text of the standard;
- acquisition of a thorough understanding of the control system, relevant to the preparation of financial statements, the process adopted by the company for risk

- assessment, and the process adopted by the company for monitoring the internal control system;
- understanding of the company's information and communication system relevant to the preparation of financial statements, carrying out appropriate risk assessment procedures;
 - understanding of control activities by: i) identifying the controls that address the risks of significant errors at the assertion level; ii) identifying the IT applications that support these controls; and iii) assessing the adequacy of the configuration of the controls described and their implementation;
 - greater involvement during audit activities of audit team members specializing in information technology for analyzing and assessing aspects related to the use of Information Technology in the company, as well as related risks and controls;
 - feedback on risk assessments, general audit responses, and audit procedures consequent to the evidence acquired during the audit.

As a result of the above activities, BDO S.p.A. has made an estimate of the additional hours of work, quantified at 205 hours, and an adjustment of the fees totaling € 13,000 exclusive of VAT compared to the fees previously agreed upon (and already adjusted at 31.12.2022 due to inflation) for the statutory audit of the financial statements and periodic financial reports of Neodecortech S.p.A., of the Group's consolidated financial statements and the separate financial statements of the subsidiaries Cartiere di Guarcino S.p.A. and Bio Energia Guarcino S.p.A..

In view of the fact that the proposed change in fees results from a revision of the auditing standards provided for in Legislative Decree 39/2010 and entails an actual increase in statutory audit activities, adequately justified by the Company entrusted with the statutory audit, the Board of Statutory Auditors expresses its favourable opinion on the request for adjustment of the fees of BDO S.p.A.. The meeting ended at 5:15 p.m. after these minutes were taken.

For the Board of Statutory Auditors,
The Chairman
Stefano Santucci