THE ITALIAN SEA GROUP S.P.A.

registered office in Marina di Carrara, Carrara (MS), Viale C. Colombo, 4bis

Share capital Euro 26,500,000.00 fully subscribed and paid up

Registered in the Companies Register of North-West Tuscany, registration number and Tax Code 00096320452

Explanatory Report of the Board of Directors on the first item on the Agenda of the Ordinary Shareholders' Meeting convened for 1 July 2024, in a single call

(drafted pursuant to Article 125-*ter* of Italian Legislative Decree no. 58 of 24 February 1998)

This document is an English courtesy translation from Italian. The Italian original shall prevail in case of differences in interpretation and/or factual errors.

1. Approval of the share incentive plan called "Long Term Incentive Plan 2027-2029", subject to revocation of the incentive plan called "Long Term Incentive Plan 2026-2028" approved by the ordinary shareholders' meeting on 27 April 2023, which was not implemented; Related and consequent resolutions.

Dear Shareholders,

This report (the "**Report**") has been drafted pursuant to Article 125-*ter* of Italian Legislative Decree no. 58 of 24 February 1998 ("**Italian Consolidated Law on Finance**").

This Report was approved by the Board of Directors of The Italian Sea Group S.p.A. ("**TISG**" or the "**Company**") at its meeting of 31 May 2024 and is made available to the public, within the terms of the law and regulations, at the Company's registered office, on the Company's website www.investor.theitalianseagroup.com, "*Corporate Governance*"/"*Annual General Meeting*" section, as well as on the "eMarket Storage" mechanism, available at www.emarketstorage.com.

** ** **

The Board of Directors, at the meeting held on 31 May 2024, resolved to submit for your approval an incentive and retention plan called "**Long Term Incentive Plan 2027-2029**" (the "**Plan**") aimed at executive directors, general managers, executives with strategic responsibilities and/or employees with a permanent employment contract of the Company and its subsidiaries in accordance with Art. 93 of the Italian Consolidated Law on Finance, pursuant to Art. 114-*bis* of the Italian Consolidated Law on Finance, to be implemented through the free allocation of option rights valid for the subscription of ordinary shares of the Company.

The Plan's information document, drafted pursuant to Article 84-*bis* of Consob Regulation no. 11971 of 14 May 1999 as subsequently amended (the "**Issuers' Regulation**") and in compliance with schedule no. 7 of Annex 3A to the Issuers' Regulation itself (the "**Information Document**"), has been made available to the public in the manner and in the terms provided by the law.

1. Reasons for the adoption of the Plan

The purpose of the Plan is to set up an incentive mechanism addressed to executive directors, general managers, executives with strategic responsibilities and/or employees with permanent employment contracts of the Company and its subsidiaries pursuant to Article 93 of the Italian Consolidated Law on Finance, through their involvement in the corporate structure of TISG, for both incentive and retention purposes, aligning the interests of management to the pursuit of the priority objective of creating value for the shareholders in the medium-long term and, at the same time, retaining the beneficiaries, involving them in the Company's value-creation process.

The adoption of the Plan was proposed by the Board of Directors after the proposal by the Appointments and Remuneration Committee of the Company (the "**Appointments and Remuneration Committee**").

The adoption of share-based remuneration plans is in line with the recommendations of the Corporate Governance Code for Listed Companies ("**CG Code**") and with the remuneration policy adopted by the Company, as described in the Report on remuneration policy and remuneration paid drafted pursuant to Article 123-*ter* of the Italian Consolidated Law on Finance, available on TISG's website www.investor.theitalianseagroup.com, in the "*Corporate Governance*"/"*Annual General Meeting*" section.

2. Scope and implementation of the Plan

The Plan provides for the free allocation, to each of the beneficiaries identified by the Board of Directors, subject to the proposal of the Company's Appointments and Remuneration Committee, within the categories of recipients indicated in Paragraph 3 below (the "**Beneficiaries**"), of options (hereinafter the "**Options**") which attribute to the Beneficiary, upon the occurrence of the vesting conditions (the "**Vesting Conditions**") envisaged by the Plan itself (as described in Paragraph 4 below), the right to subscribe or purchase TISG ordinary shares (the "**Shares**") originating from the capital increase planned to service the Plan (the "**Capital Increase**") and from the purchase of treasury shares pursuant to Art. 2357 of the Italian Civil Code, in the ratio of 1 Share for every 1 Option exercised under the terms and conditions set forth in the Plan.

It is proposed to determine the maximum total number of Shares to be assigned to the Beneficiaries for the execution of the Plan at 1,590,000 Shares.

For the execution of the Plan, the Board of Directors has resolved to submit to the approval of the convened Shareholders' Meeting the proposal of *(i)* share capital increase against payment and in a divisible manner, excluding the option right pursuant to Article 2441, paragraphs 5, 6 and 8 of the Italian Civil Code, for a maximum nominal amount of Euro 795,000, plus any share premium, through the issue, even in several tranches, of a maximum of 1,590,000 new Shares, without express par value, to be executed by the final subscription deadline pursuant to Article 2439, paragraph 2 of the Italian Civil Code, identified as 31 January 2030; and *(ii)* authorisation to purchase and dispose of treasury shares pursuant to Articles 2357 et seq. of the Italian Civil Code.

The Plan is divided into three cycles (the "**Cycles**"), each lasting three years: the first Cycle for the period 2024-2027 (the "**First Cycle**"), the second Cycle for the period 2025-2028 (the "**Second Cycle**") and the third Cycle for the period 2026-2029 (the "**Third Cycle**").

Each Cycle includes:

- the definition, at the allocation stage, of the Vesting Conditions and the strike price;
- the allocation to the Beneficiaries of a certain number of Options;
- the determination of the number of exercisable Options, subject to the occurrence of the Vesting Conditions;
- the subscription or purchase, by the Beneficiary, of a single Share for each exercisable Option, subject to payment of the strike price;
- the delivery of the Shares to the Beneficiary.

The strike price (the "**Strike Price**") to be paid by the Beneficiary to TISG for the subscription of each Share in the event of exercise of the exercisable Options is equal to the weighted average of the closing prices recorded by the TISG stock on Euronext Milan, a regulated market organised and managed by Borsa Italiana S.p.A., in the 90 calendar days prior to the publication date of the notice of call of the Shareholders' Meeting, called to approve the financial statements, prior to the allocation date of the Options.

The Options assigned pursuant to the Plan will therefore attribute to the Beneficiaries, if they accrue the right to exercise them as specified in Paragraph 4 below, the right to subscribe and/or purchase a maximum of 1,590,000 Shares, at the Strike Price, in the ratio of 1 Share for every 1 Option

allocated and exercised, all within the terms and conditions of the Plan, as illustrated below.

The Company shall make available to the Beneficiary the Shares to which he/she is entitled following the valid exercise of the Options no later than 10 (ten) business 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 does not receive any support from the special Fund for incentivising worker's equity in companies under Article 4, paragraph 112 of Italian Law no. 350 of 24 December 2003.

3. Beneficiaries of the Plan

The Plan is aimed at persons who, on the allocation date of the Options by the Board of Directors (the "**Allocation Date**"), are executive directors, general managers, executives with strategic responsibilities and/or employees with permanent employment contracts of the Company and its subsidiaries pursuant to Article 93 of the Italian Consolidated Law on Finance.

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 role held, category, organisational level, responsibilities, professional skills and strategic significance of the position of the Plan recipients within the group, the potential of the resource and any other useful element.

This information will subsequently be communicated pursuant to Art. 84-bis, paragraph 5 of the Issuers' Regulation.

The Plan envisages that the Options may be allocated to the Beneficiaries by the Board of Directors within three years from the date of approval of the Plan Rules (the "**Rules**"), which will be approved by the Board of Directors on the proposal of the Appointments and Remuneration Committee, and which will implement the provisions contained in this Report and in the attached Information Document.

A condition for participation in the Plan is the maintenance of a directorship or employment relationship with TISG or a subsidiary (hereinafter, the "**Relationship**").

In the event that the relationship is terminated due to a bad leaver event, all Options allocated to the Beneficiary shall be forfeited and shall be devoid of any effect and validity.

In particular, the following circumstances constitute a bad leaver event:

(i) removal from office or dismissal of the Beneficiary for cause;

(ii) renunciation of office or voluntary resignation of the Beneficiary not justified by the occurrence of a good leaver event, including but not limited to proven health reasons and retirement.

If the Relationship is terminated due to a good leaver scenario, the Beneficiary (or, in the event of death, his/her successors in title) shall retain the right to exercise the Options allocated *(i)* already vested but not yet exercised, as well as *(ii)* not yet vested, the latter in a number proportional to the duration of the employment relationship following the Allocation Date with respect to the period between the Allocation Date itself and the initial date of exercise of the Options. Options that cannot be exercised will automatically expire.

Good leaver cases include circumstances of termination of employment due to:

(i) removal from office or dismissal without cause;

(ii) renunciation of office or resignation, if such events are justified by the physical or mental incapacity (due to illness or accident) of the Beneficiary resulting in a period of incapacity for work of more than 6 (six) months;

(iii) death of the Beneficiary;

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

(v) loss of subsidiary status by the company with which the Beneficiary's Relationship is in place.

In the event of a Beneficiary simultaneously holding the office of director and employee, the termination of the Relationship shall be deemed to have occurred upon the termination of the last of the two.

If the Relationship is terminated and a new relationship suitable to qualify as a Beneficiary is established on a seamless basis, the Relationship shall not be deemed to be terminated for the purposes of the forfeiture of the Options.

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

The Plan will end in 2029 with the last possible delivery of Shares of the Third Cycle as established by the Plan Rules.

The Plan is divided into three cycles (2024, 2025 and 2026), each lasting three years.

For illustrative purposes only, the following chart shows the three Cycles (2024-2027, 2025-2028 and 2026-2029), each lasting three years:

	2024	2025	2026	2027	2028	2029
First Cycle	Allocation of Options					
	Vesting Conditions			Exercise of Options		
		VESTING				
Second Cycle		Allocation of Options				
		Vesting Conditions			Exercise of Options	
			VESTING			
Third Cycle			Allocation of Options			
			Vesting Conditions			Exercise of Options
				VESTING		

The Options will be exercisable during the exercise periods set out in the contract entered into between TISG and each individual Beneficiary (the "**Option Contract**") in accordance with the Rules.

The exercise of the Options shall in any event take place by the final exercise date, i.e. 31 December 2027 for the First Cycle, 31 December 2028 for the Second Cycle, and 31 December 2029 for the Third Cycle.

The exercise of the Options (and the subsequent delivery of the Shares to the Beneficiaries) is subject to verification by the Board of Directors of the fulfilment of the following vesting conditions, considered jointly (each a "**Vesting Condition**" and jointly "**Vesting Conditions**"):

(i) the continuation of the Relationship;

(ii) the achievement of the Performance Objectives.

The verification of the occurrence of the Vesting Conditions as regulated in the Option Contract is carried out by the Board of Directors after verification by the Appointments and Remuneration

Committee.

First Vesting Condition: continuation of the Relationship

The vesting of the Options will be subject, *inter alia*, to the condition that the Relationship between the Beneficiary and the Company or one of its subsidiary companies pursuant to Article 93 of the Italian Consolidated Law on Finance is ongoing.

The Rules will establish the various effects caused by the possible termination of the employment or collaboration or directorship Relationship, taking into account the cause and the time at which the termination takes place.

Second Vesting Condition: Performance Objectives

The Performance Objectives are identified by the Board of Directors in relation to each Cycle of the Plan, at the proposal of the Appointments and Remuneration Committee.

For each of the Performance Objectives, there is an incentive curve linking the number of exercisable Options to the Performance Objective achieved based on different performance levels.

The Performance Objectives for the First Cycle of the Plan in the 2024-2027 period relate to:

(i) revenues;

(ii) EBITDA margin;

(iii) backlog;

(iv) sustainability goals.

In individual cases where a company interest is identified, and in line with the purposes of the Plan, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, also has the right to allow the exercise of Options even if the Performance Objectives have not been met.

Options that have not vested, and thus cannot be exercised due to lack of fulfilment of the respective Vesting Conditions will automatically lapse, with the consequent release of TISG from any obligation or liability.

5. Limits on the transfer of Options

Options will be attributed on a personal basis and may only be exercised by Beneficiaries.

Unless otherwise resolved by the Board of Directors, without prejudice to transfers due to death, which will have the consequences described in Paragraph 3 above, the Options may not be transferred for any reason or in any case traded, pledged, or subjected to a right *in rem* by the Beneficiary and/or given as collateral.

6. Limits on the transfer of Shares

Shares subscribed or purchased in execution of the Option right will not be subject to any transfer restrictions.

7. Regulation of the Plan and other Plan implementing acts

The Plan's execution is under the responsibility of the Board of Directors, wich will be tasked by the ordinary Shareholders' Meeting to manage and implement the Plan itself.

The Board of Directors may delegate its powers, duties and responsibilities with regard to the execution and application of the Plan to the Chair of the Board of Directors, to other members, even separately, and/or to an executive committee, without prejudice to the fact that any decision relating to and/or pertaining to the assignment of the Options to the Beneficiary who is also Chair of the Board of Directors and/or in any case of a director (as well as any other decision relating to and/or pertaining to the management and/or implementation of the Plan with regard to them) will remain the exclusive responsibility of the Board of Directors.

The Company's Appointments and Remuneration Committee carries out advisory and proposal functions in relation to the implementation of the Plan.

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The Board of Directors, therefore, submits the following resolution proposal for your approval.

"*The ordinary Shareholders' Meeting of The Italian Sea Group S.p.A.,*

(i) having heard and approved the matters presented by the Board of Directors;

(ii) having examined the Explanatory Report of the Board of Directors and the proposals included therein;

(iii) agreeing with the reasons for the proposals contained therein,

RESOLVES

1. *to revoke the incentive plan called "Long Term Incentive Plan 2026-2028" approved, pursuant to and for the purposes of Article 114-bis of Italian Legislative Decree no. 58/1998, by the ordinary shareholders' meeting on 27 April 2023, which was not implemented;*

2. *to approve, pursuant to and for the purposes of Article 114-bis of Italian Legislative Decree no. 58/1998, the establishment of a stock option plan called "Long Term Incentive Plan 2027-2029" with the characteristics (including the conditions and prerequisites for implementation) indicated in the Report of the Board of Directors and in the Information Document drafted pursuant to Article 84-bis of the Regulation adopted by CONSOB with resolution 11971/1999 as amended, confirming and granting to the extent necessary the power to the Board of Directors to adopt the respective rules;*

3. *to confirm and grant to the extent necessary the right and power to the Board of Directors to carry out all activities, take all resolutions and enter into all deeds to execute the "Long Term Incentive Plan 2027-2029" and, in particular, merely by way of non-exhaustive example, any power to identify the beneficiaries and determine the number of options to be allocated to each of them, determine the Vesting Conditions and the start dates of exercise in accordance with the plan, proceed with the allocations of options to the beneficiaries, as well as carry out any other act, fulfilment, formalities, communication that are necessary or appropriate for the purposes of managing and/or implementing the plan itself, with the right to delegate its powers, duties and responsibilities with regard to the execution and application of the plan to the Chair of the Board of Directors, to its other members, even separately, and/or to an executive committee, notwithstanding that any decision relating and/or pertaining to the allocation of options to beneficiaries who are also Chair of the Board of Directors and/or directors of The Italian Sea Group S.p.A. (along with any other decision relating and/or pertaining to the management and/or implementation of the plan in relation to them) will remain the exclusive responsibility of the Board of Directors."*

Marina di Carrara, Carrara (MS), 31 May 2024

The Chair of the Board of Directors

(Filippo Menchelli)

The Italian Sea Group S.p.A.

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