

# Remuneration Statement

## 2017

Prepared in accordance with article 123-ter of Legislative Decree n° 58 of February 24<sup>th</sup>, 1998 and in compliance with Annex 3A, schemes 7-bis and 7-ter of the CONSOB Regulation no. 11971 of May 14<sup>th</sup>, 1999 and following amendments



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## INTRODUCTION

The purpose of this Statement is to provide the market with the information needed to fully understand the objectives underlying the Remuneration Policy, the principles and the tools used, as well as how the latter reflects the Company's short and medium/long term goals.

The Statement is largely focused on the Executives and non-Executives Directors, the Key Managers with strategic responsibilities (hereinafter referred to as Key Managers) and the Internal Audit function responsible, but the principles discussed herein are then consistently applied to all Company personnel in relation with the role held and the level of responsibility.

During 2016 the leadership structure of the Group has continued its transformation process consistently with the growth ambitions and the new strategic guidelines, causing some changes within the Key Managers' cluster.

Section 1 of the Statement is focused on the Governance model, on the goals of the Remuneration Policy and, with reference to the Directors, the Chief Executive Officer/General Manager, the Key Managers and the responsible of Internal Audit function, the information related to their compensation and the procedures used to adopt and implement the policy.

Section 2 show the remuneration paid in 2016 to the Directors, the Chief Executive Officer/General Manager and the Key Managers detailing each of the remuneration item and its consistency with the remuneration policy.

## OVERVIEW

The primary objective of the Amplifon Group's Global Reward Policy is to align the performance targets of the Company's resources with those of the Group, as well as to attract, motivate and retain talented managers and the key resources within the organization.

The key principles that inspire Amplifon Reward Policy are updated every year based on internal and external trend and are then tailored, in different ways, to all Company population.



The Company identifies and utilizes different reward leverages in order to balance short and medium/long term objectives and motivate resources in a selective way, incentivizing conduct which maximizes value for the Company and for the Shareholders.

COMPONENT	FOCUS	TARGETS	CONDITIONS
<b>Fixed Remuneration</b>	Individual	Reward expertise, role contribution and sustained performance	Reviewed annually based on market benchmark and individual performance
<b>Short term variable incentive (MBO)</b>	Country/ Region/ Group	Performance stretch on yearly business targets (at least in line with budget)	Achievement of economic and financial targets (EBITDA, Net Sales, Free Cash Flow) of area of responsibility
<b>Medium-long term variable incentive (LTI)</b>	Group	Alignment to shareholders' interest and mid-long term sustainable value creation	Achievement of 3Yr economic targets of the Group (matrix EBIT/Net Sales) with thresholds link to NFP and share value in the exercise period
<b>Benefits</b>	Individual	Integration of remuneration package and alignment to home country practices	Defined by collective agreement and local regulation

# SECTION 1

## 2017 REMUNERATION POLICY

### 1. Governance Model

The primary goal of the governance model is to guarantee transparency and alignment of the remuneration practices within the Group in line with the principles of Amplifon Global Reward Policy and ensure that they comply with the articles of association of the Company and with the existing regulations.

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#### 1.1 Parties involved

##### Shareholders' Meeting

The Shareholders' Meeting of Amplifon S.p.A each year:

- approves the Board's overall remuneration to be assigned during each fiscal year;
- expresses an advisory vote on Section 1 of the Remuneration Statement;
- approves the share incentive plans proposed by the Board of Directors granting the same Board the power to implement them.

##### Board of Directors

Each year the Board of Directors (hereinafter referred to as the BoD) approves the Group's Global Reward Policy.

The Board, with the support of the Remuneration & Appointments Committee, as well as of the specific Corporate functions:

- determines, after examining the proposals of the Remuneration & Appointments Committee and consulting the Board of Statutory Auditors, the remuneration of the Executive Directors, as well as those holding special offices, and allocates the Board's overall remuneration to its individual members;
- approves the proposals regarding the Chief Executive Officer/General Manager's remuneration;
- approves, based on the guidelines defined by the Shareholders' Meeting and on the proposals of the Remuneration & Appointments Committee, the share incentive plans

including the beneficiaries, the number of shares/options to be assigned and the operating rules to be applied for all employees.

### **Chief Executive Officer/General Manager**

The Chief Executive Officer/General Manager (CEO/GM) with the support of the Group's Human Resources Department:

- defines the Group's Global Reward Policy, submitting it to the advisor of the Remuneration & Appointments Committee and the BoD approval;
- defines the remuneration packages for the Key Managers in accordance with the Global Reward Policy approved by the BoD;

### **Remuneration & Appointments Committee**

The Remuneration & Appointments Committee (hereinafter referred to as the Remuneration Committee or Committee) plays a key role in Amplifon governance system. Following the indication of the Code of Conduct, the Committee, besides the Chairman of the Board of Directors, consists of three non-executive and primarily independent Directors with adequate knowledge and experience in multinational companies.

#### **COMPOSITION OF THE REMUNERATION & APPOINTMENTS COMMITTEE**

The Committee met 5 times in 2016, with an average duration of 1,5 hours and a % of participation of 90%	<b>Maurizio Costa</b>
	<b>Susan Carol Holland</b>
	<b>Andrea Casalini</b>
	<b>Maria Patrizia Grieco</b>

The Chairman of the Board of Statutory Auditors and the Secretary of the Board of Directors are invited to attend the Remuneration Committee meetings. The Chief HR Officer is also invited when his role and competences are required and he also carry out the role of technical secretary. The Chief Executive Officer/General Manager attends the meetings when invited by the Committee Chairman in order to discuss specific topics leaving, however, the meeting when proposals related to his remuneration are discussed.

Consistently with the indication of the Code of Conduct, the Remuneration Committee:

- submits the Global Reward Policy to the BoD for approval;

- presents to the Board of Directors proposals regarding the remuneration of the CEO/GM based on analysis of market trends and levels of remuneration;
- assesses the proposals submitted by the CEO/GM regarding the remuneration for the Key Managers;
- examines the CEO/GM's proposals regarding the share incentive plans, which include the beneficiaries, the number of shares/rights and the applicable operating rules, for all the employees holding key positions within the organization and submits it to the BoD for approval;
- monitors compliance with the decisions made by the BoD relating to the Group's Global Reward Policy;
- recommends special management bonuses linked to extraordinary events;
- monitors any changes in the organizational structure which could impact the Key Managers.

**REMUNERATION COMMITTEE ACTIVITIES IN 2016**

<b>February 26<sup>th</sup></b>	<ul style="list-style-type: none"> <li>- Remuneration Statement approval</li> <li>- Recommendation on BoD overall remuneration</li> <li>- 2015 MBO results approval</li> <li>- CEO and Executives Remuneration Review</li> <li>- Amendment to the Performance Stock Grant 2014-20121 Operative Rules (French Rules)</li> <li>- 2016-2018 LTI targets definition</li> </ul>
<b>April 20<sup>th</sup></b>	<ul style="list-style-type: none"> <li>- Allocation of BoD overall remuneration</li> <li>- Share Incentive Plan (New Performance Stock Grant Plan) cycle of assignment 2016-2018</li> </ul>
<b>July 6<sup>th</sup></b>	<ul style="list-style-type: none"> <li>- Leadership Transformation &amp; Talent Development project update</li> </ul>
<b>October 17<sup>th</sup></b>	<ul style="list-style-type: none"> <li>- Update on Senior Managers</li> <li>- Assessment of Remuneration Policy</li> <li>- Share Incentive Plan (New Performance Stock Grant Plan) – 2nd assignment 2016-2018</li> </ul>
<b>December 12<sup>th</sup></b>	<ul style="list-style-type: none"> <li>- Update on Senior Managers</li> <li>- Global Reward Policy 2017</li> <li>- 2017 MBO targets definition for CEO/GM and Executives</li> </ul>

To the meeting mentioned above the Chairman of the Board of Statutory Audit always attended as guest. No directors attended meetings of the Committee in which proposals regarding their remuneration were discussed. The Remuneration and Appointments committee has scheduled five meetings in 2017.

The Committee, in general, may avail itself, by way of the Group's Human Resources Department, of all the information and Corporate functions deemed necessary to carry out its responsibilities.

### **Group Human Resources Department**

The Group's Human Resources Department assists the CEO/GM and the Committee in defining the Group's Global Reward Policy by conducting studies of market trends and practices and providing the analyses needed to develop remuneration policies, as well as to align them with the highest possible standards.

More in detail, with the support of the relative Corporate functions:

- proposes changes to the Global Reward Policy and to the pay/incentive schemes tied to the policy and verifies the impact of the proposed changes on the remuneration system overall;
- identifies and proposes possible indicators to be used to estimate the fixed and variable components of remuneration packages which are in line with the best practices, subject to internal job grading and analysis of reference markets;
- addresses the legal aspects tied to the preparation and application of the incentive plans based on financial instruments;
- monitors the application of the Group's Global Reward Policy.

## **1.2 Definition and approval of the Global Reward Policy 2017**

Each year the Remuneration Committee submits the Policy to the Board of Directors for approval on the basis of the proposal prepared by the CEO/GM with the support of the Group's Human Resources Department. During the meeting held on December 12<sup>th</sup>, 2016, the Remuneration Committee assessed positively the Group's Global Reward Policy for 2017, which was subsequently approved by the Board of Directors on December 16<sup>th</sup>, 2016. The Global Reward Policy provides the Group Human Resources Department with both the guidelines needed to ensure consistent Group-wide management and the flexibility needed to meet the specific needs of the different Countries.



## 2. Overall principles and objectives

Amplifon Remuneration Policy is defined consistently with the Group strategy, the governance model adopted by the Company as well as with the recommendation of the Code of Conduct in order to attract, motivate and retain talents and to align the interest of the management with the primary objective of the value creation for the shareholders in the medium-long term.

Therefore, the remuneration of the Directors and the Key Managers of the Group is defined based on the following principles:

- the non-Executive Directors' emoluments are defined on the basis of the commitment needed to carry out their assignments in the Board itself and in the different Committees. Unless approved differently by the Shareholders' Meeting the non-Executive Directors' are not granted any share incentive plan nor other plans linked to the Company's results.
- The overall remuneration structure of the CEO/GM and of the Key Managers, consistently with the principles of the Remuneration Policy, show an appropriate balance between fix and variable components linked to the Company results and defined within maximum limits. The total remuneration is also consistent with the applicable market data for similar roles in terms of responsibility and complexity, assessed through specific remuneration benchmark (peer group).
- The short and medium-long term variable compensation is linked to different complementary targets clearly measurable in coherence with the Company's 3Yr Plan targets. The variable incentives are paid at the end of an accurate process of targets assessment in order to appreciate the real Company performance originated from the management action.
- As provided by the Code of Conduct (art.6.C.1), the variable incentive is subject to a specific claw back clause that foresees the right of the Company to claim for reimbursement of the amounts paid on the basis of materially inaccurate performance metrics. Considering also the international best practices, a lock up clause for the shares eventually vested related to the LTI Plan of which the CEO/GM and the Key Managers are beneficiary, has been introduced too.
- The remuneration package of the CEO/GM and the Key Managers also includes different benefits which seek to guarantee equal treatment in the Company and general consistency in the remuneration systems, while also maintaining a competitive position in local markets and complying with the law in the different Countries.

## 3. Remuneration Policy 2017 Guidelines

### 3.1 Directors' Compensation

Within Amplifon Board of Directors are included the following roles:

- Chief Executive Officer
- Non-executive Directors with special offices
- Non-executive Directors

On December 31<sup>st</sup>, 2016 the Board of Director consisted of:

- Chief Executive Officer: Enrico Vita
- Chairman of the Board: Susan Carol Holland
- Non-Executive Directors: Andrea Casalini, Alessandro Cortesi, Maurizio Costa, Laura Donnini, Maria Patrizia Grieco, Lorenzo Pozza, Giovanni Tamburi.

The Directors' remuneration is represented by a set emolument, determined on the basis of the commitment needed to carry out their assignments in the Board itself and in the different Committees and consists of the following:

- Compensation for the office of Director
- Compensation for being part of Board Committees
- Compensation for Directors holding special offices

On April 18<sup>th</sup> 2016 the Shareholders' Meeting has approved, based on the recommendation of the Remuneration Committee and the BoD proposal to assign to the Directors an annual overall compensation of Euro 1.200.000,00. The increase of the overall compensation, approximately equal to 9% from previous year, is mainly linked to:

- The increase of the numbers of the Directors from eight to nine during 2015 and the missed adjustment of the compensation in the same period;
- The missed appreciation of the overall compensation since 2013;
- The alignment with the market best practices against external benchmarks.

The total amount has been therefore allocated in this way:

- Euro 55.000,00 for each of the Directors, with the exception of the Honorary Chairman, the Chairman and Chief Executive Officer;
- Euro 300.000,00 for the Chairman;
- Euro 300.000,00 for the Chief Executive Officer;
- Euro 30.000,00 extra for each Independent Director called upon to be a Chairman of the Remuneration or Risk & Control Committee;
- Euro 20.000,00 extra for each Independent Director called upon to be a member of the Remuneration or Risk & Control Committee;

- Euro 15.000,00 extra for the Independent Director called upon to be the Chairman of the Supervisory Board (“Organismo di Vigilanza”);
- Euro 10.000,00 extra for each Independent Director called upon to be a member of the Supervisory Board (“Organismo di Vigilanza”);
- Euro 10.000,00 extra for the Independent Director called upon to be the Related Parties Committee;
- Euro 5.000,00 extra for each Independent Director called upon to be a member of the Related Parties Committee;

The compensation received by each member of the Board of Directors in 2016 are shown in Section 2 – Table 1 of this Statement.

In accordance with best practices, the non-executive Directors are not granted any share incentive plan nor other plans linked to the Company’s results.

The members of the Board of Directors only receive mandatory insurance coverage. The Chairman of the Board of Directors, Susan Carol Holland, is beneficiary of a personal accident insurance policy, with fixed capital, and medical coverage, in line with that offered to the Key Managers.

As of today, there are no agreements which provide for indemnities in the event of resignation or termination without cause or following a takeover bid, nor are there any agreements based on which non-cash benefits should be provided or maintained if a party ceases to hold office nor have any consulting agreements been stipulated with Directors for a period that runs beyond their term of office. Lastly, to date, no agreements have been stipulated with Directors based on which they would receive compensation for non-compete agreements.

### 3.2 Remuneration of the Chief Executive Officer/General Manager

The Remuneration Committee submits to the Board of Directors proposals on the remuneration of the Chief Executive Officer/General Manager based on analyses of market trends and on benchmarking with peer group remuneration structure.

Generally the CEO/GM's remuneration is comprised of the following:

- A gross yearly fixed remuneration (base salary and emolument for the office);
- A yearly variable remuneration linked to the achievement of predefined Company targets (MBO);
- A medium/long term variable share component (LTI);
- Benefits

#### Fixed Remuneration

The fixed remuneration of the CEO/GM is composed by a gross base salary and an emolument for the office of Chief Executive Officer. Each year the Remuneration Committee assesses the CEO/GM's fixed remuneration against reference market standards and potentially proposes any necessary changes based on the principles of the Group's Global Reward Policy, as well as in light of the level of Total Remuneration per year.

#### Short term variable incentive (MBO)

The CEO/GM's variable incentive is linked to the Group's economic and financial performances. With reference to these components, each year the Remuneration Committee submits a proposal to the Board of Directors in which it identifies the parameters and targets to be used and, in the subsequent year, verifies the results achieved.

More in detail, for 2017, the incentive target has been confirmed equal to the 50% of the fixed remuneration and based on the following parameters:

<b>Yearly target</b>	<b>Weight</b>	<b>Booster<sup>(1)</sup></b>
<b>Group EBITDA</b>	40%	X 2
<b>Group Net Sales</b>	40%	X 2
<b>Group Free Cash Flow</b>	20%	X 1.2

<sup>1</sup> The booster will apply only in the case of overachievement of the targets and proportionally respect to the maximum target achievable, as defined by the Remuneration Committee and approved by the Board of Directors. The boosters will apply only if the Group EBITDA target has been achieved.

The targets take into consideration the different factors deemed part of a balanced performance and reflect the priorities indicated in the Company's plans. The total incentive is equal to the sum of the single bonuses payable upon achieving the relative targets.

The targets are calculated on the basis of pre-determined exchange rates and on the existing perimeter at the beginning of the fiscal year. For each target is defined a minimum threshold, under which the target is deemed to not have been achieved and, consequently, the payout linked to the single target not be made, and an accelerator (booster) in case of overachievement of the results. The maximum payout cannot exceed, in any case, the 184% of the target.

The only further condition for the payout, in addition to the targets achievement, is that the CEO/GM must be employed for the whole performance year and consequently until December 31st of the reference year.

The incentive also foresees a claw-back clause following which the Company has the right to claim for reimbursement of the amounts paid on the basis of materially inaccurate performance metrics.

#### Medium-long term variable incentive (LTI)

The CEO/GM is beneficiary of the medium-long term share incentive plan (LTI) approved by the Shareholders' Meeting on April 16<sup>th</sup>, 2014 (cluster 1). The system has a temporal framework of 3.5 years for each assignment and is based on an annual "rolling" mechanism with periodical cumulative targets (EBIT/Net Sales). The system also foresees a threshold linked to the NFP/EBITDA ratio as well as an exercise thresholds on the share value. As described in the plan approved by the Shareholders' Meeting is expected an assignment every year until 2018 linked to the evolution of the 3Yrs Plans and the share trend.

Also this plan foresees a claw-back clause and, for the Executive cluster in which the CEO/GM is comprised, a lock-up clause for the shares eventually vested. Considering the international best practices and the consistent vesting period of the plan the lock-up period has been defined in 1 financial year from the date of vesting of the rights.

The details of all the assignments made under this plan to the CEO/GM are shown in Section 2 – Table 3A of this statement.

#### Additional insurance coverage

The Chief Executive Officer/General Manager is covered, together with Amplifon SpA Key Managers, by a life insurance policy (only in the event of death) which is in addition to what is provided under the National Collective Labour Contract (CCNL Commercio) through the Antonio Pastore Fund. The policy will cover up to a maximum of € 360,000 which is the level under which

an anamnesis questionnaire need not be filled out. The premium varies depending on the actuarial age of the insured and is determined definitively when coverage begins.

All of the Amplifon SpA Executives, including the CEO/GM, also have medical coverage which provides for the refund of expenses, in addition to the standard FASDAC coverage, and an annual medical check-up.

### Benefits

The Chief Executive Officer/General Manager is beneficiary of a Company car pursuant to Amplifon's Company car policies and of the Flexible Benefits plan under which the CEO, as well as all employees of Amplifon S.p.A, may select, within a predetermined budget and in accordance with the law (art. 100, comma 1 of TUIR) options which best fit his needs with a particular focus on education/culture and healthcare not provided for as part of the coverage referred to in previous paragraph. The housing reimbursement for the first three years of the employment has expired on February 28<sup>th</sup>, 2017.

### Indemnity in the event of resignation, dismissal or termination

To date no agreements regarding indemnity to be paid in the event of resignation dismissal without cause or termination with the CEO/GM have been made. The Committee, consistently with the indication of the Code of Conduct (Article 6, Criteria 6C.1, letter g) will assess during the year the definition of an indemnity in case of employment relationship termination or not renewal of the office.

## **3.3 Remuneration of Key Managers with Strategic Responsibilities**

The Key Managers with strategic responsibilities are identified by the Remuneration Committee following the current regulations that identifies them with those persons who have the power and responsibility, directly or indirectly, for planning, directing and controlling the Company's activities and to adopt decisions that might affect Amplifon's development and future prospects. Therefore are part of this cluster the business leaders of the three regions and the functional officers of the Group even if not direct employees of Amplifon SpA.

During 2016 and first months of 2017 also this cluster has been involved in the leadership transition and has experienced different changes. On February 1<sup>st</sup> 2017 was composed by:

- Alessandro Bonacina, Chief Marketing Officer
- Giovanni Caruso, Chief HR Officer
- Cristian Finotti, Chief Procurement Officer

- Massimiliano Gerli, Chief Information Officer
- Ugo Giorcelli, Chief Financial Officer (leaving on February 28<sup>th</sup>, 2017 and replaced by Gabriele Galli from March 1<sup>st</sup>)
- Iacopo Lorenzo Pazzi, Executive Vice President EMEA
- Giulio Pizzini, Chief Strategic Development Officer
- Heinz Ruch, Executive Vice President Americas
- Craig Stevens, Executive Vice President APAC

The remuneration received by each member of the Key Managers cluster during 2016 are shown in Section 2 – Table 1 of this Statement with the indication, where provided, of the hiring and termination date and the possible indemnities paid.

The remuneration policies applicable to this cluster are defined, within the Group's Global Reward Policy framework, by the CEO/GM, examined by the Remuneration Committee and shared with the Board of Directors.

The Key Managers' remuneration is composed, overall, by the same elements foreseen for the CEO/GM remuneration, with the exclusion of the emoluments for the office of CEO.

#### Fixed Remuneration

Each year the CEO/GM assesses, with the support of the Group HR Department and on the basis of the advice of the Remuneration Committee, the base salary of the Key Managers against the reference market standards and potentially proposes any necessary changes based on the principles of the Group's Global Reward Policy, as well as in light of the level of Total Remuneration per year.

#### Short term variable incentive (MBO)

The Key Managers' variable incentive, in line with the CEO/GM one, is linked to the Group's economic and financial performances.

More in detail, for 2017, the incentive target has been confirmed equal to the 50% of the fixed remuneration for the Executive Vice Presidents and equal to 40% for the Chief Functional Officers and is based on the following parameters:

<b>Yearly target</b>	<b>Weight</b>	<b>Booster</b>
<b>Group/Region EBITDA</b>	35%	X 2
<b>Group/Region Net Sales</b>	30%	X 2
<b>Group/Region Free Cash Flow</b>	15%	X 1.2
<b>Individual Objectives</b>	20%	X 1.2

The targets take into consideration the different factors deemed part of a balanced performance and reflect the priorities indicated in the Company's plans. The total incentive is equal to the sum of the single bonuses payable upon achieving the relative targets.

The targets are calculated on the basis of pre-determined exchange rates and on the existing perimeter at the beginning of the fiscal year. For each target is defined a minimum threshold, under which the target is deemed to not have been achieved and, consequently, the payout linked to the single target not be made, and an accelerator (booster) in case of overachievement of the results. The incentive tied to individual objectives is determined on the basis of the performance appraisal conducted yearly by the CEO/GM following Amplifon's current Performance Development Review Process or PDR.

The maximum payout cannot exceed, in any case, the 200% of the target for the Executive Vice Presidents and the 170% of the target for the Chief Functional Officers. The only further condition for the payout, in addition to the targets achievement, is that the beneficiary must be employed for the whole performance year and consequently until December 31st of the reference year.

The incentive also foresees a claw-back clause following which the Company has the right to claim for reimbursement of the amounts paid on the basis of materially inaccurate performance metrics.

#### Medium-long term variable incentive (LTI)

The Key Managers are beneficiary, as for the CEO/GM, of the medium-long term share incentive plan (LTI) approved by the Shareholders' Meeting on April 16<sup>th</sup>, 2014 (cluster 1). The system has a temporal framework of 3.5 years for each assignment and is based on an annual "rolling" mechanism with periodical cumulative targets (EBIT/Net Sales). The system also foresees a threshold linked to the NFP/EBITDA ratio as well as an exercise thresholds on the share value. As described in the plan approved by the Shareholders' Meeting is expected an assignment every year until 2018 linked to the evolution of the 3Yrs Plans and the share trend.

Also this plan foresees a claw-back clause and, for the Executive cluster, a lock-up clause for the shares eventually vested. Considering the international best practices and the consistent vesting period of the plan the lock-up period has been defined in 1 financial year from the date of vesting of the rights.

The details of all the assignments made under this plan are shown consolidated for the whole cluster in Section 2 – Table 3A of this statement.



### Previous Share Incentive Plans (Stock Options/Performance Stock Grant)

Some of the Key Managers are still beneficiaries of Stock Option plans approved in 2005 and 2010 and now completed and of the Performance Stock Grant Plan 2011-2020, the last assignment of which has been delivered in 2013. The details of the assignments made under these plans are shown in Section 2 - Table 2 and 3A of this statement).

### Additional insurance coverage

The Key Managers employed by Amplifon SpA are covered by a life insurance policy (only in the event of death) which is in addition to what is provided under the National Collective Labour Contract (CCNL Commercio) through the Antonio Pastore Fund. The policy will cover up to a maximum of € 360,000 which is the level under which an anamnesis questionnaire need not be filled out. The premium varies depending on the actuarial age of the insured and is determined definitively when coverage begins.

All of the Amplifon SpA Executives also have medical coverage which provides for the refund of expenses, in addition to the standard FASDAC coverage, and an annual medical check-up.

### Benefits

All Key Managers are beneficiary of a Company car pursuant to the car policies provided by their related Amplifon Company. The Key Managers employed by Amplifon SpA are also beneficiary, as well as all employees of Amplifon S.p.A, of the Flexible Benefits plan under which the beneficiary may select, within a predetermined budget and in accordance with the law (art. 100, comma 1 of TUIR) options which best fit his needs with a particular focus on education/culture and healthcare not provided for as part of the coverage referred to in previous paragraph. Some of the Key Managers are also beneficiary of an housing allowance for a period defined at the hiring date.

### Indemnity in the event of resignation, dismissal or termination

For the Key Managers the payment due for employment termination as per the relevant national collective labour agreement is envisaged, together with any other additional severance indemnity agreed upon on an individual basis upon termination. For cases of termination that present high competitive risks relating to the criticality of the position held by the Manager, non-competition agreements may also be entered into with payments defined in relation to the remuneration received and the conditions of duration and efficacy of the agreement.

### Responsible of the "Internal Audit" function

The remuneration of the manager of the "Internal Audit" function (Group Risk & Compliance Officer) is in line with the Remuneration Policy of the Group and consistent with the role / task

assigned to him. In particular, the base salary is commensurate with the market benchmark of listed companies and to the levels of performances evaluated on the basis of individual goals set annually and key competences required by the position. The variable incentive is linked, as well as all Managers of Amplifon SpA to Group results and to a positive evaluation of individual objectives mentioned above. In addition the responsible of the position participate, as all the International Key Managers of the Group to the Performance Stock Grant Plan (cluster 2), with conditions of vesting are related to the stability in the role until the end of the vesting period (3,5 years) and to a positive appraisal of the individual performance for each year of the vesting.

## 4. Main changes with respect to previous year

The Global Reward Policy 2017 confirms the setting applied with satisfactory results in the previous years. Specifically the Remuneration Policy has demonstrated to be solid, competitive and attractive towards the talent market at international level.

The areas of further development, on which the Remuneration Committee will be called to discuss during 2017 are:

- The weight of the variable components, of increased relevance, particularly in some markets (US) to remain competitive especially against the specialty retail market and other interesting sectors for Amplifon;
- The analysis of new proposals related to the share incentive plan currently ongoing and expiring in 2018;
- The indemnities to be paid in the potential resignation, dismissal or not renewal of the office of the CEO/GM, accordingly to the indication of the Code of Conduct.

## **SECTION 2**

### **IMPLEMENTATION OF THE 2016 REMUNERATION POLICIES**

*All tables included in this section are defined following the current Consob Regulation (Resolution n.18049) available on the Consob website in the “Legal Framework” area ([www.consob.it](http://www.consob.it)).*

*During 2016 the cluster of the Group Key Managers experienced the following changes:*

- *On March 16<sup>th</sup>, 2016 Cristian Finotti has been appointed Chief Procurement Officer;*
- *On April 4<sup>th</sup>, 2016 Iacopo Lorenzo Pazzi has been appointed Executive Vice President EMEA.*

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*Moreover:*

- *On December 31<sup>st</sup>, 2016 Giovanni (John) Pappalardo has terminate his employment relationship. Since January 1<sup>st</sup>, 2017 Craig Stevens has been appointed Executive Vice President APAC and therefore included in the Group Key Managers cluster;*
- *On January 31<sup>st</sup>, 2017 Andrea Facchini has effectively terminate his employment relationship. Since February 1<sup>st</sup>, 2017 Alessandro Bonacina has been appointed Chief Marketing Officer and therefore included in the Group Key Managers cluster;*
- *On February 28<sup>th</sup>, 2017 Ugo Giorcelli will terminate his employment relationship. On March 1<sup>st</sup>, 2017 Gabriele Galli will be appointed Chief Financial Officer and therefore included in the Group Key Managers cluster.*

*All tables include the information related to those who have been part of the Key Managers cluster, even partially during the year 2016, on a full year base.*

## **Table 1 – Remuneration paid to the Directors, Statutory Auditors, the Chief Executive Officer/General Manager and the other Key Managers of the Group**

**Fixed compensation:** this item includes the emoluments approved by the Shareholders, the compensation received by the Chairman of the Board and the CEO as well as the gross base salary including social charges and taxes for which the employee is responsible. The amounts are calculated from the day of the Shareholders' Meeting that has appointed the Board of Directors currently in office (April 18<sup>th</sup>, 2016).

**Committee fees:** this item includes any emolument received for acting as Chairman or a member of any Board committees and/or the Supervisory Board ("Organismo di Vigilanza") calculated in accordance with the criteria determined by the Board of Directors. The committees to which the Directors belong (and the office held), along with the compensation received, are shown in note. The amounts are calculated from the day of the Shareholders' Meeting that has appointed the Board of Directors currently in office (April 18<sup>th</sup>, 2016).

**Bonuses and other incentives:** this item includes amounts vested, even if not paid during the year, for having achieved the targets of the year established under the short term variable incentive plans benefiting the Chief Executive Officer/General Manager and the Key Managers. It also includes bonus pertaining to the year but not included in specific plans (lump sum). This amount is equal to the values shown in Table 3B, in the columns "Bonuses payable/paid in the year", "Bonuses from previous years paid/payable" and "Other bonuses".

**Fringe benefits:** this item includes fringe benefits, evaluated with the criteria of the taxable income, such as insurance policies, additional health care coverage, the Flexible Benefits assigned in 2016 and the potential housing.

**Other compensation:** at 31 December 2016 no forms of remuneration for services which may be considered indirect compensation existed.

**Fair Value Equity Compensation:** the fair value of any grants made pursuant to incentive plans based on financial instruments is shown estimated in accordance with international accounting standards. This amount is equal to the sum of the amounts shown in Table 2 in the column "Options pertaining to FY 2016" and in the Table 3A in the column "Financial Instrument pertaining to FY 2016".

**Termination indemnities:** this item includes the indemnities owed to the Key Managers for termination during the year.

**Table 1 - Remuneration paid to the Directors, Statutory Auditors, the Chief Executive Officer/General Manager and the other Group Key Managers (000/€)**

Name and Surname	Office	Period in which the office has been held	Term of office	Fixed Compensation	Committee fees	Bonus and other incentives	Fringe benefits	Other compensation	Total	FV Equity Compensation	Termination indemnities
<b>Susan Carol Holland</b>	Chairman	01/01/2016-31/12/2016	apr-18	€ 200	-	-	€ 2	-	<b>€ 202</b>	-	-
<b>Enrico Vita</b>	CEO	01/01/2016-31/12/2016	apr-18	€ 200	-	-	-	-	<b>€ 200</b>	-	-
	General Manager	<i>Permanent</i>		€ 533	-	€ 498	€ 29	-	<b>€ 1.060</b>	€ 617	-
<b>Andrea Casalini<sup>(1)</sup></b>	Indipendent Director	18/04/2016-31/12/2016	apr-18	€ 37	€ 20	-	-	-	<b>€ 57</b>	-	-
<b>Alessandro Cortesi<sup>(2)</sup></b>	Indipendent Director	18/04/2016-31/12/2016	apr-18	€ 37	€ 13	-	-	-	<b>€ 50</b>	-	-
<b>Maurizio Costa<sup>(3)</sup></b>	Indipendent Director	01/01/2016-31/12/2016	apr-18	€ 37	€ 20	-	-	-	<b>€ 57</b>	-	-
<b>Laura Donnini<sup>(4)</sup></b>	Indipendent Director	18/04/2016-31/12/2016	apr-18	€ 37	€ 23	-	-	-	<b>€ 60</b>	-	-

Name and Surname	Office	Period in which the office has been held	Term of office	Fixed Compensation	Committee fees	Bonus and other incentives	Fringe benefits	Other compensation	Total	FV Equity Compensation	Termination indemnities
<b>Maria Patrizia Grieco</b> <sup>(5)</sup>	Independent Director	18/04/2016-31/12/2016	apr-18	€ 37	€ 13	-	-	-	<b>€ 50</b>	-	-
<b>Lorenzo Pozza</b> <sup>(6)</sup>	Independent Director	18/04/2016-31/12/2016	apr-18	€ 37	€ 30	-	-	-	<b>€ 67</b>	-	-
<b>Anna Puccio</b>	Independent Director	01/01/2016-18/04/2016	apr-16	€ 21	-	-	-	-	<b>€ 21</b>	-	-
<b>Giovanni Tamburi</b> <sup>(7)</sup>	Independent Director	01/01/2016-31/12/2016	apr-18	€ 37	€ 3	-	-	-	<b>€ 40</b>	-	-
<b>Raffaella Pagani</b>	Chairman of the Board of Statutory Auditors	01/01/2016-31/12/2016	apr-17	€ 45	-	-	-	-	<b>€ 45</b>	-	-
<b>Emilio Fano</b>	Standing Auditor	01/01/2016-31/12/2016	apr-17	€ 30	-	-	-	-	<b>€ 30</b>	-	-
<b>Maria Stella Brena</b>	Standing Auditor	01/01/2016-31/12/2016	apr-17	€ 30	-	-	-	-	<b>€ 30</b>	-	-
<b>Total</b>				<b>€ 1.318</b>	<b>€ 122</b>	<b>€ 498</b>	<b>€ 31</b>	<b>€ 0</b>	<b>€ 1.969</b>	<b>€ 617</b>	<b>€ 0</b>
<b>Other Key Managers with strategic responsibilities of the Group (9) (*)</b>		<i>Permanent</i>		€ 2.575	-	€ 1.183	€ 299	-	<b>€ 4.057</b>	€ 2.503	-
<b>Grand total</b>				<b>€ 3.893</b>	<b>€ 122</b>	<b>€ 1.681</b>	<b>€ 330</b>	<b>€ 0</b>	<b>€ 6.026</b>	<b>€ 3.120</b>	<b>€ 0</b>

*(1) Compensation as Chairmain of the Related Parties Committee and as Member of the Remuneration & Appointment Committee*

*(2) Compensation as Member of the Internal Control Committee*

*(3) Compensation as Chairmain of the Remuneration & Appointment Committee*

*(4) Compensation as Member of the Related Parties Committee and as Member of the Internal Control Committee*

*(5) Compensation as Member of the Remuneration & Appointment Committee*

*(6) Compensation as Chairmain of the Internal Control Committee*

*(7) Compensation as Member of the Related Parties Committee*

*(\* ) includes all Key Managers who have covered the role also partially in 2016*



## **Table 2 – Stock Options assigned to the Directors, Statutory Auditors, the Chief Executive Officer/General Manager and the other Key Managers of the Group**

*With regard to the incentive plans based on financial instruments, detailed information can be found in the compensation schemes called for under Art. 114-bis of Testo Unico della Finanza or TUF (Legislative Decree n. 58 of 24 February 1998) and pursuant to Art. 84-bis of the Issuers' Regulations (CONSOB Resolution n. 11971/99), as well as Annex 3A, Form 7 of the Issuers' Regulations, which can be found on the Company's website [www.amplifon.com/corporate](http://www.amplifon.com/corporate) - Governance section.*

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**Options held at the beginning of the period:** for the Key Managers, as an aggregate, are indicated for each stock option plan:

- the number of options held at the beginning of the period;
- the exercise price for each plan;
- the exercise period as per the plan regulations.

**Options granted during the period:** no stock options plans are still active, so no options were assigned during 2016.

**Options exercised during the period:** for the Key Managers, as an aggregate, are indicated for each stock option plan:

- the number of options exercised in the period;
- the exercise price;
- the average market price on the dates of the exercises.

**Options expired/cancelled during the period:** no options expired in 2016.

**Options held at the end of the period:** equal to the options held at the beginning of the period less the options exercised and/or cancelled during the period itself

**Options pertaining to the period (FY 2016):** show the fair value at the date of assignment of any options related to the year under examination estimated in accordance with international accounting standards. The sum of this amount with the amounts showed in Table 3A is equal to the amounts shown in Table 1, in the column "Fair Value – Equity compensation".

**Table 2 - Stock Option assigned to the Directors, the Chief Executive Officer/General Manager and the other Key Managers of the Group**

Name and Surname	Office	Plan (approved date)	Options held at the beginning of the period			Options granted during the period	Options exercised during the period			Options expired/cancelled	Options held at the end of the period	Options pertaining to FY 2016
			No. of options	Exercise Price	Exercise period		No. of options	Exercise Price	Avg market price on the exercises date			
Enrico Vita	CEO and General Manager	-	-	-	-	-	-	-	-	-	-	-
Other Key Managers with strategic responsibilities of the Group (9)		Piano 2005 - CH (30 September 2005)	125.000	€ 5,697	(1/3) 30/09/2006 - 30/09/2016	-	125.000	€ 5,697	9,133 <sup>(1)</sup>	-	-	-
		(1/3) 30/09/2007 - 30/09/2017										
					(1/3) 30/09/2008 - 30/09/2018							
		Piano 2010 (16 December 2010)	227.438	€ 3,746	(1/2) 17/12/2012 - 17/12/2017	-	227.438	€ 3,746	8,04 <sup>(1)</sup>	-	-	-
					(1/2) 17/12/2013 - 17/12/2018							
<b>Grand Total</b>			<b>352.438</b>	-	-	-	<b>352.438</b>	-	-	-	-	-

<sup>(1)</sup> Average weighted market price at the exercises

### **Table 3A –Incentive plans based on financial instruments, other than stock options, benefiting the Directors, the Statutory Auditors, the Chief Executive Officer/General Manager and the other Key Managers of the Group**

*With regard to the incentive plans based on financial instruments, detailed information can be found in the compensation schemes called for under Art. 114-bis of Testo Unico della Finanza or TUF (Legislative Decree n. 58 of 24 February 1998) and pursuant to Art. 84-bis of the Issuers' Regulations (CONSOB Resolution n. 11971/99), as well as Annex 3A, Form 7 of the Issuers' Regulations, which can be found on the Company's website [www.amplifon.com/corporate](http://www.amplifon.com/corporate) - Governance section.*

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**Financial instruments assigned in previous years not already vested:** is shown the numbers of financial instruments assigned in the previous years and not vested during 2016.

**Financial instruments assigned in the period:** for the Chief Executive Officer/General Manager and, as an aggregate, for Key Managers are indicated:

- the number of financial instruments assigned;
- the Fair Value at the Grant Date;
- the Vesting Period of the plan;
- the Date of the Grant;
- the share market price at Grant Date.

**Financial instruments vested in the period and not assignable:** for the Chief Executive Officer/General Manager and, as an aggregate, for Key Managers are indicated the financial instruments vested in the period and not assignable.

**Financial instruments vested in the period and assigned:** are indicated for the Key Managers the financial instruments vested in the period and assigned within the Performance Stock Grant 2011-2020 (assignment 2012).

**Financial instruments exercised in the period:** for the Chief Executive Officer/General Manager and, as an aggregate, for Key Managers are indicated for the Plan vested and assignable:

- numbers of financial instrument exercised in the period;
- the average market price on the dates of the exercises.

**Financial instruments expired/cancelled during the period:** during 2016, as foreseen in the Operative Rules of the Plan, the financial instruments of the Key Managers whose employment relationships terminated in the year have been cancelled.

**Financial instruments held at the end of the period:** equal to the financial instruments held at the beginning of the period less the instruments exercised and/or cancelled during the period itself

**Financial instruments pertaining to the period (FY 2016):** show the fair value at the date of allocation of any financial instrument related to the year under examination estimated in accordance with international accounting standards. The sum of this amount with the amounts showed in Table 2 column “Options pertaining to FY 2016” is equal to the amounts shown in Table 1, in the column “Fair Value – Equity compensation”.

**Table 3A - Incentive plans based on financial instruments, other than stock options, benefiting the Directors, the Statutory Auditors, the Chief Executive Officer/General Manager and the other Key Managers of the Group**

Name and Surname	Office held	Plan	Financial instruments assigned in previous periods not already vested		Financial instruments assigned in the period					Financial instrument vested in the period and not assigned	Financial instrument vested in the period and assigned	Financial instruments exercised in the period		Financial instruments expired/ canceled in the period	Financial instruments held at the end of the period	Financial instruments pertained to FY 2016
			No. of financial instruments	Vesting period	No. of financial instruments	FV at Grant Date	Vesting Period	Date of Grant	Share Market Price at Grant Date			No. of financial instruments	Avg market price at the dates of exercises			
		New Performance Stock Grant Plan 2014-2021 (16 April 2014)	100.000	jun-16	-	-	-	-	-	-	-	-	-	-	100.000	162
<b>Enrico Vita</b>	CEO and General Manager	New Performance Stock Grant Plan 2014-2021 (16 April 2014)	120.000	jun-18	-	-	-	-	-	-	-	-	-	-	120.000	229
		New Performance Stock Grant Plan 2014-2021 (16 April 2014)	-	-	120.000	8,05 €	jun-19	27/04/2016	7,55 €	-	-	-	-	-	120.000	226
<b>Total</b>			<b>220.000</b>	<b>-</b>	<b>120.000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>340.000</b>	<b>617</b>

Name and Surname	Office held	Plan	Financial instruments assigned in previous periods not already vested		Financial instruments assigned in the period					Financial instrument vested in the period and not assigned	Financial instrument vested in the period and assigned	Financial instruments exercised in the period		Financial instruments expired/ canceled in the period	Financial instruments held at the end of the period	Financial instruments pertained to FY 2016
			No. of financial instruments	Vesting period	No. of financial instruments	FV at Grant Date	Vesting Period	Date of Grant	Share Market Price at Grant Date			No. of financial instruments	Avg market price at the dates of exercises			
Other Key Managers with strategic responsibilities of the Group (9)		Performance Stock Grant Plan 2011-2020 (13 December 2010)	235.000	jun-16	-	-	-	-	-	-	235.000	235.000	8,591 <sup>(1)</sup>	-	-	118
		Performance Stock Grant Plan 2011-2020 (13 December 2010)	287.500	jun-17	-	-	-	-	-	-	-	-	-	-	287.500	246
		New Performance Stock Grant Plan 2014-2021 (16 April 2014)	395.000	jun-17	-	-	-	-	-	-	-	-	-	-	395.000	639
		New Performance Stock Grant Plan 2014-2021 (16 April 2014)	390.000	jun-18	-	-	-	-	-	-	-	-	-	80.000	310.000	745
		New Performance Stock Grant Plan 2014-2021 (16 April 2014)	30.000	jun-18	-	-	-	-	-	-	-	-	-	-	30.000	58
		New Performance Stock Grant Plan 2014-2021 (16 April 2014)	-	-	370.000	€ 8,055	jun-19	27/04/2016	€ 7,55	-	-	-	-	50.000	320.000	696
<b>Grand Total</b>			<b>1.557.500</b>	<b>-</b>	<b>490.000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235.000</b>	<b>235.000</b>	<b>-</b>	<b>130.000</b>	<b>1.652.500</b>	<b>3.120</b>

<sup>(1)</sup> Average weighted market price at the exercises

**Table 3B – Cash based incentive plans benefiting the Directors, the Statutory Auditors, the Chief Executive Officer/General Manager and the other Key Managers of the Group**

**Bonus pertaining to the year:** for the Chief Executive Officer/General Manager and, as an aggregate, for the Key Managers are indicated:

- bonuses of competence of the year, vested after having reached the targets for the year and payable insofar as they are not subject to other conditions with the exception of the year business results validation by the Remuneration Committee and the BoD);
- bonuses deferred tied to targets achieved in the year but not payable insofar as subject to other conditions;
- deferment period for the different bonuses.

**Bonuses pertaining to previous years:** in 2016 there are no bonuses of previous year deferred in the exercise.

**Other bonuses:** this item includes one-off bonuses paid in the year but not included in specific plans (lump sum)

**Table 3B - Cash-based incentive plans benefiting the Directors, the Statutory Auditors, the Chief Executive Officer/General Manager and the other Key Managers of the Group**

Name and Surname	Office Held	Plan	Bonus pertaining to the year			Bonus pertaining to previous year			Other bonuses	
			Payable/Paid	Deferred	Deferment period	No longer payable	Payable/ Paid	Still deferred		
Enrico Vita	CEO and General Manager	MBO Plan 2016	€	498	-	-	-	-	€	-
Other Key Managers with Strategic responsibilities of the Group (9)		MBO Plan 2016	€	1.183	-	-	-	-	€	220
<b>Grand Total</b>			€	<b>1.681</b>	-	-	-	-	€	<b>220</b>



## **Scheme 7-ter – Shareholdings of the Directors, the Statutory Auditors, the Chief Executive Officer/General Manager and the other Key Managers of the Group**

At December 31<sup>st</sup> 2016, no member of the Board and Control Bodies, including the Chief Executive Officer/General Manager and no Key Manager with strategic responsibilities have any shareholding in the Issuer in addition to:

- The significant interests in share capital as indicated in the Corporate Governance Report;
- The potential Stock Options/Performance Stock Grant exercises as mentioned in the previous tables.