



**REPORT OF THE  
BOARD OF DIRECTORS  
ON REMUNERATION**

**(PREPARED PURSUANT TO ARTICLES 123-*TER* OF THE CONSOLIDATED LAW ON FINANCE (T.U.F.) AND 84-*QUATER* OF THE ISSUERS' REGULATION AS WELL AS ARTICLE 6 OF THE SELF-REGULATORY CODE OF CONDUCT OF THE LISTED ISSUERS PROMOTED BY BORSA ITALIANA S.P.A.)**

**Approved by the Board of Directors of TESMEC S.p.A.  
on 10 March 2017**

## GLOSSARY

<b>Self-Regulatory Code of Conduct or Code</b>	The Self-Regulatory Code of Conduct of listed companies approved in March 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A. and subsequently amended and updated in July 2015.
<b>Remuneration and Appointments Committee or Committee</b>	The Remuneration and Appointments Committee set up by Tesmec in accordance with the Code.
<b>Board of Directors or Board</b>	The Board of Directors of Tesmec.
<b>Board of Statutory Auditors</b>	The Board of Statutory Auditors of Tesmec.
<b>Executives with Strategic Responsibilities</b>	The executives, set forth in Article 65, paragraph 1-quater, of the Issuers' Regulation, identified if necessary by the Board of Directors.
<b>Group</b>	Tesmec and the companies controlled by it pursuant to Article 93 of the Consolidated Law on Finance (T.U.F.)
<b>Instructions accompanying the Stock-Exchange Regulations</b>	The instructions accompanying the Regulations of the Markets organised and managed by Borsa Italiana S.p.A.
<b>Remuneration Policy or Policy</b>	The Remuneration Policy approved by the Board of Directors of 10 March 2017, described in Section I of this Report.
<b>Regulation of the Committee</b>	The Regulation of the Remuneration and Appointments Committee.
<b>Issuers' Regulation</b>	The Regulation issued by CONSOB with resolution no. 11971 of 14 May 1999 on issuers, as subsequently amended and supplemented.
<b>Report</b>	This report on remuneration drawn up pursuant to Articles 123-ter of the Consolidated Law on Finance (T.U.F.) and Article 84-quater of the Issuers' Regulation as well as in compliance with Article 6 of the Code.
<b>Tesmec or Company</b>	Tesmec S.p.A.
<b>Consolidated Law on Finance (T.U.F.)</b>	Italian Legislative Decree no. 58 of 24 February 1998 as subsequently amended and supplemented.

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## Introduction

This report on the remuneration policy for members of the board of directors, general managers and executives with strategic responsibilities (the “**Report**”) was drafted and approved by the Board of Directors of Tesmec S.p.A. (hereinafter also “**Tesmec**” or the “**Company**”) on 10 March 2017 pursuant to (i) article 123-*ter* of Italian Legislative Decree no. 58 (“**T.U.F.**”), (ii) article 84-*quater* of the regulations issued by CONSOB with resolution no. 11971 of 14 May 1999 as subsequently amended (“**Issuers’ Regulation**”) and of related Annex 3A, schemes no. 7-*bis* and 7-*ter* and (iii) Article 6 of the Self-Regulatory Code of Conduct of the listed issuers promoted by Borsa Italiana S.p.A. (the “**Self-Regulatory Code**” or “**Code**”).

Section I of the Report describes the remuneration policy (“**Policy**” or “**Remuneration Policy**”) of Tesmec and of the group it heads (the Company and the Company’s subsidiaries pursuant to article 93 of the Consolidated Law on Finance (T.U.F.), hereinafter also the “**Group**”) relating to the remuneration of:

1. the members of the Board of Directors; and
2. the executives with strategic responsibilities (including general managers) or of the individuals who have the authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly, according to the definition provided in Annex 1 to the regulations issued by CONSOB with resolution no. 17221 of 12 March 2010 and subsequent amendments, with regard to transactions with related parties, coinciding with the top executives reporting to the Chief Executive Officer (the “**Executives with Strategic Responsibilities**”);

as well as the procedures used to adopt and implement the Remuneration Policy, pursuant to article 123-*ter*, third paragraph, of the Consolidated Law on Finance.

In accordance with article 123-*ter*, fourth paragraph of the Consolidated Law on Finance, Section II of the Report shows the individual items making up the remuneration of the members of the Board of Directors, the Executives with Strategic Responsibilities (including general managers), the members of the Board of Statutory Auditors and respective remuneration paid in 2016 by the Company and by subsidiaries or associates (tables 1 and 2).

Finally, any shares held by the subjects mentioned above are indicated in Table 3 attached to this Report.

As provided by the Regulation adopted with CONSOB Resolution no. 17221 of 12 March 2010 on transactions with related parties, as acknowledged in the internal regulation of the Company available on its website (www.tesmec.com), the presentation of this policy to the Shareholders’ Meeting and, for all intents and purposes, its approval, once defined by the Board of Directors on proposal of the Remuneration and Appointments Committee (comprised by a majority of Independent Directors), exempts the resolutions of the Company on the remuneration of its Directors and Executives with strategic responsibilities from carrying out the procedures provided by the above provisions of CONSOB concerning related parties.

## SECTION I: REMUNERATION POLICY

***a) Bodies or subjects involved in the preparation and approval of the remuneration policy, by specifying their roles, as well as bodies and subjects in charge of the correct implementation of this policy***

The Board of Directors approves the Remuneration and Appointments Policy on proposal of the Remuneration Committee (See infra sub letter b)), at least on an annual basis.

With reference to the Committee it is hereby reported that, on 29 April 2016, the Board of Directors decided, for the Board's internal reasons of organisational order and efficiency, with a view to streamlining the Company's governance structures, as well as in the light of the close relationship between the skills required to fulfil the role of members of the Appointments Committee, as established on 9 November 2012, and of the Remuneration Committee, as established on 23 February 2010, to merge these internal board committees into the Remuneration and Appointments Committee.

Pursuant to art. 123-ter, sixth paragraph, of the Consolidated Law on Finance, The Remuneration Policy, as described in this section of the Report, is submitted to the non-binding resolution of the Shareholders' Meeting convened pursuant to Article 2364, second paragraph, of the Italian Civil Code.

The Remuneration and Appointments Committee is in charge of the correct implementation of this policy, in exercising the tasks described below, as well as the Chief Executive Officer and the Board of Directors. The Board of Statutory Auditors is responsible for supervising actual implementation of the Policy.

***b) Intervention of the Remuneration and Appointments Committee, composition (distinguishing the non-executive directors from the independent directors), responsibilities and operation***

The Remuneration and Appointments Committee, which formulated to the Board of Directors the proposal of Remuneration Policy, consists of three directors, all non-executive and predominantly independent, as provided for by the Code and by the Regulations of the Committee itself. The members of the Remuneration and Appointments Committee include directors who have adequate knowledge and experience in financial and remuneration policy matters, which is assessed at the time of appointment.

On the date of the Report, the Remuneration and Appointments Committee consists of 3 non-executive members, including two independent members and specifically: Gioacchino Attanzio (Chairman - independent), Caterina Caccia Dominioni (Member - non executive), Sergio Arnoldi (Member - independent).

The Remuneration and Appointments Committee is entrusted with the following functions in connection with the Remuneration Policy:

- it periodically evaluates the adequacy, the overall consistency and the practical application of the remuneration policy of directors and executives with strategic responsibilities, by making use in this regard of the information supplied by the chief executive officers; it makes proposals to the Board of Directors on the matter;
- it submits proposals or expresses opinions to the board of directors on the remuneration of executive directors and other directors holding special offices as well as on the setting

of performance targets related to the variable component of this remuneration; it monitors the implementation of the decisions adopted by the board itself by making sure, in particular, that the performance targets are actually achieved;

- it ensures suitable functional and operational connections with the competent company structures; and
- it reports to the Company's shareholders on the exercise of its functions.

The Committee meets at least once a year and in any case on the occasion of the meeting of the Board of Directors called to decide on the remuneration of the Chief Executive Officers or vested with special offices and/or of the top management of the Company as well as on any stock option plan or share allocation.

Independent experts were not involved in the preparation of the Remuneration Policy.

***c) Purposes of the remuneration policy, the principles on which it is based and any change in the remuneration policy compared to the previous financial period***

The Remuneration Policy (and the implementation procedures) was prepared by the Remuneration and Appointments Committee during the meeting of 10 March 2017 and on the same date approved by the Board of Directors.

The Remuneration Policy serves to attract, motivate and retain resources with the professional qualities required to pursue the objectives of the Company profitably. The Policy serves also as a means to align the interests of the management and of the shareholders, through the creation of a strong relation between remuneration and individual performance. The aim of the Policy is to create sustainable value in the medium to long term for the Issuer and the shareholders, as well as to make sure that the remuneration is based on the results actually obtained.

For non-executive Directors, the Remuneration Policy is not related to the economic results achieved by the Company (see following paragraph *n*).

When determining remuneration and each of its components, the Board of Directors will take account (i) of the specific contents of the delegation of powers assigned to each executive director and/or (ii) of the functions and of the role actually carried out by each executive director within the company, making sure in this way that the estimate of any variable component is consistent with the type of tasks assigned to him/her.

In particular, remuneration is determined according to the following criteria:

- the indications on the consistency among the elements underlying the calculation of the remuneration and the set objectives;
- the correct balance between the fixed and the variable component must be in accordance with the strategic objectives and with the risk management policy of the Company, also taking account of the sector in which it operates and the nature of the business practically carried out;
- the performance targets - i.e. the economic results and any other specific target - to which the disbursement of the variable components is related are predetermined, measurable and related to the creation of value for shareholders in the medium term.

Note furthermore that maximum limits are set for variable members and in particular: 80% of Gross Annual Remuneration for the Chief Executive Officer and 40% of Gross Annual Remuneration for the General Manager and Executives with Strategic Responsibilities.

The fixed component is in any case sufficient to reward the services of the director in the event that the variable component is not delivered due to the failure to achieve the performance targets indicated by the Board of Directors.

Compared to the 2016 Remuneration Policy that was approved on 14 March 2016 by the Board of Directors and submitted to the Shareholders' Meeting of Tesmec on 29 April 2016, the Remuneration Policy has not been amended.

The remuneration of the Chief Executive Officer, of the General Manager and of the Executives with Strategic Responsibilities consists in general of the following elements:

- a fixed gross annual component: specifically, for the Chief Executive Officer composed of the remuneration approved by the Shareholders' Meeting pursuant to art. 2389 of the Italian Civil Code and for the General Manager and for the Executives with Strategic Responsibilities of the gross annual remuneration as per the National Collective Labour Agreement;
- a variable component as an incentive and loyalty tool also suitable to ensure an optimal level of correlation between the remuneration of the management and the economic and financial results of the Company in the medium term. This variable component is related to general objectives predetermined in particular on the Turnover, on EBITDA and on the Net Financial Position of the Company and of the Group. Deferral of payment of a part of the variable remuneration is envisaged.

The methods for defining the variable remuneration for executive directors, the Chief Executive Officer and the Executives with Strategic Responsibilities will be established by the Board of Directors on the basis of the budget for the financial period with the estimate of a minimum threshold to receive the bonus and a progression in the premium pay to be assigned in accordance with the lines defined below:

#### **Chief Executive Officer**

Variable remuneration will be paid only if at least 70% of certain financial indicators of the 2017 budget (turnover, EBITDA and NFP) are achieved. The exact amount of variable remuneration will be calculated according to a linear proportion, it being understood the maximum limit of 80% of the gross annual remuneration.

At the end of financial year 2017, after checking the achievement of the targets, 70% of the variable remuneration will be paid, while the remaining 30% will be paid after the third year, provided that the beneficiary of the variable component still holds the office of Chief Executive Officer at the Issuer upon approval of the draft financial statements as at 31 December 2019.

As anticipated, in any case, variable remuneration cannot exceed 80% of gross annual remuneration.

#### **General Manager and Executives with Strategic Responsibilities<sup>1</sup>**

Variable remuneration will be paid only if at least 70% of certain financial indicators of the 2017 budget (turnover, EBITDA and NFP) are achieved. The exact amount of variable remuneration will

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<sup>1</sup> With reference to the Chief Executive Officer of Tesmec USA, Inc., the variable remuneration will be determined only on the basis of Tesmec USA Inc. budget, it being understood that the financial indicators (turnover, EBITDA and NFP) are the same.



be calculated according to a linear proportion, it being understood the maximum limit of 40% of the gross annual remuneration.

At the end of financial year 2017, after checking the achievement of the targets, 70% of the variable remuneration will be paid, while the remaining 30% will be paid after the third year, provided that the beneficiary of the variable component works at the Issuer upon approval of the draft financial statements as at 31 December 2019.

As anticipated, in any case, variable remuneration cannot exceed 40% of gross annual remuneration.

The relation between the premium pay and the budget guarantees the consistency of the remuneration policy in the short-medium term with the long term, because in general the annual budget, on which the achievement of pre-set targets is calculated, is in turn included in a three-year plan, and the budget achieved in a financial period is considered as the new base for the following financial period, resulting in a boost to the constant growth of the company's profit. Bearing in mind the nature of the business carried out, we are of the opinion that twelve-month time horizons allow the determination of targets for defining the variable component portion which are appropriately consistent with the performance of the market in which the Company operates and in keeping with a prudent risk management policy.

Furthermore, the envisaged deferral of payment of a part of the variable remuneration with respect to its time of accrual aims at stimulating the medium-long term retention of important individuals. The Remuneration and Appointments Committee reserved the right to introduce other indices (for example, business expansion towards new markets) should the current Remuneration Policy not be adequately stimulating in the long term.

On the date of this Report, no incentive plan based on financial instruments was approved.

***d) Policy followed with regard to non-monetary benefits***

The Remuneration Policy of the Company provides for the allocation of some non-monetary benefits to executive directors and to executives with strategic responsibilities through the "fringe benefit" formula according to the specific powers or duties assigned.

***e) With reference to variable components, description of the performance targets according to which they are assigned, distinguishing short-term variable components from medium to long-term variable components, and information on the relation between the change in the results and the change in the remuneration***

Reference is made to what is stated under letter c).

***f) Methods used for assessing performance targets at the basis of the allocation of shares, options, other financial instruments or other variable components of remuneration***

This Policy does not provide for the allocation of shares, options, other financial instruments or other variable components of remuneration.

***g) Information for pointing out the consistency of the remuneration policy with the pursuit of long-term interests of the company and with the risk management policy***

According to this Policy, the performance targets outlined above and the method of payment of the variable component must be consistent with the risk management policy adopted by the Company, in that they must take account of the risks assumed by Tesmec, of the capital and liquidity required by the Company to face up to the undertaken activities.

For information regarding the consistency of the remuneration policy with the pursuit of long-term interests please refer to letter c).

***h) Vesting periods, any deferred payment systems, with indication of deferment periods and the methods used for determining such periods and, if provided for, ex-post correction mechanisms***

The Company's Remuneration Policy envisages deferred payment of a part of the variable remuneration for the Chief Executive Officer, General Manager and Executives with Strategic Responsibilities. For further details, see letter c).

Without prejudice to the above, vesting periods, any deferred payment systems and ex-post correction mechanisms are not provided for, as well as contractual agreements allowing the company to reclaim, in whole or in part, variable components of the remuneration paid (or to withhold sums subject to deferment), based on data which has subsequently proven to be manifestly misstated.

***i) Information on any clause for the maintenance of the financial instruments in the portfolio after their acquisition, by indicating the periods of maintenance and the methods used for determining such periods***

The Remuneration Policy does not provide for any clause for the maintenance of the financial instruments in the portfolio.

***j) Policy related to the pays contemplated in case of termination of office or of the employment relationship***

The Company has set up a policy of retention and protection of its business know-how for its strategic or high-potential figures and, in particular for Executives with Strategic Responsibilities, a "Non-competition Agreement" Policy that provides for a monthly payment of 10-15% of Gross Annual Salary based on the functions covered within the organisation, in exchange for the signing by the collaborator of a non-competition agreement that does not allow, in the event of termination of the employment relationship for any reason, an activity in Italy and/or abroad at the premises of Tesmec competitors. In case of breach of non-competition agreement, there are penalties related to each collaborator.

***k) Information on the presence of insurance, social security or pension coverage, other than compulsory insurance***

In line with best practices, an insurance policy against civil liability towards third parties is in force for company bodies, general managers, if appointed, executives with strategic responsibilities, in the performance of their duties, with the aim of holding harmless the Company from the charges

arising from the related compensation for damages, except in cases of malicious intent or serious misconduct.

Moreover, the Board of Directors has approved an insurance package as from 2012 that provides for an Employee Benefits programme for the Chairman and the Chief Executive Officer and for Executives with Strategic Responsibilities.

This programme extends to the following categories:

- Chairman and chief executive officers: death risk cover and total and permanent disability, permanent disability caused by illness, coverage for professional and extraprofessional injury, and payment of medical expenses for injury and sickness, extended to the family unit. In the mentioned case, the amounts insured and the coverage guarantees are paid depending on the function covered within the Board of Directors;
- Executives with Strategic Responsibilities: death risk cover and total and permanent disability, permanent disability caused by illness, coverage for professional and extraprofessional injury and payment of medical expenses in case of injury and illness, extended to the family unit. The programme completes and is in addition to what already provided in the National Collective Labour Agreement of Industry Executives.

***l) Applied remuneration policy with reference to: (i) independent directors, (ii) the attendance to committees and (iii) the carrying-out of special offices.***

In the light of what is recommended by the Self-Regulatory Code of Conduct, the remuneration of non-executive Directors is not related to the economic results achieved by the Company and/or by the Group.

The remuneration of non-executive Directors, as reported under previous letter c) of the Report, is exclusively represented by a fixed component, resolved upon by the ordinary Shareholders' Meeting with regard to its overall amount and then determined singularly by the Board of Directors.

The remuneration policy applied by the Company with respect to independent Directors is the same policy applied for non-executive Directors.

With reference to the components of internal committees, further additional compensation related to the participation in such bodies is not envisaged.

***m) Instructions on the possible use, as reference, of remuneration policies of other companies***

The Remuneration Policy was prepared by the Company without using the policy of other companies as reference.

## **SECTION II – REMUNERATION RECEIVED DURING THE 2016 FINANCIAL PERIOD BY THE MEMBERS OF THE BOARD OF DIRECTORS AND OF THE BOARD OF STATUTORY AUDITORS AS WELL AS EXECUTIVES WITH STRATEGIC RESPONSIBILITIES**

The remuneration relevant to the 2016 financial period of the members of the Board of Directors and of the Board of Statutory Auditors as well as of the General Manager and of Executives with Strategic Responsibilities are illustrated by name in this section of the Report.

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### **FIRST PART – ITEMS FORMING THE REMUNERATION**

This part of Section II provides an adequate representation of each of the items forming the remuneration of the members of the Board of Directors and of the Board of Statutory Auditors as well as of the General Manager and of Executives with strategic responsibilities, with reference to the 2016 financial period.

These items are reflected in the tables in the Second Part of this Section.

#### **1.1 Board of Directors**

On 29 April 2016, the Board of Directors resolved to assign:

- as annual remuneration for the powers of ordinary and extraordinary administration of the company granted to the Chairman and Chief Executive Officer, Ambrogio Caccia Dominioni:
  - i) a fixed fee of Euro 480,000 including the fee for the office of director;
  - ii) another variable fee, recalculated each year.
- as annual remuneration for the office of Vice Chairman conferred upon Gianluca Bolelli, a fixed fee of Euro 80,000.

Both fees also include those for the office of director.

In line with the Remuneration Policy approved for the 2015 financial period, the then Remuneration Committee, on 5 April 2016, verified that the target percentage set for 2015 had been reached. Consequently, in application of the remuneration policy approved for the 2015 financial period, over the course of the 2016 financial period the Chairman and Chief Executive Officer Ambrogio Caccia Dominioni was paid, as variable remuneration, the sum of Euro 364,800, while Euro 109,440 (equal to 30% of that variable remuneration) was set aside to be settled at the start of the third year (upon approval of the draft financial statements as at 31 December 2017).

In line with the Remuneration Policy approved for the 2016 financial period, the Board of Directors on 14 March 2016, upon proposal by the then Remuneration Committee, resolved to assign a variable remuneration to the Chairman and Chief Executive Officer, Ambrogio Caccia Dominioni relevant to the 2016 financial period that will be paid only in case of achievement of at least 70% of certain financial indicators of the 2016 budget (turnover, EBITDA and NFP). The exact amount of variable remuneration will be calculated according to a linear proportion, it being understood the maximum limit of 80% of the gross annual remuneration.

At the end of financial year 2016, after checking the achievement of the targets, 70% of the variable remuneration will be paid, while the remaining 30% will be paid after the third year, provided that the beneficiary of the variable component still holds the office of Chief Executive Officer at the Issuer upon approval of the draft financial statements as at 31 December 2018.

The variable remuneration for the 2016 financial period cannot exceed 80% of gross annual remuneration.

It should be noted that below the above achievement percentages, no variable remuneration is due.

With reference to such variable remuneration relevant to the 2016 financial period, the Board of Directors, at the date of this Report, has checked the achievement of the targets and they have not been achieved.

The Company put at the disposal of the Chairman and Chief Executive Officer, Ambrogio Caccia Dominioni, a company car suitable for the performance of the powers assigned to him. The company cars represent the company's fleet and are granted for a dual-purpose use (for private use and for work) through the Fringe Benefit formula.

The cars are granted with the Full Renting formula i.e. as a long-term rental, a formula that is the most widespread to date. Tesmec has established an internal regulation ("Car Policy") for granting company cars, which set out the terms and the methods of use.

## **1.2 Board of Statutory Auditors**

During the 2016 financial period, the Board of Statutory Auditors consisted of the following statutory auditors:

- Simone Cavalli (Chairman), appointed by the Shareholders' Meeting of 29 April 2016; the remuneration relevant to the 2016 financial period totals Euro 37,500;
- Stefano Chirico, appointed by the Shareholders' Meeting of 29 April 2016; the remuneration relevant to the 2016 financial period totals Euro 25,000;
- Alessandra De Beni, appointed by the Shareholders' Meeting of 29 April 2016; the remuneration relevant to the 2016 financial period totals Euro 25,000.

## **1.3 General Manager and Executives with Strategic Responsibilities**

In line with the Remuneration Policy approved for the 2015 financial period, the then Remuneration Committee, on 5 April 2016, verified the percentage achievement of targets set for 2015 for the General Manager and Executives with Strategic Responsibilities. Consequently, in application of the remuneration policy approved for the 2015 financial period, over the course of the 2016 financial period Paolo Mosconi received, as variable remuneration in the capacity of General Manager, the sum of Euro 80,168.92, of which Euro 24,050.59 (equal to 30% of that variable remuneration) was set aside to be paid at the start of the third year (upon approval of the draft financial statements as at 31 December 2017); the Finance and Control Manager, Andrea Bramani, received, as variable remuneration, the sum of Euro 46,516.29, of which Euro 13,954.89 (equal to 30% of that variable remuneration) was set aside to be paid at the start of the third year (upon approval of the draft financial statements as at 31 December 2017); the Chief Executive Officer of Tesmec USA Inc., Andrea Zamboni, was not paid any variable remuneration as the pre-established objectives were not achieved.

In line with the Remuneration Policy approved for the 2016 financial period, on 14 March 2016, the Board of Directors, upon proposal by the then Remuneration Committee, resolved to assign a variable remuneration to the General Manager, Paolo Mosconi, to the Finance and Control Manager, Andrea Bramani and to the Chief Executive Officer of Tesmec USA, Inc., Andrea Zamboni<sup>2</sup>, relevant to the 2016 financial period that will be paid only in case of achievement of at least 70% of certain financial indicators of the 2016 budget (turnover, EBITDA and NFP). The exact amount of variable remuneration will be calculated according to a linear proportion, it being understood the maximum limit of 40% of the gross annual remuneration.

At the end of financial year 2016, after checking the achievement of the targets, 70% of the variable remuneration will be paid, while the remaining 30% will be paid after the third year, provided that the beneficiary of the variable component still holds its office at the Issuer upon approval of the draft financial statements as at 31 December 2018.

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<sup>2</sup> In this regard, note that as of 1 July 2016, the Chief Executive Officer of Tesmec USA Inc., Andrea Zamboni, is no longer in office.

The variable remuneration for the 2016 financial period cannot exceed 40% of gross annual remuneration.

It should be noted that below the above achievement percentages, no variable remuneration is due.

With reference to such variable remuneration relevant to the 2016 financial period, the Board of Directors, at the date of this Report, has checked the achievement of the targets and they have not been achieved.

The Company put at the disposal of the General Manager and of the Executives with Strategic Responsibilities company cars suitable for carrying out their professional duties. The company cars represent the company's fleet and are granted for a dual-purpose use (for private use and for work) through the Fringe Benefit formula.

The cars are granted with the Full Renting formula i.e. as a long-term rental, a formula that is the most widespread to date. Tesmec has established an internal regulation ("Car Policy") for granting company cars, which set out the terms and the methods of use.

#### **1.4 Agreements that provide for payment of indemnities in the case of early termination of the employment relationship**

There are no specific agreements that provide for payment of indemnities in the case of early termination of the employment relationship.

## **SECOND PART – TABLES**

The following tables break down (i) Table 1, the remuneration for the members of the Board of Directors and Board of Statutory Auditors as well as of the General Manager and Executives with Strategic Responsibilities paid by the Company and by subsidiaries and associates with reference to the 2016 financial period; (ii) Table 2, monetary incentives plans for the members of the Board of Directors, for the General Manager and for the Executives with Strategic Responsibilities; as well as (iii) Table 3, Information on the equity investments of the members of the Board of Directors, of the Board of Statutory Auditors, of the General Manager and of the Executives with Strategic Responsibilities.

**Table 1: Remuneration paid to the members of the Board of Directors and Board of Statutory Auditors as well as to the General Manager and Executives with Strategic Responsibilities, during the 2016 financial year**

Name and Surname	Office	Company	Period in which the office was held	Termination of office	Fixed fees	Fees for attending committees	Non-equity variable fees <sup>3</sup>	Non-monetary benefits	Other fees	Total	Fair value of equity fees	Employee termination benefits
Ambrogio Caccia Dominioni	Chairman and Chief Executive Officer	Tesmec S.p.A.	2016	31.12.2018	480,000.00	-	-	15,000.00	-	495,000.0	-	-
Gianluca Bolelli	Vice Chairman	Tesmec S.p.A.	2016	31.12.2018	76,266.70	-	-	-	104,000.00	180,266.7	-	-
Gioacchino Attanzio	Board member	Tesmec S.p.A.	2016	31.12.2018	30,000.00	-	-	-	-	30,000.00	-	-
Guido Giuseppe Maria Corbetta	Board member	Tesmec S.p.A.	2016	31.12.2018	18,410.34	-	-	-	-	18,410.3	-	-
Sergio Arnoldi	Board member	Tesmec S.p.A.	2016	31.12.2018	20,800.00	-	-	-	-	20,800.00	-	-
Paola Durante	Board member	Tesmec S.p.A.	2016	31.12.2018	13,478.34	-	-	-	-	13,478.3	-	-
Lucia Caccia Dominioni	Board member	Tesmec S.p.A.	2016	31.12.2018	20,000.00	-	-	-	-	20,000.00	-	-
Caterina Caccia Dominioni	Board member and Secretary	Tesmec S.p.A.	2016	31.12.2018	48,533.34	-	-	-	30,000.00	78,533.3	-	-
Paolo Luigi Mosconi	General Manager	Tesmec S.p.A.	2016	N/A	231,292.19	-	-	12,000.00	-	56.118,04	-	-

<sup>3</sup> Non-equity variable fees of 2015 financial period, paid in 2016 financial period following check of achievement of targets

Andrea Bramani	Executive with Strategic Responsibilities	Tesmec S.p.A.	2016	N/A	131,326.13	-	-	10,000.00	-	32.561,40 <sup>4</sup>	-	-
<b>(I) Total in the company preparing the financial statements</b>					<b>1,070,107.04</b>	<b>-</b>	<b>-</b>	<b>37,000.00</b>	<b>222,679.44</b>	<b>856,488.6</b>	<b>-</b>	<b>-</b>
Ambrogio Caccia Dominioni	Chairman of the BoD	Tesmec USA Inc.	2016	Permanent	-	-	-	-	-	-	-	-
Ambrogio Caccia Dominioni	Chairman of the BoD	Tesmec Service S.r.l.	2016	Permanent	-	-	-	-	-	-	-	-
Ambrogio Caccia Dominioni	Board member	Tesmec SA	2016	Permanent	-	-	-	-	-	-	-	-
Gianluca Bolelli	Board member	Tesmec Service S.r.l.	2016	Permanent	-	-	-	-	-	-	-	-
Andrea Zamboni	Chief Executive Officer	Tesmec USA Inc.	2016	Stopped <sup>5</sup>	130,000.00	-	-	-	-	130,000.00	-	-
Paolo Luigi Mosconi	Board member	Bertel S.p.A.	2016	31.12.2018	-	-	-	-	-	-	-	-
Andrea Bramani	Board member	Tesmec SA	2016	Permanent	-	-	-	-	-	-	-	-
<b>(II) Fees from subsidiaries and associates</b>					<b>130,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130,000.00</b>	<b>-</b>	<b>-</b>
<b>(III) Total</b>					<b>1,200,107.04</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>986,488.6</b>	<b>-</b>	<b>-</b>

<sup>4</sup> It should be noted that the paid amounts are equal to 70% of the variable compensation accrued during the year 2015.

<sup>5</sup> In this regard, note that as of 1 July 2016, the Chief Executive Officer of Tesmec USA Inc., Andrea Zamboni, is no longer in office.



Name and Surname	Office	Company	Period in which the office was held	Termination of office	Fixed fees	Fees for attending committees	Non-equity variable fees	Non-monetary benefits	Other fees	Total	Fair value of equity fees	Employee termination benefits
Simone Cavalli	Chairman of Auditors	Tesmec S.p.A.	2016	31.12.2018	37,500.00	N/A	N/A	N/A	N/A	37,500.00	N/A	N/A
Stefano Chirico	Statutory Auditor	Tesmec S.p.A.	2016	31.12.2018	25,000.00	N/A	N/A	N/A	N/A	25,000.00	N/A	N/A
Alessandra De Beni	Statutory Auditor	Tesmec S.p.A.	2016	31.12.2018	25,000.00	N/A	N/A	N/A	N/A	25,000.00	N/A	N/A
<b>(I) Total in the company preparing the financial statements</b>					<b>87,500.00</b>					<b>87,500.00</b>		

**Table 2: Monetary incentives plans for the members of the Board of Directors, for the General Manager and for the Executives with Strategic Responsibilities**

Name and Surname	Office	Company	Bonus 2016
Ambrogio Caccia Dominioni	Chairman and Chief Executive Officer	Tescmec S.p.A.	-
Paolo Mosconi	General Manager	Tescmec S.p.A.	-
Andrea Bramani	Executive with Strategic Responsibilities	Tescmec S.p.A.	-
Andrea Zamboni <sup>6</sup>	Chief Executive Officer	Tescmec USA, Inc.	-
<b>(I) Total</b>			-

<sup>6</sup> In this regard, note that as of 1 July 2016, the Chief Executive Officer of Tescmec USA Inc., Andrea Zamboni, is no longer in office.

**Table 3: Information on the equity investments of the members of the Board of Directors, of the Board of Statutory Auditors, of the General Manager and of the Executives with Strategic Responsibilities**

The following table indicates by name the equity investments held by the members of the Board of Directors and of the Board of Auditors in the Company and in the companies controlled by the latter.

Name and surname	Office	Subsidiary company	Number of shares held at the end of the 2015 financial period	Number of shares purchased in 2016 financial period	Number of shares sold in 2016 financial period	Number of shares held at the end of the 2016 financial period
Ambrogio Caccia Dominioni	Chairman and Chief Executive Officer	Tesmec S.p.A.	125,800	30,000	-	155,800
Gianluca Bolelli	Vice Chairman	Tesmec S.p.A.	101,000	-	-	101,000
Caterina Caccia Dominioni	Board member	Tesmec S.p.A.	9,500	-	-	9,500
Lucia Caccia Dominioni	Board member	Tesmec S.p.A.	101,000	-	-	101,000
Stefano Chirico	Auditor	Tesmec S.p.A.	-	11,492	-	11,492

The following table indicates by name the equity investments held by the General Manager and Executives with Strategic Responsibilities in the Company and in the companies controlled by the latter.

<b>Name and surname</b>	<b>Office</b>	<b>Subsidiary company</b>	<b>Number of shares held at the end of the 2015 financial period</b>	<b>Number of shares purchased in 2016 financial period</b>	<b>Number of shares sold in 2016 financial period</b>	<b>Number of shares held at the end of the 2016 financial period</b>
Paolo Mosconi	General Manager	Tesmec S.p.A.	20,000	-	-	20,000
Andrea Bramani	CFO	Tesmec S.p.A.	20,000	-	-	20,000