



**Illustrative Report of the Board of Directors on point 3 of the Agenda of the Ordinary Shareholders' Meeting, called for April 27, 2017 in single call**

**2017-2019 stock grant plan called the “2017-2019 Performance Shares Plan” regarding ordinary F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A. shares reserved for executives and managers of the Group; resolutions thereon**

Dear Shareholders,

we submit for your approval a stock grant plan 2017-2019 called the “2017-2019 Performance Shares Plan”, reserved for executives and managers of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A. (**FILA** or the **Company**) in accordance with Article 114-*bis* of Legislative Decree No. 58/1998 (the **CFA**), to be implemented through the free allocation of ordinary newly issued FILA shares from the share capital increase as per Article 2349, paragraph 1 of the Civil Code (the **Plan**).

On March 21, 2017, the Board of Directors of the company approved, to the extent of its remit, the Plan. This Plan, subject of the present Report and which is submitted for the approval of today’s Shareholders’ Meeting, seeks to align the interests of management with those of shareholders, rewarding the achievement of the company’s industrial plan targets and key personnel for implementation of the company development and Group growth plan.

The proposal to grant to the Board of Directors as per Article 2443 of the Civil Code the power to increase the share capital as per Article 2349 of the Civil Code, illustrated by a specific report prepared as per Articles 125-*ter* of the CFA and 72 of Consob Regulation No. 11971/1999 (the **Issuers’ Regulation**), shall be submitted for the review and approval of today’s Shareholders’ Meeting as point 3 of the extraordinary session. For further details on the proposal to grant the power to increase the share capital in service of the Plan, reference should be made to the specific Illustrative report, in addition to that outlined at point 3 below.

The Plan disclosure document prepared as per Article 84-*bis* of the Issuers’ Regulation and Attachment 3A of the same Regulation (the **Disclosure Document**) shall be made available to the public in accordance with law.

## **1. Reasons for the adoption of the Plan**

As previously stated, the Plan seeks to align the interest of management with those of shareholders, to reward the achievement of the Industrial Plan targets and to retain strategic personnel for implementation of the company development and group growth plan.

The Plan shall be one of the instruments used by the Group to supplement the fixed remuneration component of key personnel with variable components based on certain performance objectives (the **Performance Objectives**) and in accordance with best market practice.

The Plan is of a medium/long-term nature. In particular, such a period is considered more appropriate for the setting of the incentive and loyalty objectives under the Plan.

## **2. Plan beneficiaries**

The Plan is reserved for:

- 5 key strategic personnel; and
- 14 managers.

leaving open the option for the Board of Directors to identify additional beneficiaries.

The FILA Group beneficiary key management personnel are executives with the authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly.

The beneficiary managers under the Plan are employees of the company and of its subsidiaries holding positions identified as important for the growth and sustainability of the FILA Group's business over the long-term.

### **3. Plan purpose and implementation**

The Plan establishes for the free allocation to each of the beneficiaries of the right to receive from the company (always freely) ordinary FILA shares, on the achievement of the Performance Objective established for each of the beneficiaries under the Plan.

For execution of the Plan, as identified above, the following shall be submitted to the Shareholders' Meeting:

- (i) the proposal to introduce to Article 5 of the company By-Laws the faculty to allocate profits and/or retained earnings to employees through the issue of specifically reserved shares, in accordance with Article 2349, paragraph 1 of the Civil Code; efficacy of motions concerning the approval of the Plan shall therefore be considered subject to approval by the shareholders of the amendments to Article 5 of the By-Laws, at point 1 of the Extraordinary Shareholders' Meeting and subsequent filing at the company's office of the new version of the By-Laws of FILA which includes the amendment to Article 5 according to the above-stated terms.
- (ii) the proposal to grant to the Board of Directors, in accordance with Article 2443 of the Civil Code, for a period of five years from the approval date, the faculty to increase the share capital, freely and divisibly, also in a number of tranches, as per Article 2349 of the Civil Code, for a maximum Euro 86,000.00 to be entirely allocated to the share capital, through the issue of a maximum 94,765 shares, to be assigned to the beneficiaries of the Plan.

For further details on the proposal to amend the company By-Laws and the proposal to grant the power to the Board of Directors to freely increase the share capital in service of the Plan, reference should be made to the relative illustrative reports prepared in accordance with Articles 125-*ter* of the CFA and 72 of the Issuers' Regulation, available to the public in accordance with law and on the company website [www.filagroup.it](http://www.filagroup.it) (Corporate Governance/Corporate Documents/2017 Shareholders' Meetings).

For the methods to determine the total maximum number of ordinary shares subject to the Plan to be assigned to the beneficiaries, reference should be made to point 4 below, while noting that to date these methods have been aligned with best practices for management incentive plans, as strictly linked to the value of the company share.

The company shall make available to the Beneficiary the ordinary shares devolving to the former according to the terms and means established by the Plan.

The Extraordinary Bonus shall not be supported by the special fund for the incentivisation of the involvement of workers in enterprises, as per Article 4, paragraph 112 of Law No. 350 of December 24, 2003.

#### **4. Duration of the Plan, allocation and delivery of the shares**

The total maximum number of shares to be allocated to the beneficiaries of the Plan for its execution is established as 94,765 shares and takes account of shares which may be allocated by the Board of Directors and any additional beneficiaries to the Plan.

As stated above, the allocation of shares in service of the Plan is free and subject to the achievement of the Performance Objectives.

In particular, the right to receive the shares in accordance with the Plan is subject to:

- the continued employment of the beneficiary of the Plan with the company or with the relative subsidiary at the allocation date of the shares, without the loss, with reference to the role covered, of the characteristics of the position identified for the growth and sustainability of the Group business within the company, the relevant subsidiary or the Group itself; and
- achievement of the Performance Objectives.

The number of shares to be allocated to each beneficiary shall be set by the Board of Directors, subsequent to conclusion of the “vesting period”. The shares shall be allocated on a single occasion, based on achievement of the Performance Objectives, subject to the condition that the effective number of shares assigned to each beneficiary shall not exceed 100% of his/her base number of shares.

The total number of shares underlying the Plan is established on the basis of the average closing price of the share over the 30 trading days before the date of March 21, 2017 excluded.

The responsibility for implementation of the Plan is that of the Board of Directors, who shall be appointed in this regard by the Shareholders’ Meeting. The Board of Directors may delegate all or part of its powers, duties and responsibilities with regards to the implementation of the plan to one or more of its members.

The company shall make available to the beneficiaries of the Plan the number of Shares established not beyond the 60<sup>th</sup> calendar day subsequent to approval of the 2019 Annual Accounts relating to the last year of the vesting period.

#### **5. Transfer of Shares**

There are no restrictions on the transfer of the Shares which shall be allocated to the beneficiaries of the Extraordinary Bonus.

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Dear Shareholders,

in consideration of that outlined above, we invite you to adopt the following motions:

*“The Shareholders’ Meeting of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A., having viewed and approved the Illustrative report of the Board of Directors,*

**resolves**

- *to approve, in accordance with Article 114-bis of Legislative Decree No. 58/1998, the 2017-2019 stock grant plan called the “2017-2019 Performance Shares Plan” with the same features (including the conditions and enacting assumptions) indicated in the Report of the Board of Directors (attachment “B”);*
- *to grant to the Board of Directors, with express faculty to subdelegate, all powers necessary or opportune for the complete and full implementation of the “2017-2019 Performance Shares Plan”, in particular and for merely example purposes and not to be considered exhaustive, all powers to establish the quantity of ordinary shares to be allocated to each beneficiary, proceed with allocation to the beneficiaries, prepare and/or finalise all documents necessary or opportune in relation to the 2017-2019 Performance Shares Plan, in addition to any act, requirement, formality or communication which is necessary or opportune for the management and/or implementation of the Plan, in accordance with the applicable legislative and regulatory provisions, in addition to, in general, the execution of this motion”.*

Pero, March 24, 2017

For the Board of Directors  
The Chairman of the Board of Directors