

# Remuneration Report 2019

Prepared in accordance with article 123-ter of Legislative Decree no. 58 of 24 February 1998 and in compliance with Appendix 3A, schemes 7-bis and 7-ter of the CONSOB Regulation no. 11971 of 14 May 1999 and following amendments





## **Remuneration**

### **Report 2019**

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## Remuneration Statement 2019

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## Letter of the Chair of the Remuneration & Appointments Committee

Dear Shareholders,

As Chair of the Remuneration & Appointments Committee of Amplifon, I am pleased to present to you the 2019 Remuneration Statement.

Our Committee has worked during the year to ensure the constant alignment of the remuneration and incentive policies of the Company's Management with the corporate objectives and with the interests of all Shareholders, paying great attention to compliance with the guidelines of the Corporate Governance Code and operating in line with best market practices.

To achieve these objectives, the Remuneration & Appointments Committee, with the constant support of the Group Human Resources Department, worked in 2018 on the timely definition of the elements of innovation and improvement of the Total Reward Policy, in order to make the remuneration choices a strategic lever for the achievement of the Company's objectives.

It has therefore constantly been verified that the Amplifon remuneration infrastructure was aligned with the objectives of the 2018-2020 Strategic Plan, presented at the Capital Market Day on 26 March 2018, and in this consistent perspective it was subjected to the assessment and approval of the Board of Directors.

On behalf of all the colleagues of the Committee, I hope that the 2019 Remuneration Statement can provide concrete and detailed evidence of our constant intention to guarantee increasingly clear and transparent communication of the Company's remuneration policies to you and to all the Stakeholders.

**Maurizio Costa - Chair of the Remuneration & Appointments Committee of Amplifon**

## Section I - 2019 Remuneration Policy

## Executive Summary - 2019 Remuneration Policy

Component	Targets	Conditions	Amounts / Values %
<b>Fixed Remuneration</b>	Rewards expertise, role contribution and sustained performance.	Remuneration level defined annually on the basis of the positioning resulting from the comparison with the reference market.	<b>CEO/GM and KM:</b> In order to ensure the competitiveness of the remuneration package, Amplifon avails itself of the support of specialised consultancy to carry out annual comparative analysis of the remuneration positioning.
<b>Short-Term Variable Remuneration</b>	Promotes the achievement of annual business objectives.	<p><b>CEO/GM and KM:</b></p> <p><b>KPI:</b></p> <ul style="list-style-type: none"> <li>▪ Group EBITDA (weight 40%)</li> <li>▪ Group Net Sales (weight 40%)</li> <li>▪ Group Free Cash Flow (weight 20%)</li> </ul> <p><b>Multiplier / Demultiplier:</b> Result of the Performance Development Review process that considers performance with respect to individual objectives (from 0% to 120%).</p> <p>Claw Back Clause</p>	<p><b>CEO/GM:</b></p> <ul style="list-style-type: none"> <li>▪ Target: 60% of the Fixed Remuneration</li> <li>▪ Payout range: 0%-180% of the Target</li> </ul> <p><b>KM:</b></p> <ul style="list-style-type: none"> <li>• Target: 50% of the Fixed Remuneration (60% of the Fixed Remuneration for Executive Vice Presidents)</li> <li>▪ Payout range: 0%-180% of the Target</li> </ul>
<b>Long-Term Variable Remuneration</b>	Promotes alignment to shareholders' interests and mid-long term sustainable value creation.	<p><b>Stock Grant Plan 2019-2025 (2019-2021 cycle)</b></p> <p><b>CEO/GM and KM: Long-Term Incentive Assignment frequency:</b> annual (rolling plan). <b>Performance period:</b> three-year. <b>Access gate:</b> Net Financial Position/EBITDA <b>KPI:</b> Group EBIT - Group Net Sales matrix <b>Performance measurement:</b> performance objectives are measured at cumulative level at the end of the three-year period of reference. <b>Disbursement:</b> the exercise of rights and the delivery of shares shall be in 2022, following the approval of the 2021 consolidated financial statements by the Board of Directors. <b>Lock up:</b> 30% of shares for a period of one year.</p> <p>Claw Back Clause</p>	<p><b>CEO/GM:</b></p> <ul style="list-style-type: none"> <li>▪ Target: 130%-150% of the Fixed Remuneration</li> <li>▪ Payout range: 0%-150% of the Target</li> </ul> <p><b>KM:</b></p> <ul style="list-style-type: none"> <li>▪ Target: 100% of the Fixed Remuneration</li> <li>▪ Payout range: 0%-150% of the Target</li> </ul>
<b>Benefits</b>	Integration of remuneration packages and alignment to market standards.	Defined in continuity with the Policy of the past few years and in compliance with the provisions of collective agreement and national legislation.	In addition to the mandatory benefits: <ul style="list-style-type: none"> <li>▪ Flexible Benefit Plan</li> <li>▪ Supplementary health coverage</li> <li>▪ Company Car</li> </ul>

KM = Key Managers with Strategic Responsibilities (hereinafter referred to as Key Managers)

## 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 Remuneration Policy principles and ensure that they comply with the articles of association of the Company and with the existing regulations.

### 1.1. Bodies and parties involved

The process of defining the Amplifon Remuneration Policy involves a number of parties in line with the provisions of the relevant legislation, the articles of association and the governance model of the Company. This process involves the following Bodies with reference to the aspects of relative competence:



#### a) 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.



## b) Board of Directors

Each year, the Board of Directors (BoD) approves the Group's Remuneration Policy. Making use of the support of the Remuneration & Appointments Committee and the competent 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.

## c) Chief Executive Officer and General Manager

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

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

## d) Remuneration & Appointments Committee

The Remuneration & Appointments Committee plays a key role in governance system related to the Group's Remuneration Policy. In line with the provisions of the guidelines of the Corporate Governance Code of Borsa Italiana, the Committee, in addition to the Chair of the Board of Directors, consists of three non-executive and independent Directors with adequate knowledge and experience in multinational companies.

Committee Members	Role	
▶ Maurizio Costa	▶ Chairperson	<i>Number of meetings held: 4</i> <i>Average duration of each meeting: about 2 hours</i> <i>Percentage of participation: approximately 95%</i>
▶ Susan Carol Holland	▶ Member	
▶ Andrea Casalini	▶ Member	
▶ Maria Patrizia Grieco	▶ Member	

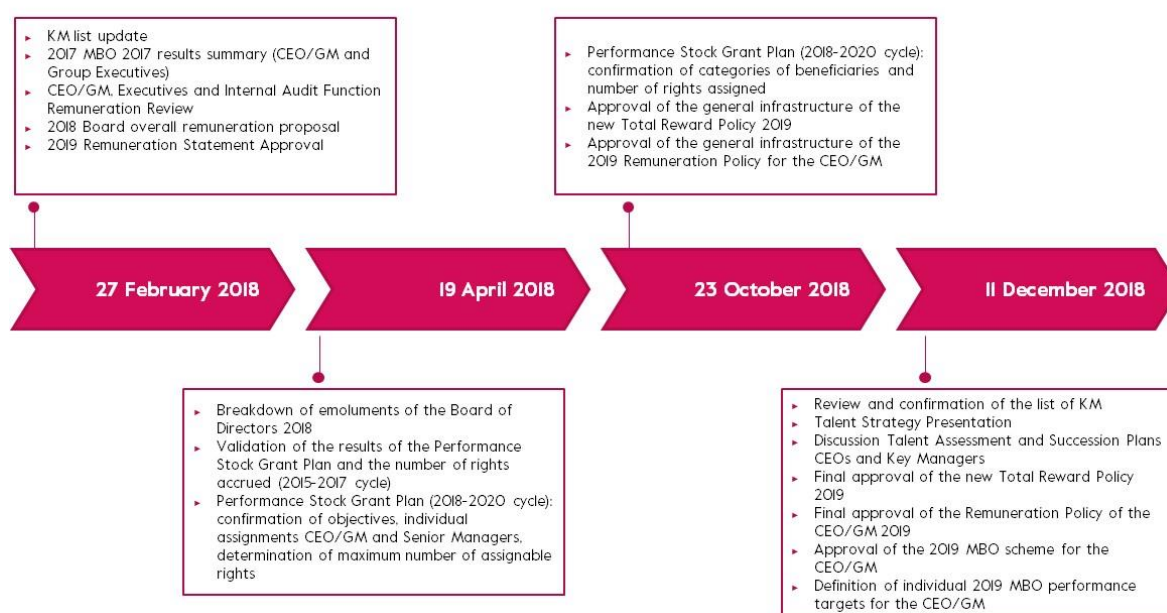
The Chair of the Board of Statutory Auditors and the Secretary of the Board of Directors take part in the Remuneration & Appointments Committee. In addition, the Chief HR Officer is invited to perform duties of technical expertise of the Committee. The Chief Executive Officer and General Manager participate when invited by the Chair of the Committee to discuss specific points,

however leaving the meeting when proposals concerning remuneration are discussed.

In line with the guidelines of the Corporate Governance Code, the Committee:

- submits the Group's Remuneration Policy to the approval of the Board;
- presents to the Board of Directors proposals for the remuneration of the CEO/GM using the analysis of trends and market remuneration levels;
- expresses opinions on the proposals of the CEO/GM relating to the remuneration of Key Managers;
- on the proposal of the CEO/GM examines the stock incentive plans, including the beneficiaries, the number of shares/rights and the applicable regulation, for all employees holding key positions within the organisation and submitting them for approval of the Board;
- monitors the application of the decisions adopted by the Board regarding the Group's remuneration policy;
- expresses its opinion on specific remuneration measures for extraordinary events;
- monitors changes in the organisational structure that impact Key Managers.

#### Activity Cycle of the Remuneration & Appointments Committee in 2018



The Chair of the Board of Statutory Auditors has always participated in the aforementioned meetings as a guest; no Director has taken part in the meetings of the Committee in which proposals are made regarding their remuneration. The Remuneration & Appointments Committee is expected to meet on 5 occasions during 2019, according to an already planned timetable.

In general, the Committee has the full right to access information and company functions necessary for the performance of its duties via the Group HR Department.

### e) Group HR Department

The Group HR Department supports the CEO/GM and the Committee in defining the Group's Remuneration Policy by studying trends and market practices and providing the analysis necessary for the development of remuneration policies and alignment of the same to the highest quality standards.

In particular, with the support of the company functions concerned:

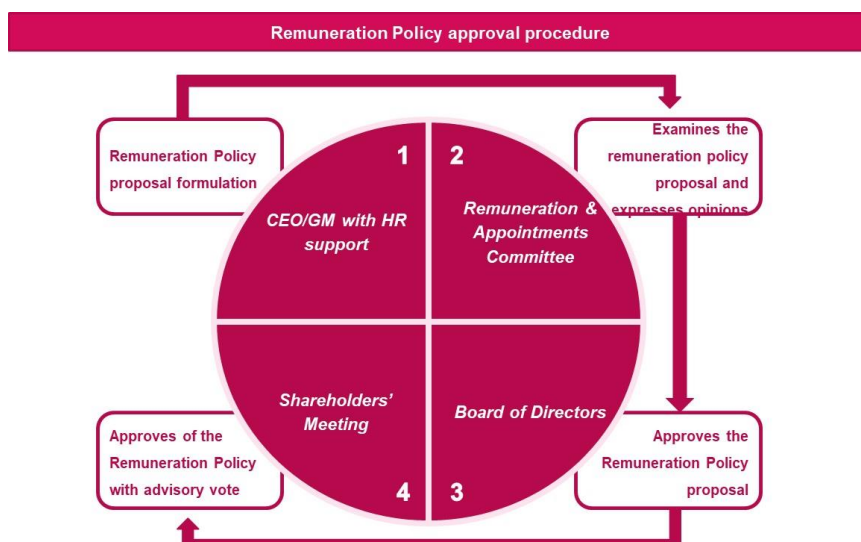
- proposes changes to the Remuneration Policies and the remuneration/incentive instruments associated with them and verifies the impact on the existing remuneration system;
- identifies and proposes possible indicators to be used to estimate the fixed and variable components of the total remuneration, respecting the criteria defined by the best practices, after assessing the roles within the organisation and analysing the reference markets;
- deals with the technical aspects related to the formulation and application of incentive plans based on financial instruments;
- supports Management in the application of Remuneration Policies within the Group and controls consistency thereof.

### 1.2. 2019 Remuneration Policy approval procedure

The Policy is submitted annually to the approval of the Board of Directors by the Remuneration & Appointments Committee based on the proposal formulated by the CEO/GM with the support of the Group HR Department.

The 2019 Group Remuneration Policy (Total Reward Policy 2019) was examined with a positive opinion by the Remuneration Committee at the meeting of 11 December 2018 and subsequently approved by the Board of Directors at its meeting on 14 December 2018.

Based on the Amplifon Remuneration Policy, the Group's HR Department ensures consistent management throughout the Group, while allowing adequate flexibility to respond to the specific needs of the various countries.



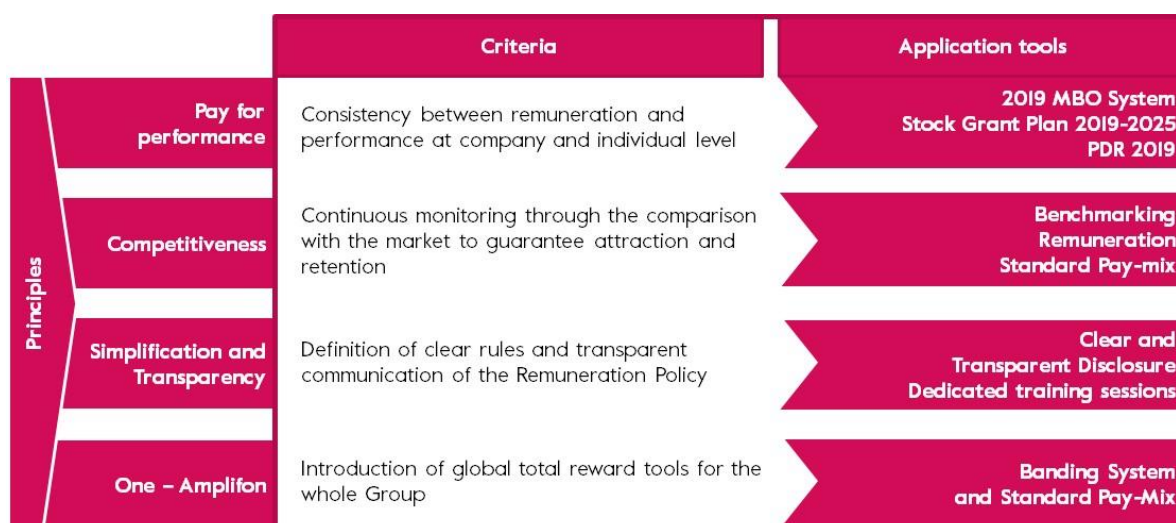
## 2. 2019 Remuneration Policy purposes, principles and guidelines

### 2.1. Remuneration Policy principles

The Amplifon Remuneration Policy is defined in accordance with the Group's strategy, with the governance model adopted by the Company and with the guidelines of the Corporate Governance Code.

The objective of the Remuneration Policy is to attract, motivate and retain key and strategic resources and, at the same time, to align the interest of Management with the priority objective of creating value for shareholders in the medium-long term, contributing to the achievement of sustainable results over time, enhancing the performance achieved and recognizing the quality and effectiveness of individual contribution.

The Remuneration Policy choices are based on principles that guide the Group HR Department in the management and development of company human capital.



### 2.2. The new Total Reward Policy 2019

In 2018, the Group new Total Reward Policy 2019 was defined with a view to improving the performance and effectiveness of the conduct of business by all resources involved in achieving the Group's medium to long-term strategic objectives.

The new Group remuneration strategy is a key lever for the orientation of the conduct of key resources with respect to the implementation of the business strategy and is a tool by means of which to guide managerial choices towards the achievement of short and medium/long-term objectives of Amplifon.

Through the practical application of the principles referred to in the previous paragraph, elements of development were introduced within the remuneration offer of top management, the direct teams and the remaining corporate population, particularly in the context of short and

medium/long-term variable incentive systems.

This evolutionary process was made possible first of all thanks to the introduction of the banding system of the organisational positions, which allowed for the management simplification of the processes for defining the Group's remuneration strategy with a view to guaranteeing internal fairness and external competitiveness, with the goal of guaranteeing the attraction and retention of the best talents.

### 3. 2019 Remuneration Policy Guidelines

#### 3.1. Remuneration of Directors

Within the Amplifon Board of Directors, it is possible to distinguish among the following roles:

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

The Board of Directors will be appointed on the occasion of the Shareholders' Meeting, in the session in which the 2019 Remuneration Statement herewith will be submitted for approval; therefore, this paragraph outlines the main guidelines of the 2019 Remuneration Policy for the new mandate.

The remuneration policy of the Directors is represented by a fixed emolument, determined on the basis of the commitment required by the role for the performance of the activities assigned and participation in any Board committees. Fees are established for the office of Director, fees are established for participation in the Committees and fees are established for particular offices conferred to Directors.

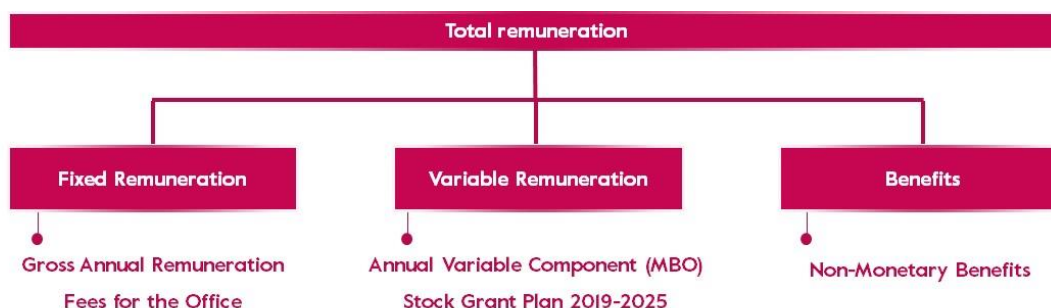
The fees received individually by each member of the Board of Directors for the year 2018 are outlined in Section 2 - Consob Table 1 of this Statement.

In line with market best practices, non-executive Directors are not beneficiaries of any share-based incentive plan or compensation plans linked to corporate economic results.

At the meeting held on 20 April 2018, the Shareholders' Meeting resolved total remuneration for the Board of Directors equal to €1,300,000. As of today, there are no changes in the amount of the total remuneration, which will in any case be submitted for approval by the Shareholders' Meeting, in the session in which this 2019 Remuneration Statement will be submitted for approval.

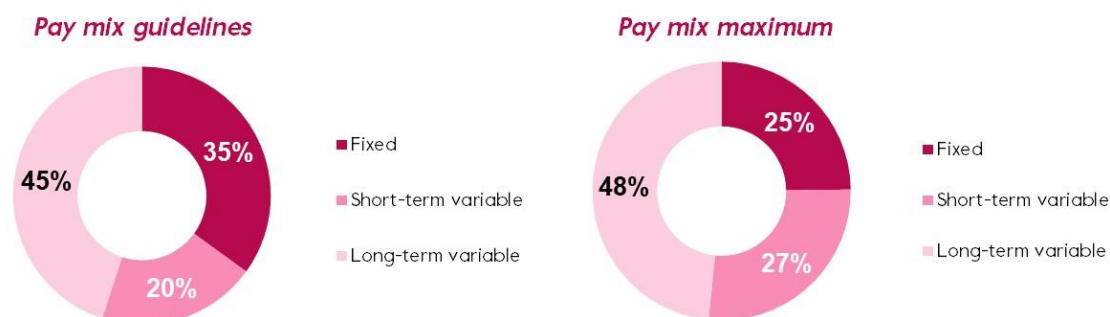
#### 3.2. Remuneration of the Chief Executive Officer and General Manager

The 2019 Remuneration Policy for the Chief Executive Officer and General Manager of Amplifon is presented by the Remuneration & Appointments Committee to the Board of Directors and is in line with the medium-long term corporate strategy as well as the evidence emerging from the analysis of market trends and comparison with salary levels in the reference sectors.



In defining the positioning choices of the remuneration package of the Chief Executive Officer and General Manager of Amplifon, a comparative analysis was carried out with the support of a specialised consultancy company within a specific peer group consisting of Italian and international companies selected on the basis of the business model comparable to that of Amplifon, which potentially represent a reference market for the Chief Executive Officer and General Manager and a pool from which to draw the same talents. Starting from 2019, compared to the recent entry of the Company in the FTSE MIB index of the Italian Stock Exchange, a further pay comparison was made dedicated to the figure of the CEO and General Manager with respect to a peer-group also consisting of companies belonging to the same index<sup>2</sup>.

The pay-mix graph below is calculated considering the hypothesis of results achieved at both target level and maximum level.



Note: Pay mixes are calculated at the same value of the Amplifon S.p.A. stock.

Starting from these assumptions, the pay mix for the Chief Executive Officer and General Manager envisages a consistent balance with respect to the role held, guaranteeing a greater weight of the variable component with respect to the fixed remuneration component. The incidence of the variable component on the fixed component rises further in the presence of performance higher than targets.

<sup>2</sup>Source: Mercer - Peer-group: Brembo, Campari, CNH Industrial, Moncler, Pirelli, Prysmian, Salvatore Ferragamo, Telecom Italia, Autogrill, Cerved Group, Datalogic, De'Longhi, Maire Tecnimont, Marr, Mediaset, Parmalat, Reply, Technogym, Tod's.

### a) Fixed Remuneration

The total fixed remuneration of the Chief Executive Officer and General Manager consists of:

- annual emolument (pursuant to Article 2389 paragraph 3) that will be approved by the new Board of Directors appointed at the 2019 Shareholders' Meeting on the proposal of the Remuneration & Appointments Committee; in 2018, the emolument amounted to €400,000.
- a Gross Annual Salary as fee for the managerial employment relationship of €750,000.

The 2019 remuneration package of the Chief Executive Officer and General Manager will be subject to definition/revision by the Board of Directors in the session of 7 May 2019, thus after the appointment of the Board of Directors.

### b) Short-Term Variable Remuneration (MBO)

The short-term incentive (MBO) envisaged for the Chief Executive Officer and General Manager, by virtue of the powers conferred, is determined annually by the Board of Directors upon proposal of the Remuneration & Appointments Committee.

The MBO component is defined in relation to the level of achievement of annual results with respect to the objectives defined and with reference to a minimum, target and maximum incentive level.

The performance targets envisaged for 2019 are linked to Group performance indicators and are structured in such a way as to achieve the various factors deemed necessary for balanced performance that is consistent with the priorities identified in the Business Strategic Plan.

The following table shows the objectives assigned to the role of Chief Executive Officer and General Manager with reference to financial year 2019:

KPI	Weight
Group EBITDA	40%
Group Net Sales	40%
Group Free Cash Flow	20%
	100%



The Group Performance Index (GPI) consists of the weighted result of the three performance KPIs (Group EBITDA, Group Net Sales and Group Free Cash Flow), each of which is measured based on the level of achievement with respect to specific budget targets defined by the Board of Directors.

The payout curve linked to the Group Performance Index (GPI) can generate a payout of between 0% and 150% of the target.

The maximum value of the incentive accrued can reach 180% of the target based on the degree of achievement of the individual objectives included in the CEO/GM Scorecard (multiplier/demultiplier from 0% to 120%), approved by the Board of Directors. The individual

objectives assigned to the CEO/GM are qualitative and quantitative and content related to business, organisation and talent development.

If the performance target is achieved (100%), the payout envisaged is equal to 60% of the Fixed Remuneration of the Chief Executive Officer and General Manager.

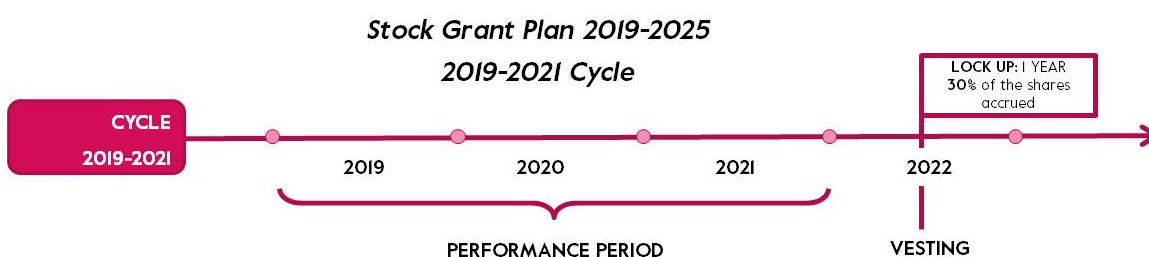
**A clawback clause is also applied to the incentive under which the repayment of the sums disbursed is provided on the basis of data that subsequently proved to be manifestly incorrect.**

### c) Long-Term Variable Remuneration: Stock Grant Plan 2019-2025 (2019-2021 cycle)

The Chief Executive Officer and General Manager is the beneficiary of a long-term variable incentive plan (Stock Grant Plan 2019-2025 - 2019-2021 cycle). The Plan is also intended for Key Managers and other strategic resources that have a significant impact on the achievement of corporate results in the medium/long term.

The Stock Grant Plan offers beneficiaries the right to receive Amplifon ordinary shares free of charge at the end of the vesting period.

The Plan is characterized by a frequency of annual rolling assignment and each assignment cycle has a three-year vesting period at the end of which (for CEO/GM and Key Managers) a lock-up period of one year is envisaged with reference to 30% of the shares accrued.



Access to the long-term incentive is linked to the achievement of a performance condition (gate) based on the ratio between Net Financial Position and EBITDA. The Board of Directors may approve changes to the aforementioned threshold for extraordinary events.

Specific performance targets are also assessed through a matrix based on two indicators, EBIT and Net Sales, the measurement of which is determined considering the cumulative achievement level over the entire three-year period.

The target incentive linked to the 2019-2021 three-year cycle will be defined by the Board of Directors within a range between 130% and 150% of the Fixed Remuneration of the Chief Executive Officer and General Manager. If the maximum performance is achieved, 150% of the target will be disbursed; there is also a minimum level of performance with respect to the aforementioned objectives, below which the plan does not provide any bonus.

**The Stock Grant Plan provides for a clawback clause pursuant to which Amplifon may reacquire the incentive paid if it is established that the accrual of the bonus has been determined on the basis of data that subsequently proved to be manifestly incorrect.**



#### **d) Insurance and health coverage other than obligatory ones**

The Chief Executive Officer and General Manager is a beneficiary, together with the other Managers of Amplifon S.p.A., of supplementary life insurance coverage (death only) with capital supplementary to that provided for by the CCNL Commercio (through the Antonio Pastore fund). In any case, the maximum insured sum shall not exceed €360,000, which represents the limit for which the completion of an anamnestic questionnaire is not required. The bonus is variable according to the actuarial age of the insured and is determined in a certain and definitive manner at the beginning of the coverage.

Furthermore, for all the Managers of Amplifon S.p.A. including the CEO/GM, medical expenses will be reimbursed in addition to the FASDAC and the possibility to receive a medical check-up every year.

#### **e) Benefits**

The Chief Executive Officer and General Manager is beneficiary of a company car like the other Managers of Amplifon S.p.A. according to the policy for assigning company cars envisaged by the Company; the above is also beneficiary of the Flexible Benefit plan, which allows Managers and employees of Amplifon S.p.A., in compliance with the regulations in force (TUIR), to be able to choose the options that best suit their individual needs with priority to education/culture and within a predefined budget.

#### **f) Indemnity in case of resignation, dismissal or termination of the employment relationship**

As regards the treatments envisaged in the event of termination of office or termination of the employment relationship, in 2019, the Company intends to introduce a specific indemnity in favour of the Chief Executive Officer and General Manager, the payment of which, as part of a general transaction and if the conditions apply, responds to a mutual need to compose each issue in accordance with respective interests.

In this regard, in 2018, the Remuneration & Appointments Committee drafted a proposal, consistent with the remuneration policy adopted by the Company, taking into account the fact that, for the current Chief Executive Officer and General Manager, the relationship of Board Director with the position of Chief Executive Officer and the employment relationship with the current managerial position as General Manager are connected; therefore, the termination of one shall result in the termination of the other.

The proposal is based on the payment of a specific indemnity to be paid exclusively in cases of (a) revocation of the position of Director and/or dismissal in the absence of just cause, (b) resignation of the Chief Executive Officer and General Manager from the relationship of Board Director and/or managerial relationship for (I) change of control of the Company following extraordinary operations on the capital; (II) situations of just cause; (III) substantial reduction in the scope of the powers; (IV) significant strategic divergences that do not allow the continuation of the relationship, (c) non-renewal of the term of office of Director.

The indemnity due shall also be defined considering the application criterion 6.C.1, letter g), of the Corporate Governance Code and, specifically regarding the managerial employment relationship, taking into account the protections envisaged by the relevant national CCNL.

The agreement will regulate ex-ante the elements of the total remuneration to be calculated for

the purposes of calculating the amount due as indemnity for the aforementioned cases.

The agreement will also include specific non-competition commitments on the part of the Chief Executive Officer and General Manager, which shall be remunerated separately.

With reference to the existing shareholding plans, the agreement may provide for the CEO/GM the maintenance, partial or total, of the rights assigned.

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

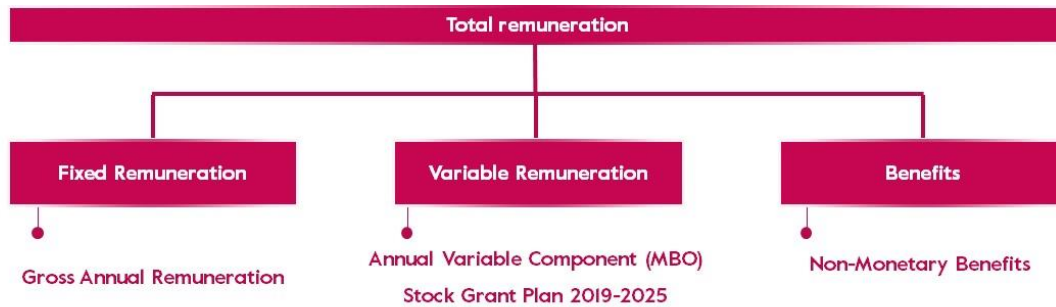
Key Managers are identified by the Remuneration & Appointments Committee according to the regulations in force, intended for those who have the power and responsibility, directly or indirectly, of the planning, management and control of the Company's activities and to adopt decisions that can affect the evolution and future prospects of the same. The business managers of the three regions and the heads of the primary functions of the Group are also part of this cluster, even if they are not direct employees of Amplifon S.p.A.

This cluster, the components of which have been confirmed by the Remuneration & Appointments Committee on 11 December 2018 and subsequently by the Board of Directors on 14 December 2018, consists of 9 Group Executives:

Key Managers with Strategic Responsibilities	
1. <b>Alessandro Bonacina</b>	<b>Chief Marketing Officer</b>
2. <b>Gabriele Chiesa</b>	<b>Chief Information Officer</b>
3. <b>Cristian Finotti</b>	<b>Chief Supply Chain Officer</b>
4. <b>Gabriele Galli</b>	<b>Chief Financial Officer</b>
5. <b>Francesca Morichini</b>	<b>Chief HR Officer</b>
6. <b>Giulio Pizzini</b>	<b>Chief Strategic Development Officer</b>
7. <b>Marc C. Lundeberg</b>	<b>Executive Vice President Americas</b>
8. <b>Iacopo Lorenzo Pazzi</b>	<b>Executive Vice President EMEA</b>
9. <b>Craig Stevens</b>	<b>Executive Vice President APAC</b>

The Remuneration Policies for Key Managers with Strategic Responsibilities (KM) have been defined, as part of the Group's Total Reward Policy 2019, by the Chief Executive Officer and General Manager, subsequently examined by the Remuneration & Appointments Committee and finally shared with the Board of Directors.

In general, the remuneration of KM is determined with a view to ensuring consistency with the company strategy and is in line with the results emerging from the analysis of market trends and the comparison with the remuneration levels in the reference sectors.

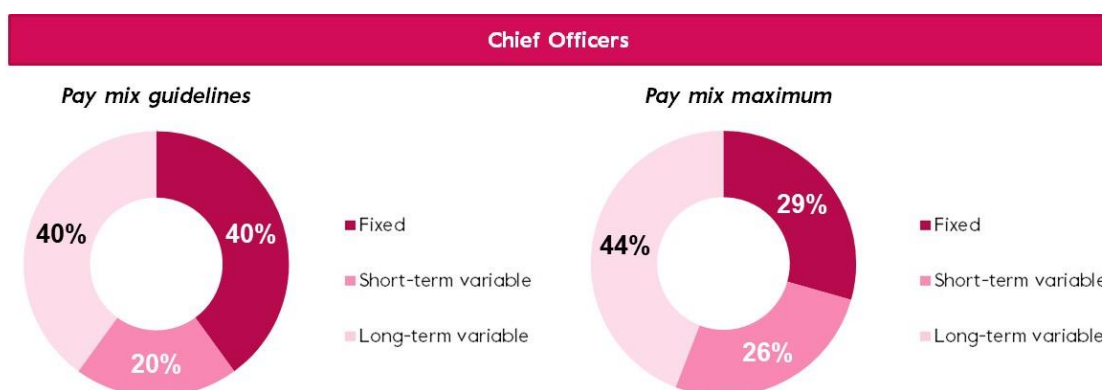


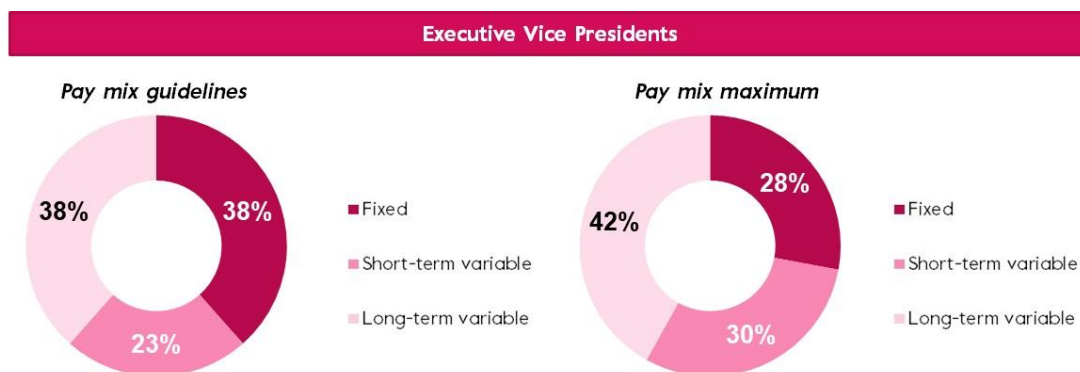
The positioning choices of the remuneration offer for KM have been defined with the support of a specialised consultancy company, by means of a comparative analysis within a specific peer group consisting of Italian and international companies selected on the basis of the business model comparable to that of Amplifon, which potentially represent both a reference market for Key Managers and a pool from which to draw the same talents.

The pay mix defined for positions falling within the KM category provides for a consistent balance between all the components that make up the offer and at the same time guarantees a greater weight of the variable component with respect to the fixed component of remuneration.

The pay mix graph is calculated considering aggregated data for the entire KM population in the specific hypothesis of two different performance scenarios, i.e. level of target achievement and maximum achievement level.

The pay mixes below are distinguished between KM that hold the position of Chief Officer and KM who are Executive Vice President. This subdivision is due to the fact that, with reference to the Executive Vice Presidents, the remuneration offer is more focused on the variable component with respect to Chief Officers.





Note: Pay mixes are calculated at the same value of the Amplifon S.p.A. stock.

The pay mix for Key Managers envisages a consistent balance with respect to the roles held, guaranteeing a greater weight of the variable component with respect to the fixed remuneration component. The incidence of the variable component on the fixed component rises further in the presence of performance higher than targets.

**a) Fixed Remuneration**

For Key Managers, the fixed remuneration is determined on the basis of the role performed, the level of responsibilities assigned, as well as the experience and strategic importance of the resource taking into consideration the evidence emerging from the analysis of remuneration benchmarking for roles of similar complexity.

On an annual basis, the Chief Executive Officer and General Manager assesses, with the support of the Group HR Department and the opinion of the Remuneration & Appointments Committee, the consistency of the base remuneration of Key Managers with respect to the reference market standards and eventually proceeds with a proposal for a salary review based on the Group Remuneration Policy principles and taking into account the overall level of total annual remuneration.

**b) Short-Term Variable Remuneration (MBO)**

The short-term variable incentive (MBO) offered to Key Managers is in line with that provided for the role of Chief Executive Officer and General Manager.

Also in this case the performance targets envisaged for 2019 are linked to Group economic and financial performance indicators and are structured in such a way as to achieve the various factors deemed necessary for balanced performance that is consistent with the priorities identified in the Business Strategic Plan.

In particular, with reference to the year 2019, the variable incentive is linked to the following parameters:

KPI	Weight
Group EBITDA	40%
Group Net Sales	40%
Group Free Cash Flow	20%
	100%



### GROUP PERFORMANCE INDEX "GPI"



### Multiplier / Demultiplier

0% - 120%

*Based on the result of the Performance Development Review 2019 process*

The Group Performance Index (GPI) is the weighted result of the three performance KPIs (Group EBITDA, Group Net Sales and Group Free Cash Flow), each of which is measured based on the level of achievement with respect to specific budget targets defined by the Board of Directors.

The payout curve linked to the Group Performance Index (GPI) can generate a payout of between 0% and 150% of the target.

The value of the accrued incentive can reach up to 180% of the target with respect to a maximum result within the Performance Development Review process, based on individual objectives (multiplier/demultiplier from 0% to 120%). The individual assessment is made by the Chief Executive Officer and General Manager.

If the performance target is achieved (100%), the expected payout is equal to 50% of the Fixed Remuneration with reference to the Chief Officer positions while for the Executive Vice President the target bonus is equal to 60% of the Fixed Remuneration.

**A clawback clause is also applied to the incentive under which the repayment of the sums disbursed is provided on the basis of data that subsequently proved to be manifestly incorrect.**

#### c) Long-Term Variable Remuneration: Stock Grant Plan 2019-2025 (2019-2021 cycle)

Key Managers are beneficiaries, such as the Chief Executive Officer and General Manager, of the long-term variable incentive plan (Stock Grant Plan 2019-2025 - 2019-2021 cycle).

The Plan offers beneficiaries the right to receive Amplifon ordinary shares free of charge at the end of the vesting period.

The Plan is characterised by a frequency of annual rolling assignment and each assignment cycle has a three-year vesting period at the end of which (for CEO/GM and Key Managers) a lock-up period of one year is envisaged with reference to 30% of the shares accrued.



Access to the long-term incentive is linked to the achievement of a performance condition (gate) based on the ratio between Net Financial Position and EBITDA. The Board of Directors may approve changes to the aforementioned threshold for extraordinary events.

Specific performance targets are also assessed through a matrix based on two indicators, EBIT and Net Sales, the measurement of which is determined considering the cumulative achievement level over the entire three-year period.

The target incentive linked to the 2019-2021 three-year cycle will correspond to 100% of the beneficiary's Fixed Remuneration. If the maximum performance is achieved, 150% of the target will be disbursed; there is also a minimum level of performance with respect to the aforementioned objectives, below which the plan does not provide any bonus.

**Also with reference to Key Managers, a clawback clause is applied pursuant to which Amplifon will be able to reacquire the sums disbursed if it is ascertained that the accrual of the bonus has been determined on the basis of data that subsequently proved to be manifestly incorrect.**

#### **d) Insurance and health coverage other than obligatory ones**

Executives ("dirigenti") employed by Amplifon S.p.A. are beneficiaries of supplementary life insurance coverage (death only) with capital supplementary to that provided for by the CCNL Commercio (through the Antonio Pastore fund). In any case, the maximum insured sum shall not exceed €360,000, which represents the limit for which the completion of an anamnestic questionnaire is not required. The bonus is variable according to the actuarial age of the insured and is determined in a certain and definitive manner at the beginning of the coverage.

Furthermore, for all the executives ("dirigenti") of Amplifon S.p.A., the Company provides a supplementary medical plan in addition to the FASDAC and the possibility to receive a medical check-up every year.

#### **e) Benefits**

Executives are beneficiaries of a company car according to the policy for assigning company cars provided for by the Companies they belong to. Managers employed by Amplifon S.p.A. are also beneficiaries of the Flexible Benefit plan, which allows Managers and employees of Amplifon S.p.A., in compliance with the regulations in force (TUIR), to be able to choose the options that best suit their individual needs with priority to education/culture and within a predefined budget. Some of the Executives are also beneficiaries of an allowance for a home for a period agreed upon during the hiring phase.

**f) Indemnity in case of resignation, dismissal or termination of the relationship**

Key Managers are provided with end-of-service indemnity established by the national collective agreement, if any, as well as any supplementary treatment individually agreed upon following termination. For cases of termination with highly competitive risks related to the critical nature of the role covered by the Executive, non-competition agreements may also be stipulated with fees defined in relation to the remuneration received and the conditions required for the duration and validity of the agreement.

### **3.4. Remuneration of the Compliance & Risk Function Manager**

The remuneration of the Compliance & Risk Function Manager is in line with the Group's remuneration policies and is consistent with the role and tasks assigned. In particular, the base remuneration is commensurate with the evidence emerging from the remuneration comparison analysis with a market of listed companies and the performance levels assessed on the basis of the individual objectives defined annually and the key skills required by the position.

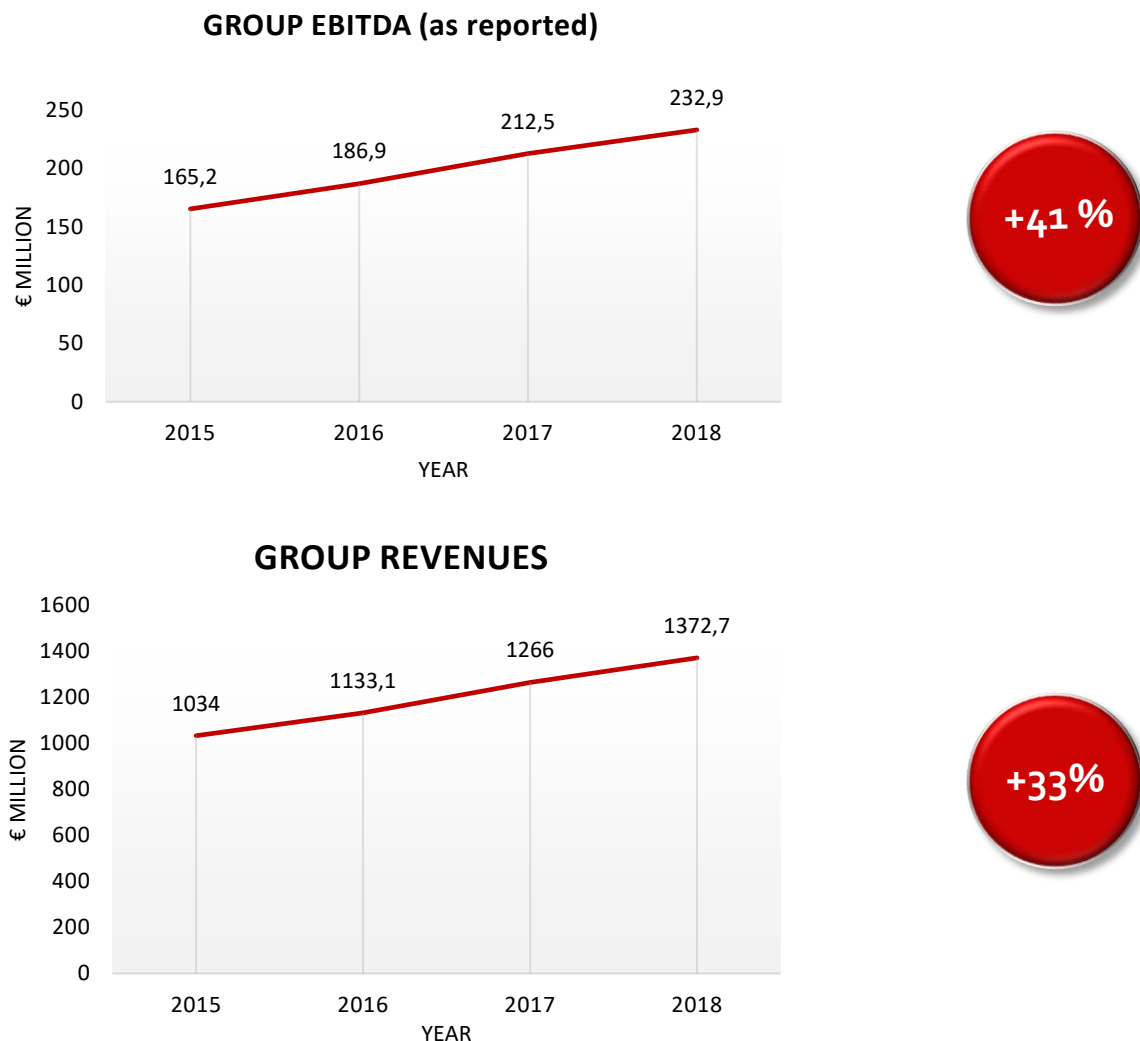
The variable incentive is linked to the Group results and to a positive assessment of the individual objectives already mentioned. In addition, the holder of the position participates in the Stock Grant Plan 2019-2025.

## Section II - Remuneration paid in 2018 and other information



## 1. Introduction: Pay-for-Performance in Amplifon

The analysis of the correlation between business results and remuneration of top management aims to improve and enrich the dialogue with Shareholders and, more generally, with the market and all the recipients of the Amplifon Remuneration Policy, guaranteeing greater usability and effectiveness of the information that the Company intends to communicate.



Note: To allow comparison with previous years, the charts include 2018 data calculated without applying the accounting standard IFRS 15.

The pay-for-performance analyses prepared by the Company shows that, as regards the period 2015-2018, the Group recorded a significant increase in the value generated for its Shareholders and a significant increase in the Group's economic-financial performance.

In the same period, the increase in the value in the remuneration package of the Top Management proved to be appropriate.

## 2. Implementation of the 2018 Remuneration Policy

The implementation of the 2018 Remuneration Policy, based on the checks made by the Remuneration & Appointments Committee, recorded an alignment with the 2018 Remuneration Policy approved by the Board of Directors on 15 December 2017.

### 2.1 Fixed Remuneration

**Remuneration paid to Non-Executive Directors:** on 20 April 2018, the Shareholders' Meeting resolved a total amount of €1,300,000. On 2 May 2018, the Board of Directors resolved to pay each Director an individual fixed remuneration of €55,000, excluding the Chair and the Chief Executive Officer and General Manager.

At the same meeting, the Board of Directors also resolved to recognise:

- to each of the Independent Directors called to chair the Remuneration & Appointments Committee and the Control, Risks and Sustainability Committee, an additional amount of €30,000 for each chair.
- to each of the Independent Directors called to be part of the Remuneration & Appointments Committee and the Control, Risks and Sustainability Committee, an additional amount of €20,000 for each shareholding.
- to the Independent Director called to chair the Supervisory Body an additional amount of €15,000.
- to each of the Independent Directors called to be part of the Supervisory Body, an additional amount of €10,000.
- to the Independent Director called to chair the Independent Committee for Transactions with Related Parties, an additional amount of €10,000.
- to each of the Independent Directors called to be part of the Independent Committee for Transactions with Related Parties, an additional amount of €5,000.

**Remuneration paid to the Chair of the Board of Directors:** fixed remuneration was paid for an amount of €300,000 approved by the Board of Directors on 2 May 2018.

**Remuneration paid to the Chief Executive Officer and General Manager:** fixed remuneration was paid for an amount of €752,060 as Company Manager and €400,000 for the powers granted pursuant to Article 2389, paragraph 3 of the Italian Civil Code.

**Fixed Remuneration paid to Key Managers with Strategic Responsibilities:** the aggregate amount corresponding to the Gross Annual Remuneration of Key Managers amounts to €2,765,605.

The amounts relating to such individual remuneration (Directors) and aggregate remuneration (Key Managers) received in 2018 are specified in Table 1 Consob on page 27.

## 2.2 Short-Term Variable Remuneration (2018 MBO)

**Chief Executive Officer and General Manager:** with reference to the year 2018, the Chief Executive Officer and General Manager has accrued the short-term variable incentive (MBO), in relation to the achievement of performance with respect to the expected objectives. This performance is calculated on the basis of the draft financial statements for the 2018 financial year, submitted to the Shareholders' Meeting that approves the first Section of the Remuneration Statement in question.

In particular, the sum that will be disbursed in 2019 is equal to €717,600, which corresponds to 104% of the target payout.

	Target Payout 2018	Maximum Payout 2018	Actual Payout 2018
<b>Amount (€)</b>	690.000	1,269,600	717.600
<b>% vs. Target Payout</b>	100%	184%	104%

**Key Managers with Strategic Responsibilities:** on the basis of the 2018 draft financial statements, the KM have accrued variable MBO short-term remuneration for the year 2018 equal to €1,322,519 (aggregate amount), with respect to an average payout accrual level of 93%.

In 2018, total sums of €713,858 were disbursed in the form of one-off payments related to exceptional situations during the hiring phase or extraordinary projects.

The amounts relating to short-term variable remuneration are specified in Table 3B Consob on page 30.

## 2.3 Long-Term Variable Remuneration - Stock Grant Plan 2014-2021 (2018-2020 cycle)

**Chief Executive Officer and General Manager:** in 2018, 140,000 rights to receive shares were assigned to KM pursuant to the 2018 Performance Stock Grant Plan at an assignment price of €15.5 (fair value: €14.47) which will accrue at the end of the vesting period if the performance objectives are achieved.

**Key Managers with Strategic Responsibilities:** in 2018, 211,000 rights to receive shares were assigned to KM pursuant to the 2014-2021 Stock Grant Plan (2018 cycle) at an assignment price of €15.5 (fair value: €14.47) which will accrue at the end of the vesting period if the performance

objectives are achieved.

Detailed information on the assignment of rights to receive shares in 2018 is specified in Table 3A Consob on page 29.

## 2.4 Indemnity for end of term or termination of employment

**Key Managers with Strategic Responsibilities:** In 2018, €855.000 were paid as severance indemnities.

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

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
Susan Carol Holland	Chairman	01/01/2018-31/12/2018	approval cons.fin.statement 2018	€ 300	-	-	€ 4	-	€ 304	-	-
Enrico Vita	CEO	01/01/2018-31/12/2018	approval cons.fin.statement 2018	€ 400	-	-	-	-	€ 400	-	-
	General Manager	Permanent		€ 752	-	€ 718	€ 30	-	€ 1.500	€ 1.018	-
Andrea Casalini	Independent Director	01/01/2018-31/12/2018	approval cons.fin.statement 2018	€ 55	€ 30 <sup>(1)</sup>	-	-	-	€ 85	-	-
Alessandro Cortesi	Independent Director	01/01/2018-31/12/2018	approval cons.fin.statement 2018	€ 55	€ 25 <sup>(2)</sup>	-	-	-	€ 80	-	-
Maurizio Costa	Independent Director	01/01/2018-31/12/2018	approval cons.fin.statement 2018	€ 55	€ 30 <sup>(3)</sup>	-	-	-	€ 85	-	-
Laura Donnini	Independent Director	01/01/2018-31/12/2018	approval cons.fin.statement 2018	€ 55	€ 35 <sup>(4)</sup>	-	-	-	€ 90	-	-
Maria Patrizia Grieco	Independent Director	01/01/2018-31/12/2018	approval cons.fin.statement 2018	€ 55	€ 20 <sup>(5)</sup>	-	-	-	€ 75	-	-
Lorenzo Pozza	Independent Director	01/01/2018-31/12/2018	approval cons.fin.statement 2018	€ 55	€ 45 <sup>(6)</sup>	-	-	-	€ 100	-	-
Giovanni Tamburi	Director	01/01/2018-31/12/2018	approval cons.fin.statement 2018	€ 55	-	-	-	-	€ 55	-	-
Raffaella Pagani	Chairman of the Board of Statutory Auditors	01/01/2018-31/12/2018	approval cons.fin.statement 2020	€ 60	-	-	-	-	€ 60	-	-
Emilio Fano	Standing Auditor	01/01/2018-31/12/2018	approval cons.fin.statement 2020	€ 40	-	-	-	-	€ 40	-	-
Maria Stella Brena	Standing Auditor	01/01/2018-31/12/2018	approval cons.fin.statement 2020	€ 40	-	-	-	-	€ 40	-	-
<b>Total</b>				<b>€ 1.977</b>	<b>€ 185</b>	<b>€ 718</b>	<b>€ 34</b>	<b>€ 0</b>	<b>€ 2.914</b>	<b>€ 1.018</b>	<b>€ 0</b>
<b>Other Key Managers with strategic responsibilities of the Group (10) (*)</b>		Permanent		€ 2.766	€ 0	€ 2.036	€ 373	-	€ 5.175	€ 1.670	€ 855
<b>Grand Total</b>				<b>€ 4.743</b>	<b>€ 185</b>	<b>€ 2.754</b>	<b>€ 407</b>	<b>€ 0</b>	<b>€ 8.089</b>	<b>€ 2.688</b>	<b>€ 855</b>

(1) Compensation as Chairman of the Independent (Related Parties) Committee and as member of the Remuneration & Appointments Committee

(2) Compensation as member of the Risk, Control and Sustainability Committee and of the Independent (Related Parties) Committee

(3) Compensation as Chairman of the Remuneration & Appointments Committee

(4) Compensation as member of the Independent (Related Parties) Committee, the Risk, Control & Sustainability Committee and the Supervisory Board

(5) Compensation as member of the Remuneration & Appointments Committee

(6) Compensation as Chairman of the Risk, Control and Sustainability Committee and Chairman of the Supervisory Board

(\*) includes all Managers who have covered the role also partially in 2018

**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 incentive plans based on financial instruments, detailed information is contained in the remuneration plans provided for in Article 114-bis of the Consolidated Finance Act (Legislative Decree 24 February 1998, no. 58) and pursuant to Article 84-bis of the Issuers' Regulations (CONSOB resolution no. 11971/99) and Appendix 3A, Scheme 7 of the Issuers' Regulations, available on the Company's website [www.amplifon.com/corporate](http://www.amplifon.com/corporate) in the Governance section.

As at 1 January 2018, no Key Manager of the Group holds options relating to the Stock Options plans of Amplifon S.p.A. The Amplifon Remuneration Policy currently does not provide for the assignment of options to Directors.

**Table 3A - Incentive plans based on financial instruments, other than Stock Options, benefiting members of the Administration and Control Bodies, the General Manager and 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 2018 (FV EUR/1000)
			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			
Enrico Vita	CEO and General Manager	New Performance Stock Grant Plan 2014-2021 (29 April 2015)	-	-	-	-	-	-	-	-	150.000	-	-	-	150.000	115
		New Performance Stock Grant Plan 2014-2021 (27 April 2016)	120.000	June 2019	-	-	-	-	-	-	-	-	-	-	120.000	226
		New Performance Stock Grant Plan 2014-2021 (27 April 2017)	120.000	June 2020	-	-	-	-	-	-	-	-	-	-	120.000	341
		New Performance Stock Grant Plan 2014-2021 (2 May 2018)	-	-	140.000	€ 14,47	June 2021	02/05/2018	€ 15,50	-	-	-	-	-	140.000	337
<b>Total</b>			<b>240.000</b>	-	<b>140.000</b>	-	-	-	-	<b>150.000</b>	-	-	-	<b>530.000</b>	<b>1.018</b>	
Other Key Managers with strategic responsibilities of the Group (10)		Nuovo Performance Stock Grant Plan 2014-2021 (28 April 2014)	-	-	-	-	-	-	-	-	-	62.100	15,64 <sup>(1)</sup>	-	-	-
		Nuovo Performance Stock Grant Plan 2014-2021 (29 April 2015)	-	-	-	-	-	-	-	-	93.750	82.500	18,70 <sup>(1)</sup>	-	11.250	72
		Nuovo Performance Stock Grant Plan 2014-2021 (22 October 2015)	-	-	-	-	-	-	-	-	37.500	-	-	-	37.500	36
		Nuovo Performance Stock Grant Plan 2014-2021 (27 April 2016)	165.000	June 2019	-	-	-	-	-	-	-	-	-	30.000	135.000	254
		Nuovo Performance Stock Grant Plan 2014-2021 (27 April 2017)	245.000	June 2020	-	-	-	-	-	-	-	-	-	-	245.000	696
		Nuovo Performance Stock Grant Plan 2014-2021 (25 October 2017)	30.000	June 2020	-	-	-	-	-	-	-	-	-	-	30.000	104
	Nuovo Performance Stock Grant Plan 2014-2021 (2 May 2018)	-	-	211.000	14,47	June 2021	02/05/2018	15,50	-	-	-	-	-	211.000	508	
<b>Grand Total</b>			<b>680.000</b>	-	<b>351.000</b>	-	-	-	-	<b>281.250</b>	<b>144.600</b>	-	<b>30.000</b>	<b>1.199.750</b>	<b>2.688</b>	

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

**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	
<b>Enrico Vita</b>	CEO and General Manager	MBO Plan 2018	€ 718	-	-	-	-	-	€ -
<b>Other Key Managers with Strategic responsibilities of the Group (10)</b>		MBO Plan 2018	€ 1.323	-	-	-	-	-	€ 714
<b>Total</b>			€ 2.041	-	-	-	-	-	€ 714



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

As at 31 December 2018, no members of the Administration and Control Bodies, including the General Manager and no Key Manager of the Issuer had shareholdings in the issuer with the exclusion:

- of significant shareholdings as indicated in the Corporate Governance Report; and
- of any exercises of stock options/Performance Stock Grants as indicated in the tables above.

