

# ORDINARY SHAREHOLDERS MEETING

**APRIL 20, 2020**

Board of Directors' Report

Report on Remuneration policy and compensation paid.  
Associated resolutions.  
(item 4 on the agenda)

(Translation into English of the original Italian version)



JOINT-STOCK COMPANY - SHARE CAPITAL EURO 62,461,355.84  
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## **Report on remuneration policy and compensation paid**

### ***FOREWORD***

This report (“Report on Remuneration”) has been prepared in conformity with the terms of Art. 84-*quater* of Consob Regulation no. 11971/99 in implementation of Art. 123-*ter* of the Legislative Decree no. 58/98 (T.U.F.) and taking into account the recommendations contained in Art. 6 of the Code of Conduct for Listed Companies published by Borsa Italiana S.p.A. (the “Code of Conduct”), and is organized in two sections. The first section provides the Shareholders Meeting with information regarding the policy of the Company on the subject of the Remuneration of the Members of the Board of Directors, of the Board of Statutory Auditors, of the General Manager and of the Managers with strategic responsibilities for the year 2020 and the procedures for adopting and implementing this policy. The second section aims to give an adequate representation of each of the items that make up the Remuneration and to disclose to the market the Remuneration paid out or at least granted in the previous year by the Company and its subsidiaries and associate companies to the members of the Board of Directors and the members of the Board of Statutory Auditors, to the General Manager and to the Managers with strategic responsibilities.

The Shareholders Meeting convened to approve the Financial Statements for the year ended December 31, 2019 is called upon to express a vote as follows:

- with binding resolution pursuant to art. 123-*ter* paragraph 3-*ter* of the T.U.F. on the first section of the Report on Remuneration;
- with non-binding resolution (i.e. advisory vote for or against) in accordance with art. 123-*ter* paragraph 6 of the T.U.F. on the second section of the Report on Remuneration.

The result of the vote will be disclosed to the public pursuant to prevailing law.

### **List of definitions**

For the purposes of this Report on Remuneration the terms and expressions listed below have the meaning given alongside each of them:

“Shares”: Sogefi S.p.A. ordinary shares with a par value of Euro 0.52 each.

“Code of Conduct”: Code of Conduct for Listed Companies published by Borsa Italiana S.p.A..

“Appointment and Remuneration Committee”: committee set up by the Board of Directors, currently made up of Independent Directors Mr. Mauro Melis (President of the Committee), Mr. Ervino Riccobon, Mr. Christian Streiff.

“Managers with strategic responsibilities”: individuals defined as such in Annex 1 to Consob Regulation no. 17221 of March 12, 2010 and subsequent amendments and additions giving instructions on the subject of related-party transactions and identified in Art. 2.2.3 of the “Rules for related-party transactions” adopted by Sogefi S.p.A., who are not members of the Board of Directors and of the Board of Statutory Auditors.

“Group”: Sogefi S.p.A. and its subsidiaries.

“Plan”: 2020 Stock Grant Plan.

“Policy”: Remuneration policy of the Company.

“Regulation”: the regulation describing the criteria, methods and implementation of the Plan.

“Rules for Issuers”: Consob Resolution no. 11971/99.

“Company”: SOGEFI S.p.A., with registered office in Via Ciovassino 1/A, Milan, Italy.

“T.U.F”: Legislative Decree no. 58/98.

## **SECTION I**

This section describes the policy of the Company on the subject of Remuneration of the Members of the Board of Directors, of the General Manager, of the Managers with strategic responsibilities, and of the Board of Statutory Auditors with reference to the year 2020 together with the procedures used for the adoption and implementation of the policy. The Policy establishes the principles and guidelines on the basis of which Remuneration is determined.

*a) Bodies or individuals involved in the preparation and approval of the Remuneration policy, specifying their respective roles, and the bodies or individuals responsible for the correct implementation of the same policy*

The bodies involved in the preparation and approval of the Policy are:

- the Appointment and Remuneration Committee;
- the Board of Directors;
- the Shareholders' Meeting.

The **Appointment and Remuneration Committee** shall prepare the Policy and submit it for annual review and approval to the Board of Directors.

The other duties and functions performed by the Committee on remuneration are described in the next paragraph b).

The **Board of Directors** shall annually review and approve the Policy.

On remuneration, the Board also:

- determines, on the proposal of the Appointment and Remuneration Committee and after consultation with the Board of Statutory Auditors, the compensation of the Directors vested with special powers;
- establishes the compensation of non-executive Directors for sitting on one or more Committees or fulfilling specific duties;
- approves the Regulation of compensation plans based on financial instruments, thus identifying the beneficiaries as well as the number and amount of conditional rights (Units) to be allocated.

The Chief Executive Officer determines, in consultation with the Chairman of the Board of Directors, the remuneration of the Managers with strategic responsibilities.

The **Shareholders Meeting** shall express its binding vote on the Policy approved on an annual basis by the Board of Directors.

On remuneration, the Shareholders Meeting also:

- establishes the fixed remuneration for the members of the Board of Directors, upon appointment and for their entire term of office;
- approves the compensation plans based on financial instruments; delegates the Board of Directors to approve the Regulation, thus identifying the beneficiaries as well as the number and amount of conditional rights (Units) to be allocated.

*b) Intervention, where applicable, of a Remuneration Committee or any other committee with competence on the subject, with a description of its composition, competences and the way it works*

The Committee is currently made up of the Independent Directors Mr. Mauro Melis (President of the Committee), Mr. Ervino Riccobon, Mr. Christian Streiff.

As indicated above, the Appointment and Remuneration Committee takes part in the preparation of the Policy to be submitted to the Board of Directors.

The Appointment and Remuneration Committee carries out, moreover, the following tasks concerning compensation:

- submits to the Board of Directors the proposals concerning the remuneration policies for Directors and Managers with strategic responsibilities;
- makes opinions, together with the Control and Risk Committee, on the proposals about the remuneration policies of the internal auditing Responsible and of the Manager responsible for preparing the company financial report;
- makes proposals about the remuneration of the Chief Executive Officer and of the Directors holding special positions, that can include also remuneration plans that provide for the assignment of stock option or the provision of other share-based remuneration;

- generally makes proposals to the Board of Directors about the characteristics of compensation plans based on financial instruments;
- periodically assesses the adequacy, the coherence and the practical application of the Remuneration policy for Directors and Managers with strategic responsibilities.

The Appointment and Remuneration Committee has its own regulation, approved by the Board of Directors on October 23, 2012, which foresees that the Chairman of the Statutory Board or another Statutory Auditor identified must take part to this Committee meetings. The meetings of the Committee are duly minuted.

*c) Possible intervention of independent experts/consultants*

In the preparation of the Policy no independent experts/consultants were involved.

*d) Aims pursued with the Remuneration policy, principles underpinning it and any changes in the Remuneration policy from one year to the next*

Remuneration policies are aimed at guaranteeing competitiveness in the labor market, in line with the objectives of growth and rewarding the loyalty of human resources, as well as using different instruments of Remuneration for different types of professionalism and competences.

The Policy is established according to criteria that can attract, hold and motivate individuals with adequate professional qualities to manage the Group effectively.

The Company aims to keep Remuneration aligned with market benchmarks, applying bonus Remuneration criteria in particular situations of merit.

The guidelines of the Policy for the current year (which incorporate, to the extent currently in force, the regulatory amendments to Legislative Decree no. 49 of May 10, 2019) differ from the Policy for the previous year (2019) with regard to some elements and conditions of the remuneration package and the employment relationship of the Chief Executive Officer and General Manager.

The occasion for the revision of the above-mentioned regulations came with the recent change in the Company's top management when, on December 9, 2019, Mr. Mauro Silvio Cleto Fenzi was appointed new Chief Executive Officer (effective immediately from December 9, 2019) and General Manager (effective from January 1, 2020).

In this regard, it was decided to formalize the contractual provisions of the new top management position by introducing elements that are more in line with the reference market practice for positions with a similar profile and that allow, among other things:

- to achieve a greater alignment of the interests of the Chief Executive Officer and General Manager with the objective of creating value for shareholders in the medium-long term;
- the construction of a strong link between remuneration and performance, creating loyalty and incentives for the Chief Executive Officer and General Manager, who is a position of strategic importance for the achievement of the Company and the Group objectives;
- the pursuit of sustainability as a whole, also with a view to promoting better corporate governance.

The main economic and contractual conditions of the Chief Executive Officer and General Manager, Mr. Fenzi (which are now incorporated in this Policy on Remuneration for the 2020 financial year) were approved at the Board of Directors' meeting held on December 9, 2019, upon the proposal of the Appointment and Remuneration Committee, subject to the favourable opinion expressed by the Related Party Transactions Committee (also taking into account the 2019 Policy on Remuneration).

In particular, the provisions proposed as a substantial and integral part of the 2020 Policy on Remuneration (which include the current economic and contractual conditions of the Chief Executive Officer and General Manager as represented above) and that differ from the Policy of the previous year (2019) are as follows:

- Change in the maximum percentage range (130%) within which the variable compensation of the Chief Executive Officer and General Manager referred to in

point g) of this Report is paid (the compensation payment may vary, depending on the achievement of the objectives, between a minimum of 0% and a maximum of 130% ).

- Subject to the approval of 2020 Stock Grant Plan by the Shareholders Meeting, Assignment to the General Manager of Units relating to such 2020 Stock Grant Plan exclusively in the Performance Units category.
- Abolition of the non-competition clause for the General Manager in the event of termination of the relationship.
- Introduction of a clause relating to the indemnity for the termination of the executive relationship (General Manager) and the office of Chief Executive Officer, as specified in point l) below of this Section I.
- Introduction of *malus*/claw back clauses as specified in point l) below of this Section I.

*e) Description of the policies on the subject of fixed and variable remuneration with particular reference to an indication of their respective weighting in the overall Remuneration and distinguishing between the variable items in the short versus the medium/long-term*

The Remuneration assigned to the Chairman of the Board of Director (as executive Director), to the non-executive Directors for being on one or more committees and to the Directors who are assigned certain specific duties by a resolution of the Board of Directors is established every year as a fixed amount on the basis of the commitment required of each of them.

The remuneration granted to the Chairman of the Board of Statutory Auditors and the Acting Auditors was determined annually on a fixed *pro rata temporis* basis by the Shareholders' Meeting of April 23, 2018 for the three-year period 2018-2020.

Please note that the D&O policy currently in place also covers the members of the Board of Statutory Auditors.



The Remuneration package of the Chief Executive Officer and General Manager and of the Managers with strategic responsibilities is balanced and made up of fixed and variable monetary items. For the General Manager and the Managers with strategic responsibilities the remuneration is made up also by non-monetary items based on the shares of the Company; the aim being to promote commitment and ensure as far as possible active involvement in achieving the company targets.

The fixed part of said Remuneration - payable in cash - sufficiently covers the services of the Chief Executive Officer and General Manager and of the Managers with strategic responsibilities in case the variable part is not paid due to the failed achievement of the set performance targets.

The variable component is structured as follows:

- yearly bonus (to the Chief Executive Officer and General Manager and to the Managers with strategic responsibilities) as short-term incentive, payable in cash, connected to the achievement of yearly targets based mainly on Group's profitability and financial indexes, calculated according to the financial statements of the reference period;
- medium/long-term incentives (to the General Manager and to the Managers with strategic responsibilities) composed by Remuneration plans based on Sogefi shares.

The variable cash item (yearly bonus) is linked to the achievement of specific performance targets that are set in advance and measured in accordance with the value created for the Shareholders, based mainly on quantitative (income-related and financial) criteria. Said variable part is about 40% on total cash Remuneration for the Chief Executive Officer and General Manager, and about 29% for the Managers with strategic responsibilities.

The General Manager and the Managers with strategic responsibilities are also granted share-based Remuneration plans that are approved by the Shareholders Meeting and take into account the indications given in Art. 6 of the Code of Conduct, with a view to pursue the top-priority objective of creating value for the Shareholders in the medium/long term. In particular:

- the Units that are the subject of the Plan vest on a periodic basis as from the second year and three months after the grant date and for a period of almost 2 years, thus having an average vesting period that is substantially in line with the one recommended in the Code of Conduct (three years);
- exercise of a part of the units assigned (at least 50% of the total) is subject to reaching the share performance objectives and/or other economic/financial indicators;
- a period of unavailability of part of the shares granted (10% of the total) is established for a period of 5 years from the grant date.

*f) Policy followed in relation to non-monetary benefits*

A company car shall be provided to the General Manager and to the Managers with strategic responsibilities, the use of which is optional.

*g) In relation to variable items, a description of performance objectives on the basis of which the former are assigned, distinguishing between short and medium/long-term variable items, and information on the link between the change in results and the change in Remuneration*

The variable cash item (yearly bonus) of remuneration for the Chief Executive Officer and General Manager and for the Managers with strategic responsibilities is linked to achievement of specific performance targets that are set in advance and measured in accordance with the value created for the Shareholders, based mainly on quantitative (income-related and financial) criteria.

The variable cash item shall be proportional to the degree of achievement of set targets.

For the Chief Executive Officer and General Manager 100% of the variable part shall be paid if 100% of the reference targets are achieved; the provision could change from a minimum of 0% and a maximum of 130% depending on the achievement of the assigned targets.

For Managers with strategic responsibilities, 100% of the variable part shall be paid if 100% of the reference targets are achieved; the provision could change from

a minimum of 0% and a maximum of 150% depending on the achievement of the assigned targets.

Share-based Remuneration plans are one of the instruments used to supplement the Remuneration package with loyalty-rewarding benefits which are deferred over a set time frame, whereby part of the benefits are linked to the achievement of certain performance targets, the aim being to create value for the Shareholders in the medium/long term. More specifically, the 2020 Stock Grant Plan – submitted for approval of the Shareholders Meeting convened to approve, among other things, the Financial Statements as of December 31, 2019 – involves the granting of Units, that are free of charge and not transferable between living persons, each of which gives beneficiaries the right to be assigned, free of charge, one Share when certain circumstances become true. Units are divided into two categories:

- Time-based Units, the vesting of which is subject to the employment lasting for a certain period;
- Performance Units, in a quantity of at least 50% of the granted Units, which in turn are broken down into: (a) Performance Units A, the vesting of which is subject, not only to the employment lasting for a certain period, but also to the achievement of targets related to the Share performance on the Stock Exchange compared to the Sector Index (as defined in the Information Document of the 2020 Stock Grant Plan) and (b) Performance Units B, the vesting of which will be subject to the achievement by the Company of objectives linked to economic/financial indicators in line with the approved Strategic Plans, to be determined by the Board of Directors.

For a more detailed description of the features of 2020 Stock Grant Plan, see the Information Document prepared as per the terms of Art. 84-*bis* of the Rules for Issuers, made available to the Shareholders Meeting convened to approve the Financial Statements as of December 31, 2019, which can be consulted on the Company website [www.sogefigroup.com](http://www.sogefigroup.com) (Investor – Shareholders’ Meetings section).

*h) Criteria used for assessment of the performance objectives on which the allocation of shares, options, other financial instruments or other variable items of Remuneration is based*

Allocation of the yearly bonus based on performance targets is carried out through an assessment process evaluating the direct relationship between performance and the Group's strategies and financial and economic targets.

The yearly bonus allocated to the Chief Executive Officer and General Manager and to the Managers with strategic responsibilities is based on merely quantitative criteria (such as achievement of the budget targets in terms of economic and financial results).

Within the share-based Remuneration plans, the only condition for exercising the Time-based Units is the expiry of the set time limit, while for exercising the Performance Units another required condition is the achievement of share performance targets on the Stock Exchange referred to the comparison of the Sogefi Index with the Sector Index (as defined in the Information Document of the 2020 Stock Grant Plan). It is deemed suitable to assess the performance of Sogefi stock not in absolute terms, but with reference to the trend of the automotive components sector, in order to avoid, as much as possible accounting for general trends, which may not be connected to the Company's specific trend. The 2020 Stock Grant Plan provides for the subdivision of the Performance Units into Performance Units A and Performance Units B as illustrated above.

The number of Units assigned to each beneficiary is determined in relation to the role occupied by that individual in the Company and the importance of the function carried out by each of them.

*i) Information which aims to show how the Remuneration policy is consistent with the pursuit of the long-term interests of the company and with the risk management policy, where it has been formalized*

When defining the Remuneration systems, the Board of Directors ensured that these systems take into due account the pursuit of the medium/long-term targets in order to create value for the Shareholders.

For this purpose, the Remuneration variable cash item complies with the proportional criteria with respect to the results actually achieved, and is reduced or even cancelled if performance is below the yearly forecasts. The part based on financial instruments includes, as specified under e) above, two key elements: a time limit and the increase of the Sogefi stock value on the market, as well as with regard to the 2020 Stock Grant Plan, the achievement by the Company of objectives linked to economic/financial indicators.

The Board believes that the combination of the two elements (time limit and performance) is suitable to develop Plan's beneficiaries loyalty even in case the performance objectives are not achieved.

The continuation of the relationship with personnel is considered key, it is in itself a value for the Company and therefore also for its Shareholders. The incentive to better performance is ensured by the granting of Units the exercise of which is subject to reaching certain results in terms of value increase of the Sogefi stock, or, with regard to the 2020 Stock Grant Plan, the achievement by the Company of objectives linked to economic/financial indicators, parameters that the Board considers appropriate to promote the alignment of the interests of management with those of the Shareholders in the medium/long term.

Then in both situations (Performance Units and Time-based Units), again, with a view to ensuring that the interests of management are aligned with those of the Shareholders over the medium/long term, there is also a deferred vesting period and a minimum holding requirement (see points j and k below).

*j) The vesting period, the deferred payment systems, with an indication of the periods of deferment and the criteria used to determine these periods and, where applicable, ex post correction mechanisms*

The yearly bonus acknowledges and rewards the results achieved and is thus an important motivational instrument.

The cash variable item of Remuneration (yearly bonus) shall be paid at once, (after the verification of the achievement of the performance requirements) to be carried out after the approval by the Shareholders meeting of the Financial statements to which the objectives refer and subject to the existence of an employment relationship with the company for the whole year.

Contractual agreements are foreseen that allow the Company to request the return, in whole or in part, of cash variable components of remuneration paid, if there are any objective circumstances from which it appears that the data used to verify the achievement of objectives are clearly erroneous.

As stated in the previous point e), 2020 Stock Grant Plan stipulates that the Units granted to the beneficiaries will vest as from two years and three months after they are assigned (i.e. the date of the resolution by which the Board of Directors shall identify the beneficiaries and determine the number of Units to be allocated to each of them), in instalments, each one of them to accrue on a periodic basis.

These periods of deferment give the beneficiaries a reasonable time frame in which to achieve the economic benefits of the Plan, in line with the Plan's objectives of rewarding loyalty and aligning the interests of management with those of the Shareholders (in the medium-long term) that the Plan aims to achieve.

*k) Information on any clauses relating to holding financial instruments after their acquisition, with an indication of the holding periods and of the criteria used to determine such periods*

2020 Stock Grant Plan, which will be submitted for the approval of the Shareholders Meeting, includes a minimum holding requirement for the Shares

assigned: in the event that the Units have vested and the relative Shares have been assigned, each beneficiary irrevocably undertakes to hold at least 10% of the Shares assigned until the fifth anniversary of the grant date. During this period, the Shares will be subject to a bond of inalienability, except where the Board of Directors should authorise otherwise.

*l) Policy in relation to what payout is applicable when the position or the employment terminates, specifying which circumstances give rise to the right to such payout and any relationship between the said payout and the performance of the Company*

In the event of termination of the office of Chief Executive Officer and of the executive employment relationship (General Manager), taking into account, among other things, the connection and complementarity between the two aforementioned roles, with the exception of cases of just cause, it is envisaged the payment (in addition to the severance indemnity and the portion of the consideration for the office accrued *pro rata temporis*) of an all-inclusive gross amount (including the indemnity in lieu of notice) equal to two years of the total compensation at the date of termination is envisaged, calculated on the basis of the sum of the fixed gross annual remuneration and the fixed gross annual wage in force on that date, increased by the annual average of the remuneration and of the gross variable wages received during the previous three years.

The aforesaid severance indemnity (as well as the annual variable remuneration and/or annual variable wage) may not be (wholly or partially) paid (so-called *malus*) or may be claimed back (so-called *claw back*) if its recognition is based on accounting data that subsequently turned out to be clearly incorrect.

The introduction of the aforesaid severance indemnity clause (discussed in the Appointment and Remuneration Committee and on which the Related Party Transactions Committee has expressed a favourable opinion) has been evaluated in line with industry practice for similar cases, as well as in the interest of the Company, since it is suitable to predetermine in advance and with certainty the

amounts to be paid to the Chief Executive Officer and General Manager in the event of termination of the relationship with the Company.

Regarding the other Managers with strategic responsibilities (other than the General Manager appointed with effect from January 1, 2020), bound to the Company by an employment relationship, the law provisions and the agreements of the reference National Labour Contract apply on the subject of termination of employment.

For the Managers with strategic responsibilities (other than the General Manager appointed with effect from January 1, 2020) a non-competition clause is provided according to which the manager undertakes not to carry out competing activities for one year, extendable for a further year, starting from the moment the working activity stops. In light of this commitment, the Company recognizes a monthly allowance equal to 5/10 of the gross salary calculated on the basis of the average of the previous twelve months. The Company may unilaterally wave the pact of non-competitive releasing itself from paying the estimated amount.

*m) Information on the presence of possible insurance cover, i.e. pension schemes other than those that are obligatory*

In line with best practices, an insurance policy (Directors & Officers) has been taken out against third-party liability for the various corporate Bodies and the Managers in the exercise of their functions, with the aim of protecting the Group from the risk of having to pay damages, except for cases of willful misconduct or gross negligence. This policy also includes the members of the Board of Statutory Auditors.

*n) Remuneration policy followed where applicable in relation to: (i) independent directorships, (ii) committee membership and (iii) special positions (chairman, deputy chairman etc.)*

Further to the remuneration approved for each member of the Board of Directors upon appointment with resolution of the Shareholders Meeting, the Independent



Directors shall be granted a further compensation if they are on any of the internal committees.

Directors holding special positions (the Chairman and the Chief Executive Officer) and the Directors who are assigned certain specific duties by a resolution of the Board of Director benefit from the remuneration described in the previous paragraphs.

*o) If the Remuneration policy has been defined using the Remuneration policies of other companies as a reference, the criteria used for the choice of any such companies*

The Remuneration Policy was prepared without any specific reference to the policies of other companies. In fact it is considered that the Policy is consistent both with the objectives of the Group and with the typical characteristics of the same, in terms of business carried out and size.

*p) Exceptional circumstances in which the company may temporarily derogate from the remuneration policy.*

As a general rule, the Company follows the guiding principles of its Policy on Remuneration.

In the presence of “Exceptional Circumstances”, the Company may derogate from this Policy on Remuneration with regard to, inter alia: (i) resolutions concerning the remuneration of directors holding particular offices; (ii) resolutions relating to incentive plans; (iii) recognition of a one-off entry bonus to key management positions.

The aforesaid derogation can be implemented, by resolution of the Board of Directors, in the presence of Exceptional Circumstances, after consultation with the Appointment and Remuneration Committee and the Related Party

Transaction Committee of the Company, to the extent of their respective competences, in compliance with the rules laid down in the Consob Regulation on related party transactions (Consob Resolution no. 17221 of March 12, 2010 and subsequent amendments).

As indicated in paragraph 3-bis of Article 123-ter of the T.U.F., “Exceptional Circumstances” means those situations in which the exception is necessary for the pursuit of the long-term interests and sustainability of the Company as a whole or to ensure the ability to stay on the market (such as, by way of example, the requirements related to the pursuit of Strategic Plans with a view to preserving value for shareholders).

For any exceptions on the Policy on Remuneration, the Company provides:

- the specific elements to which exceptions have been made;
- information on the nature of the Exceptional Circumstances;
- information on the procedures followed in accordance with the provisions of this Policy on Remuneration.

## **SECTION II**

### **Part One**

#### *1.1 Items making up Remuneration*

##### Board of Directors

In 2019 the remuneration of the Directors consisted of a fixed part determined on their appointment by the Shareholders Meeting on April 26, 2019, for the whole duration of their mandate.

The Directors are also entitled to reimbursement of expenses incurred in the fulfillment of their duties.

##### Directors holding special positions

The Chairman received a further fixed item of remuneration in addition to the component determined by the Shareholders' Meeting.

The Chief Executive Officer and General Manager in office until December 9, 2019, Mr. Laurent Hebenstreit, received, as Chief Executive Officer, a fixed annual fee and, as General Manager, a fixed annual compensation in addition to compensations based on the Company Stock Grant Plans. The annual bonus relating to 2019 for the two aforementioned functions (Chief Executive Officer and General Manager) has not accrued.

On the occasion of the termination of the office of Chief Executive Officer and General Manager, Mr. Hebenstreit did not receive any compensation for termination of office and/or employment.

In accordance with the reference regulations, he is still classified as an employee of the Company and for this reason he receives, for a period of notice equal to six months, the remuneration provided for in the contract and accrues the right to receive Units under the Stock Grant Plans of which he is a beneficiary.

The terms for the conclusion of the employment relationship are currently being defined and are expected to be formalized within the first half of 2020.

The remuneration package of the new Chief Executive Officer, co-opted by the Board of Directors of the Company on December 9, 2019, and who, since January 1, 2020, has also been holding the position of General Manager, is as follows:

- for the position of Chief Executive Officer: yearly fixed remuneration and variable bonus subject to the achievement of certain objectives;
- for the position of General Manager (from January 1, 2020): yearly fixed wage and variable bonus subject to the achievement of certain objectives, as well as rights deriving from participation in a share-based compensation plan of the Company.

#### Non-executive Directors

Non-executive Directors received a fee if they are on any of the Internal Committees.

#### Board of Statutory Auditors

The fee was determined as a fixed sum by the Shareholders Meeting on April 23, 2018 on their appointment and for the whole duration of their mandate. The fee for the Chairman is different from that of the other Statutory Auditors.

#### Managers with strategic responsibilities

The remuneration package of the Manager with strategic responsibilities is made up of: fixed fee, variable bonus subject to the achievement of certain objectives and rights deriving from the participation to a remuneration plan based on shares of the company.

*1.2 With particular reference to agreements involving allowance in the event of the early termination of the relationship, the following information applies:*

##### *1.2.1 Existence of such agreements*

The General Manager, no longer in office since December 9, 2019, and the other Managers with strategic responsibilities receive allowance in the event of their employment relationship being terminated without a just cause or without any good reason given by the employer, in accordance with the law provisions and the reference National Labor Contract. As regards the General Manager no longer in

office, the terms for the conclusion of the employment relationship are currently being defined (see 1.1 above).

The agreement signed with the Managing Director in office since December 9, 2019 (and General Manager since January 1, 2020) provides for an indemnity for termination in the event of early termination of the relationship (see point 1) above of Section I).

Except as stated above, no agreements have been entered into that provide for indemnities in favour of Directors in the event of early termination of the relationship.

#### *1.2.2 Criteria for determining the allowance entitlement of each individual*

See point 1.2.1 above.

#### *1.2.3 Presence of any performance criteria to which the allowance is subject*

There are no performance objectives connected with the allowance.

#### *1.2.4 Effects of the termination of the relationship on the Units assigned within the scope of the share-based incentive plans or cash payouts*

The Units granted under the 2019 Stock Grant Plans have been assigned to the Beneficiaries personally and cannot be transferred on any account by deed between living persons. The right to exercise the Units is also subject to the employment relationship continuing between the beneficiary and the Company or the subsidiary of the same.

In the event of the termination of the employment relationship, for whatever reason, excluding the death of the beneficiary, the 2019 Stock Grant Plan provides that the beneficiaries will still be entitled only to the Units that had already vested when the relationship terminated.

In case of death of the Beneficiary, the Heirs thereof may require the assignment of the shares corresponding to the Units, whether accrued or not, within six months of the date of death. Should they not require the allocation within the aforementioned period, the Units shall cease to be effective.

*1.2.5 Cases in which the right to allowance exists*

See point 1.2.1 above.

*1.2.6 The existence, where applicable, of agreements involving the granting or the maintenance of non-monetary benefits in favor of individuals who no longer hold the position or have signed a consulting contract for a period following the termination of their employment relationship*

No agreements of this kind have been signed.

In the event of termination of the employment relationship for whatever reason, excluding the death of the beneficiary, the 2019 Stock Grant Plan provides that the beneficiaries are still entitled to the Units that had already vested at the time of the termination of the relationship.

The Board of Directors, at its own discretion, has the right to finally decide whether to derogate from the above – with reference to one or more beneficiaries - for example keeping the rights (in whole or in part) resulting from the plan even when these rights would cease to exist, and in particular to keep (part or all) of the Units that have not yet vested or to grant of shares (part or all) even in absence of the related conditions.

*1.2.7 The existence, where applicable, of agreements providing for Remuneration for non-competition commitments*

For the Managers with strategic responsibilities a non-competition clause is provided according to which the manager undertakes not to carry out competing activities for one year, extendable for a further year, starting from the moment in which the working activity stops. In light of this commitment, the Company recognizes a monthly allowance equal to 5/10 of the gross salary calculated on the basis of the average of the previous twelve months. The Company may unilaterally wave the pact of non-competitive releasing itself from paying the estimated amount.

A similar non-competition clause was also contractually provided for the General Manager in office until December 9, 2019.

*1.2.8 With reference to directors who left their positions during the year, any changes in the determination of the allowance compared to the terms of the agreement on the same*

See point 1.1 above.

*1.2.9 Where there are no specific agreements on the subject, specific information on the criteria used to determine the leaving indemnity accrued*

During the year 2019 no leaving indemnity was paid out to Directors, to General Manager and other Managers with strategic responsibilities. See point 1.1 above.

### **Part Two**

Annexes charts 1, 2, 3A and 3B as per Schedule no. 7-*bis* of the Rules for Issuers.

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### **Equity investments**

As per the fourth paragraph of Art. 84-*quater* of the Rules for Issuers, an annex to this Report shows the equity investments held in the Company or in its subsidiaries by Directors, Statutory Auditors, General Manager and other Managers with strategic responsibilities, as well as by the spouses who are not legally separated and minor children, directly or through subsidiaries, fiduciary companies or a third person, as resulting from the shareholder book, notification received or from any other information obtained from the same Directors, Statutory Auditors, General Manager and other Managers with strategic responsibilities (Charts 1 and 2 of Schedule no.7-*ter* of the Rules for Issuers).

**SCHEDULE 7-BIS - CHART 1: Remuneration granted to members of the Board of Directors, Board of Statutory Auditors, General Manager and other Managers with strategic responsibilities**

(amounts in thousands of Euros)

(A)	(B)	(C)	(D)		(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and Surname	Office	Period in office	Term of office expiry	Company drafting the financial statements /subsidiary and associate companies	Fixed Remuneration	Remuneration as member of committees	Variable Remuneration	non-equity	Non-monetary benefits	Other Remuneration	Total	Fair value of equity Remuneration	End-of-term allowance or leaving indemnity
							Bonus and other incentives	Profit-sharing scheme					
<b>BOARD OF DIRECTORS</b>													
Monica Mondardini	Chairman	1.1.2019 31.12.2019	Approval of 2021 Financial Statements	Sogefi S.p.A.	(a) 20 (b) 100						(c) 120	N/A	N/A
Mauro Silvio Cleto Fenzi	Chief Executive Officer	09.12.2019 31.12.2019	Approval of 2019 Financial Statements	Sogefi S.p.A.	(d) 9						9	N/A	N/A
Rodolfo De Benedetti	Director	1.1.2019 31.12.2019	Approval of 2021 Financial Statements	Sogefi S.p.A.	(a) 20						20	N/A	N/A
Patrizia Canziani	Director	1.1.2019 31.12.2019	Approval of 2021 Financial Statements	Sogefi S.p.A.	(a) 20	(e) 15					35	N/A	N/A
Roberta Di Vieto	Director	1.1.2019 31.12.2019	Approval of 2021 Financial Statements	Sogefi S.p.A.	(a) 20	(e) 15					35	N/A	N/A
Mauro Melis	Director	1.1.2019 31.12.2019	Approval of 2021 Financial Statements	Sogefi S.p.A.	(a) 20	(e) 10 (f) 10					40	N/A	N/A
Streiff Christian	Director	26.4.2019 31.12.2019	Approval of 2021 Financial Statements	Sogefi S.p.A.	(a) 13	(f) 7					20	N/A	N/A



Riccobon Ervino	Director	26.4.2019 31.12.2019	Approval of 2021 Financial Statements	Sogefi S.p.A.	(a) 13	(f) 7					20	N/A	N/A
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<b>DISMISSED BOARD OF DIRECTORS</b>													
Laurent Hebenstreit	Chief Executive Officer and General Manager	1.1.2019 09.12.2019	N/A	Sogefi S.p.A.	(g) 141 (h) 350	(i) -				(j) 3	494	93	(k) -
Giovanni Germano	Director	1.1.2019 26.04.2019	N/A	Sogefi S.p.A.	(l) 7	(f) 3					10	N/A	N/A
Raffaella Pallavicini	Director	1.1.2019 26.04.2019	N/A	Sogefi S.p.A.	(l) 7						7	N/A	N/A
Paolo Riccardo Rocca	Director	1.1.2019 26.04.2019	N/A	Sogefi S.p.A.	(l) 7	(e) 5 (f) 3					15	N/A	N/A
<b>BOARD OF STATUTORY AUDITORS</b>													
Sonia Peron	President	1.1.2019 31.12.2019	Approval of 2020 Financial Statements	Sogefi S.p.A.	(m) 40						40	N/A	N/A
Riccardo Zingales	Statutory Auditor	1.1.2019 31.12.2019	Approval of 2020 Financial Statements	Sogefi S.p.A.	(n) 26,5						26,5	N/A	N/A
Giuseppe Leoni	Statutory Auditor	1.1.2019 31.12.2019	Approval of 2020 Financial Statements	Sogefi S.p.A.	(n) 26,5						26,5	N/A	N/A
Giuseppe Leoni	Statutory Auditor	1.1.2019 31.12.2019	Approval of 2020 Financial Statements	Sogefi Filtration Italy S.p.A.	(o) 5						5	N/A	N/A
<b>MANAGERS WITH STRATEGIC RESPONSIBILITIES</b>													
N. 1 Manager				Sogefi S.p.A.	210		42			(j) 10	262	61	N/A

- (a) Annual remuneration (€ 20 thousand) approved for each member of the Board of Directors upon appointment with resolution of the Shareholders Meeting (April 26<sup>th</sup>, 2019) for the term of office; remuneration calculated *pro rata temporis*;
- (b) remuneration granted to the Chairman as executive director;
- (c) of which Euro 20 thousand transferred to the parent company CIR S.p.A;
- (d) remuneration for the office of Chief Executive Officer (cooptation ex art. 2386 c.c. on December 9<sup>th</sup>, 2019);
- (e) remuneration to Directors for their participation at the Control and Risk Committee (Euro 15 thousand for year and for each Member, calculated *pro rata temporis*);
- (f) remuneration for Directors for their participation at the Appointment and Remuneration Committee (Euro 10 thousand for year and for each Member, calculated *pro rata temporis*);
- (g) remuneration for the office of Chief Executive Officer (included the fixed remuneration resolved by the Shareholders Meeting, calculated *pro rata temporis*);
- (h) remuneration for the employment relationship;
- (i) with reference to the fiscal year 2019 no amount was paid as variable remuneration as Chief Executive Officer and General Manager;
- (j) indemnity (for holidays and / or transport) provided for by the law applicable to the employment contract;
- (k) see Section II, part I, article 1.1, of the Relation;
- (l) annual remuneration (€ 20 thousand) approved for each Director upon appointment with resolution of the Shareholders Meeting (April 26<sup>th</sup>, 2016) for the term of office; remuneration calculated *pro rata temporis*;
- (m) appointed as President of the Board of Statutory Auditors on April 23rd, 2018;
- (n) appointed as Statutory Auditor on April 23rd, 2018;
- (o) appointed as Statutory Auditor of the subsidiary company Sogefi Filtration Italy S.p.A. on April 16th, 2018;

**SCEDULE 7-BIS - CHART 3A: Share-based incentive plans, other than Stock option plans, granted to the members of the Board of Directors, to the General Manager and to the other Managers with strategic responsibilities**

A	B	(1)	Financial instruments granted in previous years, not vested during the year		Financial instruments granted during the year					Financial instruments vested during the year and not granted	Financial instruments vested during the year and that can be granted		Financial instruments for the year		
			(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)		
Name and Surname	Office	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value on grant date (in thousands of Euros)	Vesting period	Grant date	Market price upon allocation	Number and type of financial instruments	Number and type of financial instruments	Value on vesting date (in thousands of Euros)	Fair value (in thousands of Euros)		
Laurent Hebenstreit (**)	General Manager														
Remunerations S.p.A.	Sogefi	2015 Stock grant plan	n. 43.160 Time based Units	23.10.2015 20.7.2019							(*) 16.185	24	3		
			n. 56.840 Performance Units							(*) -	-	-			
		2016 Stock grant plan	n. 43.400 Time based Units	27.4.2016 27.4.2020								(*) 21.700	31	9	
			n.56.600 Performance Units							(*) 28.300	41	9			
		2017 Stock grant plan	n. 27.384 Time based Units	26.4.2017 26.4.2021								(*) 6.846	9	35	
			n. 35.616 Performance Units							(*) -	-	37			
		2018 Stock grant plan	n. 38.000 Time based Units	23.4.2018 26.4.2022										-	
			n. 57.000 Performance Units									-			
				2019 Stock grant plan			n. 31.882 Time based Units	40	22.7.2019 22.7.2023	22.7.2019	1,27				

				n. 38.118 Performance Units	40							-
Total		358.000		70.000	80							93

(\*) The General Manager exercised, during 2019, n. 16.185 *Units* related to 2015 Stock grant plan, n. 50.000 *Units* related to 2016 Stock grant plan and n. 6.846 *Units* related to 2017 Stock grant plan.

(\*\*) Ceased on December, 9th 2019. See Section II, part I, article 1.1, of the Report.

N. 1 Manager with strategic responsibilities													
Remunerations Sogefi S.p.A.	2015 Stock grant plan	n. 12.948 Time based Units	23.10.2015 20.7.2019							(*) 4.856	7	1	
		n. 17.052 Performance Units							(*) -	-	-		
	2016 Stock grant plan	n. 13.020 Time based Units	27.4.2016 27.4.2020								(*) 6.510	9	2
		n. 16.980 Performance Units							(*) 8.490	12	3		
	2017 Stock grant plan	n. 8.217 Time based Units	26.4.2017 26.4.2021								(*) 2.054	3	11
		n. 10.683 Performance Units							(*) -	-	11		
	2018 Stock grant plan	n. 13.143 Time based Units	23.4.2018 23.4.2022										14
		n. 16.026 Performance Units									14		
	2019 Stock grant plan	n. 13.664 Time based Units				17	22.7.2019 22.7.2023	22.7.2019	1,27				3
		n. 16.336 Performance Units											17
	Total		108.069			34							61

(\*) The Manager with strategic responsibilities exercised, during 2019, n. 4.855 *Units* related to 2015 Stock grant plan, n. 15.000 *Units* related to 2016 Stock grant plan and n. 2.054 *Units* related to 2017.

**SCHEDULE 7-BIS - CHART 3B: Cash incentive plans for members of the Board of Directors and Board of Statutory Auditors, General Manager and other Managers with strategic responsibilities**

*(in thousands of Euros)*

A	B	(1)	(2)			(3)			(4)
Name and Surname	Office	Plan	Bonus for the year			Bonus for previous years			Other Bonus
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/paid	Deferred	Deferment period	No longer payable	Payable/paid	Deferred again	
Laurent Hebenstreit (**)	Chief Executive Officer and General Manager								
Remunerations Sogefi S.p.A.		Variable fee for 2019	(*) -						
Totale			-						
(*) With reference to the fiscal year 2019 no one variable remuneration of the Chief Executive Officer and General Manger was granted.									
(**) Ceased on December 9th, 2019.									
N. 1 Manager with strategic responsibilities									
Remunerations Sogefi S.p.A.		Variable fee for 2019	42						
Total			42						

**SCHEDULE 7-TER - CHART 1: Equity investment of the members of the Board of Directors, of the Board of Statutory Auditors and of the General Manager**

Name and Surname	Office	Company	Number of shares held at the end of 2018	Number of shares purchased in 2019	Number of shares sold in 2019	Number of shares held at the end of 2019
Laurent Hebenstreit (*)	Chief Executive Officer and General Manager	Sogefi S.p.A.	73.290	(**) (***) 73.031	(***) -	(***) 146.321
Giovanni Germano (***)	Director	Sogefi S.p.A. Sogefi S.p.A.	1.950.000 (1) 1.004.312	(***) - -	(***) - -	(***) 1.950.000 (***) 1.004.312

(1) Held indirectly through Siria S.r.l., Corso Montevecchio 38, Turin (Italy) – VAT no. 00486820012

(\*) Ceased on December 9th, 2019.

(\*\*) Shares deriving from the exercise of assigned Units, as General Manager, from the 2015,2016 and 2017 Stock grant plan.

(\*\*\*) Number of the Shares updated on the termination date.

(\*\*\*\*) Ceased on April 26th, 2019.

**SCHEDULE 7-TER - CHART 2: Equity investment of the other Managers with strategic responsibilities**

Managers with strategic responsibilities	Company	Number of shares held at the end of 2018	Number of shares purchased in 2019	Number of shares sold in 2019	Number of shares held at the end of 2019
N. 1	Sogefi S.p.A.	21.987	(*) 21.909	-	43.896
N. 1	Sogefi Suspensions S.A.	1	-	-	1

(\*) Shares deriving from the exercise of assigned Units, as General Manager, from the 2015,2016 and 2017 Stock grant plan.

## PROPOSED RESOLUTION

### **On Sections I and II of the Report on remuneration policy and compensation paid pursuant to Article 123-ter of the T.U.F.**

Dear Shareholders,

pursuant to art. 123-ter of the T.U.F. - as amended by Italian Legislative Decree no. 49 of May 10, 2019 - you are called upon to resolve on the **Report on remuneration policy and compensation paid (hereinafter also referred to as the “Report”)** prepared in accordance with the provisions of article 84-*quater* of the Rules for Issuers published by Consob, in accordance with Annex 3A, Schedule 7-*bis* of the aforesaid Regulation. By virtue of the amendments made by the aforementioned Legislative Decree no. 49 of May 10, 2019, you are therefore called upon to express your vote as follows:

- by a binding resolution in compliance with art. 123-ter paragraph 3-ter of the T.U.F. on Section I of the Report concerning the Company's policy on the remuneration of the members of the Board of Directors, the Board of Statutory Auditors, the General Manager and the Managers with strategic responsibilities with reference to the year 2020 and the procedures used for the adoption and implementation of this policy

And

- by a non-binding resolution (advisory vote for or against) in accordance with art. 123-ter paragraph 6 of the T.U.F. on Section II of the Report concerning the compensation paid to the persons provided for by art. 123-ter, paragraph 4 of the T.U.F.

All the above considered, submitting the contents of the aforesaid Report to your attention, your Board of Directors hereby submits the following

resolution proposals

## ON SECTION I

“The Ordinary Shareholders meeting of Sogefi S.p.A.,

- considering the provisions of the current legislation;
- considering the Report on remuneration policy and compensation paid;
- considering that the **Report on remuneration policy and compensation paid** has been filed and made available within the legal deadlines

### RESOLVES

to approve, with a binding vote, the Company's Remuneration Policy as set out in Section I of the **Report on remuneration policy and compensation paid** approved by the Board of Directors at the meeting held on February 24, 2020”.

## ON SECTION II

“The Ordinary Shareholders meeting of Sogefi S.p.A.,

- considering the provisions of the current legislation;
- considering the Report on remuneration policy and compensation paid;
- considering that the **Report on remuneration policy and compensation paid** has been filed and made available within the legal deadlines
- considering that the independent auditors KPMG S.p.A. have verified that Section II of this Report has been prepared in compliance with art. 123-ter, paragraph 8 *bis* of the T.U.F.,

### RESOLVES

to approve, with a non-binding vote, the content of Section II of the **Report on remuneration policy and compensation paid** approved by the Board of Directors at the meeting held on February 24, 2020”.