



Remuneration Report

Pursuant to article 123-ter of the Consolidated Financial Act
and article 84-quater of the Consob Issuers' Regulation

www.gefran.com

Approved by the Board of Directors on 12 March 2020

Foreword

This Remuneration Report (the “**Report**”) is divided into two sections:

- Section I: Remuneration Policy for 2020 (the “**2020 Policy**”) and
- Section II: Remuneration Statement for 2019 (the “**2019 Statement**”).

This Report is prepared in accordance with art. 123-ter of the Consolidated Financial Act (as amended by Legislative Decree no. 49 of 2019 implementing in Italian legislation the Shareholders’ Rights Directive II - EU Directive 828/2017) and art. 84-quater of the Consob Issuers’ Regulations (as amended by Consob resolution no. 18049 of December 23, 2011 and resolution no. 18214 of 9.5.2012). It was prepared in accordance with article 6 of the Code of Conduct of Borsa Italiana S.p.A., as amended in July 2018, which Gefran (“**Gefran**” or “**the Company**”) has adopted.

Moreover, the Report has been adopted pursuant to article 13, paragraph 3, letter b) of Consob Regulation 17221/2010 and article 13 of the Regulation governing transactions with related parties, approved by the Company’s Board of Directors on 03 August 2017.

By virtue of the fact that, beginning with this shareholders’ meeting, shareholders are asked to express a binding vote regarding 2020 Policy for the purposes of preparation of the Report, Gefran S.p.A. believes it has a duty to report the following. Legislative Decree no. 49 of 2019 (the “**Decree**”), implementing the Shareholders’ Directive II, amended the Consolidated Financial Act, among other things, in the provisions applicable to the Remuneration Report. Despite this, the Decree maintained Consob’s power to identify the information to be included in the first section of remuneration policy and to indicate which information is to be included in the second section, within the deadline of 180 days from the date of the entry into force of the Decree, and therefore by 7 December 2019. On 31 October 2019 Consob began a process of consultation for amendment of the Issuers’ Regulation aimed at implementing the regulations contained in the Shareholders’ Rights Directive II regarding shareholders’ rights amending the Consolidated Financial Act with the Decree. The consultation document contains important information on the content of the Remuneration Report. The changes to the regulations have not yet been approved by Consob as of the date of this Report.

In this scenario, Gefran S.p.A. decided to accept the guidelines set forth by Assonime in its 10 February 2020 statement, according to which companies must take the following provisions into consideration, as regulations already in effect, in the preparation of remuneration reports for the year 2019:

- extension of the application of remuneration policy to control bodies, as required under art. - 123-ter, paragraph 3, letter A of the Consolidated Financial Act;
- definition, in remuneration policy, of the “exceptional circumstances” permitting exceptions to the most recent remuneration policy approved by shareholders, of the procedural conditions under which the exception may be applied, and specification of the elements of the policy to which exceptions may be permitted; the exceptional circumstances refer to situations in which an exception is necessary in order to “pursue long-term interests and sustainability as a whole or ensure the ability to remain on the market” (art. 123-ter, paragraph 3-bis of the Consolidated Financial Act);
- a binding vote on remuneration policy under art. 123-ter, paragraph 3-ter of the Consolidated Financial Act;

- a non-binding vote on the section regarding considerations paid, as required by art. 123-ter, paragraph 6 of the Consolidated Financial Act;
- verification, by the external auditor, of the preparation of the second section of the report required under art. 123-ter, paragraph 8-bis of the Consolidated Financial Act.

In relation to all other aspects, the company must refer to the current Attachment 3A, schedule 7-bis contained in the Issuers' Regulation adopted with Consob resolution 18049 of 23 December 2011 regarding the members of management bodies, chief executive officers and other executives with strategic responsibilities, contained in Section I of this Report.

SECTION I

2020 Policy

1. General principles

Remuneration Policy defines the whole series of principles and guidelines used to determine the remuneration of directors, directors with special duties and executives with strategic responsibilities. This policy governs the remuneration system for the Gefran Group employees, both in the Parent Company Gefran S.p.A. and its foreign subsidiaries.

In light of the recommendations of the Code of Conduct promoted by Borsa Italiana, this policy was prepared to determine the remuneration system, in order to align the interests of management with those of the shareholders, and boost Gefran's sustainability in the medium/long term.

The remuneration system is one of the essential tools for attracting, motivating and retaining competent staff who can contribute to the Group's performance, while upholding Gefran's strategy, promise and guidelines, in view of the fact that company size and the size of the remuneration package are closely linked.

With this in mind, the remuneration policy implemented takes into account the Company's best practices, internal equilibrium and sustainability, rather than those of other companies or external benchmarks, which are nevertheless assessed and taken into consideration.

The guidelines are adopted by Gefran when new managers join the Company and when career advancement paths are prepared and implemented for existing staff.

2. Determining and implementing the Policy and parties involved

The Appointments and Remuneration Committee (hereinafter the "Committee") leads the process of drawing up the Remuneration Policy, in light of the experience it has acquired in implementing the Policy in previous years.

The document is then examined and approved by the Board of Directors.

The Committee:

- periodically assesses the adequacy, overall consistency and actual application of the policy for the remuneration of directors and managers with strategic responsibilities, based on the information provided by the managers responsible; it submits proposals in relation thereto to the Board of Directors;
- submits proposals or expresses opinions to the Board of Directors on the remuneration of executive directors and other directors with special duties, and sets performance objectives associated with the variable component of this remuneration; it also monitors the application of the decisions adopted by the Board, checking in particular that performance objectives are actually achieved.

In preparing the Remuneration Policy, the Committee takes into account business strategies, the market environment and the Group's consequent performance, in order to better align its remuneration systems with Gefran's actual requirements.

In accordance with policy guidelines, the remuneration of executive directors and directors with special duties are determined by the Board of Directors, whereas the remuneration of executives with strategic responsibilities and management in Italy and abroad are determined by the People & Organization Department, in agreement with the CEO and Chairman.

The Remuneration Policy is implemented by the People & Organization Department, which supervises the administration of remuneration, and reports regularly to the Remuneration Committee.

In order to assess the appropriateness, consistency and application of the Policy, People & Organization provides all members of the Committee with documentation containing all the information necessary for such an assessment, including that pertaining to remuneration and compensation schemes, cooperation agreements and systems for providing incentives to executive directors and directors with particular responsibilities.

At the end of the financial year, People & Organization, assisted by the Committee, ascertains to what extent targets have been met, based on final figures supplied by Management Control.

3. Appointments and Remuneration Committee

On 14 March 2019 the Company's Board of Directors resolved, also in compliance with the provisions of the Borsa Italiana Code of Conduct, which Gefran S.p.A. has adopted, establishment of an Appointments and Remuneration Committee (previously the Remuneration Committee) within the Board, consisting of three non-executive directors, with a majority of independent directors (one of whom is to act as Chairman), to remain in office until the approval of the financial statements at 31 December 2019. At the time of its appointment, the Board believed that the Committee's members included persons with sufficient financial know-how and experience. The Remuneration Committee does not have the same members as the Committee for Transactions with Related Parties.

The Directors on the Committee are:

- Daniele Piccolo *Chairman and Independent Director*
- Monica Vecchiati *Independent Director*
- Romano Gallus *Non-executive Director*

The Committee has advisory, proposal-making and supervisory functions to ensure that remuneration policies are defined and applied within the Group. The purpose of these policies is, on the one hand, to attract, motivate and retain staff with the professional skills required to successfully pursue the Group's objectives, and, on the other, to align the interests of management and shareholders.

The Committee submits proposals or expresses opinions to the Board of Directors on the remuneration of executive directors and other directors with special duties, and sets performance objectives associated with the variable component of their remuneration; it also monitors the application of the decisions adopted by the Board, checking in particular that the performance objectives are actually achieved.

Fees for directors with special duties must be calculated after consultation with the Board of Statutory Auditors, pursuant to article 2389 of the Civil Code.

The Committee also formulates proposals regarding the division among the members of the Board of the overall remuneration package approved by the Shareholders' Meeting.

In addition, it formulates proposals on any incentive plans for the aforementioned parties.

It periodically assesses the adequacy, overall consistency and actual application of the policy for the remuneration of directors and managers with strategic responsibilities, based on the information provided by the managers responsible; it submits proposals in relation thereto to the Board of Directors;

The Committee also consults with the Board of Directors, whenever requested to do so, on remuneration and other related matters.

The functions performed by the Committee in the quality of Appointments Committee are described in the appropriate section of the Report on Corporate Governance.

The Committee has access to all company information and may also use external consultants, when this is considered useful for comparing the market standards of remuneration systems, after ascertaining that their independence of judgement is not compromised in any way.

The Committee meets whenever the chairman of the Committee considers it necessary or when requested at least by one member, and in any event, with the frequency required to perform its duties.

The Secretary of the Board of Directors acts as Committee Secretary. The meetings are duly minuted. The Committee operates on the basis of its own regulations.

Meetings may also be attended by other directors and representatives of the Company, especially the Chief People & Organization Officer, when deemed appropriate or on the Committee's invitation.

The Chairman of the Board of Statutory Auditors (Marco Gregorini) attends Committee meetings, and the standing auditors are also entitled to attend.

No director may attend Committee meetings in which proposals concerning their own remuneration are being formulated for the Board of Directors.

Available and necessary documentation and information are sent to all members of the Remuneration Committee sufficiently in advance of the meeting to enable them to express an opinion.

In 2019, the Committee held four meetings with an average duration of one hour, attended by all members. On the chairman's invitation, the Chief People & Organisation Officer also attended to provide details of the incentive scheme adopted by the Company.

One Committee meeting has so far been scheduled for 2020.

4. Directors' remuneration

Remuneration policy requires Directors to be paid:

- (i) a fixed annual sum determined by the Shareholders' meeting, in accordance with article 2389, paragraph one of the Civil Code, shared out by the Shareholders' meeting or the Board of Directors;
- (ii) a possible additional fee for participation in committees within the Board of Directors;
- (iii) a possible additional fee for executive positions of various kinds held and resolved on by the Board of Directors, in response to a proposal made by the Committee, under article 2389, paragraph 3 of the Civil Code.

The following proposals are made for 2020 Policy:

4. A Remuneration of directors without special duties

It is proposed that the Shareholders' Meeting establish a total gross sum of €300,000.00, broken down as stated below, to be approved by the newly appointed Board of Directors in response to a proposal of the Appointments and Remuneration Committee:

- *€270,000.00, divided equally among the directors, that is, a gross amount of €30,000 a year for each director;*
- *€ 29,000.00 for the committees;*
- *€1,000.00 for the Lead Independent Director.*

In line with best international practices, directors without special duties are not entitled to a variable component of their fees (bonus).

Committee members are entitled to an attendance fee of €500.00 for every committee meeting attended, up to the maximum limit of €29,000.00 as stated above. This criterion enables non-executive directors to be remunerated according to their actual commitment.

4. B Remuneration of directors with special duties

In continuity with previous remuneration policy, it is proposed that the following directors with special duties be appointed:

- 1 Honorary Chairman
- 1 Chairman
- 2 Vice-Chairmen
- 1 Chief Executive Officer

The following additional pay is proposed above the amount specified under point 4 A above:

- the Honorary Chairman will be paid a fixed all-inclusive sum of € 210,000.00 every year for his of her functions, in addition to the fee of € 30,000.00 paid to each director;

- the Chairman of the Board of Directors will be paid the fixed all-inclusive sum of € 210,000.00 every year for his or her functions, in addition to the fee of € 30,000.00 paid to each director. Should the Chairman of the Board of Directors assume proxies necessary to cover the absence of the Chief Executive Officer, the Chairman could benefit of an additional remuneration after obtaining the opinion of the Committee. It is understood that, the total amount of the compensation of the Chairman shall not exceed the amount of € 500,000.00;

- each Vice-Chairman will be paid the fixed all-inclusive sum of € 135,000.00 every year for their functions, in addition to the fee of € 30,000.00 paid to each director.

-The fees of the newly appointed Chief Executive Officer must take into account the possibility that the same person may hold a management position. As the decision regarding appointment of the Chief Executive Officer will put to the Board of Directors appointed in the 28 April 2020 Shareholders' Meeting, it is considered advisable to envisage two possible hypotheses in this 2020 Policy:

i. Chief Executive Officer not-employee: a sum of € 335,000 for his or her functions, in addition to MBO and LTI, as well as the fixed fee that will be paid to each director;

ii. Chief Executive Officer employee: the compensation as Chief Executive Officer, in addition to the gross annual fee (GAF) as employee, shall not exceed the amount of € 335,000. All this, as well as MBO and LTI, as well as the fixed fee that will be paid to each director.

In both cases, the sums paid as MBO and LTI are subject to clawback if it should emerge, following the payment of MBO or LTI, that the figures used to calculate the payment were incorrect as a result of violation of company regulations or contractual or legal requirements on the part of the CEO or fraudulent or culpable behaviour on his part aimed at altering these figures.

The Chairman, Honorary Chairman and Vice Chairmen do not have MBO and LTI plans.

When a director receives both a fixed component and a variable component of pay, the fixed component and the variable component will always be appropriately balanced in accordance with the Company's strategic objectives. Furthermore, the fixed fee will be considered sufficient to remunerate directors if the variable component is not paid due to a failure to meet the performance targets set.

The financial results and any other specific targets to which the variable component is linked are predetermined, measurable and related to the creation of shareholder value in the medium to long term and with a view to sustainability.

In line with international best practice, an insurance policy of the type known as D&O (*Directors & Officers Liability*) contracted by Gefran S.p.A. to cover risk to corporate bodies, General managers, Executives with strategic responsibilities, Senior Managers, Executives and all figures playing a role in the protection of health and safety under Legislative Decree 81 of 2008 as a result of claims filed against them by the Company or a third party with the aim of having them sentenced to pay compensation for damages in relation to the performance of their functions. This stipulation also constitutes an act of specific interest to

the company, as this policy is an instrument for the protection and safeguarding of claims for compensation made by parties damaged by the behaviour of persons representing the company.

5. Remuneration of the Board of Statutory Auditors

As of the date of this Report, the Board of Statutory Auditors is composed of:

Chairman: Marco Gregorini

Standing auditors: Primo Ceppellini, Roberta Dell'Apa

Deputy auditors: Guido Ballerio, Luisa Anselmi

2020 Policy must take into account the resolutions of the 24 April 2018 Shareholders' meeting, at which the current Board of Statutory Auditors was appointed and an annual fee of €30,000.00 was established for the Chairman and €20,000.00 for each Standing Auditor, in addition to reimbursement of expenses incurred in the performance of their duties.

The remuneration of the Board of Statutory Auditors is commensurate with the work required, the relevance of the position held, and the Company's size and sector.

The fees accrued in 2019 are shown in Table I attached to the 2019 Statement in this Report.

As in the case of the Directors, there is also a D&O (Directors & Officers) Liability insurance policy covering Statutory Auditors.

6. Remunerations for the general managers and other executives with strategic responsibilities.

As of the date of this Report, executives with strategic responsibilities are: Marcello Perini, General Manager of the Sensors & Components Business Unit, and Fausta Coffano, the Group's Chief Financial Officer.

The remuneration policy for general managers or executives with strategic responsibilities is intended to attract and retain professionals with the skills required to successfully pursue the Group's objectives, as well as motivating them and giving them an incentive to remain with the Company. In addition, it aims to align the interests of management with those of shareholders, also through a twin focus on short-term results and long-term results, thereby increasing the Group's value in a sustainable manner.

The remuneration package, which includes a balanced mix of fixed and variable, monetary and non-monetary, direct and deferred elements, is divided into a number of different components:

- > Gross annual fee (GAF) - the fixed component
- > MBO - the short-term variable component
- > LTI - the medium/long-term variable component
- > Benefits
- > Welfare (in the event of short-term over-achievement of the variable portion of pay)
- > Non-competition agreement for the position of GM.

It should be noted that the Company applies, in principle, this same scheme not only to strategic executives, but also to senior managers in the Parent Company and foreign subsidiaries, who are regularly included in the Management-by-Objectives (MbO) Plan drawn up by People & Organisation every year. The underlying principle is to develop a pay-for-performance system that links remuneration to real results, both collective and individual.

Gross annual fee (GAF) is the fixed component of remuneration. It is associated with the level of expertise, specialisation and management skills, and the accountability of the position held within the organisation. The principle adopted by the Company for determining that this amount is both *appropriate and functional* is based first and foremost on compliance with the Group's current policy and balances, taking into account the benchmarks on the job market.

It is standard practice to support managers' professional growth, in terms of both responsibilities and remuneration, in light of a positive performance.

The MbO (Management by Objectives) bonus is a variable component based on the achievement of annual objectives set in the first quarter of the year in question. It is intended to recognise the results achieved by establishing a direct correlation between remuneration and short-term results.

The MbO system is structured and implemented in accordance with the guidelines issued by the People & Organization Department, in cooperation with the CEO and the Chairman.

The criteria and indicators used by the MbO system are established for each employee by each manager with strategic responsibilities and by each department head, in cooperation with the People & Organization Department.

The MbO system adopts a common, organic approach intended to represent the unity of the Group and the interdependence of the activities of the various functions. It is also intended to bring the interests of management further into line with those of the employees involved in the process, and those of shareholders. Performance is measured in relation to the actual results achieved at Group, Business, Organisational Unit and individual level.

Entitlement to the variable annual component is subject to the financial access condition (the on/off condition).

The incentive rewards the achievement of quantitative and qualitative targets in relation to the beneficiary's role. The main economic/financial performance objective relates to Group EBIT, which is common for all management positions, with a weight within the overall framework of objectives that varies according to the manager's role. This may be accompanied by other financial indicators such as NWC (Net Working Capital) or Net Financial Position (NFP); business indicators, such as revenues, gross margin, cost control, or by objectives linked to the specific performance of various functions.

Individual objectives may be performance- or management-based, and are always defined objectively, in a way that ensures they are measurable over time and are interpreted in an unequivocal manner. They may be linked to management targets (processes/projects), or managerial/organisational development targets (competences).

Definition of the set of indicators to be assigned takes into account the balance guaranteeing sustainability; for example, sales are balanced by margin or EBITDA, efficacy is balanced by efficiency, and investments are balanced by EBIT.

In the case of interdepartmental projects or targets for innovation or change management, targets are shared by multiple people or by all, or through the customer/supplier approach.

Each MbO bonus is structured in such a way as to have a maximum limit on the variable payment, depending on the extent to which the Group's results are affected, and the ability of individual to influence the objective. Pay-out may range from 50% to a maximum of 150% of the target value.

As a rule, the maximum variable component of the remuneration cannot exceed the gross annual fee (GAF).

The variable component is normally paid upon approval of the draft financial statements and the consolidated financial statements, in the first quarter of the year following that in which they were accrued, to beneficiaries still employed at the Company at the time of payment, and not those who have left.

Since the Internal Audit Manager operates independently of the Company, there is no incentive plan in his favour.

Although Remuneration Policy does not provide for the payment of discretionary bonuses, the Board of Directors may, on the Appointments and Remuneration Committee's proposal, assign bonuses linked to specific operations and/or tasks of particular strategic importance for the Company and/or the Group, and in light of excellent performance according to merit-based criteria.

MbO FOR 2020

The guidelines behind the MBO system for the year 2020 support the goals of growth, also through development of new geographical markets, new applications and new customers, of business profitability, of focusing on the organisation's sustainability and quality of service, and of rethinking processes to give them a leaner form. The system is confirmed as the primary method and tool for orientation of management and focusing on the Group's strategic goals. The incentive scheme based on short-term results (MbO) has been supplemented with a medium- to long-term scheme (LTI).

The MbO scheme thus comprises a minimum of three and a maximum of five components overall, each of which is an addendum.

There is a condition enabling the system (on/off), represented by a financial meta-target in relation to profitability with a quantitative parameter guaranteeing the sustainability of the system.

This condition, which is differentiated on the basis of the beneficiary's belonging to different Group Companies, is EBIT.

The structure is based on targets in five macro-categories:

- Economic/Financial
- Business Development/Marketing
- Product and Innovation
- Sustainability and Efficiency
- Service and Brand Experience

For quantitative objectives, minimum and maximum limits of percentage importance have been defined. These recognise results exceeding 95% of the target with a bonus of 50%, and reward over-performance, with the meeting of the target at 120-150% possibly corresponding to 120-150% of the related bonus.

A portion of the over-achievement in certain homogeneous categories of beneficiaries may be provided as corporate welfare, permitting access to a basket of services as permitted by legislation.

Safeguarding of EBIT will be a common goal, with the following rules:

no bonus under 95% of the target

EBIT between 90% and 99.99% = 50% to 99.99% of the bonus, with linear growth

EBIT between 100% = 100% of the bonus

EBIT between 100% and 120% = 100% to 150% of the bonus, with linear growth

As for top management's individual targets, the plan allows for the possibility of assigning targets shared by one or more company departments, typically linked with cross-cutting projects involving innovation, organisational development, or improvement of productivity or efficiency, the achievement of which is the result of each manager's contribution.

Following a risk assessment conducted at the end of 2019 with the aim of mapping the principal strategic and operative risks to which the Gefran Group is exposed, targets were also assigned for mitigation of the top risks emerging from the assessment.

Lastly, there are claw-back clauses for a number of specific targets.

The Long-Term Incentive (LTI) is a variable medium-/long-term component, set in order to focus management on the plans, projects and results within a period of more than one year, and on sustainable business growth by developing forward-looking vision, as well as retaining key resources.

The activating condition of the LTI system is represented by the continuation of the work relationship at the end of the three years. There may also be an enabling condition represented by Group EBITDA.

An LTI was agreed on with strategic executives in Italy and with the principal General Managers of foreign branches.

The scheme involves one or two strategic economic/financial objectives linked with the overall results achieved by the company at the end of the three-year period, on the basis of which the beneficiary has the power to make decisions and act, which are not measured and paid until the end of the three-year period.

The bonus amount and its composition vary depending on the mutual interests of the Company and the managers during the period. Factors taken into consideration are: position held in the organisation and management experience; the manager's ability to influence the Group's long-term growth; annual results achieved to date and all remuneration received; the beneficiary's growth potential and loyalty-building requirements.

The three-year Long Term Incentive (LTI) of the new Chief Executive Officer must be submitted to the opinion of the Appointments and Remuneration Committee and then approved by the Board of Directors, and will specify targets linked with the Industrial Plan.

Payment of LTI within the month following the approval of the Company's financial statements for the year to which the LTI refers (2022) will be proposed, on the condition that the Chief Executive Officer remains in office, and has not resigned or been notified of termination.

The Chief Executive Officer will not be entitled to the variable component of pay if he or she resigns the post in advance.

The benefits awarded to management are intended to ensure that overall remuneration is as competitive as possible, and is in line with the best practices adopted on the job market. They complete the monetary remuneration package. They consist of:

- ✓ insurance for reimbursement of medical costs
- ✓ company car for business/private use
- ✓ life and accident insurance
- ✓ D&O insurance

Results Bonus ("RB") This orientation toward achievement of results is also apparent in the definition of the Results Bonus (RB) offered to management, clerical staff and workers: in accordance with the Stability Law, the RB is based on indicators linked with profitability, productivity, efficiency, innovation and quality specific to the BU, defined every year in line with the budget. Note that on 26 November 2019 a company contract was signed for the 2020-2022 three-year period with the company's Unitary Trade Union Representative (RSU), FIM-CISL and FIOM-CGIL. In addition to emphasising the central importance of the principles of inclusion and diversity, seen as assets of value for promoting innovation, change and growth in the company, there are also significant new developments for the Results Bonus. In addition to the indicators specified above, a new parameter has been introduced linked with separation of wastes for recycling, in harmony with the company's sustainability and environment strategies.

Under the new agreement, an extra annual bonus is available, directly proportionate to the growth of revenues beyond the budget, representing a strategic indicator for the company's growth. Performance-related pay may be entirely or partially converted into goods and services under the company's welfare plan. Those who convert performance-related pay will see their individual amount increased by 5%, if 80% of the bonus is converted, or 10%, if all of it is converted.

7. Indemnity for resignation, dismissal or termination of employment

The Gefran Group may enter into agreements with directors or managers with strategic responsibilities that regulate ex-ante the financial aspects of early termination of employment, upon the initiative of the Company or the individual (the “parachute indemnity”).

Subject to legal and/or contractual obligations, any agreements on termination of employment with the Group are based on specific benchmarks, and fall within the limits set by the laws and practices of the country in which the agreement is entered into. If employment is terminated with the Group for reasons other than just cause, the usual approach is to seek an agreement to “terminate” the employment in a consensual manner.

In the event that an amount is paid as a settlement, this is established in accordance with the guidelines set out in the Code of Conduct (6.C.1, letter g), with particular reference to the criteria set forth in the national collective bargaining agreement (CCNL) for managers.

8. Non-competition agreements

As of 31 December 2019 non-competition agreements had been signed with a number of members of management, particularly those playing roles of particular technical and commercial importance.

9. Exceptional circumstances permitting temporary exceptions to remuneration policy

In accordance with art. 123-ter, paragraph 3-bis of the Consolidated Financial Act, in the presence of exceptional circumstances the company may make temporary exceptions to remuneration policy, provided the policy specifies the procedural conditions under which such exceptions may be made and specifies the elements of the policy to which exceptions may be made.

Gefran believes that, in order to pursue the long-term interests and achieve sustainability for the Company as a whole, and to ensure its ability to remain on the market, changes may be made in exceptional circumstances, such as replacement of the Chief Executive Officer or of an executive with strategic responsibilities. These changes may regard the “pay package” of persons holding these positions.

Changes of this type must be introduced by resolution of the Board of Directors, with the approval of the Appointments and Remuneration Committee.

10. Other information

Pursuant to Consob resolution 18049 of 23 December 2011, it should be noted that:

- the Company did not make use of any consulting company and/or external experts in drawing up the 2019 Policy;
- Gefran does not have any equity incentive plans in place, nor any other plans based on financial instruments;
- in definition of its 2020 Policy Gefran has not used specific remuneration policies of other companies as a standard, but did draw on statistical and qualitative surveys available on the market.

It is the Committee's view that the Policy described above is in line with the approach followed in 2019 as regards the remuneration of directors and strategic managers.

SECTION II - 2019 Report

1. Directors' Remuneration

The members of the Board of Directors are divided into:

- (i) Directors with special duties, who may also be granted specific powers;
- (ii) Directors without special duties.

At 31 December 2019:

- Directors with special duties: Honorary Chairman Ennio Franceschetti, Chairman Maria Chiara Franceschetti, Vice Chairmen Andrea Franceschetti and Giovanna Franceschetti and the Executive Director in charge of the internal control system, Marcello Perini;
- Directors with no special duties: Romano Gallus, Mario Benito Mazzoleni, Daniele Piccolo and Monica Vecchiati.

Note that on 2 December 2019, Alberto Bartoli, who was at that time Chief Executive Officer and director in charge of the internal control system, resigned his position. On 16 December 2019 Marcello Perini was therefore co-opted to the position of executive director in charge of the internal control system.

For more information, see the Report on Corporate Governance and Ownership Structure.

Remuneration of directors without special duties

At the Gefran Shareholders' Meeting held on 20 April 2017 to appoint the Board of Directors, the shareholders approved an overall remuneration package for the directors pursuant to article 2389, paragraph 1, of the Civil Code, and assigned the Board of Directors the task of sharing it out.

The Shareholders' Meeting approved an overall gross annual remuneration package of € 240,000.00, divided as follows by the Board of Directors, on the Appointments and Remuneration Committee's proposal:

- € 225,000.00 divided equally among the directors, that is a gross amount of € 25,000 a year for each director;
- € 14,000.00 for the committees;
- € 1,000.00 for the Lead Independent Director.

Remuneration of directors with special duties

The following directors with special duties were paid additional fees for these duties as of 31.12.2019:

- the Honorary Chairman, Ennio Franceschetti, who is paid the fixed all-inclusive sum of € 210,000.00 every year for his functions, in addition to the fee of € 25,000.00 paid to each director;
- the Chairman of the Board of Directors, Maria Chiara Franceschetti, is paid the fixed all-inclusive sum of € 210,000.00 every year for her functions, in addition to the fee of € 25,000.00 paid to each director;
- the Vice Chairman, Andrea Franceschetti, who is paid the fixed all-inclusive sum of € 135,000.00 every year for his functions, in addition to the fee of € 25,000.00 paid to each director;
- the Vice Chairman, Giovanna Franceschetti, is paid the fixed all-inclusive sum of € 135,000.00 every year for her functions, in addition to the fee of € 25,000.00 paid to each director;

The Chairman, Honorary Chairman and Vice Chairmen do not have MBO and LTI plans.

- Chief Executive Officer Alberto Bartoli, who, in addition to the fee of € 25,000.00 paid to each director, is paid a sum of € 335,000 for his functions. As a result of his resignation on 2 December 2019, he was not paid MBO and LTI under 2019 Policy.

Remuneration for executive officers and other executives with strategic responsibilities

These persons' remuneration is reported in the attached table, and conforms to 2019 policy.

In 2019, the fixed component on average accounted for 66% of compensation.

TABLE 1: Remuneration paid to directors and auditors, general managers and other executives with strategic responsibilities - 2019

First name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for sitting on committees	Variable non-equity remuneration		Non-monetary benefits (2)	Other remuneration	Total	Fair value of equity remuneration	Severance indemnity for end of office or termination of employment
						Bonus and other incentives (3)	Profit sharing					
Ennio Franceschetti (1)	Honorary Chairman	Entire period	Approval of the financial statements as at 31/12/2019									
Remuneration at the reporting entity				€ 235,000	€ -	€ -	€ -	€ 6,681	€ -	€ 241,681	€ -	€ -
Remuneration from subsidiaries and affiliates												
Total				€ 235,000	€ -	€ -	€ -	€ 6,681	€ -	€ 241,681	€ -	€ -
Alberto Bartoli (1)	Chief Executive Officer	Until 2 December 2019	//									
Remuneration at the reporting entity				€ 333,571	€ -	€		€ 13,378	€ -	€ 346,949	€ -	€ -
Remuneration from subsidiaries and affiliates												
Total				€ 333,571	€ -	€	€ -	€ 13,378	€ -	€ 346,949	€ -	€ -

¹ The fixed fee comprises € 25,000 approved by the Shareholders' Meeting for each director

² FASI, ASSIDIM and injury insurance are included, in addition to the company car.

³ Variable incentives of a monetary nature pertaining to the year 2019, already calculated on the basis of effective results and paid in the first quarter of 2020, are listed here. LTI is calculated on a multi-year basis, and so only the portion accumulated in the year reported on is shown here, or, in the case of liquidation, the portion pertaining to 2019 actually liquidated during the first quarter of 2020

Andrea Franceschetti ¹	Executive Director	Entire period	Approval of the financial statements as at 31/12/2019							
Remuneration at the reporting entity				€ 160,000	€ -	€	€ -	€ 12,775	€ -	€ 172,775
Remuneration from subsidiaries and affiliates				€ 14,670.46						€ 14,670.46
Total²				€ 174,670.46	€ -	€	€ -	€ 12,775	€ -	€ 187,445.46

Giovanna Franceschetti ¹	Executive Director	Entire period	Approval of the financial statements as at 31/12/2019							
Remuneration at the reporting entity				€ 160,000	€ -	€	€ -	€ 12,829	€ -	€ 172,829
Remuneration from subsidiaries and affiliates				€ 17,670.46						€ 17,670.46
Total²				€ 177,670.46	€ -	€	€ -	€ 12,829	€ -	€ 190,499.46

Maria Chiara Franceschetti ¹	Chairman	Entire period	Approval of the financial statements as at 31/12/2019							
Remuneration at the reporting entity				€ 235,000	€ -	€	€ -	€ 13,270	€ -	€ 248,270
Remuneration from subsidiaries and affiliates				€ 20,670.46						€ 20,670.46
Total²				€ 255,670.46	€ -	€	€ -	€ 13,270	€ -	€ 268,940.46

Romano Gallus	Director	Entire period	Approval of the financial statements as at 31/12/2019									
Remuneration at the reporting entity				€ 25,000	€ 2,000	€	€ -	€	€ -	€ 27,000	€ -	€ -
Remuneration from subsidiaries and affiliates												
Total²				€ 25,000	€2,000	€	€ -	€	€ -	€ 27,000	€ -	€ -

Marcello Perini 1	Executive Director	Entire period	Approval of the financial statements as at 31/12/2019									
Remuneration at the reporting entity				€ 1,027.40	€ -	€	€ -	€	€ -	€ 1,027.40	€ -	€ -
Remuneration from subsidiaries and affiliates												
Total 2				€ 1,027.40	€ -	€	€ -	€	€ -	€ 1,027.40	€ -	€ -

Daniele Piccolo	Director	Entire period	Approval of the financial statements as at 31/12/2019									
Remuneration at the reporting entity				€ 25,000	€ 5,500	€	€ -	€	€ -	€ 30,500	€ -	€ -
Remuneration from subsidiaries and affiliates												
Total				€ 25,000	€ 5,500	€	€ -	€	€ -	€ 30,500	€ -	€ -

Monica Vecchiati	Director	Entire period	Approval of the financial statements as at 31/12/2019								
				€ 25,000	€ 4,500	€	€ -	€	€ 3,268	€ 32,768	€ -
Remuneration at the reporting entity									€ 3,976	€ 3,976	
Remuneration from subsidiaries and affiliates											
Total				€ 25,000	€ 4,500	€	€ -	€	€ 7,244	€ 36,744	€ -

Mario Mazzoleni	Director	Entire period	Approval of the financial statements as at 31/12/2019								
				€ 25,000	€ 2,500	€	€ -	€	€ -	€ 27,500	€ -
Remuneration at the reporting entity											
Remuneration from subsidiaries and affiliates											
Total				€ 25,000	€ 2,500	€	€ -	€	€ -	€ 27,500	€ -

	Executives with strategic responsibilities	Year 2019	/								
Remuneration at the reporting entity				€ 313,723	€ -	€ 144,720	€ -	€ 23,849	€ -	€ 482,292	€ -
Remuneration from subsidiaries and affiliates				€ 14,670.46	-	-	-	-	-	€ 14,670.46	-
Total				€ 328,393.46	€ -	€ 144,720	€ -	€ 23,849	€ -	€ 496,962.46	€ -

Marco Gregorini	Chairman of the Board of Statutory Auditors	Entire period	Approval of the financial statements as at 31/12/2020									
Remuneration at the reporting entity				€ 30,000	€ -	€ -	€ -	€ -	€ -	€ 30,000	€ -	€ -
Remuneration from subsidiaries and affiliates										€ -		
Total				€ 30,000	€ -	€ -	€ -	€ -	€ -	€ 30,000	€ -	€ -

Primo Ceppellini	Standing Auditor	Entire period	Approval of the financial statements as at 31/12/2020									
Remuneration at the reporting entity				€ 20,000	€ -	€ -	€ -	€ -	€ -	€ 20,000	€ -	€ -
Remuneration from subsidiaries and affiliates										€ -		
Total				€ 20,000	€ -	€ -	€ -	€ -	€ -	€ 20,000	€ -	€ -

Roberta dell'Apa	Standing Auditor	Entire period	Approval of the financial statements as at 31/12/2020									
Remuneration at the reporting entity				€ 20,000	€ -	€ -	€ -	€ -	€ -	€ 20,000	€ -	€ -
Remuneration from subsidiaries and affiliates										€ -		
Total				€ 20,000	€ -	€ -	€ -	€ -	€ -	€ 20,000	€ -	€ -

TABLE 3B: Monetary incentive schemes for directors, general managers and other executives with strategic responsibilities - 2019

The table below shows the monetary incentive schemes in favour of the members of the Board of Directors and other executives with strategic responsibilities in the Company.

NAME AND SURNAME	Office	Scheme	Bonus for the year (1)			Bonus from previous years (2)			Other bonuses
			Payable/Paid	Deferred	Reference period	No longer payable	Payable/Paid	Still deferred	
Alberto Bartoli	Chief Executive Officer	A							
(I) Remuneration at the reporting entity		Scheme A (14/03/2016)	€ -----		2019				
(II) Remuneration from subsidiaries and affiliates		Scheme A							
	Executives with strategic responsibilities	A							
(I) Remuneration at the reporting entity		Scheme A (14/03/2016)	€ 144,720		2019		€ 40,000		

¹ Payments pertaining to the year 2019 which will be paid in 2020 are listed here. As LTI is calculated on a multi-year basis, only the portion pertaining to the year 2019 is shown here, or, in the case of liquidation, the portion pertaining to 2019 actually liquidated during the first quarter of 2020

² Portions of variable multi-year payment (LTI) which will be paid in the first quarter of 2020 and that pertain to years previous to 2019 are shown here

SCHEDULE 7-TER Information about the shareholdings of members of the Board of Directors and the Board of Statutory Auditors, general managers and other executives with strategic responsibilities.

TABLE 1: Shareholdings held by directors, auditors and executive officers

Ennio Franceschetti personally holds 502,158 Gefran S.p.A. shares and indirectly owns the remaining 8,164,080 shares through ownership of 54% of the share capital of Fingefran S.r.l.

Name and surname	Office	Subsidiary	no. of shares at 31/12/2018	no. shares purchased	of no. shares sold	of no. of shares at 31/12/2019
Ennio Franceschetti	<i>(Honorary Chairman)</i>	GEFRAN S.P.A.	8.669.655*	-	-	8,666,238
Maria Chiara Franceschetti	<i>(Chairman)</i>	GEFRAN S.P.A.	69,256	2,000**	-	79,256***
Giovanna Franceschetti	<i>(Vice-chairman)</i>	GEFRAN S.P.A.	54,332	-	-	54.332****
Andrea Franceschetti	<i>(Vice-chairman)</i>	GEFRAN S.P.A.	48,016	-	-	48,016
Mazzoleni Mario	<i>(Director)</i>	GEFRAN S.P.A.	4,590	-	-	4.590*****

* of which 3,417 held by spouse

** shares purchased by spouse

*** of which 10,000 held by spouse

*** of which 1,500 held by spouse

*** of which 1,530 held by spouse

TABLE 2: Shareholdings of other executives with strategic responsibilities

Number executives with strategic responsibilities	of Subsidiary with	no. of shares at 31/12/2018	no. of shares purchased	no. of shares sold	no. of shares at 31/12/2019
2	GEFRAN S.P.A.	0	-	-	0

Provaglio d'Iseo, 12 March 2020

For the Board of Directors
Chairman
 Maria Chiara Franceschetti