



REPORT ON REMUNERATION POLICY AND REMUNERATION PAID

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

Approved by the Board of Directors of TESMEC S.p.A.

on 13 March 2020

GLOSSARY

Self-Regulatory Code of Conduct or Code	The Self-Regulatory Code of Conduct of listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.
Remuneration and Appointments Committee or Committee	The Remuneration and Appointments Committee set up by Tesmec in accordance with the Code.
Board of Directors or Board	The Board of Directors of Tesmec.
Board of Statutory Auditors	The Board of Statutory Auditors of Tesmec.
Executives with Strategic Responsibilities	The executives, set forth in Article 65, paragraph 1- <i>quater</i> , of the Issuers' Regulation, which refers to the definition provided in Annex 1 to the Related Party Regulation, identified if necessary by the Board of Directors.
Group	Tesmec and the companies controlled by it pursuant to Article 93 of the Consolidated Law on Finance (T.U.F.)
Instructions accompanying the Stock-Exchange Regulations	The instructions accompanying the Regulations of the Markets organised and managed by Borsa Italiana S.p.A.
Remuneration Policy or Policy	The Remuneration Policy prepared by the Remuneration and Appointments Committee during the meeting of 12 March 2020 and approved on 13 March 2020 by the Board of Directors, as described in Section I of this Report. The Remuneration Policy thus prepared and approved will be submitted for approval by a binding vote of the Ordinary Shareholders' Meeting convened to be held on 21 May 2020.
Regulation of the Committee	The Regulation of the Remuneration and Appointments Committee.
Issuers' Regulation	The Regulation issued by CONSOB with resolution no. 11971 of 14 May 1999 on issuers, as subsequently amended and supplemented.

Related Party Regulation	The regulation issued by CONSOB with Resolution no. 17221 of 12 March 2010, concerning transactions with related parties, as subsequently amended and supplemented.
Report	This report on remuneration policy and remuneration paid drawn up pursuant to Articles 123-ter of the Consolidated Law on Finance (T.U.F.) and Article 84- <i>quarter</i> of the Issuers' Regulation as well as in compliance with Article 6 of the Code.
Tesmec or Company or Issuer	Tesmec S.p.A.
Consolidated Law on Finance (T.U.F.)	Italian Legislative Decree no. 58 of 24 February 1998 as subsequently amended and supplemented.

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INTRODUCTION

This report on remuneration policy and remuneration paid for members of the board of directors and supervisory bodies, general managers and executives with strategic responsibilities (the “**Report**”) was drafted and approved by the Board of Directors of Tesmec S.p.A. (hereinafter also “**Tesmec**” or the “**Company**”) on 13 March 2020 pursuant to: (i) Article 123-*ter* of Italian Legislative Decree no. 58 of 24 February 1998 (“**Consolidated Law on Finance (T.U.F.)**”), as recently amended by Italian Legislative Decree no. 49 of 10 June 2019, implementing Directive (EU) 2017/828 (known as “Shareholder Rights Directive II”) of the European Parliament and of the Council of 17 May 2017 amending directive 2007/36/EC (known as “Shareholder Rights Directive I”) as regards the encouragement of long-term shareholder engagement; (ii) Article 84-*quarter* of the regulations issued by CONSOB with resolution no. 11971 of 14 May 1999 as subsequently amended, (“**Issuers’ Regulation**”) and of related Annex 3A, schemes no. 7-*bis* and 7-*ter*; (iii) Article 6 of the Self-Regulatory Code of Conduct of the listed companies promoted by Borsa Italiana S.p.A. in force on the date of the Report (the “**Self-Regulatory Code of Conduct**” or “**Code**”). Note that, on the date of the Report, the process of revising the secondary regulations, contained in Article 84-*quarter* and Annex 3A, Scheme 7-*bis*, of the Issuers’ Regulation, concerning the schemes for the preparation of the report on remuneration policy and remuneration paid – both with regard to the remuneration policy (Section I) and with regard to the remuneration paid in the financial period of reference (Section II) – and aimed at contemplating in them certain elements indicated in Shareholder Rights Directive II, the disclosure of which is not required by the current Issuers’ Regulation, as well as further refinements in light of the development of market practice in the transparency of remuneration. Therefore, the Report was prepared based on the schemes envisaged by the regulations currently in force, through the adjustments required from time to time to allow compliance with the provisions of the primary regulations in force. Section I of the Report describes in a clear and comprehensible manner the policy (“**Remuneration Policy**” or “**Policy**”) of Tesmec and of the group it heads (the Company and the Company’s subsidiaries pursuant to article 93 of the Consolidated Law on Finance (T.U.F.), hereinafter also the “**Group**”) relating to the remuneration, with reference to the 2020 financial period, of:

1. the members of the Board of Directors and Board of Statutory Auditors;
2. the general managers;
3. the executives with strategic responsibilities, i.e. individuals who have the authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly, according to the definition provided in Annex 1 to the Related Party Regulation, as referred to in Article 65, paragraph 1-*quarter*, of the Issuers’ Regulation, identified with the top executives reporting to the Chief Executive Officer (the “**Executives with Strategic Responsibilities**”);

as well as the procedures used to adopt and implement the Remuneration Policy, pursuant to Article 123-*ter*, third paragraph, of the Consolidated Law on Finance (T.U.F.).

In accordance with Article 123-*ter*, fourth paragraph of the Consolidated Law on Finance (T.U.F.), Section II of the Report shows in a clear and comprehensible manner the individual items making up the remuneration of the members of the Board of Directors and of the Board of Statutory Auditors, the General Manager and the Executives with Strategic Responsibilities and respective remuneration paid in 2019 by the Company and by subsidiaries or associates (Tables 1 and 2).

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

As provided by the Related Party Regulation, as acknowledged in the procedure adopted by the Company in this regard and available on its website (www.tesmec.com), the approval of this Policy by the Shareholders' Meeting, once defined by the Board of Directors on proposal of the Remuneration and Appointments Committee (comprised by a majority of Independent Directors), exempts the resolutions of the Company on the remuneration of its directors and Executives with strategic responsibilities from carrying out the procedures provided by the above provisions of CONSOB concerning related parties.

SECTION I: REMUNERATION POLICY

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

The Board of Directors defines and reviews the Remuneration and Appointments Policy on proposal of the Remuneration Committee (*see below under* letter b) of Section I of this Report) on an annual basis.

The Remuneration Policy, as described in this Section of the Report, pursuant to Article 123-*ter*, paragraphs 3-*bis* and 3-*ter*, of the Consolidated Law on Finance (T.U.F.), introduced by Italian Legislative Decree no. 49/2019, is subject, on an annual basis or on the occasion of amendments to the Policy, to the binding vote of the Ordinary Shareholders' Meeting convened pursuant to Article 2364, second paragraph, of the Italian Civil Code.

The Company assigns remuneration only in accordance with the Remuneration Policy last approved by the Shareholders' Meeting. In the presence of exceptional circumstances, the Company can temporarily depart from the Remuneration Policy, in compliance with the procedural conditions – provided for therein – under which the departure may be applied and with regard to the elements of the Policy specified therein that may be departed from (*see below under* letter o-*bis*) of Section I of this Report).

Exceptional circumstances are understood only as situations in which the departure from the Remuneration Policy is required to pursue the long-term interests and sustainability of the Company as a whole or to ensure its ability to stay on the market, both as a reference market of the Company (i.e. design, production and marketing of products, technologies and solutions integrated in the construction, maintenance and efficiency of infrastructure related to the transport and supply of energy, data and materials), and as a labour and human resources market.

If the Shareholders' Meeting does not approve the Remuneration Policy submitted to the relevant vote, the Company continues to pay remuneration in accordance with the most recent Remuneration Policy approved by the Shareholders' Meeting or, failing this, can continue to pay remuneration in accordance with current practice. In this case, the Company submits a new Remuneration Policy to the vote of the Shareholders' Meeting at the latest at the next Shareholders' Meeting convened pursuant to Article 2364, second paragraph, of the Italian Civil Code.

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

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

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

On the date of the Report, the Remuneration and Appointments Committee consists of 3 non-executive members, including two independent members and specifically: Simone Andrea Crolla (Chairman – independent), Caterina Caccia Dominioni (Member – non executive), Emanuela Teresa Basso Petrino (Member – independent).

The Remuneration and Appointments Committee is entrusted with the following functions related to the Remuneration Policy:

- it periodically evaluates the adequacy, the overall consistency and the practical application of the Remuneration Policy, by making use in this regard of the information supplied by the chief executive officers; it makes proposals to the Board of Directors on the matter;
- it submits proposals or expresses opinions to the Board of Directors on the remuneration of executive directors and other directors holding special offices as well as on the setting of performance targets related to the variable component of this remuneration;
- it monitors the implementation of the decisions adopted by the Board itself by making sure, in particular, that the performance targets are actually achieved;
- it ensures suitable functional and operational connections with the competent company structures; and
- it reports to the Company's shareholders on the exercise of its functions.

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

c) Name of the independent experts, if any, who took part in the preparation of the Remuneration Policy

The Board of Directors did not avail itself of the advice of independent experts in the preparation of the Remuneration Policy.

d) Purposes of the Remuneration Policy, the principles on which it is based and any change in the Remuneration Policy compared to the previous financial period

The Remuneration Policy (and the relevant implementation procedures) was prepared by the Remuneration and Appointments Committee during the meeting of 12 March 2020 and on 13 March 2020 approved by the Board of Directors. The Remuneration Policy thus prepared and approved will be submitted for approval by a binding vote of the Ordinary Shareholders' Meeting convened to be held on 21 May 2020.

The Remuneration Policy contributes to the Company's strategy, the pursuit of its long-term interests and sustainability and illustrates the way in which it makes this contribution.

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

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

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

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

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

Note furthermore that maximum limits are set for variable members and in particular: 80% of Gross Annual Remuneration for the Chief Executive Officer and 40% of Gross Annual Remuneration for the General Manager and Executives with Strategic Responsibilities. The fixed component is in any case sufficient to reward the services of the director in the event that the variable component is not delivered due to the failure to achieve the performance targets indicated by the Board of Directors.

Compared to the 2019 Remuneration Policy that was approved on 5 March 2019 by the Board of Directors and submitted to the Shareholders' Meeting of Tesmec on 16 April 2019, the Remuneration Policy has not been amended, without prejudice to the relative adaptation to the new regulations of strict application as per the new formulation of Article 123-*ter* of the Consolidated Law on Finance (T.U.F.), as recently amended by Italian Legislative Decree no. 49/2019, in implementation of the Shareholder Rights Directive II.

e) Description of the policies regarding fixed and variable components of remuneration, with particular regard to the indication of their weight in the overall remuneration and distinguishing between short and medium/long term variable components

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

- a fixed gross annual component consisting, specifically, for the Chief Executive Officer, of the remuneration approved by the Shareholders' Meeting pursuant to Article 2389 of the Italian Civil Code, and for the General Manager and the Executives with Strategic Responsibilities, of the gross annual remuneration as per the National Collective Labour Agreement;
- a variable component as an incentive and loyalty tool also suitable to ensure an optimal level of correlation between the remuneration of the management and the economic and financial results of the Company in the medium term. This variable component is related to previously determined general objectives and, in particular, to the turnover, EBITDA and the

Net Financial Position of the Company and of the Group. Deferral of payment of a part of the variable remuneration is envisaged.

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

It is understood that, in accordance with the Policy, the possibility for such payment to be waived by the parties concerned is without prejudice in the event of achievement of the targets to which the payment of the variable component of remuneration is subject.

Note also noted that the Remuneration Policy envisages the possibility for the Company to pay entry bonuses to encourage the hiring and retention of individuals deemed strategic.

Chief Executive Officer

Variable remuneration will be paid only if at least 90% of certain financial indicators of the 2020 *budget* (appropriately weighted turnover, EBITDA and NFP) are achieved. The exact amount of variable remuneration will be calculated according to a linear proportion, it being understood the maximum limit of 80% of the gross annual remuneration.

At the end of the 2020 financial period, after checking the achievement of the targets, 70% of the variable remuneration will be paid, while the remaining 30% will be paid after the third year, provided that the beneficiary of the variable component still holds the office of Chief Executive Officer at the Issuer upon approval of the draft financial statements as at 31 December 2022.

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

General Manager and Executives with Strategic Responsibilities¹

Variable remuneration will be paid only if at least 90% of certain financial indicators of the 2020 *budget* (appropriately weighted turnover, EBITDA and NFP) are achieved. The exact amount of variable remuneration will be calculated according to a linear proportion, without prejudice to the maximum limit of 40% of the gross annual remuneration.

At the end of the 2020 financial period, after checking the achievement of the targets, 70% of the variable remuneration will be paid, while the remaining 30% will be paid after the third year, provided that the beneficiary of the variable component works at the Issuer upon approval of the draft financial statements as at 31 December 2022.

As anticipated, in any case, variable remuneration cannot exceed 40% of gross annual remuneration. The relation between the premium pay and the budget guarantees the consistency of the remuneration policy in the short-medium term with the long term, because in general the annual budget, on which the achievement of pre-set targets is calculated, is in turn included in a three-year plan, and the budget achieved in a financial period is considered as the new base for the following financial period, resulting in a boost to the constant growth of the company's profit. Bearing in mind the nature of the business carried out, we are of the opinion that twelve-month

¹ With reference to Executives with Strategic Responsibilities of subsidiaries, note that the variable remuneration will be determined based on the budget of the individual legal entity, it being understood that the financial indicators (appropriately weighted turnover, EBITDA and NFP) are the same.

time horizons allow the determination of targets for defining the variable component portion that are appropriately consistent with the performance of the market in which the Company operates and in keeping with a prudent risk management policy.

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

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

f) Policy followed with regard to non-monetary benefits

The Remuneration Policy of the Company provides for the allocation of some non-monetary benefits to executive directors and to Executives with Strategic Responsibilities through the “fringe benefit” formula according to the specific powers or duties assigned.

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

Reference is made to what is stated under letter e) of Section I of this Report.

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

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

i) Information for pointing out the consistency of the Remuneration Policy with the pursuit of long-term interests of the Company and with the risk management policy

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

For information regarding the consistency of the remuneration policy with the pursuit of long-term interests, please refer to what is stated under letter e) of Section I of this Report.

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

The Company's Remuneration Policy envisages deferred payment of a part of the variable remuneration for the Chief Executive Officer, General Manager and Executives with Strategic Responsibilities. For further information, reference is made to what is stated under letter e) of Section I of this Report.

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

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

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

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

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

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

In line with best practices, an insurance policy against civil liability towards third parties is in force for company bodies, general managers, if appointed, Executives with Strategic Responsibilities, in the performance of their duties, with the aim of holding harmless the Company from the charges arising from the related compensation for damages, except in cases of malicious intent or serious misconduct.

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

This programme extends to the following categories:

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

extended to the family unit. The programme completes and is in addition to what already provided in the National Collective Labour Agreement of Industry Executives.

n) Any applied remuneration policy with reference to: (i) independent directors, (ii) the attendance to committees and (iii) the carrying-out of special offices (chairman, vice chairman, etc.)

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

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

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

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

o) Instructions on the possible use, as reference, of the remuneration policies of other companies for defining the Remuneration Policy

The Remuneration Policy was defined by the Company without using the remuneration policies of other companies as reference.

o)-bis) Elements of the Remuneration Policy from which, in the presence of exceptional circumstances, it is possible to depart and, without prejudice to the provisions of the Related Party Regulation, any further procedural conditions under which the departure can be applied

Pursuant to Article 123-ter, paragraph 3-bis, of the Consolidated Law on Finance (T.U.F.), the Company can temporarily depart from the Remuneration Policy in the presence of exceptional circumstances – meaning only those situations in which the departure from the Policy is required in order to pursue the long-term interests and sustainability of the Company as a whole or to ensure its ability to stay on the market – provided it envisages the procedural conditions under which the departure can be applied and specifies the elements of the Policy that may be departed from.

The Policy may be departed from with respect to the following elements:

- the fixed and variable components of the remuneration of the recipients of the Policy, including, by way of example but not by way of limitation, the weight given to each of these components within the total remuneration, the performance targets to the achievement of which the variable components are subject to, the related vesting periods and the provision of components of remuneration based on shares, options, other financial instruments or other variable components of remuneration, any deferred payment systems and *ex post* correction mechanisms of the variable component;
- the provision of any bonuses, non-monetary benefits, incentive plans (monetary or based on financial instruments) or remuneration of an extraordinary nature;

- the provision and/or the amount of pays contemplated in case of termination of office or of the employment relationship.

With regard to the procedural conditions under which the departure can be applied, any temporary departure from the Remuneration Policy must be approved by the Board of Directors, after consulting the Remuneration and Appointments Committee, without prejudice to the provisions of the Related Party Regulation and the Procedure adopted by the Company with regard to related party transactions, where applicable.

The resolution of the Board of Directors determines the duration of this departure and the specific elements of the Policy that are departed from, in compliance with the above.

***o)-ter)* Members of the Board of Statutory Auditors**

The remuneration envisaged for the position of member of the Board of Statutory Auditors consists only of a fixed part and is therefore not related to the economic results achieved by the Company.

In particular, pursuant to Article 2402 of the Italian Civil Code and of Article 22 of the Articles of Association, the remuneration of the Statutory Auditors is determined by the Shareholders' Meeting of Tesmec when appointed for all the duration of the term of office.

On 16 April 2019, the Shareholders' Meeting set the total annual remuneration for the Board of Statutory Auditors at Euro 87,500, of which Euro 37,500 for the Chairman of the Board of Statutory Auditors and Euro 25,000 for each of the other two Statutory Auditors.

SECTION II – REMUNERATION PAID DURING THE 2019 FINANCIAL PERIOD TO THE MEMBERS OF THE BOARD OF DIRECTORS AND OF THE BOARD OF STATUTORY AUDITORS, TO GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

The remuneration paid in the 2019 financial period to the members of the Board of Directors and to the Board of Statutory Auditors as well as to the General Manager and Executives with Strategic Responsibilities are illustrated by name in this Section of the Report.

This Section, pursuant to the new paragraph 6 of Article 123-*ter* of the Consolidated Law on Finance (T.U.F.), as introduced by Italian Legislative Decree no. 49/2019, is submitted to the advisory and non-binding vote only by the Ordinary Shareholders' Meeting, which is required to vote for or against it.

The independent auditors verified the preparation by the directors of Section II of the Report in accordance with the provisions of paragraph 8-*bis* of Article 123-*ter* of the Consolidated Law on Finance (T.U.F.).

* * *

FIRST PART – ITEMS FORMING THE REMUNERATION

This part of Section II provides a clear, adequate and comprehensible representation of each of the items forming the remuneration of the members of the Board of Directors and of the Board of Statutory Auditors, of the General Manager and of Executives with Strategic Responsibilities, with reference to the 2019 financial period.

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

1.1 Board of Directors

On 6 May 2019, the Board of Directors resolved to assign:

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

Both fees also include those for the office of director.

In line with the Remuneration Policy approved for the 2018 financial period, the then Remuneration and Appointments Committee, on 5 March 2019, verified that the target percentage set for 2018 had not been reached. Consequently, in application of the remuneration policy approved for the 2018 financial period, over the course of the 2019 financial period the Chairman and Chief Executive Officer Ambrogio Caccia Dominioni was not paid any variable remuneration.

In line with the Remuneration Policy approved for the 2019 financial period, the Board of Directors on 6 May 2019, upon proposal by the Remuneration and Appointments Committee, resolved to assign a variable remuneration to the Chairman and Chief Executive Officer, Ambrogio Caccia Dominioni relevant to the 2019 financial period that will be paid only in case of achievement of at least 70% of certain financial indicators of the 2019 budget (appropriately weighted turnover, EBITDA and NFP). The exact amount of variable remuneration will be calculated according to a linear proportion, without prejudice to the maximum limit of 80% of the gross annual remuneration.

At the end of the 2019 financial period, after checking the achievement of the targets, 70% of the variable remuneration will be paid, while the remaining 30% will be paid after the third year, provided that the beneficiary of the variable component still holds the office of Chief Executive Officer at the Issuer upon approval of the draft financial statements as at 31 December 2021.

The variable remuneration for the 2019 financial period cannot exceed 80% of gross annual remuneration.

It should be noted that below the above achievement percentages, no variable remuneration is due. With reference to this variable remuneration for the 2019 financial period, the Board of Directors on 12 March 2020 verified that the targets had not been reached.

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

The cars are granted with the full renting formula – which envisages a long-term rental – a formula that is the most widespread to date in similar company environments. Tesmec has established an internal regulation (“Car Policy”) for granting company cars, which set out the terms and the methods of use.

1.2 Board of Statutory Auditors

During the 2019 financial period, the Board of Statutory Auditors consisted of the following statutory auditors:

- Simone Cavalli (Chairman), appointed by the Shareholders' meeting of 16 April 2019; the remuneration relevant to the 2019 financial period totalled Euro 37,500;
- Stefano Chirico, appointed by the Shareholders' meeting of 16 April 2019; the remuneration relevant to the 2019 financial period totalled Euro 25,000;
- Alessandra De Beni, appointed by the Shareholders' meeting of 16 April 2019; the remuneration relevant to the 2019 financial period totalled Euro 25,000.

1.3 General Manager and Executives with Strategic Responsibilities

In line with the Remuneration Policy approved for the 2018 financial period, the then Remuneration and Appointments Committee, on 5 March 2019, ascertained that the targets set for 2018 for the General Manager and Executives with Strategic Responsibilities had not been reached. Consequently, in application of the remuneration policy approved for the 2018 financial period, during the 2019 financial period Paolo Mosconi received no variable remuneration in the capacity of General Manager. In line with the Remuneration Policy approved for the 2019 financial period, the Board of Directors on 5 March 2019, upon proposal by the Remuneration and Appointments Committee, resolved to assign a variable remuneration to the General Manager, Paolo Mosconi relevant to the 2019 financial period that will be paid only in case of achievement of at least 70% of certain financial indicators of the 2019 budget (appropriately weighted turnover, EBITDA and NFP). The exact amount of variable remuneration will be calculated according to a linear proportion, it being understood the maximum limit of 40% of the gross annual remuneration.

At the end of the 2019 financial period, after checking the achievement of the targets, 70% of the variable remuneration will be paid, while the remaining 30% will be paid after the third year, provided that the beneficiary of the variable component still holds its office at the Issuer upon approval of the draft financial statements as at 31 December 2021.

The variable remuneration for the 2019 financial period cannot exceed 40% of gross annual remuneration.

It should be noted that below the above achievement percentages, no variable remuneration is due. With reference to this variable remuneration for the 2019 financial period, the Board of Directors on 13 March 2020 verified that the targets had not been reached.

Note that, on 10 January 2020, the Board of Directors of Tesmec, with the approval of the Board of Statutory Auditors and in compliance with the requirements of honourable standing and professionalism envisaged by the regulations in force and by the Articles of Association, appointed with immediate effect, Marco Paredi, formerly Investor Relations Manager, also as Manager responsible for preparing the Company's financial statements of Tesmec pursuant to Article 154-*bis* of the Consolidated Law on Finance (T.U.F.). Marco Paredi took over this position from Gianluca Casiraghi, who has resigned as Manager responsible for preparing the Company's financial statements and, with effect from 1 March 2020, as CFO. The remuneration paid in 2019 to Marco Paredi and Gianluca Casiraghi as Executives with Strategic Responsibilities are reflected in the tables in Part Two of this Section.

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

The cars are granted with the full renting formula – which envisages a long-term rental – a formula that is the most widespread to date in similar company environments. Tesmec has established an internal regulation (“Car Policy”) for granting company cars, which set out the terms and the methods of use.

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

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

SECOND PART – TABLES

The following tables show: (i) in Table 1, analytically, the remuneration of the members of the Board of Directors and the Board of Statutory Auditors, the General Manager and Executives with Strategic Responsibilities paid by the Company and its subsidiaries and associates with reference to the 2019 financial period; (ii) in Table 2, monetary incentive plans (to be paid in cash) for the members of the Board of Directors, for the General Manager and for the Executives with Strategic Responsibilities; and (iii) in Table 3, by name, the equity investments held by the members of the Board of Directors and of the Board of Statutory Auditors, the General Manager and the Executives with Strategic Responsibilities in the Company and in its subsidiaries. At the date of this Report, there are no stock option plans or other incentive plans for members of the Board of Directors, General Managers and Executives with Strategic Responsibilities.

Table 1: Remuneration paid to the members of the Board of Directors and Board of Statutory Auditors, to the General Manager and Executives with Strategic Responsibilities, during the 2019 financial period

Name and Surname	Office	Company	Period in which the office was held	Termination of office	Fixed fees	Fees for attending committees	Non-equity variable fees (*)		Non-monetary benefits	Other fees	Total	Fair value of equity fees	Employee termination benefits
							Bonuses and other incentives	Profit sharing					
Ambrogio Caccia Dominioni	Chairman and Chief Executive Officer	Tesmec S.p.A.	2019	31.12.2021	465,808	-	-	-	-	-	465,808	-	-
Gianluca Bolelli	Vice Chairman	Tesmec S.p.A.	2019	31.12.2021	83,200	-	-	-	-	-	83,200	-	-
Simone Andrea Crolla	Board member	Tesmec S.p.A.	2019	31.12.2021	21,288	-	-	-	-	-	21,288	-	-
Guido Luigi Traversa	Board member	Tesmec S.p.A.	2019	31.12.2021	21,288	-	-	-	-	-	21,288	-	-
Emanuela Teresa Basso Petrino	Board member	Tesmec S.p.A.	2019	31.12.2021	29,519	-	-	-	-	-	29,519	-	-
Paola Durante	Board member	Tesmec S.p.A.	2019	31.12.2021	34,192	-	-	-	-	-	34,192	-	-
Lucia Caccia Dominioni	Board member	Tesmec S.p.A.	2019	31.12.2021	20,000	-	-	-	-	-	20,000	-	-
Caterina Caccia Dominioni	Board member and Secretary	Tesmec S.p.A.	2019	31.12.2021	52,000	-	-	-	-	-	52,000	-	-
Paolo Luigi Mosconi	General Manager	Tesmec S.p.A.	2019	N/A	231,736.27	-	-	-	-	-	231,736.27	-	-
Gianluca Casiraghi	Executive with strategic responsibilities	Tesmec S.p.A.	Until 01.03.2020	N/A	180,000	-	-	-	-	-	180,000	-	-
Marco Paredi	Executive with strategic responsibilities	Tesmec S.p.A.	Since 10.01.2020	N/A	-	-	-	-	-	-	-	-	-

Guido Corbetta	Board member	Tesmec S.p.A	Until 16.04.2019	16.04.2019	5,808	-	-	-	-	5,808	-	-
Gioacchino Attanzio	Board member	Tesmec S.p.A	Until 16.04.2019	16.04.2019	8,712	-	-	-	-	8,712	-	-
Sergio Arnoldi	Board member	Tesmec S.p.A	Until 16.04.2019	16.04.2019	6,041	-	-	-	-	6,041	-	-
(I) Remuneration in the company preparing the financial statements					1,159,592.27	-	-	-	-	1.159.592,27	-	-
Ambrogio Caccia Dominioni	Chairman of the BoD	Tesmec USA Inc.	2019	-	-	-	-	-	-	-	-	-
Ambrogio Caccia Dominioni	Chairman of the BoD	Tesmec Rail S.r.l.	2019	Permanent	-	-	-	-	-	-	-	-
Ambrogio Caccia Dominioni	Board member	Tesmec SA	2019	Permanent	-	-	-	-	-	-	-	-
Ambrogio Caccia Dominioni	Sole Director	East Trenchers S.r.l.	2019	-	-	-	-	-	-	-	-	-
Ambrogio Caccia Dominioni	Board member	Tesmec New Technology Co. Ltd	2019	-	-	-	-	-	-	-	-	-
Gianluca Bolelli	Board member	Tesmec Rail S.r.l.	2019	-	-	-	-	-	-	-	-	-
Paolo Luigi Mosconi	Board member	Tesmec Rail S.r.l.	2019	-	-	-	-	-	-	-	-	-
Paolo Luigi Mosconi	Board member	Bertel S.p.A.	2019	-	-	-	-	-	-	-	-	-
Paolo Luigi Mosconi	Board member	Condux Tesmec	2019	-	-	-	-	-	-	-	-	-

Caterina Caccia Dominioni	Sole Director	Marais Technologies SA	2019	-	-	-	-	-	-	-	-	-
Gianluca Casiraghi	Chairman of the BoD until 01.03.2020	Groupe Marais SA	2019	-	-	-	-	-	-	-	-	-
(II) Fees from subsidiaries and associates					-	-	-	-	-	-	-	-
(III) Total					-	-	-	-	-	-	-	-

Name and Surname	Office	Company	Period in which the office was held	Termination of office	Fixed fees	Fees for attending committees	Non-equity variable fees		Non-monetary benefits	Other fees	Total	Fair value of equity fees	Employee termination benefits
							Bonuses and other incentives	Profit sharing					
Simone Cavalli	Chairman of the Board of Statutory Auditors	Tesmec S.p.A.	2019	31.12.2021	39,821	N/A	N/A		N/A	N/A	39,821	N/A	N/A
Stefano Chirico	Statutory Auditor	Tesmec S.p.A.	2019	31.12.2021	26,468	N/A	N/A		N/A	N/A	26,468	N/A	N/A
Alessandra De Beni	Statutory Auditor	Tesmec S.p.A.	2019	31.12.2021	26,000	N/A	N/A		N/A	N/A	26,000	N/A	N/A
(I) Total in the company preparing the financial statements					92,289				92,289		92,289		

Notes:

(*) Non-equity variable remuneration, relating to the 2018 financial period, paid in the 2019 financial period after checking that the targets have been reached.

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

Name and Surname	Office	Company	2019 Bonus
Ambrogio Caccia Dominioni	Chairman and Chief Executive Officer	Tescmec S.p.A.	-
Caterina Caccia Dominioni	Board Member	Tescmec S.p.A.	-
Paolo Mosconi	General Manager	Tescmec S.p.A.	-
Gianluca Casiraghi	Executive with strategic responsibilities until 01.03.2020	Tescmec S.p.A.	-
Marco Paredi	Executive with strategic responsibilities since 10.01.2020	Tescmec S.p.A.	-
(I) Total			-

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

The following table indicates by name the equity investments held by the members of the Board of Directors and of the Board of Statutory Auditors and of the General Manager in the Company and in its subsidiaries owned at the end of the previous year, purchased and sold during the year and held at the end of the year.

Name and surname	Office	Subsidiary company	Number of shares held at the end of the 2018 financial period	Number of shares purchased in the 2019 financial period	Number of shares sold in the 2019 financial period	Number of shares held at the end of the 2019 financial period
Ambrogio Caccia Dominioni	Chairman and Chief Executive Officer	Tesmec S.p.A.	155,800	-	-	155,800
Gianluca Bolelli	Vice Chairman	Tesmec S.p.A.	101,000	-	-	101,000
Caterina Caccia Dominioni	Board member	Tesmec S.p.A.	9,500	-	-	9,500
Lucia Caccia Dominioni	Board member	Tesmec S.p.A.	101,000	-	-	101,000
Stefano Chirico	Auditor	Tesmec S.p.a.	11,492	-	-	11,492
Paolo Mosconi	General Manager	Tesmec S.p.A.	30,000	-	-	30,000

The following table indicates by name the equity investments held by Executives with Strategic Responsibilities in the Company and in its subsidiaries owned at the end of the previous year, purchased and sold during the year and held at the end of the year.

Name and Surname	Office	Number of Executives with strategic responsibilities	Subsidiary company	Number of shares held at the end of the 2018 financial period	Number of shares purchased in the 2019 financial period	Number of shares sold in the 2019 financial period	Number of shares held at the end of the 2019 financial period
Gianluca Casiraghi	CFO until 01.03.2020	2	Tesmec S.p.A.	20,000	-	-	20,000
Marco Paredi	Manager responsible for preparing the Company's financial statements since 10.01.2020		Tesmec S.p.A.	-	-	-	-