

F.I.L.A. – FABBRICA ITALIANA LAPIS ED AFFINI S.P.A.

REMUNERATION POLICY AND REPORT

(prepared in accordance with Article 123-ter of Legislative Decree No. 58 of February 24, 1998 and Article 84-quater of the Regulations approved by Consob Resolution No. 11971 of May 14, 1999 and in compliance with Annex 7-bis to the Regulation)



Report approved by the Board of Directors of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A. at the meeting of **March 22, 2021**, available to the public at the Company's registered office (via XXV Aprile No. 5, Pero [MI]), on the website (www.filagroup.it) in the *Governance* section and on the authorised storage mechanism "eMarket Storage" (www.emarketstorage.com).

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KEY DEFINITIONS

The principal definitions utilised in the present remuneration report are illustrated below.

Executive Directors	Directors of the Company assigned operational or managerial powers or to whom the Board of Directors confers specific roles. At the Reporting date, the Executive Directors of the Company are: (i) the Chief Executive Officer Massimo Candela and (ii) the Executive Director Luca Pelosin.
Shareholders' Meeting	the Shareholders' Meeting of Fila
Borsa Italiana	Borsa Italiana S.p.A., with registered office at Milan, Piazza degli Affari no. 6.
Self-Governance Code	the Self-Governance Code of listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana., ABI, Ania, Assogestioni, Assonime and Confindustria, available on the website www.borsaitaliana.it in the section "Borsa Italiana - Regulation - Corporate Governance".
Corporate Governance Code	the Corporate Governance Code of listed companies adopted by the Corporate Governance Committee in January 2020 and promoted by Borsa Italiana., ABI, Ania, Assogestioni, Assonime and Confindustria, available on the website www.borsaitaliana.it in the section "Borsa Italiana - Regulation - Corporate Governance", to which the Company adheres.
Board of Statutory Auditors	the Board of Statutory Auditors of Fila.
Control, Risks and Related Parties Committee	the Control, Risks and Related Parties Committee of Fila, also responsible for transactions with related parties and appointed in accordance with the Consob RPT Regulation and the RPT Policy.
Remuneration Committee	the Remuneration Committee established in implementation of the recommendations of the Corporate Governance Code.
Board of Directors	the Board of Directors of Fila.
CONSOB	Commissione Nazionale per le Società e la Borsa (Italian market oversight authority).
Senior Executives or SE	the parties who have the power and the responsibility, directly or indirectly, for the planning, management and control of Group operations, identified by the Board of Directors with the support of the Chief Executive Officer. In any case, they include: (i) the Directors of the Company; (ii) the Statutory

	Auditors of the Company: and (iii) the Executive Officer for financial reporting.
EBITDA	in relation to the Group consolidated financial statements, the difference between: <ol style="list-style-type: none"> 1) the total core business revenue and other revenue and income; and 2) the total operating costs (including costs for raw materials, ancillary, consumables and goods, the change in inventories of raw materials, semi-finished and finished products, services and rent, lease and similar costs, other operating costs and labour costs).
Significant Events	acquisitions or disposals of equity investments in companies, businesses and/or business units, mergers, spin-offs, share capital increases, conferments, legislative or regulatory amendments, changes to the accounting standards adopted for the preparation of the financial statements or other exceptional events with significant impact on the Objectives.
Senior Managers	Senior Managers of the Group - other than the Senior Executives - involved in positions considered by the Board of Directors, with the support of the Chief Executive Officer, as important for the growth and sustainability of the business of the Group, who are beneficiaries of the 2019-2021 Performance Shares Plan.
Fila or Company	F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A., with registered office at Pero (MI), via XXV Aprile, 5, Economic and Administrative Index No. 2022589, Milan, Monza-Brianza and Lodi Companies Registration Office and Tax No. 08391050963.
Group or Fila Group	Fila and the companies over which it exercises, directly or indirectly, control according to the applicable IFRS accounting standards.
NFP	indicates, in relation to the consolidated financial statements of the Group, the sum of: <ol style="list-style-type: none"> 1) liquidity (cash, other cash equivalents, securities held-for-trading); 2) current financial receivables; 3) current financial debt (current bank payables, current portion of non-current debt, other current financial payables);

- 4) non-current financial debt (non-current bank payables, bonds issued, other non-current payables);
- 5) loans issued to third parties.

2019-2021 Performance Shares Plan or PSP 2019-2021 the remuneration plan as per Article 114-*bis* of the CFA concerning the free assignment of Company shares, approved by the Shareholders' Meeting on April 18, 2019.

Remuneration Policy Section I of the Report, which clearly and comprehensibly outlines: (a) the Company and Group policy for 2021 concerning remuneration of the members of the Board of Directors and of the Senior Executives, and, without prejudice to the provisions of Article 2402 of the Civil Code, of the members of the Board of Statutory Auditors; and (b) the boards involved and the procedures used for its preparation, approval and possible review, as well as its duration.

The Remuneration Policy is submitted to the binding vote of the Shareholders' Meeting.

2020 Remuneration Policy sets out the Remuneration Policy of the Company and the Group for the 2020 financial year, approved by a binding vote of the Shareholders' Meeting on April 22, 2020 and applied during the 2020 financial year.

Honorary Chairman the individual selected from among persons of high standing and who have contributed to the establishment and/or growth of the Company, in accordance with Article 12.5 of the By-Laws. At the date of the present Report, the Honorary Chairman is Alberto Candela.

RPT Policy the procedure for related party transactions adopted by the Company in compliance with the Consob RPT Regulation.

Consob RPT Regulation the "*Regulation on the provisions for related party transactions*" adopted by Consob Resolution No. 17221 of March 12, 2010 (as subsequently amended and supplemented).

Issuers' Regulation the CFA implementing regulation concerning the governance of issuers, adopted with Consob Resolution No. 11971 of May 14, 1999, as subsequently amended and supplemented.

Relationship this Remuneration Policy and Report.

ROI indicates the ratio between consolidated EBITDA and net invested capital as per the Group industrial plan.

Independent Audit Firm	the independent audit firm of Fila, KPMG S.p.A.
By-Laws	means Fila's By-Laws, as most recently amended on June 12, 2020 and available on the Company's website.
CFA	Legislative Decree No. 58 of February 24, 1998 (as subsequently amended and supplemented).

INTRODUCTION

The Report is divided into two sections:

- Section I (submitted to the binding vote of the Shareholders' Meeting) explains clearly and comprehensibly:
 - (a) the Company and Group policy for 2021 concerning remuneration of the members of the Board of Directors and of the Senior Executives, and, without prejudice to the provisions of Article 2402 of the Civil Code, of the members of the Board of Statutory Auditors;
 - (b) the boards involved and the procedures used for the preparation, approval and possible revision of the Remuneration Policy, as well as the duration thereof.
- Section II (submitted to the non-binding vote of the Shareholders' Meeting) illustrates clearly and comprehensibly, by name for the members of the Board of Directors and the Board of Statutory Auditors and in total for Senior Executives:
 - (a) each of the items which comprise remuneration, including benefits on conclusion of office, highlighting compliance with the Company's Remuneration Policy for 2020; and
 - (b) the compensation paid by the Company, its subsidiaries or associated companies for any reason and in any form during the year, indicating any components of the aforementioned compensation that refer to work carried out in financial years prior to 2020. It also highlights the compensation to be paid in one or more subsequent years for work carried out during 2020, indicating where necessary an estimated value for components that cannot be objectively quantified in 2020.

Pursuant to Article 84-*quater*, paragraph 4 of the Issuers' Regulation, the Report also contains an indication of the equity investments held by the members of the Board of Directors, the members of the Board of Statutory Auditors and Senior Executives.

The Report was approved by the Board of Directors of the Company on March 22, 2021, on the proposal of the Remuneration Committee. It is prepared in accordance with current and applicable regulations and, in particular, with Article 123-*ter* of the CFA as amended in order to implement the regulatory changes introduced by Directive (EU) 2017/828 (so-called "*Shareholder Rights Directive II*"), transposed into Italian law by Legislative Decree No. 49 of May 10, 2019, which amended Directive 2007/36/EC ("*Shareholders' Rights Directive*"), as well as with Article 84-*quater* and Annex 7-*bis* of the Issuers' Regulations, as amended by Consob Resolution No. 21623 of December 10, 2020.

The Remuneration Policy, described in Section I of the Report, was defined in line with the recommendations of the Corporate Governance Code, with which the Company complies, and was also adopted by the Company in accordance with the Consob RPT Regulation and the RPT Policy.

There are no significant changes in the Remuneration Policy from the 2020 Remuneration Policy.

This Report is made available to the public by the 21st (twenty-first) day prior to the date of the Shareholders' Meeting called for the approval of the 2020 Annual Accounts and which, furthermore, shall be called to express itself, with a binding motion, on Section I of this Report, and with a non-binding motion on Section II of the same. In accordance with the provisions of applicable law, it will be made available at the registered office of the Company (via XXV Aprile No. 5, Pero), on the Company's website (www.filagroup.it), in the *Governance* section, and on the authorised storage mechanism "eMarket Storage" (www.emarketstorage.com).

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Results of the Shareholders' Meeting vote on the 2020 remuneration policy and 2019 report

The Shareholders Meeting held on April 22, 2020, (i) approved, by binding vote, Section I of the 2020 remuneration policy and 2019 report (i.e. the 2020 Remuneration Policy); and (ii) cast an advisory vote on Section II of the 2020 Remuneration Policy and Report (i.e. the 2019 Remuneration Paid).

The percentage of votes in favour was 98.809% and 89.567% of the total number of votes represented at the Shareholders' Meeting. The percentage of votes in favour demonstrates the high level of shareholder approval of the structure, principles and remuneration levels set out in the 2020 Remuneration Policy as well as the remuneration paid by Fila during the 2019 financial year.

Moreover, there were no indications from Shareholders to be considered for the purposes of this Report. For completeness, it should be noted that in view of the Shareholders' Meeting of April 22, 2020, Spafid S.p.A., on behalf of one of its fiduciary shareholders of Fila, asked certain questions regarding the 2020 Remuneration Policy and Report, to which the Company provided a timely response. For further information in this regard, reference should be made to the document containing the answers to the questions asked by shareholders of the Shareholders' Meeting of April 22, 2020, available on the Company's website (www.filagroup.it) in the section "*Governance - Shareholders' meetings*".

SECTION I

The Remuneration Policy defines the principles and guidelines adopted by Fila for the remuneration of the members of the Board of Directors, Senior Executives and Members of the Board of Statutory Auditors. It contributes to the corporate strategy, the pursuit of long-term interests and the sustainability of the Company and the Group, and is determined taking into account the compensation and working conditions of Fila's employees.

1. PROCEDURES FOR THE PREPARATION, APPROVAL, ANY REVISION AND IMPLEMENTATION OF THE REMUNERATION POLICY

1.1 PARTIES INVOLVED IN THE PREPARATION, APPROVAL AND REVIEW OF THE REMUNERATION POLICY AND ITS CORRECT IMPLEMENTATION

The principal parties and boards involved in the preparation, any revision and approval of the Remuneration Policy are the Shareholders' Meeting, the Board of Directors, the Remuneration Committee and the Board of Statutory Auditors and the Independent Audit Firm. They are also responsible for the correct implementation of the Remuneration Policy and oversee its correct implementation.

A brief description of the duties, which in accordance with the applicable regulation and internal regulation of Fila are required of these Boards with regards to the remuneration of the Directors, is provided below.

Shareholders' Meeting

The Shareholders' Meeting has the following duties in terms of remuneration:

- (i) establish the remuneration of the members of the Board of Directors in accordance with Article 2364, paragraph 1, No. 3) of the Civil Code, also in accordance with Article 2389, paragraph 3 of the Civil Code and Article 15 of the By-Laws;
- (ii) establish the remuneration of the members of the Board of Statutory Auditors as per Articles 2364, paragraph 1, no. 3), and 2402 of the Civil Code.
- (iii) pursuant to Article 123-ter, paragraph 3-bis, of the CFA, resolve on Section I of the Report according to the time period set by the Remuneration Policy itself, and in any case at least every 3 (three) years or when the policy is amended (pursuant to Article 123-ter, paragraph 3-ter, of the CFA, this Shareholders' Meeting resolution is binding). If the Shareholders' Meeting does not approve the Remuneration Policy submitted to the binding vote, the Company will continue to pay remuneration in accordance with the most recent Remuneration Policy approved by the Shareholders' Meeting or, failing this, may continue to pay remuneration in accordance with current practice. The Company shall submit a new Remuneration Policy to the shareholders' vote at the latest at the next Shareholders' Meeting provided for by Article 2364, paragraph 2, of the Civil Code;
- (iv) pursuant to Article 123-ter, paragraph 6 of the CFA, decide in favour or against Section II of the Report (in accordance with the above-stated regulation; this Shareholders' Meeting decision is not binding);

- (v) deliberates on any remuneration plans based on shares or other financial instruments for Directors, employees or collaborators of the Group, in accordance with Article 114-*bis* of the CFA.

Board of Directors

The Board of Directors:

- (i) sets up an internal Remuneration Committee;
- (ii) establishes the remuneration of the Executive Directors on the proposal of the Remuneration Committee (and, where necessary, of the Control, Risks and Related Parties Committee), with prior opinion from the Board of Statutory Auditors, within any remuneration established by the Shareholders' Meeting in accordance with Article 2389, paragraph 3 of the Civil Code and breaks down the fixed annual remuneration for execution of office, established in totality by the Shareholders' Meeting, as set out by Article 15 of the By-Laws;
- (iii) draws up, on the proposal of the Remuneration Committee and through a transparent procedure, the Remuneration Policy;
- (iv) approves the Remuneration Report to be put to the Shareholders' Meeting in accordance with Articles 123-*ter* of the CFA and 84-*quater* of the Issuers' Regulation;
- (v) prepares any remuneration plans based on shares or other financial instruments for Directors, employees or collaborators of the Company and of the Group, in accordance with Article 114-*bis* of the CFA, submitting them also for the approval of the Shareholders' Meeting of the Company and ensuring their implementation.

Remuneration Committee

The Remuneration Committee assists the Board of Directors through investigative, proposal and consultation duties, for the evaluations and decisions concerning the remuneration of Directors, Statutory Auditors and Senior Executives. Specifically, the Remuneration Committee:

- (i) assists the Board of Directors in developing the Remuneration Policy;
- (ii) periodically assesses the adequacy and overall consistency of the Remuneration Policy for Directors, Statutory Auditors and Senior Executives. It shall make any proposals to the Board of Directors for revisions in this regard;
- (iii) monitors the application of the Remuneration Policy for Directors, Statutory Auditors and Senior Executives and verifies, in particular, the achievement of performance objectives;
- (iv) presents proposals or expresses opinions to the Board of Directors on the remuneration of the Executive Directors as well as establishing the performance objectives related to the variable component of this remuneration;
- (v) review in advance the annual remuneration report to be made available to the public at the Shareholders' Meeting for presentation of the Annual Financial Statements; and

(vi) carries out duties given to it by the Board of Directors.

This committee guarantees the broadest scope of information and transparency on the remuneration of the Executive Directors, as well as the manner for determining their remuneration. In any case, as per Article 2389, paragraph 3 of the Civil Code, the sole responsibility of the Remuneration Committee is to present proposals, while the power of determining the remuneration of Executive Directors remains with the Board of Directors, having consulted with the Board of Statutory Auditors.

With regard to the role, composition and functioning of the Remuneration Committee, reference should be made to Paragraph 1.2 1.2

Board of Statutory Auditors

The Board of Statutory Auditors expresses an opinion upon the remuneration proposals of the Executive Directors, in addition to other persons holding specific offices, in accordance with Article 2389, paragraph 3 of the Civil Code, verifying the consistency of such with the Remuneration Policy adopted by the Company.

Independent Audit Firm

The Independent Audit Firm verifies that the Directors provide Section II of the Report.

1.2 REMUNERATION COMMITTEE

The Remuneration Committee was appointed with the Board of Directors motion of April 27, 2018. The Remuneration Committee's composition and appointment, tasks and functioning are governed by the Corporate Governance Code and by a specific regulation, approved by the Board of Directors on October 7, 2015, and latterly amended on December 13, 2018⁽¹⁾.

In line with the recommendations of the Corporate Governance Code, the Remuneration Committee comprises 3 (three) or 4 (four) Non-Executive Directors, the majority of whom are independent. The Chairperson is selected from among the Independent Directors. Also in line with the Corporate Governance Code, the Remuneration Committee regulation stipulates that at least 1 (one) of its members should possess appropriate financial or remuneration policy knowledge and experience, as assessed by the Board of Directors on appointment.

In addition, pursuant to the provisions of the Corporate Governance Code, if the Chairperson of the Board of Directors who is evaluated as independent participates in the Remuneration Committee: (i) a majority of the members of the Remuneration Committee are other Independent Directors; and (ii) he/she does not chair the Remuneration Committee.

(1) The Remuneration Committee regulation is available on the Company's website www.filagroup.it, in the *Governance* section.

At the date of the Report, the composition of the Remuneration Committee is as shown in the following table.

DIRECTOR	DATE OF APPOINTMENT	COMPETENCES HELD
Francesca Prandstraller (Chair)	April 27, 2018	Independent Director
Annalisa Barbera ²	April 27, 2018	Non-Executive Director with knowledge and skills in financial matters and remuneration policies.
Paola Bonini	April 27, 2018	Independent Director
Filippo Zabban	December 13, 2018	Independent Director

The meetings of the Remuneration Committee are held as a collective and are appropriately minuted.

As indicated in Section I, Chapter One, Paragraph 1.1, the Remuneration Committee is not the only entity involved in the preparation, approval and any revision of the Remuneration Policy. The plurality of parties involved, in addition to complying with regulatory requirements, ensures the most complete transparency of decision-making processes relating to the remuneration of Directors, Statutory Auditors and Senior Executives and guarantees that decisions on the matter are taken in a transparent, informed and timely manner by the boards responsible, which, through mutual control, avoid the emergence of conflicts of interest.

Similarly, in accordance with the provisions of the Corporate Governance Code, no Director takes part in the meetings of the Remuneration Committee at which proposals are made to the Board of Directors regarding his or her own remuneration.

On invitation, representatives of company departments and independent experts and/or other parties, whose participation is considered beneficial for the discussion of the matters at issue, may attend meetings of the Remuneration Committee.

Where considered necessary and/or beneficial for the execution of its duties, the Remuneration Committee may use outside remuneration policy consultants.

For more information relating to the activities of the Remuneration Committee in 2020, reference should be made to the Corporate Governance and Ownership Structure Report at December 31, 2020, available at the Company's registered office (via XXV Aprile No. 5, Pero), on the website (www.filagroup.it), in the *Governance* section and on the authorised storage mechanism "eMarket Storage" (www.emarketstorage.com), in accordance with law.

During the period January through March 2021, the Remuneration Committee:

(²) On appointment, the Board of Directors positively assessed the knowledge and competence on financial matters and remuneration policies of the Non-Executive Director Annalisa Barbera.

- (i) defined the Remuneration Policy described in this Report;
- (ii) prepared this Report;
- (iii) verified the achievement of the annual performance targets (qualitative and quantitative) for the year 2020 with regard to the short-term variable remuneration of the Executive Directors, set out in the 2020 Remuneration Policy;
- (iv) presented proposals to the Board of Directors for the variable remuneration component of the Executive Directors for the year 2020; and
- (v) presented a proposal to the Board of Directors concerning the review of the annual remuneration of Non-Executive Directors, members of the internal Board Committees and members of the Board of Statutory Auditors, to be submitted to the Shareholders' Meeting called to resolve on the appointment of the Board of Directors and the Board of Statutory Auditors on April 27, 2021. This proposal was prepared taking into account the results of the benchmarking analysis carried out by Mercer Italia S.r.l. on the remuneration packages of the Non-Executive Directors, members of the internal Board Committees and members of the Board of Statutory Auditors (for further information, please refer below to paragraph 2).

For 2021, the Remuneration Committee, in the composition resulting from the renewal of the Board of Directors, will be called upon to plan the additional activities summarised below:

- (i) presentation of the Report to the Shareholders' Meeting (scheduled for April 2021);
- (ii) assessment of the adequacy, consistency and application of the Remuneration Policy (scheduled for November 2021); and
- (iii) setting out the activities for the first quarter of 2022 (scheduled for November 2021).

2. INDEPENDENT EXPERTS INVOLVED IN PREPARING THE REMUNERATION POLICY

In defining the Remuneration Policy described in this Report and to be proposed to the Board of Directors, the Remuneration Committee engaged the consultants Mercer Italia S.r.l. (“**Mercer**”), as independent experts, after verifying that absence of situations capable of compromising their independent judgement.

Specifically, during March 2020, Mercer (i) conducted a benchmark analysis on the remuneration packages of Non-Executive Directors, members of the internal Board Committees and members of the Board of Statutory Auditors; and (ii) supported the Company in verifying the adequacy of the remuneration paid to Non-Executive Directors, members of the internal Board Committees and members of the Board of Statutory Auditors.

This analysis was prepared by Mercer based on data disclosed (i) in the Remuneration Policy and Reports, (ii) in the Corporate Governance and Ownership Structure Reports, and (iii) in the Annual Financial Reports, issued in 2019 by companies in the following two panels:

- (i) a selection of listed companies, both Italian and foreign, with characteristics comparable, in terms of capitalisation, profitability and size, to those of Fila and the Group (the "**Peer Group**"). This panel includes (a) the following 10 Italian companies with shares listed on the Italian Stock Exchange of Borsa Italiana S.p.A., FTSE Mid Cap index and/or STAR segment: Aquafil S.p.A., Aeffe S.p.A., Biesse S.p.A., Brunello Cucinelli S.p.A., De' Longhi S.p.A., Massimo Zanetti Beverage Group S.p.A., Piaggio & C S.p.A., Piovan S.p.A., Technogym S.p.A. and Tod's S.p.A.; and (b) the following 3 foreign companies with shares listed on foreign regulated markets (USA and Germany) and competitors of Fila: Acco Brands Corporation, Acme United Corporation and Edding AG; and
- (ii) Italian industrial companies with shares listed on the Italian Stock Exchange of Borsa Italiana S.p.A., FTSE Mid Cap index ("**FTSE Mid Cap Industrial Panel**"). The following 43 companies are part of this panel: Acea S.p.A., Aeroporto Guglielmo Marconi di Bologna S.p.A., Aquafil S.p.A., Ascopiave S.p.A., ASTM S.p.A., Autogrill S.p.A., Biesse S.p.A., Brunello Cucinelli S.p.A., Cairo Communication S.p.A., Carel Industries S.p.A., Cementir Holding N.V., Cerved Group S.p.A., CIR S.p.A., Danieli & C Officine Meccaniche S.p.A., Datalogic S.p.A., De' Longhi S.p.A., ENAV S.p.A., ERG S.p.A., Falck Renewables S.p.A., Fincantieri S.p.A., Gima TT S.p.A., Hera S.p.A., IMA S.p.A., Interpump Group S.p.A., Inwit S.p.A., Iren S.p.A., IVS Group, Maire Technimon S.p.A., MARR S.p.A., Mediaset S.p.A., OVS S.p.A., Piaggio S.p.A., Piovan S.p.A., Rai Way S.p.A., RCS MediaGroup S.p.A., Reply S.p.A., Salini Impregilo S.p.A., Saras S.p.A., Sias S.p.A., SOL S.p.A., Technogym S.p.A., Tod's S.p.A., and Zignago Vetro S.p.A.

The following is a brief description of the conclusions of the benchmark analysis prepared by Mercer.

Fila Non-Executive Director remuneration packages

The remuneration package set forth in the 2020 Remuneration Policy for Fila's Non-Executive Directors (equal to Euro 15,000 gross annually) is below the first quartile of the Peer Group and the FTSE Mid Cap Industrial Panel.

In view of this analysis, the Board of Directors and the Remuneration Committee, taking into account the uncertainties related to the COVID-19 pandemic, recommends that the Shareholders formulate a proposal for total annual remuneration pursuant to Article 5.1 of the Company's By-Laws such as to allow for an increase of Euro 10,000 per year in the remuneration of the Directors and the Chairperson of the Board of Directors that was applied during the 2018/2020 term of office.

Remuneration packages for members of Fila's internal committees

The remuneration package provided for in the 2020 Remuneration Policy for the Chairperson of the Remuneration Committee (Euro 12,000 gross annually) is above the third quartile of the Peer Group and in line with the median of the FTSE Mid Cap Industrial Panel. On the other hand, the remuneration package provided for in the 2020 Remuneration Policy for the members of the same committee (Euro 6,000 gross annually) is in line with that in the benchmark represented by the Peer Group and below the first quartile of the FTSE Mid Cap Industrial Panel.

The remuneration package provided for in the 2020 Remuneration Policy for the Chairperson of the Control, Risks and Related Parties Committee (Euro 37,000 gross annually) is above the third quartile of the Peer Group and of the FTSE Mid Cap Industrial Panel. However, the Chairperson of this Committee also holds the position of Lead Independent Director of the Company and, therefore, the related remuneration package was also determined in light of this additional function.

The remuneration package provided for in the 2020 Remuneration Policy for the members of the Control, Risks and Related Parties Committee (Euro 6,000 gross annually) is below the median of the Peer Group and below the first quartile of the FTSE Mid Cap Industrial Panel.

Based on this analysis, the Board of Directors and the Remuneration Committee, taking into account the continuation of the COVID-19 pandemic, recommend that the administrative board to be appointed at the Shareholders' Meeting of April 27, 2021 consider (i) reducing the remuneration of the Chair of the Control, Risks and Related Parties Committee to Euro 20,000 gross per annum, (ii) maintain the remuneration of the Chair of the Remuneration Committee unchanged at Euro 12,000 gross per annum, (iii) increasing the remuneration of the members of the Control, Risks and Related Parties Committee to Euro 7,500 gross per annum and (iv) maintaining the remuneration of the members of the Remuneration Committee unchanged at Euro 6,000 gross per annum.

Remuneration package of the members of the Board of Statutory Auditors

The remuneration package provided for by the 2020 Remuneration Policy for the Chairperson of the Board of Statutory Auditors (Euro 40,000 per annum gross) and for the Statutory Auditors (Euro 30,000 per annum gross) falls between the first quartile and the median of the Peer Group and the FTSE Mid Cap Industrial Panel.

Based on this analysis, the Board of Directors and the Remuneration Committee consider the remuneration currently established for the Chairperson of the Board of Statutory Auditors and of the Statutory Auditors to be adequate, also in the light of the uncertainties due to the continuation of the COVID-19 pandemic.

3. REMUNERATION POLICY

3.1 AIMS AND PRINCIPLES OF THE REMUNERATION POLICY

The Remuneration Policy is drawn up so as to ensure an overall remuneration structure in line with the current and future requirements of the Company and the Group and which recognises the managerial value of the beneficiaries and the contribution provided to the growth of the Company in terms of their respective competences.

The Remuneration Policy contributes to the corporate strategy, the pursuit of long-term interests and the sustainability of the Company and the Group. It seeks to attract, maintain and motivate individuals of high professional standing, with particular regard to key positions for the development and management of the business, in addition to rewarding the achievement of the individual and company performance objectives on the basis of the Company's economic-financial growth indicators and specific non-financial objectives (including those relating to "Environmental, Social, and Corporate Governance - ESG").

The main purpose of the Remuneration Policy is to align the interests of the Company's management with the pursuit of the priority objective of creating sustainable value for Fila's shareholders and other stakeholders in the medium to long term. As such, the Board of Directors and the Remuneration Committee define the Remuneration Policy so as to ensure constant alignment between the short- and medium/long-term performance objectives assigned to management and the main strategic drivers of the Company and the Group. These focus particularly on the pursuit of efficient business integration at the various Group companies, compliance with financial agreements and the pursuit of a sustainable growth strategy in the medium/long term.

The Remuneration Policy, in line with the general objectives outlined above, is based on the following key principles and is defined according to the following criteria:

- (i) appropriate balance between the fixed and variable components according to the strategic objectives and the risk management policy of the Company, taking account of the sector in which the Group operates and the operations carried out, in order to avoid conduct which does not serve the creation of sustainable value over the short and medium/long term, while providing that the variable component represents a significant part of the overall remuneration;
- (ii) definition of limits for the payment of variable components;
- (iii) determination of performance objectives, to which the payment of variable components is linked, predetermined, measurable and linked in significant part to a long-term horizon. They must be consistent with the strategic objectives of the Company and/or the Group and are aimed at promoting its sustainable success, including, where relevant, non-financial parameters;
- (iv) creation of a direct link between remuneration and performance, through mechanisms which provide for the issue of differing levels of bonuses linked to the partial or total achievement of the objectives; and
- (v) establishment of overall remuneration levels which recognise the professional value of individuals and their contribution to the creation of sustainable value over the short and medium/long-term period;
- (vi) provision of an adequate deferral period - with respect to the time of maturity - for the payment of a significant part of the variable component, consistent with the underlying business activity and the related risk profiles.

The Company may stipulate contractual conditions which would allow for the restitution, in full or in part, of the variable remuneration components paid (or withhold any sums subject to deferred payment), on the basis of data which is subsequently clearly erroneous in accordance with Recommendation No. 27, letter e) of Article 5 of the Corporate Governance Code (clawback and malus clauses).

In line with the principles outlined above, the Shareholders' Meeting of April 18, 2019, on the proposal of the Board of Directors and following the favourable opinion of the Remuneration Committee, approved the adoption of the 2019-2021 Performance Shares Plan for Executive Directors, Senior Executives and Senior Managers who, on the proposal of the Remuneration

Committee, were identified by the Board of Directors on March 15, 2019. The adoption of the 2019-2021 Performance Shares Plan aims to boost the Company's attractiveness with reference to external parties, as well as to encourage the retention and incentivisation of those Directors, employees or collaborators considered significant for the Group, enhancing the value of the Company and of the Group and the dissemination of a value creation culture in all strategic and operating decisions.

In accordance with the provisions of Application Criterion 6.C.2. letter c) of the Corporate Governance Code for listed companies approved by the Corporate Governance Committee of Borsa Italiana in July 2018, the 2019-2021 Performance Shares Plan provides for an obligation to maintain the shares granted to the beneficiaries (so-called minimum holding) as indicated below:

- (i) for the Executive Director and Chief Executive Officer: a minimum holding obligation of 50% of the shares which may be assigned, until the conclusion of mandate;
- (ii) for all other beneficiaries: a minimum holding obligation of 50% of the shares which shall be assigned on the following basis:
 - (a) an initial 25% of the shares assigned shall be subject to the minimum holding commitment until the conclusion of a period of 6 months from the effective assignment date of the shares; and
 - (b) the second 25% of the Shares assigned shall be subject to the minimum holding commitment until the conclusion of a period of 12 months from the effective assignment date of the shares.

In this regard, it should be noted that the Board of Directors, in view of the upcoming expiration (i.e., on December 31, 2021) of the 2019-2021 Performance Shares Plan and in accordance with the "comply or explain" principle governing the application of the Corporate Governance Code, has deemed it consistent with the Company's interest to disapply Recommendation No. 28 in Article 5 of the Corporate Governance Code, which provides that *"share-based compensation plans for Executive Directors and top management shall provide that a prevailing portion of the plan shall have a total vesting period and retention period for the shares granted of at least five years"*.

The 2021 Remuneration Policy is substantially consistent and in continuity with the structure of the 2020 Remuneration Policy. It confirms the previous objectives of harmonising the Remuneration Policy at the Group and individual level (for Executive Directors, Senior Executives and Senior Managers), while specifically retaining distinctive characteristics aimed at enhancing strategic skills and ensuring the retention of key resources.

The Remuneration Policy remains in force for 1 (one) year and therefore until December 31, 2021. It provides for:

- (a) a 2019-2021 Performance Shares Plan for Executive Directors, Senior Executives and Senior Managers, with a single timeframe for all beneficiaries and aligned with the objectives of the Group's industrial plan;

- (b) a balance between the fixed and variable component, as well as adequate weighting between the short-term and long-term variable components;
- (c) indication of performance objectives, to which the disbursement of the variable components is linked, quantitative (of an economic-financial nature) and qualitative (of a non-financial nature, including with regard to "Environmental, Social, and Corporate Governance - ESG"), measurable, consistent with the strategic objectives of the Company and/or the Group and aimed at promoting the sustainable success of the Company;
- (d) adoption of performance and payout curves - applicable to variable remuneration linked to short-term and long-term quantitative objectives - adequately incentivising and uniform for Executive Directors, Senior Executives and Senior Managers;
- (e) a restriction on the payment of the short-term and long-term variable component linked to qualitative objectives, which provides for a bonus reduction in connection with the partial or total failure to achieve specific quantitative objectives;
- (f) the fixing of the exchange rate to the budget, to be used for the consolidation of economic and financial objectives applicable to the variable remuneration linked to the achievement of both short-term and long-term objectives;
- (g) uniform application of clawback and malus clauses for Executive Directors, Senior Executives and Senior Managers;

It should be noted that the Remuneration Policy does not have any significant changes from the 2020 Remuneration Policy. The main new elements with respect to the 2020 Remuneration Policy consist of (i) the identification of new targets for the allocation of the short-term qualitative variable component of Executive Directors; and (ii) the modification of the remuneration for Non-Executive Directors and for members of the internal Board Committees (for further information please refer to Section I, Chapter 2 of the Report); and (iii) the Company's express intention to enter into agreements with Executive Directors that regulate ex ante the financial aspects regarding early termination of employment at the initiative of the Company or the individual upon the occurrence of certain events.

In the preparation of the Remuneration Policy, the Board of Directors has considered the compensation and working conditions of employees. In particular, it should be noted that (i) Fila's employees are subject to the sector's national collective bargaining agreements and the industrial managers contract; (ii) Fila constantly monitors the level of remuneration provided for the employees of the Company and of the main Group companies in order to guarantee an effective attraction and retention policy; (iii) within the framework of the short and long-term incentive plans, it is envisaged that the beneficiaries include not only the Executive Directors and Senior Executives, but also employees of the Company and of the Group with managerial functions and relevant for the growth and sustainability of the Group's business (the so-called Senior Managers); (iv) a significant part of the employees of the Company and of the main subsidiaries of the Group are included in the short-term incentive plans according to performance indicators similar to those used for the assessment of the Executive Directors, Senior Executives and Senior Managers.

The Board of Directors and the Remuneration Committee, in defining the Remuneration Policy, have taken into account the guidelines expressed by the shareholders during the Shareholders' Meeting vote on Section I of the 2020 remuneration policy and 2019 report (favourable votes equal to 98.809% of the total voting rights represented at the Shareholders' Meeting), which confirmed significant shareholder approval of the structure, principles and remuneration levels provided for therein and which, therefore, remain unchanged.

3.2 OUTLINE OF THE REMUNERATION POLICY

This section contains the description of the Remuneration Policy defined by the Company, with specific reference to the following managers:

- (i) members of the Board of Directors, divided into:
 - a. Non-Executive Directors;
 - b. Executive Directors;
- (ii) members of the Board of Statutory Auditors;
- (iii) Senior Executives;
- (iv) Senior Managers;
- (v) Honorary Chairman.

Notwithstanding the above-mentioned harmonisation of the remuneration structure at the Group and the individual managerial level, the Company considers it appropriate to retain some differences in the calculation of the individual remuneration components, to better adjust them to the level of executive/managerial skills and responsibility recognised to the persons concerned.

(i) Members of the Board of Directors

The remuneration of members of the Board of Directors seeks to attract and motivate the best professional talent for the exercise of their duties and the achievement of the goals of the Remuneration Policy.

All Directors receive a fixed remuneration which appropriately compensates the work and commitment provided by the Directors to the Company.

In addition to the remuneration of the Directors as members of the Board of Directors, their total remuneration consists of the compensation received for participation in the internal Board Committees. This additional fee is paid as a fixed amount and is proportionate to the commitment required by each member; for this reason, it is proportionate according to the position held by the Directors within these committees, i.e. whether they take part in them as Chairperson - who is entrusted with significant commitment and organisational duties - or as simple member.

In the meeting of May 15, 2018, the Board of Directors, on the proposal of the Remuneration Committee and with the prior favourable opinion of the Control, Risks and Related Parties Committee, established the following additional remuneration for the participation of Directors on Board Committees: (a) Euro 37,000.00 gross annual remuneration for the Chairman of the Control, Risks and Related Parties Committee; (b) Euro 12,000.00 gross annual remuneration for the Chairman of the Remuneration Committee and, finally, (c) Euro 6,000.00 gross annual remuneration for each member of these Committees (excluding Chairpersons).

In view of the benchmark analysis on the remuneration packages of the members of the internal Board Committees undertaken by Mercer, the Board of Directors, on the advice of the Remuneration Committee, in order to ensure a realignment with respect to the Peer Group and the FTSE Mid Cap Industrial Panel, also taking into account the uncertainties arising from the continuation of the COVID-19 pandemic, deemed it appropriate to propose to the Shareholders' Meeting a partial realignment with the benchmark analysis carried out by Mercer, for which reference should be made to Section I, Chapter 2, of the Report.

a. Non-Executive Directors

Non-Executive Directors (whether Independent Directors or not) receive remuneration established by the Shareholders' Meeting in accordance with Article 2389 of the Civil Code, in addition to the reimbursement of expenses incurred.

The Chairperson of the Board of Directors is recognised a remuneration established by the Shareholders' Meeting in accordance with Article 2389 of the Civil Code, the reimbursement of expenses incurred, and the right to a fringe benefit consisting of the provision of a company car for mixed use.

The remuneration paid to these Directors is not based on any financial results or specific objectives of the Company.

For more information regarding the benchmarking analysis performed by Mercer on the compensation packages of Non-Executive Directors, see Section I, Chapter 2 of the Report.

b. Executive Directors

The remuneration of Executive Directors is adequately balanced in order to contribute effectively to the Company's strategy, the pursuit of long-term interests and the sustainability of the Company.

In particular, the remuneration of the Executive Directors comprises:

- a *fixed component*: this component takes account of the extent and strategic importance of the role, its subjective distinctive characteristics and the strategic skills of the managers assigned to the role. The amount is sufficient to remunerate the service also in the case of the non-achievement of the financial and non-financial performance objectives upon which the variable remuneration component is based, and therefore - among other issues - discourages conduct not consistent with the risk propensity of the Company. In particular, the fixed component is based on the size of the business managed and the capacity for contribution to the consolidated results of the Group;

- a *short-term variable component*: this component seeks to incentivise Executive Directors to work towards achieving the annual objectives, in order to maximise the value of the Group, in line with the interests of shareholders and other stakeholders. This component is achieved against, and proportionally to, the achievement of the annual financial and non-financial performance objectives established by the Board of Directors, on the proposal of the Remuneration Committee and subject to the opinion of the Board of Statutory Auditors. In any case, this component is balanced - in comparison to others - to avoid short-term or opportunistic policies, favouring therefore medium/long-term strategies, in the interest of the stakeholders and the sustainability of the business;
- a *medium/long-term variable component*: this component seeks to incentivise Executive Directors to maximise the value of the Group and to align the interests of these Directors with those of the shareholders and other stakeholders, within a medium/long term and sustainability framework. The payment of this remuneration will be deferred to the conclusion of a three-year timeframe;
- *fringe benefit*: provide for the provisions of goods and/or services in line with market practice and applicable regulations.

For a description of the short-term variable component for Executive Directors, reference should be made to Section I, Chapter 3, Paragraph 3.3 (i) of this Report.

For a description of the medium/long-term component for Executive Directors, consisting of the 2019-2021 Performance Shares Plan, reference should be made Section I, Chapter 3, Paragraph 3.3.4 of this Report.

(ii) Members of the Board of Statutory Auditors

The standing members of the Board of Statutory Auditors are paid a fixed compensation determined by the Shareholders' Meeting pursuant to Article 2402 of the Civil Code, and are reimbursed for expenses incurred in the execution of their office.

The remuneration of the Statutory Auditors and the Chairperson of the Board of Statutory Auditors is at all times commensurate with the professionalism and commitment required, the importance of the role covered, and to the size and sector of the Company.

For more information regarding the benchmarking analysis performed by Mercer on the compensation packages of the members of the Board of Statutory Auditors, see Section I, Chapter 2 of the Report.

(iii) Senior Executives

The remuneration of Senior Executives aims to concentrate greater management focus on the long-term results of the Company and on the creation of value.

The Company therefore adopted a policy to achieve these objectives also through the implementation of a variable remuneration system, with a strong attraction and retention function, in line with the need for growth and internal development within the Company and the Group.

The remuneration of Senior Executives is composed of:

- a *fixed component*: the amount is sufficient to remunerate the service also in the case of the non-achievement of the financial and non-financial performance objectives upon which the variable remuneration component is based, and therefore - among other issues - encourages the undertaking of conduct in line with the strategy of the Company. The fixed component for Senior Executives, harmonised in the different international companies, in any case, remains commensurate at the individual level with: (a) each Executive's responsibility and level of contribution to the business and (b) the individual strategic skills;
- a *short-term variable component*;
- a *medium/long-term variable component*;
- *fringe benefit*: fringe benefits provide for the provisions of goods and/or services in line with market practice and applicable regulations in force in the individual states.

For a description of the short-term variable component for Senior Executives, reference should be made to Section I, Chapter 3, Paragraph 3.3 (ii) of the Report.

For a description of the medium/long-term component for Senior Executives, consisting of the 2019-2021 Performance Shares Plan, reference should be made Section I, Chapter 3, Paragraph 3.3.4 of this Report.

(iv) Senior Managers

The Senior Managers Remuneration Policy is based on the position and responsibilities held in the Group in order to achieve sustainable earnings and the creation of medium/long term value for the shareholders.

The company therefore adopted a policy to achieve these objectives also through the implementation of a variable remuneration system, with a strong attraction and retention function, in line with the need for growth and internal development within the Company and the Group.

The remuneration of Senior Managers is composed of:

- a *fixed component*: the amount is sufficient to remunerate the service also in the case of the non-achievement of the performance objectives upon which the variable remuneration component is based, and therefore - among other issues - encourages the undertaking of conduct in line with the strategy of the Company. The fixed component of Senior Managers, under harmonisation in the different international companies, in any case, remains commensurate at the individual level with: (a) the responsibility and the level of contribution to the business by each and (b) the individual strategic skills;
- a *short-term variable component*;
- a *medium/long-term variable component*;
- *fringe benefit*: fringe benefits provide for the provisions of goods and/or services in line with market practice and applicable regulations in force in the individual states.

For a description on the short-term variable component of Senior Managers, reference should be made to Section I, Chapter 3, Paragraph 3.3 (ii) of this Report.

For a description on the medium/long-term variable component of Senior Managers, represented by the long-term share-based incentive plan for the 2019-2021 three-year period, reference should be made to Section I, Chapter 3, Paragraph 3.4 of this Report.

(v) Honorary Chairman

The Honorary Chairman receives an annual remuneration set by the Board of Directors, in addition to the reimbursement of expenses incurred.

3.3 LINK BETWEEN FIXED AND VARIABLE COMPONENTS OF REMUNERATION

(i) Executive Directors

Chief Executive Officer Massimo Candela

The gross annual overall remuneration of the Chief Executive Officer is established as follows.

MEMBER	DESCRIPTION OF THE GROUP OBJECTIVES AND APPLICABLE CLAUSES
Fixed component	Annual fixed component (the CEO Annual Fixed Component)
Short-term variable component	<p>Short-term variable component of a base amount equal to 50% of the CEO Annual Fixed Component and of a maximum amount equal to 85% of the CEO Annual Fixed Component (the CEO Short-term Variable Component) linked to the achievement of the quantitative objectives and qualitative objectives described below.</p> <ul style="list-style-type: none"> - Quantitative objectives: 70% of the CEO Short-term Variable Component is issuable on the meeting of the EBITDA and NFP objectives established by the annual consolidated budget of the Group approved by the Board of Directors. In particular: <ul style="list-style-type: none"> (i) 70% linked to the achievement of the consolidated EBITDA objectives on the basis of a performance scale with a variable range from a minimum -10% to a maximum of +10% (with a corresponding short-term variable remuneration respectively from 4.90% to 49.00% of the CEO Annual Fixed Component). Within this range, the amount of the variable component linked to EBITDA will be based according to the pre-set brackets; and (ii) 30% linked to the achievement of the consolidated NFP objectives on the basis of a performance scale with a variable range from a minimum of -10% to a maximum of Euro +10% (corresponding to the issue of a variable remuneration respectively from 2.10% to 21.00% of the CEO Annual Fixed Component). Within this range, the amount of the variable component linked to NFP will be based according to the pre-set brackets. <p>The pay-out curve is set between a minimum of 20% of the target bonus linked to EBITDA and NFP, where the final balance of quantitative objectives is higher than the minimum threshold of 90% envisaged by the performance scale, and a maximum of 200% of the target bonus linked to EBITDA and NFP, where the final balance of quantitative objectives is equal to or higher than the maximum threshold of 110% envisaged by the performance scale.</p>

	<ul style="list-style-type: none"> - Qualitative objectives: 30% of the CEO Short-term Variable Component (the CEO Qualitative Component) is issuable subject to the achievement of the following qualitative objective (defined for 2020): <ul style="list-style-type: none"> (i) deployment of the 2021 - 2025 Strategic Plan including the sustainability plan and, in particular, completion of at least 80% of the activities and projects planned for 2021 (relative weight 60%); (ii) completion of an effective Investor Meetings program not less than that of the previous year (relative weight 40%); <p>(collectively, the Short-term CEO Qualitative Objectives).</p> <p>With reference to the pay-out curve, it is envisaged that:</p> <ul style="list-style-type: none"> (iii) where the minimum of one of the two quantitative objectives is not achieved, the target bonus linked to qualitative objectives is reduced by 50%; (iv) where the minimum of both quantitative objectives is not achieved, the target bonus linked to qualitative objectives is reduced by 75%; - Issue: following approval of the 2021 consolidated financial statements, with the passing of a motion by the Board of Directors, having consulted the Remuneration Committee and the Board of Statutory Auditors. The Chief Executive Officer, in advance of the date set for the approval of the 2021 consolidated financial statements, should present to the Remuneration Committee and the Board of Directors a report on the state of implementation of the activities whose completion constitutes a condition for the issue of the CEO Qualitative Component. On the basis of this report, the Board of Directors, having consulted the Remuneration Committee and the Board of Statutory Auditors, will verify the achievement of the Short-term CEO Qualitative Objectives, deciding upon the allocation of the CEO Qualitative Component. - Compliance with the financial covenants: the Chief Executive Officer shall not receive any variable remuneration where one or more of the financial covenants set out in the loan contracts undertaken by the Company have not been met. - Clawback clause: obligation for the repayment to the Company of the variable remuneration components in the case of material violation of company or legal rules, or harmful or seriously damaging conduct such as to alter the data utilised for the achievement of the objectives.
<p>Medium/long-term variable component</p>	<p>With reference to the medium/long-term variable component, the Company's Remuneration Policy provides that the Chief Executive Officer is a beneficiary of the 2019-2021 Performance Shares Plan.³</p> <p>Therefore, the medium/long-term variable component of a maximum amount aggregated over a three-year period, equal to approx. 85% of the CEO Annual Fixed Component (the "CEO Medium/Long-term Variable Component"), is linked to achieving the quantitative objectives and the qualitative objectives described in the 2019-2021 Performance Shares Plan, with specific reference to the Chief Executive Officer and as reported below.</p> <ul style="list-style-type: none"> - Quantitative objective: 70% of shares will be assigned on the achievement of the Group's average ROI for the 2019-2021 three-year period as per the Group's industrial plan. Specifically:

⁽³⁾ For more information on the 2019-2021 Performance Shares Plan, reference should be made to Section I, Paragraph 0 of this Report.

	<p>(i) where the performance is below 90.00% of the objective, no shares relating to the quantitative objective shall be assigned;</p> <p>(ii) where the performance is between 90.00% and 92.50% - lower range included - of the objective, 20% of the shares in relation to the quantitative objective shall be assigned;</p> <p>(iii) where the performance is between 92.50% and 95.00% - lower range included - of the objective, 40% of the shares in relation to the quantitative objective shall be assigned;</p> <p>(iv) where the performance is between 95.00% and 97.50% - lower range included - of the objective, 60% of the shares in relation to the quantitative objective shall be assigned;</p> <p>(v) where the performance is between 97.50% and 99.50% - lower range included - of the objective, 80% of the shares in relation to the quantitative objective shall be assigned;</p> <p>(vi) where the performance is between 99.50% and 100.50% - lower range included - of the objective, 100% of the shares in relation to the quantitative objective shall be assigned;</p> <p>(vii) where the performance is between 100.50% and 102.50% - lower range included - of the objective, 120% of the shares in relation to the quantitative objective shall be assigned;</p> <p>(viii) where the performance is between 102.50% and 105.00% - lower range included - of the objective, 140% of the shares in relation to the quantitative objective shall be assigned;</p> <p>(ix) where the performance is between 105.00% and 107.50% - lower range included - of the objective, 160% of the shares in relation to the quantitative objective shall be assigned;</p> <p>(x) where the performance is between 107.50% and 110.00% - lower range included - of the objective, 180% of the shares in relation to the quantitative objective shall be assigned;</p> <p>(xi) where the performance is equal to or above 110% of the objective, 200% of the shares in relation to the quantitative objective shall be assigned.</p> <p>- Qualitative objective: 30% of the CEO Medium/Long-term Variable Component (the CEO Medium/Long-term Qualitative Variable Component) is issuable on condition that in the 2019-2021 three-year period the following objectives are met:</p> <p>(i) completion of the Group's SAP system roll-out with the review of all software systems, including those planned for the upgrading of the IT infrastructure, in the times provided by the relative road map;</p> <p>(ii) ongoing monitoring of compliance with objectives for the Group's generation of cash;</p> <p>(iii) ongoing monitoring of the Group's sustainability indices;</p> <p>(collectively, the CEO Medium/Long-term Qualitative Objectives).</p> <p>- Issue: following approval of the 2021 consolidated financial statements, with the passing of a motion by the Board of Directors, having consulted the Remuneration Committee and the Board of Statutory Auditors.</p> <p>The Chief Executive Officer, in advance of the date set for the approval of the 2021 consolidated financial statements, should present to the Remuneration Committee and the Board of Directors a report on the state of implementation of the activities whose completion constitutes a condition for the issue of the CEO Medium/Long-term Qualitative Variable Component. On the basis of this report, the Board of Directors,</p>
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	having consulted the Remuneration Committee and the Board of Statutory Auditors, will verify the achievement of the CEO Medium/Long-term Qualitative Objectives, deciding upon the allocation of the CEO Medium/Long-term Qualitative Variable Component.
	- Clawback clause: obligation for the repayment to the Company of the variable remuneration components in the case of material violation of company or legal rules, or harmful or seriously damaging conduct such as to alter the data utilised for the achievement of the objectives.
	- Holding period: a minimum holding obligation is established for the Chief Executive Officer on 50% of the shares which will eventually be assigned to him (so-called minimum holding), until the conclusion of mandate;
	- Compliance with the financial covenants: the Chief Executive Officer shall not receive any shares where one or more of the financial covenants set out in the loan contracts undertaken by the Company have not been met.

Executive Director Luca Pelosin

The gross annual overall remuneration of the Executive Director Luca Pelosin is established as follows.

MEMBER	DESCRIPTION OF THE GROUP OBJECTIVES AND APPLICABLE CLAUSES
Fixed component	Fixed annual component (the ED Fixed Annual Component).
Short-term variable component	<p>Short-term variable component of a base amount equal to 50% of the ED Annual Fixed Component and of a maximum amount of approx. 85% of the ED Annual Fixed Component (the ED Short-term Variable Component) linked to the achievement of the quantitative objectives and qualitative objectives described below.</p> <ul style="list-style-type: none"> - Quantitative objectives: 70% of the ED Short-term Variable Component is issuable on the meeting of the EBITDA and NFP objectives established by the annual consolidated budget of the Group approved by the Board of Directors. In particular: <ul style="list-style-type: none"> (i) 70% linked to the achievement of the consolidated EBITDA objectives on the basis of a performance scale with a variable range from a minimum -10% to a maximum of +10% (corresponding to the issue of a short-term variable remuneration respectively from 4.90% to 49.00% of the ED Annual Fixed Component). Within this range, the amount of the variable component linked to EBITDA will be based according to the pre-set brackets; and (ii) 30% linked to the achievement of the consolidated NFP objectives on the basis of a performance scale with a variable range from a minimum of -10% to a maximum of Euro +10% (corresponding to the issue of a variable remuneration respectively from 2.10% to 21.00% of the ED Annual Fixed Component). Within this range, the amount of the variable component linked to NFP will be based according to the pre-set brackets. <p>The pay-out curve is set between a minimum of 20% of the target bonus linked to EBITDA and NFP, where the final balance of quantitative objectives is higher than the minimum threshold of 90% envisaged by the performance scale, and a maximum of 200% of the target bonus linked to EBITDA and NFP, where the final balance of quantitative objectives is</p>

	<p>equal to or higher than the maximum threshold of 110% envisaged by the performance scale.</p> <ul style="list-style-type: none"> - Qualitative objectives: 30% of the ED Short-term Variable Component (the ED Qualitative Component) is issuable subject to the achievement of the following qualitative objectives (defined in 2020) <ul style="list-style-type: none"> (i) the preparation of the Non-Financial Statement for the coming year with the characteristics of the Sustainability Report (relative weight 60%); (ii) the implementation of IT tools scheduled for 2021, as well as the SAP roll out of the Parent Company Fila for January 1, 2022, (relative weight 40%). <p>(collectively, the ED Short-term Qualitative Objectives).</p> <p>With reference to the pay-out curve, it is envisaged that:</p> <ul style="list-style-type: none"> (iii) where the minimum of one of the two quantitative objectives is not achieved, the target bonus linked to qualitative objectives is reduced by 50%; (iv) where the minimum of both quantitative objectives is not achieved, the target bonus linked to qualitative objectives is reduced by 75%; - Issue: following approval of the 2021 consolidated financial statements, with the passing of a motion by the Board of Directors, having consulted the Remuneration Committee and the Board of Statutory Auditors. <p>The Executive Director, in advance of the date set for the approval of the 2021 consolidated financial statements, should present to the Remuneration Committee and the Board of Directors a report on the state of implementation of the activities whose completion constitutes a condition for the issue of the ED Qualitative Component. On the basis of this report, the Board of Directors, having consulted the Remuneration Committee and the Board of Statutory Auditors, will verify the achievement of the ED Short-term Qualitative Objectives, deciding upon the allocation of the ED Qualitative Component.</p> <ul style="list-style-type: none"> - Compliance with the financial covenants: the Executive Director shall not receive any variable remuneration where one or more of the financial covenants set out in the loan contracts undertaken by the Company have not been met. - Clawback clause: obligation for the repayment to the Company of the variable remuneration components in the case of material violation of company or legal rules, or harmful or seriously damaging conduct such as to alter the data utilised for the achievement of the objectives.
<p>Medium/long-term variable component</p>	<p>With reference to the medium/long-term variable component, the Company's Remuneration Policy provides that the Executive Director is the beneficiary of the 2019-2021 Performance Shares Plan.⁴</p> <p>Therefore, the medium/long-term variable component of a maximum amount aggregated over a three-year period, of approx. 85% of the ED Annual Fixed Component (the "ED Medium/Long-term Variable Component") is linked to achieving the quantitative objectives and the qualitative objectives described in the 2019-2021 Performance Shares Plan, with specific reference to the Executive Director and as reported below.</p>

⁽⁴⁾ For more information on the 2019-2021 Performance Shares Plan, reference should be made to Section I, Paragraph 0 of this Report.

	<p>- Quantitative objective: 70% of shares will be assigned on the achievement of the Group's average ROI for the 2019-2021 three-year period as per the Group's industrial plan. Specifically:</p> <ul style="list-style-type: none"> (i) where the performance is below 90.00% of the objective, no shares relating to the quantitative objective shall be assigned; (ii) where the performance is between 90.00% and 92.50% - lower range included - of the objective, 20% of the shares in relation to the quantitative objective shall be assigned; (iii) where the performance is between 92.50% and 95.00% - lower range included - of the objective, 40% of the shares in relation to the quantitative objective shall be assigned; (iv) where the performance is between 95.00% and 97.50% - lower range included - of the objective, 60% of the shares in relation to the quantitative objective shall be assigned; (v) where the performance is between 97.50% and 99.50% - lower range included - of the objective, 80% of the shares in relation to the quantitative objective shall be assigned; (vi) where the performance is between 99.50% and 100.50% - lower range included - of the objective, 100% of the shares in relation to the quantitative objective shall be assigned; (vii) where the performance is between 100.50% and 102.50% - lower range included - of the objective, 120% of the shares in relation to the quantitative objective shall be assigned; (viii) where the performance is between 102.50% and 105.00% - lower range included - of the objective, 140% of the shares in relation to the quantitative objective shall be assigned; (ix) where the performance is between 105.00% and 107.50% - lower range included - of the objective, 160% of the shares in relation to the quantitative objective shall be assigned; (x) where the performance is between 107.50% and 110.00% - lower range included - of the objective, 180% of the shares in relation to the quantitative objective shall be assigned; (xi) where the performance is equal to or above 110% of the objective, 200% of the shares in relation to the quantitative objective shall be assigned. <p>- Qualitative objective: 30% of the ED Medium/Long-term Variable Component (the ED Medium/Long-term Qualitative Variable Component) is issuable on condition that in the 2019-2021 three-year period the following objectives are met:</p> <ul style="list-style-type: none"> o completion of the Group's SAP system roll-out with the review of all software systems, including those planned for the upgrading of the IT infrastructure, in the times provided by the relative road map; o ongoing monitoring of compliance with objectives for the Group's generation of cash; o ongoing monitoring of the Group's sustainability indices; <p>(collectively, the ED Medium/Long-term Qualitative Objectives).</p> <p>- Issue: following approval of the 2021 consolidated financial statements, with the passing of a motion by the Board of Directors, having consulted the Remuneration Committee and the Board of Statutory Auditors.</p> <p>The Executive Director, in advance of the date set for the approval of the 2021 consolidated financial statements, should present to the Remuneration</p>
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	<p>Committee and the Board of Directors a report on the state of implementation of the activities whose completion constitutes a condition for the issue of the ED Medium/Long-term Qualitative Variable Component. On the basis of this report, the Board of Directors, having consulted the Remuneration Committee and the Board of Statutory Auditors, will verify the achievement of the ED Medium/Long-term Qualitative Objectives, deciding upon the allocation of the ED Medium/Long-term Qualitative Variable Component.</p>
	<p>- Clawback clause: obligation for the repayment to the Company of the variable remuneration components in the case of material violation of company or legal rules, or harmful or seriously damaging conduct such as to alter the data utilised for the achievement of the objectives.</p>
	<p>- Holding period: a minimum holding obligation is established for the Executive Director on 50% of the shares which will eventually be assigned to him (so-called minimum holding), until the conclusion of mandate;</p>
	<p>- Compliance with the financial covenants: the Executive Director shall not receive any shares where one or more of the financial covenants set out in the loan contracts undertaken by the Company have not been met.</p>

Common application provisions

The criteria for the normalisation of EBITDA and the NFP are described at Annex A of the present Report. The calculation of the EBITDA and the NFP will be based on a like-for-like consolidation scope (without including therefore the EBITDA and NFP of the companies acquired and/or disposed of and/or merged and/or incorporated and not considered in the Group Industrial Plan), normalising (i) in the calculation of the NFP also the acquisition costs and (ii) in the calculation of the EBITDA the value of the bonus, both in the budget and actual figures, for the verification of the achievement of the quantitative objectives of this component of the Executive Directors as well as the Senior Executives and Senior Managers.

The fixing of the exchange rate to the budget is also envisaged, to be used for the consolidation of economic and financial objectives applicable to the variable remuneration linked to the achievement of both short-term and long-term objectives

Where one or more of the Relevant Events occurs, the Board of Directors - also on the proposal on the Remuneration Committee - shall make the amendments and supplementations considered necessary and appropriate to neutralise the effects of the Relevant Events to the objectives and/or governance of the remuneration plans of the Executive Directors, and maintain therefore as far as possible the substantial content of the plan and the concrete opportunity to achieve the bonuses therein unchanged.

(ii) Senior Executives and Senior Managers

The variable remuneration of Senior Executives and Senior Managers is composed of a short-term variable component and a medium/long term variable component, as detailed below.

Senior Executives and Senior Managers - Short-term variable component

The short-term variable component of Senior Executives and Senior Managers depends on the level of contribution to the Company's consolidated results by the companies included in the scope of

reference and/or by the level of challenges managed in relation to the relevant business area or the Group in general.

On this basis, for the purposes of calculating the short-term variable component, Senior Executives and Senior Managers are divided into responsibility functions as follows:

- Country CEO SEs;
- Other SEs;
- Country CEO SMs;
- Other SMs.

The principles and procedures for the establishment of the short-term variable component of Senior Executives is shown below.

	COUNTRY CEO SE	OTHER SE
Short-term variable component	Short-term variable component of a maximum amount equal to 85% of the Annual Fixed Component (the Country SE Short-term Variable Component) linked to the achievement of the quantitative objectives and qualitative objectives described below.	Short-term variable component of a maximum amount equal to 75% of the Annual Fixed Component (the Other SE Short-term Variable Component) linked to the achievement of the quantitative objectives and qualitative objectives described below.
Quantitative objectives	<p>70% of the Country SE Short-term Variable Component is issuable on the meeting of the EBITDA and NFP objectives established by the regions and/or of the local entity annual budget. In particular:</p> <ul style="list-style-type: none"> ○ 70% linked to the achievement of the EBITDA objectives on the basis of a performance scale with a variable range from a minimum -10% to a maximum of +10% (with a corresponding short-term variable remuneration respectively from 4.90% to 49.00% of the CEO Annual Fixed Component). Within this range, the amount of the variable component linked to EBITDA will be based according to the pre-set brackets; and ○ 30% linked to the achievement of the NFP objectives on the basis of a performance scale with a variable range from a minimum of -10% to a maximum of Euro +10% (corresponding to the issue of a variable remuneration respectively from 2.10% to 21.00% of the Annual Fixed Component). Within this range, the amount of the variable component linked to NFP will be based according to the pre-set brackets. 	<p>50% of the Other SE Short-term Variable Component is issuable on the meeting of the EBITDA and NFP objectives established by the regions and/or of the local entity annual budget or of the Group. In particular:</p> <ul style="list-style-type: none"> ○ 70% linked to the achievement of the EBITDA objectives on the basis of a performance scale with a variable range from a minimum -10% to a maximum of +10% (with a corresponding short-term variable remuneration respectively from 2.45% to 35.00% of the CEO Annual Fixed Component). Within this range, the amount of the variable component linked to EBITDA will be based according to the pre-set brackets; and ○ 30% linked to the achievement of the NFP objectives on the basis of a performance scale with a variable range from a minimum of -10% to a maximum of Euro +10% (corresponding to the issue of a variable remuneration respectively from 1.05% to 15.00% of the Annual Fixed Component). Within this range, the amount of the variable component linked to NFP will be based according to the pre-set brackets.
	The performance curve is set as between a minimum of 90% and a maximum of 110% of the EBITDA and of the NFP of the region and/or local entity annual budget.	The performance curve is set as between a minimum of 90% and a maximum of 110% of the EBITDA and of the NFP of the region and/or local entity annual budget or of the Group.

	The pay-out curve is set between a minimum of 20% of the target bonus linked to EBITDA and NFP, where the final balance of quantitative objectives is higher than the minimum threshold of 90% envisaged by the performance scale, and a maximum of 200% of the target bonus linked to EBITDA and NFP, where the final balance of quantitative objectives is equal to or higher than the maximum threshold of 110% envisaged by the performance scale.	
Qualitative objectives	30% of the Country SE Short-term Variable Component is issuable subject to the achievement of the qualitative objectives which depend on the specific characteristics of the role.	50% of the Other SE Short-term Variable Component is issuable subject to the achievement of the qualitative objectives which depend on the specific characteristics of the role.
	<p>With reference to the pay-out curve, it is envisaged that:</p> <ul style="list-style-type: none"> ○ where the minimum of one of the two quantitative objectives is not achieved, the target bonus linked to qualitative objectives is reduced by 50%; ○ where the minimum of both quantitative objectives is not achieved, the target bonus linked to qualitative objectives is reduced by 75%; 	
Compliance with financial covenants	The Senior Executives shall not receive any variable remuneration where one or more of the financial covenants set out in the loan contracts undertaken by the Company have not been met.	
Clawback clause	The Senior Executives have the obligation to repay to the Company the variable remuneration components in the case of material violation of company or legal rules, or harmful or seriously damaging conduct such as to alter the data utilised for the achievement of the objectives.	

The principles and procedures for the establishment of the short-term variable component of Senior Managers is shown below.

	SM - COUNTRY CEO	OTHER SM
Short-term variable component	Short-term variable component of a maximum amount equal to 68% of the Country SM Annual Fixed Component (the Country SM Short-term Variable Component) linked to the achievement of the quantitative objectives and qualitative objectives described below.	Short-term variable component of a maximum amount equal to 68% of the Other SM Annual Fixed Component (the Other SM Short-term Variable Component) linked to the achievement of the quantitative objectives and qualitative objectives described below.
Quantitative objectives	<p>70% of the Country SM Short-term Variable Component is issuable on the meeting of the EBITDA and NFP objectives established by the local entity annual budget. In particular:</p> <ul style="list-style-type: none"> ○ 70% linked to the achievement of the EBITDA objectives on the basis of a performance scale with a variable range from a minimum -10% to a maximum of +10% (with a corresponding short-term variable remuneration respectively from 3.92% to 39.20% of the CEO Annual Fixed Component). Within this range, the amount of the variable component linked to EBITDA will be based according to the pre-set brackets based on a performance scale with a variable range; and ○ 30% linked to the achievement of the NFP objectives on the basis of a performance scale with a variable range from a 	<p>50% of the Other SM Short-term Variable Component is issuable on the meeting of the EBITDA and NFP objectives established by the regions and/or of the local entity annual budget or of the Group. In particular:</p> <ul style="list-style-type: none"> ○ 70% linked to the achievement of the EBITDA objectives on the basis of a performance scale with a variable range from a minimum -10% to a maximum of +10% (with a corresponding short-term variable remuneration respectively from 1.40% to 28.00% of the CEO Annual Fixed Component). Within this range, the amount of the variable component linked to EBITDA will be based according to the pre-set brackets based on a performance scale with a variable range; and ○ 30% linked to the achievement of the NFP objectives on the basis of a performance

	<p>minimum of -10% to a maximum of Euro +10% (corresponding to the issue of a variable remuneration respectively from 1.68% to 16.80% of the Annual Fixed Component). Within this range, the amount of the variable component linked to NFP will be based according to the pre-set brackets.</p>	<p>scale with a variable range from a minimum of -10% to a maximum of Euro +10% (corresponding to the issue of a variable remuneration respectively from 0.60% to 12.00% of the Annual Fixed Component). Within this range, the amount of the variable component linked to NFP will be based according to the pre-set brackets.</p>
	<p>The performance curve is set as between a minimum of 90% and a maximum of 110% of the EBITDA and of the NFP of the region and/or local entity annual budget.</p>	<p>The performance curve is set as between a minimum of 90% and a maximum of 110% of the EBITDA and of the NFP of the region and/or local entity annual budget or of the Group.</p>
	<p>The pay-out curve is set between a minimum of 20% of the target bonus linked to EBITDA and NFP, where the final balance of quantitative objectives is higher than the minimum threshold of 90% envisaged by the performance scale, and a maximum of 200% of the target bonus linked to EBITDA and NFP, where the final balance of quantitative objectives is equal to or higher than the maximum threshold of 110% envisaged by the performance scale.</p>	
Qualitative objectives	<p>30% of the Country SM Short-term Variable Component is issuable subject to the achievement of the qualitative objectives which depend on the specific characteristics of the role.</p>	<p>50% of the Other SM Short-term Variable Component is issuable subject to the achievement of the qualitative objectives which depend on the specific characteristics of the role.</p>
	<p>With reference to the pay-out curve, it is envisaged that:</p> <ul style="list-style-type: none"> ○ where the minimum of one of the two quantitative objectives is not achieved, the target bonus linked to qualitative objectives is reduced by 50%; ○ where the minimum of both quantitative objectives is not achieved, the target bonus linked to qualitative objectives is reduced by 75%; 	
Compliance with financial covenants	<p>The Senior Managers shall not receive any variable remuneration where one or more of the financial covenants set out in the loan contracts undertaken by the Company have not been met.</p>	
Clawback clause	<p>The Senior Managers have the obligation to repay to the Company the variable remuneration components in the case of material violation of company or legal rules, or harmful or seriously damaging conduct such as to alter the data utilised for the achievement of the objectives.</p>	

Senior Executives and Senior Managers- Medium/ long term variable component

The Remuneration Policy of the Company provides that the medium/long-term variable component for Senior Executives and Senior Managers is established in accordance with the objectives and principles outlined in the 2019-2021 Performance Shares Plan.

For more information on the 2019-2021 Performance Shares Plan, reference should be made to the following Paragraph.

3.4 2019-2021 PERFORMANCE SHARES PLAN

The 2019-2021 Performance Shares Plan was approved by the Shareholders' Meeting of the Company on April 18, 2019, on the proposal of the Board of Directors and following the favourable opinion of the Remuneration Committee.

This represents a medium/long-term incentive system based on the free assignment of Company shares and subject to the achievement of specific performance objectives, in addition to continued employment with the Group. In particular, except as described below, the free assignment of shares is linked (i) partly to the achievement of industrial performance objectives which are calculated for all beneficiaries of the 2019-2021 Performance Shares Plan with reference to the scope of the Fila Group, and (ii) partly to the achievement of certain individual or organisational strategic objectives, which are specifically defined for each beneficiary of the 2019-2021 Performance Shares Plan according to the role and position held.

An exception is made for 2 SEs and 3 SMs operating in North America, for whom: (i) the quantitative component, linked to the achievement of industrial performance objectives, is calculated by taking into account only the scope of North America (Canada and the United States) and (ii) the qualitative component is linked only to continued employment in the Group, there being no individual or organisational strategic objectives planned for them.

The 2019-2021 Performance Shares Plan was implemented in order to:

- link remuneration with the medium/long-term enterprise performance, in order to further align managerial prospects with the interests of the shareholders, ensuring conduct based on the sustainability of the performance and the achievement of the industrial and business objectives defined;
- reward the achievement of the Group's industrial plan objectives and pre-defined qualitative objectives;
- increase the Company and the Group's capacity to attract and retain key and strategic personnel for the implementation of the company development plan.

The guidelines of the 2019-2021 Performance Shares Plan are outlined below.

2019-2021 PERFORMANCE Shares Plan		
1.	Beneficiaries	Executive Directors (2), Senior Executives (6) and Senior Managers (19) ⁽⁵⁾ .
2.	Objectives	The assignment of shares to each beneficiary is linked to achieving the quantitative objectives and qualitative objectives described below.
3.	Quantitative objective	70% of shares will be assigned on the achievement of the Group's average ROI ⁽⁶⁾ for the 2019-2021 three-year period as per the Group's industrial plan. Specifically: <ul style="list-style-type: none"> (i) where the performance is below 90.00% of the objective, no shares relating to the quantitative objective shall be assigned;

⁽⁵⁾ As indicated in the documentation published concerning the 2019-2021 Performance Shares Plan, the Board of Directors has the power to change the number of beneficiaries over time (also, for example, following the identification of new Senior Executives or new Senior Managers), as long as this is within 18 months of the approval of the Plan, and subject to the limit in terms of the maximum number of Company shares which may be issued in service of the 2019-2021 Performance Shares Plan, as approved by the Shareholders' Meeting.

⁽⁶⁾ With reference to 2 SEs and 3 SMs, the 2019-2021 Performance Shares Plan provides that the quantitative component, linked to the achievement of average ROI objectives, is calculated by taking into account only the scope of North America (Canada and the United States) and not of the entire Group.

		<ul style="list-style-type: none"> (ii) where the performance is between 90.00% and 92.50% - lower range included - of the objective, 20% of the shares in relation to the quantitative objective shall be assigned; (iii) where the performance is between 92.50% and 95.00% - lower range included - of the objective, 40% of the shares in relation to the quantitative objective shall be assigned; (iv) where the performance is between 95.00% and 97.50% - lower range included - of the objective, 60% of the shares in relation to the quantitative objective shall be assigned; (v) where the performance is between 97.50% and 99.50% - lower range included - of the objective, 80% of the shares in relation to the quantitative objective shall be assigned; (vi) where the performance is between 99.50% and 100.50% - lower range included - of the objective, 100% of the shares in relation to the quantitative objective shall be assigned; (vii) where the performance is between 100.50% and 102.50% - lower range included - of the objective, 120% of the shares in relation to the quantitative objective shall be assigned; (viii) where the performance is between 102.50% and 105.00% - lower range included - of the objective, 140% of the shares in relation to the quantitative objective shall be assigned; (ix) where the performance is between 105.00% and 107.50% - lower range included - of the objective, 160% of the shares in relation to the quantitative objective shall be assigned; (x) where the performance is between 107.50% and 110.00% - lower range included - of the objective, 180% of the shares in relation to the quantitative objective shall be assigned; (xi) where the performance is equal to or above 110% of the objective, 200% of the shares in relation to the quantitative objective shall be assigned.
4.	Qualitative objective	30% of shares shall be assigned on achieving specific individual or organisational strategic objectives which shall be defined in the respective assignment letters and which shall encompass, <i>inter alia</i> , the achievement of objectives envisaged by the "DNA Project" (7).
5.	Vesting period of the results	January 1, 2019 - December 31, 2021.
6.	Conditions for the assignment of the shares	<ul style="list-style-type: none"> (i) Continued employment with the Company or with the Group companies at the moment of the bonus' disbursement (except in the case of the so-called "good leaver") and for each individual beneficiary to retain the title of Executive Director, or Senior Executive or Senior Manager; (ii) achievement of the objectives as per points 3 and 4; (iii) compliance with all of the financial covenants as per the loan contracts undertaken by the Company.
7.	Maturation of the right to receive the shares	A single maturation tranche at the end of the vesting period as per the preceding point 5.

(7) With reference to 3 Senior Managers, the qualitative component for the assignment of 30% of shares in the 2019-2021 Performance Shares Plan is based solely on continued employment within the Company or the Group when the bonus is awarded.

8.	Assignment of the shares	In a single tranche, subsequent to the vesting period as per the preceding point 5, during the approval of the Company's 2021 financial statements.
9.	Holding Period	<p>A holding obligation of assigned shares is also stipulated for all the beneficiaries (the “minimum holding”). In particular:</p> <ul style="list-style-type: none"> (i) for the Executive Director and Chief Executive Officer: a minimum holding obligation is established on 50% of the shares which may be assigned, until the conclusion of mandate; (ii) for all other beneficiaries: a minimum holding obligation is established on 50% of the Shares which shall be assigned on the following basis: <ul style="list-style-type: none"> (a) an initial 25% of the Shares assigned shall be subject to the minimum holding commitment until the conclusion of a period of 6 months from the effective assignment date of the shares; and (b) the second 25% of the Shares assigned shall be subject to the minimum holding commitment until the conclusion of a period of 12 months from the effective assignment date of the shares.
10.	Clawback clause	Obligation for the repayment to the Company of the variable remuneration components in the case of material violation of company or legal rules, or harmful or seriously damaging conduct such as to alter the data utilised for the achievement of the objectives.

For further information on the 2019-2021 Performance Shares Plan reference should be made to the Information Document prepared in accordance with Article 84-*bis* and Statement 7 of Attachment 3A of the Issuers’ Regulations and of the relative Illustrative Report prepared in accordance with Articles 114-*bis* and 125-*ter* of the CFA, both made available to the public in accordance with the terms and conditions required by applicable legislation.

4. POLICY UPON NON-MONETARY BENEFITS (FRINGE BENEFITS)

Non-Executive Directors and members of the Board of Statutory Auditors are not assigned non-monetary benefits, with the exception of insurance coverage for liability arising from the exercise of office.

The remuneration package of the Chairperson of the Board of Directors consists, in terms of non-monetary benefits, of the right to a company car for mixed use.

The remuneration package of the Honorary Chairman comprises, with regard to non-monetary benefits, insurance coverage for liability arising from the exercise of office, insurance coverage in the case of death or accident, a health policy.

The remuneration package of the Executive Directors comprises, with regard to the non-monetary benefits, D&O insurance coverage, insurance coverage in the case of death or accident, a health policy and the assignment of a company car for general use.

The recognition of non-monetary benefits to Senior Executives and Senior Managers is in line with market practice and applicable regulations.

5. POLICY UPON BENEFITS ON CONCLUSION OF OFFICE

Without prejudice to the provisions of the preceding Paragraph 3.3 of the Report regarding payment of the medium-long term variable component, as a rule, no treatment is provided for in the event of termination of office or termination of employment, except for those provided for by locally applicable regulations or defined by specific employment contracts.

The Company may stipulate - and normally does - with Senior Executives and Senior Managers non-compete agreements.

No agreements have been undertaken between the Company and Directors which provide for benefits on conclusion of office following a public purchase offer.

The Company intends to enter into agreements with Executive Directors that regulate ex ante the financial aspects regarding early termination of employment at the initiative of the Company or the individual upon the occurrence of certain events, based on criteria that will be in line with the relevant benchmarks, without prejudice to its statutory obligations.

6. INSURANCE, SOCIAL SECURITY AND PENSION COVERAGE

For further information concerning insurance, social security and pension coverage, reference should be made to Section I, Chapter 4 of this Report.

7. FORMS OF EXTRAORDINARY REMUNERATION

The competent corporate bodies may assess and approve monetary disbursements, by means of bonuses and one-off payments of a discretionary nature, linked to extraordinary transactions of particular strategic significance (for example, the completion of M&A, extraordinary finance and reorganisation transactions of major importance for the Company and/or the Group) and/or to exceptional performances relating to the achievement of objectives that have a significant and positive impact on the economic, equity, financial and/or income situation of the Company and/or the Group and which are not already included in the variable components of short- and medium/long-term remuneration.

Such disbursements may only be provided to those persons covered in this Report.

In the event of extraordinary remuneration pursuant to this Paragraph 7, the provisions of the Consob RPT Regulation and the RPT Policy on "related party transactions" shall apply.

8. EXCEPTIONS TO THE REMUNERATION POLICY

Pursuant to Article 123-ter, paragraph 3-bis, of the CFA, the Company grants compensation only in accordance with the Remuneration Policy. However, the competent corporate bodies may consider and approve the payment of compensation involving temporary departures from the Remuneration Policy, provided that:

- (i) according to the judgement of the competent corporate bodies, exceptional circumstances exist pursuant to Article 123-ter of the CFA, i.e. situations in which a departure from the Remuneration Policy is necessary in order to pursue the long-term interests and sustainability of the Company as a whole or to ensure its ability to compete on the market. Exceptional circumstances may include, by way of example: (a) disposal, acquisition, merger, demerger,

corporate reorganisation and/or other extraordinary transactions that entail significant changes in the scope of the Company and/or the Group's activities; (b) changes to the organisational, managerial and administrative structure of the Company and/or the Group that have an impact on the Company and/or the Group's economic and financial results and on the creation of value in the long term; (c) actions and/or initiatives aimed at attracting, retaining or replacing resources that are strategic for the Company and/or the Group as well as at ensuring that the achievement of individual or collective results that are particularly significant and positive for the Company and/or the Group is adequately valued; and

- (ii) the exception relates to the introduction, modification/revision, or elimination of the following items of compensation: (a) the qualitative and/or quantitative performance objectives of the short-term or long-term variable compensation plans; (b) the means, timeframes or procedures involved in assessing achievement of the qualitative and/or quantitative performance objectives of the short-term or long-term variable compensation plans; (c) performance and/or pay-out curves; (d) the type of financial instruments to be allocated and/or the amounts to be allocated to the beneficiaries of short-term or long-term variable remuneration and the duration of the relevant vesting period; (e) lock up, clawback and malus clauses; (f) entry bonuses designed to encourage the entry/hiring of new key staff (such as, for example, recognition of short/medium-term incentives, etc.); (g) retention bonuses linked to a commitment to maintain an employment relationship with the Company for a specified period; (h) severance or other compensation in connection with the termination of employment or office.

In the event of exceptions to the Remuneration Policy pursuant to this Paragraph 8, the provisions of the Consob RPT Regulation and the RPT Policy on "related party transactions" shall apply.

SECTION II

1. PART I - ITEMS COMPRISING REMUNERATION FOR 2020

In the first part of Section II of this Report, an adequate outline of each of the items comprising the remuneration paid to Directors and to Statutory Auditors of the Company is provided.

In 2020, compensation was paid pursuant to the principles, goals and objectives set out in the 2020 Remuneration Policy. As discussed in Section II, Chapter 1, Paragraph 1.6 of the Report, certain elements of the 2020 Remuneration Policy were temporarily waived during the year.

Specifically, compensation was assigned in such a way as to ensure an overall remuneration structure in line with the needs of the Company and the Group, also in light of the ongoing COVID-19 emergency, as well as the impact of the measures to contain the contagion on the business of Fila and the Group.

Moreover, the allocation of remuneration pursues the long-term interests and the sustainability of the Company and the Group's business and performance, as outlined in the 2020 Remuneration Policy. It responds positively to the need to attract, retain and motivate staff with high professionalism, and focuses particular attention on positions considered key to the development and management of the business, enhancing the performance achieved and recognising the quality and effectiveness of the individual contribution.

Similarly, the objectives of aligning the interests of the Company's management with the pursuit of the priority objective of creating sustainable value for Fila's shareholders and other *stakeholders* in the medium-long term, are considered to have been achieved through a weighted compensation determination process, with particular reference to: (i) containment of the effects of the COVID-19 pandemic; (ii) definition of a 2021-2025 Strategic Plan; (iii) improvement of the Group's governance process through the updating and subsequent implementation of a Group Organisational Model; (iv) establishment of a Management Committee on Sustainability to confirm the attention paid to issues related to Sustainability.

1.1 BOARD OF DIRECTORS

The Shareholders' Meeting of April 27, 2018 approved the remuneration to be assigned to the Board of Directors for the entire duration of its mandate (i.e. until the approval of the 2020 financial statements), amounting to an annual total of Euro 230,000.00. On the same date, the Board of Directors approved the apportionment of the total annual remuneration as follows: (i) a gross annual emolument of Euro 15,000.00 to each Director (excluding the Chairman of the Board of Directors) and (ii) a gross annual emolument of Euro 110,000.00 to the Chairman of the Board of Directors ⁽⁸⁾.

⁽⁸⁾ On April 22, 2020, the Shareholders' Meeting, *inter alia*, confirmed Giovanni Gorno Tempini as the Chairman of the Board of Directors and, at the same time, confirmed the allocation to him of a fixed gross emolument of Euro 110,000.00 to be paid *pro-rata*, in addition to reimbursement of expenses incurred in the performance of the assignment and duly documented.

On May 15, 2018, the Board of Directors also resolved, on the proposal of the Remuneration Committee and following the favourable opinion of the Control, Risks and Related Parties Committee and the Board of Statutory Auditors, to allocate:

- (i) a gross annual emolument of Euro 170,000.00 to the Honorary Chairman;
- (ii) a gross annual emolument of Euro 6,000.00 to each member of the Control, Risks and Related Parties Committee (excluding the Chairman) and a gross annual emolument of Euro 37,000.00 to the Chairman; and
- (iii) a gross annual emolument of Euro 6,000.00 to each member of the Remuneration Committee (excluding the Chairperson) and a gross annual emolument of Euro 12,000.00 to the Chairperson.

1.2 EXECUTIVE DIRECTORS

On March 25, 2020, the Board of Directors resolved, on the proposal of the Remuneration Committee, with prior favourable opinion of the Board of Statutory Auditors, and in line with the 2020 Remuneration Policy, to allocate (i) a gross annual emolument of Euro 1,200,000.00 to the Chief Executive Officer, as a fixed component of his remuneration and (ii) a gross annual emolument of Euro 400,000.00 to the Executive Director, as a fixed component of his remuneration.

In addition, the Board of Directors of March 16, 2020 resolved, on the proposal of the Remuneration Committee and subject to the favourable opinion of the Board of Statutory Auditors, to award Executive Directors, in accordance with the 2019 remuneration policy approved by the Shareholders' Meeting of April 18, 2019 and consistent with the 2020 Remuneration Policy, an extraordinary bonus totalling Euro 500,000.00. This relates to the completion of the acquisition, on March 2, 2020, by F.I.L.A.-Arches S.A.S. (a wholly owned subsidiary of Fila) of the business unit specialising in fine art operating through the "ARCHES" brand (Project Leonardo). Specifically, the following were approved:

- (i) Euro 375,000 to the Chief Executive Officer Massimo Candela; and
- (ii) Euro 125,000 to the Executive Director Luca Pelosin.

On March 22, 2021, the Board of Directors, upon the proposal of the Remuneration Committee and following the favourable opinion of the Board of Statutory Auditors, verified the achievement of the short-term qualitative and quantitative targets set out in the 2020 Remuneration Policy and, consequently, resolved to grant (i) Chief Executive Officer Massimo Candela short-term variable remuneration totalling Euro 287,100 for 2020; and (ii) Executive Director Luca Pelosin short-term variable remuneration totalling Euro 95,700 for 2020.

The following table illustrates the level of achievement of the short-term qualitative and quantitative objectives set forth for Executive Directors in the 2020 Remuneration Policy.

RESULTS OF 2020 SHORT-TERM OBJECTIVES					
OFFICE	OBJECTIVE	WEIGHT %	NET RESULT	LEVEL OF ACHIEVEMENT %	REMUNERATION RECOGNISED (IN EURO)
QUALITATIVE OBJECTIVES					
Chief Executive Officer - Massimo Candela	Development of the Group Strategic Plan	50%	Achieved	100%	90,000
	Inclusion of ESG objectives in the Strategic Plan consistent with the Group's development	50%	Achieved	100%	90,000
Executive Director - Luca Pelosin	Implementation of the Organisational Model and delegation of power on approval	33.3%	Achieved	100%	20,000
	Establishment and operation of a Management Committee on Sustainability	33.3%	Achieved	100%	20,000
	Completion of an implementation programme for the new IT applications	33.3%	Achieved	100%	20,000
QUANTITATIVE OBJECTIVE					
Chief Executive Officer - Massimo Candela	Achievement of the consolidated EBITDA objectives	70%	(*)	7.5%	22,050
	Achievement of the consolidated NFP objectives	30%	(*)	67.5%	85,050
Executive Director - Luca Pelosin	Achievement of the consolidated EBITDA objectives	70%	(*)	7.5%	7,350
	Achievement of the consolidated NFP objectives	30%	(*)	67.5%	28,350

(*) This information has not been included because it refers to economic-financial data of a forecast nature that have not previously been communicated to the public.

As regards the medium-long term variable component (qualitative and quantitative) of the 2019-2021 Performance Shares Plan, no remuneration is yet owed to the Chief Executive Officer Massimo Candela or the Executive Director Luca Pelosin, as the achievement of the targets will be verified at the end of the three-year vesting period.

** *** **

A summary of the remuneration paid to Executive Directors in 2020 is outlined below.

SUMMARY OF REMUNERATION FOR EXECUTIVE DIRECTORS IN 2020					
OFFICE	2020 FIXED REMUNERATION	2020 QUANTITATIVE VARIABLE REMUNERATION NET OF EXCEPTION	2020 QUALITATIVE VARIABLE REMUNERATION	OTHER REMUNERATION	TOTAL REMUNERATION
IN EURO					
Chief Executive Officer Massimo Candela	1,200,000.00	107,100	180,000	375,000 (*)	1,862,100
Executive Director Luca Pelosin	400,000.00	35,700	60,000	125,000 (*)	620,700
TOTAL	1,600,000.00	142,800	240,000	500,000 (*)	2,482,800
PERCENTAGE VALUES (*)					
Chief Executive Officer Massimo Candela	64.44%	5.75%	9.67%	20.14%	100%
Executive Director Luca Pelosin	64.44%	5.75%	9.67%	20.14%	100%

(*) On March 16, 2020, on the proposal of the Remuneration Committee and following the favourable opinion of the Board of Statutory Auditors, the Board of Directors resolved to award an extraordinary bonus related to the completion of the acquisition, on March 2, 2020, by F.I.L.A.-Arches S.A.S. (a company wholly owned by Filia), of the business unit specialised in fine art operating under the ARCHES brand (i.e., Project Leonardo) for a total amount of Euro 500,000, of which (i) Euro 375,000.00 in favour of the Chief Executive Officer Massimo Candela; and (ii) Euro 125,000.00 in favour of the Executive Director Luca Pelosin.

(**) Percentage values were calculated taking into account only the short-term fixed and variable component (qualitative and quantitative) for Executive Directors. This percentage, therefore, does not include the medium-long term variable component (qualitative and quantitative) of the 2019-2021 Performance Shares Plan, the achievement of which will be verified at the end of the three-year vesting period.

1.3 GENERAL MANAGERS

The Company has not appointed General Managers.

1.4 SENIOR EXECUTIVES

The Senior Executives are identified by the Board of Directors of the Company, also having consulted with the Remuneration Committee.

There are no Senior Executives who received higher overall compensation during the year than the highest overall compensation attributed to the members of the management or control boards.

With regards to those acting as Senior Executives in 2020, or also for a part of the year, the following remuneration was paid: (i) fixed remuneration as a Group employee; (ii) short-term variable remuneration; (iii) other non-monetary benefits (e.g. car allowance) and non-monetary benefits (company car, meals, insurance).

No shares were granted during 2020 in execution of the 2019-2021 Performance Shares Plan.

Except for that outlined below, during the 2020 financial year, no indemnities or other benefits were granted for termination of office or termination of employment of Senior Executives.

During 2020, 2 (two) Senior Executives ceased to hold this position. The Company has established specific agreements with 2 (two) Senior Executives to govern their relationships with the Group. Specifically, these agreements (i) do not envisage the payment of indemnities on termination of office, and (ii) for one of the two Senior Executives, stipulates the application of the enjoyment of the Performance Shares Plan for the entire year 2020, in compliance with the provisions of Article 14 of the Plan Regulations.

1.5 BOARD OF STATUTORY AUDITORS

The Shareholders' Meeting of April 27, 2018, on the appointment of the Board of Statutory Auditors, approved a gross annual remuneration for each Statutory Auditor of Euro 22,000.00 and of Euro 29,000.00 for the Chairman of the Board of Statutory Auditors.

Considering the changes in the Company's organisational structure and the Group's scope, the Shareholders' Meeting of April 18, 2019, approved the re-determination of the remuneration of the Board of Statutory Auditors in office until the approval of the 2020 Annual Accounts, effective from financial year 2019, establishing: (i) an all-inclusive amount of Euro 40,000 gross annually as the remuneration of the Chairperson of the Board of Statutory Auditors and (ii) an all-inclusive amount of Euro 30,000 gross annually as the remuneration of each of the Statutory Auditors.

1.6 EXCEPTIONS TO THE 2020 REMUNERATION POLICY

As communicated to the market in a press release, on August 5, 2020, the Board of Directors approved - on the proposal of the Remuneration Committee and having received the favourable non-binding reasoned opinion of the Control, Risks and Related Parties Committee - the application, in accordance with Article 123-ter, paragraph 3-bis, of the CFA, and in compliance with Paragraph 1.8 of the 2020 Remuneration Policy of a temporary derogation to specific items of the 2020 Remuneration Policy (the "**Derogation**") amid "exceptional circumstances" relating to the impacts from the COVID-19 pandemic and the consequent lockdown on the results of Fila and of the Group.

Paragraph 1.8 of the 2020 Remuneration Policy, in line with Article 123-ter of the CFA, expressly stipulated the possibility of applying a temporary derogation and regulated both the procedural conditions on the basis of which the derogation might be applied (i.e. application of the rules for related party transactions as per Consob RPT Regulation and the RPT Policy) and the items for which derogations may be applied (i.e. any type of fixed or variable, short and/or medium/long-term remuneration, of the beneficiaries of the 2020 Policy).

1.6.1 ITEMS OF THE 2020 REMUNERATION POLICY COVERED BY THE DEROGATION:

The Derogation consisted of the modification of the performance and payout curves relating to the quantitative targets which govern the payment of short-term variable remuneration for 2020 (the targets of which refer to the Group's EBITDA and NFP as provided for in the Group's 2020 annual budget). Specifically, this was done by (i) increasing the first lower bracket by 12.5%; and (ii) increasing the discount provided for the specific lower brackets of the percentage under (i) in anticipation of the reduction in Group EBITDA expected at December 31, 2020 and the expected worsening of Group NFP at December 31, 2020.

1.6.2 THE NATURE OF THE “EXCEPTIONAL CIRCUMSTANCES” AS A REQUIREMENT FOR THE APPLICATION OF THE DEROGATION

In the Company's opinion, the application of the Derogation was necessary for the purposes of pursuing the "*long-term interests of the Company*", in line with the provisions of Article 123-ter, paragraph 3-bis, of the CFA. In fact, in the exceptional circumstances deriving from the COVID-19 pandemic and the consequent measures aimed at preventing the spread of the virus adopted in the various countries in which the Group operates, the failure of the Group's management to revise the original provisions of the 2020 Remuneration Policy would have led, due to circumstances totally beyond its control and regardless of the commitment made in a difficult situation, to an almost complete reduction in the short-term variable component (qualitative and quantitative) of its remuneration, thus undermining the rationale of aligning the interests of management with those of the shareholders, as well as the incentive effect of the same.

As expected, the health crisis and the consequent measures adopted to limit the spread of the virus in the various countries in which the Group operates had a negative impact on the achievement of the EBITDA and NFP targets set out in the Group's annual budget for 2020, to whose achievement the payment of the qualitative component of short-term variable remuneration of Group personnel is linked. In addition, also in accordance with the 2020 Remuneration Policy, the non-achievement of the EBITDA objectives and the NFP, as set out in the annual budget for 2020 of the Group, would have resulted in a 75% reduction the amount of the target of the quantitative component of short-term variable remuneration of Group personnel.

The Derogation was also designed to avoid distorting effects (such as the payment to beneficiaries of the 2020 Remuneration Policy of monetary bonuses linked to short-term quantitative objectives above the target level) in the event that the Group's results at December 31, 2020, in terms of EBITDA and/or NFP, were better than the estimates made by the Company, but in any case lower than those set out in the Group's 2020 annual budget.

1.6.3 PROCEDURAL ASPECTS OF THE APPLICATION OF THE DEROGATION AND ITS APPROVAL PROCESS

For the purposes of the approval of the Derogation, the procedural safeguards provided for in Paragraph 1.8 of the 2020 Remuneration Policy were observed and, therefore, the rules for related party transactions set out in the Consob RPT Regulation and the RPT Policy were applied. In particular, the policy was followed for “*less significant related party transactions*” as the application of the Derogation, as a result of its value, did not fall within the “*minor transactions*” as per Article 2 of the RPT Policy (*i.e.* transactions whose value does not exceed the amount of Euro 200,000.00) and does not exceed any of the significance thresholds provided for in Annex 3 to the RPT Regulation for the purposes of qualifying a related party transaction as “*significant*”.

A summary of the procedure followed by the Company to approve the exemption follows:

- (i) on July 3, 2020, the Remuneration Committee preliminarily examined some proposals for the application of a temporary derogation to certain items of the 2020 Remuneration Policy, based on the aforementioned need to realign the interests of the various stakeholders in the light of the effects of the pandemic;
- (ii) on July 24, 2020, the Remuneration Committee defined the Derogation in the terms described above, and unanimously resolved to submit this proposal to the Board of Directors;
- (iii) also on July 24, 2020, the Control, Risks and Related Parties Committee, considering the aforementioned application of the RPT procedure as a safeguard implemented by the Company pursuant to the 2020 Remuneration Policy, examined the proposal to apply the Derogation drawn up by the Remuneration Committee and unanimously expressed a non-binding favourable opinion on the Company's interest in approving and implementing this proposal, in addition to its benefit and the substantial fairness of the terms and conditions;
- (iv) on August 5, 2020, to the extent necessary, the Board of Statutory Auditors expressed a favourable opinion on the proposal to apply the Derogation;
- (v) taking into account the above, on August 5, 2020 the Board of Directors unanimously approved the application of the Derogation and this circumstance was made known to the market through the publication of a specific press release, available on the Company's *website*, at the address www.filagroup.it *Press-room*” section.

1.6.4 INFORMATION ON REMUNERATION PAID AS A RESULT OF THE DEROGATION

The following is a summary of the effects of the application of the Derogation on the short-term variable compensation of Executive Directors and Senior Executives.

OFFICE	SHORT-TERM VARIABLE RETRIBUTION WITH DEROGATION	SHORT-TERM VARIABLE COMPENSATION WITHOUT DEROGATION	DIFFERENCE
Chief Executive Officer	287,100.00	165,600.00	121,500.00
Executive Director	95,700.00	55,200.00	40,500.00
Company SEs	43,925.00	23,800.04	20,124.96
Group SEs	315,225.95	220,269.13	94,956.82
TOTAL	741,950.95	464,869.17	277,081.79

1.7 INFORMATION REGARDING APPLICATION OF *EX-POST* CORRECTION MECHANISMS FOR VARIABLE REMUNERATION

In 2020, the Company did not apply the mechanisms for *ex-post* correction of the variable component (e.g., "malus" and/or "clawback" clauses), although this option is provided for in the 2020 Remuneration Policy.

1.8 COMPARISON INFORMATION

The following table provides comparison information for the last 2 (two) years, between the annual change:

- (i) in the total remuneration of each of the persons for whom the information in Section II of the Report is provided by name (i.e. Executive Directors);
- (ii) in the Company and the Group's results;
- (iii) in the average gross annual remuneration, measured on full-time employees, of employees other than those whose remuneration is represented in Section II of the Report (i.e. Executive Directors).

COMPARISON INFORMATION - ANNUAL CHANGE		
	FY 2019	FY 2020
REMUNERATION OF THE EXECUTIVE DIRECTORS		
Massimo Candela Chief Executive Officer	1,200,000 (*)	1,862,100 (**)
Luca Pelosin Executive Director	400,000 (*)	620,700 (***)
GROUP RESULTS		
Normalised Consolidated Revenues ****	687,360,000	608,167,000

Normalised Consolidated EBITDA ****	110,834,000	95,351,000
AVERAGE REMUNERATION ON AN EQUIVALENT BASIS FOR FULL-TIME EMPLOYEES *****		
Company employees	55,521	55,862
Group employees	14513	14388

(*) The Chief Executive Officer and the Executive Director have waived their short-term variable compensation in view of the 2019 financial results

(**) The remuneration indicated includes an extraordinary bonus of Euro 375,000 for the Arches acquisition

(***) The remuneration indicated includes an extraordinary bonus of Euro 125,000 for the Arches acquisition

(****) Normalised consolidated revenues and normalised consolidated EBITDA are those reported in the Consolidated Financial Statements

(*****) Average compensation on an equivalent basis for full-time employees was calculated by considering the ratio of Labour Cost to the average number of employees shown in the Annual Financial Report.

1.9 INFORMATION ON HOW THE VOTE TAKEN AT THE SHAREHOLDERS' MEETING OF APRIL 22, 2020 ON SECTION II OF THE REMUNERATION POLICY AND REPORT WAS TAKEN INTO ACCOUNT

The Board of Directors and the Remuneration Committee, in defining the Remuneration Policy, took into account the guidelines expressed by the shareholders during the Shareholders' Meeting vote on Section II of the 2020 remuneration policy and 2019 report (favourable votes equal to 89.567% of the total voting rights represented at the Shareholders' Meeting), which confirmed significant shareholder approval of the remuneration paid by the Company to Directors, Statutory Auditors and Senior Executives during 2019.

* * *

The remuneration set out in this Report was based, for 2020, on the 2020 Remuneration Policy and in consideration of the Derogation described in Section II, Part I, Paragraph 1.6 of the Report.

For further details on remuneration paid, reference should be made to the tables below.

For more information on the 2019-2021 Performance Shares Plan, reference should be made to the documents published on the Company's website (www.filagroup.it), in the *Governance* section.

2. PART II - BREAKDOWN OF THE REMUNERATION PAID DURING THE YEAR

Table 1

Remuneration paid to members of the Board of Directors and of the Board of Statutory Auditors, in addition to other Senior Executives.

Name	Office	Period of office	Concl. of office	Fixed remuneration (in Euro)	Committee Remuneration (in Euro)	Non-equity variable remuneration (in Euro)		Non-monetary benefits (in Euro)	Other remuneration (in Euro)	Total (in Euro)	Fair Value of equity remun. (in Euro)	Benefits on conclusion of office (in Euro)
						Bonuses and other incentives	Profit sharing					
Giovanni Gorno Tempini	Chairman	01.01.2020 – 31.12.2020	Approval 2020 FS	110,000.00	-	-	-	-	-	110,000.00	-	-
Massimo Candela ⁹	Chief Executive Officer	01.01.2020 – 31.12.2020	Approval 2020 FS	1,200,000	-	287,100	-	5,824	375,000	1,867,924	224,592	-
Luca Pelosin ¹⁰	Executive Director	01.01.2020 – 31.12.2020	Approval 2020 FS	400,000.00	-	95,700	-	5,124	125,000	625,824	74,864	-

⁽⁹⁾ **Massimo Candela** - Chief Executive Officer: the amount includes: (i) the annual fixed remuneration established by the Board of Directors for the position of Chief Executive Officer; (ii) the short-term variable qualitative and quantitative remuneration for 2020, (iii) the value of fringe benefits, (iv) the extraordinary bonus for the acquisition of Arches and (v) the fair value of equity compensation set aside in the financial statements in accordance with IFRS principles.

⁽¹⁰⁾ **Luca Pelosin** - Executive Director: the amount includes: (i) the annual fixed remuneration established by the Board of Directors for the position of Chief Executive Officer; (ii) the short-term variable qualitative and quantitative remuneration for 2020, (iii) the value of fringe benefits, (iv) the extraordinary bonus for the acquisition of Arches and (v) the fair value of equity compensation set aside in the financial statements in accordance with IFRS principles.

Name	Office	Period of office	Concl. of office	Fixed remuneration (in Euro)	Committee Remuneration (in Euro)	Non-equity variable remuneration (in Euro)		Non-monetary benefits (in Euro)	Other remuneration (in Euro)	Total (in Euro)	Fair Value of equity remun. (in Euro)	Benefits on conclusion of office (in Euro)
						Bonuses and other incentives	Profit sharing					
Alberto Candela	Honorary Chairman	01.01.2020 – 31.12.2020	Approval 2020 FS	170,000.00	-	.	-	7,998	-	177,998	-	-
Annalisa Barbera	Director	01.01.2020 – 31.12.2020	Approva l 2020 FS	15,000.00	6,000.00	-	-	-	-	21,000.00	-	-
Alessandro Potestà	Director	01.01.2020 – 31.12.2020	Approva l 2020 FS	15,000.00	6,000.00	-	-	-	-	21,000.00	-	-
Filippo Zabban	Director	01.01.2020 – 31.12.2020	Approva l 2020 FS	15,000.00	12,000.00	-	-	-	-	27,000.00	-	-
Francesca Prandstraller	Director	01.01.2020 – 31.12.2020	Approva l 2020 FS	15,000.00	12,000.00	-	-	-	-	27,000.00	-	-
Gerolamo Caccia Dominioni	Director	01.01.2020 – 31.12.2020	Approva l 2020 FS	15,000.00	37,000.00	-	-	-	-	52,000.00	-	-
Paola Bonini	Director	01.01.2020 – 31.12.2020	Approva l 2020 FS	15,000.00	12,000.00	-	-	-	-	27,000.00	-	-

Name	Office	Period of office	Concl. of office	Fixed remuneration (in Euro)	Committee Remuneration (in Euro)	Non-equity variable remuneration (in Euro)		Non-monetary benefits (in Euro)	Other remuneration (in Euro)	Total (in Euro)	Fair Value of equity remun. (in Euro)	Benefits on conclusion of office (in Euro)
						Bonuses and other incentives	Profit sharing					
Gianfranco Consorti	Chairman Board of Statutory Auditors	01.01.2020 – 31.12.2020	Approval 2020 FS	40,000.00	-	-	-	-	-	40,000.00	-	-
Elena Spagnol	Statutory Auditor	01.01.2020 – 31.12.2020	Approval 2020 FS	30,000.00	-	-	-	-	-	30,000.00	-	-
Pietro Villa	Statutory Auditor	01.01.2020 – 31.12.2020	Approval 2020 FS	30,000.00	-	-	-	-	-	30,000.00	-	-
Stefano Amoroso	Alternate Auditor	01.01.2020 – 31.12.2020	Approval 2020 FS	-	-	-	-	-	6,500.00	6,500.00	-	-
Sonia Ferrero	Alternate Auditor	01.01.2020 – 31.12.2020	Approval 2020 FS	-	-	-	-	-	-	-	-	-
SE	-	Remuneration from Company	-	200,000	-	43,925	-	2,601	-	246,526	37,432	-

Name	Office	Period of office	Concl. of office	Fixed remuneration (in Euro)	Committee Remuneration (in Euro)	Non-equity variable remuneration (in Euro)		Non-monetary benefits (in Euro)	Other remuneration (in Euro)	Total (in Euro)	Fair Value of equity remun. (in Euro)	Benefits on conclusion of office (in Euro)
						Bonuses and other incentives	Profit sharing					
		Remuneration from subsidiaries and associates	-	1,341,520	-	315,226	-	171,838	14,789	1,843,374	173,578	-
		Sub-total	-	1,541,520	-	359,151	-	174,439	14,789	2,089,900	211,010	-
Total				3,611,520	85,000	741,951	-	193,387	521,289	5,153,148	510,466	-

Table 3 A - Incentive plans based on financial instruments, other than stock options, in favour of members of the Board of Directors, the Board of Statutory Auditors and other Senior Executives.

A	B	(1)	Financial instruments assigned in previous years not vested in the year		Financial instruments assigned in the year					Financial instruments vested in the year and not attributed	Financial instruments vested in the year and attributable		Financial instruments accruing in the year
			(2)	(3)	(4)	(5)	(6)	(7)	(8)		(9)	(10)	
Name	Office	Plan	Number and Type financial instruments	Vesting period	Number and Type financial instruments	Fair value at assignment date	Vesting period	Assignment date	Market price upon assignment	Number and type of financial instruments	Number and type of financial instruments	Value at Maturation Date (**)	Fair value
Massimo Candela	Chief Executive Officer	2019-2021 Performance Shares Plan	218,581 ordinary shares	2019 - 2021	-	-	-	-	-	-	-	-	224,592
Luca Pelosin	Executive Director	2019-2021 Performance Shares Plan	72,860 ordinary shares	2019 - 2021	-	-	-	-	-	-	-	-	74,864
SE	-	2019-2021 Performance Shares Plan	205,362 ordinary shares ¹¹	2019 - 2021	-	-	-	-	-	-	-	-	211,010

⁽¹¹⁾ On April 1, 2020, the reduction in the number of Senior Executives who are beneficiaries of the 2019 - 2021 Performance Share Plan from "8" to "7" approved by the Board of Directors on March 16, 2020, in exercise of the powers granted to the governing body by the Shareholders' Meeting of April 18, 2019, became effective. Consequently, the maximum number of shares granted to the SEs and not vested during the year has been amended to reflect this motion.

Total				-						-	510,466
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Table 3 B - Monetary incentive plans in favour of the members of the Board of Directors, Board of Statutory Auditors and other Senior Executives.

Name	Office	Plan	Bonus for the year			Prior year bonuses			Other Bonuses ¹²
			Issuable/Issued	Deferred	Period of deferment	No longer issuable	Issuable/Issued	Still deferred	
Massimo Candela	Chief Executive Officer	Short-term variable component	287,100	-	-	-	-	-	375,000
Luca Pelosin	Executive Director	Short-term variable component	95,700	-	-	-	-	-	125,000
SE	Remuneration from Company	Short-term variable component	43,925	-	-	-	-	-	-
	Remuneration from subsidiaries and associates	Short-term variable component	315,226	-	-	-	-	-	-
	Sub-total		359,151	-	-	-	-	-	-
Total			741,951	-	-	-	-	-	500,000

(12) Column includes extraordinary bonus for acquisition of Arches

3. PART III - LIST OF INVESTMENTS HELD

Table 1

Investments of members of the Board of Directors, Board of Statutory Auditors and other Senior Executives.

Name	Office	Investee	Number of shares held at 31.12.2019	Number of shares purchased	Number of shares sold	Number of shares held at 31.12.2020
Massimo Candela	Chief Executive Officer	F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A.	8081856 “B” shares 13,694,563 ordinary shares	-	-	8081856 “B” shares 13,694,563 ordinary shares
		FILA Iberia S.L. (*)	3.23%			3.23%
		Grupo Fila Dixon S.A. de CV	445	-	-	445
		Servidix (Mexico)	1	-	-	1
		Dixon Comercializadora S.A. de CV (Mexico)	4	-	-	4
		Dixon Ticonderoga de Mexico (Mexico)	1	-	-	1

Name	Office	Investee	Number of shares held at 31.12.2019	Number of shares purchased	Number of shares sold	Number of shares held at 31.12.2020
Luca Pelosin	Executive Director	F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A.	106,990 ordinary shares	-	-	106,990 ordinary shares
Annalisa Barbera	Non-Executive Director	F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A.	3,954 ordinary shares	-	-	3,954 ordinary shares
SE	-	F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A.	42,346 ordinary shares	65,983 ordinary shares	8,386 ordinary shares	99,943 ordinary shares ¹³

⁽¹³⁾ For SEs terminated during the year, the shares are those held at the date of termination

ANNEX A

The Actual EBITDA and the Actual NFP are normalised through precise formulae which take into account the economic and financial elements to be considered and to be excluded from the normalisation scope.

More specifically, the Actual EBITDA and the Actual NFP are calculated beginning with the reported EBITDA/NFP as per the consolidated financial statements and normalised through neutralisation of all costs/charges and revenue/income (and relative financial movements) outside of the ordinary operations of the Company and not envisaged in the Group Industrial Plan (both conditions should be present).

For example: extra direct and indirect costs concerning goodwill, the transfer and closure of commercial or industrial operations; restructuring charges for the portion not capitalised, such as for example, leaving and mobility incentives, bonuses; consultancy charges incurred by the companies of the Group in relation to market research, regulatory adjustments, the acquisition of new companies, the listing of securities of the Company on regulated markets and any other extraordinary corporate operations; commissions and consultancy charges concerning financing operations or the issue of debt securities deriving from changes to the accounting standards during the year; indemnities, penalties, bonuses or similar cash amounts received or recognised as compensation in relation to any disputes concerning non-recurring events.

Milan, March 22, 2021

F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A.

On behalf of the Board of Directors

Giovanni Gorno Tempini

(Chairman)

