

# ORDINARY SHAREHOLDERS MEETING

**APRIL 23, 2021**

Board of Directors' Report

Report on Remuneration policy and compensation paid.

Associated resolutions.

*(item 4 on the agenda)*

(Translation into English of the original Italian version)



JOINT-STOCK COMPANY - SHARE CAPITAL EURO 62,461,355.84  
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COMPANY SUBJECT TO THE DIRECTION AND COORDINATION OF CIR S.p.A.  
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**SOGEFI S.p.A.**

**REPORT ON REMUNERATION POLICY  
AND COMPENSATION PAID**

**Pursuant to art. 123-ter of the Consolidated Law on Finance (TUF),  
in accordance with art. 84-quater of the Rules for Issuers  
and article 5 of the Corporate Governance Code of the Company**

## Report on remuneration policy and compensation paid

### *INTRODUCTION*

This report ("Report on Remuneration") has been prepared by Sogefi S.p.A. (hereinafter also the "Company" or the "Issuer") in accordance with the provisions of article 84-*quater* of Consob Regulation no. 11971/99 (the "Rules for Issuers") and related Annex 3 Schedule 7*bis* (as recently amended by Consob Resolution no. 21623/20) - in implementation of article 123-*ter* of Italian Legislative Decree no. 58/98 ("TUF") as most recently amended by Italian Legislative Decree no. 49/2019 ("Legislative Decree 49/2019") - and takes into account the provisions of Article 5 of the Company's Corporate Governance Code.

The Board of Directors is composed of 8 Directors, 5 of whom, i.e. the majority, are independent, in compliance with the provisions of the Market Regulation adopted by Consob and in line with the provisions of Article 2 of the Company's Corporate Governance Code. The term of office is three years and will end on the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2021.

The Board of Statutory Auditors is made up of three standing auditors and three alternate auditors, whose term of office last three years and will end on the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2020.

The Company's governance includes two executive directors, the Chairman and the Managing Director, and the remaining directors are all non-executive directors. The Board of Directors has established three Committees - the Appointment and Remuneration Committee, the Control, Risk and Sustainability Committee and the Committee for Related Party Transactions - comprised solely of non-executive and independent directors.

On 26 February 2021, the Board of Directors co-opted Mr. Frédéric Sipahi as a member of the Board and appointed him as Managing Director of the Company. The Managing Director is also General Manager of the Issuer. The Board of Directors has identified the Managing Director as the Chief Executive Officer, that is the person primarily responsible for managing the Company.

As regards Executives with strategic responsibilities, in compliance with the definition contained in the Rules for Issuers, these are defined as individuals, other than directors and statutory auditors, who have the power and responsibility, directly or indirectly, for planning, directing and controlling the Company's activities. The Company has identified the Chief Financial Officer of Sogefi S.p.A. as the Executive with strategic responsibilities.

This Report was approved by the Board of Directors of the Company on 19 March 2021 and, in accordance with the requirements of applicable regulations, is divided into two sections:

- Section I, entitled “Policy on the remuneration”, describes (i) the Company’s remuneration policy for the year 2021 with reference to the members of the Board of Directors, the Board of Statutory Auditors, the General Managers and the Executives with strategic responsibilities and (ii) the procedures for the adoption and implementation of this policy;
- Section II, entitled "2020 Remuneration", describes the individual items that make up the compensation of the members of the Board of Directors and the Board of Statutory Auditors, of the General Managers and of the Executives with Strategic Responsibilities of the Company, in accordance with art. 123-ter, paragraph 4, of the TUF; the same section also analytically illustrates the compensation paid to them or in any case attributed to them in 2020, for any reason and in any form, by Sogefi S.p.A., and by its subsidiaries, including the indemnities envisaged in the event of termination of office or employment.

The Shareholders' Meeting, called to approve the Financial Statements for the year ended 31 December 2020, is asked to cast its vote:

- with a binding resolution, pursuant to art. 123-ter, paragraph 3-ter, of the TUF, on section I of the Report on "Remuneration Policy";
- with a non-binding resolution, pursuant to art. 123-ter, paragraph 6 of the TUF, on section II of the Report, "2020 Remuneration".

The result of the vote will be made available to the public as required by law.

## LIST OF DEFINITIONS

For the purpose of this Report on Remuneration, the meaning of the following terms and expressions is set forth below:

“Appointments and Remuneration Committee”: shall mean a committee set up by the Board of Directors; its present members are Independent Directors Mauro Melis (Chairman of the Committee), Ervino Riccobon, Christian Streiff.

"Beneficiaries": shall mean the employees of the Group, identified from among those people holding strategically important functions in terms of value creation, who will be assigned *Units* under the Plan.

“Company”: shall mean Sogefi S.p.A., with registered office in Milan, Via Ciovassino 1/A.

"Corporate Governance Code": shall mean the corporate governance code adopted by the Company on 12 February 2021, in compliance with the principles and recommendations (these being consistent) of the Corporate Governance Code for Listed Companies approved on 31 January 2020 by the Corporate Governance Committee, if compatible.

“Grant Date”: shall mean the date of the resolution with which the Board of Directors shall approve the Regulations of the Plan and identify the Beneficiaries, determining the number of Units to be granted to each one of them or the different date set by the Board of Directors at the time of the approval of the Regulations of the Plan.

"Group": shall mean Sogefi S.p.A. and its subsidiaries or associates.

"minimum holding": restriction of unavailability of the Shares to the Beneficiaries.

"Policy": shall mean the Company's remuneration policy.

“Plan”: shall mean the 2021 *Stock Grant Plan*.

“Regulations”: shall mean the regulations, whose object is to define the criteria, methods and terms of implementation of the Plan.

"Rules for Issuers": Consob Regulation no. 11971/99 and subsequent amendments.

“Shares” (or individually “Share”): shall mean the ordinary shares of the Company with a par value of Euro 0.52 each.

“TUF”: shall mean the Italian Legislative Decree no. 58/98.

“Units”: shall mean the conditional rights that are the subject of the Plan, granted free of charge and not transferable *inter vivos*, each one of them giving the Beneficiaries the right to be granted 1 Share free of charge according to the terms and conditions set out in the Regulations.

"vesting": shall mean the vesting period.

## **SECTION I: REMUNERATION POLICY**

This section presents: (i) the Company's policy on the remuneration (hereinafter the “Remuneration Policy” or the “Policy”) of the members of the Board of Directors, the Board of Statutory Auditors, the General Managers and the executives with strategic responsibilities with reference to the year 2021, and (ii) the procedures used for the adoption and implementation of this Policy. The Policy establishes the principles and guidelines on the basis of which remuneration is determined.

This Remuneration Policy was approved by the Board of Directors, on the recommendation of the Appointment and Remuneration Committee, on 19 March 2021, and has undergone certain amendments from the 2020 policy that will be commented on from time to time.

### *a) Preparation, approval, implementation and updating of the Policy*

The Company has adopted a governance model designed to ensure transparency and adequate control in relation to the remuneration policy and its implementation.

Remuneration Policy: (i) is defined each year by the Board of Directors, on the proposal of the Appointments and Remuneration Committee and after hearing the opinion of the Board of Statutory Auditors and (ii) is subsequently submitted by the Board of Directors to the binding vote of the Shareholders' Meeting.

In implementing the Policy, the bodies in charge perform the following functions:

- the Shareholders' Meeting (i) establishes the emoluments of the members of the Board of Directors and of the Board of Statutory Auditors, at the time of their appointment and for the entire term of office, and (ii) approves the compensation plans based on financial instruments in favour of the General Manager of the Company and of employees with managerial roles in the same, delegating the Board of Directors to approve the regulations, identify the beneficiaries and the number of units to be assigned to each one of them;
- the Board of Directors, on the proposal or after hearing the opinion of the Appointments and Remuneration Committee, defines: (i) the remuneration of Executive Directors and non-executive Directors holding special positions or for their membership in one or more committees, having heard the opinion of the Board of Statutory Auditors, (ii) the remuneration of the General Manager and Executives with strategic responsibilities; (iii) the regulations of remuneration plans based on financial instruments, as well as the beneficiaries and the number of units to be assigned to each, having heard the opinion of the Managing Director for beneficiaries other than the latter.

### *b) Composition, powers and operating procedures of the Appointment and Remuneration Committee*

The Board of Directors has set up an internal Appointments and Remuneration Committee, in accordance with the provisions of Article 3 of the Company's Corporate Governance Code. The Committee consists of a minimum of three non-executive directors, the majority of whom are independent, including the Chairperson. The Committee is appointed by the Board of Directors, taking care to ensure that its members have expertise and/or experience in financial matters and/or remuneration policies.

The functioning of the Committee is defined by the relevant regulations, approved by the Board of Directors, most recently updated on 19 March 2021, which provide in summary the following: (i) the Committee shall meet when convened by its Chairperson, when the latter deems it appropriate, or at the request of the Chairperson of the Board of Directors; (ii) the Board of Statutory Auditors shall participate in the meetings; (iii) the Chairperson shall coordinate the proceedings of the meetings; (iv) the Chairperson may invite executive and non-executive directors if s/he deems it necessary and, after informing the Chief Executive Officer in advance, also executives of the Company or its subsidiaries, who are competent in the matters to be discussed at the meeting; (v) no Director or executive shall take part in the Committee meetings in which proposals are formulated to the Board relating to their own remuneration; (vi) minutes shall be kept of the meetings of each committee; (vii) the Committee shall have the right to access the information and Company departments necessary for the performance of its duties; (viii) the Company shall make available the financial resources necessary for the performance of its duties to the Committee; (ix) the Chairperson of the Committee shall inform the Board of Directors of the activities carried out at the first useful meeting.

With regard to remuneration, the Committee performs the following advisory, proposal and monitoring functions:

- it assists the Board of Directors in the drafting of the Remuneration Policy and monitors its actual application;
- it formulates proposals or expresses opinions on the remuneration of directors holding special positions, executive directors, the general manager and executives with strategic responsibilities;
- it makes proposals or expresses opinions on the setting of performance objectives on the basis of which the variable component of the remuneration of the Managing Director and General Manager accrues;
- it makes proposals or expresses opinions on share-based plans, including (i) the regulations of the plans, with particular regard to the conditions and terms for the vesting period, (ii) the beneficiaries and (iii) the number of units to be granted;
- it verifies the actual achievement of the objectives set for the vesting of the variable component of the remuneration and plan rights/units and makes the related proposal to the Board of Directors;
- it periodically assesses the adequacy, consistency and actual application of the Policy.

As at the date of this Report, the Appointment and Remuneration Committee, appointed by the Board of Directors on 26 April 2019, comprises the Independent Directors, Mauro Melis (Chairman of the Committee), Ervino Riccobon and Christian Streiff. As is evident from the *curricula* of the members (available on the Company's website, in the Corporate Bodies section), the Committee has adequate expertise in financial matters and remuneration policies.

c) *How the Company has taken into account the remuneration and working conditions of its employees in determining its remuneration policy*

The Remuneration Policy takes into account the commitment and responsibilities that characterise the roles covered and the business sector of the Company and is consistent with the remuneration in force for the different hierarchical levels of the Company and the Group.

d) *Possible involvement of independent experts*

No independent experts were involved in the preparation of the Policy.

e) *Aims and principles of the Policy*

The Remuneration Policy is aimed at guaranteeing the competitiveness of the Company on the labour market, enabling it to attract and motivate people with professional qualities suitable for effectively managing the Group and contributing to the definition and implementation of the corporate strategy, aimed at pursuing the creation of value and the sustainable success of the Company and the Group, in the medium and long term.

It is based on the following principles: (i) modulate and differentiate remuneration on the basis of individual professionalism, skills and corporate roles; (ii) align the remuneration level of top management with the performance and interests of the Company and the Group, its shareholders and all stakeholders, in a short, medium and long-term perspective.

The Board of Directors, in defining the Remuneration Policy, takes into account the recommendations of the Corporate Governance Code, and in particular ensures that:

- the remunerations of the Chief Executive Officer and executives with strategic responsibilities meet reward criteria, with the variable portion having a significant weight in the overall remuneration;
- the objectives to which payment of the variable portion is linked are predetermined, measurable and consistent with the strategic objectives of the Company and the Group, and maximum limits are set for the amounts that can be paid;
- stock-based plans encourage alignment with shareholders' interests over the medium to long term;
- the remunerations of the Chairperson, of the non-executive directors and of the members of the Board of Statutory Auditors are appropriate to the expertise, professionalism and commitment required by the tasks and responsibilities assigned to them.

This Policy is in continuity with that of the previous year (2020), also in consideration of the favourable vote expressed by the shareholders' meeting which was requested to cast its vote: 94.79% of favourable votes on Section I and 94.82% of favourable votes on Section II.

That being stated, it should be noted that as far as the 2021 Stock Grant Plan is concerned, the Board of Directors, on the recommendation of the Appointment and Remuneration Committee, decided to propose to the Shareholders' Meeting that the vesting period of the Units assigned under this plan be extended over a total period of approximately 5 years (compared to approximately 4 years in the plan approved in the year 2020), in order to emphasise the orientation of the management of the Group towards a form of management that takes into due consideration medium and long term objectives.

f) *Fixed and variable components of remuneration*



The fixed remunerations assigned to the Chairman of the Board of Directors and to non-executive Directors for sitting on one or more committees or for being assigned certain specific duties, are established on a yearly basis and are commensurate with the efforts required and responsibilities undertaken for each of the roles considered. The remuneration pursuant to article 2389 of the Italian Civil Code, attributed to the Managing Director consists of a fixed emolument and a variable annual emolument.

The overall structure of the remuneration of the Managing Director and General Manager and of the Executive with Strategic Responsibilities includes a fixed part and a variable part as follows: a short-term annual variable component (MBO) and a medium/long-term variable component, consisting of a stock-based incentive plan. The variable components are described in point h) below.

In particular, the remuneration mix of the Managing Director and General Manager, in the event of 100% accrual of the variable components, is composed as follows: the fixed portion represents 53%, the short-term variable portion approximately 32%, and the long-term variable portion 15%.

The remuneration mix of the Chief Financial Officer, in the event of 100% accrual of the variable components, is composed as follows: the fixed portion represents 65%, the short-term variable portion approximately 26%, and the long-term variable portion 9%.

The Board of Directors believes that the remuneration awarded to top management includes a variable component that is commensurate with the need to stimulate performance orientation in the short, medium and long term. All the more so since, if the objectives set by the Board of Directors are exceeded, the weight of the variable portion increases significantly compared to the above.

g) *Policy on non-cash benefits*

There are no non-cash benefits for members of the Board of Directors.

The Managing Director and General Manager, in relation to their role of employee as General Manager, and the Executive with strategic responsibilities, as well as the remaining management personnel of the Group, are granted a company car for mixed use.

h) *Description of the performance objectives (financial and non-financial) of the variable components*

The annual variable component is mainly linked to the achievement of specific economic and financial performance objectives based on the Group's budget (by way of example, EBITDA, EBIT, Free Cash Flow, etc.), conducive to the achievement of the objectives of the medium/long-term plans; in addition, there are specific personal objectives of a non-economic/financial nature, that can be assessed on an objective basis (such as the quality of the annual strategic report, the relationship with the market, specific commitments regarding organisational development, etc.).

On the subject of sustainability, the Board of Directors decided to assign the Managing Director and General Manager, for the year 2021, the objective of articulating specific strategic lines for the Group. Quantitative targets have not yet been contemplated, pending consolidation of the strategic vision with reference to the topic in question.

100% of the variable remuneration will be paid upon achievement of 100% of the defined objectives; the amount may vary between a minimum of 0% and a maximum of 150% depending on the degree of achievement of the objectives assigned.

For the 2021 financial year, the Board of Directors decided to introduce a precondition for the accrual and vesting of short-term variable remuneration, consisting of the Group's consolidated net result being positive.

The medium/long-term variable component consists of stock grant plans. It is in the Board of Directors' opinion that incentive plans based on the conditional accrual of the right to receive Shares for free over the medium to long term represent the most effective instrument and one that best serves the interests of the Company and the Group, for the reasons set out below.

First of all, this is an incentive instrument involving a deferred compensation over a reasonable period of time, considering that the 2021 Plan involves a period (from the Grant Date) of 2 years before the Units start to accrue, a subsequent period of approximately 3 years of gradual accrual and finally a minimum holding period of 5 years (from the Grant Date) for one part of the Shares granted. The incentive is therefore clearly aimed at stimulating the achievement of medium- and long-term objectives.

Moreover, the accrual of rights over the time period indicated is conditional on the Beneficiaries remaining in the Group, which strengthens the link between management personnel and the Company, favouring the consolidation of professional roles having experience, which is one of the main strengths of a complex organisation such as Sogefi.

Finally, the benefit shall depend on value creation over the medium to long term as: (i) shares of the Company are granted and therefore the value shall depend on the value of the share at the moment of granting and (ii) the accrual of rights is largely dependent not only on the expiry of the time limits but also on the achievement of value creation objectives, measured on the basis of the value of a Share and the economic and financial performance of the Group.

More specifically, the 2021 Stock Grant Plan - submitted for the approval of the Shareholders' Meeting - involves the granting of Units, free of charge and not transferable *inter vivos*, each of which can give rise to the right to the granting of one Share free of charge when certain circumstances occur.

The Units shall be divided into three categories: Time-based Units, whose accrual is only made subject to the Beneficiary remaining in the Group and to the expiry of the pre-established accrual terms, and type A and type B Performance Units whose accrual is not only made subject to the expiry of the time limits, but also to the achievement of performance objectives. In particular, with regard to performance objectives:

- (i) the accrual of type A Performance Units depends on the achievement of performance objectives of the Share compared to the value of the shares of a basket of Benchmark Companies;
- (ii) the accrual of type B Performance Units depends on the achievement of the economic and financial objectives defined by the Board of Directors on the basis of the approved business plans.

For a more detailed description of the characteristics of the Plan, see the information document prepared pursuant to article 84-*bis* of the Rules for Issuers, made available to the Shareholders' Meeting called to approve the Financial Statements as at 31 December 2020, which can be found on the Company's website [www.sogefigroup.com](http://www.sogefigroup.com), Investor - Shareholders' Meetings section.

i) *Criteria used to assess the achievement of performance objectives*

The criteria used to assess the degree of achievement of the performance objectives are determined in advance each year by the Board of Directors, on the proposal of the Appointment and Remuneration Committee, with regard to both short-term variable remuneration and medium/long-term stock-based incentive plans.

The Board of Directors also evaluates, again with the support of the Appointments and Remuneration Committee, the achievement of the defined objectives.

j) *Contribution of the Policy to the Company's business strategy and to the pursuit of the Company's long-term interests and sustainability*

The Remuneration Policy, and in particular the policy on variable components, is set up in such a way as to contribute to (i) the corporate strategy, and (ii) the pursuit of medium and long-term interests.

The Board of Directors defines the parameters and objectives for the achievement of the variable components of remuneration on the basis of the multi-year business plans approved by the Board, thereby ensuring that they are consistent with the Group's medium and long-term objectives.

The Board of Directors ensures that the objectives set and, above all, the method used to assess the results achieved are such as to prevent their achievement from occurring through short-term management decisions that could potentially undermine sustainability and/or the ability to generate profit in the long term.

k) *Vesting periods, deferred payment systems, if any, and mechanisms for ex-post correction of the variable component (malus or claw-back)*

The short-term variable component accrues on the date of approval by the Shareholders' Meeting of the annual report for the year to which it relates, subject to the existence of an employment relationship (and a directorship for the Managing Director) with the Company based on the degree of achievement of the objectives verified by the Board of Directors, after review by the Appointment and Remuneration Committee.

No further deferral is envisaged with respect to the time of accrual, for the purposes of payment, as the Board of Directors believes that the remuneration component consisting of stock grant plans, which in itself is deferred, has a sufficient weight to provide an incentive towards medium and long-term management policies.

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

As stated in point h) above, the Plan envisages that the Units assigned to the Beneficiaries will gradually vest as from the second anniversary of their granting, subject to the satisfaction of the vesting requirements envisaged for each category of Units. More specifically, (i) the Time-based Units will vest, with the corresponding right of the Beneficiaries to the granting free of charge of Shares, in twelve tranches, each equal

to 1/12 of the total number of Time-based Units granted, every three months starting from the second anniversary of the Grant Date; (ii) the type A Performance Units will vest in twelve tranches, each equal to 1/12 of the total number of type A Performance Units granted, on the same vesting dates as the Time-based Units, but only subject to the achievement of the performance objectives of the Share compared to the value of the shares of a basket of benchmark companies; (iii) the type B Performance Units will vest in three tranches, each equal to a maximum of 1/3 of the total number of type B Performance Units granted, depending on the achievement of the economic and financial objectives set by the Board of Directors on the basis of multi-year business plans approved by the Board.

l) *Clauses for maintaining financial instruments in the portfolio after their allocation*

The Plan that will be presented for approval to the Shareholder's Meeting envisages a “minimum holding” commitment for the Shares possibly granted. In particular, each beneficiary must hold continuously a number of Shares at least equal to 10% of the shares granted until the fifth anniversary of the Grant Date. During the above period, the Shares will be subject to the inalienability requirement, unless otherwise authorised by the Board of Directors.

m) *Policy on indemnities in the event of termination of office or termination of employment*

In the event of termination of the office of Managing Director and of the executive position (General Manager), taking into account, *inter alia*, the connection and complementarity between the two aforementioned roles:

- in the event of good leaver (such as, by way of example, the case of termination of employment at the Company's initiative in the absence of just cause), there is the right to receive (in addition to the severance pay and the portion of the emolument for the office accrued *pro rata temporis*) a severance indemnity of an all-inclusive gross amount (also including the indemnity in lieu of notice) equal to twice the total annual remuneration at the date of termination, meaning the sum of the annual fixed gross emolument and the annual fixed gross remuneration in force at that date, increased by the annual average of the sum of the gross variable emolument and remuneration received during the previous three years;
- in the event of bad leaver (such as, by way of example, the case of termination of employment at the initiative of the Company in the presence of just cause), there is no right to receive the indemnities referred to in the preceding point, nor any other compensation and/or indemnity.

The above-mentioned severance indemnity (as well as the annual variable emolument and/or the annual variable remuneration) may not be paid (in whole or in part) (so-called *malus*) or may be required to be repaid (so-called claw back) if the recognition of the same is based on accounting data that subsequently turned out to be clearly erroneous.

The introduction of the severance indemnity clause was considered appropriate for the Company, as it makes it possible to predetermine with certainty the amounts that may be payable to the Managing Director and General Manager in the event of termination of employment, also in compliance with the recommendations of article 5 of the Corporate Governance Code for listed companies.

For all executives with strategic responsibilities, the provisions of the law and the agreements provided for in the relevant National Collective Labour Agreement regarding termination of employment are applicable.

For the Managing Director and the Executive with strategic responsibilities, a non-competition clause is envisaged with a commitment not to engage in competing activities for one year, which can be extended for a further year, starting from the time when the work activity is interrupted. In return for this commitment, the Company pays a monthly allowance equal to 5/10 of the gross monthly salary calculated on the basis of the average of the previous twelve months.

n) *Any insurance coverage, or social security or pension coverage, other than mandatory coverage*

In line with best practice, an insurance policy (Directors&Officers) has been taken out to cover the third-party liability of corporate bodies and executives in the exercise of their functions, with the aim of holding the Group harmless from the charges arising from any obligation to pay compensation.

o) *Remuneration policy with reference: (i) to independent directors, (ii) to participation in committees and (iii) to the performance of special assignments*

Directors holding special positions (Chairperson and Managing Director) benefit from the remuneration described in the previous paragraphs.

p) *Use of other companies' remuneration policies as a reference*

The Policy has been drafted without reference to policies of other companies. The Policy is in any case in line with market practices of listed companies, adapted to take into account a certain continuity with the history of the Group and consistency with its profile, in terms of business and size.

q) *Derogations from the Policy*

The Board of Directors, in the presence of "Exceptional Circumstances", after consulting with the Appointment and Remuneration Committee and the Committee for Related Party Transactions of the Company, to the extent of their respective competences, in compliance with the provisions of the Consob Regulation on transactions with related parties, may depart from this Policy.

As indicated in paragraph 3-*bis*, of art. 123-*ter* of the TUF, Exceptional Circumstances are those situations in which a waiver is necessary in order to pursue the long-term interests and sustainability of the Company as a whole or to ensure its ability to stay on the market (such as, by mere way of example, requirements related to the pursuit of strategic plans with a view to preserving value for shareholders).

By way of example, the waiver or derogation may concern: (i) resolutions relating to the remuneration of directors holding special positions and, in particular, of the chief executive officer, (ii) resolutions relating to incentive plans, (iii) recognition of special contractual conditions, as a partial exception to this Policy, made necessary by the entry of key managerial figures.

For any waiver of the Policy, the Company describes:

- the specific elements that have been derogated from;
- information on the nature of the Exceptional Circumstances;
- indications of the procedures followed in compliance with the Policy.

## SECTION II: compensation paid

### Part I

#### *1.1 Compensation paid*

##### Board of Directors

In financial year 2020, the members of the Board of Directors received a fixed amount of Euro 20,000 per year, as determined, at the time of their appointment and for the entire term of office, by the Shareholders' Meeting of 26 April 2019.

The Board of Directors has granted the following fixed annual fees to directors holding special positions:

- Euro 100,000 to the Chairperson of the Board of Directors, Monica Mondardini;
- Euro 10,000 to each member of the Appointment and Remuneration Committee, Mauro Melis (Chairman), Ervino Riccobon and Christian Streiff;
- Euro 15,000 to each member of the Control and Risk Committee, Roberta di Vieto (Chairperson), Patrizia Canziani and Mauro Melis.

##### Managing Director and General Manager

The Managing Director, Mauro Fenzi, co-opted by the Company's Board of Directors on 9 December 2019, and General Manager since 1 January 2020, resigning on 26 February 2021, was the recipient of a remuneration package consisting of the following:

- for the position of Managing Director: fixed annual emolument and annual bonus, subject to the achievement of certain objectives;
- for the position of General Manager (from 1 January 2020): fixed annual remuneration and annual bonus subject to the achievement of certain objectives, as well as rights arising from participation in a stock-based compensation plan of the Company.

In 2020, Mr. Fenzi received a total remuneration of Euro 574,000, broken down as follows:

- Euro 150,000, for the office of Managing Director (including the emolument for the office of director as determined by the Shareholders' Meeting at the time of appointment);
- Euro 424,000, for the position of General Manager.

An amount of Euro 44,000 was also paid to him, contractually established as reimbursement of expenses incurred to rent the house.

### Board of Statutory Auditors

In financial year 2020, the members of the Board of Statutory Auditors were paid a fixed amount, as determined, at the time of their appointment and for the entire duration of their term of office, by the Shareholders' Meeting of 23 April 2018, equal to:

- Euro 40,000 for the Chairperson of the Board of Statutory Auditors, Sonia Peron;
- Euro 26,500 for each of the Statutory Auditors, Giuseppe Leoni and Riccardo Zingales.

Members of the Board of Directors and the Board of Statutory Auditors are also entitled to reimbursement of expenses incurred in connection with their duties.

### Executives with strategic responsibilities

The remuneration package of the executive with strategic responsibilities consists of: fixed remuneration, annual bonus subject to the achievement of certain objectives and rights arising from participation in a remuneration plan based on Company shares.

In 2020, there was 1 executive with strategic responsibilities who received a total remuneration of Euro 265,000 (of which Euro 197,000 as pay, Euro 41,000 as bonus referred to the previous year and Euro 27,000 as indemnities provided for by the regulations applicable to the employment contract).

There were no other executives with strategic responsibilities who received during the FY 2020 an overall remuneration (taking into account cash remuneration and remuneration based on financial instruments) greater than the highest total remuneration attributed to the persons indicated by name above.

### Variable remuneration

The members of the Board of Directors and the Board of Statutory Auditors do not receive variable compensation.

For the Managing Director and General Manager, Mr. Fenzi, in relation to the FY 2020, no amount was accrued for this portion, also in consideration of his resignation on 26 February 2021. Similarly, no amount was paid as severance for early termination and no rights accrued under the 2020 stock grant plan of which he was a beneficiary.

#### *1.2 Indemnities for termination of office or employment*

Mr. Laurent Hebenstreit, who resigned as Managing Director and ceased as General Manager on 9 December 2019, and remained an employee, left the Company following a settlement agreement with the latter, entered



into on 15 May 2020, which provided for (i) the payment of a gross amount of Euro 300,000, plus termination indemnities in accordance with the law and (ii) the preservation of rights relating to the 2016 and 2017 stock grant plans, for a total remaining 49,308 Units, in accordance with the terms of the relevant Regulations. The non-competition agreement provided for in the employment contract was not enforced and therefore no amount was paid in this respect. Likewise no amount was paid in relation to the termination of the office of Managing Director.

### 1.3 Other information

During the FY 2020, there were no exceptional circumstances that required exceptions to the remuneration policy and there were no cases of application of *ex-post* correction mechanisms of the variable remuneration (*malus* or clawback).

The following table provides information for the last two financial years, regarding the annual change in (i) the total remuneration of each of the persons listed by name above and (ii) the Company's results of operations. In that regard, it should be noted that the Company's results in 2020 are not a meaningful benchmark with the results of the previous year due to the very material impacts on the sector in which the Company operates as a result of the emergency situation.

Likewise information relating to the average gross annual remuneration of full-time employees has not been considered meaningful given that the Company operates in geographic regions that are very different in terms of remuneration.

#### Comparisons between remuneration and Company results

Name	Position	Duration of the office	Termination of the office	Company	Remuneration	Remuneration	Variation %
<b>BOARD OF DIRECTORS</b>					(2019)	(2020)	
Monica Mondardini	Chairperson	1.1.2020 31.12.2020	Bilancio 2021	Sogefi S.p.A.	120	120	0
Mauro Silvio Cleto Fenzi	Managing Director	1.1.2020 31.12.2020	Bilancio 2021	Sogefi S.p.A.	9	618	6.767(*)
Rodolfo De Benedetti	Director	1.1.2020 31.12.2020	Bilancio 2021	Sogefi S.p.A.	20	20	0
Patrizia Canziani	Director	1.1.2020 31.12.2020	Bilancio 2021	Sogefi S.p.A.	35	35	0
Roberta Di Vieto	Director	1.1.2020 31.12.2020	Bilancio 2021	Sogefi S.p.A.	35	35	0
Mauro Melis	Director	1.1.2020 31.12.2020	Bilancio 2021	Sogefi S.p.A.	45	45	0
Streiff Christian	Director	1.1.2020 31.12.2020	Bilancio 2021	Sogefi S.p.A.	20	30	0
Riccobon Ervino	Director	1.1.2020 31.12.2020	Bilancio 2021	Sogefi S.p.A.	20	30	0

<b>BOARD OF STATUTORY AUDITORS</b>							
Sonia Peron	Chairperson	1.1.2020 31.12.2020	Bilancio 2020	Sogefi S.p.A.	40	40	0
Riccardo Zingales	Acting Auditor	1.1.2020 31.12.2020	Bilancio 2020	Sogefi S.p.A.	26,5	26,5	0
Giuseppe Leoni	Acting Auditor	1.1.2020 31.12.2020	Bilancio 2020	Sogefi S.p.A.	26,5	26,5	0
Giuseppe Leoni	Acting Auditor	1.1.2020 31.12.2020	Bilancio 2020	Sogefi Filtration Italy S.p.A.	5	5	0
<b>EXECUTIVES WITH STRATEGIC RESPONSIBILITIES</b>							
N. 1 Executive				Sogefi S.p.A.	262	265	1

#### **COMPANY RESULTS (€/000)**

Turnover	Sogefi S.p.A.	1.463.846	1.203.201	(18)
Ebit	Sogefi S.p.A.	48.440	7.212	(85)
Net result	Sogefi S.p.A.	3.202	-35.131	(1.197)
FCF	Sogefi S.p.A.	8.375	-38.227	(556)

(\*) Mr. Fenzi was appointed on 9 December 2019 and in 2019 he received his remuneration *pro rata temporis* up to the end of the year.

#### **1.4 Information about the impact of the vote cast by the Shareholders' Meeting on the second section of the Report in the previous year**

This Policy is in continuity with that of the previous year (2020), also in consideration of the favourable vote expressed by the shareholders' meeting called to vote on this matter: 94.79% of favourable votes on Section I and 94.82% of favourable votes on Section II.

#### **Part II**

Attached are tables 1, 3A and 3B provided for by schedule no. 7-bis of the Rules for Issuers.

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#### **Equity investments**

Pursuant to the fourth paragraph of art. 84-*quater* of the Rules for Issuers, an annex to this Report lists the equity investments held in the Company or its subsidiaries by Directors, Statutory Auditors, the General Manager and other Executives with strategic responsibilities, as well as by spouses who are not legally separated and minor children, directly or through subsidiaries, trust companies or third parties, as resulting from the shareholders' register, communications received or other information acquired from the Directors, Statutory Auditors, General Manager and other executives with strategic responsibilities (Tables 1 and 2 of Schedule no. 7-*ter* of the Rules for Issuers).

**SCHEDULE 7-BIS - CHART 1: Remuneration granted to members of the Board of Directors, Board of Statutory Auditors, General Manager and other Executives with strategic responsibilities**  
*(amounts in thousands of Euros)*

(A)	(B)	(C)	(D)		(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name	Office	Period in office	Term of office expiry	Company drafting the financials /subs	Fixed Remuneration	Remuneration as member of committees	Variable non-equity Remuneration		Non-monetary benefits	Other Remuneration	Total	Fair value of equity Remuneration	End-of-term allowance or leaving indemnity
							Bonus and other incentives	Profit-sharing scheme					
<b>BOARD OF DIRECTORS</b>													
Monica Mondardini	Chairperson	1.1.2020 31.12.2020	Approval of 2021 Financial Statements	Sogefi S.p.A.	(a) 20 (b) 100						(c) 120	N/A	N/A
Mauro Silvio Cleto Fenzi	Chief Executive Officer up to 26.02.2021	1.1.2020 31.12.2020	Approval of 2021 Financial Statements	Sogefi S.p.A.	(d) 150 (e) 424					(f) 44	618	(r) 14	(s) -
Rodolfo De Benedetti	Director	1.1.2020 31.12.2020	Approval of 2021 Financial Statements	Sogefi S.p.A.	(a) 20						20	N/A	N/A
Patrizia Canziani	Director	1.1.2020 31.12.2020	Approval of 2021 Financial Statements	Sogefi S.p.A.	(a) 20	(g) 15					35	N/A	N/A
Roberta Di Vieto	Director	1.1.2020 31.12.2020	Approval of 2021 Financial Statements	Sogefi S.p.A.	(a) 20	(g) 15					35	N/A	N/A
Mauro Melis	Director	1.1.2020 31.12.2020	Approval of 2021 Financial Statements	Sogefi S.p.A.	(a) 20	(g) 15 (h) 10					45	N/A	N/A

Streiff Christian	Director	1.1.2020 31.12.2020	Approval of 2021 Financial Statements	Sogefi S.p.A.	(a) 20	(h) 10					30	N/A	N/A
Riccobon Ervino	Director	1.1.2020 31.12.2020	Approval of 2021 Financial Statements	Sogefi S.p.A.	(a) 20	(h) 10					30	N/A	N/A
<b>DISMISSED DIRECTORS</b>													
Laurent Hebenstreit	CEO and General Manager	1.1.2019 09.12.2019	N/A	Sogefi S.p.A.						(p) 741	741	(q) 34	(p)
<b>BOARD OF STATUTORY AUDITORS</b>													
Sonia Peron	Chairperson	1.1.2020 31.12.2020	Approval of 2020 Financial Statements	Sogefi S.p.A.	(l) 40						40	N/A	N/A
Riccardo Zingales	Statutory Auditor	1.1.2020 31.12.2020	Approval of 2020 Financial Statements	Sogefi S.p.A.	(m)(n) 26,5						26,5	N/A	N/A
Giuseppe Leoni	Statutory Auditor	1.1.2020 31.12.2020	Approval of 2020 Financial Statements	Sogefi S.p.A.	(n) 26,5						26,5	N/A	N/A
Giuseppe Leoni	Statutory Auditor	1.1.2020 31.12.2020	Approval of 2020 Financial Statements	Sogefi Filtration Italy S.p.A.	(o) 5						5	N/A	N/A
<b>EXECUTIVES WITH STRATEGIC RESPONSIBILITIES</b>													
N. 1 Executive				Sogefi S.p.A.	(t) 197		41			(i) 27	265	49	N/A
(I) Remuneration in the Company who draws the Financial Statement					1421	75	0	0	0	168	1664	97	382
(II) Remuneration in Subsidiaries and Associates					5	0	0	0	0	0	5	0	0
(III) Total					1426	75	0	0	0	168	1669	97	382

- (a) annual remuneration (Euro 20 thousand) determined by the Shareholders Meeting (26 April, 2019) for each member of the Board for the entire term of office.
- (b) remuneration granted to the Chairman as executive director.
- (c) of which Euro 20 thousand transferred to the parent company CIR S.p.A..
- (d) remuneration for the office of Chief Executive Officer (including the fixed remuneration of Euro 20 thousand resolved by the Shareholders Meeting).
- (e) annual remuneration for the General Director equal to Euro 450 thousand, reduced to Euro 424 thousand in agreement with the beneficiary.
- (f) refund for rental expenses, as agreed in the employment contract.
- (g) remuneration to Directors for their participation at the Control and Risk Committee (Euro 15 thousand per annum for each member).
- (h) remuneration for Directors for their participation at the Appointment and Remuneration Committee (Euro 10 thousand per annum for each member).
- (i) indemnity (for holidays and / or transport) provided for by the law applicable to the employment contract.
- (l) appointed as President of the Board of Statutory Auditors on 23 April 2018.
- (m) ceased as President of the Board of Statutory Auditors on 23 April 2018.
- (n) appointed as Statutory Auditor on 23 April 2018.
- (o) appointed as Statutory Auditor of the subsidiary company Sogefi Filtration Italy S.p.A. on 16 April 2018.
- (p) see Report, Section II, par. 1.2.: according to the agreement entered into on 15 May 2020: Euro 300 thousand paid as settlement and Euro 441 thousand for the termination of the relationship in accordance with the law.
- (q) see Report, Section II, par. 1.2.; the agreement entered into on 15 May 2020 provides for the maintenance of the rights under the 2016 and 2017 Stock Grant plans for a total of n. 49,766 Units.
- (r) beneficiary, as General Manager, of n. 250.000 units related to 2020 stock grant plan. The units of the plan did not accrue as the person resigned before the vesting period of the units.
- (s) no amount was paid as the person resigned.
- (t) annual remuneration for the Director with strategic responsibilities equal to Euro 210 thousand, reduced to Euro 197 thousand in agreement with the beneficiary.

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

A	B	(1)	Financial instruments granted in previous years, not vested during the year		Financial instruments granted during the year					Financial instruments vested during the year and not granted	Financial instruments vested during the year and that can be granted		Financial instruments for the year
			(2)	(3)	(4)	(5)	(6)	(7)	(8)		(9)	(10)	
Name and Surname	Office	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value on grant date (in thousands of Euros)	Vesting period	Grant date	Market price upon allocation	Number and type of financial instruments	Number and type of financial instruments	Value on vesting date (in thousands of Euros)	Fair value (in thousands of Euros)

Mauro Silvio Cleto Fenzi – General Manager up to 28.02.2021 (*)														
Compensi Sogefi S.p.A.	Piano stock grant 2020				n. 125.000	99	23.10.2020	23.10.2020	0,97				6	
				Performance Units A										
					n. 125.000	113	31.10.2024							8
				Performance Units B										
Totale			0		250.000	212							14	

(\*) Beneficiary as General Manager of n. 250.000 units related to 2020 stock grant plan. The units of the plan did not accrue as he resigned before the vesting period of the units;

N. 1 Executive with strategic responsibilities															
Compensi Sogefi S.p.A.	Piano stock grant 2016	n. 13.020													
		Time Based Units	27.4.2016									(*)	3.255	3	1
		n. 16.980													
	Performance Units	27.4.2020										(*)	4.245	5	1
	Piano stock grant 2017	n. 8.217													
		Time Based Units	26.4.2017										(*)	4.109	2
n. 10.683															
Performance Units	26.4.2021										(*)	0	0	5	
	n. 13.143		23.4.2018									(*)	3.286	3	13

	Piano stock grant 2018	n.	Time Based Units														
			16.026	26.4.2022													
	Piano stock grant 2019		Performance Units										(*)	0	0	12	
		n.	13.664														
			Time Based Units													6	
		n.	16.336	22.7.2019													
	Piano stock grant 2020		Time Based Units													5	
		n.	17.500													1	
			Time Based Units				17										
		n.	8.750														
			Performance Units A				7		23.10.2020	31.10.2024	23.10.2020	0,97					1
		n.	8.750														
	Performance Units B				8										1		
Totale			108.069			35.000								14.895	13	51	

(\*) In 2020 to the Manager with strategic responsibilities have been assigned the following Sogefi shares: n. 7.500 referred to 2016 Stock Grant Plan, n. 4.109 referred to 2017 Stock Grant Plan e n. 3.286 referred to 2018 Stock Grant Plan.

N. 1 Ceased Executive																
Sogefi S.p.A.	Piano stock grant 2016	n.	43.400													
			Time Based Units										(*)	10.850	11	1
		n.	56.600	27.4.2016												
		Performance Units											(*)	14.150	15	1
	Piano stock grant 2017	n.	27.384													
			Time Based Units										(*)	13.692	7	16
n.		35.616	26.4.2017													
	Performance Units											(*)	0	0	17	
Totale			163.000											38.692	33	35

(\*) See Report, Section II, par. 1.2: in 2020, as per the agreement entered into on 15 May 2020, Mr. Laurent Hebenstreit, ceased on 9 December 2019 was assigned the following Sogefi shares: n. 25.000 referred to 2016 Stock Grant Plan and n. 13.692 referred to 2017 Stock Grant Plan.

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

(in thousands of Euros)

A		B	(1)	(2)			(3)			(4)
Name and Surname	Office	Plan	Bonus for the year			Bonus for previous years			Other Bonus	
			(A)	(B)	(C)	(A)	(B)	(C)		
			Payable/paid	Deferred	Deferment period	No longer payable	Payable/paid	Deferred again		
Mauro Silvio Cleto Fenzi	Chief of executive officier up to 26.02.2021 and General Manager up to 28.02.2021									
Sogefi S.p.A.		Variable remuneration year 2020	--							
Totale										
(*) in 2020 no variable remuneration accrued										
N. 1 Executive with strategic responsibilities										
Sogefi S.p.A.		Variable remuneration year 2020	41							
Total			41							



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

Name and Surname	Office	Company	Number of shares held at the end of 2019	Number of shares purchased in 2020	Number of shares sold in 2020	Number of shares held at the end of 2020
N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

Executives with strategic responsibilities	Company	Number of shares held at the end of 2019	Number of shares purchased in 2020	Number of shares sold in 2020	Number of shares held at the end of 2020
N. 1	Sogefi S.p.A.	43.896	(*) 14.895	-	58.791
N. 1	Sogefi Suspensions S.A.	1	-	-	1

(\*) Shares deriving from the exercise of assigned Units, as Executive with strategic responsibilities, from the 2016, 2017 and 2018 Stock grant plan.

## PROPOSED RESOLUTION

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

Dear Shareholders,

pursuant to art. 123-ter of the TUF, as amended by Italian Legislative Decree no. 49 of May 10, 2019, you are called upon to resolve on the Report on remuneration policy and compensation paid (hereinafter also referred to as the “Report”) prepared in accordance with the provisions of article 84-quater of the Rules for Issuers published by Consob, in accordance with Annex 3, Schedule 7-bis of the aforesaid Regulation.

You are called upon to express your vote as follows:

- by a binding resolution in compliance with art. 123-ter paragraph 3-ter of the TUF on Section I of the Report concerning the Company's policy on the remuneration of the members of the Board of Directors, the Board of Statutory Auditors, the General Manager and the executives with strategic responsibilities with reference to the year 2020 and the procedures used for the adoption and implementation of this policy; and
- by a non-binding resolution in accordance with art. 123-ter paragraph 6 of the TUF on Section II of the Report concerning the compensation paid to the persons provided for by art. 123-ter, paragraph 4 of the TUF.

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

resolution proposals

#### ON SECTION I

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

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

#### RESOLVES

to approve, with a binding vote, the Company's Remuneration Policy as set out in **Section I of the Report on remuneration policy and compensation paid** approved by the Board of Directors at the meeting held on 19 March 2021”.

## ON SECTION II

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

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

### RESOLVES

to approve, with a non-binding vote, the content of **Section II of the Report on remuneration policy and compensation paid** approved by the Board of Directors at the meeting held on 19 March 2020”.