



## **RENO DE MEDICI**

### **REPORT ON REMUNERATION**

Drawn up pursuant to Article 123-*ter* of Legislative Decree 58 dated February 24, 1998 and in accordance with Annex 3A, Schemes 7-*bis* and 7-*ter* of Consob Regulation 11971 dated May 14, 1999

**Approved by the Board of Directors on March 17, 2016**



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## **INTRODUCTION**

Dear Shareholders,

Pursuant to Article 123-*ter* of Legislative Decree 58/98, this Shareholders' Meeting has been called to cast its advisory vote on the Company's policy for the remuneration of members of the Board of Directors and Auditors and executives with strategic responsibilities, and on the procedures used for its adoption and implementation.

In accordance with current requirements, this report aims to illustrate the principles adopted by Reno De Medici S.p.A. for determining the remuneration of its executive directors and directors invested with specific duties, as well as executives with strategic responsibilities – namely the Chief Executive Officer and the Managing Director.

The Company believes that an appropriate remuneration policy is an important way to:

- attract, retain and motivate management personnel with high professional qualities;
- align the interests of management and shareholders;
- promote the creation of value for shareholders in the medium-to-long term.

In accordance with legislative requirements, the Report consists of two sections.

## **REGULATORY BACKGROUND**

This report was prepared with reference to the following specific provisions:

- Article 6 of the Corporate Governance Code concerning the “Remuneration of Directors”;
- Article 123-*ter* of Legislative Decree 58/1998, “Report on Remuneration”;
- Article 84-*quater* entitled “Report on Remuneration” of the Issuers Regulation and Annex 3A containing Schemes 7 and 7-*bis* on the subject.



## DEFINITIONS

For the purposes of the present Report, the following terms have the meanings given below:

**Chief Executive Officer:** the Chief Executive Officer of RDM appointed by a resolution dated April 29, 2014.

**Executive Directors:** the CEO as the only member of the Board of Directors with executive powers.

**Parent Company/Company/RDM:** Reno De Medici S.p.A., with registered office at Viale Isonzo 25, Milan.

**Code/Corporate Governance Code:** the Corporate Governance Code for listed companies adopted in March 2006 (as amended) by the Corporate Governance Committee and upheld by Borsa Italiana S.p.A. Unless otherwise specified, references to Principles, Criteria and Comments are to be understood to refer to this code.

**2011 Code/2011 Corporate Governance Code:** the Corporate Governance Code for listed companies approved in December 2011 by the Corporate Governance Committee and upheld by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

**Civil Code/C.C.:** the Italian Civil Code.

**Remunerations Committee/Committee:** the remunerations committee established under the Corporate Governance Code.

**Board/Administrative Body:** the Issuer's Board of Directors.

**Executives with Strategic Responsibilities/Strategic Executives:** those "persons who have the power and responsibility, directly or indirectly, for planning, directing and controlling the company's activities, including directors (executive or non-executive) of the company", and identified at the date of this report in the sole person of the Managing Director.

**Issuer:** the securities issuer to which the Report relates.

**Fiscal year:** the corporate fiscal year to which the Report relates.

**All Directors:** all members of the Board of Directors, regardless of their status (executive, non-executive, independent), as appointed by the resolution dated April 29, 2014.

**Group/RDM Group:** Reno De Medici S.p.A. and its subsidiaries.



**Chairman:** the Chairman of the Board of Directors of RDM.

**Consob Issuers Regulation/I.R.:** the Regulation issued by Consob with Resolution 11971 of 1999 (as amended) on issuers.

**Consob Related Parties Regulation:** the Regulation issued by Consob with Resolution 17221 of March 12, 2010 (as amended) on transactions with related parties.

**Report/Document:** the present remuneration report drawn up pursuant to Article 123 of the TUF.

**Consolidated Finance Act/TUF:** Legislative Decree 58 of February 24, 1998, as amended.



## 1. SECTION I

In accordance with Article 123-ter of the TUF, this section sets out (i) the Company's policy on the remuneration of the members of the Administrative Body and executives with strategic responsibilities; and (ii) the procedures used for the adoption and implementation of this policy.

With reference to the determination of the remuneration payable to members of the Board of Directors, Article 2389 of the Civil Code stipulates that: (paragraph 1) The *fees* payable to members of the Board of Directors (...) are established at the time of appointment by the Shareholders' Meeting; (paragraph 2) They may consist, in whole or in part, of profit-sharing bonuses; 3. The *remuneration* of directors invested with specific duties, in accordance with the By-Laws, is established by the Board of Directors, following consultation with the Board of Statutory Auditors. If the By-Laws so provide, the Shareholders' Meeting may determine a total amount for the remuneration of all directors, including those vested with specific duties.

The Company's current By-Laws state that: (a) *'The members of the Board shall be entitled to be paid emoluments to be recognized as charges in the Company's financial statements. The amount of such emoluments shall be determined by the Shareholders' Meeting and remain unchanged until a new resolution is adopted in respect thereof'* (penultimate paragraph of Article 12); (b) *'The Board of Directors may appoint one or more managing directors and determine their powers, including powers of representation, and their emoluments'* (see Article 17, paragraph 1).

Finally, the new Article 6 of the 2011 Corporate Governance Code prescribes a series of principles and criteria to be applied to matters of remuneration. Issuers are requested to apply these by the end of the current fiscal year, and to provide information in this regard in the Report on Corporate Governance to be published in 2013. In detail:

### Principles:

**6.P.1.** *The remuneration of directors and executives with strategic responsibilities is set at a level sufficient to attract, retain and motivate people with the professional abilities required to successfully manage the issuer; 6.P.2.* *The remuneration of executive directors and executives with strategic responsibilities is defined in such a way as to align their interests with the pursuit of the priority goal of creating value for shareholders in the medium-to-long term. For directors who are*



*holders of management mandates or who perform, even if only on a de facto basis, functions relating to the management of the business, and for executives with strategic responsibilities, a significant portion of the remuneration is linked to the achievement of specific performance targets (not all of which are economic in nature) indicated in advance and determined in accordance with the guidelines contained in the policy referred to in principle 6.P.4., below. The remuneration of non-executive directors is commensurate with the commitment required from each of them, and also takes account of their possible participation in one or more committees; 6.P.4 . The Board of Directors, on the proposal of the Remunerations Committee, defines a policy for the remuneration of directors and executives with strategic responsibilities.*

**Application criteria:**

**6.C.1.** *The policy for the remuneration of executive directors or those vested with specific duties sets out guidelines on the following topics and in accordance with the following criteria:*

- *the fixed component and the variable component are appropriately balanced according to the issuer's strategic goals and risk management policy, taking account also of the business sector in which it operates and the characteristics of the business activities actually carried out;*
- *ceilings are imposed for the variable components;*
- *the fixed component is sufficient to remunerate the performance of the director in the event that the variable component is not paid due to failure to achieve the performance targets indicated by the Board of Directors;*
- *the performance targets – i.e. the economic results and any other specific targets linked to the payment of the variable components (including targets defined for share-based remuneration schemes) – are predetermined, measurable and linked to the creation of value for shareholders in the medium-to-long term;*
- *the payment of a substantial portion of the variable component of remuneration is deferred for an appropriate period of time with respect to the time of its falling due; the size of this portion and the duration of the deferral are consistent with the characteristics of the business activities carried out and with the related risk profiles;*
- *any allowance provided for the early retirement of directors or for non-renewal of their*



*mandate is defined in such a way that its total amount does not exceed a specified amount or a certain number of years of remuneration. This allowance is not paid if the termination of the relationship is due to objectively inadequate achievement of results.*

**6.C.3.** *Criteria 6.C.1 and 6.C.2 also apply, insofar as they are compatible, to the determination – by the bodies appointed for this purpose – of the remuneration of executives with strategic responsibilities. The incentive mechanisms for the head of the internal audit function and for the executive responsible for the preparation of the accounting documents are consistent with the tasks assigned to them.*

The remuneration policy set out in the present Report conforms to the above recommendations.

### **1.1. Preparation, approval and implementation of the Remuneration Policy**

This report on remuneration was approved by the Board of Directors at its meeting held on March 17, 2016.

In addition to the Board of Directors, the Remunerations Committee was involved in the process of formulating and approving this policy at its meeting held on March 17, 2016.

The body responsible for the correct implementation of the policy adopted by the Board is the Remunerations Committee, which annually reviews its application with reference to the executive directors and executives with strategic responsibilities in terms of the variable component. The Board of Statutory Auditors is also required to express its opinion in accordance with Article 2389, paragraph 3 of the Civil Code.

In its investigation and verification activities, the Committee is also assisted by the Human Resources Manager and the Chief Financial Officer, who respectively provide data relating to remuneration and to the Performance Indicators used to determine the variable component. The Committee may also request the advice of external experts on matters of remuneration.

The table below summarizes, with reference to the recipients of remuneration, the proposing bodies, the deciding bodies and any advisors:



<b>Remunerated Persons</b>	<b>Proposing Body/Person</b>	<b>Advisory Body/Person</b>	<b>Deciding Body/Person</b>
<b>All Directors</b>	Board of Directors	Remunerations Committee	Shareholders' Meeting
<b>Executive director</b>	Board of Directors	Remunerations Committee with the assistance of external consultants*	Board of Directors after consulting with the Board of Statutory Auditors
<b>Executives with strategic responsibilities</b>	Managing Director	Chairman and HR Manager	Chairman of the Board after consulting with the CCR and the Board of Statutory Auditors

\* the use of external consultants is at the Committee's discretion

## 1.2. Remunerations Committee

### Composition and functioning of the Committee

At the date of the present Report, the Committee appointed during the meeting of the Board held on April 29, 2014 is composed of three non-executive directors, two of whom are independent: E. Giliberti (independent, as Chairman), Laura Guazzoni (independent) and R. Hall (non executive). On November 12, 2015, Enrico Giliberti resigned, and by resolution of November 19, 2015, Matteo Rossi was appointed a member of the Board of Directors and Chairman of the Remunerations Committee. All members of the Committee have adequate experience in the field of remuneration and/or finance.

The Committee shall meet on a regular basis and the minutes of the meetings shall be drawn up



by the Chairman assisted by the Secretary of the Board of Directors.

### **Functions and activities of the Committee**

Under the Corporate Governance Code the Remunerations Committee is responsible for: presenting proposals to the Board on the remuneration of directors with specific duties; monitoring the application of the decisions taken by the Board; periodically evaluating the criteria adopted for the remuneration of executives with strategic responsibilities, where such exist; ensuring the application of those criteria based on the information supplied by the managing directors, and formulating general recommendations in this regard to the Board of Directors.

At the date of the present Report, the Company has not identified any executives with strategic responsibilities, with the exception of Mr. Capuano, Managing Director, since the requirements set forth in the TUF and the I.R. do not apply.

The establishment of this Committee ensures the greatest possible disclosure and transparency on the remuneration payable to executives with specific duties, as well as on the different procedures for its determination. However, it is understood that, in accordance with Article 2389, paragraph 3 of the Civil Code, the Remunerations Committee only makes proposals, while the power to determine the remuneration of executives with specific duties lies in all cases with the Board of Directors, having consulted the Board of Statutory Auditors.

While performing its tasks, the Committee is in contact with the relevant business functions to obtain the necessary information.

The Remunerations Committee may take advice from external experts on this matter.

With particular reference to the Committee's work on the Remuneration Policy, which is to be submitted to the next Shareholders' Meeting, the Committee met on March 17, 2016 to review the report. The Committee did not use the services of any independent experts for this.

In accordance with the implementation criterion set out in point 6.C.6 of the Corporate Governance Code, no director took part in the meetings of the Committee at which proposals were made concerning their own remuneration, and the meetings of the Committee were not attended by any persons other than its members, with the exception of the Members of the Board of Statutory Auditors and Mr. Arciuolo, Head of Legal Affairs of the RDM Group, who served as



secretary.

### **1.3. Description of the Remuneration Policy**

#### **Aims and principles**

The Remuneration Policy applied by RDM aims to implement the principles established by the Corporate Governance Code (new Article 6), in accordance with the following criteria:

- The distinction between *All Directors* and *Executive Directors* is to be upheld for the purposes of determining fees and remunerations;
- The Board is to be responsible for distributing the fees decided by the Shareholders' Meeting among the Directors and for determining the remuneration payable to Directors with specific duties (power granted by Article 2389, paragraph 2 of the Civil Code and Article 12 of the By-Laws);
- The Administrative Body is responsible – on the proposal of the Remunerations Committee – for determining the variable component of the compensation payable to Executives with Strategic Responsibilities, in an amount sufficient to reward and retain the required skills for managing the Issuer and linked to the achievement of specific targets in the medium-to-long term. It should be noted that the Company has not identified any Executives with strategic responsibilities other than the Managing Director, who is also the Chief Executive Officer;
- Remuneration is to be decided by reference to average market values for similar posts, as can be deduced from the publications of specialized companies (e.g. the Spencer Stuart Board Index for Italian listed companies, or publications of HaysGroup, which is already an advisor of the Company).

The current remuneration policy for the Board appointed for the three-year period 2014-2016 has the following characteristics:

- The Executive Director, with regard to and in proportion to the management mandates entrusted, receives remuneration to a sufficient extent in order to compensate for the service required also taking into account the complexity of both the Company and the Group.



- All Executive Directors (and only the Executive Directors) receive a variable component in line with the fixed component, which is linked to the achievement of medium-term targets.

## **2. FIXED AND VARIABLE COMPONENTS OF REMUNERATION**

### **Fixed remunerations payable to Directors**

The Shareholders' Meeting is responsible for determining the fees payable to **All Directors**. These fees were determined at the time of their appointment on the basis of the criteria set out below and apply until the expiration of the mandate of the current Administrative Body at the time of approval of the Financial Statements for the fiscal year ending December 31, 2016:

- Determination of the total annual amount of fees payable to Directors, taking into account the total number of members of the Administrative Body, as well as the market values that can be deduced by referring to the average fees allocated to non-executive directors;
- Distribution among the individual directors of the total amount, as determined above, by the Board of Directors in equal measure to all directors;
- Allocation to Committee members of a fee determined on an equal basis for participation in each Committee, with an increase of 50% for the post of Chairman.

Taking the above into account, for the three-year period 2014/2015/2016 the total fixed fee payable to All Directors was set at EUR 20,000.00, in addition to the reimbursement of expenses incurred in connection with the post held. Details of the fees payable for participation in committees are given in Table 1 in Section II.

### **Variable remunerations payable to Executive Directors**

At the time this Report was prepared no variable remuneration was allocated to the Executive Director as intended in the next paragraph.

### **Executives with Strategic Responsibilities and Managing Directors**

The Company has identified a single Executive with Strategic Responsibilities in the person of the



present Managing Director, who also holds the post of Chief Executive Officer. The Managing Director is paid a fixed salary, which was determined at the time of his appointment, following consultation with the Chairman of the Board of Directors then in office, as well as a variable remuneration linked to the achievement of economic targets for the Issuer. The Performance Targets, which cover a period of one year, are set annually by the Chairman of the Board of Directors and the Director of Human Resources. These targets, which are set in a range between a “maximum” and a “minimum”, refer to the consolidated Group results after evaluation of any atypical or extraordinary events that may have occurred in each year in question.

### **Additional information**

The Managing Director, as well as all the Executives and senior managers of the Group, receives a life-insurance policy. The Managing Director, including in the capacity of CEO, does not receive any additional benefits. In the event of termination of the employment relationship, he/she does not receive any compensation other than that provided for by the national collective agreement in force.

Finally, there are currently no specific policies on compensation payable to Directors in the event of their termination.



## SECTION II

### PART ONE

This section sets out the fees received by members of the Board of Directors, the Board of Statutory Auditors and the sole Executive with Strategic Responsibilities in the fiscal year 2015.

### MEMBERS OF THE BOARD OF DIRECTORS:

#### Fixed fee for All Directors

The Shareholders' Meeting of April 27, 2014 allocated a fixed gross annual remuneration of EUR 100,000.00 to the Board of Directors for the three-year period 2014-2016, calling on the Board to determine the distribution of this amount among the individual members.

The Board meeting held on the same date decided to award a gross annual remuneration of EUR 20,000.00 to all members of the Board.

In addition, following the proposal of the Remunerations Committee – as approved by the Board of Statutory Auditors – the Board also decided to allocate the fees indicated below to the Members of the following Committees and Bodies:

#### Internal Control Committee + Committee for Related-Party Transactions

- To the Chairman, an all-inclusive gross annual fee of EUR 30,000.00;
- To each member, an all-inclusive gross annual fee of EUR 20,000.00;

#### Remunerations Committee + Appointments Committee

- To the Chairman, an all-inclusive gross annual fee of EUR 30,000.00;
- To each member, an all-inclusive gross annual fee of EUR 20,000.00;

#### Supervisory Body pursuant to Legislative Decree 231/2001

- To the Chairman, an all-inclusive gross annual fee of EUR 30,000.00;
- To each member, an all-inclusive gross annual fee of EUR 20,000.00.



### **Fixed fee for Executive Directors**

Referring exclusively to directors holding management powers, the Board – following the proposal of the Remunerations Committee, as approved by the Board of Statutory Auditors – decided to allocate a gross annual fee of EUR 80,000.00 to the CEO.

### **Variable remunerations**

There is no provision for compensation to members of the Board of Directors in the event of termination of their office.

### **Members of the Board of Statutory Auditors**

The Shareholders' Meeting held on April 30, 2015, allocated the following gross annual fees to the members of the Board of Statutory Auditors at the time of their appointment: EUR 70,000.00 to the Chairman and EUR 45,000.00 each to the Statutory Auditors.

### **Executives with Strategic Responsibilities and Managing Director**

The Executive with Strategic Responsibilities receives a fixed remuneration. The related severance pay is equal to the compensation accrued under the national collective agreement in force.

The Executive with Strategic Responsibilities is also entitled to a variable remuneration linked to the achievement of economic targets for the Issuer between a “maximum” and a “minimum”, relating to the consolidated results of the Group after assessment of any atypical or extraordinary events that may have occurred in each year in question.

For the fiscal year 2015, the performance targets were set as follows:

- Group Economic Targets such as the achievement of certain levels of ROCE, ADJUSTED EBITDA, etc.
- Production Targets such as: Quality, Safety, Production Efficiency.

The Executive with Strategic Responsibilities also receives an Executive's life-insurance policy. Finally, the Group does not employ any Executives with Strategic Responsibilities who received,



during the fiscal year, fees exceeding the highest of all the fees received by the members of the Administrative Body.

## **PART TWO**

This section gives an analysis of the fees paid to the members of the Board of Directors, the Board of Statutory Auditors and the Executives with Strategic Responsibilities in the fiscal year 2015, in any respect and in any form, by the Issuer and by its subsidiaries and associates.

The tables below were compiled, in accordance with Annex 3, Scheme 7-*bis*, taking account of the indications provided by Article 123-*ter* of the TUF and by the Issuers Regulation.



**Table 1**

First and last name	Position	Period in office	End of office	Non variable fees						Total	Fair Value of equity remuneration	Termination payment for end of term of cessation of employment relationship
				Non variable fees approved by Shareholders	Fees for specific duties (art. 2389, par 3, Italian civil code)	Fees as Committee member	Non-equity variable fees (Others)	Non monetary benefits	Other remuneration			
Robert Hall	Chairman	01/01/2015 - 31/12/2015	Financial statement 2016	20,000						20,000		
Ignazio Capuano	CEO - Executive Director	01/01/2015 - 31/12/2015	Financial statement 2016	20,000	80,000					100,000		
Laurant Lemaire	Non-Executive Director	01/01/2015 - 31/12/2015	Financial statement 2016	20,000						20,000		
Enrico Gilliberti (*)	Non-Executive, Independent Director	01/01/2015 - 13/11/2015	Financial statement 2016	17,500		61,250				78,750		
Matteo Rossi (*)	Non-Executive, Independent Director	13/11/2015 - 31/12/2015	Financial statement 2015	2,500		8,750				11,250		
Laura Guazzoni	Non-Executive, Independent Director	01/01/2015 - 31/12/2015	Financial statement 2016	20,000		70,000				90,000		
<b>Total</b>				<b>100,000</b>	<b>80,000</b>	<b>140,000</b>				<b>320,000</b>		

(\*) Mr Enrico Gilliberti resigned as independent member of the Board of Directors on 13th November 2015. He has been co-opted from Mr Matteo Rossi

First and last name	Position	Period in office	End of office	Non variable fees						Total	Fair Value of equity remuneration	Termination payment for end of term of cessation of employment relationship
				Non variable fees approved by Shareholders	Fees for specific duties (art. 2389, par 3, Italian civil code)	Fees as Committee member	Non-equity variable fees (Others)	Non monetary benefits	Other remuneration			
Giancarlo Russo Corvace	Chairman	01/05/2015 - 31/12/2015	Financial statement 2017	46,667						46,667		
Carlo Tavormina	Chairman	01/01/2015 - 30/04/2015	Financial statement 2014	23,333						23,333		
Vincenzo D'Aniello (**)	Statutory Auditor	01/05/2015 - 02/10/2015	Financial statement 2017	18,750						18,750		
Giovanni Maria Conti (**)	Statutory Auditor	03/10/2015 - 31/12/2015	Financial statement 2017	11,250						11,250		
Giovanni Maria Conti	Statutory Auditor	01/01/2015 - 30/04/2015	Financial statement 2014	15,000						15,000		
Tiziana Masolini	Statutory Auditor	01/01/2015 - 31/12/2015	Financial statement 2017	45,000						45,000		
<b>Total</b>				<b>160,000</b>						<b>160,000</b>		

(\*\*) Mr Vincenzo D'Aniello resigned as member of the Board of Statutory Auditors on 2nd October 2015. Mr Giammaria Conti, Deputy Auditor, took office as member of the Board of Statutory Auditors.

The Tables 3A and 3B are not applicable.



With reference to the information provided for by Scheme 7-ter of Annex 3, the table below shows, separately for each category, information relating to the equity interests held by management and control bodies and by executives with strategic responsibilities in the Issuer and its subsidiaries.

First and last name	Position	Period in office	End of office	Non variable fees approved by Shareholders	Fees for specific duties (art. 2389, par 3, Italian civil code)	Fees as Committee member	Non-equity variable fees (Others)	Non monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Termination payment for end of term of cessation of employment relationship
<b>Ignazio Capasso</b>	<b>General Director</b>	<b>01/01/2015 - 31/12/2015</b>	<b>2017</b>		<b>345,000</b>		<b>200,000</b>	<b>5,013</b>		<b>550,013</b>		
<b>Total</b>					<b>345,000</b>		<b>200,000</b>	<b>5,013</b>		<b>550,013</b>		