



## RenoDeMedici

*Registered office at Viale Isonzo, 25, Milan  
Share capital Euro 140,000,000 fully paid up  
Milan Companies Register and Fiscal Code no. 00883670150*

### **Remuneration Report**

**Pursuant to Article 123-ter of Legislative Decree 58 of February 24, 1998  
and Art. 84-quater of Consob Regulation 11971/1999.**

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## Introduction

This "Remuneration Report" (hereinafter the "**Report**") provides, in accordance with the provisions of Art. 123-*ter* of Legislative Decree 58/1998 (hereinafter the "**CFA**") and Art. 84-*quater* of Consob Regulation 11971/1999, as amended (hereinafter the "**Issuer Regulation**"), information on the remuneration policies adopted by Reno De Medici S.p.A. (hereinafter the "**Company**" or the "**Issuer**") in relation to the members of the Board of Directors and Managers with Strategic Responsibilities.

The Report is divided into two sections, prepared in accordance with Annex 3A, Model 7-*bis* of the Issuer Regulation.

The **first section** describes:

- a) the principles and objectives of the remuneration policy that will be adopted in financial year 2020;
- b) the procedures relating to the adoption and implementation of said policy.

The **second section** illustrates analytically, including in the form of tables, the final figures for the policy actually implemented in financial year 2019 with reference to Directors, Statutory Auditors and Managers with Strategic Responsibilities. In this regard, note that with reference to financial year 2019, have been also identified as Managers with Strategic Responsibilities, in addition to the Company's Chief Executive Officer, Mr. Luca Rizzo, in his capacity as *Chief Financial Officer* of the Reno De Medici Group (hereinafter the "**Group**"), Mrs. Marita Lovera, as Group *Chief HR Officer* and Mr. Andrea Bettinelli, as Group *Head of Strategy*.

The Report was approved by the Board of Directors, on the proposal of the Remuneration Committee, on March 16, 2020. The first section of the Report is subject to a binding resolution of the Shareholders' Meeting called for April 29, 2020 (April 30 for any possible second call) to approve the Financial Statements for the year ended December 31, 2019. Pursuant to Art. 123-*ter* of CFA, the Report will be made available to the public at the registered office, via the authorized "EmarketStorage" platform ([www.emarketstorage.com](http://www.emarketstorage.com)) and on the website [www.rdmgroup.com](http://www.rdmgroup.com) from April 6<sup>th</sup>, 2020.

In accordance with the provisions of Consob Regulation 17221 of March 12, 2010 (hereinafter the "**Consob Regulation Related Parties**"), as amended, concerning related-

party transactions, as incorporated into the related procedures approved by the Company's Board of Directors, the adoption and definition of the remuneration policy detailed in this Report – implemented with the involvement of the Remuneration Committee composed exclusively of independent Directors and submitted for a consultative vote by the Shareholders' Meeting – exempts resolutions concerning the remuneration of the Directors and Managers with Strategic Responsibilities from the application of the procedures provided for by the above-mentioned Consob provisions on related parties.

## **SECTION I - 2020 REMUNERATION POLICY**

### **1 – PROCEDURES FOR ADOPTION AND IMPLEMENTATION OF THE REMUNERATION POLICY (“POLICY”)**

#### **a) BODIES INVOLVED.**

The Remuneration Policy (hereinafter the “**Policy**”) is approved and defined by the Board of Directors, on the proposal of the Remuneration Committee established within the Board of Directors, whose composition, responsibilities and working procedures are described in point b) below.

The concrete determination and implementation of the Policy in accordance with the principles and guidelines defined within it is delegated to:

- the Board of Directors, in relation to the remuneration of Executive Directors and other Directors holding special offices in the Company;
- the Chief Executive Officer, who relies on the support of the Group Personnel Department, in relation to Managers with Strategic Responsibilities.

Note that, with effect from 2019, the Board of Directors has identified further Managers with Strategic Responsibilities other than the Chief Executive Officer, and precisely:

- Mr. Luca Rizzo in his capacity as Group *Chief Financial Officer*;
- Mrs. Marita Lovera in her capacity as Group *Chief HR Officer*;
- Mr. Andrea Bettinelli in his capacity as Group *Head of Strategy*.

The Personnel Department reports to the Remuneration Committee, at least annually, on the implementation procedures of the Policy.

On completion of the above Report, the Remuneration Committee monitors and verifies the consistency of the implementation procedures of the Policy with respect to the defined principles, reporting accordingly to the Board of Directors.

#### **b) REMUNERATION COMMITTEE. COMPOSITION AND FUNCTIONS.**

The Board of Directors has established a “Remuneration Committee” within itself, with investigative, consultative and advisory functions.

The Remuneration Committee is currently composed of three Directors who are non-executive – inasmuch as they do not hold individual powers of management or executive offices in the Company or in companies belonging to the Group – and independent, as identified by the Board of Directors in relation to the provisions of Art. 148 of the CFA and the Corporate Governance Code of Borsa Italiana S.p.A..

The composition of the Remuneration Committee is as follows:

Name	Position
Giulio Antonello	Chairman
Laura Guazzoni	Non-Executive – Independent
Gloria Marino	Non-Executive – Independent

The members of the Remuneration Committee hold office until the expiry of the Directors' term of office and therefore until the Shareholders' Meeting called to approve the Financial Statements for the year ending December 31, 2019, unless resolved otherwise.

The responsibilities assigned to the Remuneration Committee can be summarized as follows:

- to consult with and make proposals to the Board of Directors in relation to the definition of the remuneration Policies for Directors and Managers with Strategic Responsibilities, as well as to periodically review the adequacy, in synergy with the Human Resources Department, overall coherence and practical application of the principles defined in the context of the Policies and report accordingly to the Board of Directors;
- to consult with and make proposals to the Board of Directors concerning the remuneration of the Executive Directors and other Directors vested with special offices, as well as concerning the setting of *performance* objectives linked to the variable component of that remuneration, and to monitor the decisions taken by the Board and verify the effective achievement of the *performance* objectives.
- to consult with and make proposals to the Board of Directors concerning the implementation of the *Stock Grant* Plan adopted by the Shareholders' Meeting of April 28<sup>th</sup>, 2017 pursuant to Art. 114-*bis* of CFA, as described in Section II of this Report, with particular reference to the determination of the *performance* objectives linked to the Plan;
- to consult with and make proposals to the Board of Directors concerning to incentive plans that should be approved by the Shareholders' Meeting of April 29<sup>th</sup>, 2020 pursuant to Art. 114-*bis* of the CFA.

In the performance of its functions, the Remuneration Committee accesses the information and business departments necessary for the performance of its duties.

As regards operating procedures, the Directors making up the Remuneration Committee act and meet whenever deemed necessary by the Chairman or requested by the other two members. The decisions of the Remuneration Committee are taken by a simple majority and are duly minuted.

The members of the Remuneration Committee have solid professional expertise in the reference sector, and adequate knowledge and experience in the areas of finance and remuneration policies.

**Activities carried out with reference to financial year 2019**

During 2019, the Remuneration Committee held 3 meetings, duly minuted and chaired by Mr. Giulio Antonello. The percentage of meetings attended by each member of the Remuneration Committee was 100%.

The meetings concerned the following matters:

- (i) definition of the proposal to the Board of Directors for the adoption of the Remuneration Report referred to in Art. 123-ter of the CFA for financial year 2019;
- (ii) for 2019, the definition of the *performance* objectives underlying the *Stock Grant* Plan restricted to the Managing Director as established by the Shareholders' Meeting held on April 28, 2017 pursuant to Article 114-bis of the CFA and the *performance* objectives underlying the variable and monetary remuneration of the Chief Executive Officer;
- (iii) definition of the proposal to the Board of Directors concerning the determination of the remuneration for the office of Chief Executive Officer for deliberation pursuant to Art. 2389 of the Italian Civil Code.

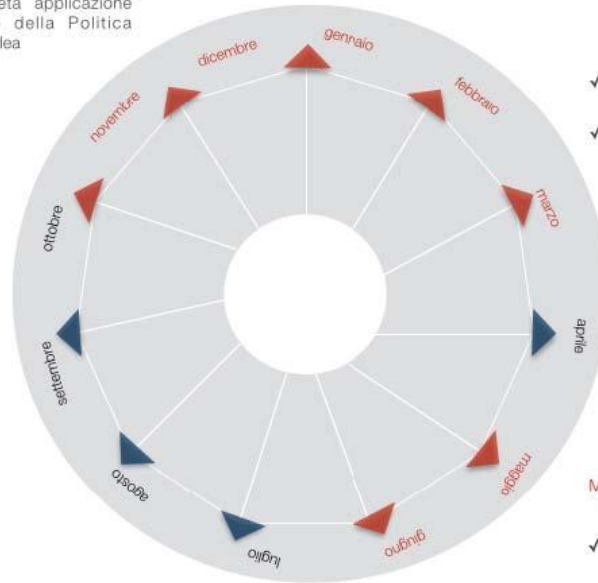
**Activities scheduled for financial year 2020**

In 2020, the Remuneration Committee's activities will be carried out in accordance with an annual program divided in the phases summarized below:



#### Novembre - Dicembre

- ✓ Verifica della concreta applicazione durante l'esercizio della Politica approvata dall'Assemblea



#### Gennaio - Marzo

- ✓ Verifica della adeguatezza, coerenza complessiva e concreta applicazione della Politica adottata nell'esercizio precedente in relazione ai risultati raggiunti
- ✓ Definizione delle proposte di politica per l'esercizio successivo
- ✓ Predisposizione della Relazione sulla Remunerazione da sottoporre con cadenza annuale previa approvazione del Consiglio di Amministrazione alla Assemblea degli Azionisti

#### Maggio - Giugno

- ✓ Esame dei risultati del voto espresso dagli azionisti in Assemblea sulla Politica approvata dal Consiglio
- ✓ Valutazione della Politica, delle modalità di funzionamento del Comitato e delle linee guida di applicazione

## **2 - OBJECTIVES OF THE POLICY**

In general terms, the Policy is mainly aimed at – including in accordance with the recommendations of the Corporate Governance Code of Borsa Italiana S.p.A. – attracting, motivating and retaining persons who have the professional qualities necessary to ensure the achievement of the objective considered a priority of creating sustainable value for the Company and the Group in the medium/long term.

Consistent with this aim the Policy identifies the maintenance of a significant correlation between pay and *performance* as the focal point of alignment between the interests of the Shareholders and those of the *Management*. It follows from this that a significant part of the total remuneration of the Executive Directors and Managers with Strategic Responsibilities is linked to the achievement of specific objectives for the short and medium/long term, determined with reference to performance defined both at consolidated level and for specific *business* areas or functions.

## **3 - GENERAL PRINCIPLES OF THE POLICY.**

Consistent with the general objectives outlined above, the Policy is based on the following reference principles, which are also defined in accordance with the recommendations of the Corporate Governance Code of Borsa Italiana S.p.A.:

- appropriate balancing of the fixed and variable components based on the Company's strategic objectives and risk management policy, also taking into

account the sector of activity and the characteristics of the activities actually carried out;

- definition of limits for the variable components;
- predetermination and measurability of the performance targets with reference to the payment of the variable components;
- granting of a significant portion of the variable component relating to the medium-long term plan, deferred in an adequate amount of time as represented by the maturity thereof, since it is subject to fulfillment of the performance objective for the total years included in the multi-year period of reference, or permanence in the position for the entire multi-year reference period.

#### **4 - FIXED AND VARIABLE COMPONENTS OF REMUNERATION.**

As will be illustrated below, the relevant content of the Policy is organized according to different principles and procedures as regards:

- the fixed components;
- the medium/long-term variable components;
- the different types of beneficiaries.

In particular:

##### **4.1. Non-executive Directors**

Non-executive Directors are identified as those who do not hold individual powers of management or executive offices in the Company or in Group companies, or in the parent company when the office also concerns the Company.

Non-executive Directors are entitled to the fixed remuneration determined by the Shareholders' Meeting at the time of their appointment.

The Board of Directors may, on the proposal of the Remuneration Committee and with the prior approval of the Board of Statutory Auditors, determine additional fixed remuneration in relation to activities linked to the participation of non-executive Directors in the committees within the Board of Directors.

The underlying principle of this approach is to allocate only a lump-sum remuneration to the non-executive members of the Board of Directors. As a consequence, the remuneration of the non-executive Directors is therefore not linked to the financial results achieved by the Company, nor to consolidated results or performance objectives in general.

#### **4.2. Executive Directors vested with special offices in the Issuer in accordance with the By-Laws**

Executive Directors vested with special offices in the Issuer are entitled, in addition to the fixed remuneration determined by the Shareholders' Meeting at the time of their appointment, to the remuneration (in fixed and/or variable form) determined by the Board of Directors on the base of a specific proposal of the Remuneration Committee and with the approval of the Board of Statutory Auditors including in relation to the provisions of Art. 2389, paragraph III, of the Italian Civil Code.

The variable component of the remuneration of the Chief Executive Officer is determined by the Board of Directors on the base of a specific proposal of the Remuneration Committee and with the approval of the Board of Statutory Auditors. This remuneration system is described in detail in the following paragraph 4.4..

#### **4.3. Managers with Strategic Responsibilities**

In accordance also with the indications contained in Consob Regulation Related Parties, borrowed from International Accounting Standard IAS 24, the Managers with Strategic Responsibilities are identified as the persons who have the power and responsibility, directly or indirectly, for the planning, management and control of the Company's activities, including the Directors of the Company. With regard to this principle and the current organizational structure of the Issuer, with reference to 2019, and unlike the previous year, Managers with Strategic Responsibilities are not only identified among Executive Directors, but also among the following subjects:

- Mr. Luca Rizzo, in his quality of Group *Chief Financial Officer*;
- Mrs. Marita Lovera, in her quality of Group *Chief HR Officer*;
- Mr. Andrea Bettinelli, in his quality of Group *Head of Strategy*.

The remuneration package allocated to Managers with Strategic Responsibilities shall be composed of the following elements:

- i) Annual fixed component;
- ii) Annual variable component (*MBO*);
- iii) Medium/long-term variable component (*LTI*).

The fixed annual component consists of the Gross Annual Salary and other forms of remuneration of a fixed nature, which are related to the assigned role. The amount of the fixed component is based on the size of the *business* managed and the comparability of the internal remuneration levels, including in relation to compensation paid, on the market, by companies of a similar size.

The annual variable component (MBO) is described in the following paragraph 4.4.

#### **4.4. Variable compensation mechanisms provided for the Chief Executive Officer and for Managers with Strategic Responsibilities**

##### **(i) The annual variable component (MBO) of the Managers with Strategic Responsibilities**

The fixed annual component (MBO) for Managers with Strategic Responsibilities is subject to fulfilling certain pre-set annual quantitative objectives which are related to performance indices whether at the consolidated Group level or at the individual level based on quantitative parameters relating to the *business* or central department managed. This amount will correspond to a percentage between 20% and 50% of the Gross Annual Salary (any payroll amounts will not be included in the calculation).

The key performance indicators (*KPIs*) used in the *MBO* system for Managers with Strategic Responsibilities shall comply with the economic and profitability indicators set by the Chief Executive Office as part of the Company's budget and strategic plan.

These *KPIs* are normally quantitative since qualitative objectives are allowed only under exceptional circumstances and nevertheless only if related to objective valuation elements (e.g. the time required to complete a project), so that they cannot be measured on a discretionary basis. To guarantee the method adopted, the *targets* are certified by the Group Management Control, both in the assignment and final accounting phase, and the process guarantees the traceability and transparency of each phase.

The mechanism for calculation of the annual *MBO* related remuneration of Managers with Strategic Responsibilities shall require a minimum threshold of **80%** of the value of the budget for access to the benefit and a maximum remuneration of **120%** of the basic bonus amount, which can be collected only upon **reaching or exceeding 120%** of the objectives, with a ceiling of 100% applied to the amount that can be disbursed of the nominal *bonus* assigned.

The definition of the *target* levels underlying the annual objectives (*MBO*) is linked to generally achieving the performance targets which refer to the *budget* forecasts and are indicated by the Board of Directors. The comparison between the reported data and the targets assigned determines the extent of the variable component for the remuneration that can be paid.

##### **(ii) The Variable annual monetary (MBO) component of the Chief Executive Officer**

The Chief Executive Office will receive annual variable remuneration that shall not exceed the 50% of the total compensation as Manager (Gross Annual Salary) and as

Chief Executive Officer (emolument).

The key *performance* indicators (*KPIs*) for the Chief Executive Officer in terms of the annual objectives (*MBO*) are connected to fulfillment of the profitability, efficiency and strategic project forecasts defined within the *budget* and the Group's plan for growth.

These *KPIs* are normally quantitative since qualitative objectives are allowed only under exceptional circumstances and nevertheless only if related to objective valuation elements (e.g. the time required to complete a project), so that they cannot be measured on a discretionary basis.

The mechanism for calculation of the annual *MBO* related remuneration of the Chief Executive Officer provides for a minimum threshold of 80% to 100% of the value of the *budget* depending on the specific *target* and a maximum remuneration of 120% of the basic bonus amount, which can be collected only upon reaching or exceeding these objectives with a ceiling of 120% applied to the amount of the nominal *bonus* assigned that can be disbursed.

The *MBO* objectives are set each year, except for the EBITDA and IF OSHA index which constitute fixed objectives each year.

**(iii) The medium-long term variable component (LTI) for the Chief Executive Officer and Managers with Strategic Responsibilities**

The medium/long-term variable component (LTI) is derived from the following elements, which can be applied alternatively or cumulatively:

- A) Multi-year incentive plans;
- B) A medium/long-term variable component in monetary form.

**A) Multi-year incentive plans based on financial instruments Stock Grant Plan for 2017/2018/2019 -**

The Shareholders' Meeting of April 28, 2017 approved the adoption, pursuant to Art. 114-*bis* of the CFA, of a *Stock Grant* Plan (the "**Plan**") reserved for the Chief Executive Officer, with a duration covering the three-year period 2017/2018 /2019.

The structure and implementation procedures of the Plan, defined by the Board of Directors with the consultative and advisory support of the Remuneration Committee,

comply with the following general principles:

- (i) consolidation of the process of creating sustainable value for the Company and the Group in the medium/long term, as well as of incentivizing and retaining the recipient through the definition of multi-year durations and *vesting* periods;
- (ii) allocation of financial instruments subject to the achievement of predefined and measurable business and/or market *performance* objectives;
- (iii) ties to the beneficiary remaining with the Company.

In particular, the Plan provides for:

- a) the free assignment to the beneficiary of rights to the allocation, free of charge, of maximum 2,262,857 ordinary shares of the Company, exclusively at the end of the duration period and conditional upon the achievement of predetermined performance objectives;
- b) a three-year period;
- c) the allocation and granting of the ordinary shares of the Company involved in the Plan subject to: (i) verification by the Board of Directors of the achievement of specific *performance* objectives for each year of the reference three-year period, and (ii) the condition that the beneficiary holds the office of Company's Chief Executive Officer for the entire period covered by the Plan.

The shares will be attributed as follows:

- (i) 40% of the total Plan shares for 2017;
- (ii) 30% of the total Plan shares for 2018;
- (iii) 30% of the total Plan shares for 2019;

The three-year *performance* objectives will be identified, for each year of the duration of the Plan, by the Board of Directors on the proposal of the Remuneration Committee at the time of the assignment of the rights, on the basis of two types of indicators:

- (i) Consolidated EBITDA as shown in the approved Consolidated Financial Statements; and
- (ii) OSHA, frequency index (FI = number of accidents \* 200,000 / number of hours worked).

Each of these objectives contributes in a balanced manner (50%) to the composition of the overall performance result, while the recognition of the right to allocation of the shares is commensurate with the level of achievement of the *target* at the end of the *vesting* period.

The mechanism established for calculation of the applicable rights provides for:

- a) EBITDA: if the result is less than 80% of the EBITDA per the *Budget*, no share will be assigned; whereas, if the result will be between 80% and 120% a proportional number of shares will be assigned;
- b) IF OSHA: the frequency index must drop by 10% of the value reached the previous year, with entry to 80% of the *target* and pro-rata maturation up to 120%.

The shares used to fund the Plan may be obtained through the purchase of treasury shares on the market and/or through the use of shares already held by the Company under treasury share purchase plans approved by the Shareholders' Meeting pursuant to and for the purposes of Articles 2357 et seq. of the Italian Civil Code.

The principles applicable to the Plan do not provide for any clauses requiring the shares to be held in the portfolio after the exercise of the assigned rights, it being deemed appropriate, in accordance with the purposes of incentivization, retention and value creation, to determine the above-mentioned three-year *vesting period*.

As these are remuneration elements also provided to encourage retention in the medium term, interruption of the employment relationship during the *vesting period* will automatically result in loss of the attributed rights.

For any further details about the Plan, please refer to the Information Document prepared in accordance with Art. 84-*bis* of Issuers Regulation and available on the website [www.rdmgroup.com](http://www.rdmgroup.com), in the Governance/Shareholders' Meetings section, and via the authorized "eMarket STORAGE" platform ([www.emarketstorage.com](http://www.emarketstorage.com)).

In addition to the above, it is noted that the Board of Directors on March 16<sup>th</sup>, 2020 also resolved to convene the Shareholders' Meeting of April 29<sup>th</sup>, 2020 (April 30<sup>th</sup>, 2020 in any second call) to submit the approval of two medium-long term incentive plans (LTI). One relates to the assignment, free of charge, of a maximum of 2,070,000 shares of the Company ("**Stock Grant Plan**") while the other relates to the assignment free of charge of a maximum number of 2,070. 000 Grant which confer to the Beneficiaries the right of the assignment of a cash bonus ("**Phantom Stock Grant Plan**" and together with the Stock Grant Plan, the "**Plans**").

Both plans include:

- (a) as beneficiary subjects the Chief Executive Officer and the Managers with Strategic Responsibilities who will be identified by the Board of Directors;
- (b) a three-year term for the 2020-2021-2022 financial years;

(c) as regards the Stock Grant Plan, the attribution of ordinary shares of the Company and, as regards the Phantom Stock Grant Plan, the attribution of Bonus, subject to: (i) the verification by the Board of Directors of the achievement of specific *performance* objectives for each financial year included in the three-year period of reference, as well as (ii) the circumstance that the beneficiaries maintain their respective offices / working relationships in the Company;

(d) that the allocation of the Company's shares of the Stock Grant Plan and the allocation of Bonus of the Phantom Stock Grant Plan take place at the end of the three-year *performance* period, which starts from the date of assignment of the Rights with reference to the Stock Grant Grant and of the Grant with reference to the Phantom Stock Grant Plan and ends on December 31<sup>st</sup>, 2022;

(e) that the *performance* objectives will be determined by the Board of Directors on the assignment date, using the ROCE as the reference parameter.

The aforementioned Plans were conceived in order to favour the loyalty and the incentive of the *management*, promoting the enhancement of the Company and the spread of a culture of creating value in all strategic and operational decisions.

Further information on the proposal that will be submitted to the approval of the Shareholders' meeting convened for April 29<sup>th</sup>, 2020 with reference to the 2020-2022 Stock Grant Plan and to the 2020-2022 Phantom Stock Grant Plan are available on the website [www.rdmgroup.com/SezioneGovernance/Assemblea](http://www.rdmgroup.com/SezioneGovernance/Assemblea), as well as at the authorized storage mechanism "EmarketStorage" ([www.emarketstorage.com](http://www.emarketstorage.com)).

### **Medium/long-term variable component in monetary form**

The criteria applicable to the medium/long-term variable component in monetary form are consistent with the general principles of the Policy – indicated in point 3 above – related to the deferral of the payment of a substantial portion of the variable component of a suitable period of time with respect to the time of its accrual, in accordance with the aim of retaining talent and consolidating the value creation process over time.

The application of above-mentioned criteria determines as follows.

The medium/long-term variable component (LTI) consists of a monetary Special Bonus payable exclusively (i) at the end of a reference multi-year period and (ii) in respect of the achievement of predetermined and quantifiable medium and long-term economic and financial *performance* objectives, both at consolidated level and in relation to individual business areas and functions.



In particular, as of criteria for determining performance targets, the monetary Special Bonus representing the medium/long-term variable component is commensurate with:

a. the continuity of *performance* in the reference multi-year period, through the achievement of objectives for each year included in the time span considered. The Bonus is paid exclusively at the end of the reference period, since it is conditional upon the achievement of the objectives – either in full or up to a defined minimum percentage – for each and every year of that period;

b the creation of value for the Group, verified at the end of the reference multi-year period, through the achievement of projected consolidated economic and financial objectives relating to the entire reference period and therefore quantifiable and payable only at the end of that period. Specifically, the forecast objectives can be determined as quantitative data punctual at the closing date of the reference period, or as predefined percentage increases, at the closing date of the reference period.

The objectives of economic and financial *performance* are predetermined with reference to the annual *budgets* and/or long-term plans approved by the Board of Directors.

The criteria for determining the *performance* objectives set out in points a) and b) above are applicable alternatively or cumulatively. In the case of cumulative application, each criterion has an incidence of 50% with respect to the total paying.

Since one of the purposes of these remuneration elements is to retain persons in the most strategic roles for the good governance of the Company in the medium term, termination of the working relationship during the reference period entails the automatic loss of entitlement to the payment.

The aggregate of the annual and medium/long-term variable components represents a variable percentage generally not less than 35% of the total annual remuneration, as Manager (Annual Gross Remuneration) and as Chief Executive Officer (Compensation).

## **5 - CLAW-BACK MECHANISM**

Provision is made for the adoption of a *claw-back* mechanism that makes it possible to demand (i) the return of variable remuneration components already paid, or to deduct variable remuneration components that are subject to deferral and were paid on the basis of data subsequently found to be erroneous, or (ii) to obtain reimbursement of all incentives relating to the financial year (or years) with

reference to which it is ascertained that there has been a fraudulent alteration of the data used for calculating the final results in order to obtain entitlement to the incentives. Similarly, provision is made for a demand for reimbursement in the event of the commission of serious and intentional violations of laws and/or regulations, the Code of Ethics adopted by the Company, or Company procedures.

## **6 - EXTRAORDINARY TRANSACTIONS**

In the event of extraordinary transactions concerning the Group – such as, but not limited to, acquisitions or disposals of companies, cessations of business, mergers or demergers, transfers and contributions of business units, transactions concerning the share capital, financial or equity transactions capable of having an impact on the market value of the share – as well as legislative or regulatory modifications capable of having a significant impact on the *performance* objectives, the Board of Directors, after consulting with the Remuneration Committee, has the power to make the modifications and additions necessary to maintain unchanged the substantive and financial content of the incentive plans and the *KPIs* underlying the short- and medium-term incentivization systems relating to the Chief Executive Officer, as may the awarding of special *bonuses* linked to specific targets be provided for.

Any modifications which, in the same eventualities and with the same purposes, might become necessary in relation to the other Strategic Directors may be assessed by the Chief Executive Officer.

## **7 - EXTRAORDINARY / ONE-OFF BONUSES**

There is no plan for the provision of discretionary bonuses recognizing *performance* which refers to targets that can be planned beforehand.

The recognition of *performance* which refers to targets which can be planned beforehand is managed through short-term and long-term incentive plans, in conformity with this policy.

The possible provision of extraordinary bonuses to Executive Directors or Managers with Strategic Responsibilities is subject to the achievement of exceptional results arising from extraordinary operations and involving the revision of the Group's perimeter.

The Board of Directors is responsible for checking the requirements for the provision as far as Executive Directors are concerned, and the Chief Executive Officer is

responsible as far as the other Managers with Strategic Responsibilities are concerned. The possible payment of extraordinary premiums in favor of Executive Directors or Managers with Strategic Responsibilities is subject to exceptionally significant results deriving from extraordinary operations and which involve the revision of the Group's perimeter. The verification of the prerequisites for the provision is reserved to the Board of Directors, subject to the opinion of the Remuneration Committee, with regard to the Executive Directors, and to the Chief Executive Officer with regard to the other Executives with Strategic Responsibilities.

However, any extraordinary premiums paid do not exceed, on an annual basis, a gross amount equal to 20% of the fixed components and annual variables paid with reference to the year preceding the year in which the bonus was paid.

#### **8 - REMUNERATION PLANS BASED ON FINANCIAL INSTRUMENTS**

In relation to any future additional remuneration plans based on the allocation of financial instruments, to be submitted for the approval of the Shareholders' Meeting pursuant to Art. 114-*bis* of the CFA, as above-mentioned, the detailed elements and implementation procedures are defined by the Board of Directors with the consultative and advisory support of the Remuneration Committee, in a manner consistent with the Company's risk profile and with reference to the following general principles, already outlined in the preceding point 3 - :

- i. consolidation of the process of creating sustainable value for the Company and the Group in the medium/long term and of incentivizing and retaining Management through the definition of multi-year durations and *vesting* periods;
- ii. allocation or exercisability of financial instruments or of the further incentives subject to the achievement of predefined and measurable business and/or market performance objectives;
- iii. ties to the beneficiaries remaining with the Company.

#### **9 - NON-MONETARY BENEFITS**

The members of the Board of Directors do not receive "*fringe benefits*" at the Company's expense.

The Chief Executive Officer, the Managers with Strategic Responsibilities, and other Managers may receive, in addition to the supplementary healthcare insurance with respect to the mandatory cover provided for by the relevant collective agreements, the company car in mixed use based on service and/or representation needs, by

evaluating the overall remuneration package.

**10 - PAYMENTS PROVIDED FOR IN THE EVENT OF DEPARTURE FROM OFFICE OR TERMINATION OF THE WORKING RELATIONSHIP.**

The Company may stipulate agreements with Directors or Managers with Strategic Responsibilities that regulate ex ante the economic aspects relating to any early termination of the relationship on the initiative of the Company or of the individual. Notwithstanding, in any case, the legal and / or contractual obligations, the agreements eventually reached for the termination of the relationship with the Company are inspired to the reference benchmarks and within the maximum limits defined by the jurisprudence and practices of the Country in which the agreement is concluded. In the event of termination of the existing relationship with the Group for reasons other than just cause, the orientation is to seek agreements for the "termination" of the relationship consensually. In the event that a sum is paid on a settlement basis, this is defined in compliance with the guiding principles defined by the Corporate Governance Code (6.C.1 letter g), and in particular by referring to the criteria set out in the CCNL for Executives.

**11 - BENCHMARKS USED FOR THE DEFINITION OF THE POLICY**

The Policy has been defined in the light of the best practices present on the market, but without any specific reference to the remuneration policies of other companies.

## **SECTION II - REMUNERATION AND COMPENSATION PAID IN FINANCIAL YEAR 2019**

This section of the Report provides a representation of each of the items comprising the remuneration of Directors and Managers with Strategic Responsibilities for financial year 2019. It should be noted that, for financial year 2019, have been identified as Managers with Strategic Responsibilities, in addition to the Chief Executive Officer of the Company, Mr. Luca Rizzo, in his capacity as Group *Chief Finacial Officer*, Mrs. Marita Lovera, in her capacity as Group *Chief HR Officer* and Mr. Andrea Bettinelli, in his capacity as Group *Head of Strategy*.

### **FIRST PART - POLICY IMPLEMENTATION**

The items comprising the remuneration paid in financial year 2019 to the members of the Administrative and Control Boards and Managers with Strategic Responsibilities are broken down according to the different standards and methods in relation (i) to the fixed and variable components as well as (ii) the different types of recipients.

Moreover, referring to the tables in the second part of this Section II representing the specific values:

### **A - REMUNERATION OF DIRECTORS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES**

**(i) Non-Executive Directors.** Non-Executive Directors are identified, according to the definition stated in Section I, as Directors not holding individual management mandates and not holding management positions in the Company or in Group companies, or in the controlling entity if the office also relates to the Company.

During financial year 2019, in line with the detailed procedural methods defined in the Policy, the following was disbursed:

- fixed annual compensation owed for the office of Director, including Non-Executive Directors, as determined by the Ordinary Shareholders' Meeting on April 28, 2017 during the appointment of the Board of Directors, with a term in office established for 3 financial years and precisely until the approval of the Financial Statements on December 31, 2019.

In particular:

- the Shareholders' Meeting's determination of the total annual amount of Euro 140,000 as the remuneration owed to the Directors, taking into account the total

number of members on the Board of Directors as well as market values presumed with reference to the average remuneration allotted to Non-Executive Directors;

- distribution among the individual Directors of the total amount, as determined above, by the Board of Directors in equal measure for all the Directors.

Given the above, for the three-year period 2017-2019, the total fixed fee owed on a pro rata basis to each Director was determined in the amount of Euro 20,000 annually.

- other fixed annual compensation owed to Non-Executive Directors of the Board Committees (the Audit Committee, Remuneration Committee and Appointments Committee) determined by the Board of Directors, at the proposal of the Remuneration Committee and with the approval of the Board of Statutory Auditors in accordance with Article 2389 of the Italian Civil Code.

The individual amounts disbursed *pro rata temporis* in 2019 were determined as follows:

- Euro 30,000 on an annual basis to the Committee Chairman;
- Euro 20,000 on an annual basis for each Committee-member Director.

The fees allotted to Non-Executive Directors are not linked to the economic performance delivered by the Company, or of a consolidated type, or in any event to *performance* targets in general.

**(ii) Directors vested with special duties in accordance with the By-Laws. Chief Executive Officer. Managers with Strategic Responsibilities**

During financial year 2019, the total remuneration package of the Chief Executive Officer, Mr. Michele Bianchi, and of the Managers with Strategic Responsibilities, was as follows:

**a) Fixed component Chief Executive Officer:**

- fee for the office equaling Euro 150,000 gross, determined by the Board of Directors, at the proposal of the Remuneration Committee and with the approval of the Board of Statutory Auditors in accordance with Article 2389 of the Italian Civil Code;
- fixed component consisting of Gross Annual Salary equal to Euro 290,750.

**b) Variable annual monetary component Chief Executive Officer**

The variable annual monetary component is referred to individual targets (annual *MBO*).

Key performance indicators (*KPIs*) for the Chief Executive Officer's annual objectives (*MBO*) 2019 related to the achievement of forecasts for profitability, efficiency and strategic

projects, defined at the *budget* level and in the Group's development plan.

These *KPIs* are quantitative, related to *budget* parameters and objective evaluation elements not subject to evaluation discretion such as consolidated EBITDA, OEE, IF OSHA. For these parameters, if the result is less than 80% of the budget EBITDA, no variable is configured; if it is between 80% and 120% the bonus accrues proportionally up to a maximum of 120%.

Other parameters are linked to strategic projects for the business and for the organization of the Group aimed at recovering efficiency and integration of the new production sites.

The nominal monetary variable Remuneration for the year 2019 was equal to 35% of the total remuneration paid as General Manager and Chief Executive Officer, namely Euro 154,263.00 gross.

The total amount of the 2019 annual variable remuneration accrued, calculated according to the *KPIs* verified by the Management Control and the objective interventions resulting from specific communication, was equal to Euro 150,464.02 gross.

#### **Extraordinary variable monetary remuneration for the year 2019**

For the year 2019, it is not provided this monetary variable component.

#### **c) Variable component of medium-long term of the Chief Executive Officer**

The variable component of medium-long term is represented by the *Stock Grant Plan* reserved to the CEO, as described in Section I of this Report as well as in the following point C.

#### **d) Fixed component of Strategic Managers**

The fixed component is made up of the Gross Annual Remuneration equal to a total of Euro 390,000.00.00.

#### **e) Annual variable component of Strategic Managers**

The key performance indicators (KPI) for the 2019 Strategic Managers' annual objectives (MBO) have been correlated to the achievement of profitability, efficiency and strategic projects forecasts, defined at budget level and within the development plan of the Group. These KPIs are quantitative, related to budget parameters and objective evaluation elements not subject to evaluation discretion such as consolidated EBITDA, IF OSHA, as well as to specific strategic projects for the responsibility function.

The annual variable component (MBO) based on the objectives achieved is equal to € 71,850 gross.

#### **f) Medium-long term variable component of Strategic Managers**

The medium-long term variable component is represented by the *Long Term Incentive Plan* on the basis of the objectives set for *wave 1 (2018-2020)* and *wave 2 (2019-2021)* with

the expected performances for ROCE (weight of 50 %) and OSHA IF (weight of 50%).

## **B - REMUNERATION IN THE EVENT OF EARLY TERMINATION OF EMPLOYMENT**

In 2019, the compensation relating to cessation of employment or Director position was not disbursed.

## **C - STOCK GRANT PLAN INFORMATION**

As indicated in Section I of this report, the Shareholders' Meeting on April 28, 2017 approved, in accordance with Article 114-*bis* of the CFA, the adoption of a *Stock Grant Plan* (the "**Plan**") reserved to the Chief Executive Officer, covering the three-year period 2017-2018-2019.

For detailed information about the regulation and the procedures for implementing the Plan, please refer to Section I of this Report and the Information Document as per Article 84-*bis* of Issuers Regulation, available at: [www.rdmgroup.com/sezioneGovernance/Assemblea\\_azionisti](http://www.rdmgroup.com/sezioneGovernance/Assemblea_azionisti), as well as at the authorized EmarketStorage mechanism ([www.emarketstorage.com](http://www.emarketstorage.com)).

During financial year 2019, the Board of Directors, acting on a proposal of the Remuneration Committee, verified the achievement of the *performance* objectives constituting the conditions for free assignment of the rights to allocate shares of the Company's common stock to the beneficiary, also relating to financial year 2018.

On March 16, 2020, the Board of Directors, with the assistance of the Remuneration Committee, ascertained the achievement of the *performance* targets as defined above. Consequently, the rights assigned to the Chief Executive Officer beneficiary - for financial year 2018 - for the free allocation of a total of 678.857 ordinary shares of Reno De Medici (considering the maximum of assignable rights in the three-year period), will be fully exercisable at the end of the Plan's three-year reference period and subject to the same holding the Chief Executive Officer position on that date.

The three-year performance targets have been reached. Therefore, the total of the shares foreseen in the three-year period, n. 2,262,857, will be assigned after April 29<sup>th</sup>, 2020 and whiting June 30<sup>th</sup>, 2020, without prejudice to the provisions of the Regulation in force.



## SECOND PART - BREAKDOWN OF REMUNERATION PAID IN THE PERIOD

### Diagram 7-bis: Remuneration Report

**TABLE 1: Salaries paid to the members of the Administrative and Control Boards, the General Managers and Managers with Strategic Responsibilities.**

**TABELLA COMPENSI AMMINISTRATORI E SINDACI - ESERCIZIO 2019**

Nome e Cognome	Carica	Periodo per cui è stata ricoperta la carica	Scadenza della carica	Compensi Fissi					Benefici non monetari	Altri compensi	Totale	Fair Value dei compensi equity	Indennità di fine carica o cessazione del rapporto di lavoro
				Compensi fissi deliberati da Assemblea	Compensi cariche particolari (art. 2389 c. 3 c.c.)	Compensi partecipazione comitati	Compensi variabili non equity (Altri)						
Eric Laflamme	Presidente	01/01/2019 - 31/12/2019	bilancio 2019	50.000						50.000			
Michele Bianchi	Amministratore Delegato	01/01/2019 - 31/12/2019	bilancio 2019	20.000	150.000					170.000			
Allan Hogg	Amministratore	01/01/2019 - 31/12/2019	bilancio 2019	20.000						20.000			
Laura Guazzoni	Amministratore	01/01/2019 - 31/12/2019	bilancio 2019	20.000		70.000				90.000			
Giulio Antonello	Amministratore	01/01/2019 - 31/12/2019	bilancio 2019	20.000		50.000				70.000			
Gloria Marino	Amministratore	01/01/2019 - 31/12/2019	bilancio 2019	20.000		60.000				80.000			
Sara Rizzon	Amministratore	01/01/2019 - 31/12/2019	bilancio 2019	20.000						20.000			
<b>Totale</b>				<b>170.000</b>	<b>150.000</b>	<b>180.000</b>				<b>500.000</b>			

Nome e Cognome	Carica	Periodo per cui è stata ricoperta la carica	Scadenza della carica	Compensi Fissi					Benefici non monetari	Altri compensi	Totale	Fair Value dei compensi equity	Indennità di fine carica o cessazione del rapporto di lavoro
				Compensi fissi deliberati da Assemblea	Compensi cariche particolari (art. 2389 c. 3 c.c.)	Compensi partecipazione comitati	Compensi variabili non equity						
Giancarlo Russo Corvace	Presidente	01/01/2019 - 31/12/2019	bilancio 2020	70.000						70.000			
Giovanni Maria Conti	Sindaco Effettivo	01/01/2019 - 31/12/2019	bilancio 2020	45.000						45.000			
Tiziana Masolini	Sindaco Effettivo	01/01/2019 - 31/12/2019	bilancio 2020	45.000						45.000			
<b>Totale</b>				<b>160.000</b>						<b>160.000</b>			

Nome e Cognome	Carica	Periodo per cui è stata ricoperta la carica	Scadenza della carica	Compensi Fissi					Benefici non monetari	Altri compensi	Totale	Fair Value dei compensi equity	Indennità di fine carica o cessazione del rapporto di lavoro
				Compensi fissi deliberati da Assemblea	Retribuzioni da lavoro dipendente	Compensi partecipazione comitati	Compensi variabili non equity						
Michele Bianchi	Direttore generale	01/01/2019 - 31/12/2019			287.442		150.464	9.047		446.953			
Dirigenti Strategici	CFO, CHRO, Head of Strategy	01/01/2019 - 31/12/2019			390.000		71.850	7.287		469.137			
<b>Totale</b>					<b>677.442</b>		<b>222.314</b>	<b>16.334</b>		<b>916.090</b>			

**TABLE 3A: Incentive plans based on financial instruments other than Stock Options, for the Board of Directors, General Managers and Managers with Strategic Responsibilities**

A	B	(1)	Strumenti finanziari assegnati negli esercizi precedenti non vested nel corso dell'esercizio		Strumenti finanziari assegnati nel corso dell'esercizio					Strumenti finanziari vested nel corso dell'esercizio e non attribuibili	Strumenti finanziari vested nel corso dell'esercizio e attribuibili	Strumenti finanziari di competenza dell'esercizio	
			(2)	(3)	(4)	(5)	(6)	(7)	(8)				(9)

Nome e cognome	Carica	Piano	Numero e tipologia di strumenti finanziari	Periodo di vesting	Numero e tipologia di strumenti finanziari	Fair value alla data di assegnazione	Periodo di vesting	Data di assegnazione	Prezzo di mercato all'assegnazione	Numero e tipologia di strumenti finanziari	Numero e tipologia di strumenti finanziari	Valore alla data di maturazione	Fair value
Michele Bianchi	Amministratore Delegato												
(I) Compensi nella società che redige il bilancio		Piano Stock Grant 2017/2019 (delibera assembleare del 28 aprile 2017)			678.857	554.829	1/01/2017 - 31/12/2019	16/03/2020	0,8173				475.199
		Piano B (data relativa delibera)											
		Piano C (data relativa delibera)											
(II) Compensi da controllate e collegate		Piano A (data relativa delibera)											
		Piano B (data relativa delibera)											
(III) Totale						554.829							475.199

**Diagram 7-ter: diagram showing the information of the shareholdings of the members of the administrative and control boards, general managers and other Key Management Personnel**

**Table 1: Shareholdings of the members of the Administrative and Control Boards and General Managers**

TABELLA PARTECIPAZIONI AMMINISTRATORI E SINDACI - ESERCIZIO 2019

Nome e Cognome	Società Partecipata	Numero azioni possedute al 31/12/2018	Numero azioni acquistate nel corso dell'esercizio 2019	Numero azioni vendute nel corso dell'esercizio 2019	Numero azioni possedute al 31/12/2019
<b>Amministratori</b>					
Eric Laflamme	Reno De Medici S.p.A.	0	0	0	0
Michele Bianchi		0	0	0	0
Allan Hogg		0	0	0	0
Laura Guazzoni		0	0	0	0
Giulio Antonello		150.000		0	150.000
Gloria Marino		0	0	0	0
Sara Rizzon		0	0	0	0
<b>Collegio Sindacale</b>					
Giancarlo Russo Corvace		0	0	0	0
Giovanni Maria Conti		0	0	0	0
Tiziana Masolini		0	0	0	0
<b>Dirigenti Strategici</b>					
Andrea Bettinelli		0	0	0	0
Marita Lovera		0	0	0	0
Luca Rizzo		0	0	0	0
<b>Totale</b>		<b>150.000</b>	<b>0</b>	<b>0</b>	<b>150.000</b>

**PROPOSED RESOLUTION (ART. 123-TER, PARAGRAPHS 3-bis and 6 OF LEGISLATIVE DECREE 58/1998)**

Pursuant to article 123-ter, paragraphs 3-bis and 6, of Legislative Decree 58/1998, the Shareholders' Meeting is called upon to resolve, with binding resolution, in favor of or against Section One of the Remuneration Report and to resolve in favor of or against the Section Two of the Remuneration Report. This resolution contrarily to the one of the Section One is not binding.

With reference to the above, the proposed resolution is given below:

*"The Ordinary Shareholders' Meeting of Reno De Medici S.p.A.*

***resolves***

- *to approve, pursuant to and for the purposes of article 123-ter, paragraph 3 bis, of Legislative Decree 58/98 the content of the Section One of the Remuneration Report regarding the policy adopted for the remuneration of the members of the Boards of Directors and Managers with Strategic Responsibilities and the procedures used to adopt and implement this policy, approved by the Board of Directors in the meeting of March 16<sup>th</sup>, 2020;*
- *in favor of the Section Two of the Remuneration Report regarding the remuneration paid in the 2019 year, pursuant to article 123-ter, paragraphs 6, of the Legislative Decree 58/98 as amended.*

Reno De Medici S.p.A.

On behalf of the Board of Directors

Chief Executive Officer

"Signed"

Michele Bianchi