



**Neodecortech S.p.A.**

**ANNUAL REPORT ON REMUNERATION POLICY AND COMPENSATION PAID**

**- 2020 -**

pursuant to Articles 123-ter of the TUF and 84-quater and in accordance with Schedules no. 7-bis and 7-ter of Annex 3A of the Issuer Regulation

Issuer: **Neodecortech S.p.A.**

Website: [www.neodecortech.it/](http://www.neodecortech.it/)

Date of approval of the Report: 2 March 2021

## TABLE OF CONTENTS

LETTER FROM THE CHAIR OF THE REMUNERATION AND APPOINTMENTS COMMITTEE .....	4
PREAMBLE .....	5
GLOSSARY .....	5
SECTION I .....	8
1. INTRODUCTION .....	8
2. BODIES INVOLVED IN THE PREPARATION, APPROVAL, IMPLEMENTATION AND POSSIBLE REVISION OF THE REMUNERATION POLICY .....	8
(a) the Shareholders' Meeting: .....	8
(b) the Board of Directors: .....	8
(c) the Remuneration and Appointments Committee: .....	9
(d) the Executive Directors: .....	9
(e) the Board of Statutory Auditors: .....	9
3. REMUNERATION COMMITTEE .....	10
3.1 <i>Composition and operation of the Remuneration and Appointments Committee (pursuant to Article 123-bis, second paragraph, letter d), of the TUF)</i> .....	10
3.2 <i>Remits of the Remuneration and Appointments Committee</i> .....	10
3.3 <i>Operation of the Remuneration and Appointments Committee and measures to avoid or manage conflicts of interest</i> .....	10
4. REMUNERATION AND WORKING CONDITIONS OF COMPANY AND GROUP EMPLOYEES .....	11
5. INDEPENDENT EXPERTS INVOLVED IN THE PREPARATION OF THE REMUNERATION POLICY .....	11
6. AIMS OF THE POLICY, UNDERLYING PRINCIPLES, DURATION AND ANY CHANGES TO THE POLICY SINCE THE POLICY LAST SUBMITTED TO THE SHAREHOLDERS' MEETING .....	11
7. DESCRIPTION OF FIXED AND VARIABLE REMUNERATION POLICIES, SPECIFICALLY INDICATING THE RELATING PROPORTION WITHIN OVERALL REMUNERATION AND BREAKING DOWN SHORT AND MEDIUM-LONG TERM VARIABLE COMPONENTS .....	12
SECTION II .....	28
1. INTRODUCTION .....	28
2. PART ONE .....	28
2.1 <i>Items making up the remuneration</i> .....	28
2.2 <i>Exemptions for exceptional circumstances</i> .....	31
2.3 <i>Application of ex post correction mechanisms of the variable component (malus or clawback)</i> .....	31
2.4 <i>Comparison, for the last 5 financial years or for the shorter period of listing of the Company or tenure of the subjects, between the annual change in (i) the total compensation of each of the subjects for whom the information in this Report has been</i>	

	<i>provided by name; (ii) the Company's results; (iii) the average gross annual remuneration, benchmarked to full-time employees, of employees other than the subjects whose compensation is presented by name in this Report</i> .....	31
2.5	<i>Vote cast by the Shareholders' Meeting on this Section II in the prior year</i> .....	32
3.	PART TWO.....	33

## **LETTER FROM THE CHAIR OF THE REMUNERATION AND APPOINTMENTS COMMITTEE**

Dear Shareholders,

As Chair of the Remuneration and Appointments Committee (the "Committee"), I am delighted to introduce, also on behalf of the Board of Directors, the Annual Report on Neodecortech's Remuneration Policy for 2021 and compensation paid in 2020.

The Committee, which includes Directors Riccardo Bruno and Paolo Pietrogrande, as well as the Chair, has drawn up and proposed to the Board of Directors a remuneration policy for 2021 aimed at strengthening the alignment of the interests of Top Management with the priority objective of pursuing sustainable success, taking account of the need to attract, retain and motivate people possessing the expertise and professional qualities required by their role, in line with the indications of the Corporate Governance Code.

In 2020, despite the hardships and unexpected challenges brought by the COVID-19 pandemic on the world population, the economic system and the very actions put in place by the various governments to mitigate its effects, the Company showed great resilience, completing the process of translisting from the AIM to the MTA. Despite the difficult backdrop, the Company offered aid to the local communities where it operates, making every effort to protect the health and safety of its employees,

In this context, the Remuneration Policy gains even greater importance, as a tool to align the needs of shareholders and Management, considering the needs of all stakeholders.

In defining the Policy, outlined in Section One of this document, the Committee took national and international best practices into consideration. The Committee also reviewed and gave due consideration to the outcome of the benchmarking conducted on compensation to executive directors.

The Committee also worked on defining objective and measurable indicators to ensure objective evaluation and to pursue outstanding performance.

Due importance was also given to sustainability in the definition of performance indicators, in the various short and medium/long-term components.

Together with the members of the Committee, who I thank warmly for their contribution, I believe that this policy is consistent with the vision and strategy of the Company and the Group, which aims to create value for all stakeholders.

Filago, 2 March 2021

Paola Carrara

Chair of the Remuneration and Appointments Committee

## PREAMBLE

This Report was prepared pursuant to Article 123-ter of the TUF, and to Article 84-quater and in accordance with Schedules no. 7-bis and 7-ter of Annex 3A of the Issuer Regulation, also taking account of the principles set out in Article 5 of the Corporate Governance Code adopted by the Company.

The Report was approved on 2 March 2021 by the Board of Directors, after hearing the Board of Statutory Auditors, and is submitted for approval to the Shareholders' Meeting called for 13 April 2021, to approve, among other things, the financial statements for the year ended 31 December 2020.

To this end, pursuant to Article 84-quater of the Issuer Regulation, the Report is made publicly available at the Company's registered office and published on the Company website ([www.neodecortech.it](http://www.neodecortech.it)) "Investor/Corporate Governance" section, as well as on the centralized storage mechanism "Info.it" managed by Computershare S.p.A., which can be consulted at [www.info.it](http://www.info.it) within the time limits of law, i.e. at least twenty one days before the date of said Meeting.

## GLOSSARY

**Chief Executive Officer:** the Chief Executive Officer of the Company and member of the Board of Directors of Cartiere di Guarcino S.p.A.<sup>1</sup>.

**Shareholders' Meeting:** the shareholders' meeting of the Issuer.

**BEG:** Bio Energia Guarcino S.r.l., whose share capital is wholly owned by the Company.

**Borsa Italiana:** Borsa Italiana S.p.A.

**Budget:** the budget approved by the Board of Directors.

**Cartiere di Guarcino:** Cartiere di Guarcino S.p.A., whose share capital is wholly owned by the Company.

**Corporate Governance Code:** the edition of the Corporate Governance Code for listed companies approved by the Corporate Governance Committee set up by the Business Associations (Abi, Ania, Assonime and Confindustria), Borsa Italiana S.p.A., and the Association of Professional Investors (Assogestioni) in January 2020, and available on the Corporate Governance Committee's website at <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf>.

**civ. code:** the Italian Civil Code.

**Board of Statutory Auditors:** the Board of Statutory Auditors of the Issuer.

**Control and Risk Committee:** the Control and Risk Committee set up within the Board of Directors.

**Remuneration and Appointments Committee:** the Remuneration and Appointments Committee set up within the Board of Directors.

**Board or Board of Directors:** the Board of Directors of the Issuer.

**Managing Director:** the executive director of the Issuer, who has been granted powers to provide services for a number of operational and management activities, as well as Chief Executive

---

<sup>1</sup> It should be noted that, on 23 February 2021, the Board of Directors of the Company resolved to propose to the Shareholders' Meeting of Cartiere di Guarcino, convened on 12 April 2021, inter alia, the appointment of the Chief Executive Officer to the position of Chairman of the Board of Directors of Cartiere di Guarcino.

Officer of Cartiere di Guarcino S.p.A. and Sole Director of Bio Energia di Guarcino S.r.l.<sup>2</sup>.

**Key Management Personnel:** individuals who have, directly or indirectly, powers and responsibilities for planning, directing and controlling the Company's activities, including Directors.

**Consolidated EBITDA:** the Group's EBITDA, as defined in the *2021-2023 Consolidated Plan*, neutralized of "non-recurring" items, as per CONSOB Resolution no. 15519 of 27.6.06.

**Neodecortech EBITDA:** the Neodecortech S.p.A. EBITDA, as defined in the *2021-2023 Consolidated Plan*, neutralized of "non-recurring" items, as per CONSOB Resolution no. 15519 of 27.6.06.

**Cartiere di Guarcino EBITDA:** the Cartiere di Guarcino EBITDA, as defined in the *2021-2023 Consolidated Plan*, neutralized of "non-recurring" items, as per CONSOB Resolution no. 15519 of 27.6.06.

**BEG EBITDA:** the Bio Energia Guarcino S.r.l. EBITDA, as defined in the *2021-2023 Consolidated Plan*, neutralized of "non-recurring" items, as per CONSOB Resolution no. 15519 of 27.6.06.

**Issuer or Neodecortech or NTD or Company:** Neodecortech S.p.A.

**2019:** the financial period ended 31 December 2019.

**2020:** the financial period ended 31 December 2020.

**2021:** the financial period ending 31 December 2021.

**Group:** Neodecortech SpA and its subsidiaries Cartiere di Guarcino SpA and Bio Energia di Guarcino Srl.

**Instructions to the Stock Exchange Regulation:** the instructions to the regulation of the markets organized and managed by Borsa Italiana S.p.A.

**2021-2023 Consolidated Plan:** the Group's Business Plan for the three-year period 2021-2023, approved by the Board of Directors.

**Incentive Plan or Plan:** the 2020-23 incentive plan, included in the Remuneration Policy Implementation Regulation, (i) concerning the principles for payment of a monetary incentive, determined on the basis of the achievement of specific performance objectives, as defined in the Remuneration Policy Implementation Regulation; and (ii) where recipients of the variable compensation for 2020 are established, on the assumption that a medium-long term incentive plan will be adopted from 2021, in compliance with the Policy.

**Remuneration Policy or Policy:** the remuneration policy for Directors and Top Management, as well as for the members of the Board of Statutory Auditors, as illustrated in this Report, submitted to the approval of the Shareholders' Meeting, and functional to the pursuit of the Group's Sustainable Success.

**2020 Policy:** the remuneration guidelines on the remuneration of Directors and Key Management Personnel approved by the Board of Directors on 31 January 2020, which were not submitted to the Shareholders' Meeting for approval, as the Issuer was not required to do so prior to Translisting.

**Policy Implementation Regulation:** the "*Regulation Implementing the Remuneration Policy for 2020-2023*," approved by the Board of Directors on 21 August 2020, in implementation of the

---

<sup>2</sup> It should be noted that, on 23 February 2021, the Board of Directors of the Company resolved to propose to BEG's Shareholders' Meeting, convened on 12 April 2021, inter alia, the appointment of the Managing Director to the position of Chief Executive Officer of BEG.

2020 Policy, in which the Incentive Plan is included.

**Stock Exchange Regulation:** the regulation of the markets organized and managed by Borsa Italiana S.p.A.

**Issuer Regulation:** the regulation adopted by CONSOB with Resolution no. 11971/99, concerning the rules for issuers, as subsequently amended.

**Report:** this report on the remuneration policy and compensation paid, drawn up pursuant to Articles 123-bis of the TUF and to 84-quater of the Issuer Regulation.

**Revised Budget:** the budget for 2020 approved by the Board of Directors on 27 April 2020, which takes account of the scenario brought by the COVID-19 emergency.

**Bylaws:** intended as the Company's current bylaws.

**Sustainable Success:** the objective that steers the Board's actions and is embodied in the creation of long-term value for the benefit of shareholders, taking account of the interests of other stakeholders relevant to the Company.

**TUF:** Legislative Decree no. 58 of 24 February 1998 (Consolidated Finance Law), as subsequently amended and supplemented.

**Top Management:** senior executives who are not members of the Board of Directors and who carry out - with a subordinate relationship with the Chief Executive Officer - planning, management and control tasks for the Company and/or the Group.

**Translisting:** the process of admission to listing of the Company's financial instruments on the Mercato Telematico Azionario, organized and managed by Borsa Italiana, which ended on 25 May 2020.

**Total Shareholder Return:** the indicator representing the overall return on investment for a shareholder, determined on the basis of the increase in the share price over a specific time horizon and any dividends paid over the same period.

## SECTION I

### 1. INTRODUCTION

The Company defines and applies a Remuneration Policy for Directors, Top Management and members of the Board of Statutory Auditors, which is also functional to the pursuit of Sustainable Success, taking account of the need to dispose of, retain and motivate people possessing the skills and professional qualities required by the role held in the Company and/or the Group.

The Policy drawn up is the result of a clear and transparent process in which the Shareholders' Meeting, the Board of Directors, the Remuneration and Appointments Committee and the Board of Statutory Auditors play a pivotal role.

### 2. BODIES INVOLVED IN THE PREPARATION, APPROVAL, IMPLEMENTATION AND POSSIBLE REVISION OF THE REMUNERATION POLICY

With regard to remuneration:

#### (a) *the Shareholders' Meeting:*

- determines - upon appointment and pursuant to Article 2364, paragraph one, no. 3 of the Italian Civil Code, and to Article 28 of the Bylaws - the remuneration of the members of the Board of Directors (also by setting an overall amount pursuant to Article 2389, paragraph three of the Italian Civil Code) and of the Board of Statutory Auditors;
- resolves, pursuant to Article 123-ter, paragraph three bis, of the TUF, by means of a binding vote, on Section One of the Report, where the Policy is described, as defined by the Board of Directors, upon proposal of the Remuneration and Appointments Committee, and acquires, by means of a non-binding resolution, Section Two of the Report, where a full and transparent presentation of each item is made, analytically illustrating the fees paid to the members of the governing and supervisory bodies in 2020; and
- resolves, pursuant to Article 114-bis of the TUF, on any remuneration plans based on shares or other financial instruments intended for executive directors, employees and associates, including Top Management;

#### (b) *the Board of Directors:*

- sets up an internal remuneration committee, at least one member of which shall have adequate knowledge and experience in financial matters and/or remuneration policies, assessed at the time of appointment and establishment of the committee itself;
- draws up, on the proposal of the Remuneration and Appointments Committee and through a transparent procedure, the Policy;
- ensures that the remuneration paid and accrued is consistent with the principles and criteria laid down in the Policy, in light of the results achieved and other circumstances relevant to its implementation;
- determines - in line with the Policy - the remuneration of directors holding strategic responsibilities, subject to the opinion of the Board of Statutory Auditors and upon proposal of the Remuneration and Appointments Committee, possibly within the overall remuneration set by the Shareholders' Meeting pursuant to Article 2389, paragraph 3 of the Italian Civil Code, and to Article 28 of the Bylaws;



- approves the Report prepared pursuant to Article 123-ter of the TUF and to 84-quater of the Issuer Regulation, submitting it to the approval of the Shareholders' Meeting and sees to its implementation;
- prepares - assisted by the Remuneration and Appointments Committee - any remuneration plans based on shares or other financial instruments and submits them to the approval of the Shareholders' Meeting pursuant to Article 114-bis of the TUF; and
- implements any remuneration plans based on shares or other financial instruments, with the assistance of the Remuneration and Appointments Committee, as empowered by the Shareholders' Meeting;

(c) ***the Remuneration and Appointments Committee:***

- assists the Board of Directors in the development of the Policy;
- puts forward proposals or expresses opinions on the remuneration of Executive Directors and of other Directors who hold special offices, and on the setting of performance objectives related to the variable component of remuneration;
- oversees actual application of the Policy and assesses, in particular, actual achievement of the performance objectives;
- periodically assesses the adequacy, overall consistency and actual application of the Policy with regard to the Executive Directors and Top Management;
- reports, by means of this Report, to the Shareholders' Meeting on the procedures for the exercise of its functions.

For further information on the remits and functions of the Remuneration and Appointments Committee, in its capacity as the Remuneration Committee, reference should be made to the following paragraph 3 of the Report;

(d) ***the Executive Directors:***

- submit proposals to the Remuneration and Appointments Committee on any remuneration plans based on shares or other financial instruments or, if necessary, assist the Remuneration and Appointments Committee in their preparation, without prejudice to the principle that no executive Director takes part in the meetings of the Remuneration and Appointments Committee where proposals are put forward on their remuneration;
- provide the Remuneration and Appointments Committee with all the useful information to enable it to assess the adequacy and actual application of the Policy, with particular regard to the remuneration of Top Management; and
- implement the Policy with regard to the personnel under their responsibility in a manner consistent with the Policy;

(e) ***the Board of Statutory Auditors:***

carries out supervisory activities with regard to remuneration and issues the opinions required by the legislation in force from time to time, for example, with regard to the proposals on the remuneration of executive directors and, more generally, of directors holding strategic responsibilities, in compliance with Article 2389, third paragraph, of the Italian Civil Code, while verifying consistency with the Policy of the proposals made by the Remuneration and Appointments Committee to the Board of Directors.

The Board of Directors is responsible for the proper implementation of the Policy and the Board

of Statutory Auditors ensures that the Policy is properly implemented.

### **3. REMUNERATION COMMITTEE**

#### **3.1 *Composition and operation of the Remuneration and Appointments Committee (pursuant to Article 123-bis, second paragraph, letter d), of the TUF)***

At the date of the Report, the Remuneration and Appointments Committee is composed of three Directors, namely Paola Carrara (Chair), Riccardo Bruno and Paolo Pietrogrande, all of whom are non-executive and independent and possess adequate accounting and financial knowledge and experience. On their appointment, the Board of Directors assessed and considered the profiles and skills of the members of the Remuneration and Appointments Committee as being appropriate.

The Remuneration and Appointments Committee has its own regulation approved by resolution adopted by the Board of Directors on 25 June 2020.

#### **3.2 *Remits of the Remuneration and Appointments Committee***

The Remuneration and Appointments Committee, in its capacity as the Remuneration Committee, performs the duties set forth in paragraph 2(c) of the Report.

#### **3.3 *Operation of the Remuneration and Appointments Committee and measures to avoid or manage conflicts of interest***

The Chairman of the Remuneration and Appointments Committee is appointed by the Board of Directors at the time the members of the Committee are appointed. The Committee meets when convened by its Chairman (or whoever takes his/her place) whenever he/she deems it appropriate or when a joint request is made by the other members or by the Chairman of the Board of Directors. The call is made by written notice, by e-mail, sent at least 3 days prior to the date set for the meeting; in urgent cases, the term may be reduced, provided that the call is made by e-mail or other suitable means to guarantee certain and instant notice.

In the performance of its functions, the Remuneration Committee is empowered to access information and corporate functions required to perform its duties.

The meetings of the Remuneration and Appointments Committee are duly recorded in the minutes.

The members of the Board of Statutory Auditors and the Chairman of the Board of Directors are invited to the proceedings of the Remuneration and Appointments Committee, as well as, upon invitation, with regard to the individual items on the agenda, (i) the Chief Executive Officer, whenever the Committee is called upon to express opinions or proposals concerning the remuneration of Top Management, (ii) other non-members whose presence is deemed useful and appropriate, with regard to specific items on the agenda.

The Chairman of the Remuneration and Appointments Committee reports (i) to the Board of Directors, during the first Board meeting following the Committee meeting, on the activities carried out and (ii) to the Shareholders' Meeting, on an annual basis, on approval of the financial statements, by means of this Report, on the procedures adopted to carry out its duties.

No executive Director takes part in the meetings of the Remuneration and Appointments Committee where proposals on their remuneration are put forward and the non-executive Directors who are members of the Committee abstain or absent themselves from the meeting when their position is discussed.

#### **4. REMUNERATION AND WORKING CONDITIONS OF COMPANY AND GROUP EMPLOYEES**

In order to determine the remuneration of members of corporate bodies and Top Management in a manner that is both in harmony and consistent with the characteristics of the Company and the Group, and to avoid situations of undue imbalance, the remuneration and working conditions of Company and Group employees were taken into account when defining the Remuneration Policy.

Specifically, the criterion for defining the financial package intended for the recipients of the Incentive Plan is benchmarked by taking account of the following factors:

- (i) professional specialization;
- (ii) organizational role held; and
- (iii) responsibilities assigned.

#### **5. INDEPENDENT EXPERTS INVOLVED IN THE PREPARATION OF THE REMUNERATION POLICY**

The Policy was prepared with no involvement of independent experts.

It should be noted that the Remuneration and Appointments Committee resorted to the services of an independent external consultant of prominent international standing (the "**Expert**"), entrusted with the task of carrying out a market analysis and drawing up a remuneration benchmark underlying the assessments included in the Policy Implementation Regulation, as regards the remuneration package envisaged therein for the Chief Executive Officer and the Managing Director.

#### **6. AIMS OF THE POLICY, UNDERLYING PRINCIPLES, DURATION AND ANY CHANGES TO THE POLICY SINCE THE POLICY LAST SUBMITTED TO THE SHAREHOLDERS' MEETING**

The Remuneration Policy contributes to the corporate strategy and aims at attracting and motivating qualified professional resources for the pursuit of the Company and Group's objectives, as well as providing incentives for the retention of such resources. Additionally, with a view to enhancing the value of the Company and its Sustainable Success, the Remuneration Policy aims to align the interests of Management with the medium to long-term interests of shareholders, taking account of the interests of other stakeholders relevant to the Company and the Group.

To this end, the Policy is defined on the basis of the following principles:

- **Sustainable Success:** in defining remuneration, in particular, through incentive plans, the Company intends to pursue the Sustainable Success of the Group, seeking to align individual objectives with those of the Company and the Group. The remuneration of executive Directors and Top Management is, therefore, directly linked both to individual performance and to the creation of value in the medium-long term for the Company and, therefore, for its shareholders;
- **proper integration of the different components of remuneration:** the Company seeks the best balance between different forms of remuneration, first and foremost between fixed and variable components, while also taking account of benefits and non-monetary elements, such as career development paths, with the aim of aligning, in a flexible manner, the level of remuneration with performance over time;
- **respect and enhancement of individuals:** NDT acknowledges that professional commitment and potential are the defining criteria for salary and career development.

The variable component is determined in such a way as to reward commitment and enhance the individual's contribution to the results achieved at Group level, without prevailing over the fixed component of remuneration;

- **ongoing monitoring of market practices and trends:** NDT deems that the observation of market practices and trends allows it to attract and retain qualified and adequately motivated professional resources, as well as to define competitive salary levels, in compliance with the principles of internal equity and transparency;
- **compliance:** the Company follows and is inspired by the best practices in the field of remuneration, starting from the recommendations of the Corporate Governance Code, and complies with the indications of the Instructions to the Stock Exchange Regulation.

The duration of this Policy is one year.

This Policy is the first to be submitted to the Shareholders' Meeting for approval, as prior to Translisting, which took place on 25 May 2020, the Issuer was not required to do so.

## **7. DESCRIPTION OF FIXED AND VARIABLE REMUNERATION POLICIES, SPECIFICALLY INDICATING THE RELATING PROPORTION WITHIN OVERALL REMUNERATION AND BREAKING DOWN SHORT AND MEDIUM-LONG TERM VARIABLE COMPONENTS**

### **7.1. Fixed component**

As anticipated, the level of fixed remuneration is related mainly to: (i) professional specialization; (ii) organizational role held; and (iii) individual responsibilities.

The fixed component of remuneration is, in any case, established to an extent sufficient to adequately remunerate executive Directors and/or Top Management, even in the event that the variable component of remuneration is not paid owing to non-achievement of performance objectives.

The fixed component was established by the Shareholders' Meeting pursuant to Article 2389, first paragraph, of the Italian Civil Code, and by the Board of Directors, pursuant to Article 2389, third paragraph, of the Italian Civil Code, firstly on 9 December 2019, and then on 24 February 2020 for the period 2020-2021, as indicated in paragraph 16 of the Report, to which reference should be made.

Additionally, infra-group chargeback mechanisms may be established in the case of remuneration paid by the Company to Directors, Key Management Personnel and Top Management of the latter, for carrying out the tasks assigned to them at Neodecortech's subsidiaries.

### **7.2. Variable Component**

The Policy envisages integration of the Incentive Plan, approved on 21 August 2020, the recipients of which are the executive Directors and Top Management (which included in 2020 only one subject, namely the Company's CFO and Financial Reporting Manager Fabio Zanobini, the "**Financial Reporting Manager** or "**CFO**"), setting out the short-term and long-term incentive for 2021-2023, as specified below (the "**Integrated Incentive Plan**" or the "**Plan**").

For 2021, the Board of Directors resolved to qualify and include in the scope of Top Management, in addition to the CFO: (i) the Company's Sales Director; (ii) the Company's Technical Director and Group Research and Development Director; (iii) the Director of the Casoli Plant; (iv) the Sales Director of Cartiere di Guarcino; (v) the Technical Director of Cartiere di Guarcino.

The Integrated Incentive Plan may also be extended to those who acquire one of the above roles

during the period between the date of approval of the financial statements at 31 December 2020 and the date of approval by the Board of Directors of the consolidated financial statements for the year ending 31 December 2023 (the "**Duration of the Plan**").

In the event of the inclusion during the year of new beneficiaries in the Integrated Incentive Plan, the monetary award due to them will be redefined based on the number of months of actual participation in the Plan.

To be eligible, the beneficiary must meet the following requirements throughout the duration of the Plan:

- hold a permanent employment relationship not on leave of absence, or a relationship as an executive Director;
- not have notified resignation or have ceased to be a Director;
- not have been the recipient of a notice of dismissal or removal from the role of executive Director;
- not have agreed to the mutual termination of the employment relationship.

Participation in the Plan runs from the date set by the Board of Directors.

As for executive Directors, the variable component is determined in such a way as to reward commitment and enhance the individual's contribution to the results achieved by the Group, without becoming the main component of remuneration. With regard to the financial years 2021-2023, the total variable component may not represent more than 50% of the entire remuneration (and no more than 100% of the fixed remuneration), and is composed of (i) a portion determined on the basis of annual objectives (STI), which represents 50% of the variable component and may not affect more than 50% of the fixed component of the remuneration; (ii) a portion based on long-term objectives (LTI), which represents 50% of the variable component and may not affect more than 50% of the fixed component of the remuneration.

### ***7.2.1 Short Term Incentive***

In the Integrated Incentive Plan, part of the variable remuneration is related to short-term performance, meaning both individual performance and the results of the Company, other Group Companies and the Group itself.

Specifically, the Company intends to introduce a so-called Short Term Incentive ("**STI**"), aimed at providing incentives - through recognition of a variable remuneration - for the achievement of specific performance objectives by the Directors and the Top Management.

By its very nature, the STI qualifies as a management system based on specific objectives for each recipient or category of recipients (so-called Management by Objectives or MBO), as set out in the specific regulation approved by the Board of Directors, on the proposal of the Remuneration and Appointments Committee, assisted by the managers of the various business areas of the Company and the Group and by HR. In defining the objectives, specific parameters are used by Management to oversee the performance of each plan recipient's line of business or financial indicators (such as, for example, EBITDA or EBIT), whether consolidated or relating to specific lines of business, and other additional efficiency and productivity indicators. In identifying the specific performance objectives and relating parameters, the Board of Directors, assisted by the Remuneration and Appointments Committee, takes account of the need to ensure: (a) accurate, clear, objectively measurable and previously indicated and established targets; and (b) coordination with the Company's strategy, at the Group level. A non-predominant portion of the objectives assigned to the recipients of the STI plan may be tied to qualitative objectives, the achievement of which is assessed by the Board of Directors or the tasked corporate units, including parameters referring to Sustainable Success.

The STI establishes ceilings for bonuses payable such that they cannot exceed the threshold set annually by the Board of Directors, after consulting the Remuneration and Appointments Committee, and may provide for deferred payment of all or part of the bonuses payable, provided that this is done within a reasonable period of time and, in any case, no later than the beginning of the year following the year in which they accrue.

For all participants in the Plan, access to Short Term Incentives is subject to achievement, at Group level, of a threshold equal to 80% of consolidated EBITDA. This threshold, therefore, represents the Plan's activation gate with regard to the short-term objectives set for 2021. If this threshold is not met, all potential beneficiaries are precluded from accessing the Plan.

With regard to the quantitative objectives tied to results, the payment of bonuses is subject to the achievement of a certain threshold of the annual objectives set, as better specified below for the various categories of beneficiaries. When this threshold is reached, where applicable, the amount of the bonus payable will vary in proportion to the achievement of the objective set, so as to link receipt of the variable component of remuneration to actual improvement in the operating performance indicators set as objectives by the Board of Directors.

The Plan also envisages the presence of non-financial objectives and objectives consistent with the “ESG” strategy of the Company and the Group.

Additionally, infra-group chargeback mechanisms may be established in the case of remuneration paid by the Company to Directors, Key Management Personnel and Top Management of the latter, for carrying out the tasks assigned to them at Neodecortech's subsidiaries.

For objectives assigned to executive Directors, reference is made to paragraph 9 (a) of the Report, while for objectives assigned to Key Management Personnel other than the members of the Board of Directors, reference is made to paragraph 9 (d).

### ***7.2.2 Long Term Incentive***

In the Integrated Incentive Plan, the variable component of remuneration is also geared to a medium-long term horizon, so as to: (i) focus the attention of beneficiaries on factors of strategic interest; (ii) foster their loyalty; (iii) align remuneration to the creation of value, in the medium-long term, for Shareholders, taking account of the interests of other stakeholders relevant to the Company and the Group; and (iv) ensure an overall competitive level of remuneration.

Long-term incentives (or LTI) will be implemented through a monetary plan.

The beneficiaries of the LTI may be executive Directors and members of the Top Management of NDT and Group companies. The allocation of benefits is subject to the passing of an adequate time interval (and, in any case, not less than three years), which takes account, for example, of the objectives assigned and the duration of the Directors' term of office, as well as the achievement of specific pre-set performance objectives in close connection with the medium/long-term targets of the Company and the Group or of specific business lines, including those of individual subsidiaries.

Payment of the bonus under the LTI plan is related to: (i) the ability of the individual beneficiary to contribute to the development of the Company; (ii) the professional skills and the role held in the corporate organizational chart; (iii) the level of overall compensation received; and (iv) loyalty requirements.

The LTI establishes ceilings for bonuses payable such that they cannot exceed the threshold set annually by the Board of Directors, after consulting the Remuneration and Appointments Committee, and may provide for deferred payment of all or part of the bonuses payable, provided that this is done within a reasonable period of time.

For all participants in the Plan, access to Long Term Incentives is subject to achievement, at

Group level, of a threshold equal to 90% of the cumulative consolidated EBITDA forecast for the time horizon of the 2021-2023 Consolidated Plan. This threshold, therefore, represents the LTI Plan's activation gate with regard to the medium-long term objectives envisaged for the period 2021-2023. If this threshold is not met, all potential beneficiaries are precluded from accessing the Plan.

With regard to the quantitative objectives tied to results, the payment of bonuses is subject to the achievement of a certain threshold of the annual objectives set, as better specified below for the various categories of beneficiaries. When this threshold is reached, where applicable, the amount of the bonus payable will vary in proportion to the achievement of the objective set, so as to link receipt of the variable component of remuneration to actual improvement in the operating performance indicators set as objectives by the Board of Directors.

The Plan also envisages the presence of non-financial objectives and objectives consistent with the "ESG" strategy of the Company and the Group.

For objectives assigned to executive Directors, reference is made to paragraph 9 (a) of the Report, while for objectives assigned to Key Management Personnel other than the members of the Board of Directors, reference is made to paragraph 9 (d).

## **8. POLICY ON NON-MONETARY BENEFITS**

In order to ensure that the overall remuneration offered is competitive and in line with the best market practices, the remuneration package for executive Directors and Top Management may include non-monetary benefits, such as, for example, a company car and forms of health insurance, in addition to any benefits established by the relevant collective employment agreement.

## **9. DESCRIPTION OF FINANCIAL AND NON-FINANCIAL PERFORMANCE OBJECTIVES, TAKING ACCOUNT OF THE CORPORATE RESPONSIBILITY CRITERIA, BASED ON WHICH THE VARIABLE COMPONENTS ARE ASSIGNED**

The purpose of the Integrated Incentive Plan is to provide a monetary incentive that is determined in connection with the achievement of specific performance objectives defined therein for the financial years 2021-2023.

Through the Plan, the Company intends to promote and pursue the following purposes:

- to tie the remuneration of the Company's key resources to actual results achieved and to the creation of value for the Company and the Group, as envisaged by the Corporate Governance Code;
- to direct key resources to the pursuit of results oriented towards medium to long-term Sustainable Success by virtue of the nature of the performance targets for the allocation of the variable component of remuneration;
- to effectively link the Group's short-term and long-term results, including with a view to creating Sustainable Success;
- to align Management's interests with those of shareholders and investors;
- to introduce policies aimed at retaining key resources and providing them with incentives to stay with the Group.

These aims are consistent with the pursuit of the interests of the Company and the Group also in the long term and contribute to the Company's strategy and Sustainable Success, being consistent

with the Group's strategy as set out in the 2021-2023 Consolidated Plan, in its financial and non-financial components. In this regard, (i) sufficient remuneration is provided for in order to attract, retain and incentivize resources possessing skills and professional qualities that promote the long-term success and competitiveness of the Company, at Group level; (ii) clear, accurate and measurable objectives have been predetermined, which the variable component of remuneration is linked to; (iii) performance targets have been identified in order to provide incentives for wide-ranging management decisions, to promote the sustainable success of the business and the ability to generate profit in the long term. Additionally, malus and clawback mechanisms are applied to avoid the awarding of variable remuneration of the Plan's beneficiaries due to altered or misstated results, as clarified in the following paragraph 12 of the Report.

**(a) Executive Directors**

The remuneration of executive Directors, who are currently identified as the Chief Executive Officer and the Managing Director, in view of the powers assigned, consists of a fixed and a variable component.

The variable component based on annual objectives (STI) for 2021 envisages a gate equal to 80% of consolidated EBITDA for 2021, as resulting from the *2021-2023 Consolidated Plan*. Therefore, if the above threshold is not met, the STI plan will not apply.

The structure of the STI objectives consists, with regard to:

- the Chief Executive Officer, in a target bonus of € 125 thousand for 2021, linked to the achievement of the following objectives:
  - (i) 20% upon achievement of consolidated EBITDA for 2021, as resulting from the *2021-2023 Consolidated Plan* (considering as "non-recurring" the identifiable elements as per CONSOB Resolution 15519 of 27 June 2006). Payment of such bonus may only occur upon achievement of a final consolidated EBITDA for 2021 exceeding 90% of the amount set in the abovementioned document. Specifically, this STI component will be paid in the percentage in which, starting from the 90% floor, the actual result comes close to the assumptions contained in the *2021-2023 Consolidated Plan* (for example, if 95% of the forecast 2021 consolidated EBITDA is achieved, then 50% of this bonus component will be paid, as 50% of the interval between the 90% floor and the 100% target will have been achieved). If the target is exceeded by at least 10%, the bonus will be increased by 10%;
  - (ii) 20% upon achievement of Neodecortech EBITDA for 2021, as resulting from the *2021-2023 Consolidated Plan* (considering as "non-recurring" the identifiable elements as per CONSOB Resolution 15519 of 27 June 2006). Payment of such bonus may only occur upon achievement of a final Neodecortech EBITDA for 2021 exceeding 90% of the amount set in the abovementioned document. Specifically, this STI component will be paid in the percentage in which, starting from the 90% floor, the actual result comes close to the assumptions contained in the *2021-2023 Consolidated Plan* (for example, if 95% of the forecast final 2021 EBITDA is achieved, then 50% of this bonus component will be paid, as 50% of the interval between the 90% floor and the 100% target will have been achieved). If the target is exceeded by at least 10%, the bonus will be increased by 10%;
  - (iii) 20% upon achievement of a consolidated "Net Financial Debt/EBITDA" ratio no greater than the figure envisaged for 2021 in the *2021-2023 Consolidated Plan*;
  - (iv) 20% upon achievement of the mix of revenue from new products and new production lines envisaged for 2021 in the Group's *2021-2023 Consolidated Plan*;



- (v) 20% improvement of at least no. 1 level with regard to the sustainability assessment from the company tasked with reviewing the Company's "Sustainability Report", regarding at least two of the following areas: (i) employee management and training; (ii) diversity and equal opportunities; (iii) human rights; (iv) support to the local community;
- the Managing Director, in a target bonus of € 95 thousand for 2021, linked to the achievement of the following objectives:
  - (i) 30% upon achievement of Cartiere di Guarcino EBITDA for 2021, as resulting from the *2021-2023 Consolidated Plan* (considering as "non-recurring" the identifiable elements as per CONSOB Resolution 15519 of 27 June 2006). Payment of such bonus may only occur upon achievement of a final Cartiere di Guarcino EBITDA for 2021 exceeding 90% of the amount set in the abovementioned document. Specifically, this STI component will be paid in the percentage in which, starting from the 90% floor, the actual result comes close to the assumptions contained in the *2021-2023 Consolidated Plan* (for example, if 95% of the forecast 2021 Cartiere di Guarcino EBITDA is achieved, then 50% of this bonus component will be paid, as 50% of the interval between the 90% floor and the 100% target will have been achieved). If the target is exceeded by at least 10%, the bonus will be increased by 10%;
  - (ii) 10% upon achievement of a BEG EBITDA for 2021, as resulting from the *2021-2023 Consolidated Plan* (considering as "non-recurring" the identifiable elements as per CONSOB Resolution 15519 of 27 June 2006). Payment of such bonus may only occur upon achievement of a final BEG EBITDA for 2021 exceeding 90% of the amount set in the abovementioned document. Specifically, this STI component will be paid in the percentage in which, starting from the 90% floor, the actual result comes close to the assumptions contained in the *2021-2023 Consolidated Plan* (for example, if 95% of the forecast 2021 BEG EBITDA is achieved, then 50% of this bonus component will be paid, as 50% of the interval between the 90% floor and the 100% target will have been achieved). If the target is exceeded by at least 10%, the bonus will be increased by 10%;
  - (iii) 30% upon achievement of a Cartiere di Guarcino "Net Financial Debt/EBITDA" ratio no greater than the figure envisaged for 2021 in the *2021-2023 Consolidated Plan*;
  - (iv) 20% upon achievement of the mix of revenue from new products and new production lines envisaged for 2021 in the *2021-2023 Consolidated Plan* for Cartiere di Guarcino;
  - (v) 10% upon a 3% reduction in energy use per kg of paper versus 2020.

The monetary award related to the STI component will be paid to beneficiaries in the following manner:

- i) 50% within one week of the approval of the 2021 Financial Statements by the Shareholders' Meeting; and
- ii) 50% by the end of 2022.

The variable component based on long-term objectives (LTI) for 2021-2023 envisages a gate equal to 90% of the cumulative consolidated EBITDA forecast for the three-year period in the *2021-2023 Consolidated Plan*. Therefore, if the above threshold is not met, the LTI plan will not be activated at the end of the three-year period.

The structure of the LTI objectives consists, with regard to:

- the Chief Executive Officer, in a target bonus of € 125 thousand per year for the period 2021-2023, linked to the achievement of the following objectives:
  - (i) 20% upon achievement of a cumulative consolidated EBITDA over the three-year period in the amount defined in the *2021-2023 Consolidated Plan* (considering as "non-recurring" the identifiable elements as per CONSOB Resolution 15519 of 27 June 2006). Payment of this bonus may only occur upon achievement of a cumulative consolidated EBITDA for the period 2021-2023 exceeding 90% of what is set in the mentioned document. Specifically, this LTI component will be paid in the percentage in which, starting from the 90% floor, the actual result comes close to the assumptions contained in the *2021-2023 Consolidated Plan* (for example, if 95% of the forecast 2021-2023 cumulative consolidated EBITDA is achieved, then 50% of this bonus component will be paid, as 50% of the interval between the 90% floor and the 100% target will have been achieved). If the target is exceeded by at least 10%, the bonus will be increased by 10%;
  - (ii) 10% upon achievement of a ratio of at least 80% of the amount of recycled waste to the total amount value of waste produced;
  - (iii) 20% upon achievement of cumulative cash flows from operations for the period 2021-2023 at least in the amount presented in the *2021-2023 Consolidated Plan*;
  - (iv) 35% upon achievement, at the end of the period 2021-2023, of an average annual Total Shareholders Return of the Neodecortech share (intended as: share price at the end of the three-year period/share price at the beginning of the three-year period + dividends distributed in the three-year period/share price at the beginning of the three-year period) equal to the threshold set by the Board of Directors. If the target is exceeded by at least 10%, the bonus will be increased by 10%;
  - (v) 15% upon achievement of the objective of establishing, disseminating and achieving the use, among NDT's corporate population, of an employee performance management information system that tracks their training (varying according to their professional levels) and internal growth with the aim of identifying and enhancing talent, building a skilled workforce and stimulating corporate growth.
- the Managing Director, in a target bonus of € 95 thousand per year for the period 2021-2023, linked to the achievement of the following objectives:
  - (i) 20% upon achievement of a cumulative Cartiere di Guarcino EBITDA over the three-year period in the amount defined in the *2021-2023 Consolidated Plan* (considering as "non-recurring" the identifiable elements as per CONSOB Resolution 15519 of 27 June 2006). Payment of this bonus may only occur upon achievement of a cumulative EBITDA for the period 2021-2023 exceeding 90% of what is set in the mentioned document. Specifically, this LTI component will be paid in the percentage in which, starting from the 90% floor, the actual result comes close to the assumptions contained in the *2021-2023 Consolidated Plan* (for example, if 95% of the forecast 2021-2023 cumulative EBITDA is achieved, then 50% of this bonus component will be paid, as 50% of the interval between the 90% floor and the 100% target will have been achieved). If the target is exceeded by at least 10%, the bonus will be increased by 10%;
  - (ii) 10% upon achievement of a cumulative BEG EBITDA over the three-year, in the amount defined in the *2021-2023 Consolidated Plan* (considering as "non-

recurring" the identifiable elements as per CONSOB Resolution 15519 of 27 June 2006). Payment of this bonus may only occur upon achievement of a cumulative EBITDA for the period 2021-2023 exceeding 90% of what is set in the mentioned document. Specifically, this LTI component will be paid in the percentage in which, starting from the 90% floor, the actual result comes close to the assumptions contained in the 2021-2023 Consolidated Plan (for example, if 95% of the forecast 2021-2023 cumulative EBITDA is achieved, then 50% of this bonus component will be paid, as 50% of the interval between the 90% floor and the 100% target will have been achieved). If the target is exceeded by at least 10%, the bonus will be increased by 10%;

- (iii) 20% upon achievement of Cartiere di Guarcino cash flows from operations for the period 2021-2023 at least in the overall amount presented in the *2021-2023 Consolidated Plan* for the three-year period;
- (iv) 10% upon achievement of BEG cash flows from operations for the period 2021-2023 at least in the overall amount presented in the *2021-2023 Consolidated Plan* for the three-year period;
- (v) 15% upon achievement, at the end of the period 2021-2023, of an average annual Total Shareholders Return of the Neodecortech share (intended as: share price at the end of the three-year period/share price at the beginning of the three-year period + dividends distributed in the three-year period/share price at the beginning of the three-year period) equal to the threshold set by the Board of Directors. If the target is exceeded by at least 10%, the bonus will be increased by 10%;
- (vi) 10% upon achievement, at the end of 2023, of an at least 9% reduction in the percentage of electricity per equivalent kg of paper versus 2020;
- (vii) 15% upon achievement of the objective of establishing, disseminating and achieving the use, among Cartiere di Guarcino's and BEG's corporate population, of an employee performance management information system that tracks their training (varying according to their professional levels) and internal growth with the aim of identifying and enhancing talent, building a skilled workforce and stimulating corporate growth.

The monetary award related to the LTI component will be awarded to the recipients:

- 50% after 3 months have passed from the date on which the Board of Directors will have verified the achievement of the objectives envisaged with regard to the consolidated financial statements relating to the last financial year of the Plan (i.e. 2023) and/or the values of individual companies included in the scope of consolidation with regard to 2023;
- 50% after 12 months from such date.

**(b) *Non-Executive Directors holding other positions within the Board of Directors***

The remuneration of Non-Executive Directors who hold other positions within the Board of Directors consists solely of fixed fees.

**(c) *Non-Executive Directors holding positions within the Board Committees***

The remuneration of Directors who hold positions within the Board Committees consists solely of fixed fees.

**(d) *Key Management Personnel***

The following have been identified as Key Management Personnel, other than members of the

Board of Directors: the Company's CFO and Financial Reporting Manager, Neodecortech's Sales Director, Neodecortech's Technical Director and Group Research and Development Director, the Director of Neodecortech's Casoli plant, the Sales Director of Cartiere di Guarcino, and the Technical Director of Cartiere di Guarcino (the “**Top Managers**”).

The remuneration of Top Managers is set by the Chief Executive Officer and consists of a fixed portion (employee remuneration with executive status) and a variable portion.

With regard to the financial years 2021-2023, the variable component represents no more than 40% of the entire remuneration and is composed of a portion determined on the basis of (i) annual objectives (STI) equal to 50% of the total variable component and may not affect more than 35% of the fixed component of remuneration; and (ii) long-term objectives (LTI) equal to 50% of the total variable component and may not affect more than 35% of the fixed component of remuneration.

The variable component based on annual objectives (STI) for 2021 envisages a gate equal to 80% of consolidated EBITDA for 2021, as resulting from the *2021-2023 Consolidated Plan*. Therefore, if the above threshold is not met, the STI plan will not apply.

The variable component on annual objectives (STI) is broken down as follows:

- for Top Managers with business responsibilities:
  - i) quantitative objectives in terms of margins of the final result achieved in an amount equal to 50-70% of the target bonus;
  - ii) quantitative objectives in terms of the mix of turnover produced in an amount equal to 20-40% of the target bonus;
  - iii) qualitative objectives related to managerial soft skills in an amount equal to 10%.
- for Top Managers with technical and R&D responsibilities:
  - i) quantitative objectives in terms of increased productivity in an amount equal to 45-60% of the target bonus;
  - ii) quantitative objectives in terms of reducing the gap in an amount equal to 30-45% of the target bonus;
  - iii) qualitative objectives related to managerial soft skills in an amount equal to 10%.
- for Top Managers with administration and finance responsibilities:
  - i) objectives relating to the containment of G&A costs in an amount equal to 30% of the target bonus;
  - ii) objectives relating to the effective production of specific operating reports in an amount equal to 30% of the target bonus;
  - iii) objectives relating to the effectiveness of the testing phase of the model pursuant to Law 262/05 in an amount equal to 30% of the target bonus;
  - iv) qualitative objectives related to managerial soft skills in an amount equal to 10%.

The monetary award related to the STI component will be paid to beneficiaries in the following manner:

- 50% within one week of the approval of the 2021 Financial Statements by the Shareholders' Meeting;
- 50% by the end of 2022.

The variable component based on annual objectives (LTI) for 2021-2023 envisages a gate equal

to 90% of the consolidated EBITDA forecast for the three-year period in the *2021-2023 Consolidated Plan*. Therefore, if this threshold is not met, the LTI plan will not apply at the end of the three-year period.

The variable component on long-term objectives (LTI) is broken down as follows:

- for Top Managers with business responsibilities:
  - i) qualitative and quantitative objectives in terms of reducing customer concentration risk in an amount equal to 30-50% of the target bonus;
  - ii) qualitative and quantitative objectives in terms of geographic expansion of sales in an amount equal to 0-30% of the target bonus;
  - iii) quantitative objectives in terms of the revenue mix in an amount equal to 40-50% of the target bonus.
- for Top Managers with technical and R&D responsibilities:
  - i) quantitative and sustainability objectives in terms of reducing electricity per equivalent kg of paper by 33-50% of the target bonus;
  - ii) quantitative and sustainability objectives in terms of reducing methane gas per equivalent kg of paper by 0-33% of the target bonus;
  - iii) quantitative and sustainability objectives in terms of the percentage of recycled sludge to total sludge in an amount equal to 0-50% of the target bonus;
  - iv) quantitative and sustainability objectives in terms of the percentage of recycled waste to total waste, in an amount equal to 0-35% of the target bonus.
- for Top Managers with administration and finance responsibilities:
  - i) quantitative objectives relating to compliance in an amount equal to 30% of the target bonus;
  - ii) qualitative objectives in terms of the implementation of non-financial reporting subject to audit at Group level in an amount equal to 30% of the target bonus;
  - iii) quantitative objectives in terms of the percentage of financial activities on the value of production at Group level in an amount equal to 40% of the target bonus.

The monetary award related to the LTI component will be granted to the recipients:

- 50% after 3 months have passed from the date on which the Board of Directors will have verified the achievement of the objectives envisaged with regard to the consolidated financial statements relating to the last financial year of the Plan (i.e. 2023) and/or the values of individual companies included in the scope of consolidation with regard to 2023;
- 50% after 12 months from such date.

#### **10. CRITERIA USED TO ASSESS THE ACHIEVEMENT OF THE PERFORMANCE OBJECTIVES UNDERLYING THE GRANTING OF SHARES, OPTIONS, OTHER FINANCIAL INSTRUMENTS OR OTHER VARIABLE COMPONENTS OF REMUNERATION AND MEASUREMENT OF THE VARIABLE COMPONENT TO BE PAID ACCORDING TO THE LEVEL OF ACHIEVEMENT OF THE OBJECTIVES**

The achievement of the annual and long-term objectives related to the consolidated amounts of the Group and, if the case, to the amounts of single companies included in the consolidation scope, will be assessed by the Remuneration and Appointments Committee, assisted by the

administrative unit of the Company, and payment of the amounts accrued (including determination of allocation times) will be consequently approved by the Board of Directors upon approval of the financial report for the relevant year.

With regard to the timing of payment of any bonuses accrued, reference should be made to paragraph 9.

## **11. INFORMATION HIGHLIGHTING THE CONTRIBUTION OF THE REMUNERATION POLICY, SPECIFICALLY THE POLICY ON VARIABLE COMPONENTS, TO THE COMPANY'S STRATEGY, THE PURSUIT OF THE COMPANY'S LONG-TERM INTERESTS AND SUSTAINABILITY**

In line with the recommendations of the Corporate Governance Code, the Remuneration Policy for 2021 for executive Directors and Top Management is defined in such a way as to align their interests with the priority objective of creating value over a medium to long-term horizon for the benefit of shareholders, taking account of the interests of other stakeholders relevant to the Company and the Group.

The Policy is also aimed at ensuring the pursuit of the objectives laid down in the *2021-2023 Consolidated Plan*, while guaranteeing that remuneration is based on results actually achieved by the beneficiaries, the Company and the Group.

In order to strengthen the link between remuneration and the *2021-2023 Consolidated Plan*, with regard to executive Directors and Top Management, the Policy envisages:

- an adequate balance between fixed component and variable component and, within the variable component, between short-term component and medium/long-term component, establishing ceilings;
- that the fixed component be sufficient to remunerate the performance of the individuals involved in the event that the variable component is not paid due to non-achievement of the pre-established objectives;
- that a large part of remuneration derives from objectives referring to a long-term time horizon;
- that the objectives of the incentive scheme are predetermined, measurable and indicative of the Company's and the Group's ability to generate value;
- that appropriate malus and clawback mechanisms are in place;
- that both the STI and the LTI are provided with appropriate and adequate gates for their respective activation.

The strategy of the Company and of the Group aims at creating value also through integration of "*Environmental, Social and Governance*" factors ("ESG").

The "Key Performance Indicators" ("KPIs") underlying such strategy have been incorporated in the performance objectives assigned to the executive Directors and Top Management, in order to align their interests with the corporate strategy and the interests of the stakeholders of the Company and the Group.

## **12. VESTING PERIOD AND ANY DEFERRED PAYMENT SYSTEMS AND MECHANISMS FOR EX POST CORRECTION OF THE VARIABLE (MALUS OR CLAWBACK)**

With regard to the duration of the Plan and the achievement of the objectives set out therein, reference should be made to paragraph 7.2 above.

The Company adopts contractual mechanisms that allow it request the return, in whole or in part,

of variable components of remuneration paid (or to withhold sums subject to deferral), determined on the basis of data which has subsequently turned out to be manifestly misstated, regardless of the responsibility for the error, or if the achievement of the objectives is attributable to wilful or grossly negligent conduct, in any case carried out in violation of the relevant standards and/or in violation of the Company's code of ethics (so-called clawback mechanisms). The clawback clause was adopted as part of the short-term variable incentive scheme for 2020 and will be introduced in the Integrated Incentive Plan with regard to the STI and LTI.

Specifically, if the amount paid as a variable component, both short-term (STI) and long-term (LTI), has been determined on the basis of data that have been proven, within 5 years from their approval, to be manifestly misstated, regardless of whether said misstatement is directly ascribable and/or attributable to the beneficiary and/or is related to wilful conduct and/or actions and/or marked by gross negligence and/or in violation of the Company's code of ethics, the beneficiary, in the event that the monetary award:

- a) has not been paid yet, shall lose any right to payment, regardless of the objectives achieved in the medium term. The abovementioned circumstance may not give rise to any right of the beneficiary to receive any indemnity, even of a contractual nature, emolument and/or benefit in lieu and/or alternative, as well as any amount by way of compensation;
- b) has already been paid, even in part, shall return to the Company the net amount received in respect of the monetary award, within thirty (30) days of the request for return made in writing by the Company and/or the Group.

### **13. INFORMATION ON ANY CLAUSES REQUIRING THE KEEPING OF FINANCIAL INSTRUMENTS IN THE PORTFOLIO AFTER THEIR ACQUISITION**

On 23 June 2017, the Extraordinary Shareholders' Meeting approved a stock grant plan (the "**Stock Grant Plan**"), the Regulation of which was approved by the Board of Directors on 31 August 2017, which envisaged the free grant of up to no. 689,608 Neodecortech shares (the "**Stock Grant Shares**") to key figures of the Group, including, among others, the Chief Executive Officer and the Managing Director. The Stock Grant Plan was executed on 27 April 2020 with the issuance and assignment of a total of no. 413,760 Neodecortech shares to the beneficiaries, of which: no. 158,885 are freely transferable; no. 145,643 became freely transferable six months after the assignment of the Stock Grant Shares; no. 109,232 will be freely transferable twelve months after the assignment date.

### **14. POLICY REGARDING TREATMENT IN THE EVENT OF TERMINATION OF OFFICE OR TERMINATION OF EMPLOYMENT**

The Company does not provide for any special treatment, associated with termination of office or employment with its Directors and Top Management members, other than the treatment provided for in the relevant national collective agreements.

With regard to the monetary award, beneficiaries whose employment relationship or directorship is outstanding at the end of the Plan are entitled to receive it, under the conditions set forth in the Integrated Incentive Plan, and subject to the following:

- i. with regard to the monetary award (STI and/or LTI) covered by the Plan, in the event of termination of the beneficiary's employment or directorship with the Company prior to the end of the Plan, as a result of:
  - (a) withdrawal or revocation exercised for any reason by the Company (subject to point v below); or

- (b) resignation of the beneficiary, subject to the following, the beneficiary shall permanently forfeit his or her right to the monetary award.

It remains understood that the employment relationship or the directorship shall be deemed terminated prior to the end of the Plan - by reason of circumstances (a) and (b) above - even in cases where termination of the employment relationship or the directorship becomes effective after the end of the Plan as a result of contractually required notice or other cause of suspension. Therefore, any right to receive a monetary award during the notice period, whether or not served, or during the suspension period, is expressly excluded.

The beneficiary shall have no right to be indemnified and/or compensated by the Company in any capacity and for any reason whatsoever in connection with the forfeiture of the right to receive the monetary award pursuant to the foregoing;

- ii. in the event of mutual termination of the employment relationship, the beneficiary may retain the right to obtain a portion of the monetary award (STI and/or LTI) by applying the “*pro-rata temporis*” criterion on the basis of the assessment of the degree of achievement of the performance objectives - with regard to the date of termination of the employment relationship - carried out by the Board of Directors, subject to the opinion of the Remuneration and Appointments Committee, for plans accruing by at least 50%;
- iii. in the event that the beneficiary takes an old age, seniority or permanent disability pension that results in the termination of employment, the provisions of point ii above shall apply;
- iv. in the event of resignation of the beneficiary from the directorship of the Company, the beneficiary shall definitively forfeit the right to receive the monetary award (STI and/or LTI), unless otherwise decided, with adequate reasons, by the Board of Directors, upon proposal of the Remuneration and Appointments Committee;
- v. in the event of the beneficiary's removal from the directorship of the Company for just cause, the beneficiary shall definitively forfeit the right to receive the monetary award (STI and/or LTI). In the absence of just cause, the beneficiary shall retain the right to obtain a portion of the bonus by applying the “*pro-rata temporis*” criterion on the basis of the assessment of the degree of achievement of the performance objectives - with regard to the date of termination of the employment relationship - carried out by the Board of Directors, on the proposal of the Remuneration and Appointments Committee, for plans accruing by at least 50%.

The variable component of remuneration provided for the Chief Executive Officer and the Managing Director under the Integrated Incentive Plan is awarded by virtue of their roles as executive Directors of the Company and, therefore, any compensation to be awarded under the Plan following termination of their relationship with the Company shall be awarded to them as executive Directors.

Without prejudice to the above, with specific regard to the beneficiaries of the Plan who are members of the Board of Directors, in the event that the beneficiary ceases to hold office due to completion of the term or termination of the entire Board of Directors and is not subsequently appointed at least as a director (even without delegated powers), the pro-rata payment of the variable component of remuneration is envisaged, provided that the achievement of intermediate objectives can be identified.

In the event of death of the beneficiary of the Plan, the persons entitled shall be eligible to receive, in accordance with the limits and conditions set out in the Regulation, the monetary award (STI and/or LTI) redetermined by applying a *pro rata temporis* criterion that takes account of the period from the date of the beneficiary's death.



There are no plans to (i) retain or award non-monetary benefits, and (ii) enter into consulting agreements in favour of such individuals for a period following termination of their relationship with the Company.

#### **15. INFORMATION ON THE PRESENCE OF ANY INSURANCE, OR SOCIAL SECURITY OR PENSION COVERAGE, OTHER THAN COMPULSORY COVERAGE**

As mentioned in paragraph 8 above, the remuneration package of executive Directors and Top Management may be complemented by non-monetary benefits, including a company car and forms of health insurance, such as life and health policies and supplementary pensions provided for by the National Collective Labour Agreement for Industry Executives.

#### **16. ANY REMUNERATION POLICY APPLIED TO: (i) INDEPENDENT DIRECTORS, (ii) PARTICIPATION IN COMMITTEES AND (iii) PERFORMANCE OF CERTAIN DUTIES (CHAIRMAN, VICE CHAIRMAN, ETC.)**

##### **(i) *Independent directors***

The remuneration of Independent Directors consists of fixed compensation and does not include any variable component.

Pursuant to Article 28 of the Bylaws, the Shareholders' Meeting decides on the amount of the compensation to be allocated individually to each director or on the total annual amount for the whole Board of Directors, whose distribution is established by the Board of Directors.

More specifically, it should be noted that the Shareholders' Meeting on:

- i) 9 December 2020:
  - resolved to grant each Director a gross annual fee of € 25,000.00, in addition to the refund of expenses incurred in performing their duties;
  - set the total annual gross amount for the remuneration of Directors, including those holding special offices, at € 560,000.00,
- ii) 24 February 2020:
  - resolved to amend the decisions adopted by the Shareholders' Meeting itself on 9 December 2019, eliminating the cap of € 560,000.00 for the remuneration of all Directors, including those holding strategic responsibilities, and leaving to the Board of Directors the power to establish the remuneration of directors holding strategic responsibilities pursuant to Article 2389, third paragraph, of the Italian Civil Code;
  - confirmed the resolution adopted on 9 December 2019, relating to the allocation to each Director, in addition to the refund of expenses incurred in performing their duties, of a gross annual fee of € 25,000.00.

##### **(ii) *Participation in Committees***

Non-executive Directors who are members of committees set up within the Board of Directors receive, in addition to the remuneration provided for the role of Director, an additional fee for such activity.

On this point, the Company initially provided for the establishment of a single internal committee of the Board of Directors, comprised solely of independent directors, appointing, on 11 December 2019, as its members, Directors: Paolo Pietrogrande (Chairman), Laura Calini and Paola Carrara. As part of the same resolution, the Board of Directors established to pay a gross annual fee equal to (i) € 2,000.00 for the Chairman of the Committee and (ii) € 1,500.00 for each

member.

The Board of Directors then considered establishing multiple committees within the Board of Directors, in addition to the Related Party Committee, in lieu of the single internal committee initially planned.

Accordingly, the Board of Directors, on 31 January 2020, resolved:

- to establish, effective subject to Translisting: (i) a Remuneration and Appointments Committee; (ii) a Control and Risk Committee; (iii) a Sustainability Committee;
- on the appointment of directors (i) Paola Carrara (as Chair), Paolo Pietrogrande and Riccardo Bruno, as members of the Remuneration and Appointments Committee; (ii) Paolo Pietrogrande (as Chairman), Paola Carrara and Laura Calini, as members of the Control and Risk Committee; and (iii) Riccardo Bruno (as Chairman), Laura Calini, Luigi Cologni and Massimo Giorgilli, as members of the Sustainability Committee; (iv) Laura Calini (as Chair), Paolo Pietrogrande and Paola Carrara as members of the Related Party Committee.

Lastly, again on 24 February 2020, the Board of Directors established the fees to be assigned to the members of the Board committees, providing, specifically, for a gross annual fee equal to (i) € 2,000.00 for the Chairman of the Remuneration and Appointments Committee and the Chairman of the Control and Risk Committee, (ii) € 1,500.00 for each member of the above committees, as well as an attendance fee per meeting equal to € 200.00 for each member of the Related Party Committee and each member of the Sustainability Committee.

**(iii) Performance of special duties**

On 24 February 2020, the Board of Directors approved, among other things, the allocation of a gross annual fee pursuant to Article 2389, third paragraph, of the Italian Civil Code, equal to €:

- 70,000.00, to the Chairman of the Board of Directors, Riccardo Bruno;
- 50,000.00, to the Chief Executive Officer, Luigi Cologni;
- 50,000.00, to the Managing Director, Massimo Giorgilli.

**17. ANY COMPENSATION POLICIES USED AS A REFERENCE IN THE PREPARATION OF THE POLICY, AND CRITERIA USED IN THE SELECTION AND INDICATION OF SUCH COMPANIES**

As mentioned above, the Company resorted to the services of an Independent Expert for the assessment of the remuneration policy for the Chief Executive Officer and the Managing Director, based on (i) best market practices, (ii) indications from the regulatory framework, and (iii) requests from the main proxy advisors.

To this end, the Expert carried out benchmarking analyses by identifying a panel of Italian and foreign listed peers of the Company, in terms of both market and people competition, and by assessing the Group's positioning versus the panel itself in terms of economics.

Specifically, the drivers that led to the selection of the companies considered peers according to qualitative and size criteria, industry logic and business affinity, are:

- i) the choice of the target market based on analysis purposes;
- ii) the exclusion of finance companies;
- iii) the exclusion of companies where the role of CEO and main shareholder intermingle;
- iv) the assessment to identify the companies that are most comparable to the Company based

- on: (a) type of business/labour market; (b) level of internationalization; (iii) assessment of the main economics (market cap, revenue and number of employees);
- v) the inclusion of two leading European companies operating in the same area as the Company and the Group.

That said, the Company did not use any compensation policies as a benchmark in preparing the Policy.

## **18. POLICY WAIVERS FOR EXCEPTIONAL CIRCUMSTANCES**

In accordance with the provisions of Article 123-ter, paragraph 3-bis of the TUF, in the event of exceptional circumstances, i.e. solely of cases where a departure from the Policy is factually required and not merely appropriate, in order to pursue the long-term interests and Sustainable Success of the Company as a whole or to ensure its ability to stay on the market, the Company reserves the right to temporarily depart from the Policy.

Specifically, the Board of Directors, on the proposal of the Remuneration and Appointments Committee, may:

- award further bonuses, again in compliance with the limits set out in the above paragraph 9, letter (a) and (d), for specific transactions and/or tasks of particular strategic relevance for the Company and/or the Group and in the event of outstanding, merit-based performance;
- provide for further forms of fixed remuneration in the event of particular needs, assessed from time to time, also on the basis of the extent of the powers delegated from time to time.

In these areas, with adequate support from the Human Resources Department, as well as with the possible assistance of third-party independent experts, the Remuneration and Appointments Committee, in application of the powers assigned to it by its own regulation, and having assessed the circumstances of the case, may submit to the approval of the Board of Directors any amendments to the incentive plans aimed at safeguarding the primary objectives of the Company, at Group level, and in compliance with the rights of the beneficiaries.

In the cases of exemption from the Remuneration Policy provided for in this paragraph, the Company shall apply the procedure and obligations provided for in the "Procedure for transactions with related parties" adopted by the Company, even in the event of an exemption case (i.e. in the event that the transaction qualifies as a small amount). In any case, a prior opinion of the Board of Statutory Auditors is required, pursuant to Article 2389, third paragraph, of the Italian Civil Code, if the exemption concerns the remuneration of directors holding strategic responsibilities.

## **19. FEES TO THE MEMBERS OF THE BOARD OF STATUTORY AUDITORS**

With regard to the Board of Statutory Auditors, it is noted that the remuneration paid to the Statutory Auditors is not tied to the operating results achieved by the Company. The remuneration of the members of the Board of Statutory Auditors is therefore represented only by the fixed component determined by the Shareholders' Meeting and based on the importance of the role and the commitment required to carry out the activities assigned.

\* \* \*

## SECTION II

### 1. INTRODUCTION

This Section II, which is divided into two Parts, sets forth by name the fees of the members of the governing and supervisory bodies received in 2020, as well as the fees of the Executives falling within the category of other Key Management Personnel (i.e., Top Management) in such year.

Specifically, Part One of Section II shows the items that make up the remuneration of the abovementioned subjects.

Part Two of Section II provides a breakdown of the fees paid in 2020, for any reason and in any form, to the abovementioned subjects, as well as the investments held in the Company by these subjects.

### 2. PART ONE

#### 2.1 *Items making up the remuneration*

The current Board of Directors was appointed by the Shareholders' Meeting of 9 December 2019 in the number of 7 (seven) members, for a term of 3 (three) financial years, therefore, until the date of approval of the Company's financial statements for the year ending 31 December 2021.

On 24 February 2020, the Shareholders' Meeting assigned each director a gross annual fee of € 25,000.00, in addition to the refund of expenses incurred in performing their duties.

On the same date, the Board of Directors approved, among other things, the allocation of a gross annual fee pursuant to Article 2389, third paragraph, of the Italian Civil Code, equal to €:

- 70,000.00, to the Chairman of the Board of Directors, Riccardo Bruno;
- 50,000.00, plus the amounts mentioned below, to the Chief Executive Officer, Luigi Cologni;
- 50,000.00, plus the amounts mentioned below, to the Managing Director, Massimo Giorgilli.

The Directors who are members of the Board Committees were assigned different amounts of fees, depending on the cases, having taken account of their membership or chairmanship function possibly carried out in each committee. In such cases, the increased fee is intended to remunerate the additional activities required by the participation or coordination duties of the chairs.

Specifically, on 24 February 2020, the Board of Directors awarded a gross annual fee of (i) € 2,000.00 for the Chairman of the Remuneration and Appointments Committee and the Chairman of the Control and Risk Committee, (ii) € 1,500.00 for each member of the above committees, as well as an attendance fee per meeting equal to € 200.00 for each member of the Related Party Committee and each member of the Sustainability Committee.

As for Key Management Personnel:

- Luigi Cologni is paid a fixed remuneration totaling € 240,000.00 as part of his open-ended employment relationship as an executive with NDT;
- Massimo Giorgilli is paid a fixed remuneration of € 165,000.00 as part of his open-ended employment relationship as an executive with the subsidiary Cartiere di Guarcino;
- Fabio Zanobini, CFO since 3 June 2020 and Financial Reporting Manager since 25 June 2020, is paid a fixed remuneration of € 95,000, of which € 15,000 is attributed for his position as Financial Reporting Manager.

At the date of this Report, Luigi Cologni is employed by the Company on an open-ended basis

as an executive, while Massimo Giorgilli is employed by the subsidiary Cartiere di Guarcono on an open-ended basis as an executive. Both employment relationships are governed by the National Collective Labour Agreement for Industrial Executives and the remuneration received accrues to the employee severance indemnity. There are no agreements providing for payment of indemnities in addition to those provided for by law and by the above collective agreement for cases of early termination of employment.

The agreements in place with Key Management Personnel do not envisage indemnities - in the event of resignation or termination of the employment relationship - in addition to those provided for by the applicable collective bargaining agreement, or revocation without just cause or non-compete agreements.

There are no consulting contracts or retention of non-monetary benefits or compensation for non-compete commitments after any termination of a Director or Key Management Personnel relationship.

In this regard, it should be noted that the Company has not defined:

- indemnity arrangements in the event of early termination of the relationship;
- criteria for determining the indemnity due to each individual;
- performance criteria associated with the awarding of indemnity;
- agreements envisaging assignment or retention of non-monetary benefits to subjects who have ceased their position or entry into consultancy contracts for a period subsequent to termination of the employment relationship;
- agreements envisaging compensation for non-compete commitments, except for one top manager;
- other criteria, even in the absence of specific agreements, for determining the severance indemnities accrued.

With regard to variable remuneration, the Board of Directors, on the proposal of the Remuneration and Appointments Committee, ascertained the following level of achievement of the performance objectives for 2020, specifically as follows:

- to the Chief Executive Officer:
  - i) achievement of 100% of the objective linked to the achievement of the consolidated EBITDA forecast in the Revised Budget (€ 13,957 thousand), through calculation of a consolidated EBITDA for 2020 equal to € 15,857 thousand, with a payout equal to 60% of the STI target bonus for 2020 and 32.3% of the fixed remuneration for 2020;
  - ii) achievement of the objective linked to the optimization of the Group's organizational structure, with a payout equal to 20% of the STI target bonus for 2020 and 10.8% of fixed remuneration for 2020;
  - iii) achievement of the objective linked to the establishment and full operation of the Investor Relator and Corporate Secretary functions, with a payout equal to 10% of the STI target bonus for 2020 and 5.4% of fixed remuneration for 2020;
  - iv) partial achievement (65% of target) of the objective linked to the achievement of turnover from new products, with payout equal to 6.5% of the STI target bonus for 2020 and 3.5% of fixed remuneration for 2020.

Accordingly, the Chief Executive Officer's total remuneration for 2020 consists of (i) a

65.75% portion of fixed remuneration; and (ii) a 34.25% portion of STI variable remuneration;

- to the Managing Director:

- i) achievement of 100% of the objective linked to the achievement of the consolidated EBITDA forecast in the Revised Budget (€ 13,957 thousand), through calculation of a consolidated EBITDA for 2020 equal to € 15,857 thousand, with a payout equal to 60% of the STI target bonus for 2020 and 30% of the fixed remuneration for 2020;
- ii) achievement of 100% of the objective linked to the achievement of the Cartiere di Guaricino EBITDA forecast in the Revised Budget (€ 4,976 thousand), through calculation of a consolidated EBITDA for 2020 equal to € 6,295 thousand, with a payout equal to 20% of the STI target bonus for 2020 and 10% of the fixed remuneration for 2020;
- iii) achievement of the objective linked to the optimization of the Group's organizational structure, with a payout equal to 20% of the STI target bonus for 2020 and 10% of fixed remuneration for 2020.

Accordingly, the Managing Director's total remuneration for 2020 consists of (i) a 66.67% portion of fixed remuneration; and (ii) a 33.33% portion of STI variable remuneration.

The Board of Directors, on the proposal of the Chief Executive Officer and the favourable opinion of the Remuneration and Appointments Committee, ascertained the following level of achievement of the performance objectives for 2020, as regards the Key Management Personnel:

- i) achievement of 0% of the objective linked to implementations of an operational nature;
- ii) achievement of 100% of the objective linked to a 10% reduction in G&A costs versus the prior year, excluding translisting costs, with payout equal to 30% of the STI target bonus for 2020 and 4.8% of fixed remuneration for 2020;
- iii) achievement of 100% of the objective linked to implementation of the Organizational Model 262, with payout equal to 30% of the STI target bonus for 2020 and 4.8% of fixed remuneration for 2020;
- iv) achievement of the qualitative objective linked to managerial soft skills, with payout equal to 10% of the STI target bonus for 2020 and 1.6% of fixed remuneration for 2020.

Accordingly, the Managing Director's total remuneration for 2020 consists of (i) an 89.8% portion of fixed remuneration; and (ii) a 10.2% portion of STI variable remuneration.

With regard to termination of the relationship with the Company, reference should be made to the previous paragraph 14.

With regard to the Board of Statutory Auditors, the remuneration consists solely of a fixed component, determined by the Shareholders' Meeting and based on the importance of the role and the commitment required to carry out the activities assigned.

The Shareholders' Meeting held on 24 February awarded each Standing Auditor a gross annual fee of € 20,000.00 and the Chairman of the Board of Statutory Auditors a gross annual fee of € 25,000.00.

## 2.2 Exemptions for exceptional circumstances

Not applied.

## 2.3 Application of ex post correction mechanisms of the variable component (malus or clawback)

Not applied.

## 2.4 Comparison, for the last 5 financial years or for the shorter period of listing of the Company or tenure of the subjects, between the annual change in (i) the total compensation of each of the subjects for whom the information in this Report has been provided by name; (ii) the Company's results; (iii) the average gross annual remuneration, benchmarked to full-time employees, of employees other than the subjects whose compensation is presented by name in this Report

A comparison, by period of the Company's listing, is shown below of the change between:

- i) the total remuneration of the members of the Board of Directors, the Board of Statutory Auditors, and the Key Management Personnel.

SUBJECTS	2020
Luigi Cologni	485,657 €
Massimo Giorgilli	366,613 €
Riccardo Bruno	96,306 €
Paola Carrara	28,708 €
Paolo Pietrogrande	28,906 €
Laura Calini	27,900 €
Cristina Valentini	25,000 €
Stefano Santucci	21,311 €
Stefano Zonca	17,049 €
Federica Menichetti	22,049 €*
Gabriella Monterumisi	2,410 €
Marco Campidelli	1,667 €
Guido Riccardo	1,667 €
Key Management Personnel	62,446 €

\*This amount also includes compensation as a member of the Parent Company's SB in the amount of € 5,000.

- ii) the Company's results;

	2020
CONSOLIDATED EBITDA	14,619,337 €

- iii) the average gross annual remuneration, benchmarked to full-time employees, of employees other than the subjects whose remuneration is presented by name in this section of the Report.

	2020
<b>Average gross annual remuneration of full-time employees (*)</b>	34,735 €

(\*) Excluding: the Chief Executive Officer, Managing Director and the CFO.

## **2.5 *Vote cast by the Shareholders' Meeting on this Section II in the prior year***

Not applied. For further information, reference should be made to paragraph 6.



### 3. PART TWO

Fees paid to members of the Board of Directors and Board of Statutory Auditors and to Key Management Personnel.

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the office was held	Expiration of office	Fixed fees	Fees for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other fees	Total	Fair value of equity compensation	Termination of office or termination of employment indemnity
						Bonuses and other incentives	Profit sharing					
Riccardo Bruno	Chairman	From 1.01.2020 to 31.01.2020	31.12.2021	95,000 (*)	1,306 (1)					96,306	--	
Luigi Cologni	Chief Executive Officer	From 1.01.2020 to 31.01.2020	31.12.2021	315,000 (**)	400 (2)	164,064 (****)		6,193		485,657		
Massimo Giorgilli	Managing Director	From 1.01.2020 to 31.01.2020	31.12.2021	240,000 (***)	400 (2)	120,000 (****)		6,213		366,613		
Paola Carrara	Independent Director	From 1.01.2020 to 31.01.2020	31.12.2021	25,000	3,707 (3)					28,708		
Paolo Pietrogrande	Independent Director	From 1.01.2020 to 31.01.2020	31.12.2021	25,000	3,905 (4)					28,906		
Laura Calini	Independent Director	From 1.01.2020 to 31.01.2020	31.12.2021	25,000	2,900 (5)					27,900		
Cristina Valentini	Director	From 1.01.2020 to 31.01.2020	31.12.2021	25,000						25,000		

Gabriella Monterumisi	Chairman of the Board of Statutory Auditors	From 1.01.2020 to 23.02.2020	23.02.2020	2,410					2,410		
Marco Campidelli	Standing Auditor	From 1.01.2020 to 23.02.2020	23.02.2020	1,667					1,667		
Guido Riccardo	Standing Auditor	From 1.01.2020 to 23.02.2020	23.02.2020	1,667					1,667		
Stefano Santucci	Chairman of the Board of Statutory Auditors	From 23.02.2020 to 31.12.2020	31.12.2022	21,311					21,311		
Stefano Zonca	Standing Auditor	From 23.02.2020 to 31.12.2020	31.12.2022	17,049					17,049		
Federica Menichetti	Standing Auditor	From 23.02.2020 to 31.12.2020	31.12.2022	17,049				5,000 <sup>(6)</sup>	22,049		
Financial Reporting Manager	Key Management Personnel	From 3.06.20 to 31.12.2020		53,989		6,125		2,332	62,446		
(I) Fees in the reporting company				700,142	12,618	290,189		14,738	5,000	1,187,689	
(II) Fees from subsidiaries and associates				165,000							
(III) Total				865,142	12,618	290,189		14,738	5,000	1,187,689	

(\*) The amount consists of €: (i) 25,000.00 as Director; and (ii) 70,000.00 as Chairman of the Board of Directors.

(\*\*) The amount consists of €: (i) 25,000.00 as Director; (ii) 50,000.00 as Chief Executive Officer; and (iii) 240,000.00 as Executive of the Company.

(\*\*\*) The amount consists of €: (i) 25,000.00 as Director; (ii) 50,000.00 as Managing Director; and (iii) 165,000.00 as Chief Executive Officer of Cartiere di Guarcino.

(\*\*\*\*) These amounts are allocated in connection with Directorships

<sup>(1)</sup> The amount consists of €: (i) 400 as Chairman of the Sustainability Committee (from 25 May 2020); and (ii) 906 as member of the Remuneration and Appointments Committee (from 25 May 2020).

<sup>(2)</sup> The amount consists of € 400 as members of the Sustainability Committee (from 25 May 2020).

<sup>(3)</sup> The amount consists of €: (i) 594 as member of the Single Committee (until 25 May 2020); (ii) 1,207 as Chairman of the Remuneration and Appointments Committee (from 25 May 2020); (iii) 906 as member of the Control and Risk Committee (from 25 May 2020); and (iv) 1,000 as member of the Related Party Transactions Committee (from 25 May 2020).

<sup>(4)</sup> The amount consists of €: (i) 792 as Chairman of the Single Committee (until 25 May 2020); (ii) 1,207 as Chairman of the Control and Risk Committee (from 25 May 2020); (iii) 906 as member of the Remuneration and Appointments Committee (from 25 May 2020); and (iii) 1,000 as member of the Related Party Transactions Committee (from 25 May 2020).

<sup>(5)</sup> The amount consists of €: (i) 594 as member of the Single Committee (until 25 May 2020); (ii) 906 as member of the Control and Risk Committee (from 25 May 2020); (iii) 400 as member of the Sustainability Committee (from 25 May 2020); and (iv) 1,000 as Chairman of the Related Party Transactions Committee (from 25 May 2020).

<sup>(6)</sup> The amount refers to the position of member of the company's SB.

In column (1) "Fixed fees", the following are indicated separately, if the case in a note and on an accruals basis: (i) remuneration approved by the Shareholders' Meeting, even if not paid; (ii) participation fees; (iii) lump-sum expense refunds; (iv) fees received for carrying out special duties, pursuant to Article 2389, paragraph 3, of the Italian Civil Code (e.g. Chairman, Vice Chairman); (v) fixed remuneration for employees, gross of social security and tax charges borne by the employee, excluding collective compulsory social security charges borne by the company and the employee severance indemnity provision. The other components of any remuneration (bonuses, other fees, non-monetary benefits, etc.) are shown in the relating columns, specifying in the note the part paid by virtue of the directorship and the part paid by virtue of the employment relationship.

In column (2), "Fees for participation in committees" are indicated on an accruals basis and may be indicated on an aggregate basis. The notes indicate the committees on which the director serves and, if service is on more than one committee, the fee received for each committee.

Column (3), "Bonuses and other incentives", includes the portion of remuneration vested, even if not yet paid, during the year for objectives achieved during the year, in relation to monetary-based incentive plans. The amount is shown on an accruals basis even if the approval of the financial statements has not yet taken place and also for the portion of the bonus that may be subject to deferral. In no event are the values of stock options granted or exercised or other compensation in financial instruments included. This value is the sum of the amounts shown in Table 3B, columns 2A, 2B and 4, line (III).

With regard to column (3), "Profit sharing" section, the amount is indicated on an accruals basis even if the approval of the financial statements and the distribution of profits have not yet taken place.

Column (4) "Non-monetary benefits" indicates the value of fringe benefits (according to a taxable criterion), including any insurance policies and supplementary pension funds.

Column (5) "Other fees" indicates separately and on an accruals basis all additional compensation, if any, from other services provided. The note provides information on any loans, prepayments and guarantees granted by the Company or its subsidiaries to executive Directors and the Chairman of the Board of Directors, in case they represent a form of indirect remuneration, taking account of the specific conditions (differing from those of the market or those applicable in a standardized manner to categories of subjects).

Column (6) "Total" adds together items (1) through (5).

Column (7) "Fair value of equity compensation" indicates the fair value at the assignment date of equity-based incentive plan compensation for the year, estimated in accordance with international accounting standards<sup>3</sup>. This value is the sum of the amounts shown in column 16, line III, of Table 2 and column 12, line III, of Table 3A.

Column (8) "Termination of office or termination of employment indemnity" indicates the fees accrued, even if not yet paid, due to termination of office during the year under review, with regard to the year in which the termination took place. The estimated value of any payment of non-monetary benefits, the amount of any consultancy contracts and non-compete commitments is also shown. The amount of compensation for non-compete commitments is shown only once at the time of termination of office, specifying in the first part of the second section of the Report the duration of the non-compete commitment and the date of actual payment.

Line (III) sums up, for each column, the fees received from the reporting company and those received for tasks carried out in subsidiaries and associates.

---

<sup>3</sup> This item does not refer to the entire allocation of equity compensation made during the year, but only to the part recorded in the financial statements, in application of the accounting standards that require taking into account the vesting period of the rights themselves, allocating the related cost over the vesting period.

Stock-options assigned to members of the Board of Directors and Board of Statutory Auditors and to Key Management Personnel.

(A)	(B)	(1)	Options held at the beginning of the year			Options assigned during the year						Options exercised during the year			Options expired during the year	Options held at the end of the year	Options relating to the year
			(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)			
Name and surname	Position	Plan	Number of options	Exercise price	Possible exercise period (from - to)	Number of options	Exercise price	Possible exercise period (from - to)	Fair value at the assignment date	Assignment date	Market price of the shares underlying the assignment of options	Number of options	Exercise price	Market price of the shares underlying the assignment of options	Number of options	Number of options	Fair value
(I) Fees in the reporting company		Plan A (date of related resolution)															
		Plan B (date of related resolution)															
		Plan C (date of related resolution)															
(II) Fees from subsidiaries and associates		Plan A (date of related resolution)															

	)																
	Plan B (date of related resolution )																
(III) Total																	

Each option corresponds to the subscription or purchase of one share.

Total (III) is shown with regard to columns (2), (5), (8), (11), (14), (15), and (16).

If an aggregate representation criterion is adopted, the following information should be provided in the Table:

- the total number of options held at the beginning of the year, indicating the total exercise price paid and the average expiry date;
- the total number of options assigned during the year, indicating the total exercise price paid, the average expiry date, the total fair value and the average price of the shares underlying the options assigned;
- the total number of options exercised during the year, indicating the total exercise price paid during the year and the average price of the underlying shares at the exercise date;
- the total number of options that expired during the year;
- the total number of options held at the end of the year;
- the total fair value of the options for the year.

Incentive plans based on financial instruments, other than stock options, in favour of members of the Board of Directors, General Managers and other Key Management Personnel

(A)	(B)	(1)	Financial instruments assigned in prior years that were not vested during the year		Financial instruments assigned during the year					Financial instruments vested during the year and not allocated	Financial instruments vested during the year and allocatable		Financial instruments relating to the year
			(2)	(3)	(4)	(5)	(6)	(7)	(8)		(9)	(10)	
Name and surname	Position	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at the assignment date	Vesting period	Assignment date	Market price at assignment	Number and type of financial instruments	Number and type of financial instruments	Value at vesting date	Fair value
Luigi Cologni	Chief Executive Officer	2017-2020 Stock Grant Plan approved by the Shareholders' Meeting on 23 June 2017	0		138,611	415,833		27.04.2020	3.00				
Massimo Giorgilli	Managing Director	2017-2020 Stock Grant Plan approved by the Shareholders' Meeting on 23 June 2017	0		138,611	415,833		27.04.2020	3.00				
(I) Fees in the reporting company		2017-2020 Stock Grant Plan approved by the Shareholders' Meeting on 23 June 2017			277,222	831,666							
(II) Fees from subsidiaries and associates													
(III) Total					277,222	831,666							

## Monetary incentive plans for members of the Board of Directors and Key Management Personnel

A Name and surname	B Position	(1) Plan	(2)			(3)			(4)
			Bonus for the year			Bonuses from prior years			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/paid	Deferred	Deferment period	No longer payable	Payable/paid	Still Deferred	
Luigi Cogni	Chief Executive Officer	STI plan approved by the Board of Directors on 21 August 2020	164,064						
Massimo Giorgilli	Managing Director	STI plan approved by the Board of Directors on 21 August 2020	120,000						
Fabio Zanobini	Financial Reporting Manager	STI plan approved by the Board of Directors on 21 August 2020	6,125						
(I) Fees in the reporting company		STI plan approved by the Board of Directors on 21 August 2020	290,189						
(II) Fees from subsidiaries and associates									
(III) Total			290,189						

Total (III) is shown with regard to all columns except for column (2C).

"Column 2A" indicates the bonus accrued for the year for the objectives achieved during the year and paid or payable as not subject to further conditions (upfront fee)

"Column 2B" indicates the bonus linked to objectives to be achieved during the year but not payable as subject to further conditions (deferred bonus). "Column 3A" indicates the sum of bonuses deferred in prior years yet to be paid at the beginning of the year and no longer payable due to the failure to meet the conditions they are subject to.

"Column 3B" indicates the sum of bonuses deferred in prior years yet to be paid at the beginning of the year and paid during the year or payable.

"Column 3C" indicates the sum of bonuses deferred in prior years yet to be paid at the beginning of the year and further deferred.

The sum of the amounts shown in columns 3A, 3B, and 3C corresponds to the sum of the amounts shown in columns 2B and 3C for the prior year.

The "Other bonuses" column indicates bonuses accrued during the year that are not explicitly included in specific plans defined *ex ante*.

If an aggregate representation criterion is adopted, the following information should be provided in the Table:

- total bonuses for the year, broken down into paid and deferred, with indication of the average deferral period for the latter;
- total bonuses from prior years, broken down into no longer payable, paid and still deferred;

- other overall bonuses.



### Investments held by members of the Board of Directors and the Board of Statutory Auditors.

Name and surname	Position	Investee	Number of shares held at the end of the prior year	Number of shares purchased *	Number of shares sold	Number of shares held at the end of the current year
Luigi Cogni	Chief Executive Officer	Neodecortech S.p.A.	57,000	143,000		200,000
Massimo Giorgilli	Managing Director	Neodecortech S.p.A.	34,000	144,111		178,111
Cristina Valentini**	Director	Neodecortech S.p.A.		20,615 (***)		20,615

(\*) Purchases in 2020 also include shares granted under the 2017-2020 Stock Grant Plan.

(\*\*) Cristina Valentini is also: (i) beneficiary of the Venus Trust which holds: (a) 33.33% of Finanziaria Valentini S.p.A., holder of no. 8,325,385 shares in Neodecortech, representing 61.60% of the Company's share capital; and (b) 33.33% of Valfina S.r.l., holder of no. 28,000 shares in the Company and (ii) 50% beneficiary of the Mercury Trust, which holds: (a) 33.33% of Finanziaria Valentini S.p.A., holder of no. 8,325,385 shares in Neodecortech, equal to 61.60% of the Company's share capital; and (b) 33.33% of Valfina S.r.l., which holds no. 28,000 shares in the Company.

(\*\*\*) Securities purchased by succession opened on 19/4/2020. Property in the ratio of 1/3 *pro indiviso*.

### Investments held by Key Management Personnel.

Number of Key Management Personnel	Investee	Number of shares held at the end of the prior year	Number of shares purchased	Number of shares sold	Number of shares held at the end of the current year
1	Neodecortech S.p.A.	0	1,450		1,450