



## Report on Remuneration Policy and Pay

Pursuant to Article 123-ter of the TUF  
and art. 84-quater of the Consob Issuers' Regulation

[www.gefran.com](http://www.gefran.com)

Approved by the Board of Directors on 10 March 2022

## Introduction: reference regulatory framework

This Report on Remuneration Policy and Pay (the “**Report**”) is divided into two sections:

- Section I: Remuneration policy for the year 2022 (“**2022 Policy**”) and
- Section II: Remuneration Statement for 2021 (the “**2021 Statement**”).

This Report is prepared in accordance with art. 123-ter of the Consolidated Financial Act (as amended by Legislative Decree no. 49 of 2019 implementing in Italian legislation the so-called Shareholders’ Rights Directive II - EU Directive 828/2017) and art. 84-quater of the Consob Issuers Regulation (as amended by Consob Resolution no. 21623 of 10 December 2020) giving rise to systematic regulations governing transparency in relations with the market and with all shareholders. It also takes into account the provisions of the January 2020 edition of the Corporate Governance Code, to which Gefran S.p.A. (“**Gefran**” or “**the Company**”) adhered with a resolution passed by the Board of Directors on 16 December 2020.

Moreover, the Report has been adopted pursuant to article 13, paragraph 3, letter b) of Consob Regulation 17221/2010 and article 13 of the Regulation governing transactions with related parties, approved by the Company’s Board of Directors on 03 August 2017.

In the interest of the shareholders, the Company considers it appropriate to briefly summarise the regulatory measures taken since 2019 which have affected the content and methods of approval of the Report.

Legislative Decree no. 49 of 2019 (the “**Decree**”), implementing the Shareholders’ Directive II, amended the Consolidated Financial Act, among other things, in the provisions applicable to the Remuneration Report, while retaining Consob’s power to indicate the information to be included in the first section of the remuneration policy. In this regard, on 31 October 2019 Consob began a process of consultation for amendment of the Issuers’ Regulation aimed at implementing the regulations contained in the Shareholders’ Rights Directive II regarding shareholders’ rights, amending the Consolidated Financial Act with the Decree. The advisory process therefore ended with Consob resolution no. 21623 of 10 December 2020 (the “**Consob Resolution**”), with which the Company has complied.

The Consob Resolution therefore intervened by making amendments:

- to article 84-quater of the Consob Issuers’ Regulation
- to section I of Scheme 7-bis of Annex 3A to the Issuers Regulations
- to section II of Scheme 7-bis of Annex 3A to the Issuers Regulations

This 2022 Policy is consistent with the content of the 2021 Policy, but the aim is to implement its content as part of a path of continuous improvement aimed at strengthening the relationship with shareholders. To the benefit of the shareholders, attention is drawn to Section I, point 2. C containing details on the remuneration of directors with special duties, detailing the matters approved by the Board of Directors on 28 April 2020 in implementation of the 2020 Policy approved by the Shareholders’ Meeting held on the same date.

## SECTION I

### Remuneration Policy for 2022

#### 1. General principles

##### 1. A - Introduction

Remuneration Policy defines the whole series of principles and guidelines used to determine the remuneration of directors, directors with special duties, general directors, and executives with strategic responsibilities.

This policy governs the remuneration system for the Gefran Group employees, both in the Parent Company Gefran S.p.A. and its Italian and foreign subsidiaries, and finds its basis in the values, principles and key points that have guided the Gefran Group since its origin, and will continue to guide it, through *Gefran Way* with the objective of constant growth: integrity, balance, meritocracy, engagement and creation of value. The objective is to create and apply a body of remuneration procedures that is effective, efficient and functional, proportionate to the needs of its different entities.

With this in mind, also in the light of the recommendations of the January 2020 edition of the Corporate Governance Code, promoted by the Corporate Governance Committee, the remuneration policy was prepared to concretely determine the remuneration or compensation system in order to align the interests of management with those of shareholders, pursuing the goal of promoting Gefran's sustainable success over the medium to long term, in accordance with the principles of (i) meritocracy and internal equity, in terms of consistency between remuneration and responsibility, competence, capacity and position held; (ii) competitiveness, in terms of remuneration balanced with the reference markets.

The primary function of the Gefran Group's remuneration system is to hire, encourage and reward individuals who, in various ways, make use of their experience and expertise at the service of the Gefran Group, participating in its development, while maintaining the correct alignment between incentives and the risk profile of the activity in question. In this sense, remuneration policies aim to avoid any kind of incentive that encourages company personnel to take completely disproportionate risks in conflict with a management logic of healthy, prudent and sustainable growth in order to pursue short-term individual profit.

The remuneration system thus adopted therefore represents one of the essential tools for attracting, motivating and retaining competent people who can contribute to the Group's performance, while upholding Gefran's strategy, the *Purpose*, *Promise* and Guiding Principles in view of the fact that the company's size and the size of the remuneration package are closely linked.

With this in mind, the remuneration policy implemented takes into account the Company's best practices, internal equilibrium and sustainability, rather than those of other companies or external benchmarks, which are nevertheless assessed and taken into consideration. The set-up adopted in

this way is therefore also consistent with a “proportionality principle” according to which entities must take due account of the nature, characteristics, size, riskiness and complexity of the activities performed by themselves or the groups to which they belong when drawing up their organisational structure (and their remuneration and incentive policies and practices).

The guidelines are adopted by Gefran when new managers join the Company and when career advancement paths are prepared and implemented for existing staff in the Group.

It should be noted that in the year 2020 Gefran adopted its Strategic Sustainability Plan<sup>1</sup>, subsequently updated in November 2021, which sets out the guidelines for achieving the Group's sustainable success. As detailed below, the targets of the Strategic Sustainability Plan contribute to the variable remuneration of the Chief Executive Officer and executives with Strategic Responsibilities.

In doing so, in line with the guidelines introduced last year, the Company wished to identify a number of environmental, social and governance (ESG) parameters and include these targets among its qualitative goals.

## **1. B - Recipients of Gefran S.p.A.'s remuneration and incentive policy**

Pursuant to Article 123ter of the TUF, in its report on remuneration, the Company is required to explain the remuneration policy applied to members of the Board of Directors, executive officers, executives with strategic responsibilities and members of the Board of Statutory Auditors, as approved by the Board of Directors, together with the Report on the remuneration paid.

With the support of the Remuneration Committee, the following offices and functions have been identified as recipients of the 2022 Policy:

### ***Members of the Board of Directors***

- Chairwoman
- Honorary Chairman
- Vice-Chairmen
- Chief Executive Officer
- Independent and/or non-executive directors

### ***General Managers***

- General Manager

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<sup>1</sup>Gefran's Strategic Sustainability Plan can be downloaded at the following [link](#)

### ***Executives with strategic responsibilities***

- Patrizia Belotti (Chief People and Organisation Officer)
- Paolo Butti (Chief Sales Officer and General Manager, Sensors Business Unit) - effective June 2021
- Fausta Coffano (Chief Financial Officer)
- Christian Pampallona (General Manager, Drive & Motion Control Business Unit)
- Marco Svara (Chief Technology Officer)

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

- Chairwoman and other standing Auditors

## **1. C – The process of determining and implementing the Policy and the parties involved**

The decision-making process for the determination, revision, approval and implementation of the remuneration policies of the Company is the responsibility of different bodies and functions and requires the involvement and support of a number of different parties, also depending on the recipients addressed.

No independent experts participated in the preparation of the 2022 Policy, as both statistical and qualitative investigations available on the market were taken into consideration, and, in line with the provisions of the Issuers' Regulation, the votes cast by shareholders during the previous shareholders' meeting were also examined. The same has been adapted as part of an ongoing improvement process aimed at strengthening dialogue with Investors, aware of the importance of remuneration and incentives systems in the overall framework of governance.

### ***Shareholders' Meeting***

The Shareholders' Meeting is responsible for:

- establishing the remuneration of bodies appointed by it;
- voting in favour of the Policy or against it, with a binding resolution;
- voting, with a non-binding resolution, in favour of or against the approval of the Report on Remuneration paid by the Company, pursuant to art. 3 of Legislative Decree 49/2019;
- approving compensation plans based on financial instruments pursuant to art. 114-bis of the TUF.

### ***Board of Directors***

The Board of Directors prepares, submits to the Shareholders' Meeting and reviews the remuneration policy at least annually. It is also responsible for its proper implementation. In particular, this body defines the remuneration systems applicable to the Company's administrative bodies, with the support of the Committee, and having consulted the Board of Statutory Auditors.

With the support of the Committee, the Board prepares and approves the Policy for executives, members of the Board of Statutory Auditors and top management.

The Board of Directors also submits an annual report to the Shareholders' Meeting, which contains information, including quantitative information, on the application of the previous year's Policy. In its activities, the Board of Directors avails itself of the Committee's support, as well as, in order to ensure correct application of the principles and criteria laid down in the legislation, the competent corporate functions.

In accordance with policy guidelines, the remuneration of executive directors and directors with special duties are concretely determined by the Board of Directors, whereas the remuneration of executives with strategic responsibilities are determined by the People & Organisation Department, in agreement with the CEO and Chairman of Gefran S.p.A..

#### *Appointments and Remuneration Committee*

On 28 April 2020, the Board of Directors of the Company resolved, also in compliance with the provisions of the Borsa Italiana Code of Conduct in effect at the time, the 2018 edition, to establish an Appointments and Remuneration Committee (hereinafter referred to as the "Committee") composed of three non-executive and independent directors (one of which is its Chairman), who will remain in office until the approval of the financial statements as of 31 December 2022. At the time of its appointment, the Board of Directors believed that the Committee's members included persons with sufficient know-how and experience in the areas of interest to the Committee.

Following the loss of the independence requirements of Director Daniele Piccolo, according to the Board of Directors' 16 December 2021 resolution, Director Cristina Mollis was appointed as Chairwoman of the Committee.

The Directors on the Committee are:

• Cristina Mollis	<i>Chairwoman and Independent Director</i>
• Monica Vecchiati	<i>Independent Director</i>
• Daniele Piccolo	<i>Non-Executive Director</i>

The Committee has advisory, proposal-making and supervisory functions to ensure that remuneration policies are defined and applied within the Group. The purpose of these policies is, on the one hand, to attract, motivate and retain staff with the professional skills required to successfully pursue the Group's objectives, and, on the other, to align the interests of management and shareholders.

The Committee plays an important driving and proposing role, because it:

- submits proposals or expresses opinions to the Board of Directors regarding the remuneration of executive directors and other directors with special duties (recalling that the remuneration proposal regarding fees for directors with special duties must be calculated after consultation

with the Board of Statutory Auditors, pursuant to article 2389 of the Civil Code), as well as setting performance targets determining the variable component of that remuneration;

- monitors application of the Board's decisions, checking in particular that performance targets are actually achieved, on the basis of long-term value-creation parameters;
- periodically assesses the adequacy, overall consistency and actual application of the policy for the remuneration of directors and managers with strategic responsibilities, based on the information provided by the managers responsible and by the Chief People & Organisation Officer.

The Committee also consults with the Board of Directors, whenever requested to do so, on remuneration and other related matters.

In carrying out its duties, the Committee shall formulate its opinions and proposals on the basis of an evaluation taking into account the following parameters: (i) the principles contained in the Policy, (ii) the importance of responsibilities in the corporate organisational structure; (iii) impact on the Company's results and the assumption of related risks; (iv) results achieved by the Company and the Group; (v) general analysis of the market and of peers in the sector for similar positions.

In preparing the Remuneration Policy, the Committee also takes into account business strategies, the market environment and the Group's consequent performance, in order to better align its compensation systems with Gefran's actual requirements.

The functions performed by the Committee in the quality of Appointments Committee are described in the appropriate section of the Report on Corporate Governance and Ownership Structure.

The Committee has the right to access the company information and corporate functions necessary for the performance of the tasks assigned to it, and has sufficient financial resources to guarantee its operating independence within the terms and within the limits on expenditure established by the Board of Directors. In this regard, the Committee may also use external consultants, when this is considered useful for comparing the market standards of remuneration systems, after ascertaining that their independence of judgement is not compromised in any way.

The Committee meets whenever the Chairman of the Committee considers it necessary or when requested at least by one member, and in any event, with the frequency required to perform its duties. The meetings are duly recorded in minutes. The Committee operates on the basis of its own regulations.

Meetings may also be attended by other directors and representatives of the Company, especially the Chief People & Organisation Officer, when deemed appropriate or on the Committee's invitation. The Chairman of the Board of Statutory Auditors and the Standing Auditors are also entitled to attend Committee meetings.

No director may attend Committee meetings in which proposals concerning their own remuneration are being presented to the Board of Directors. This is in order to avoid conflicts of interest.

The available and necessary documents and information are sent to all members of the Remuneration Committee sufficiently in advance of the meeting to enable them to express an opinion.

During 2021 the Appointments and Remuneration Committee held three meetings with an average duration of one hour each, attended regularly by all members and at least one representative of the Board of Statutory Auditors. On the chairman's invitation, the Chief People & Organisation Officer also attended to provide details of the incentive scheme adopted by the Company.

MEETING DATE	ITEMS ON THE AGENDA
4 February 2021	<ol style="list-style-type: none"> <li>1. Summary of the progress of the 2020 MBO plan;</li> <li>2. Implementation of 2021 MBO guidelines;</li> <li>3. 2021 MBO proposal of the Chief Executive Officer;</li> <li>4. Any other business.</li> </ol>
4 March 2021	<ol style="list-style-type: none"> <li>1. Chief Executive Officer's Opinion on the 2021 MBO;</li> <li>2. Presentation of the Remuneration Report;</li> <li>3. Analysis of the results of the Directors' annual self-evaluation questionnaire;</li> <li>4. Any other business.</li> </ol>
7 October 2021	<ol style="list-style-type: none"> <li>1. Opinion on the update of the succession plan for the position of CEO;</li> <li>2. Any other business.</li> </ol>

As of the date of this Report, the Appointments and Remuneration Committee has met twice in the year 2022 so far.

#### *People & Organisation Management*

The Remuneration Policy is implemented by the People & Organisation Department, which supervises the administration of remuneration, and reports regularly to the Remuneration Committee.

In order to assess the appropriateness, consistency and application of the Policy, People & Organisation provides all members of the Committee with documentation containing all the information necessary for such an assessment, including concrete information on remuneration and compensation schemes, cooperation agreements and systems for providing incentives to executive directors and directors with particular responsibilities.

At the end of the financial year, People & Organisation, assisted by the Committee, ascertains to what extent targets have been met, based on final figures supplied by Management Control.

### *Board of Statutory Auditors*

The Board of Statutory Auditors is responsible for expressing opinions on the remuneration of directors with special duties;

#### **1. D - Principles underlying Gefran's remuneration system**

This annual Policy has been developed with the aim of promoting ever-greater alignment of management's interests with those of Stakeholders, also taking into account the principle market practices, in compliance with current legislation. In particular, this Policy contributes to the corporate strategy, pursuit of long-term interests and the sustainability of Gefran.

In determining its content, the Company also took into account the compensation and working conditions of its employees.

The remuneration system is defined in line with corporate objectives and values, long-term strategies and risk management policies.

In particular, the organisation of remuneration of the members of the Board of Directors, executive officers and executives with strategic responsibilities is, in general, divided into fixed components and variable components, the weight of which is benchmarked to risk-adjusted performance indicators, in accordance with the criteria described below.

All forms of remuneration and incentives take into account the risks assumed and the liquidity necessary to cope with the business, and are structured in such a way as to avoid the occurrence of conflicts of interest in accordance with the principles described below.

With particular reference to the variable part of the remuneration, the criteria that govern determination of whether and how much is due are defined taking into account the indications arising from regulations governing the sector and the need to balance incentives against the risk profile of the activity in question. In this respect, there are also mechanisms in relation to participation in long-term incentive schemes by the executive members of the Board of Directors, executive officers and executives with strategic responsibilities.

The remuneration of independent and/or non-executive directors, as well as remuneration of the members of the Board of Statutory Auditors, is not linked to the economic results achieved by the Company and/or the Group and is represented exclusively by a fixed component approved by the Ordinary Shareholders' Meeting (apart from any additional remuneration provided in view of participation in internal committees within the Board of Directors).

The criteria for determining the remuneration of the Board of Statutory Auditors are based on market parameters and fully aligned with them, guaranteeing their independence and autonomy and, moreover, are established on a proposal from the shareholders and subject to the approval of the Ordinary Shareholders' Meeting.

## 1. E - overall remuneration structure and balance between fixed and variable component

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The remuneration package, which includes a balanced mix of fixed and variable, monetary and non-monetary, direct and deferred elements, is divided into a number of different components:

- 1) Fixed Remuneration
- 2) Short-term Variable Remuneration (annual - MBO system) which has a range of between 10% and 25%, depending on the impact of the specific position held on the Group
- 3) Long-term Variable Remuneration (LTI) of top management and oriented toward the generation of value for stakeholders and shareholders
- 4) Benefits and Welfare
- 5) Conditions of termination
- 6) Non-competition agreements for General Managers and certain executives with strategic responsibilities

It should be noted that the Company applies the same scheme, in relation to the specific position held and the responsibilities involved, not only to strategic executives but also to senior managers in the Parent Company and foreign subsidiaries, who are regularly included in the Management-by-Objectives (MbO) Plan drawn up by People & Organisation every year. The underlying principle is to develop a pay-for-performance system that links remuneration to real results, both collective and individual.

### ***1.E.1 - fixed component of remuneration***

As far as the Directors are concerned, this component consists of the emoluments resolved by the Shareholders' Meeting and the Board of Directors, described in detail in the following paragraphs.

For executives with strategic responsibilities, Gross annual fee or GAF represents the fixed component of remuneration. It is associated with the level of expertise, specialisation and management skills, as well as the accountability of the position held within the organisation. The principle adopted by the Company for determining that this amount is both appropriate and functional is based first and foremost on compliance with the Group's current policy and balances, taking into account the benchmarks on the job market. By means of this component, managerial continuity is ensured, pursuing effective policies of internal remuneration and competitiveness in relation to the external market.

GAF is adequate remuneration for the services provided, and is commensurate with the assigned tasks and responsibilities, as well as sufficient to remunerate the services provided in the event that the variable component is not provided.

It is standard practice to support managers' professional growth, in terms of both responsibilities and remuneration, in light of a positive performance.

### ***1.E.2 - variable remuneration and one-off payments***

Variable components remunerate the results achieved in the short and medium to long term. Short-term performance is assessed - on the basis of an evaluation period of at least one year - using an approach that takes into account the results achieved by individuals, those obtained from the structures in which they operate, and the Group's results as a whole from a long-term perspective.

The weight of the variable component of the pay of personnel with respect to the total fixed component is benchmarked to the scope of activity and the strategic weight of the position to which the remuneration relates.

This component has been determined on the basis of clear, exhaustive and differentiated performance criteria, based on financial and non-financial performance targets, taking into account criteria relating to corporate social responsibility where appropriate.

There are no deferred payments for the variable portion in cash. Gefran does not have any equity incentive plans in place, nor any other plans based on financial instruments;

While remuneration policy does not foresee granting of discretionary bonuses, special one-off disbursements may be granted in relation to specific transactions and/or appointments of particular strategic importance to the Company and/or the Group and in the presence of outstandingly worthy performance, not foreseeable when determining the annual personal objectives under the conditions set forth below (by way of example, an unforeseeable acquisition, organisational restructuring or achievement of particularly significant performance for the Group or of a particularly important commitment). These forms of remuneration must be attributed by the competent body (if applicable, by the Board of Directors, upon proposal of the Appointments and Remuneration Committee), and in any case comply with the current regulatory provisions (for example, impact on the variable remuneration/fixed remuneration ratio, where the procedures for paying variable remuneration are applicable) and the corporate governance processes of the Company, in addition to being subject to conditions of malus and to claw-back actions, to the extent legally applicable.

#### **1.E.2 - A: short to medium term variable component - criteria underlying determination and distribution**

The short to medium term variable component is paid through an MbO or "Management by Objectives" system in response to achievement of annual targets established within the first quarter of the year in question. It aims to recognise the results achieved by establishing a direct correlation between remuneration and short-term results, encouraging achievement of the annual targets identified in the Company's budget and in line with the business plan for the reference year.

The MBO system is in any case structured in such a way as to make the link between economic recognition and the degree of achievement of annual objectives transparent.

(i) minimum access thresholds (access gate)

The right to payment of the MbO is linked not only to the actual results achieved in terms of individual performance indicators, but to achievement of a financial access gate (referred to as on/off). This gate corresponds to EBIT above 0 or equal to the budget.

The intention is therefore to apply a principle of solidarity for the entire Group. This is in order to link possible payment of variable remuneration to overall performance indicators and ensure the financial sustainability of the payment.

(ii) structure of the MbO, performance indicators, parameters and evaluation process

The MBO system, subject to achievement of the access gate, is structured and implemented in accordance with the guidelines issued by the People & Organisation Department, in cooperation with the CEO and the Chairwoman and then illustrated to the Appointments and Remuneration Committee.

The criteria and indicators used by the MBO system are established for each employee by the manager concerned, in cooperation with the People & Organisation Department.

Since 2021, the MBO System has identified a target in the area of sustainability, for both the Chief Executive Officer and the executives responsible for implementing projects included in the Sustainability Plan. In addition, the Long Term Incentive Plan, in addition to the inclusion of economic and financial objectives linked to the Industrial Plan and aligned with shareholders' interests, provides for introduction of additional indicators representing the creation of sustainable value in the medium to long term (ESG objectives).

Targets are formalised annually in personal data sheets.

The MBO system adopts a common, organic approach intended to represent the unity of the Group and the interdependence of the activities of the various functions. It is also intended to bring the interests of management further into line with those of the employees involved in the process, and those of shareholders. Performance is measured in relation to the actual results achieved at the Group, Business, Organisational Unit and individual levels.

With a view to sound and prudent management, as well as optimal risk containment in line with the objective of sustainable growth, the criteria determining measurement of the variable component are either performance-based (quantitative) or managerial (qualitative) objectives, to be assessed in relation to the beneficiary's role, skills and tasks within the Group, also in order to use performance measurement variables which are as consistent as possible with decisions made at the Group-wide level.

In the presence of complex and transversal plans, interdependent objectives are assigned that stimulate collaboration and an approach based on systemic thinking.

The main quantitative objective for economic/financial performance is Group EBIT for all managerial positions. This may be accompanied by other financial indicators such as NWC (Net Working Capital) or Net Financial Position (NFP); business indicators, such as revenues, gross margin, cost control, or by objectives linked to the specific performance of various functions.

The objectives are always defined according to the SMART method (Specific, Measurable, Achievable, Relevant, Time Related). The objectives must be precise and measurable, feasible (albeit challenging) and relevant from an organisational point of view, that is, in line with business strategy.

They may be linked to management targets (processes/projects), or to managerial/organisational development targets (competences).

By way of example, individual objectives for quality leadership and strategic contribution include:

- (i) pursuing and disseminating the core values of the Company throughout the entire organisation;
- (ii) exercising delegation/control to promote employees' growth;
- (iii) making a positive contribution to teamwork;
- (iv) contributing to innovation of the business model (products/services);
- (v) contributing to the geographical diversification of the business;
- (vi) contributing to organisational changes and business models;
- (vii) implementation of activities identified during the Enterprise Risk Management process;
- (viii) progress of projects related to the Strategic Sustainability Plan.

Definition of the set of indicators to be assigned takes into account the balance guaranteeing sustainability; for example, revenues in relation to EBITDA, efficacy in relation to efficiency, and investment in relation to EBIT.

This guarantees the sustainability and absence of conflict between the achievement of the individual objectives and the well-being of the company.

Each objective is associated with "weights" that define its relevance within the overall set of objectives, which varies according to the manager's role.

Each MbO bonus is structured in such a way as to have a maximum limit on the variable payment, depending on the extent to which the Group's results are affected, and the ability of individual to influence the objective. Pay-out may range from 50% to a maximum of 150% of the target value.

With regard to the criteria for assessing achievement of performance targets for payment of the variable component, the level of performance achieved in the financial year following the reference year is verified for each objective.

The incentive system requires that each year, following the recording of the results of the previous year and the definition of the budgets of the company and function, the indicators and the

corresponding target values at the company-wide and individual level are defined for the current year.

Assessment of the achievement of performance objectives underlying the variable components of remuneration is therefore based on a precise internal process that involves the corporate bodies concerned.

As far as the company is aware, the participants in the incentive plan do not make use of personal hedging strategies, remuneration insurance or other aspects that may alter or affect the effects of alignment of risk inherent in their remuneration mechanisms, with particular reference to incentive schemes.

**(iii) caps and payment mechanisms**

As regards the relationship between fixed remuneration and variable remuneration paid for the benefit of members of the Board of Directors with proxies, executive officers and executives with strategic responsibilities, there are “cap” mechanisms to ensure an adequate balance in the relationship between total variable remuneration and total fixed remuneration, which may be differentiated according to the body, function or business area of the person receiving the variable remuneration.

As a rule, the maximum variable component of remuneration cannot exceed the fixed gross annual fee (GAF).

The variable component is normally paid upon approval of the draft financial statements and the consolidated financial statements, in the first quarter of the year following that in which they were accrued, to beneficiaries still employed at the Company at the time of payment, and not those who have left.

Since the Internal Audit Manager operates independently of the Company, there is no incentive plan in his favour.

**(iv) malus and clawback mechanisms**

The variable remuneration of members of the Board of Directors, general directors and executives with strategic responsibilities is subject to special *malus* mechanisms, as a result of which the variable component is not, in whole or in part, paid - independently of its financial sustainability, in the absence of which it will not be paid in any case - in the event of:

- a. wilful or grossly negligent misconduct by employees damaging customers or companies within the Gefran Group, or resulting in payment of compensation and/or any form of payment by companies belonging to the Gefran Group;
- b. behaviour of employees resulting in a significant loss for companies belonging to the Gefran Group;

- c. precautionary/disciplinary proceedings relating to personnel;

Use of appropriate clawback mechanisms is also envisaged, under which immediate return of the variable component already paid in the calendar year in which the request is made, and paid in the previous year, may be demanded in the event of:

- d. confirmation of wilful or grossly negligent conduct directly damaging customers of Gefran Group companies, resulting in payment of compensation and/or payments made by the companies themselves to customers for any reason whatsoever;
- e. confirmation of wilful or grossly negligent conduct on the part of staff in relation to the means of payment used by the company;
- f. wilful or grossly negligent conduct, with the exception of points a) and b), ascertained by a final judgement, on the part of personnel to the detriment of companies belonging to the Gefran Group, or resulting in a significant loss or reputational damage to companies belonging to the Gefran Group.

### **MBO FOR THE YEAR 2022**

The guidelines behind the MBO system for the year 2022, approved by the Appointments and Remuneration Committee in its 07 October 2022 meeting, support the goals of growth, also through development of new geographical markets, new applications and new customers, of business profitability, of focusing on the organisation's sustainability and quality of service, and of rethinking processes to give them a leaner form. The system is confirmed as the primary method and tool for orientation of management and focusing on the Group's strategic goals. The incentive scheme based on short-term results (MbO) has been supplemented with a medium- to long-term scheme (LTI).

The MBO scheme thus comprises a minimum of three and a maximum of five components overall, each of which is an addendum.

There is a condition enabling the system (on/off), represented by a financial meta-target in relation to profitability with a quantitative parameter guaranteeing the sustainability of the system.

This condition, which is differentiated on the basis of the beneficiary's belonging to different Group Companies, is EBIT.

The methodology aims to direct and guide the organization towards the relevant business objectives by measuring the effectiveness and efficiency with which they are achieved.

These objectives are grouped into five clusters:

- (i) economic-financial;
- (ii) business development/marketing;
- (iii) product and innovation;
- (iv) sustainability, also in the economic and process areas;
- (v) service.

Reference indicators and KPIs (Key Performance Indicators) are defined for each cluster on the basis of what is known as the “SMART” principle (Specific, Measurable, Achievable, Relevant, Time-Related).

For quantitative objectives, minimum and maximum limits of percentage importance have been defined. These recognise results exceeding 95% of the target with a bonus of 50%, and reward over-performance, with the meeting of the target at 120-150% possibly corresponding to 120-150% of the related bonus.

A portion of the over-achievement in certain homogeneous categories of beneficiaries may be provided as corporate welfare, permitting access to a basket of services as permitted by legislation.

Safeguarding of EBIT will be a common goal, with the following rules:

no bonus under 95% of the target

EBIT between 90% and 99.99% = 50% to 99.99% of the bonus, with linear growth

EBIT between 100% = 100% of the bonus

EBIT between 100% and 120% = 100% to 150% of the bonus, with linear growth

All objectives are inspired by a systematic logic taking into account the balance required to guarantee the sustainability of the business. For example, turnover is balanced by EBITDA; investment by EBIT.

For each objective, if it is of a quantitative nature the source of verification is associated, while for qualitative ones such as the implementation of projects, there are criteria by which the objective is assessed in terms of the occurrence.

As for top management's individual targets, the plan allows for the possibility of assigning targets shared by one or more company departments, typically linked with cross-cutting projects involving innovation, organisational development, or improvement of productivity or efficiency, the achievement of which is the result of each manager's contribution.

Following a risk assessment conducted in 2020 and 2021 with the aim of mapping the principal strategic and operative risks to which the Gefran Group is exposed, objectives have also been assigned for mitigation of the top risks emerging from the assessment.

Lastly, there are claw-back clauses in effect for a number of specific targets.

#### **1.E.2 - B: medium- to long-term variable component - criteria underlying determination and distribution**

The Long-Term Incentive (LTI) is a variable medium-/long-term component, set in order to focus management on the plans, projects and results with a time horizon of more than one year, and on sustainable business growth by developing forward-looking vision, as well as retaining key resources.

The activating condition of the LTI system is represented by the continuation of the work relationship at the end of the three years. There may also be an enabling condition represented by Group EBITDA.

An LTI was agreed on with strategic executives in Italy and with the principal General Managers of foreign branches.

The scheme involves one or two strategic objectives, which may be economic/financial objectives linked with the overall results achieved by the company at the end of the three-year period, on the basis of which the beneficiary has the power to make decisions and act, or they may concern implementation of strategic plans aimed at generating value for stakeholders and shareholders. Measurement and payment takes place only at the end of the three-year period.

The bonus amount and its composition vary depending on the mutual interests of the Company and the managers during the period. Factors taken into consideration are: position held in the organisation and management experience; the manager's ability to influence the Group's long-term growth; annual results achieved to date and all remuneration received; the beneficiary's growth potential and loyalty-building requirements.

Details of the LTI of the General Manager are provided, taking into account the fact that the same person also holds the position of Chief Executive Officer. LTI is paid within the month following the approval of the Company's financial statements for the year to which the LTI refers (2022), on the condition that the recipient remains in office and has not resigned or been notified of termination employment or revocation of office.

The General Manager and Chief Executive Officer will not be entitled to the variable component of pay if he or she resigns the post in advance.

#### **1.E.3 - Benefits and Welfare**

The benefits awarded to management are intended to ensure that overall remuneration is as competitive as possible, and is in line with the best practices adopted on the job market. They complete the monetary remuneration package. They consist of:

- ✓ insurance for reimbursement of medical costs
- ✓ company car for business/private use
- ✓ life and accident insurance
- ✓ D&O insurance

In line with international best practice, an insurance policy of the type known as D&O (*Directors & Officers*) *Liability* contracted by Gefran S.p.A. to cover risk to corporate bodies, Executive Officers, Executives with strategic responsibilities, Senior Managers, Executives and all figures playing a role in the protection of health and safety under Legislative Decree 81 of 2008 as a result of claims filed against them by the Company or a third party with the aim of having them sentenced to pay

compensation for damages in relation to the performance of their functions. This stipulation also constitutes an act of specific interest to the company, as this policy is an instrument for the protection and safeguarding of claims for compensation made by parties damaged by the behaviour of persons representing the company

**Results Bonus (“RB”)** This orientation toward achievement of results is also apparent in the definition of the Results Bonus (RB) offered to management, clerical staff and workers: in accordance with the Stability Law, the RB is based on indicators linked with profitability, productivity, efficiency, innovation and quality specific to the BU, defined every year in line with the budget. Note that on 26 November 2019 a company contract was signed for the 2020-2022 three-year period with the company's Unitary Trade Union Representative (RSU), FIM-CISL and FIOM-CGIL. In addition to emphasising the central importance of the principles of inclusion and diversity, seen as assets of value for promoting innovation, change and growth in the company, there are also significant new developments for the Results Bonus. In addition to the indicators specified above, a new parameter has been introduced linked with separation of wastes for recycling, in harmony with the company's sustainability and environment strategies.

Under the new agreement, an extra annual bonus is available, directly proportionate to the growth of revenues beyond the budget, representing a strategic indicator for the company's growth. Performance-related pay may be entirely or partially converted into goods and services under the company's welfare plan. Those who convert performance-related pay will see their individual amount increased by 5%, if 80% of the bonus is converted, or 10%, if all of it is converted.

#### ***1.E.4 - Indemnity for resignation, dismissal or termination of employment***

As a general rule, long-term performance in terms of value creation for shareholders is taken into account when calculating termination payments, also taking into account any requirements under the provisions of the applicable collective or individual agreements and any other individual circumstances, including the reasons for termination.

The Gefran Group does not enter into agreements with Directors or Managers with strategic responsibilities that regulate ex-ante the financial aspects of early termination of employment, upon the initiative of the Company or the individual (referred to as “parachute indemnity”).

Subject to legal and/or contractual obligations, any agreements on termination of employment with the Group are based on specific benchmarks, and fall within the limits set by the laws and practices of the country in which the agreement is entered into. If employment is terminated with the Group for reasons other than just cause, the usual approach is to seek an agreement to “terminate” the employment in a consensual manner.

In any case, this Policy establishes as the maximum amount of compensation in the event of termination or cancellation as the monthly amount provided for under the applicable legislation, as well as the provisions of the applicable collective agreements, also including the advance notice period.

This maximum amount includes any indemnities that may be paid in the event of termination of the office of director, even with powers, and those provided for in the employment relationship, if the same person holds both positions.

In the event that an amount is paid as a settlement, this is established in accordance with the guidelines set out in the Code of Corporate Governance, 2020 edition, and in particular with reference to the criteria set out in the Executives' national collective contract of employment.

#### **1.E.5 - Non-competition agreements**

As of 31 December 2021 non-competition agreements had been signed with a number of members of management, particularly those holding positions of particular technical and commercial importance. The compensation paid for this, which is in any case of limited duration, is determined, in accordance with the applicable legislation, in relation to the temporal and territorial extension of the requirement and the damage that could result to the Company and/or the Group if the person concerned should carry out activities in competition with those of the Company and/or the Group or disclose information which (even if not expressly identified as confidential by law) could also cause damage to the Company and/or the Group, taking into account the roles and responsibilities previously held by the person in question.

#### **1.F. - Exceptional circumstances permitting temporary exceptions to remuneration policy**

In accordance with art. 123-ter, paragraph 3-bis of the Consolidated Financial Act, in the presence of exceptional circumstances the company may make temporary exceptions to remuneration policy, provided the policy specifies the procedural conditions under which such exceptions may be made and specifies the elements of the policy to which exceptions may be made.

Gefran believes that, in order to pursue its long-term interests and achieve sustainability for the Company as a whole, and to ensure its ability to remain on the market, changes to its Policy may be made in exceptional circumstances, such as, by way of example:

- (i) the need to replace the Chief Executive Officer or a manager with strategic responsibilities due to unexpected events, having to negotiate a remuneration package quickly, in cases in which the limitations imposed by the approved policy may limit the Company's ability to attract a highly professional manager;
- (ii) significant changes in the scope of the company's business while the Policy remains in effect, as in the case of sale of a company or company branch on whose performance the performance-based objectives of the applicable policy were based, or acquisition of a significant business not included in the policy;
- (iii) the need to address exogenous and intrageneous exceptional situations, such as the impact of the Covid-19 pandemic on the Group.

These changes may relate to:

- in the case of the Chief Executive Officer:

- i. whether the CEO also acts as General Manager or serves only as Chief Executive Officer;
- ii. appointment of a person other than the Chief Executive Officer to serve as General Manager;
- iii. remuneration of the Chief Executive Officer, including both fee and salary as a Company employee;
- iv. the variable part of remuneration.

This is without prejudice to the fact that the fixed part of the remuneration (fee + gross annual pay) may not exceed € 335,000.00.

- in the case of the Chairman:
  - i. in the event that the Chairman is given powers to act as Chief Executive Officer due to absence of this figure for any reason, an additional fee may be established, which, in addition to the current fee, may not exceed the amount of € 500.000,00.
- in the case of General Managers and Managers with Strategic Responsibilities:
  - i. the Company may introduce new figures deemed useful for the development of the Gefran Group.

Changes of this type must be introduced by resolution of the Board of Directors, with the approval of the Appointments and Remuneration Committee.

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## 2. Individual remuneration policies

### 2. A - Directors' remuneration

Remuneration policy requires Directors to be paid:

- (i) a fixed annual sum determined by the Shareholders' meeting, in accordance with article 2389, paragraph one of the Civil Code, shared out by the Shareholders' meeting or the Board of Directors;
- (ii) a possible additional fee for participation in committees within the Board of Directors;
- (iii) a possible additional fee for executive positions of various kinds held and resolved on by the Board of Directors, in response to a proposal made by the Committee, under article 2389, paragraph 3 of the Civil Code.

With regard to the 2022 Policy, the following is proposed in continuity with the provisions of the Shareholders' Meeting of 28 April 2020, as well as the meeting of the newly appointed Board of Directors on the same date, in compliance with the so-called 2020 Policy contained in the "Report on Remuneration Policy and Remuneration paid," approved by a binding vote by the 28 April 2020 shareholders' meeting, taking into account the remuneration and working conditions of its employees.

## **2. B - Remuneration of directors without special duties pursuant to the resolution of the 28 April 2020 Shareholders' Meeting**

The 28 April 2020 Shareholders' Meeting established a total gross annual fee of € 300,000.00. The breakdown of this sum was then approved by the newly appointed Board of Directors on proposal of the Appointments and Remuneration Committee, as listed below:

- € 270,000.00 divided equally among the directors, that is a gross amount of € 30,000.00 a year for each director;
- € 29,000.00 for the committees;
- €1,000.00 for the Lead Independent Director.

In line with international best practice, directors without special duties are not entitled to a variable component of their fees (bonus).

To better illustrate the amount of € 29,000.00 available to the Committees, it should be noted that each of the members of the committees (in addition to the Appointments and Remuneration Committee, there is also the Control and Risks Committee and a Sustainability Committee) is paid a token of € 500,00 for each committee meeting attended, up to a maximum limit of € 29,000.00. This criterion enables non-executive directors to be remunerated according to their actual commitment.

## **2. C - Remuneration of directors with special duties pursuant to the resolution passed by the Board of Directors on 28 April 2020**

On 28 April 2020 the Board of Directors appointed the following directors with special duties:

- 1 Honorary Chairman
- 1 Chairwoman
- 2 Vice-Chairmen
- 1 Chief Executive Officer

The Board of Directors, having consulted the Committee and obtained the mandatory opinion of the Board of Statutory Auditors pursuant to art. 2389 of the Italian Civil Code, has allocated the following remuneration:

- the Honorary Chairman will be paid a fixed all-inclusive sum of € 210,000.00 every year for his strategic and institutional functions, in addition to the fee of € 30,000.00 paid to each director;
- the Chairwoman of the Board of Directors will be paid a fixed all-inclusive sum of € 210,000.00 every year for her functions, in addition to the fee of € 30,000.00 paid to each director.
- each Vice-Chairman will be paid a fixed all-inclusive sum of € 135,000.00 every year for their functions, in addition to the fee of € 30,000.00 paid to each director.

The Honorary Chairman, Chairwoman and Vice-Chairmen do not have MBO and LTI plans because they are directly and indirectly shareholders in Gefran S.p.A. and therefore benefit from any dividends that the Company may pay and the value of its share.

The Chief Executive Officer, who also holds the position of executive director as General Manager of the Company: the sum of € 60,000.00 (fixed per financial year, all-inclusive) in addition to the fee of € 30,000.00 received by each director. In addition to this, an MBO of € 30,000.00 and, in the event of over-achievement of one of the three targets, up to € 37,500.00, as per the 10 March 2022 Board of Directors' resolution. This possibility is consistent with the Company's MBO policy described in point 1.E. The fixed part of the remuneration (fee + gross annual pay) cannot exceed € 335,000.00.

For the purposes of the 2022 Policy, the MBO targets of the Chief Executive Officer were approved by the Board of Directors, subject to the favourable opinion of the Appointments and Remuneration Committee, as follows:

- Profitability of the Gefran Group measured in terms of the value of EBIT (over-achievement of this target is possible);
- Strategic evolution of the Drives and Motion Business Unit;
- Advancement of the Strategic Sustainability Plan.

To this purpose, therefore, the individual data sheet therefore includes objectives related to sustainability, defined as the ability to generate and maintain value for all stakeholders in the medium to long term.

With reference to quantitative objectives, on the other hand, the Group's profitability performance, which has a direct impact on the annual variable component of the theoretical annual variable component of pay via the mechanisms described above, is particularly important as a quantitative objective. Based on this approach, the amount of the annual variable component accrued is determined in proportion to the results achieved by the Group.

Please note that the Chief Executive Officer is also a manager of the Companies in the Group and, as such, receives a fixed gross annual fee (GAF), a dedicated MBO, and a three-year LTI, and is bound by a non-competition agreement. Note that there is no indemnity for termination of office, beyond that required by the provisions of the legislation and collective agreements.

## 2. D - Remuneration of the Board of Statutory Auditors

As of the date of this Report, the Board of Statutory Auditors is composed of:

Chairwoman: Roberta Dell'Apa

Standing auditors: Luisa Anselmi, Primo Ceppellini

Deputy Auditor: Simona Bonomelli, Stefano Guerreschi

The Ordinary Shareholders' Meeting convened on 27 April 2021 approved the renewal of the auditing body and, pursuant to art. 2402 of the Italian Civil Code, the remuneration for the entire duration of

the appointment, defined as an annual fee of € 30,000.00 for the Chairman and € 20,000.00 for each Standing Auditor, as well as the reimbursement of expenses incurred in carrying out the appointment.

The remuneration of Statutory Auditors is commensurate with the commitment required, the importance of the position held, as well as the size of the Company and the sector in which it operates, in such a way as to guarantee their role of independence with full autonomy.

As in the case of the Directors, there is also a D&O (Directors & Officers) Liability insurance policy covering Statutory Auditors.

## **2. E - Remuneration of executive officers and other executives with strategic responsibilities**

As of the date of this Report, Executives with strategic responsibilities are: Marcello Perini (*Chief Executive Officer and General Manager Components Business Unit*), Patrizia Belotti (*Chief People & Organisation Officer*), Paolo Butti (*Chief Sales Officer and General Manager, Sensors Business Unit*) Fausta Coffano (*Chief Financial Officer*), Christian Pampallona (*General Manager Drives & Motion Control Business Unit*) and Marco Svara (*Chief Technology Officer*).

The remuneration policy for executive officers or executives with strategic responsibilities is intended to attract and retain professionals with the skills required to successfully pursue the Group's objectives, as well as motivating them and giving them an incentive to remain with the Company. In addition, it aims to align the interests of management with those of shareholders, also through a twin focus on short-term results and long-term results, thereby increasing the Group's value in a sustainable manner.

The criteria for assigning the variable portion of remuneration are described above.

It is the Committee's view that the Policy described above is in line with the approach followed in 2021 as regards the remuneration of directors and executives with strategic responsibilities.

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In view of the above, by voting in favour of Section I - 2022 Policy, the above is confirmed.

## SECTION II – Remuneration report for 2021

The Remuneration Report for 2021 (hereinafter the “Report”) provides detailed information on remuneration for the current year and the related methodology with the aim of raising stakeholders’ awareness of the Company’s remuneration policy, practices and results, emphasising their consistency with the Company’s business strategy and performance and with responsible remuneration and sound risk management, in accordance with Remuneration Policy.

For this purpose, quantitative information is provided in table form, pursuant to Annex 3A to the Issuers’ Regulations, Schemes 7-bis and 7-ter, to which the reader is referred.

Following a review of the business results of 2020, also taking into account the vote expressed by the Shareholders’ Meeting on 28 April 2022, with reference to the remuneration attributed to Directors, Statutory Auditors and the General Manager, and, in aggregate form, the remuneration granted to other Executives with Strategic Responsibilities, the following information is presented in the Report:

- the first part provides an adequate, clear and understandable representation of each of the items of remuneration pertaining to 2021 for the people in the positions listed above, including the conditions applicable in the event of resignation of the post or termination of employment, in order to demonstrate its compliance with the Policy;
- the second part shows remuneration paid by the Company and its subsidiaries in the year 2021, for any reason and in any form, reporting any components of the aforesaid remuneration that relate to activities carried out in years prior to the financial year in question, and also showing any fees to be paid in one or more subsequent years for work carried out in 2021, specifying the estimated value of components not objectively quantifiable during the year.

### 1. 2021 business results

Key business results are described in the annual financial report available at the following link: [https://www.gefran.com/en/gb/financial\\_reports](https://www.gefran.com/en/gb/financial_reports).

### 2. 2021 Remuneration

Below is a summary of the information relating to remuneration in the year 2021, calculated in compliance with the remuneration policies approved, with reference to the recipients of the Policy. In particular, where performance objectives were assigned, the levels of performance achieved are shown in comparison with those envisaged, with a view to ensuring full accountability to the market regarding *ex-post* application of the performance objectives set out in the Policy.

Details of the final figures are provided in Table 1 - Remuneration paid to the members of administrative and control bodies, executive officers and other executives with strategic responsibilities, to which reference is made.

### *Remuneration of the Board of Directors*

The members of the Board of Directors are divided into:

- (i) Directors with special duties, who may also be granted specific powers;
- (ii) Directors without special duties.

At 31 December 2021:

- Directors with special duties: Ennio Franceschetti (Honorary Chairman), Maria Chiara Franceschetti (Chairwoman), Andrea Franceschetti (Vice Chairman), Giovanna Franceschetti (Vice Chairwoman) and Marcello Perini (Chief Executive Officer);
- Directors with no special duties: Daniele Piccolo, Monica Vecchiati, Cristina Mollis and Giorgio Metta.

For more information, see the Report on Corporate Governance and Ownership Structure.

#### **A. Remuneration of directors without special duties**

At the Gefran Shareholders' Meeting held on 28 April 2020 to appoint the Board of Directors, the shareholders approved an overall remuneration package for the directors pursuant to article 2389, paragraph 1, of the Civil Code, and assigned the Board of Directors the task of sharing it out.

The Shareholders' Meeting approved an overall gross annual remuneration package of €300,000.00, divided as follows by the Board of Directors, on the Appointments and Remuneration Committee's proposal:

- € 270,000.00 divided equally among the Directors, that is a gross amount of € 30,000 a year for each director;
- € 29,000.00 for the Committees;
- € 1,000.00 for the Lead Independent Director.

Remuneration for the members of the Board of Directors, including those who are also members of board committees, was therefore determined following the procedural procedures defined and described in the 2021 Policy.

Non-executive members of the Board of Directors thus received a fixed remuneration of € 120,000.00 in 2021 and were not paid any variable remuneration linked to the achievement of objectives or incentive plans based on financial instruments.

#### **B. Remuneration of Directors with special duties**

The following directors with special duties were paid additional fees for these duties as of 31.12.2021:

- the Honorary Chairman, Ennio Franceschetti, who is paid the fixed all-inclusive sum of € 210,000.00 every year for his functions, in addition to the fee of € 30,000.00 paid to each director;
- the Chairwoman of the Board of Directors, Maria Chiara Franceschetti, is paid the fixed all-inclusive sum of € 210,000.00 every year for her functions, in addition to the fee of € 30,000.00 paid to each director;
- the Vice Chairman, Andrea Franceschetti, who is paid the fixed all-inclusive sum of € 135,000.00 every year for his functions, in addition to the fee of € 30,000.00 paid to each director;
- the Vice Chairwoman, Giovanna Franceschetti, is paid the fixed all-inclusive sum of € 135,000.00 every year for her functions, in addition to the fee of € 30,000.00 paid to each director;

The executive members (excluding the Chief Executive Officer) of the Board of Directors thus received a fixed remuneration of € 810,000 in 2021, and are not recipients of MBO and LTI plans.

#### **C. Remuneration of the Chief Executive Officer**

Chief Executive Officer Marcello Perini was paid, in addition to the fee of € 30,000.00 paid to each director, a sum of € 60,000 for his functions. He is also the recipient of an MBO of a maximum of € 30,000.00. It should be noted that the Chief Executive Officer is also a company employee.

With regard to the overall annual variable component, the Chief Executive Officer received the amounts indicated below, taking into account the results achieved in relation to objectives. As a result, the proportion of fixed and variable remuneration as part of total remuneration was 25%.

There are no agreements in place between the Company and the Chief Executive Officer (or any member of the Board of Directors) that provide for an indemnity for resignation or dismissal/revocation without just cause or if their employment ceases following a tender offer.

No indemnities and/or other benefits were awarded for resignation of office or termination of employment during the year, as no such events occurred. Similarly, there were no episodes of ex-post correction mechanisms of the variable component (*malus* or “*claw-back*” repayment of variable components), nor were any exceptions made to the Policy.

#### **D. Remuneration of the General Manager**

With a view to maximum transparency regarding the remuneration of the General Manager, details on remuneration shown in table I, attached, are provided in this section.

- GAF € 203,356.92
- MBO € 60,000.00 (maximum € 79,800.00 in the event of overachievement of the objectives)
- LTI € 180,000.00
- Non-competition agreement € 20,400.00

#### **E. Remuneration of the Board of Statutory Auditors**

The fees accrued in 2021 are shown in Table I, attached to this Report.

#### **F. Remuneration of executives with strategic responsibilities**

The remuneration of the following key executives with strategic responsibilities is reported at an aggregated level in the table below, and is in line with the 2021 Policy.

The data shown in the aggregated table refer to the following executives with strategic responsibilities:

Patrizia Belotti (Chief People and Organisation Officer)

Paolo Butti (Chief Sales Officer and General Manager, Sensors Business Unit) - effective June 2021

Fausta Coffano (Chief Financial Officer)

Christian Pampallona (General Manager, Drive & Motion Control Business Unit)

Marco Svara (Chief Technology Officer).

The fees accrued in 2021 are shown in Table I, attached to this Report.

In the year 2021, the fixed component accounted for an average of 71% of remuneration.

To better understand the data shown in the table below, it should be noted that one of the managers with strategic responsibilities previously identified did not begin working for Gefran S.p.A. until June 2021, and therefore this person's fixed and variable remuneration is reported for the months actually worked.

TABLE 1: Remuneration paid to directors and auditors, chief executive officers and other executives with strategic responsibilities - 2021

First name and surname	Office	Period for which the office was held	Expiry of office	Fixed remuneration	Remuneration for sitting on committees	Variable non-equity remuneration		Non-monetary benefits (2)	Profit sharing	Other remuneration	Total	Fair value of equity remuneration	Severance indemnity for end of office or termination of employment
						Bonus and other incentives (1)							
Ennio Franceschetti	Honorary Chairman	Entire period	Approval of the financial statements as at 31/12/2022										
<b>Remuneration at the reporting entity</b>				€ 240,000.00 (3)	€ -	€ -	€ -	€ 2,888.00	€ -	€ 242,888.00	€ -	€ -	
<b>Remuneration from subsidiaries and affiliates</b>				€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Total</b>				€ 240,000.00	€ -	€ -	€ -	€ 2,888.00	€ -	€ 242,888.00	€ -	€ -	€ -

Maria Chiara Franceschetti	Chairwoman	Entire period	Approval of the financial statements as at 31/12/2022										
<b>Remuneration at the reporting entity</b>				€ 240,000.00 (4)	€ -	€	€ -	€ 11,913.20	€ -	€ 251,913.20	€ -	€ -	
<b>Remuneration from subsidiaries and affiliates</b>				€ 17,600.00	€ -	€ -	€ -	€ -	€ -	€ 17,600.00	€ -	€ -	
<b>Total</b>				€ 257,600.00	€ -	€	€ -	€ 11,913.20	€ -	€ 269,513.20	€ -	€ -	

(1) Variable incentives of a monetary nature pertaining to the year 2021, already calculated on the basis of effective results and paid in the first quarter of 2022, are listed here. With regard to LTI, since it is maturing on a multi-year basis, only the portion accrued in the year in question or, in the event of liquidation, the portion accrued in 2021 and actually settled in the first quarter 2022 is reported.

(2) These include, in addition to a company car, FASI and ASSIDIM medical insurance, accident insurance and life insurance

(3) Including € 210,000 for the office of Honorary Chairman

(4) Including € 210,000 for the office of Chairman

Andrea Franceschetti	Executive Director	Entire period	Approval of the financial statements as at 31/12/2022								
<b>Remuneration at the reporting entity</b>			€ 165,000.00 (5)	€ -	€	€ -	€ 8,463 .00	€ -	€ 173,463.00	€ -	€ -
<b>Remuneration from subsidiaries and affiliates</b>			€ 14,600.00	€ -	€ -	€ -	€ -	€ -	€ 14,600.00	€ -	€ -
<b>Total</b>			€ 179,600.00	€ -	€	€ -	€ 8,463.00	€ -	€ 188,063.00	€ -	€ -

Giovanna Franceschetti	Executive Director	Entire period	Approval of the financial statements as at 31/12/2022								
<b>Remuneration at the reporting entity</b>			€ 165,000.00 (5)	€ 1,000.00	€	€ -	€ 11,326.00	€ -	€ 177,326.00	€ -	€ -
<b>Remuneration from subsidiaries and affiliates</b>			€ 20,600.00	€ -	€ -	€ -	€ -	€ -	€ 20,600.00	€ -	€ -
<b>Total</b>			€ 185,600.00	€ 1,000.00	€	€ -	€ 11,326.00	€ -	€ 197,926.00	€ -	€ -

(5) Including € 135,000 for the office of Vice Chairman

Perini Marcello	Chief Executive Officer/ General Manager	Entire Period	Approval of the financial statements as at 31/12/2022								
<b>Remuneration at the reporting entity</b>			€ 293,356.00 (6)	€ 1,000.00	€ 150,000.00	€ -	€ 11,782.00	€ -	€ 456,138.00	€ -	€ -
<b>Remuneration from subsidiaries and affiliates</b>			€ 11,600.00	€ -	€ -	€ -	€ -	€ -	€ 11,600.00	€ -	€ -
<b>Total</b>			€ 304,956.00	€ 1,000.00	€ 150,000.00	€ -	€ 11,782.00	€ -	€ 467,738.00	€ -	€ -

(6) Including € 60,000 for the office of Chief Executive Officer

Daniele Piccolo	Director	Entire period	Approval of the financial statements as at 31/12/2022								
<b>Remuneration at the reporting entity</b>			€ 30,000.00	€ 5,000.00	€ -	€ -	€ -	€ -	€ 35,000.00	€ -	€ -
<b>Remuneration from subsidiaries and affiliates</b>			€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Total</b>			€ 30,000.00	€ 5,000.00	€ -	€ -	€ -	€ -	€ 35,000.00	€ -	€ -

Monica Vecchiati	Director	Entire period	Approval of the financial statements as at 31/12/2022								
<b>Remuneration at the reporting entity</b>			€ 30,000.00	€ 4,000.00	€ -	€ -	€ -	€ 7,500.00	€ 41,500.00	€ -	€ -
<b>Remuneration from subsidiaries and affiliates</b>			€ -	€ -	€ -	€ -	€ -	€ 8,000.00	€ 8,000.00	€ -	€ -
<b>Total</b>			€ 30,000.00	€ 4,000.00	€ -	€ -	€ -	€ 15,500.00	€ 49,500.00	€ -	€ -

Giorgio Metta	Director	Entire period	Approval of the financial statements as at 31/12/2022								
<b>Remuneration at the reporting entity</b>			€ 30,000.00	€ 2,500.00	€ -	€ -	€ -	€ -	€ 32,500.00	€ -	€ -
<b>Remuneration from subsidiaries and affiliates</b>			€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Total</b>			€ 30,000.00	€ 2,500.00	€ -	€ -	€ -	€ -	€ 32,500.00	€ -	€ -

Cristina Mollis	Director	Entire period	Approval of the financial statements as at 31/12/2022								
<b>Remuneration at the reporting entity</b>			€ 30,000.00	€ 2,500.00	€ -	€ -	€ -	€ -	€ 32,500.00	€ -	€ -
<b>Remuneration from subsidiaries and affiliates</b>			€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Total</b>			€ 30,000	€ 2,500.00	€ -	€ -	€ -	€ -	€ 32,500.00	€ -	€ -

	Executives with strategic responsibilities	Year 2021	/									
<b>Remuneration at the reporting entity</b>				€ 722,000.00	€ -	€ 300,000.00	€ -	€ 46,198.00	€ -	€ 1,068,198.00	€ -	€ -
<b>Remuneration from subsidiaries and affiliates</b>				€ 15,000.00	€ -	€ -	€ -	€ 1,328.49	€ -	€ 16,328.49	€ -	€ -
<b>Total</b>				€ 737,000.00	€ -	€ 300,000.00	€ -	€ 47,526.49	€ -	€ 1,084,526.49	€ -	€ -

Marco Gregorini	Chairman of the Board of Statutory Auditors	Until 27 April 2021	--									
<b>Remuneration at the reporting entity</b>				€ 10,000.00	€ -	€ -	€ -	€ -	€ -	€ 10,000.00	€ -	€ -
<b>Remuneration from subsidiaries and affiliates</b>				€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Total</b>				€ 10,000.00	€ -	€ -	€ -	€ -	€ -	€ 10,000.00	€ -	€ -

Primo Cappellini	Standing Auditor	Since 27 April 2021	Approval of the financial statements as at 31/12/2023									
<b>Remuneration at the reporting entity</b>				€ 13,333.33	€ -	€ -	€ -	€ -	€ -	€ 13,333.33	€ -	€ -
<b>Remuneration from subsidiaries and affiliates</b>				€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Total</b>				€ 13,333.33	€ -	€ -	€ -	€ -	€ -	€ 13,333.33	€ -	€ -

Roberta Dell'Apa	Standing Auditor until 27 April 2021 - Chairman of the Board of Statutory Auditors for the subsequent period	Entire period	Approval of the financial statements as at 31/12/2023									
<b>Remuneration at the reporting entity</b>				€ 26,666.67	€ -	€ -	€ -	€ -	€ -	€ 26,666.67	€ -	€ -
<b>Remuneration from subsidiaries and affiliates</b>				€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Total</b>				€ 26,666.67	€ -	€ -	€ -	€ -	€ -	€ 26,666.67	€ -	€ -

Luisa Anselmi	Standing Auditor	Entire Period	Approval of the financial statements as at 31/12/2023									
<b>Remuneration at the reporting entity</b>				€ 20,000.00	€ -	€ -	€ -	€ -	€ -	€ 20,000.00	€ -	€ -
<b>Remuneration from subsidiaries and affiliates</b>				€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Total</b>				€ 20,000.00	€ -	€ -	€ -	€ -	€ -	€ 20,000.00	€ -	€ -

**TABLE 3B: Monetary incentive schemes for directors, chief executive officers and other executives with strategic responsibilities - 2021**

The table below shows the monetary incentive schemes in favour of the members of the Board of Directors and other executives with strategic responsibilities in the Company.

NAME AND SURNAME	Office	Scheme	Bonus for the year (1)			Bonus from previous years (2)			Other bonuses
Perini Marcello	Chief Executive Officer	A	Payable/Paid	Deferred	Reference period	No longer payable	Payable/Paid	Still deferred	
<b>(I) Remuneration at the reporting entity</b>		Scheme A	€ 90,000						
<b>(II) Remuneration from subsidiaries and affiliates</b>		Scheme A							
	Executives with strategic responsibilities	A	Payable/Paid	Deferred	Reference period	No longer payable	Payable/Paid	Still deferred	
<b>(I) Remuneration at the reporting entity</b>		Scheme A	€ 722,000						

<sup>1</sup> Payments pertaining to the year 2021 which will be paid in 2022 are listed here. With regard to LTI, since it is maturing on multi-year basis, only the portion accrued in the year 2020 or, in the event of liquidation, the portion accrued in 2020 and actually settled in the first quarter 2021 is reported.

<sup>2</sup> Portions of variable multi-year payment (LTI) which will be paid in the first quarter of 2022 and pertain to years previous to 2021 are shown here.

**SCHEDULE 7-TER** Information about the shareholdings of members of the Board of Directors and the Board of Statutory Auditors, executive officers and other executives with strategic responsibilities.

**TABLE 1: Shareholdings held by directors, auditors and executive officers**

Maria Chiara Franceschetti personally holds 70,395 shares.

Giovanna Franceschetti personally holds 53,971 shares.

Andrea Franceschetti personally holds 44,605 shares.

The remaining 7,634,522 shares are indirectly owned through control of Fingefran S.r.l., which owns these shares.

It should be noted that Maria Chiara Franceschetti, Giovanna Franceschetti and Andrea Franceschetti hold undivided ownership (including voting rights) of 99% of Fingefran S.r.l.'s share capital.

Ennio Franceschetti is usufructuary of 99% of the share capital (without voting rights) and has full ownership of 1% of the share capital.

Name and surname	Office	Subsidiary	no. of shares at 31/12/2020	no. of shares purchased	no. of shares sold	no. of shares at 31/12/2021
Ennio Franceschetti	(Honorary Chairman)	GEFRAN S.P.A.	8,666,238	-	8,666,238	
Maria Chiara Franceschetti	(Chairwoman)	GEFRAN S.P.A.	80,395*	7,634,522***	-	7,714,917*
Giovanna Franceschetti	(Vice-chairwoman)	GEFRAN S.P.A.	55,471**	7,634,522***	-	7,689,993**
Andrea Franceschetti	(Vice-chairman)	GEFRAN S.P.A.	44,605	7,634,522***	-	7,679,127

\* of which 10,000 held by spouse

\*\* of which 1,500 held by spouse

\*\*\* shares acquired indirectly through undivided ownership of 99% of the voting rights in the share capital of Fingefran S.r.l.

**TABLE 2: Shareholdings of other executives with strategic responsibilities**

Number of executives with strategic responsibilities	Subsidiary	no. of shares at 31/12/2020	no. of shares purchased	no. of shares sold	no. of shares at 31/12/2021
5	GEFRAN S.P.A.	1,000	-	-	1,000

Provaglio d'Iseo, 10 March 2022

*For the Board of Directors  
The Chairwoman  
Maria Chiara Franceschetti*