



REPORT ON REMUNERATION POLICY AND COMPENSATION PAID

pursuant to art. 123-ter of Legislative Decree 58/1998 and art. 84-quater of Consob Regulation 11971/1999

This report on the remuneration policy and on the compensation paid (“**Report on Remuneration**” or the “**Report**”) was drafted in accordance with art. 123-ter of Legislative Decree no. 58 dated February 24, 1998 (Testo Unico Finanza “**TUF**”, Consolidated Finance Act), and art. 84-quater of Consob Regulation adopted through Resolution no.11971 of May 14, 1999 (“**Issuers’ Regulation**”), and was prepared in compliance with Attachment 3A, Schedule 7-bis of the same Regulation, as recently amended by Legislative Decree no. 49 of May 10, 2019 (“**Legislative Decree 49/2019**”) – implementing Directive (EU) 2017/828 of the European Parliament and Council of May 17, 2017 (so-called *Shareholders’ Right Directive II*), which modifies Directive 2007/36/EC relating to the exercise of some rights of the shareholders of listed companies as regards encouraging long-term shareholder commitment (the “**Directive**”).

The Report on Remuneration comprises the following sections:

- Section I - in compliance with articles 123-ter of the TUF and 9-bis of the Directive - illustrates the Company’s policy on the remuneration of the members of the administrative body, other managers with strategic responsibilities and, without prejudice to the provisions of art. 2402 of the Italian Civil Code, the members of the Company’s Board of Statutory Auditors, with an annual duration, as well as the procedures used for the adoption, review and implementation of said policy;

Section II, with regard to the remuneration of directors and statutory auditors:

- supplies an adequate, clear and understandable representation of each of the components of the remuneration, including compensation at the expiration of the appointment or termination of employment, highlighting the consistency of the same with the remuneration policy of the Company approved in the previous year;
- illustrates analytically compensation paid in the year for any reason and in any form by the Company and its subsidiaries, highlighting components of said compensation that relate to work carried out in previous years and showing also compensation to be paid in subsequent years for work carried out in the year, indicating where appropriate an estimate for components that may not be quantified in the year to which the report refers.

Section II also contains information relating to interests held in the Company and its subsidiaries by members of corporate boards, in addition to their spouses not legally separated and minor children, in compliance with art. 84-quater of the Issuers’ Regulation.

SECTION I

The present Section of the Report on Remuneration describes the basic guidelines of the remuneration policy adopted by the Company (hereinafter the "**Remuneration Policy**").

The Remuneration Policy defines the principles and guidelines to which Cembre S.p.A. ("**Cembre**", the "**Company**" or also the "**Issuer**") in determining the remuneration policy of the directors, other managers with strategic responsibilities and, without prejudice to the provisions of art. 2402 of the Italian Civil Code, the members of the Board of Statutory Auditors, as well as the monitoring of the application of the same.

The Remuneration Policy was also drafted in light of the recommendations of the Code of Conduct promoted by the Corporate Governance Committee (the "**Code of Conduct**") and takes into account the provisions of article 2.2.3 of the Regulations of markets organised and managed by Borsa Italiana S.p.A. (the "**Stock Market Regulation**") and the related Instructions for STAR segment issuers.

The Remuneration Policy was modified recently by the Board of Directors on March 11, 2020 based on a consistent proposal of the Remuneration Committee, in order to adopt the regulatory amendments deriving from the acknowledgement of Legislative Decree 49/2019 containing the implementation of the *Shareholders' Right Directive II* (as better explained in subsequent paragraph d)).

Pursuant to the By-laws and applicable laws, the term of the Board of Directors currently in office will expire with the approval by the Shareholders' Meeting of the financial statements at December 31, 2020.

As provided by Consob Regulation no. 17221 of March 12, 2010 on transactions with related parties, as subsequently amended ("**Related Parties Regulation**"), as acknowledged in the internal procedure adopted by the company (the "**Related-Party Transactions Procedure**" www.cembre.it in the Investor Relations website section, the approval of the Remuneration Policy by the Shareholders' Meeting exonerates the Company from applying said procedure in resolutions of the Board of Directors regarding the remuneration of Directors and other managers with strategic responsibilities whenever:

- (i) the Company has adopted a remuneration policy approved by the Shareholders' Meeting;
- (ii) the definition of the remuneration policy has involved a committee consisting exclusively of non-executive directors, a majority of whom are independent;
- (iii) the remuneration assigned is identified in compliance with said policy and quantified on the basis of the criteria which do not involve discretionary evaluations.

Pursuant to article 13, paragraph 1 of the Related Parties Regulation, moreover, the Related-Party Transactions Procedure does not apply to Shareholders' Meeting resolutions made pursuant to art. 2389, paragraph 1, of the Italian Civil Code relating to the compensation of members of the Board of Directors and of the Executive Committee, nor to the resolutions on the compensation of directors holding offices that fall within the total amount resolved by the Shareholders' Meeting pursuant to art. 2389, paragraph 3, second paragraph of the Italian Civil Code.

a) corporate bodies or individuals involved in the drafting, approval and, if necessary, revision of the remuneration policy, specifying the respective roles, corporate bodies and individuals responsible for the correct application of said policy

The main individuals and corporate bodies involved in the drafting, approval and revision of the Remuneration Policy are the Board of Directors, the Appointments and Remuneration Committee, the Shareholders' Meeting and the Board of Statutory Auditors.

Board of Directors

The Board of Directors:

- sets up a committee internally responsible for remuneration;
- consistent with the Remuneration Policy, it determines the remuneration of Directors holding particular offices, after receiving the opinion of the Board of Statutory Auditors and upon proposal of the Appointments and Remuneration Committee, within the total compensation resolved by the Shareholders' Meeting pursuant to article 2389, paragraph 3, of the Italian Civil Code, and article 21 of the By-laws;
- defines the Remuneration Policy upon proposal of the Appointments and Remuneration Committee, as well as its revision if necessary;
- prepares the Remuneration Report, pursuant to articles 123-ter of the TUF and 84-quater of the Issuers' Regulation, submits it for approval by the Shareholders' Meeting in accordance with art. 123-ter, paragraph 3-bis, of the TUF, and oversees its implementation;
- drafts possible share-based remuneration plans or plans based on other financial instruments for Directors, employees and associates, including therein managers with strategic responsibilities, submits them to the approval of the Shareholders' Meeting pursuant to article 114-bis, TUF, and oversees their implementation.

Appointments and Remuneration Committee,

The Appointments and Remuneration Committee of the Company, established within the Board of Directors as provided in the Code of Conduct, is made up by non-executive directors and independent directors.

As regards remuneration, the Appointments and Remuneration Committee is responsible for:

- proposing the adoption and revision of the Remuneration Policy for directors and managers with strategic responsibilities;
- submitting proposals or express opinions to the Board of Directors as to the remuneration of Executive Directors and of other Directors holding particular positions, in addition to the setting of performance objectives related to the possible variable component of remuneration, monitoring the application of decisions adopted by the Board and verifying in particular the actual achievement of performance objectives;
- Periodically assessing the adequacy, overall consistency and practical application of the Remuneration Policy of Executive Directors, other Directors with particular offices and managers with strategic responsibilities, availing itself, in the latter regard, of the information supplied by the Managing Directors; it formulates the relevant proposals to the Board of Directors.

In defining said remuneration, the Committee duly takes into consideration the consistency of remuneration recognised in previous mandates, the adequacy of commitments undertaken and responsibilities for positions

held, professional qualifications held by the persons involved and the size of the Company, the Group and the related growth prospects.

Shareholders' Meeting

With regard to remuneration, the Shareholders' Meeting:

- determines the compensation of the members of the Board of Directors and the Board of Statutory Auditors pursuant to article 2364, comma 1, paragraph 3, and where appropriate of article 2389, comma 3, of the Italian Civil Code, and of article 21 of the By-laws;
- expresses (i) a binding vote on Section I of the Remuneration Report prepared by the Board of Directors based on the frequency required by the duration of the Remuneration Policy (i.e. on an annual basis) and, in any case, in the event of changes to the policy¹ and (ii) a non-binding vote on Section II of the Report on annual basis;
- resolves on share-based remuneration plans or plans based on other financial instruments for directors, employees and associates, including managers with strategic responsibilities, pursuant to art. 114-bis, TUF.

If the Shareholders' Meeting does not approve the Remuneration Policy, the Company will be required to pay the remuneration in compliance with the most recent Remuneration Policy approved by the Shareholders' Meeting, or if lacking, in conformance with the practices in force. At the next Meeting for approval of the financial statements, the Company must submit a new Remuneration Policy to a vote of the Shareholders' Meeting.

Board of Statutory Auditors

The Board of Statutory Auditors expresses its opinion on proposals regarding the remuneration of Directors holding particular offices, pursuant to article 2389, paragraph 3 of the Italian Civil Code, verifying the consistency of the same with the Remuneration Policy.

b) possible appointment of a remuneration committee or other competent committee, describing its composition (distinguishing between non-executive and independent directors), its powers and the rules and procedures for its operation

In light of the provisions of article 2.2.3, paragraph 3, letter m) of the Stock Exchange Regulations, applicable to listed companies in the STAR segment of the market and in compliance with the Code of Conduct, the Company appointed within its Board of Directors a Remuneration Committee. The Appointments and Remuneration Committee was established originally by means of resolution of the Board dated November 14, 2005 (with the name 'Remuneration Committee,') and subsequently, in its current composition, by means of Board resolution of April 26, 2018 (with the name the Appointments and Remuneration Committee).

¹ It remains understood that the shareholders' vote is required whenever changes are made to the Remuneration Policy which are not merely formal or editorial clarifications.

In compliance with application criterion 4.C.1, point a), of the Code of Conduct, the Committee is currently composed of two members, exclusively non-executive and independent Directors, in the persons of:

- Fabio Fada – Independent Director – acting as Chairman;
- Paola Carrara – Independent Director -

Both members of the Appointments and Remuneration Committee possess accounting and financial experience considered adequate by the Board at the time of appointment. In particular, Committee Chairman Fabio Fada has accounting and financial experience as he is a Public Accountant and Independent Auditor registered in the Public Accountant Register of the Ministry of Justice with registration no. 79351 and has teaching and professional appointments in the field of business administration.

The Appointments and Remuneration Committee is responsible for providing opinions and formulating proposals to the Board, as to the remuneration, of Executive Directors, Directors holding particular positions and managers having strategic responsibilities, evaluating periodically the adequacy, overall consistency and concrete application of the Remuneration Policy, formulating to the Board related proposals.

The Appointments and Remuneration Committee, has advisory and proposal-making functions with regard to the Remuneration Policy as specified in paragraph a) above.

Appointments and Remuneration Committee meetings are carried out in joint form and minutes are regularly taken. The Committee meets whenever its Chairman deems it necessary and periodically, as necessary in view of the tasks assigned to the Committee, or whenever a member of the Committee so requests, giving reasons for his or her request.

The Committee is validly convened when the majority of its members is present. Resolutions are passed by majority vote, excluding members abstaining from voting from the calculation.

Directors do not take part in the meetings of the Appointments and Remuneration Committee whenever proposals are formulated to the Board of Directors regarding their remuneration. Managers responsible for particular tasks, independent experts and/or other subjects whose participation in the meeting is deemed useful, may be invited to take part in the meeting.

The Committee makes use, in carrying out its tasks, of the resources and structures of the Company.

c) the name of experts that have taken part in the drafting of the Remuneration Policy, if any

The Company did not make use of the advice of independent experts in drafting its remuneration policy.

d) the stated aim of the Remuneration Policy, principles on which the policy is based and possible changes of the Remuneration Policy with respect to the previous year;

The Company's Remuneration Policy, and, in particular, the policy on the variable components of remuneration, contributes to the corporate strategy and the pursuit of the long-term interests and sustainability of the company.

The remuneration of Directors is set so as to provide sufficient incentive to attract, retain and motivate

persons possessing those professional qualities required to successfully manage the Company, taking into account the size of the Company and the sector in which it operates.

The remuneration of executive directors and managers with strategic responsibilities is set so as to align their interests with the achievement of the primary objective of creating value for shareholders in the medium to long-term.

The incentive system for top management seeks to introduce an adequate balancing between the fixed and variable components of compensation according to the strategic objectives and the risk management policy of the Company, taking into account also the characteristics of the segment and the sector in which the Company operates.

The Shareholders' Meeting resolves on the overall compensation of the Board of Directors, including possible individual compensation for Directors holding particular positions. Within the limits set by the resolutions of the Shareholders' Meeting, the Board of Directors is responsible for executing said resolutions by attributing compensation to individual Directors, setting additional compensation for Directors holding particular positions, upon proposals made by the Appointments and Remuneration Committee, and having consulted the Board of Statutory Auditors.

The Board of Directors also sets the remuneration of managers with strategic responsibilities. At the meeting of March 11, 2020, confirming its evaluation made with reference to previous financial years, the Board of Directors verified that the management of the Company does not include managers with strategic responsibilities, as all decisions with strategic relevance are taken by the Chairman of the Board of Directors and Managing Director, in compliance with powers reserved to the Board of Directors. In this respect, the Issuer's organisational chart has not changed since said date.

It should also be noted, as outlined in the introduction of this Section I, on March 11, 2020, the Board of Directors: amended the Remuneration Policy, on the proposal of the Appointments and Remuneration Committee, in order to acknowledge the legislative and regulatory changes deriving from the recognition of Legislative Decree 49/2019 containing the implementation of the *Shareholders' Right Directive II*.

e) the description of policies regarding fixed and variable components of remuneration, with particular regard to the indication of the weight attributed with respect to the overall compensation and distinguishing between short- and long-term components of variable remuneration

REMUNERATION OF MEMBERS OF THE ADMINISTRATIVE BODY

The Company deems it appropriate to set remuneration components according to the specific role covered within the Board and of competencies and executive responsibilities of the persons involved, consequently autonomously defining criteria for the determination of the remuneration of: (i) Directors without powers and Non-executive Directors, and (ii) Executive Directors vested with particular roles.

In light of the principles described in paragraph d) above, the Remuneration Policy provides for the remuneration of key figures of the Company as described in the section that follows.

1) Directors without powers and Non-executive Directors

Directors without powers and Non-executive Directors are granted a fixed compensation set by the Shareholders' Meeting pursuant to article 2389 of the Italian Civil Code.

Non-executive Directors do not receive a variable compensation and are not the beneficiaries of plans based on financial instruments.

Each member of the Board of Directors is entitled to an attendance fee for participating in each meeting and the reimbursement of expenses incurred in carrying out the mandate.

The remuneration of Non-executive Directors that attend committees of the Board of Directors is described in paragraph n) below.

2) Executive Directors holding particular roles

The remuneration of Executive Directors and Directors vested with particular roles is made up of a fixed component and a variable component consisting of short and medium/long term incentives for each year the position is held, as established by the Board of Directors upon proposal of the Appointments and Remuneration Committee of the Company. The fixed component of the remuneration must in any case provide sufficient means to remunerate the position of Director also in the event the variable component is not paid out due to the failure to achieve the performance targets set by the Board. The above incentives may be determined in relation to policies adopted by other companies of similar size, profitability and growth rates, and will be devised to take into account value generated over time in terms of increase in asset value and profits and/or the increase in the capitalisation of the Company.

a. Fixed component of remuneration

The fixed component is determined in relation to responsibilities and competences in connection with the position/function of the related beneficiary. This component is not linked to the achievement of performance objectives and is set at an amount sufficient to remunerate the position of Executive Directors and Directors vested with particular responsibilities also in the event the variable components are not paid out.

b. Short-term incentives

With reference to directors vested with particular roles within Cembre, the Board, taking into account the shareholder and the organisational structure of the Company and powers currently conferred by the parent company, believes that the participation, direct and/or indirect, of the latter in the capital of the Company is in itself effective in obtaining the attainment of the typical objective of a short-term incentive programme. This is so because the current ownership structure and hierarchy produces the conferral of executive powers to the Chairman and Managing Director in addition to vicarious powers with respect to the above to the Vice Chairman, who are persons that hold relevant stakes both in Lysne S.p.A. (a holding company controlled by the Rosani family that controls the Issuer pursuant to article 93 TUF with a 52.393% share), and directly in Cembre. The presence of said ownership structure and the assignment of executive and strategic responsibilities to persons who directly represent it, determines a structure of interests that the Board of Directors recognised in itself as sufficient to align interests of directors vested with particular roles to those of all other shareholders.

By contrast, as regards other executive directors, in their simultaneous role of company managers, are the recipients of short-term incentives² (individual bonuses), determined by taking account of the Company's performance in the period, and in particular, of the economic-financial indicators which each of them has the ability to influence, as part of their operating responsibilities. Account is also taken of qualitative targets related, for example, to the implementation of projects of particular relevance for the Company.

² In line with the details indicated in the Corporate Governance Report, the directors Aldo Bottini Bongrani, Franco Celli and Felice Albertazzi are considered executive directors based on the management roles they hold in the Issuer.

The performance assessment - with the subsequent disbursement of the incentive - is evaluated annually by the Managing Director.

c. Medium/long-term incentives

The medium/long-term incentive system is structured in such a way as to ensure the variable component of remuneration (for which caps are provided) is related to the attainment of company performance targets: (i) defined from a time perspective, and therefore set in a period of time to allow the creation of value compatible with the Company's development strategies; (ii) linked to parameters (that may also be other than economic or financial) that are verifiable at the end of the period; (iii) assigned to the beneficiary, in view of the position covered or task assigned within the Company, that may be set also according to specific qualitative results expected (also at the individual level), taking into account competences, tasks and responsibilities of the beneficiary.

In application of the above-described principles and with the objective of promoting the creation of value for the Company in the medium and long term, executive directors and directors vested with particular roles may therefore become the beneficiaries of a variable compensation payable at the end of a set period of several years and related to the achievement of financial and economic objectives set in an incentive plan covering the same time period. The variable compensation may be paid only upon the achievement of the objectives set in the aforementioned medium/long-term incentive plans.

The medium/long term component may not exceed 50% of the fixed component accrued in the period covered by the plan.

REMUNERATION OF MEMBERS OF THE ADMINISTRATIVE BODY

Pursuant to art. 2402 of the Italian Civil Code, the remuneration of members of the Board of Statutory Auditors is determined by the Shareholders' Meeting at the time of the appointment for the entire period of office.

Art. 22, paragraph 2, of the By-laws establishes that *"the Shareholders' Meeting determines the fee due to the statutory auditors, plus the reimbursement of expenses incurred for the fulfilment of office"*.

f) the policy applied with regard to non-monetary benefits

The members of corporate bodies and employees may be entitled to certain benefits, in consideration of their position and/or need in carrying out their tasks, that include: liability insurance policy for member of corporate boards, health insurance, on-the-job and off-the-job accident insurance, company car.

g) with reference to variable components, a description of performance objectives based on which variable remuneration is assigned, distinguishing between short and medium to long-term variable components, and information on the type of correlation between results achieved and the increase in the remuneration.

The medium/long term incentive system provides for the application of a variable component able to establish a link between the change in corporate results and the change in the remuneration of the beneficiary.

In particular, the medium/long term variable component is based on a calculation that takes into account the under-performance with respect to objectives which may include consolidated sales, consolidated gross operating margin, consolidated operating profit and consolidated net profit (the “**LTI Objective**”) as from time to time indicated by the Board of Directors upon proposal of the Appointments and Remuneration Committee. In particular, this calculation system makes provision for a minimum limit set at 90% of the LTI objective; when this is achieved, 50% of the incentive is paid. A total of 90% of the LTI Objective also represents the under-performance threshold: in fact, below said threshold, the bonus is not paid. The maximum limit is set at 100% of the LTI Objective and envisages the payment of the maximum bonus that can be disbursed, equal to 100% of the bonus, which constitutes the cap (i.e. maximum limit) on the variable compensation. In the event a percentage of between 90% and 100% of the LTI Objective is reached, the bonus is paid in linear proportion to the LTI Objective attained.

For more information on the incentive and loyalty plan known as “*Premio Carlo Rosani per i 50 anni dalla fondazione della Società*” – approved by Cembre’s Shareholders’ Meeting on April 18, 2019 and targeted at employees (or, nonetheless, holders of an equivalent relationship pursuant to the applicable legislation from time to time) of Cembre and/or its subsidiaries, which may also incorporate entities that have an administration relationship in place with Cembre, but who participate in the plan based on an employment contract - please refer to the dedicated paragraph, in the footnotes of this Section I.

With reference to the variable short-term incentive system, please see the remarks already illustrated in the previous paragraph e), point 2), letter b).

h) criteria used in valuing performance objectives based on the assignment of shares, options, other financial instruments or other variable components of remuneration;

In the setting of the LTI Objective, the evaluation of the performance as defined in the incentive plan and the measurement of the degree of achievement of objectives assigned, the following shall apply:

- (i) objectives for the period shall be defined and shared (indicatively by March of the first year of the term set in the plan) as provided by the Board of Directors having heard the opinion of the Appointments and Remuneration Committee.
- (ii) intermediate evaluations of performance (indicatively by September of each year in the plan) may be carried out to assess the achievement of results in the first part of the year and to evaluate possible corrective action;
- (iii) the final evaluation of the performance and the communication of the degree of achievement of objectives assigned shall take place indicatively within 30 days of the date of approval of the draft financial statements and consolidated financial statements by the Board of Directors in the next year. The assessment of the degree of achievement of objectives set for the previous year is entrusted to the Appointments and Remuneration Committee, supported by the Administration, Finance and Control department of the Company that will submit its evaluations to the Board of Directors for the final determination of the variable component of remuneration payable to each beneficiary.

In the event, for any reason, the Board of Directors does not proceed with the setting of objectives for a specific term, said Board will pass, after having heard the opinion of the Appointments and Remuneration Committee, the necessary resolutions to determine the medium/long term variable component, taking into account the performance of the Company consistent with the underlying principles of the Remuneration Policy.

In the event Cembre should carry out extraordinary operations with either a strategic importance and/or effects on the results of the Company and/or the Group or the scope of business, or in the case of extraordinary changes in the conditions of the market in which the Company operates, the Board of Directors, upon proposal of the Appointments and Remuneration Committee, will carry out a revision of the objectives to make them consistent with the new corporate structure and/or business environment and/or their consequent economic and financial results, without prejudice to the procedure governing related-party transactions pursuant to the Related Parties Regulation, where applicable.

For more information, please refer to previous paragraph g) (see, in particular, the variable component connected with the attainment of the targets, distinguished on the basis of the level of achievement of the targets).

The Shareholders' Meeting, in accordance with the law and regulations, may approve, upon proposal of the Board of Directors and following the opinion of the Appointments and Remuneration Committee, compensation plans based on financial instruments in favour of directors and employees (or in any case, holders of a comparable relationship pursuant to the legislation applicable from time to time) of the Company and/or the subsidiaries of Cembre. For more information on the incentive and loyalty plan known as “*Premio Carlo Rosani per i 50 anni dalla fondazione della Società*” – approved by Cembre’s shareholders’ meeting on April 18, 2019 and targeted at employees (or, nonetheless, holders of an equivalent relationship pursuant to the applicable legislation from time to time) of Cembre and/or its subsidiaries, which may also incorporate entities that have an administration relationship in place with Cembre, but who participate in the plan based on an employment contract - please refer to the dedicated paragraph, in the footnotes of this Section I.

i) information aimed at showing the consistency of the Remuneration Policy with the corporate strategy, the pursuit of the long-term interests and sustainability of the Company, as well as the consistency with the risk management policy, where formalised;

Please refer to the description provided in paragraph e), item 2), letter b above for the short term variable component, and letter c for the long term variable component.

As outlined in previous paragraph d), the Company’s Remuneration Policy, and, in particular, the policy on the variable components of remuneration, contributes to the corporate strategy and the pursuit of the long-term interests and sustainability of the Company. This contribution is provided through: (i) increased and more informed involvement of shareholders who are required to express their binding vote on the Remuneration Policy, which describes each of the items that make up the remuneration of directors and other managers with strategic responsibilities and which, therefore, has different and more comprehensive content with respect to the resolutions regarding compensation pursuant to articles 2364, 2389 and 2402 of the Italian Civil Code; (ii) the pursuit of a loyalty and incentive policy for the Company’s key personnel - which constitutes one of the factors of strategic interest for it - who are the recipients of the incentive and loyalty plan known as “*Premio Carlo Rosani per i 50 anni dalla fondazione della Società*”, through the extension of the time horizons of the decision-making processes of the company players (so-called long-term perspective) and alignment of the interests of these personnel with those of the shareholders over the medium/long-term horizon.

j) the period in which the rights mature (i.e. vesting period), possible deferred payment terms, indicating the term of the deferral and criteria used to set such term and, where provided for, ex post correction mechanisms;

The Remuneration Policy sets forth that, the incentive plans based on financial instruments pursuant to art. 114-bis of the TUF and/or medium/long-term monetary incentive plans, prepared in line with the best market practice, envisage vesting periods.

As regards the LTI Objective, the attainment of said objective is verified following approval of the financial statements for the final year included in the period forming the object of the incentive.

As regards the plan “*Premio Carlo Rosani per i 50 anni dalla fondazione della Società*”, verification of the Assignment Conditions is performed annually, following approval of the consolidated financial statements.

We note however that, in reference to variable remuneration, the Remuneration Policy provide for clauses in the agreements between the Company and Executive Directors that give the Company the right to request the return, in full or in part, of variable remuneration components paid (or to withhold sums to be deferred), determined on the basis of data that has subsequently proved to be erroneous.

In addition, with reference to the incentive plans based on financial instruments pursuant to art. 114-bis of the TUF, the Remuneration Policy sets forth that they make provision for adequate ex-post correction mechanisms (so-called *claw-back / malus* clauses). For information regarding the claw-back mechanism governed by the incentive and loyalty plan called “*Premio Carlo Rosani per i 50 anni dalla fondazione della Società*”, please refer to the dedicated section in the footnotes of this Section I.

k) information on possible clauses for the maintenance in a portfolio of financial instruments after their acquisition, indicating the term for which these will be held and criteria used in setting such term;

The Remuneration Policy provides for the insertion in the incentive plans based on financial instruments pursuant to 114-bis of the TUF, of clauses for the maintenance of securities in the portfolio after their acquisition.

For information regarding the constraints on the maintenance in the portfolio of shares acquired on the basis of the incentive and loyalty plan called “*Premio Carlo Rosani per i 50 anni dalla fondazione della Società*”, please refer to the dedicated section in the footnotes of this Section I.

l) the policy regarding the economic compensation provided for in case of termination of office or employment, specifying the circumstances that determine the entitlement to the right to a compensation and possible link between such compensation and the performance of the Company;

The Company does not normally stipulate with Directors agreements providing for indemnities in case of termination of office or termination of employment/revocation of office without just cause, or in case employment or office is terminated as a result of a public offer to buy the Company’s shares.

Note that the Board of Directors, at the last meeting on March 11, 2020, verified that the Issuer’s organisational chart did not contain managers with strategic responsibilities (see paragraph d) above).

The effects of the termination of employment on the rights assigned as part of the incentive plan “*Premio Carlo Rosani per i 50 anni dalla fondazione della Società*” are governed by the relevant regulation. For more information in this regard, please refer to the dedicated paragraph, in the footnotes to this Section I.

m) information regarding the existence of insurance coverage, health insurance or private pension plans, other than coverage provided according to applicable laws;

The Board of Directors resolved the underwriting of an insurance policy that covers third party liability of directors and statutory auditors.

n) the remuneration policy applied with reference: (i) independent directors, (ii) participation in committees, and (iii) positions covered (chairman, vice chairman, etc.);

Independent directors receive only the fixed compensation set by the Shareholders' Meeting pursuant to article 2389, paragraph 1, of the Italian Civil Code.

Independent Directors do not receive variable remuneration and are not beneficiaries of remuneration plans based on financial instruments.

Where the Shareholders' Meeting has not already done so and whenever deemed appropriate, the Board of Director sets the annual compensation for the members of the Control and Risk Committee, its Chairman, and members of the Appointments and Remuneration Committee and Related Party Committee.

The remuneration of Directors holding particular positions is described in paragraph e) above.

o) whether the Remuneration Policy was set by using as reference the remuneration policies of other companies, and where this is the case, the criteria used for the choice and indication of such companies;

In setting its Remuneration Policy the Company did not take the remuneration policies of other companies as a reference.

o-bis) the elements of the Remuneration Policy which, under exceptional circumstances, it is possible to depart from and, without prejudice to the provisions of Regulation no. 17221 of March 12, 2010, the additional procedural conditions on the basis of which the derogation can be applied.

No provision is made for exceptions to the Remuneration Policy.

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Incentive and loyalty plan known as

“Premio Carlo Rosani per i 50 anni dalla fondazione della Società” (Carlo Rosani Prize for the 50th anniversary of the foundation of the Company)”

On April 18, 2019, the Shareholders' Meeting of Cembre resolved, pursuant to art. 114-bis of the TUF, the adoption of the incentive and loyalty plan called "*Premio Carlo Rosani per i 50 anni dalla fondazione della Società*" (for the purposes of this paragraph, the "**Plan**") reserved to persons who have an employment relationship with Cembre in the position of executive or middle manager - without prejudice to the right of the Board of Directors, based on the prior opinion of the Appointments and Remuneration Committee, to include among the beneficiaries also persons holding an employment relationship (or, nonetheless, an equivalent relationship pursuant to the legislation applicable from time to time) with the wholly-owned direct and indirect subsidiaries of Cembre (the "**Recipients**") - to be implemented through the free assignment of rights (the "**Rights**") which attribute the right to purchase Cembre's ordinary shares in the company's portfolio (the "**Shares**").

More specifically, the Plan provides for the free assignment, to each of the beneficiaries identified from time to time by the Board, based on the prior opinion of the Appointments and Remuneration Committee, within the category of Recipients (the "**Beneficiaries**"), of rights that attribute Beneficiaries the right to purchase the Company's shares due to them as a result of the exercise the Rights, based on a ratio of 1 share for every 1 right exercised, at a price per share of €10.00.

On September 11, 2019, the Board of Directors, based on the prior opinion of the Appointments and Remuneration Committee, identified 9 managers as beneficiaries of the Plan (including the executive directors Felice Albertazzi, Aldo Bottini and Franco Celli) and 8 middle managers; in the event all the conditions are respected (see those defined below) and all the shares are assigned, the maximum number of Cembre shares assigned as part of the plan would amount to 132,000 shares (see Cembre press release of September 11, 2019).

At the date of assignment of the rights (the "**Assignment Date**"), the Board will identify, among other things, the number of Rights to be attributed to each Beneficiary, as well as the terms and conditions of exercise of the Rights, all in compliance with the provisions of the Plan regulation approved by the Board on May 14, 2019 (the "**Regulation**") and taking into account that the Beneficiaries identified by the Board will be attributed, for each annual assignment (i) 2,000 Rights to Beneficiaries with the role of executive; (ii) 500 Rights to Beneficiaries in the position of middle manager.

The Rights will be assigned freely on an annual basis during the plan term, following the Board's approval of the Company's consolidated financial statements relating to each of the years included in the Plan performance period (i.e. from 2019 to 2024) based on prior verification of the conditions below. Therefore, during the year, no rights were assigned.

Pursuant to the Plan and the Regulation, the assignment of Rights to Beneficiaries is subject to the verification of company performance targets relating to the Group's gross operating profit (the "**Performance Conditions**"), as well additional conditions, relating to the individual Beneficiary (the "**Personal Conditions**" and, together with the Performance Conditions, the "**Conditions**"), such as:

- (i) the existence of the employment contract between the Plan recipient and the Company (the "**Relationship**") with the position of executive or middle manager;
- (ii) solely for Plan recipients with the position of middle manager, the performance of work activities for the Company for a minimum number of weekly hours;
- (ii) in compliance with the prohibition to transfer referred to below, starting from the second Assignment Date, maintenance of ownership of the shares acquired as part of the Plan and, nonetheless, a number of shares at least equal to the total number of rights exercised as part of the Plan.

The Regulation sets forth that, in the event of termination of the relationship between the Beneficiary and the Company (each of these events, the “**Termination of the Relationship**”), the following rules shall apply:

(a) in the event of the Termination of the Relationship before the Assignment Date, the subject will lose the qualification of recipient and, therefore, shall not have any entitlement to be an assignee of the Rights as part of the Plan;

(b) in the event of voluntary resignation, retirement or dismissal for just cause³ after the Assignment Date, all Rights assigned to the Beneficiary shall automatically cease and shall be stripped of any effect and validity, hence freeing the Company from any obligation or responsibility to the Beneficiary;

(c) if, due to contractual or organisational modifications, there is a change of category which means the Personal Condition pursuant to the previous point (i) no longer applies, previous points (a) and (b) shall apply, depending on the case;

(d) if the Termination of the Relationship is due to the death of the Beneficiary which has occurred after the relevant Assignment Date from time to time, the heirs shall retain the right to exercise the Rights already assigned to the Beneficiary under the terms and conditions set out in the Plan.

Without prejudice to the Board’s right, based on the prior opinion of the Appointments and Remuneration Committee, to derogate, in accordance with the terms and methods identified by said Board at its sole discretion, from applying the above.

The Regulation sets forth that, in each assignment year, the Rights are to be exercisable by the Beneficiary in the period between (i) October 1; and (ii) October 15 and that the rights can only be validly exercised where the Board ascertains that, at the date of communication of the exercise of the Rights by the Beneficiary, the Personal Conditions continue to be met.

The Shares acquired by the Beneficiary following the exercise of the Rights will be subject to a lock-up constraint for the entire duration of the Plan (i.e. until the delivery of the Shares in 2025). Any transfer of the Shares carried out against consideration or free, in any form, due to the exercise of the Rights, determines the loss of the Personal Condition described above sub (iii) and shall entail the exclusion of the Beneficiary from the Plan. Therefore, in the event of violation of the lock-up constraint pursuant to the Plan and the associated Regulation (a) the Beneficiary will not be able to validly exercise the Rights already attributed; (b) cannot be the recipient of additional allocations of Rights for the entire duration of the Plan.

The Company - according to the methods and terms that will be established by the Board of Directors, having consulted the Appointments and Remuneration Committee, and communicated to the Beneficiaries - may request the return, in full or in part, of the Shares assigned in execution of the Plan, in the event the Beneficiary engages in: (i) conduct that results in a significant loss for the Company, a Cembre Group company or the Cembre Group in general; (ii) fraudulent behaviour or gross negligence to the detriment of the Company, a Cembre Group company or the Cembre Group in general; (iii) behaviour contrary to the legal regulations and/or company rules; (iv) violation of the obligations of loyalty and correct management (so-called claw-back).

For more information on the Plan, please refer to the Information Document drafted in accordance with art. 84-bis of the Issuers’ Regulation filed at the Company’s registered office and available as an attachment to the related directors’ report to the shareholders’ meeting of April 18, 2019, on the website of the company www.cembre.it in the "Investor relations/Shareholders’ Meetings section”.

³ “Just cause”: means (i) violation by the Beneficiary of the legal regulations governing the Relationship; (ii) criminal sentencing of the Beneficiary due to a malicious or culpable offence.

SECTION II

With regard to the remuneration of directors and statutory auditors, the present Section:

- in the first part, (i) provides an adequate, clear and understandable representation of each of the items that make up the remuneration, including the entitlements envisaged in the event of termination of office or the employment contract, highlighting their compliance with the Company's policy on remuneration approved during the reference year and the methods with which the remuneration contributes to the Company's long-term results; (ii) illustrates how the Company has taken account of the vote expressed in the previous year by the Shareholders' Meeting on the Second Section of the Remuneration Report.
- in the second part, illustrates analytically - using the tables set forth in Annex 3A, Scheme 7-bis of the Issuers' Regulation - the compensation paid in the year (2019, hereinafter "the Year") for any reason and in any form by the Company and its subsidiaries, highlighting components of said compensation that relate to work carried out in previous years and showing also compensation to be paid in subsequent years for work carried out in the year, indicating where appropriate an estimate for components that may not be quantified in the year to which the report refers.
- in the third part, it indicates also (applying criteria established in Attachment 3A, Schedule 7-ter of the Issuers' Regulations), investments held in the Issuer and its subsidiaries by members of the administration and control bodies and theirs non-legally separated spouses, minor sons and daughters, either directly or through subsidiaries, trust companies or third parties, as reported in the Shareholders' Register, by communications received and other information acquired by the same members of the administration and control bodies.

Cembre, being a company of "small dimensions" pursuant to article 3, paragraph 1, letter f) of the Related Parties Regulation, (i) may supply in aggregate form information on compensation received by managers with strategic responsibilities (where present), other than the General Manager, and (ii) may provide information on existing agreements providing for indemnities to be paid in case of early termination of office only with reference to executive directors and the Chairman of the Board of Directors.

It should be noted that the independent auditors EY S.p.A. verified - in compliance with the provisions of article 123-ter, paragraph 8-bis, of the TUF – the preparation by Cembre's Board of Directors of this section of the Remuneration Report.

It should be noted that this report does not contain information on the implementation status of the incentive plan known as "*Premio Carlo Rosani per i 50 anni dalla fondazione della Società*" (Carlo Rosani Prize for the 50th anniversary of the foundation of the Company"), approved by Cembre Shareholders' Meeting on April 18, 2019, given that the plan was still not executed, as the Rights applicable to said plan had still not been assigned. For more information in this regard, please refer to the dedicated paragraph, in the footnotes to Section I.

SECTION II – PART ONE – ITEMS THAT MAKE UP REMUNERATION

Remuneration of the Board of Directors

The Shareholders' Meeting of April 26, 2018 set at €12,000.00 the gross annual compensation for each member of the Board of Directors for each of the 2018-2020 financial years, in addition to a compensation for attendance at Board Meetings of €100.00 per meeting, recognised only to participants in meetings only at the place where it has been called, while nothing is due for participation by teleconferencing or video-conferencing.

The Board of Directors, at its meeting held on April 26, 2018, in line with the Remuneration Policy, resolved further compensation for members of the Board of Directors with particular appointments or for participating in committees, as follows:

- to the Chairman and Managing Director Giovanni Rosani, upon proposal of the Appointments and Remuneration Committee, and the prior favourable opinion of the Board of Statutory Auditors, an annual compensation of €202,000.00 net of withholding taxes and legal expenses and in addition to the basic compensation resolved by the Shareholders' Meeting;
- to Vice Chairman Anna Maria Onofri, upon proposal of the Appointments and Remuneration Committee, and the prior favourable opinion of the Board of Statutory Auditors, a total compensation of €170,000.00 net of withholding taxes and legal expenses and in addition to the basic compensation resolved by the Shareholders' Meeting;
- to each member of the Internal Control and Risk Committee a total annual compensation of €16,000.00 net of withholding taxes and contributions;
- to each member of the Appointments and Remuneration Committee, an annual compensation of €2,000.00 net of withholding taxes and legal expenses.

On November 14, 2018, the Board of Directors confirmed the medium/long-term monetary incentive plan (LTI) intended for the Chairman and the Managing Director Giovanni Rosani as approved by the Board of Directors on May 14, 2018, which makes provision, subject to the attainment of the pre-established objectives for the 2018-2020 period, for the payment of a monetary bonus, equal to a maximum total of €150,000 – i.e. maximum of €50,000 for each of the reference years (i.e. 2018, 2019 and 2020) – which can only be paid on conclusion of the aforementioned reference long-term period.

Short-term incentives were recognised to executive directors in 2019, as company managers, (individual bonuses) totalling €237,300, based on the performance recorded by the Company in the reference period and the results obtained by the individual recipients; details of these incentives are shown in Table 1 in the footnotes of this report.

In 2019, the fixed component of remuneration of executive directors was an average of 66% of total remuneration.

The remuneration of non-executive directors is not linked to the economic performance of Cembre and they are not the beneficiaries of share-based incentive plans as they receive a fixed remuneration set by the Shareholders' Meeting on April 26, 2018 pursuant to article 2389, paragraph 1 of the Italian Civil Code and article 21 of the By-laws, as outlined above.

The Directors Fabio Fada and Paola Carrara receive an annual compensation of €11,000.00 each, gross of withholding taxes and legal expenses, for their position as members of the Monitoring Board of the Company.

No compensation is set at the end of the mandate or in case of early termination of office or employment other than benefits provided by Law.

There are no agreements that provide for indemnities and/or other benefits for the termination of office or of the employment contract.

The effects of the termination of employment on the rights assigned as part of the incentive plan “*Premio Carlo Rosani per i 50 anni dalla fondazione della Società*” are governed by the relevant regulation. For more information please refer to the dedicated paragraph, in the footnotes to Section I.

There are not agreements providing for the assignment or maintenance of non-monetary benefits in favour of persons whose employment or appointment is terminated, or contracts providing for consulting services for a term subsequent to that of the termination of the employment.

There are no agreements providing for compensation for non-competition agreements.

Remuneration of the Board of Statutory Auditors

The remuneration of the Board of Statutory Auditors was resolved by the Shareholders’ Meeting of April 26, 2018, that set the annual compensation at €36,000.00 for the Chairman and an annual compensation of €24,000.00 for each Permanent Auditor, comprehensive of all indemnities and of the reimbursement of expenses incurred in fulfilling the position.

Remuneration of Directors with strategic responsibilities

At the meeting held on March 11, 2020 the Board of Directors verified the absence among the ranks of the Issuer of any manager with strategic responsibilities, as all decisions having strategic implications are adopted, keeping into account contributions from the management, by the Chairman of the Board of Directors and/or the Managing Director, within the powers reserved to the Board of Directors.

* * *

The remuneration paid in the Year is consistent, in terms of the amount and the items that compose it, with the Remuneration Policy defined by the Company and approved by the Shareholders’ Meeting most recently on April 18, 2019. It should be noted that the aforementioned Shareholders’ Meeting, in compliance with the legislation in force as at said date, was called to resolve on Section I of the Remuneration Report (with a non-binding vote), while it did not express a judgment on Section II of said report.

During the year, mechanisms for the ex-post correction of the variable component of remuneration were not applied.

SECTION II - PART TWO - COMPENSATION PAID TO DIRECTORS, STATUTORY AUDITORS IN THE YEAR

Table 1

The table below shows compensation paid to Directors and Statutory Auditors.

	Office held	Period	Term ending (1)	Fixed compensation			Compensation for committees	Non-equity variable compensation		Non-monetary benefits (2)	Other compensation	Fair value of equity compensation	Total	Post termination or retirement benefits
				Emoluments for position	Attendance fees	Remuneration as employees		Bonuses and other incentives	Profit-sharing					
Giovanni Rosani	Chairman of BOD and Managing Director	01/01/2019 - 12/31/19	2020	214,002	400					4,405			218,807	
Anna Maria Onofri	Vice-chairman of BOD	01/01/2019 - 12/31/18	2020	181,998	400					2,642			185,040	
Sara Rosani	Director	01/01/2019 - 12/31/18	2020	12,000	400					2,507			14,907	
Aldo Bottini Bongrani	Director	01/01/2019 - 12/31/18	2020	12,000	400	130,204		79,300 (3)		3,316			225,220	2,081 (5)
Fabio Fada	Director	01/01/2019 - 12/31/18	2020	12,000	400		18,000				11,000 (4)		41,400	
Felice Albertazzi	Director	01/01/2019 - 12/31/18	2020	12,000	400	168,410		89,000 (3)		4,046			273,856	84,571 (5)
Franco Celli	Director	01/01/2019 - 12/31/18	2020	12,000	400	124,510		69,000 (3)		3,236			209,146	8,400 (5)
Paola Carrara	Director	01/01/2019 - 12/31/18	2020	12,000	400		18,000				11,000 (4)		41,400	

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Cembre S.p.A. - Report on Remuneration Policy and compensation paid
pursuant to art. 123-ter of Legislative Decree 58/1998

	Office held	Period	Term ending (1)	Fixed compensation			Compensation for committees	Non-equity variable compensation		Non-monetary benefits (2)	Other compensation	Fair value of equity compensation	Total	Post termination or retirement benefits
				Emoluments for position	Attendance fees	Remuneration as employees		Bonuses and other incentives	Profit-sharing					
Fabio Longhi	Chairman of BSA	01/01/2019 - 12/31/18	2020	36,000									36,000	
Riccardo Astori	Permanent Auditor	01/01/2019 - 12/31/18	2020	24,000									24,000	
Rosanna Angela	Permanent Auditor	01/01/2019 - 12/31/18	2020	24,000									24,000	
Compensation from company that prepares the financial statements				552,000	3,200	423,124	36,000	237,300		20,152	22,000		1,293,776	95,052 (5)
Compensation from subsidiaries														
Total				552,000	3,200	423,124	36,000	237,300		20,152	22,000		1,293,776	95,052 (5)

Notes

- (1) The expiry of office coincides with the approval of the 2020 Financial Statements for both Board of Directors and Board of Statutory Auditors.
- (2) Consisting of fringe benefits represented by the use of a company car.
- (3) Variable part of remuneration for employment linked to results.
- (4) Compensation as member of the Monitoring Board (organisational model as per Legislative Decree 231/2001)
- (5) Amount accrued as “Termination indemnity” relating to employment as manager.

SECTION II - PART THREE – INVESTMENTS HELD

SUMMARY OF INVESTMENTS HELD BY DIRECTORS AND STATUTORY AUDITORS (1)

	INVESTE COMPANY	NO. OF SHARES AT DEC. 31, 2018	NO. OF SHARES PURCHASED	NO. OF SHARES SOLD	NO. OF SHARES AT DEC. 31, 2019	TITLE	OWNERSHIP
LYSNE S.P.A. (2)	Cembre S.p.A.	9,126,825	-	220,000	8,906,825	owned	direct
ANNA MARIA ONOFRI	Cembre S.p.A.	120,096	-	-	120,096	owned	direct
SARA ROSANI	Cembre S.p.A.	1,470,000	-	-	1,470,000	owned	direct
GIOVANNI ROSANI	Cembre S.p.A.	1,450,000	-	-	1,450,000	owned	direct
ALDO BOTTINI BONGRANI	Cembre S.p.A.	207,166	-	88,060	119,106	owned	direct
FABIO FADA	Cembre S.p.A.	4,700	-	-	4,700	owned	indirect
FRANCO CELLI	Cembre S.p.A.	3,000	-	-	3,000	owned	direct
FRANCO CELLI	Cembre S.p.A.	1,000	-	-	1,000	owned	indirect

(1) Auditors and Directors not mentioned above did not own Cembre S.p.A. shares at December 31, 2019.

(2) The share capital of Lysne S.p.A., the parent of Cembre S.p.A., is held by Anna Maria Onofri, Giovanni Rosani and Sara Rosani.

Brescia, March 11, 2020

on behalf of the Board of Directors
The Chairman and Managing Director
Mr. Giovanni ROSANI