

**BIESSE S.p.A.**

## **General Remuneration Policy**

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## 1. FOREWORD

This General Remuneration Policy of Biesse S.p.A. ("**Biesse**" or the "**Company**") and its subsidiaries (collectively, the "**Group**") - hereinafter "**Policy**" - has been prepared pursuant to art. 123-ter of Legislative Decree. 58/1998 ("**TUF - Consolidated Law on Finance**")<sup>1</sup> and art. 7 of the Corporate Governance Code for Listed Companies, as amended in March 2010 ("**Corporate Governance Code**"), also taking into consideration the European Commission Recommendations no. 2004/913/EC, 2005/162/EC and 2009/385/EC. The Policy was approved by the Board of Directors of the Company on 11 November 2011, at the proposal of the Remuneration Committee of Biesse, and shall remain in force until revoked.

## 2. OBJECTIVES AND RELEVANT PERSONS

This Policy establishes guidelines and principles for the definition of remuneration of key management of Biesse and the Group designed to attract, retain and motivate those with the professional skills needed to successfully manage the Company and the Group and ensure that the interests of key personnel are aligned with pursuit of the objective of creating sustainable value for shareholders in the medium to long term.

The Policy outlines, in particular, the criteria and procedures to be followed for determining the remuneration of the following relevant persons (collectively, the "**Relevant Persons**"):

- (a) Biesse directors and, within the Board of Directors of the Company, executive<sup>2</sup>, non-executive<sup>3</sup> and independent<sup>4</sup> directors;
- (b) Group managers with strategic responsibilities ( "the **Key Managers**"), by which is meant managers, as identified by the Board of Directors of the Company, who hold the power or the

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<sup>1</sup> It should be noted that in drafting the policy account was also taken of that indicated in the document published by Consob on 10 October 2011 within the scope of the market consultation procedure on changes to the Issuer Regulations in implementing art. 123- ter of the TUF.

<sup>2</sup> Meaning executive directors pursuant to Paragraph 2.C.1 of the Corporate Governance Code.

<sup>3</sup> Meaning directors other than executive directors.

<sup>4</sup> Meaning directors in possession of the requirements of art. 147- ter of the TUF and Paragraph 3 of the Corporate Governance Code.

responsibility for planning and controlling Group activities or the power to take decisions which may affect the evolution or future prospects of the same.<sup>5</sup>

### 3. GUIDELINES

#### 3.1 Principles

In order to achieve the objectives referred to in Paragraph 2 above, the Company believes that, given the dimensions and organisation of the Group and the nature of the market in which it operates, in determining the remuneration of Relevant Persons the following principles shall apply:

**3.1.1** remuneration of executive Directors and Key Managers must provide for a fixed annual component and a variable component, linked to achieving specific performance objectives, also of a non-financial nature, it being understood that it is considered opportune that:

- (a) for executive directors with special duties<sup>6</sup> within the Board of Directors of Biesse, the gross fixed component has a weight not exceeding 55% of total remuneration ("**Total Remuneration**") due to the same, by this meaning the sum of the following remuneration items:
  - (i) the gross annual fixed component of remuneration; and
  - (ii) the variable component that such executive director would receive in case of achieving the maximum performance targets, possibly annualised in the case of medium to long term variable components and, in the case of variable components paid in shares or options, determining the corresponding monetary value based on the official average prices of Biesse shares in the month preceding the calculation date;
- (b) for the other executive directors and Key Managers, in the light of the lower decision-taking latitude, it is considered appropriate to provide for a gross fixed component of not less than 60% and not more than 75% of Total Remuneration, according to their role in the company;

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<sup>5</sup>Definition contained in Appendix 1 of the Consob Regulations on related party transactions no. 17221 of 12 March 2010.

<sup>6</sup>Directors with special duties do not include those with exclusively specific duties.

- (c) the variable remuneration component corresponds, as a whole and on an annualised basis, to a percentage of the gross fixed component of between a minimum of 30% and a maximum of 150%;
- (d) the quantitative targets established for the variable remuneration component are predetermined, measurable, challenging and achievable;
- (e) for Relevant Persons with lower decision-making latitude, targets of a qualitative nature are also defined, in order to be able to measure the behaviour of these individuals within the organisation and, in particular, criteria for evaluating performance in terms of leadership;
- (f) both short term objectives, in order to promote achievement of results in the annual budget, as well as medium to long term objectives, in order to facilitate alignment of the interests of Relevant Persons with those of shareholders, are introduced, provided that - on an annualised basis - payment of a portion of at least 40% (for executive directors with special duties) and 15% (for other executive directors and Key Managers) of the variable remuneration component is paid according to achievement of these latter targets;
- (g) the medium to long term objectives embrace a time horizon that coincides with that of the business plan of the Group and take into account the aggregates and/or averages of the results of individual periods comprising the same, both to incentivate achievement of the overall targets set out therein and to further encourage achievement of the objectives set for each intermediate year;
- (h) a portion of at least 45% of the variable component to be paid on achievement of the medium to long term objectives may be paid through the allocation of shares or options (also virtual) within a stock option incentive scheme, with a maturity or vesting period of at least three years;
- (i) payment of the portion of the variable component linked to achievement of medium-long term objectives is deferred with respect to the moment in which the prerequisites for the same materialise, considering, however, both that the principles for determining such portion provided for herein already imply deferment of payment of the variable component with respect to the periods in which the same matures and the need to render coherent the moment of payout with the term of office of directors. It is possible to provide for mechanisms to anticipate a portion of the variable

component linked to achievement of medium to long term objectives (to be deducted from payments due on termination of the incentive scheme), in order to meet special needs arising from expiry of the term of office of directors and/or recruitment of new resources;

(l) the variable part of remuneration linked to achievement of medium to long term objectives is paid only if, at the date of payment, the Relevant Persons still have a corporate or employment relationship with the company, except for specific exemptions in cases of consensual termination of said relationship;

(m) the remuneration of executive directors who hold shares in the Company greater than or equal to 2% or who are close family members<sup>7</sup> of shareholders with holdings above this threshold does not provide for a variable or equity component in consideration of the fact that, in such circumstances, there is no need to adopt mechanisms to align the interests of these persons with those of the shareholders;

**3.1.2** the remuneration of non-executive and independent directors must not be linked to achievement of qualitative or quantitative objectives and must be adequate for the position and role within the Board and Committees established by the Corporate Governance Code;

**3.1.3** except as provided by law and by national collective agreements, any compensation for advance termination of office as director or for lack of renewal of the same or any compensation due to Key Managers in the event of termination of employment must not exceed 1.5 times the annual amount of the gross fixed remuneration component;

**3.1.4** any payments for non-competition agreements must not exceed 40% of Total Remuneration;

**3.1.5** as part of total remuneration of Relevant Persons, expense accounts and fringe benefits such as the use of company cars, houses and telephones can be provided, according to company policy. Relevant Persons may also be included among the beneficiaries of third party liability insurance for directors and key management personnel and medical insurance policies, at the expense of the Company.

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<sup>7</sup> By "close family members" is meant those family members who may be expected to influence or be influenced by the person in question. These may include: (a) the spouse not legally separated and the cohabiting partner; (b) the children and dependents of the person, of the spouse not legally separated or the cohabiting partner ( definition contained in Appendix 1 of the Consob Regulations on transactions with related parties no. 17221 of 12 March 2010, as amended).

**3.1.6** Completely discretionary bonuses cannot be assigned to Relevant Persons, without prejudice, however, to the possibility of assigning such persons, on an exceptional basis, one-off bonuses in relation to specific extraordinary transactions of particular strategic or operational importance or in the event Biesse or the Group achieves equity, economic and financial results considered by the Company to be of particular significance.

## **3.2 Procedures**

Remuneration of Relevant Persons shall be defined as follows:

### **3.2.1 Determination of remuneration for members of the Board of Directors**

Remuneration of directors shall be defined as follows:

- (a) on taking office or in the first subsequent meeting possible, the Board of Directors, at the proposal of the Remuneration Committee, determines the remuneration of executive directors with special duties, other executive directors and independent directors, where applicable, within the scope of the overall remuneration for directors established by the Shareholders' Meeting pursuant to art. 2389, last paragraph of the Civil Code;
- (b) remuneration of new executive directors with special duties in place of those terminated or lapsed or appointed in case of integration of the Board of Directors shall be determined by the latter, at the proposal of the Remuneration Committee, during the first meeting attended by the new directors or the next meeting possible;
- (c) determination of remuneration pursuant to points (a) and (b) above shall be made in accordance with the guidelines and principles established in this Policy, without prejudice to the possibility for the Board of Directors to exceptionally deviate from said criteria when this is a necessary condition to attract new talent to the company or in the case of specific requirements related to the retention of particular persons, with the positive opinion of the Remuneration Committee;
- (d) determination of remuneration and incentives within the parameters specified in Paragraph 3 above, as well as definition of the objectives set out therein, shall be made by the Board of Directors at the proposal of the Remuneration Committee, taking into account the company role of the Relevant Persons in question, the average market remuneration, the specific incentive requirements as well as Company and Group performance;

- (e) any bonuses pursuant to Principle 3.1.6 above shall be approved case by case by the Board of Directors based on proposals by the Remuneration Committee;
- (f) the Board of Directors, and on its behalf the Managing Director, shall manage incentive programmes and schemes;
- (g) the proposals of the Remuneration Committee shall be supported by adequate preliminary investigation, involving, where possible, also members of the Board of Statutory Auditors;
- (h) the Board of Directors and/or the Remuneration Committee may make use of independent experts in the field of remuneration policies for analyses to support the determination of remuneration for members of the Board of Directors.

### **3.2.2 Determination of remuneration for Key Managers**

- (a) Remuneration of Key Managers is established by the Board of Directors or the appropriate Managing Director, in accordance with the guidelines and principles established in this Policy, without prejudice to the possibility for the Board of Directors or the appropriate Managing Director to exceptionally deviate from said criteria when this is a necessary condition to attract new talent to the company or in the case of specific requirements related to the retention of particular persons, with the positive opinion of the Remuneration Committee. In this case, the prior positive opinion of the Remuneration Committee shall be acquired;
- (b) determination of remuneration and incentives within the parameters specified in Paragraph 3 above shall be made by the Board of Directors or the appropriate Managing Director, taking into account the company role of the Relevant Persons in question, the average market remuneration, the specific incentive requirements as well as Company and Group performance;
- (c) any bonuses for Key Managers pursuant to Principle 3.1.6 above shall be approved case by case by the Board of Directors, having heard the opinion of the Remuneration Committee;
- (d) the Board of Directors, and on its behalf the Managing Director, shall manage incentive programmes and schemes for Key Managers;
- (e) the Board of Directors and/or the appropriate Managing Director may make use of independent experts in the field of remuneration policies for analyses to support the determination of remuneration for Key Managers.

### **3.2.3 Supervisory role of the Remuneration Committee**

The Remuneration Committee regularly assesses the adequacy, overall consistency and practical application of the Policy, using information provided by the managing directors, and reports to shareholders the exercise of its functions by attendance of the Chairman or a member delegated for such purpose at the annual Shareholders' Meeting for approving the financial statements.