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**REPORT ON REMUNERATION POLICY AND COMPENSATION PAID**

**INTERPUMP GROUP S.P.A.**

**Prepared pursuant to art. 123-(3) of Decree no. 58 dated 24 February 1998**

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16 March 2020

This Report relates to 2019 and the planning guidelines for remuneration matters in 2020, 2021 and 2022, and is available on the Company's website [www.interpumpgroup.it](http://www.interpumpgroup.it)

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## INTRODUCTION

This Report on Remuneration Policy (the “**Report**”), prepared by Interpump Group S.p.A. (“**Interpump**” or the “**Company**”), is organized as follows:

- **Section I:** contains (i) a description of the Policy (the “**Remuneration Policy**”) adopted by the Company for remunerating the members of the Board of Directors (the “**Directors**”), the directors assigned special duties and the non-executive directors, as well as, without prejudice to the provisions of art. 2402 of the Italian Civil Code, the members of the control body (the “**serving Statutory Auditors**”) of Interpump Group S.p.A. in 2019, (ii) the planning guidelines for Remuneration Policy in 2020, 2021 and 2022, and (iii) the procedures followed for the adoption and implementation of that policy. The first Section of the Report is submitted to the Shareholders for a binding vote;
- **Section II:** contains a review of the captions comprising the remuneration recognized to the above persons in 2019. The second Section of the Report is submitted to the Shareholders for a consultative vote.

This Report, prepared in compliance with the provisions of art. 123-(3) of Legislative Decree no. 58 of 24 February 1998, (the “**Consolidated Finance Act**” or “**TUF**”), provides the Shareholders of Interpump Group S.p.A. and the market with detailed information about the remuneration and incentivization policy adopted in 2019 for:

- (i) Executive and non-executive directors;
- (ii) Managers with Strategic Responsibilities, construed as persons having the power and responsibility, either directly or indirectly, for planning, supervision and control of the business of the Company in compliance with the definition supplied in this regard in Annex 1 to the CONSOB Related-Party Transactions Regulation, no. 17221 of 12 March 2010;
- (iii) serving members of the control body.

The Remuneration Policy contributes to the business strategy, being designed to attract and motivate qualified professional personnel for the pursuit of the objectives of the Company and the Group, and incentivize such persons to remain within the organization. Moreover, with a view to increasing the value of the Company in a sustainable manner over the long term, the Remuneration Policy is designed to align the interests of management with the medium/long-term interests of the shareholders.

As described in section 2.1 below, the Remuneration Policy to be submitted to the Shareholders of Interpump for a binding vote relates to the year ended 31 December 2019 and the Policy that the Company would like to adopt for remuneration in 2020, 2021 and 2022.

The Second Part of the Report also details the remuneration paid to the Directors, including those assigned special duties and the non-executive directors, as well as the serving Statutory Auditors.

The Remuneration Policy is also prepared in compliance with the principles and recommendations contained in article 6 of the Code of Corporate Governance of listed companies issued by Borsa Italiana S.p.A. (the “**Code of Corporate Governance**”), as amended most recently<sup>1</sup>, to which the Company adheres, and for the purposes of Article 3.2 letter (b) of the Related-Party Transactions Procedure approved by Interpump on 10 November 2010, as amended (the “**Procedure**”).

This Remuneration Policy, approved by the Company's Board of Directors on a proposal from the Remuneration Committee on 16 March 2020, may be revised and updated by the Board of Directors on a proposal from the Remuneration Committee, which periodically assesses its adequacy, overall consistency and effective application, without prejudice to the binding opinion expressed by the shareholders on the First Section of the Report.

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<sup>1</sup> In particular the update of the Code of Corporate Governance in July 2015 changed art. 6 "Remuneration of the directors" by adding a new principle (6.P.5) that covers situations in which an executive director or general manager ceases to serve and/or is terminated. The Issuer must provide detailed information to the market about the internal processes that result in the allocation or recognition of indemnities and/or other benefits to such persons.

## ***FIRST SECTION OF THE REPORT - REMUNERATION POLICY***

### **1. INTRODUCTION - COMPANY INFORMATION**

Interpump Group S.p.A. was formed on 1 December 1995. The Company was admitted to the STAR segment of Borsa Italiana on 1 April 2001, since inter alia it met the related transparency and corporate governance requirements.

The issued and fully-paid share capital amounts to 56,617,232.88 euro and is represented by 108,879,294 ordinary shares having a nominal value of 0.52 euro each.

The Company is managed by a Board of Directors comprising 9 members, as shown below:

<b>NAME</b>	<b>OFFICE</b>	<b>DATE APPOINTED</b>	<b>MANDATE END DATE</b>
Fulvio Montipò	Chairman and Chief Executive Officer	28 April 2017	Approval of financial statements at 31 December 2019
Paolo Marinsek	Deputy Chairman	28 April 2017	Approval of financial statements at 31 December 2019
Angelo Busani	Non-Executive Director	28 April 2017	Approval of financial statements at 31 December 2019
Antonia Di Bella	Non-Executive Director	28 April 2017	Approval of financial statements at 31 December 2019
Franco Garilli	Non-Executive Director	28 April 2017	Approval of financial statements at 31 December 2019
Marcello Margotto	Non-Executive Director	28 April 2017	Approval of financial statements at 31 December 2019
Stefania Petruccioli	Non-Executive Director	28 April 2017	Approval of financial statements at 31 December 2019
Paola Annunziata Tagliavini	Non-Executive Director	28 April 2017	Approval of financial statements at 31 December 2019
Giovanni Tamburi	Non-Executive Director	28 April 2017	Approval of financial statements at 31 December 2019

At the date of this Report, the executive Director that the Board of Directors also recognizes as an Executive with Strategic Responsibilities is the Chairman and Chief Executive Officer Fulvio Montipò. The Board of Directors has not identified any other

Executives with Strategic Responsibilities since, at the time of the analysis, it determined that, partly due to the way the Group is structured, no executives have the specific characteristics of Executives with strategic responsibilities.

The Remuneration Committee, appointed on 28 April 2017, comprises 3 non-executive members, the majority of whom are independent:

- **Marcello Margotto**, Chairman (Non-executive and independent Director)
- **Franco Garilli**, (Non-executive and independent Director - Lead Independent Director)
- **Giovanni Tamburi**, (non-executive Director)

The Remuneration Policy presented below and submitted to the Shareholders of Interpump Group S.p.A. for approval has a duration of three years. That said, given the ongoing process to adopt the Shareholder's Rights Directive II, which is responsible for the amendments made to the new Report on remuneration policy and payments made, the Company reserves the right to submit this Remuneration Policy to the Shareholders' Meeting for another binding vote even before the end of the three-year period.

## **2. PROCEDURES UTILIZED FOR THE ADOPTION AND IMPLEMENTATION OF THE REMUNERATION POLICY**

### **2.1 Corporate bodies or parties involved in the preparation and approval of the Remuneration Policy, and bodies or parties responsible for its proper implementation**

Interpump has adopted a governance model designed to guarantee transparency, consistency at group level among the member companies (the "**Group**"), and adequate control in relation to the Remuneration Policy and its implementation.

The Remuneration Policy contained in this first section of the Report is approved by the Company's Board of Directors, based on a proposal from the Remuneration Committee, and is consistent with the corporate governance model adopted by the Company and the recommendations contained in the Code of Corporate Governance. The Policy is submitted to the Shareholders for a binding vote pursuant to art. 123-(3), subsection 3-(3), TUF.

In addition to initial approval of the Remuneration Policy and its presentation to the Shareholders' Meeting for approval by the Shareholders, the Board of Directors is also responsible for:

- (i) allocating the overall compensation established for the Directors at the Shareholders' Meeting, pursuant to the provisions of art. 2389, subsection 1, of the Italian Civil Code, if not already decided at the Shareholders' Meeting;
- (ii) determining the remuneration of the Directors assigned special duties pursuant to art. 2389, subsection 3 of the Italian Civil Code, further to a proposal from the

Remuneration Committee;

- (iii) analyzing the incentive plans to be submitted for shareholder approval;
- (iv) establishing a Remuneration Committee from among its members and determining the related duties, in compliance with the principles and recommendations of the Code of Corporate Governance.

In expressing its opinion on the remuneration of Directors assigned special duties, in compliance with article 2389, subsection 3, of the Italian Civil Code, the Board of Statutory Auditors assesses the consistency of the proposals with this Remuneration Policy. Pursuant to art. 149, subsection 1, letter c-(2) TUF, the control bodies are responsible for monitoring the practical implementation of the corporate governance rules envisaged in the codes of conduct adopted by the Company and, therefore, those governing the decisions made about remuneration and other benefits.

In establishing the remuneration due to their Directors, group companies follow the indications provided by Interpump and apply the guidelines set down in this Remuneration Policy.

## 2.2 **Role, composition and operation of the Remuneration Committee**

The Remuneration Committee - formed by and within the Board of Directors - is vested with the following functions:

- (a) making proposals to the Board of Directors about the general Policy for the remuneration of the Chief Executive Officer and the Directors assigned special duties and monitoring the application of the decisions taken by the Board in this regard;
- (b) periodically assessing the criteria adopted for the remuneration of Executives with Strategic Responsibilities, if identified, supervising their application on the basis of information provided by the Chairman and making general recommendations in this regard to the Board;
- (c) examining and, in response to recommendations from the Chairman, formulating proposals to the Board of Directors for the approval of annual and long-term incentives for the executive Directors and Executives with Strategic Responsibilities, if identified;
- (d) formulating general recommendations to the Board of Directors in relation to the remuneration of other Directors;
- (e) formulating recommendations to the Board of Directors in relation to: (a) the use of incentive plans based on treasury shares and on the annual incentive plans; and (b) all the relevant technical aspects associated with the formulation and application of incentive plans, specifically, submitting proposals to the Board in relation to the incentive system deemed to be most appropriate;



- (f) supervising the use, evolution and application of incentive systems, including, notably, the incentive plans based on treasury shares adopted time by time, the methods for identifying beneficiaries, the identification of goals and the determination of bonuses, as more fully described in the respective plans;
- (g) monitoring the effective attainment of the performance objectives set down in the incentive plans for the executive Directors and Executives with Strategic Responsibilities;
- (h) assessing, at least once each year, its own activities and the adequacy, overall consistency and effective application of the Remuneration Policy, proposing any appropriate amendments to the Board of Directors, which will be submitted to the Shareholders for approval at the first Shareholders' Meeting called pursuant to art. 2364, subsection 2, of the Italian Civil Code;
- (i) assisting the Board of Directors with special topics or matters assigned or delegated to the committee from time to time by the Board.

In formulating its proposals and making its assessments, the Remuneration Committee takes account of the provisions of the Code of Corporate Governance and the best practices followed by listed companies.

In the execution of its functions, the Remuneration Committee can access the necessary information and company functions required for its duties and can also make use of external consultants with expertise in remuneration policies, within the terms established by the Board of Directors and on the condition that such consultants do not simultaneously provide the human resources department, the Directors or the Executives with Strategic Responsibilities with services of such significance that the independence of judgment of the consultants is jeopardized.

Directors do not attend meetings of the Remuneration Committee at which proposals are made to the Board of Directors concerning their personal remuneration; the only exception concerns proposals about the remuneration of Directors without mandates and members of committees.

### 2.3 **Activities of the Remuneration Committee during 2019.**

The Committee met 3 times during 2019 and the meetings were attended by all members. The Board of Statutory Auditors also attended all Committee meetings. The meetings were duly minuted and lasted on average about one hour. The Chairman, Marcello Margotto, presented information to the Board of Directors concerning the resolutions of the Committee at the first available Board meeting, held respectively on 19 March 2019, 30 April 2019, and 27 June 2019.

With specific reference to remuneration matters, at the first meeting held on 15 March 2019 the Committee:

- discussed the general policy for the remuneration of executive Directors, the Directors assigned special duties and the executives with strategic responsibilities,

and approved the document entitled “Interpump Group S.p.A. Remuneration Policy” for presentation to the Board of Directors for examination;

- discussed the recommendations made to the Board of Directors concerning compensation for the office of Director and the total maximum remuneration of Directors assigned special duties in relation to 2019 and to the period from 1 January 2020 until the date of approval of the 2019 financial statements;
- approved the draft illustrative report of the Board of Directors to the Shareholders' Meeting for submission to the Board;
- resolved to propose to the Board of Directors the 2019 bonuses to be assigned to the Chairman and Chief Executive Officer of the Group, based on accomplishment of the objectives established by the Board of Directors;
- discussed the proposal to establish a new medium-term incentive plan.

During the second meeting held on 23 April 2019, the Remuneration Committee resolved to propose to the Board of Directors:

- the remuneration to attribute to the individual directors assigned special duties in relation to 2019 and the period from 1 January 2020 until the date of approval of the 2019 financial statements;
- the amount of the 2019 bonuses to be assigned to the Group's executive Directors, based on accomplishment of the objectives established by the Board of Directors and determination of the objectives associated with the 2019 bonuses;
- the methods for assigning the options to be granted to the beneficiaries in relation to the 2016, 2017 and 2018 Tranches of the "Interpump 2016/2018 Incentive Plan”;
- the methods for assigning the options for each tranche and identifying the Beneficiaries of the new “2019/2021 Incentive Plan”.

During the third meeting held on 18 June 2019, the Remuneration Committee resolved to propose the following to the Board of Directors:

- extension, completion and finalization of the procedures for the “2019/2021 Incentive Plan”.

#### **2.4 Names of any independent experts who assisted in preparing the Remuneration Policy**

The Company did not use the services of independent experts when preparing the Remuneration Policy.

### 3. AIMS, PRINCIPLES AND DURATION OF THE REMUNERATION POLICY

3.1 The Remuneration Policy is designed to attract and motivate qualified professional personnel for the pursuit of the objectives of the Company and the Group, and incentivize such persons to remain within the organization. Moreover, with a view to increasing the value of the Company in a sustainable manner, the Remuneration Policy is designed to align the interests of management with the medium/long-term interests of the shareholders.

3.2 With the aim of attaining the foregoing goals, the Remuneration Policy is defined on the basis of the following principles:

- **sustainability:** in defining the remuneration, specifically by means of incentive plans, the Company must contribute to the sustainability of the Group, aligning individual goals with the goals of Interpump and ensuring that remuneration is based on the results actually achieved. Remuneration is therefore directly associated with both individual performance and with the medium/long-term creation of value for the Company and hence for its shareholders;
- **proper integration of different remuneration components:** the Company seeks an optimal balance between different forms of remuneration, primarily the fixed and variable components, checking that these are appropriately balanced having regard for the strategic objectives and the risk management policy, while also taking account of fringe benefits and non-monetary components. In this manner, the remuneration acquires a degree of flexibility that makes it possible to more effectively align compensation levels with performance over time;
- **respect for and appreciation of the individual:** Interpump recognizes that professional commitment and potential are decisive criteria for the development of earnings and career. The variable component is established in such a way as to reward commitment and emphasize individual contributions to the results achieved by the Group, although it should not thereby become the predominant portion of remuneration;
- **continuous monitoring of market practices and trends:** the observance of market practices and trends allows the Company to attract and retain qualified and adequately motivated professional personnel by defining competitive remuneration levels and guaranteeing internal fairness and transparency;
- **compliance:** the Company draws inspiration from best practices in the area of remuneration, starting from the recommendations of the Code of Corporate Governance, and complies with the Stock Exchange Regulation and Instructions for retaining "STAR" status. In addition, Interpump and the group companies comply with the laws governing the remuneration of those members of its administrative bodies who are also administrators of local authorities that, directly or indirectly, are shareholders of Interpump and, if applicable, with the rules that limit the compensation payable by companies in which public bodies hold an interest.

- 3.3 This Remuneration Policy prepared by the Remuneration Committee and approved by the Board of Directors has a duration of three years.

The Board of Directors, whose mandate expires on approval of the financial statements at 31 December 2019, has prepared a Remuneration Policy for the years 2020-2021-2022 in line with that adopted in the prior year, which is considered suitable for the needs of the business. The Policy incentivizes the recipients of the remuneration approved by the competent corporate bodies and is consistent with the steady, planned and sustainable growth of the Company and the Group. However, given the ongoing process to adopt the Shareholder's Rights Directive II, which is responsible for the amendments made to the new Report on remuneration policy and payments made, the Board of Directors reserves the right to submit this Remuneration Policy to the Shareholders' Meeting for another binding vote even before the end of the three-year period.

Section 4 below defines in detail all the components of the Remuneration Policy adopted for 2019, which will be submitted to the Shareholders' Meeting of Interpump Group S.p.A. for approval in relation to the 2020, 2021 and 2022 financial years as well.

#### **4. REMUNERATION COMPONENTS**

The remuneration of Directors assigned special duties includes a fixed component, a variable short-term component and long-term incentives in order to promote the achievement of specific objectives in the interest of all shareholders. The long-term incentives component is especially geared towards promoting the achievement of long-range objectives with the aim of aligning the interest of managers with those of the Shareholders.

##### **4.1 Fixed component**

- 4.1.1 The level of fixed remuneration is mainly correlated with:

- (i) professional specialization;
- (ii) the organizational role covered;
- (iii) the responsibilities assigned.

- 4.1.2 The fixed remuneration component is anyway sufficient to remunerate the Director or Executive concerned even if the variable component is withheld due to failure to accomplish the associated performance objectives. Given the aim of attracting and motivating qualified and competent professionals, the Company constantly monitors market practices in relation to the fixed remuneration components in order to ensure alignment with the relevant best practices.

##### **4.2 Short-term variable component - *Management by Objectives***

- 4.2.1 Part of the variable remuneration is correlated with performance in the short term, construed as both individual performance and the results of the Company and the

Group. The variable remuneration component is never higher than 75% of the fixed component.

4.2.2 In particular, the Company adopts a variable remuneration system called Management by Objectives (MBO), designed to incentivize the accomplishment of specific performance objectives by the Directors. The MBO plan, which is adopted each year by the Board of Directors after consulting the Remuneration Committee, envisages specific objectives for each recipient (or category of recipients) identified with the assistance of the persons in charge of the Company's different business areas, employing specific parameters used by management to monitor the trend of the line of business of each recipient of the plan, or such economic indicators as net sales and EBITDA, either consolidated or relating to those lines of business. In identifying the specific performance objectives and the related parameters, the competent functions take account of the need to guarantee: (i) precise, clear and objectively measurable targets, indicated and determined in advance; (ii) coordination with the objectives of the Company and the Group; (iii) adequate progression through time of the performance objectives, with regard also to the sustainability of remuneration. If one or more reference parameters has exceeded the maximum objective, on the proposal of the Remuneration Committee, the Board of Directors can reserve the faculty to compensate the excess via other parameters, if in relation to the target objectives correlated with the reference parameters, remuneration for overperformance and/or application of interpolation formulas in the precise determination of the achievement of the objectives is not envisaged.

4.2.3 The MBO plan specifies maximum limits on the bonuses payable to ensure that they cannot exceed the threshold proposed annually by the Remuneration Committee and approved by the Board of Directors (currently equivalent to 75% of fixed remuneration) and it provides the faculty to establish deferred payment mechanisms for all or part of the bonus amounts, although at present the Board of Directors has decided not to make use of said faculty.

#### 4.3 **Long-term incentives**

The variable remuneration component is also oriented towards a medium/long-term horizon, thereby: (i) focusing the attention of beneficiaries on factors of strategic interest; (ii) building loyalty; (iii) aligning remuneration with the creation of value for shareholders in the medium/long-term; (iv) guaranteeing a level of remuneration that is globally competitive; and (v) developing the strategy of the Company and the Group with a view to sustainability.

4.3.1 On 28 April 2016 the Interpump Shareholders' Meeting approved, pursuant to article 114-(2) of the Consolidated Finance Act, an incentive plan denominated "Interpump 2016/-2018 Incentive Plan", to benefit employees, Directors and/or collaborators of the Interpump Group, identified - at the final and sole discretion of the Board of Directors - from among persons who occupy or perform significant roles or functions in, or for, the Company and/or its subsidiaries pursuant to art. 93 of the Consolidated Finance Act and for whom action to strengthen their loyalty is justified with a view to the creation of value, based on the assignment of a maximum number of 2,500,000 options, each of which granting the right for the beneficiaries - on the achievement of the objectives

identified by the Board of Directors in compliance with specific parameters - to, at the discretion of the Company, (i) purchase no. 1 (one) ordinary Interpump treasury share (already in the Company's portfolio or purchased at a later date); or (ii) to subscribe for 1 (one) newly issued share at an exercise price of 12.8845 euro per option. The Board of Directors is entitled to satisfy the requests for exercise submitted by individual beneficiaries by paying an amount equal to the capital gain, if any, calculated by multiplying the number of options exercised by the difference between: (i) the market value of a share at the time of exercise, and (ii) the strike price. Assignment depends on:

- (i) continuation, (a) for Directors, in the office of Director, (b) for employees, of the employment contract, with the exception of cases of retirement, and (c) for collaborators, of the independent collaboration agreement;
- (ii) achievement of the performance objectives to be established by the Board of Directors, further to the non-binding opinion of the Remuneration Committee, for each of the single reference years of the Plan (and, hence, for 2016, 2017 and 2018), - and represented (a) in the amount of 70% of the options offered to each beneficiary, by the achievement of specific results in terms of the balance sheet or income statement, accomplished at the consolidated level by the group in each of the reference years; and (b) for the remaining 30% of the options offered to each beneficiary, by the increase in value returned to Interpump shareholders (total return) in the reference period.

4.3.2 On 30 April 2019 the Interpump Shareholders' Meeting approved, pursuant to article 114-(2) of the Consolidated Finance Act, an incentive plan denominated "Interpump 2019/-2021 Incentive Plan", to benefit employees, Directors and/or collaborators of the Interpump Group, identified - at the final and sole discretion of the Board of Directors - from among persons who occupy or perform significant roles or functions in, or for, the Company and/or its subsidiaries pursuant to art. 93 of the Consolidated Finance Act and for whom action to strengthen their loyalty is justified with a view to the creation of value, based on the assignment of a maximum number of 2,500,000 options, each of which granting the right for the beneficiaries - on the achievement of the objectives identified by the Board of Directors in compliance with specific parameters - to, at the discretion of the Company, (i) purchase no. 1 (one) ordinary Interpump treasury share (already in the Company's portfolio or purchased at a later date); or (ii) to subscribe for 1 (one) newly issued share at an exercise price of 28.4952 euro per option. The Board of Directors is entitled to satisfy the requests for exercise submitted by individual beneficiaries by paying an amount equal to the capital gain, if any, calculated by multiplying the number of options exercised by the difference between: (i) the market value of a share at the time of exercise, and (ii) the strike price. Assignment depends on:

- (i) continuation, (a) for Directors, in the office of Director, (b) for employees, of the employment contract, with the exception of cases of retirement, and (c) for collaborators, of the independent collaboration agreement;
- (ii) achievement of the performance objectives to be established by the Board of Directors, further to the non-binding opinion of the Remuneration Committee, for each of the single reference years of the Plan (and, hence, for 2019, 2020 and

2021), - and represented (a) in the amount of 80% of the options offered to each beneficiary, by the achievement of specific results in terms of the balance sheet or income statement, accomplished at the consolidated level by the group in each of the reference years; and (b) for the remaining 20% of the options offered to each Beneficiary, by the qualitative nature of the performance of each Beneficiary, as measured against such parameters as collaboration, commitment and value added to the Group, which will be assessed by the Board of Directors or, if the Beneficiary does not collaborate directly with the Board, by the direct superior of that person.

The “Interpump 2016/2018 Incentive Plan” and the “Interpump 2019/2021 Incentive Plan” are described respectively in the documents prepared pursuant to art. 114-(2) TUF and art. 84-(2), subsection 1, of Consob Regulation 11971/1999 published on the Company website at [www.interpumpgroup.it/governance/politicadiremunerazione](http://www.interpumpgroup.it/governance/politicadiremunerazione).

4.3.3 Finally, the Board of Directors reserves the right, after consulting with the Remuneration Committee, to propose additional incentive plans, which can be based on:

- (i) option grant plans that envisage the granting of option rights for the future purchase of Interpump shares with settlement by physical delivery (stock options) or by cash on the basis of a differential (stock appreciation right);
- (ii) compensation plans that do not involve the delivery of financial instruments but that are settled by the payment of a differential based on the change in the prices of Interpump shares (phantom stock).

Beneficiaries of the plans can be employees or Directors of Interpump and group companies, on the condition that they are involved in the management of Interpump or the Group. With regard to the option grant and phantom stock plans, the exercise of the options assigned (or the payment of the relative differentials) will be conditional on the expiry of an adequate average vesting period (not less than three years) that takes account, for example, of the goals of the individual plan and the duration in the office of the Directors and of the achievement of specific preset performance goals in strict correlation with the Company's medium/long-term targets.

The granting of option rights, like the recognition of differentials in cash, will be correlated with: (i) the ability of the individual to contribute to the development of the Company; (ii) the professional competence and role occupied in the organization chart; (iii) the level of compensation received overall; and (iv) staff retention requirements.

4.3.4 There are currently no plans to introduce deferred payment systems or any mechanism for ex-post correction.

#### 4.4 **Benefits and insurance coverage, i.e. social security and pensions, other than compulsory contributions**

With the aim of ensuring a global remuneration offer that is as competitive as possible and aligned with best market practices, the remuneration package of Executives with Strategic Responsibilities may include fringe benefits such as a company car, etc.

**4.5 Treatments to be applied in the case of termination of the office or of the employment contract**

4.5.1 The Company can agree on special treatments associated with the end of office or termination of employment with its directors and Executives with Strategic Responsibilities, if this is considered appropriate in order to recruit adequate professional resources or in the framework of the investment agreements entered into during the pursuit of business activities. The above amounts cannot exceed the maximum limit of three times the value of the average gross annual remuneration paid in the two years prior to termination of the appointment, inclusive of “Fixed remuneration”, “Fringe benefits” and “Variable non-equity remuneration”.

4.5.2 In addition to termination of the appointment or employment, the right to benefit from such treatments will be recognized in the following cases:

- (i) reduction and/or limitation of the areas of responsibility and/or mandates;
- (ii) demotion.

If an executive Director ceases to serve and/or is terminated, detailed information will be provided to the market about the internal processes that result in the allocation or recognition of indemnities and/or other benefits. This information must include:

- a) adequate information about the indemnity and/or other benefits, including the amount, the timing of payment and any repayment clauses, with particular reference to:
  - expiry of appointment or employment termination indemnity, specifying the circumstances that justify recognition;
  - retention of rights associated with any incentive plans involving cash payments or based on financial instruments;
  - post termination benefits;
  - no competition agreements, describing their principal characteristics;
  - all other compensation recognized for whatever reason and in whatever form;
- b) information about the compliance, or otherwise, of the indemnity and/or other benefits with the provisions of the Remuneration Policy;
- c) information about mechanisms that impose corrections to indemnity payments if termination of the relationship is due to the achievement of objectively inadequate results, as well as about any requests made for the repayment of remuneration already paid;

information about the procedures followed or to be followed in order to replace the terminated director.



Currently, the Company has not adopted any form of special treatment that exceeds the limit established in point 4.5.1 above.

Lastly, the Board of Directors is entitled to determine the total amount of the above indemnities having regard for the professional person “terminated”, length of service with the Company and the Group and the professional contribution made during the mandate.

## **5. DIRECTORS' REMUNERATION**

### **5.1 Remuneration of Directors assigned special duties**

5.1.1 The remuneration due to directors assigned special duties is defined by the Board of Directors based on a proposal from the Remuneration Committee.

5.1.2 The remuneration of Directors assigned special duties must comprise: (i) a fixed annual component that takes account of the special duties assigned to the Directors; and (ii) in the case of Directors assigned specific functions, variable components as described in Headings 4.2 and 4.3 above.

### **5.2 Remuneration of non-executive Directors**

5.2.1 The remuneration of non-executive Directors is normally determined by the Board of Directors on allocation of the remuneration defined at the shareholders' meeting *ex art.* 2389, subsection 1, of the Italian Civil Code, based on a proposal of the Remuneration Committee, including additional compensation that takes account of the commitment required of each non-executive Director, in particular in relation to participation in one or more committees.

5.2.2 The remuneration of non-executive Directors cannot be linked to the economic results of Interpump. Specifically, non-executive Directors are not beneficiaries of the incentive plans approved by the Company.

## **6. REMUNERATION OF EXECUTIVES WITH STRATEGIC RESPONSIBILITIES**

- 6.1 The remuneration of Executives with Strategic Responsibilities, if identified, must comprise all the above elements, in particular: (i) fixed annual gross remuneration; (ii) a variable short-term component, through participation in the MBO plan adopted by the Company; and (iii) a variable long-term component through participation in the long-term incentive plans approved by Interpump.
- 6.2 The variable remuneration portion, linked to the economic results achieved by the Company and the achievement of the previously identified individual performance objectives, cannot exceed the fixed component of the remuneration of the Executive and, in any event, its value can never be greater than 75% of the fixed remuneration.
- 6.3 After consulting the Remuneration Committee, the Board of Directors can also attribute discretionary bonuses to individual Executives in relation to specific operations and/or projects, for a maximum value equivalent to three times the fixed component of the gross annual remuneration.

## **7. REMUNERATION OF STATUTORY AUDITORS**

- 7.1 The remuneration of the serving members of the control body is determined, pursuant to art. 2402 of the Italian Civil Code, when they are appointed at the Shareholders' Meeting. The remuneration paid to the serving Statutory Auditors comprises solely a fixed component, without the payment of attendance fees, expense reimbursements or any other components.
- 7.2 The remuneration of the Board of Statutory Auditors is considered adequate with reference to the work performed during the year, having regard for the time dedicated to the role by each auditor.

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## SECOND SECTION OF THE REPORT - PAYMENTS MADE

### 1. FIRST PART

#### 1.1 Description of items comprising remuneration

**“Fixed compensation”**: this is construed separately as (i) the emoluments authorized at the Shareholders' Meeting, even if not paid; (ii) attendance fees; (iii) fixed refunds of expenses; (iv) compensation received for the performance of special duties, ex Article 2389, subsection 3 of the Italian civil code; (v) fixed employment salary including social security and tax to be paid by the employee and excluding compulsory collective social security expenses to be paid by the Company and the allocation to the severance indemnity provision.

**“Compensation for sitting on committees”**: the compensation due to Directors for sitting on Board committees.

**“Non-equity variable compensation”**: this refers to “Bonuses and Other Incentives” and “Profit Sharing”.

**“Bonuses and other incentives”**: this is the variable part of compensation, including the portions of remuneration, even if not yet paid, vested during the year for objectives that have been achieved in the year, in relation to cash type incentive plans. These amounts do not include the values of stock options assigned or exercised or other compensation in the form of financial instruments.

**“Profit sharing”**: this is the amount of profit due on an accrual basis, even if approval of the financial statements and distribution of profits are still pending.

**“Non-cash benefits”**: these are fringe benefits (defined in accordance with a criterion of taxability), any insurance policies in existence and supplementary pension funds.

**“End of office or employment termination indemnity”**: these are the indemnities matured, even if not yet paid, in respect of directors for cessation of their functions during the financial period under consideration, with reference to the year during which the office effectively lapsed. Also considered are the estimated value of any disbursal of fringe benefits, the amount of any consultancy contracts and of indemnities related to non-competition undertakings entered into. In the case of indemnities for non-competition undertakings, the amount is indicated just once at the time of termination of the office, with a specification of the duration of the non-competition undertaking and the effective date of payment.

**“Other compensation”**: meaning, separately and on an accruals basis, all and any additional remuneration deriving from other services rendered.

**“Stock Options”**: these are (i) options held at the start of the year, with an indication of the exercise price and the period in which exercise is permitted; (ii) the options assigned during the year; (iii) the options exercised during the year, with an indication of the

exercise price and the market price of the underlying shares at the time of exercise; (iv) the options expired in the year; (v) the options held at year end.

**“Incentive plans based on financial instruments other than stock options”**: these are all medium/long-term incentive plans based on financial instruments other than options.

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In the case in question, in relation to 2019 the economic treatment of directors assigned special duties is composed of the following elements:

**A. Chairman and Chief Executive Officer – Fulvio Montipò**

- (i) Fixed remuneration component: the fixed compensation awarded to the Chairman and Chief Executive Officer includes:
  - Interpump recognizes approximately 1,731 thousand euro, of which 45 thousand euro as emoluments for the office of director, as authorized at the Shareholders' Meeting, and 1,500 thousand euro for the performance of special duties ex art. 2389, subsection 3, Civil Code and 186 thousand euro as payment to cover the costs incurred on personal security;
- (ii) Short-term variable remuneration component: non-equity variable compensation in the form of MBO plans. Interpump awards a maximum bonus of 1,000 thousand euro on the achievement of specific qualitative and quantitative objectives.
- (iii) Medium/long-term variable remuneration component: Stock Options - The following have been allotted to but not exercised by the Chairman and Chief Executive Officer at 31 December 2019:
  - 1,620,000 options in the context of the Interpump 2016/2018 incentive plan, now fully vested;
  - 1,800,000 options in the framework of the Interpump 2019/2021 Incentive Plan.

See Table 2 for more details.

**B. Deputy Chairman and Director with specific mandates – Paolo Marinsek**

- (i) Fixed remuneration component: the fixed compensation awarded to the deputy chairman and director with specific mandates includes:
  - Interpump awards approximately 226 thousand euro of which 45 thousand euro as emoluments for the office of director, as resolved at the shareholders' meeting, and 181 thousand euro as emoluments for the performance of special duties ex art. 2389, subsection 3, Civil Code;
- (ii) Fringe benefits – These benefits, totaling 8 thousand euro, refer to the allocation of a company car.

(iii) Medium/long-term variable remuneration component: Stock Options – In relation to his prior office of Chief Executive Officer, the following have been allotted to Paolo Marinsek and were not exercised at 31 December 2019:

- 65,000 options in the context of the Interpump 2016/2018 incentive plan, now fully vested;
- 20,000 options in the context of the Interpump 2013/2015 incentive plan, now fully vested;

See Table 2 for more details.

The compensation due to non-executive directors is indicated by name in the Tables in the Second Part of Section II of this report.

## 1.2 **Consistency of compensation recognized with the Remuneration Policy**

The compensation disbursed to Directors assigned special duties is in line with the Remuneration Policy in that it is made up of a fixed component, a short-term variable component and long-term incentives similar to those described in Section I of this report.

## 1.3 **Compensation plans based on financial instruments**

The compensation plans based on financial instruments for members of the Board of Directors of the Company pursuant to art. 114-(2) of Italian legislative decree no. 58 dated 24 February 1998 are published in their entirety on the Company website: [www.interpumpgroup.it](http://www.interpumpgroup.it), in the section Governance/remuneration policy.

## 2. SECOND PART

**TABLE (1): COMPENSATION DISBURSED TO MEMBERS OF ADMINISTRATIVE AND CONTROLLING BODIES, TO GENERAL MANAGERS AND TO OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES.**

Amounts shown in thousands of euro

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period in office	Term of office	Fixed compensation	Compensation for sitting on committees	Variable non-equity compensation		Fringe benefits	Other compensation	Total	Fair value of equity compensation	End of office or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
<b>(I) Compensation by the company preparing the financial statements</b>												
BOARD OF DIRECTORS												
Fulvio Montipò	Chairman and Chief Executive Officer	01/01/2019 – 31/12/2019	Approval of 2019 financial statements	1.545(a)		1,000			186 (b)	2,731	2,028	
Paolo Marinsek	Deputy Chairman	01/01/2019 – 31/12/2019	Approval of 2019 financial statements	226 (c)				8		234	83	
Angelo Busani	Independent Director	01/01/2019 – 31/12/2019	Approval of 2019 financial statements	45	20 (e)					65		
Antonia di Bella	Independent Director	01/01/2019 – 31/12/2019	Approval of 2019 financial statements	45						45		
Franco Garilli	Independent Director	01/01/2019 – 31/12/2019	Approval of 2019 financial statements	45	30 (e) (f) (g)					75		
Marcello Margotto	Independent Director	01/01/2019 – 31/12/2019	Approval of 2019 financial statements	45	10 (f) (g)					55		
Stefania Petruccioli	Independent Director	01/01/2019 – 31/12/2019	Approval of 2019 financial statements	45	20 (e)					65		

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period in office	Term of office	Fixed compensation	Compensation for sitting on committees	Variable non-equity compensation		Fringe benefits	Other compensation	Total	Fair value of equity compensation	End of office or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Paola Annunziata Tagliavini	Independent Director	01/01/2019 – 31/12/2019	Approval of 2019 financial statements	45	20 (e)					65		
Giovanni Tamburi	Non-executive Director	01/01/2019 – 31/12/2019	Approval of 2019 financial statements	45	10 (f) (g)					55		
<b>BOARD OF STATUTORY AUDITORS</b>												
Fabrizio Fagnola	Chairman Board of Statutory Auditors	01/01/2019 – 31/12/2019	Approval of 2019 financial statements	45						45		
Federica Menichetti	Serving Statutory Auditor	01/01/2019 – 31/12/2019	Approval of 2019 financial statements	30						30		
Alessandra Tronconi	Serving Statutory Auditor	01/01/2019 – 31/12/2019	Approval of 2019 financial statements	30						30		
<b>(II) Compensation from subsidiaries and associates</b>												
Alessandra Tronconi	Serving Statutory Auditor	01/01/2019 – 31/12/2019	Approval of 2019 financial statements	63 (d)						63		
<b>(III) Total</b>				2,254	110	1,000		8	186	3,558	2,111	
<b>BOARD OF DIRECTORS</b>												
Fulvio Montipò	Chairman and Chief Executive Officer	01/01/2018 – 31/12/2018	Approval of 2019 financial statements	1.545(a)		500				2,045	1,271	
Paolo Marinsek	Deputy Chairman	01/01/2018 – 31/12/2018	Approval of 2019 financial statements	226 (b)				8		234	66	
Angelo Busani	Independent Director	01/01/2018 – 31/12/2018	Approval of 2019 financial statements	45	20 (e)					65		

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period in office	Term of office	Fixed compensation	Compensation for sitting on committees	Variable non-equity compensation		Fringe benefits	Other compensation	Total	Fair value of equity compensation	End of office or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Antonia di Bella	Independent Director	01/01/2018–31/12/2018	Approval of 2019 financial statements	45						45		
Franco Garilli	Independent Director	01/01/2018–31/12/2018	Approval of 2019 financial statements	45	30 (e) (f) (g)					75		
Marcello Margotto	Independent Director	01/01/2018 – 31/12/2018	Approval of 2019 financial statements	45	10 (f) (g)					55		
Stefania Petruccioli	Independent Director	01/01/2018 – 31/12/2018	Approval of 2019 financial statements	45	20 (e)					65		
Paola Annunziata Tagliavini	Independent Director	01/01/2018–31/12/2018	Approval of 2019 financial statements	45	20 (e)					65		
Giovanni Tamburi	Non-executive Director	01/01/2018 – 31/12/2018	Approval of 2019 financial statements	45	10 (f) (g)					55		
<b>BOARD OF STATUTORY AUDITORS</b>												
Fabrizio Fagnola	Chairman Board of Statutory Auditors	01/01/2018 – 31/12/2018	Approval of 2019 financial statements	45						45		
Federica Menichetti	Serving Statutory Auditor	01/01/2018 – 31/12/2018	Approval of 2019 financial statements	30						30		
Alessandra Tronconi	Serving Statutory Auditor	01/01/2018–31/12/2018	Approval of 2019 financial statements	30						30		
(III) Total				2,252	110	500		8		2,870	1,337	
<b>(II) Compensation from subsidiaries and associates</b>												
Fulvio Montipò	Chairman and Chief Executive Officer	01/01/2018 – 31/12/2018	Approval of 2019 financial statements	1 (c)						1		



(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period in office	Term of office	Fixed compensation	Compensation for sitting on committees	Variable non-equity compensation		Fringe benefits	Other compensation	Total	Fair value of equity compensation	End of office or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Alessandra Tronconi	Serving Statutory Auditor	01/01/2018 – 31/12/2018	Approval of 2019 financial statements	60 (d)						60		

NOTE

(1) Fixed compensation

- (a) The fixed compensation of the Chairman and Chief Executive Officer of 1,545 thousand euro includes: emoluments for the office of director authorized at the Shareholders' Meeting of 45 thousand euro, plus 1,500 thousand euro for the performance of special duties pursuant to art. 2389, subsection 3, of the Italian Civil Code.
- (b) Compensation to cover the expenses incurred on personal security.
- (c) The compensation of the Deputy Chairman of 226 thousand euro includes emoluments for the office of director authorized at the Shareholders' Meeting of 45 thousand euro, plus 181 thousand euro for the performance of special duties pursuant to art. 2389, subsection 3, of the Italian Civil Code.
- (d) These are emoluments recognized for the office of statutory auditor held in subsidiaries.

The fixed compensation of non-executive directors refers to emoluments for the office of director resolved by the Shareholders' Meeting of 45 thousand euro and the fixed compensation of the members of the board of statutory auditors is that established at the Shareholders' Meeting.

(2) Compensation for sitting on committees

This comprises 20 thousand euro paid as a member of the Audit and Risks Committee (e) and 10 thousand euro paid as a member of the Remuneration Committee (f). The compensation paid to the members of the Appointments Committee is not included in the compensation envisaged for membership of the Remuneration Committee (g).

(3) Variable non-equity compensation

This is a bonus that can be disbursed on the achievement of the preset qualitative and quantitative objectives.

(4) Fringe benefits

Fringe benefits are referred to the Deputy Chairman's company car.

(7) Fair value of equity compensation

The amounts represent the fair value of stock options at the grant date for the portion booked to the 2019 income statement and hence they have not been paid.

**TABLE (3B): CASH INCENTIVE PLANS FOR MEMBERS OF THE BOARD OF DIRECTORS, GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES**

Amounts shown in thousands of euro

A	B	(1)	(2)			(3)			(4)
Name and surname	Office	Plan	Bonus for the year			Bonuses for prior years			Other Bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/Paid	Deferred	Vesting period	No longer payable	Still Payable/Paid	Payable/Paid Deferred	
<b>(I) Compensation by the company preparing the financial statements</b>									
Fulvio Montipò	Chairman and Chief Executive Officer	Resolved by the Board of Directors on 30/4/2019	1,000 - payable				500 - paid		
<b>(II) Compensation from subsidiaries and associates</b>	<b>N/A</b>								
<b>(III) Total</b>			1,000				500		

**TABLE (2): STOCK OPTIONS ASSIGNED TO MEMBERS OF THE ADMINISTRATIVE BODY, GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES**

Amounts shown in thousands of euro

A	B	(1)	Options held at year start			Options granted in the year						Options exercised in the year			Options expired during the year	Options held at year end	Options pertaining to the year
			(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2)+(5)-(11)-(14)	(16)
Name and surname	Office	Plan	Number of options	Exercise price	Possible exercise period (from - to)	Number of options	Exercise price	Possible exercise period (from - to)	Fair value at the grant date	Grant date	Market price of underlying shares at the options grant date	Number of options	Exercise price	Market price of underlying shares at the exercise date	Number of options	Number of options	
<b>Compensation by the company preparing the financial statements</b>																	
Fulvio Montipò	Chairman and Chief Executive Officer	2019/2021 plan approved at the shareholders' meeting of 30/04/2019	1,800,000	28.4952	01/07/2019-31/12/2022											1,800,000	1,397
Fulvio Montipò	Chairman and Chief Executive Officer	2016/2018 plan approved at the shareholders' meeting of 28/04/2016	1,620,000	12.8845	01/07/2019-31/12/2022											1,620,000	630
Paolo Marinsek	Deputy Chairman	2019/2021 plan approved at the shareholders' meeting of 30/04/2019	65,000	6.00	01/07/2016 – 31/12/2019							-				65,000	50

A	B	(1)	Options held at year start			Options granted in the year						Options exercised in the year			Options expired during the year	Options held at year end	Options pertaining to the year
			(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2)+(5)-(11)-(14)	(16)
Name and surname	Office	Plan	Number of options	Exercise price	Possible exercise period (from - to)	Number of options	Exercise price	Possible exercise period (from - to)	Fair value at the grant date	Grant date	Market price of underlying shares at the options grant date	Number of options	Exercise price	Market price of underlying shares at the exercise date	Number of options	Number of options	
<b>Compensation by the company preparing the financial statements</b>																	
Paolo Marinsek	Deputy Chairman	2013/2015 plan approved at the shareholders' meeting of 30/04/2013	20,000	6.00	01/07/2016 – 31/12/2019							20,000	6.00	30.05		-	-
Paolo Marinsek	Deputy Chairman and Chief Executive Officer	2016/2018 plan approved at the shareholders' meeting of 28/04/2016	65,000	12.8845	01/07/2019-31/12/2022											65,000	33
(II) Compensation from subsidiaries and associates	N/A																
(III) Total			3,570,000									20,000				3,550,000	2,110

**TABLE 7-(3): EQUITY INTERESTS OF MEMBERS OF THE ADMINISTRATIVE AND CONTROLLING BODIES AND GENERAL MANAGERS**

NAME AND SURNAME	OFFICE	INVESTEE COMPANY	NUMBER OF SHARES HELD AT END OF PRIOR YEAR	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD AT END OF CURRENT YEAR
Fulvio Montipò (held directly)	Chairman and Chief Executive Officer	Interpump Group S.p.A.	635,233			635,233
Paolo Marinsek (held directly)	Deputy Chairman and Chief Executive Officer	Interpump Group S.p.A.	60,000	20,000*	(14,000)	66,000

\* for exercise of stock options at the same time

Note that: (i) Giovanni Tamburi, non-executive director of Interpump Group S.p.A., is the Chairman and Chief Executive Officer of Tamburi Investment Partners S.p.A., a company that held 67,348 shares at 31 December 2019, representing 23.64% of IPG Holding S.p.A. and (ii) Fulvio Montipò held 97,521 shares at 31 December 2019, representing 34.233% of IPG Holding S.p.A. In turn, IPG Holding S.p.A. held a total of 25,406,799 shares in Interpump Group S.p.A.