SABAF S.p.A.
GENERAL REMUNERATION POLICY

This policy defines the criteria and guidelines for the remuneration of:
- members of the Board of Directors, including executive directors and directors vested with special powers;
- executives with strategic responsibilities (as identified by the Sabaf S.p.A. Board of Directors in application of accounting standard IAS 24);
- members of the Board of Statutory Auditors.

This policy has been prepared:
- pursuant to article 7 of the Corporate Governance Code for listed companies, as per the new text approved in March 2010;
- in line with Recommendations 2004/913/EC and 2009/385, which were incorporated into law with article 123-ter of the Consolidated Law on Finance;
and was applied from the date of approval by the Board of Directors.

<u>Corporate bodies and persons involved in preparing and approving the remuneration policy</u>

The Board of Directors asked the Remuneration Committee (consisting of the non-executive directors Fausto Gardoni as Chairman, Giuseppe Cavalli, Flavio Pasotti and Leonardo Cossu) to prepare a draft of this policy, in line with the aforementioned legislation and self-regulatory standards.
No independent experts or advisors contributed to the preparation of this policy, nor were the remuneration policies of other companies used for reference purposes.
The final draft of the remuneration policy was presented by the Remuneration Committee to the Board of Directors on 22 December 2011, which approved it without amendment.

<u>Purposes of the remuneration policy</u>

The Company's intention is that the remuneration policy:
- attracts, motivates and increases the loyalty of persons with appropriate professional expertise;
- brings the interests of the management into line with those of the shareholders;
- favours the creation of sustainable value for shareholders in the medium to long term, and maintains an appropriate level of competitiveness for the company in the sector in which it operates.

<u>Fixed annual component</u>

Directors
On the proposal of the Board of Directors, having heard the opinion of the Remuneration Committee, the shareholders determine a maximum total for the remuneration of all members of the Board, including a fixed amount and attendance fees.

In accordance with this maximum total, on the proposal of the Remuneration Committee and subject to the opinion of the Board of Statutory Auditors, the Board of Directors determines additional remuneration for directors vested with special powers.

The fixed component is such that it is able to attract and motivate individuals with appropriate expertise for the roles entrusted to them within the Board, and is set with reference to the remuneration awarded for the same positions by other listed Italian industrial groups of a similar size.

It is Sabaf S.p.A.'s practice to appoint to the roles of Chairman and Deputy Chairmen members of the Saleri family, the controlling shareholder of the Company through Giuseppe Saleri S.a.p.A. Though executive directors, these directors are not granted any variable remuneration, but only remuneration additional to that of directors vested with special powers.

Directors who sit on committees (Internal Control and Audit Committee, Remuneration Committee) are granted a fixed salary intended to reward the commitment required of them.

Non-executive directors are not granted any variable remuneration.

Other executives with strategic responsibilities
Employment relationships with the Finance Director and other executives with strategic responsibilities are governed by the Collective National Contract for Industrial Managers. In this regard, fixed remuneration is determined so that it is sufficient in itself to guarantee an appropriate basic salary level, even in the event that the variable components are not paid owing to a failure to reach objectives.

Board of Statutory Auditors
The amount of remuneration for Auditors is set by the shareholders' meeting, which establishes a fixed amount for the Chairman and the other Statutory Auditors.

Annual variable component

Executive directors (excluding the Chairman and Deputy Chairmen) and other executives with strategic responsibilities are granted annual variable remuneration related to an MBO plan.

This plan sets a common objective (Group EBIT, which is considered to be the Group's main indicator of financial performance) and quantifiable and measurable individual objectives, both economic-financial and technical-productive in nature. All objectives are set by the Board of Directors, on the proposal of the Remuneration Committee, in accordance with the budget.

The variable component may not exceed 50% of the fixed annual gross salary; it may be only partially granted in the event that the objectives are only partially met.

75% of the variable component is paid out in the April of the following year, and 25% in the January of the second subsequent year.

The MBO plan also extends to other managers identified by the Chief Executive who report directly thereto or who report to the abovementioned managers.

Long-term incentives

This policy introduces a long-term financial incentive dependent on measurable and predetermined performance targets relating to the creation of value for shareholders over the long term.

The incentive extends over three years and is exclusively aimed at executive directors (excluding the Chairman and Deputy Chairmen) and executives with strategic responsibilities.

The performance targets, set in accordance with the three-year business plan, are proposed by the Remuneration Committee to the Board of Directors, which is responsible for approving the long-term financial incentive.

The targets that set the parameters for the long-term incentive will be discussed and defined as soon as the business plan is submitted to and approved by the Board of Directors.

The total long-term variable component for three years may not exceed 50% of the fixed annual gross salary; it may be only partially granted in the event that the objectives are only partially met. In the event that 100% of the objectives assigned are met, an increase on 50% of the gross fixed annual salary may be granted.

The variable component is paid in full following the approval of the financial statements of the third year to which the incentive relates.

Incentives based on financial instruments

The remuneration policy does not provide for the use of incentives based on financial instruments (stock options, stock grants, phantom stocks or others).

Remuneration for offices in subsidiaries

Directors and other executives with strategic responsibilities may be granted remuneration – exclusively as a fixed amount – for offices held in subsidiaries. As well as the approval of the subsidiaries' corporate bodies, this remuneration is subject to the prior favourable opinion of the Remuneration Committee.

Non-monetary benefits

The company has taken out a third-party civil liability insurance policy in favour of directors, statutory auditors and executives for unlawful acts committed in the exercise of their respective duties, in violation of obligations established by law and the by-laws, with the sole exclusion of deliberate intent. The stipulation of this policy was passed by the shareholders' meeting.

The company also provides for executives a life insurance policy and cover for medical expenses (FASI) as established by the Collective National Contract for Industrial Managers; moreover, it has stipulated an additional policy to cover medical expenses not covered by FASI repayments.

No director or executive with strategic responsibilities has a company car.

Indemnity against the early termination of employment

There are no agreements for directors or other executives with strategic responsibilities governing *ex ante* financial settlements following the early termination of the employment relationship.

For the end of the relationship for reasons other than just cause or justified reasons provided by the employer, it is the Company's policy to pursue consensual agreements to end the employment relationship, in accordance with legal and contractual obligations.

At present, the company does not provide directors with benefits subsequent to the end of their mandate.

There are no agreements providing for payment in return for non-compete commitments after the end of the employment relationship. The Board of Directors may consider to enter into *ad personam* non-compete agreements.