

# **TISCALI S.P.A. REMUNERATION REPORT**

**30 MARCH 2012**

## **INTRODUCTION**

This remuneration report (“Report”) has been drawn up by Tiscali S.p.A. (the “Company”) pursuant to applicable legislation and Article 6 of the Code of Conduct (hereinafter the “Code”). The Report was approved by the Board of Directors on 30 March 2012, having consulted the Remuneration Committee and submitted for the examination and vote of the shareholders’ meeting during the session approving the financial statements as of 31 December 2011 as per Article 123 *ter*, section 6 of Italian Legislative Decree no. 58 dated 24 February 1998 (hereinafter the “TUF”). The Report is divided into two parts: the first describes the essential lines of the Company’s remuneration policy, while the second illustrates the remuneration of the members of the Board of Directors, the General Manager and the other Executives with Strategic Responsibilities. With regard to the latter parties, the fees are provided in aggregate form as per current legislation. In light of the Company’s role as Parent Company, the information relating to the Italian operating company Tiscali Italia S.p.A. is also reported on, a company wholly-owned by the Company and the only operating entity of the Group.

## **SECTION I. The Company’s remuneration policy.**

### **1. Introduction.**

During 2011, the Company did not adopt a remuneration policy. This remuneration policy was adopted by the Board of Directors on 30 March 2012, upon the proposal of the Remuneration Committee, together with the approval of the Report. In accordance with the recommendations of the Code, the Remuneration Policy defined the ends pursued and the principles which underlie the determination of the emoluments of the management bodies, the general managers and the managers with strategic responsibilities.

You are hereby reminded that the Board of Directors currently in office will fall with the approval by the shareholders’ meeting of the financial statements as of 31 December 2011 and that any subsequent amendments to the remuneration policy will be described in the Reports pertaining to subsequent years.

### **2. Drafting and approval of the remuneration policy.**

The main parties and bodies involved in drafting and approving the Remuneration Policy are the Shareholders' meeting, the Board of Directors, the Remuneration Committee and the Board of Statutory Auditors.

### **2.1 Board of Directors.**

The Board of Directors:

- sets up a Remuneration Committee within the same;
- establishes the remuneration of the directors vested with particular offices, subject to consulting the Board of Statutory Auditors, and upon the proposal of the Remuneration Committee;
- defines the Remuneration Policy, upon the proposal of the remuneration Committee;
- approves the Remuneration Report;
- drafts any remuneration plans based on shares or other financial instruments, submits them for the approval of the shareholders' meeting as per Article 114 *bis* of the TUF and sees to the implementation of the same.

### **2.2 Remuneration Committee**

The Company's Remuneration Committee is established within the Board of Directors and is mainly made up of non-executive and independent directors. It currently comprises Franco Grimaldi (Chairman of the Committee and Independent Director), Victor Uckmar (Member of the Committee and Independent Director) and Gabriele Racugno (Member of the Committee and non-executive Director). The Remuneration Committee performs the following tasks:

- makes proposals to the Board of Directors for the remuneration of the Chief Executive Officer and the other Directors who cover specific offices;
- makes general recommendations to the Board of Directors regarding the remuneration of Group executives with strategic responsibilities;
- aids the Board of Directors in the preparation and implementation of any remuneration plans based on shares or financial instruments;
- assesses the adequacy and application of the Remuneration Policy.

### **2.3 General shareholders' meetings.**

The shareholders' meeting:

- establishes the fee of the members of the Board of Directors and the Board of Statutory Auditors as per Article 2364.1.3);
- expresses an advisory opinion on the Remuneration Policy Report;
- resolves on any remuneration plans based on shares or other financial instruments intended for directors, employees and co-workers, including therein the executives with strategic responsibilities, as per Article 114 *bis* of the TUF.

### **2.4 Board of Statutory Auditors.**

The Board of Statutory Auditors expresses its opinion with regard to the remuneration proposals for the executive directors, and more generally, the directors vested with particular offices, checking the consistency of said proposals with the Remuneration Policy.

### **3. Aspects of the Remuneration Policy.**

The remuneration of the directors, general managers and executives with strategic responsibilities is defined so as to ensure an overall remuneration structure capable of recognising the professional value of the parties involved and attract, motivate and retain the resources in possession of the professional qualities requested so as to profitably pursue the Company's objectives. The remuneration aims to create value over the mid and long-term for the Issuer, the shareholders and the other stakeholders involved. Furthermore, the Remuneration Policy aims to encourage the individuals who occupy key positions in the pursuit of the operational performance objectives of the Company and the Group, with the aim of maintaining the constant alignment between the interests of management and those of majority of the shareholders.

Variable portions of remuneration are envisaged, commensurate with the achievement of specific objectives and performances. If a variable portion is envisaged, this in any event has a maximum limit and the individual objectives take into account the medium and long-term objectives of the Company and are, at the same time, specific and defined, gaugeable, realistic, highly challenging and provide incentive. In the event that the Company carries out transactions which are particularly exceptional due to strategic importance and with regard to the effects on the Company's own results, the Board of Directors - upon the proposal of the Remuneration Committee - has the faculty to assign, on a discretionary basis, specific bonuses to executive directors, executives with strategic responsibilities or to other parties specifically identified.

The Company may envisage incentive or loyalty retention plans based on shares or other financial instruments intended for directors, employees and co-workers, including therein the executives with strategic responsibilities, as per Article 114 *bis* of the TUF. At present, the plan (stock options) for assigning shares to the Group's managers and employees is close to maturity; this plan will expire on 3 May 2012 and, to date, there are no assignments of shares.

The Remuneration Policy does not envisage that the directors and executives with strategic responsibilities enter into agreements which *ex ante* discipline the economic aspects in the event of termination of the office or relating to any early termination of the relationship by the Company or the party concerned. The Company did not avail itself of the collaboration of independent experts when defining this remuneration policy. The Directors, executive or otherwise, the General Managers and the Executives with strategic responsibilities avail of insurance coverage for civil liability for deeds committed when carrying out their functions with exclusion of cases of fraudulent intent or gross negligence.

#### **4. Remuneration of the directors**

4.1 The Directors in general. Within the Board of Directors, just the Chairman and Chief Executive Officer, Renato Soru, has executive powers. All the non-executive Directors are paid an annual set fee resolved by the Shareholders' meeting at the time of their appointment. No extras are envisaged for the Chairman (there is by contrast *ad hoc* remuneration for the Chief Executive Officer) and for the members of the Committees set up within the Board of Directors; no attendance fees are envisaged, while costs incurred for the performance of the office are reimbursed. The Remuneration Policy does not envisage the payment of benefits in kind.

4.2 Executive directors. At present, the remuneration of the Chief Executive Officer, the only executive director, envisages just a fixed component together with certain benefits in kind while a variable portion is not provided for. The remuneration is in line with the position covered, the commitment required and the knowledge and qualities necessary and is such that it attracts, retains and motivates individuals suitable for the role of Chief Executive Officer. At present, a variable portion is not envisaged; if subsequently introduced, this would be commensurate with the medium and long-term results of the Company as illustrated in the Company's Strategic Plans.

#### **5. Remuneration of the general managers and executives with strategic responsibility.**

The remuneration of the General Managers and the Executives with Strategic Responsibilities is established on a consistent basis with the general principles indicated above and comprises a fixed annual component, determined to a significant extent, in keeping with the position and commitment required and, in any event such that it attracts, retains and motivates the necessary individuals. A variable annual component may be present, achievable in relation to reaching pre-established company targets linked to the results expected on the basis of the Strategic Plan approved by the Company. The variable component is commensurate with specific and defined objectives, gaugeable, realistic, highly challenging and which provide incentive and, in any event, with a maximum tendential limit of no more than 30% of the gross fixed annual remuneration without prejudice to any exceptions for the General Manager. The assignment of benefits in kind is envisaged such as the allocation of company vehicles and provision of pension and welfare plans which reflects the ordinary coverage concerning pension and welfare matters, as envisaged by the National Collective Labour Agreement applied.

### **SECTION II. The remuneration of the Board Directors, members of the Board of Statutory Auditors, General Managers and other Executives with strategic responsibilities.**

#### **1. The fees of the Board Directors**

1.1 Non-executive directors. The non-executive directors are paid an annual fixed fee of EUR 25 thousand, resolved by the Shareholders' meeting appointing the same on 21 December 2009. As mentioned, no extras are envisaged for the Chairman (there is by contrast *ad hoc* remuneration for the Chief Executive Officer) and for the members of the Committees set up within the Board of Directors; no attendance fees are envisaged, while costs incurred for the performance of the office are reimbursed. The Remuneration Policy does not envisage the payment of benefits in kind nor any indemnity for termination of the office.

1.2 Executive directors. At present, the remuneration of the Chief Executive Officer, Renato Soru, the only executive director, envisages just a fixed component of EUR 350 thousand gross per annum plus the reimbursement of the costs incurred for the office and the benefits in kind shown in table no. 1 below; no variable portion is envisaged nor specific compensation in the event of termination of the office. The afore-mentioned remuneration is inclusive of the emolument envisaged for the non-executive directors and was resolved by the Board of Directors on 26 March 2010, upon the proposal of the Remuneration Committee.

## **2. Fees of the Board of Statutory Auditors.**

The fee of the members of the Board of Statutory Auditors was resolved by the shareholders' meeting which appointed the same on 30 April 2009 and is equal to the fees envisaged by the tariffs for Business Accountants plus 50% for the Chairman of the Board of Statutory Auditors; no fee is envisaged for the alternate Auditors except for the amount due for any period of substitution. The remuneration as established above for 2011 amounts to EUR 50 thousand gross per annum for the Chairman of the Board of Statutory Auditors Paolo Tamponi and EUR 35 thousand gross per annum for each of the Statutory Auditors, Piero Maccioni and Andrea Zini. No variable remuneration, benefits in kind or share-based or other allocation plans are envisaged for the members of the Board of Statutory Auditors.

## **3. Remuneration of the General Managers and Executives with strategic responsibility.**

As of the date of this report, the fee of Luca Scano, General Manager of the subsidiary Tiscali Italia S.p.A., amounts to EUR 188 thousand gross per annum plus the remuneration as non-executive director as per point 1 above and together with the benefits in kind shown in the table no. 1 below: a variable portion is envisaged, commensurate with the achievement of the medium and long-term objectives and with a maximum disburseable equal to 67% of the gross annual remuneration; specific compensation for termination of the employment relationship is not envisaged. Furthermore, Luca Scano receives gross annual remuneration of EUR 20 thousand as Executive appointed to draw up the corporate and accounting documents of Tiscali S.p.A..

At present, in the company's opinion, there are five Executives with Strategic Responsibilities as per current legislation; these parties are employees of the subsidiary Tiscali Italia S.p.A.. The total

fee due to the same amounts to EUR 821,678 gross per annum together with total benefits in kind of EUR 47,328 gross per annum: a variable portion is generally envisaged, commensurate with the achievement of the medium and long-term objectives and with a total maximum disburseable of EUR 280,000; specific compensation for termination of the employment relationship is not envisaged.

**4. Incentive plans in favour of the members of the management body, the general managers and executives with strategic responsibilities.**

At present, the plan (stock options) for assigning shares to the Group's managers and employees is close to maturity; this plan will expire on 3 May 2012 and, to-date, there are no assignments of shares.

**5. Equity investments of the members of the management and audit bodies, the general managers and executives with strategic responsibility.**

The equity investments of the members of the management and audit bodies and the general managers are summarised in table no. 2 below. The five Executives with Strategic Responsibilities as indicated above did not hold any shares in the company as at 31 December 2010 or 31 December 2011.

**TABLE 1 - Fees relating to 2011 (amounts in EUR 000)**

Name and surname	Position	Period from when the office has been covered	Expiry of the office	Total remuneration	Remuneration for participation on committees	Bonus and other incentives	Benefits in kind*	Other remuneration	Total
<b>Renato Soru</b>	Chairman and Chief Executive Officer	21 Dec. 2009	15 May 2012	350	-	-	38	-	388
<b>Luca Scano</b>	Director	21 Dec. 2009	15 May 2012	25	-	-	12.2	208**	245.2
<b>Victor Uckmar</b>	Director	21 Dec. 2009	15 May 2012	25	-	-	-	-	25
<b>Franco Grimaldi</b>	Director	21 Dec. 2009	15 May 2012	25	-	-	-	-	25
<b>Gabriele Racugno</b>	Director	21 Dec. 2009	15 May 2012	25	-	-	-	70 ***	95

\* *Benefits in kind: use of telephone, company car and insurance and/or pension/welfare policies.*

\*\**Luca Scano receives remuneration as Executive appointed to draw up the corporate and accounting documents of Tiscali S.p.A. and General Manager of the subsidiary Tiscali Italia S.p.A.*

\*\*\* *Gabriele Racugno provides legal advice via his firm to the subsidiary Tiscali Italia S.p.A.*

Name and surname	Position	Period from when the office has been covered	Expiry of the office	Total remuneration	Remuneration for participation on committees	Bonus and other incentives	Benefits in kind*	Other remuneration	Total
<b>Paolo Tamponi</b>	Chairman	21 Dec. 2009	15 May 2012	50	-	-	-	-	50
<b>Piero Maccioni</b>	Statutory Auditor	30 April 2009	15 May 2012	35	-	-	-	-	35
<b>Andrea Zini</b>	Statutory Auditor	30 April 2009	15 May 2012	35	-	-	-	-	35
<b>Rita Casu</b>	Alternate Auditor	30 April 2009	15 May 2012	-	-	-	-	-	-
<b>Giuseppe Biondo</b>	Alternate Auditor	30 April 2009	15 May 2012	-	-	-	-	-	-

\* *Benefits in kind: use of telephone, company car and insurance and/or pension/welfare policies.*

**TABLE 2 - Equity investments of the members of the management and audit bodies and the general managers**

**Board of Directors**

<b>Name - Surname</b>	<b>Position</b>	<b>No. of shares held at 1 Jan. 2011</b>	<b>No. of shares purchased/subscribed</b>	<b>No. of shares sold</b>	<b>No. of shares held at 31 Dec. 2011</b>
<b>Renato Soru</b>	Chairman and Chief Executive Officer	331,133,617	-	-	331,133,617
<b>Luca Scano</b>	Director and General Manager	-	-	-	-
<b>Victor Uckmar</b>	Director	-	-	-	-
<b>Franco Grimaldi</b>	Director	-	-	-	-
<b>Gabriele Racugno</b>	Director	-	-	-	-

**Board of Statutory Auditors**

<b>Name - Surname</b>	<b>Position</b>	<b>No. of shares held at 1 Jan. 2011</b>	<b>No. of shares purchased/ subscribed</b>	<b>No. of shares sold</b>	<b>No. of shares held at 31 Dec. 2011</b>
<b>Paolo Tamponi</b>	Chairman	-	-	-	-
<b>Piero Maccioni</b>	Statutory Auditor	-	-	-	-
<b>Andrea Zini</b>	Statutory Auditor	-	-	-	-
<b>Rita Casu</b>	Alternate Auditor	50	-	-	50
<b>Giuseppe Biondo</b>	Alternate Auditor	-	-	-	-