

**REPORT ON REMUNERATION AND COMPENSATION PAID TO THE MEMBERS  
OF THE STRATEGIC SUPERVISION, MANAGEMENT AND CONTROL BODIES  
AND THE PERSONNEL OF THE BFF BANKING GROUP**

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**BOARD OF DIRECTORS OF 1 MARCH 2022**

**TO BE SUBMITTED TO THE SHAREHOLDERS' MEETING FOR APPROVAL**

**(CALLED FOR 31 MARCH 2022 IN SINGLE CALL)**

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**SECTION I**

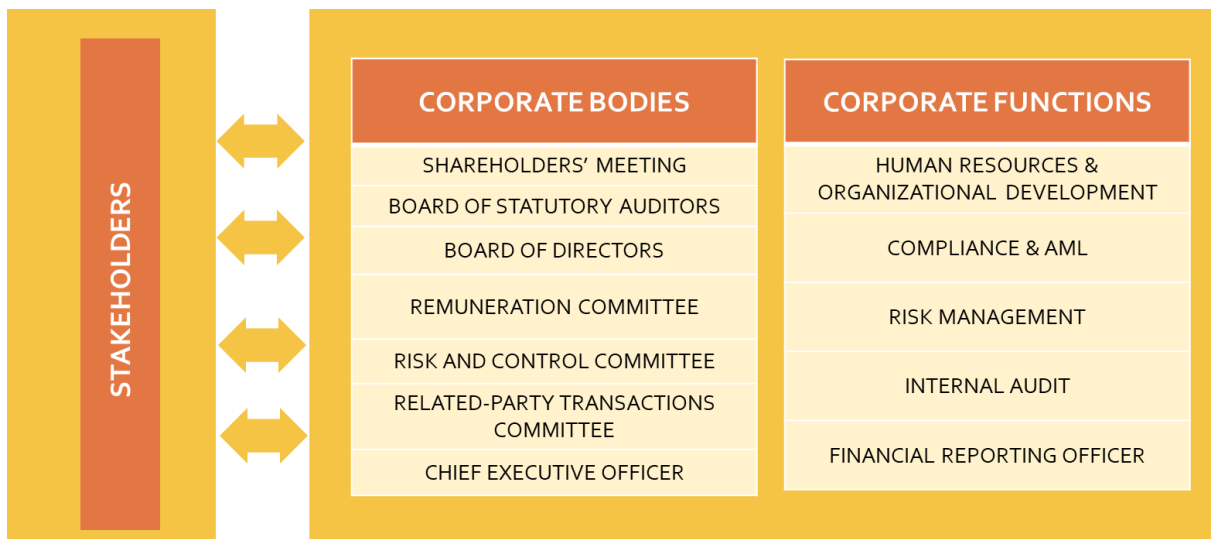
**2022 REMUNERATION AND INCENTIVE POLICY**

**1. GOVERNANCE OF THE REMUNERATION AND INCENTIVE SYSTEM**

The Policy is defined, implemented, and managed through a clear process that involves several corporate bodies and functions at various levels and according to specific roles and responsibilities.

The Policy is also defined as part of a dialogue with the various *stakeholders*, including institutional investors and *proxy advisors*.

**DEFINITION, IMPLEMENTATION AND MONITORING OF REMUNERATION AND INCENTIVE POLICIES**



The role of the Bank's corporate bodies and the process for adopting, applying and monitoring the Policy, as required by Supervisory Provisions, are described below.

**1.1 MEETING**

With reference to remuneration and incentive policies, the Ordinary Meeting:

- i. determines the remuneration to be paid to Directors, Statutory Auditors and to the Independent Auditors entrusted with the audit engagement;
- ii. approves this Policy;

- iii. approves any remuneration plans based on Financial Instruments;
- iv. approves the criteria for determining the remuneration to be granted in the event of early termination of the employment or early termination of office, including the limits set to such remuneration in terms of annual Fixed Remuneration and the maximum amount resulting from their application;
- v. at least once a year, expresses its opinion by means of advisory vote regarding the disclosure on the remuneration and incentive policies adopted by the Bank, and their implementation according to the procedures defined by Supervisory Provisions. That disclosure contains the same information regarding remuneration and incentive systems and practices provided to the public, in compliance with Supervisory Provisions.
- vi. approves any increase in the cap to the variable to fixed remuneration ratio from 1:1 up to a maximum of 2:1 for Risk Takers. This authorisation was implemented by the Shareholders' Meeting resolution of 5 December 2016 by which the Shareholders' Meeting approved the proposal of the Board of Directors to raise the limit of the Variable to Fixed Remuneration ratio from 1:1 to a maximum of 2:1 (with the exception of Personnel in Corporate Control Functions for whom the Variable to Fixed Remuneration ratio does not exceed the limit of one third). This Board resolution was adopted:
  - a) in accordance with the qualified majorities laid down in the Supervisory Provisions;
  - b) following advance notice to the Supervisory Authority as required by the Supervisory Provisions.

#### **1.1.1 Voting results of the 2021 Shareholders' Meeting**

The remuneration policies currently in force for the Group Personnel are those approved by the Board of Directors on 25 February 2020 and by the Meeting on 2 April 2020 (2020 Policy).

The Meeting held on 25 March 2021 did not approve the new version of the remuneration policies proposed by the Board of Directors for 2021 and amended the provisions of the 2020 Policy in sub-point (B) of paragraph 8.2.6.4 (Amounts payable under an agreement to settle

an existing or potential dispute). Specifically, the Meeting approved the predefined formulas for calculating the amounts payable under agreements with Personnel, reached in any forum for the settlement of current or potential disputes and, currently on the basis of those formulas, the maximum limit of 24 months of Global Remuneration for the last year of service and the maximum amount of:

- Euro 1,100,000.00 for Employees;
- Euro 4,500,000.00 for Personnel other than Employees.

Paragraph 2 describes the main changes introduced by the Policy in consideration, among other things, of the meeting voting results on 25 March 2021 and the subsequent dialogue with investors; in particular, the changes addressed the additional disclosures provided under the Policy, the introduction of a medium-long term incentive plan, the balancing of economic and financial objectives within a broader corporate social responsibility, in line with the principles of “*stakeholder capitalism*” and, therefore, the *pay-for-performance* orientation in the medium-long term horizon.

## 1.2 BOARD OF DIRECTORS

The Board of Directors:

- i. develops, submits to the Meeting and re-examines at least annually the Policy, and is responsible for its correct implementation, ensuring that said policy is adequately documented and accessible by Personnel;
- ii. approves, in accordance with the Policy (following a proposal from the Chief Executive Officer), the remuneration and incentive systems for the Relevant Personnel of the Board of Directors, including the deferment and *retention* portions and periods and the *cash* - financial instruments ratio, in accordance with the limits laid down in the *Policy*. It also approves, on the proposal of the Remuneration Committee, the entire remuneration package of the Chief Executive Officer, including any allocation of *stock options* or other long-term incentive instruments;
- iii. approves the Remuneration Policy for the Relevant Personnel, for Complaints Handling Personnel and for the Personnel in charge of assessing creditworthiness (“Relevant Personnel”);



- iv. verifies that the remuneration paid to the Chairman, the Chief Executive Officer, the non-executive directors and the members of the control bodies complies with the indications given by the Remuneration Committee;
- v. is responsible for the administration of stock option plans by, *inter alia*:
  - a) determining the maximum number of stock options to be allocated overall to the beneficiaries, in respect of each *tranche*;
  - b) identifying the beneficiaries of each *tranche* with regard to the Relevant Personnel of the BoD;
  - c) reallocating options granted to the Relevant Personnel of the BoD, which have become available to the Bank in accordance with the regulations of the stock option plans.
- vi. ensures that remuneration and incentive systems are consistent with the Bank's overall choices in terms of risk-taking, strategies, long-term targets, governance structure and internal controls;
- vii. periodically reviews, with the support of the Remuneration Committee, the gender neutrality of remuneration policies and monitors the *gender pay gap* and its evolution over time;
- viii. approves the outcomes of the Risk Taker identification process, including the outcomes of the Risk Taker exclusion process, if any, and periodically reviews the relevant criteria;
- ix. approves, under exceptional circumstances<sup>1</sup> and as provided for by article 123-ter, paragraph 3-bis of the Consolidated Law on Finance as updated in 2019 and by the update to the Issuers' Regulation of December 2020, any deviation from the Policy, subject to the opinion of the Remuneration Committee and consistent with the procedure contained in the Regulation for the management of transactions with parties in conflict of interest.

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<sup>1</sup> Exceptional circumstances are exclusively situations where a deviation from the Remuneration Policy is necessary to pursue the long-term interests and sustainability of the Company as a whole or to ensure its ability to continue operating on the market.

In this regard, it is noted that, within the Policy - while ensuring compliance with the cap on the Variable to Fixed Remuneration ratio approved by the Meeting - deviations are possible with regard to the Variable Remuneration components, in particular the objectives and/or adjustments mix underlying the individual variable component, or the target and maximum levels or the vesting and payment conditions.

Information on any deviation from the Policy is provided to the Meeting as part of the Annual Report on the Remuneration Policy and on Compensation Paid for the following year, highlighting the elements that were waived, the exceptional circumstances, why the waiver contributed to the long-term interests and sustainability of the Bank as a whole or to ensuring its ability to continue operating on the market. Information on the procedure followed is also provided.

### 1.3 BOARD OF STATUTORY AUDITORS

On the subject of remuneration, the Board of Statutory Auditors plays an advisory role, expressing opinions as required by the legislation in force. In particular, the Board of Statutory Auditors expresses its opinion on proposals for the remuneration of Executive Directors and other Directors holding special offices.

### 1.4 REMUNERATION COMMITTEE

#### Composition of the Remuneration Committee

The Remuneration Committee is composed of three non-executive Directors of the Board of Directors, at least two of whom are independent. The Chairman of the Remuneration Committee is chosen from among the independent directors. The Chairman of the Board of Directors, although assessed as independent, cannot be appointed as a member of the Remuneration Committee.

The current members of the Remuneration Committee, appointed by resolution of the Board of Directors on 24 February 2022 are as follows:



## Tasks of the Remuneration Committee

The functions of the Remuneration Committee consist in analysing, providing advice and making proposals to the Board of Directors on remuneration and incentive policies for Personnel, as well as monitoring the areas for which it is responsible. In performing these functions, the Remuneration Committee:

- i. supports the Board of Directors in defining the guidelines on remuneration policies and principles to be submitted to the Meeting for approval, in accordance with the provisions of Circular 285 and taking into account the relevant provisions of the Corporate Governance Code, also for "*comply or explain*" purposes;
- ii. makes proposals on the remuneration of employees whose remuneration and incentive systems are decided by the Board of Directors. The proposals made by the Remuneration Committee are, in turn, drawn up on the basis of proposals made by the Chief Executive Officer;
- iii. advises on the determination of remuneration criteria for all risk takers;
- iv. supports the Board of Directors in its periodic review of the gender neutrality of remuneration policies;
- v. expresses its opinion on the outcome of the Risk Taker identification process, including any exclusions, also making use of the information acquired from the relevant Corporate Functions, and in particular from the Group *Human Resources & Organizational Development* Function;
- vi. submits the following opinions to the Board of Directors:
  - a) non-binding opinions and proposals in respect of the adoption (and possible subsequent integration) of any incentive plans (*stock options, stock grants, "employee share ownership", etc.*), the objectives associated with said plans, and the criteria for assessing their achievement;
  - b) non-binding opinions and proposals on the identification of *Risk Takers*;
  - c) opinions on the determination of the indemnities to be paid in the event of early dismissal or termination of office (*golden parachutes*). It assesses the

- potential effects of termination of office on the rights granted under incentive plans based on Financial Instruments;
- vii. directly supervises the correct application of remuneration rules for the heads of Corporate Control Functions, of the Group *Human Resources & Organizational Development* Function and of the *Financial Reporting Officer*, in close cooperation with the Board of Statutory Auditors;
  - viii. with the support of the Group's *Human Resources & Organizational Development* Function, oversees the documentation to be submitted to the Board of Directors at meetings called to discuss remuneration issues (in particular, it prepares the Annual Report on Remuneration Policy and on Compensation Paid, in accordance with the deadlines for its submission to the Meeting);
  - ix. examines the vote cast by the Meeting on the Remuneration Report, and presents its analysis to the Board of Directors;
  - x. cooperates with the other BoD committees and in particular with the Risk and Control Committee, within the framework of the *Policy*. The Risk and Control Committee, in coordination with the Remuneration Committee and with the contribution of the *Risk Management* Function, examines whether the incentives provided by the remuneration system are consistent with the RAF;
  - xi. ensures the involvement of the relevant corporate functions in the process of drafting and monitoring the *Policy*, each according to their respective responsibilities (Group *Human Resources & Organizational Development* Function, *Risk Management* Function, *Compliance & AML* Function, Group *Planning & Control* Organizational Unit and *Internal Audit* Function);
  - xii. expresses its opinion, also using the information received from the relevant corporate functions, on the achievement of the performance objectives, to which the incentive plans are linked, and on the verification of the other conditions for the payment of the remuneration;
  - xiii. periodically assesses the adequacy, overall consistency and correct application of the *Policy* in respect of the members of the Board of Directors and the Relevant Personnel

- of the Board of Directors, making use in the latter respect of the information provided by the Chief Executive Officer (also through the Group *Human Resources & Organizational Development* Function), and makes proposals on the subject to the Board of Directors;
- xiv. monitors the application of the decisions adopted by the Board of Directors on the basis of Remuneration proposals made by the Committee, verifying, in particular, the actual achievement of performance objectives;
  - xv. monitors the evolution and application over time of the incentive plans approved by the Board of Directors;
  - xvi. provides adequate feedback to the company bodies with regard to its activities, in compliance with the applicable regulations. In particular, through the Chairman of the Committee or another member designated by said Chairman, (i) reports to the Meeting called to approve the financial statements on the manner in which it exercises its functions, and (ii) performs the duties assigned to it by the Engagement Policy as regards relations with investors;
  - xvii. in proximity of the renewal of the mandate of the Board of Directors, it draws up, using sector benchmarks, indications so that the amount of the remuneration paid to the Chairman, the Chief Executive Officer, the non-executive directors and the members of the control bodies is adequate for the expertise, professionalism and commitment required by their office;
  - xviii. having regard also to the results of the activities referred to in point xiv) above, formulates proposals and/or expresses opinions to the Board of Directors on the remuneration of the following persons (a) the Chairman of the Board of Directors, (b) the Chief Executive Officer, and the other directors who hold special offices and/or positions (including, therefore, the members of Committees), including the setting of performance objectives related to the variable component of the remuneration of executive directors, (c) Senior Executives, (d) Executives who report directly to the Chief Executive Officer, and (e) the heads of the Corporate Control Functions of the Parent Company. The opinions and proposals referred to in points (c), (d) and (e) are

expressed on the basis of a discretionary assessment, conducted taking into account, inter alia, the following parameters:

- the importance of responsibilities in the corporate organizational structure;
- the achievement of specific objectives specified in advance by the Board of Directors;
- any requirements set out in the regulations;

and, for persons other than the heads of the Parent Company's Control Functions, also the following parameters:

- impact on company results;
- financial results achieved by the Bank.

- xix. supports the Board of Directors in verifying that the remuneration paid to non-executive directors and members of the control bodies meets the indications set out in point xiv);
- xx. performs the additional tasks the Board of Directors may assign to it by means of specific resolutions.

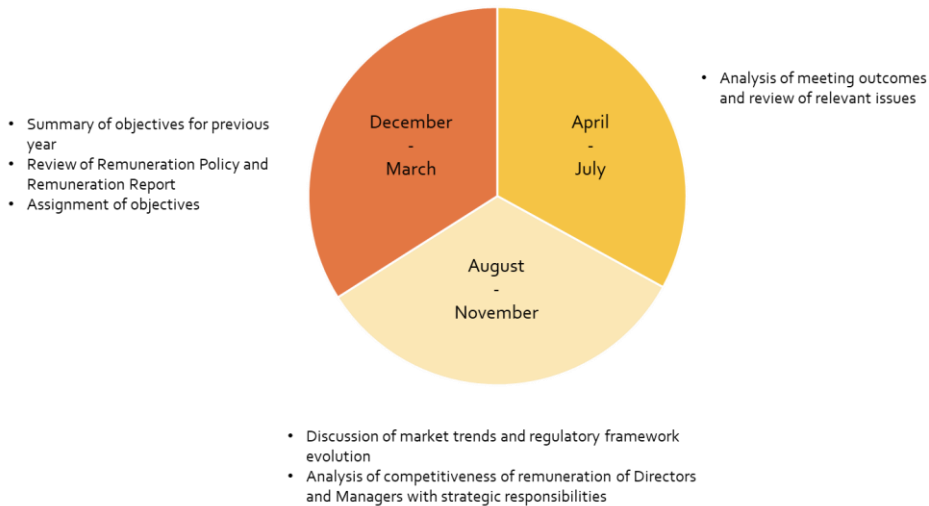
No director takes part in the meetings of the Remuneration Committee where proposals are made to the Board regarding his or her own remuneration.

If the Board of Directors has not determined the annual expenditure budget available to the Remuneration Committee for the performance of its activities, the Remuneration Committee shall submit to the Board of Directors a request for approval of the relevant expenditure items.

### Cycle of activities of the Remuneration Committee

The Remuneration Committee is convened by the Chairman and meets at least once every three months and, in any case, whenever necessary for dealing with matters under its remit.

The Remuneration Committee’s calendar of activities for 2022 is as follows:



### 1.5 RISK AND CONTROL COMMITTEE

One of the functions of the Risk and Control Committee is to ensure that the incentives underlying the Group’s remuneration system are consistent with the maximum risk levels that the Group intends to take on.

In performing this function, it cooperates with the other committees within the Board of Directors, in particular with the Remuneration Committee. The Risk and Control Committee, in coordination with the Remuneration Committee and with the support of the *Risk Management* Function, examines whether the incentives provided by the remuneration system are consistent with the RAF.

### 1.6 RELATED-PARTY TRANSACTIONS COMMITTEE

The Related-Party Transactions Committee expresses opinions on the remuneration of the members of the Board of Directors. In addition, under exceptional circumstances<sup>2</sup> and as provided for by article 123-ter, paragraph 3-bis of the Consolidated Law on Finance as

<sup>2</sup> Exceptional circumstances are exclusively situations where a deviation from the Remuneration Policy is necessary to pursue the long-term interests and sustainability of the Company as a whole or to ensure its ability to continue operating on the market.

updated in 2019 and by the update to the Issuers' Regulation of December 2020, the Related Parties Transactions Committee is consulted in accordance with the regulation for the management of transactions with parties in conflict of interest regarding any deviations from the Policy.

### 1.7 CHIEF EXECUTIVE OFFICER

The Chief Executive Officer:

- i. submits to the Board of Directors proposals to revise the *Policy*;
- ii. defines and approves the operative process for establishing the criteria underlying the remuneration and incentive system, in compliance with the *Policy*;
- iii. defines the Remuneration, including deferment and *retention* portions and periods and the cash - financial instruments ratio, in line with the minimum limits set by the Policy, for:
  - a) Group and Bank *Executives* who do not report directly to the Chief Executive Officer;
  - b) all other Group Personnel whose Remuneration falls outside the remit of the Meeting and/or the Board of Directors.
- iv. proposes to the Board of Directors the hiring, promotion, disciplinary sanctions, dismissal and any other measures against *Senior Executives* and *Executives* who report directly to the Chief Executive Officer, subject to the limitations provided for by supervisory provisions;
- v. defines, for the Group's Subsidiaries, the remuneration systems that do not fall within the remit of the Bank's Board of Directors, taking into account the relevant local regulations;
- vi. identifies the beneficiaries of the stock option plans and the number of stock options to be granted to those who are not Relevant Personnel of the Board of Directors in accordance with the provisions of the plans. It also carries out the administrative activities of the stock option plan delegated to it by the Board of Directors or pursuant to said plans;



- vii. reallocates options granted to Personnel other than the Relevant Personnel of the Board of Directors, which have become available to the Bank in accordance with the regulations of the stock option plans.

### 1.8 POLICY ADOPTION, IMPLEMENTATION AND MONITORING PROCESS<sup>3</sup>

The Bank adopts the Policy through the following process which takes place at least annually.

- i. The Group *Human Resources & Organizational Development* Function, having received a mandate from the Group CEO regarding the content, prepares a draft of the Policy involving the relevant functions, including the *General Counsel* Function, the *Risk Management* Function, the *Planning & Control* O.U. and the *Compliance & AML* Function, and with the support of an external consultant<sup>4</sup>.
- ii. The *Human Resources & Organizational Development* Function submits the updated draft of the Policy to the Chief Executive Officer.
- iii. The Chief Executive Officer submits the Policy to the Board of Directors for its approval, together with the specific opinion of the *Compliance & AML* Function.
- iv. The Board of Directors, after hearing the opinion of the Remuneration Committee and the Risk and Control Committee, decides to approve the Policy and to submit it to the Meeting for approval.
- v. The Meeting resolves on the adoption of the Policy.

See Annex 3 for details of the roles of the different corporate functions.

As regards the process of application and monitoring of the Policy, the *Human Resources & Organizational Development* Function is the corporate structure in charge of applying the Policy at Group level.

In particular, at least once a year, the *Human Resources & Organizational Development* Function, also based on a job market analysis, organizational changes or strategic guidelines of the Group, verifies the need to review the Policy. The *Human Resources & Organizational Development* Function also checks the Personnel incentive system, in terms of instruments,

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<sup>3</sup> Regulatory references: article 123-ter TUF, Schedule 7-bis of Annex 3A to the Issuers' Regulations.

<sup>4</sup> Law firm Gattai, Minoli, Partners.

methods, operating mechanisms and parameters adopted by the Group, in order to implement the provisions of the Policy.

The implementation of the Policy is verified, at least annually, by the *Compliance & AML* Function, the *Internal Audit* Function and the *Risk Management* Function, each according to their respective responsibilities, in order to ensure the adequacy and compliance of the Policy with Supervisory Provisions and its correct functioning.

## 2. PRINCIPLES AND PURSUIT OF LONG-TERM INTERESTS WITH A VIEW TO SUSTAINABILITY AND PERSONNEL MANAGEMENT POLICY<sup>5</sup>

The Remuneration and incentive system of the Group draws on the following principles:

- i. ensuring consistency with the Bank's objectives, corporate culture, long-term strategies, prudent risk management policies and overall corporate structure;
- ii. avoiding conflict of interest situations;
- iii. encouraging control activities by the relevant Company Control Functions;
- iv. attracting and retaining persons with professionalisms and skills adequate to the Group's needs, enhancing them through paths of professional growth;
- v. basing behaviour on utmost diligence and fairness in relationships, in line with the Group's values;
- vi. identifying and guiding the achievement of objectives:
  - a) linked to business results, appropriately adjusted to take account of risks,
  - b) consistent with the levels of capital and liquidity required to cover the activities undertaken,
  - c) capable of avoiding distorted incentives that may lead to an excessive risk taking for the Group and the financial system as a whole.

In defining the remuneration policies, consideration was also given to the:

- i. Group's size profiles and operational complexity;
- ii. Group's business model and the consequent risk levels to which the Group may be exposed;
- iii. the best practices, including international best practices, on remuneration policies;
- iv. the remuneration and working conditions of Personnel. In particular, the Bank provides for forms of Variable Remuneration for the Relevant Personnel, based on the specific features of staff and business areas through a specific policy approved by the Board of Directors, which complies with the rules and principles of this Policy. Finally,

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<sup>5</sup> Regulatory references: Schedule 7-bis of Annex 3A to the Issuers' Regulations according to which the report should specify, *inter alia*, "the purposes and underlying principle of the remuneration policy".

remuneration levels and components are maintained in line with the previous year, despite the frequent use of innovative and flexible work methods (e.g. smart working) due to the Covid-19 emergency.

### **Main changes introduced in the 2022 policy**

The Policy has been adjusted as part of a process of continuous improvement aimed at strengthening the dialogue with investors, taking into account the feedback received, the recent regulatory provisions<sup>6</sup> and the objectives the Bank intends to pursue through its policies in the medium and long term.

In particular, during 2021, the BFF Group launched a policy of active listening as part of its stakeholder engagement activities, carried out through 10 meetings with the main 8 institutional investors and proxy advisors starting in September-October 2021. This strategy forms a structural element of the governance of the Policy. This process includes, in particular, the changes to the structure of the Chief Executive Officer's remuneration described below, with specific regard to the balancing of the annual component with an incentive plan linked to the achievement of objectives over a long-term horizon, the integration of economic-financial objectives with social responsibility objectives and, as part of the continuous improvement process regarding the transparency of policies, a review of the structure of this document for a more effective communication and publication of the objectives underlying the Chief Executive Officer's annual and long-term incentive plan (paragraph 6.2 - *Medium-long term variable system*). The main changes of the Policy may be summarised as follows:

- 1) review of the pay mix and of the remuneration structure of the Chief Executive Officer, by (paragraph 6 - *Remuneration of the Chief Executive Officer*):
  - a. with regard to the annual component, supplementing the MBO based on the achievement of the EBTDA<sup>RA</sup>, which is a measure calculated on return on capital and the sustainability results of value creation over time, with an MBO

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<sup>6</sup> On 24 November 2021, the 37th update of Bank of Italy Circular 285/2013 was published, aimed at transposing the changes introduced in this area by CRD V (Directive 2019/878/EU) and the Guidelines of the European Banking Authority implementing the Directive (EBA/GL/2021/04). These Remuneration and Incentive Policies also take into account the introduction of the new 2020 Corporate Governance Code and the amendments relating to the updates of the Issuers' Regulations made by Consob Resolution no. 21623 of 10 December 2020.

- that contains additional indicators established annually in line with the various stakeholders and taking into account corporate social responsibility and whose KPIs for 2022 are pointed out in this document, namely i) ESG ("*customer satisfaction*" ~~and "*foster diversity*"~~); ii) volumes of credit factoring and iii) volume of new AUD (paragraph 6.1 MBO);
- b. with regard to the pay mix, introduction of a structural long-term incentive component, subject to the achievement of objectives, in terms of value creation, as a whole and also considering non-financial objectives, set in line with the best market practices of the relevant sector (paragraph 6.2 - *Medium-long term variable system* (LTI)).
- 2) review of severance policies, by setting the cap for the Chief Executive Officer at 1.8 times the sum of the average Variable Remuneration for the previous three years<sup>7</sup> and the fixed remuneration (excluding Benefits), thereby eliminating the floor, and at 24 months' salary for Employees (paragraphs 6.3 for the Chief Executive Officer and 7.2.2.8. for Employees), in addition to the notice period;
  - 3) excluding the right to receive extraordinary bonuses not related to performance with regard to the Chief Executive Officer and the Executives with Strategic Responsibilities;
  - 4) expressly setting out the neutrality of remuneration policies in respect of any diversity, including gender, this being the guiding principle of the Group's remuneration policies, by activating a monitoring framework and the related tasks of the corporate bodies;
  - 5) as a result of the Bank of Italy's updating of bank size criteria and, therefore, in consideration of the Bank's classification as a "non-small bank", the pay-out schemes for the Chief Executive Officer and the remaining Risk Takers were modified, by

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<sup>7</sup> Defined as the average of the amounts paid to the Chief Executive Officer as Variable Remuneration (as currently defined) in the three-year period preceding the vesting date of the Chief Executive Officer's right to receive the golden parachute, including amounts still subject to deferment (for the sake of clarity: the deferred variable remuneration accrued in the previous three-year period is taken into account but not the deferred amount received in the three-year period arising from variable remuneration prior to the three-year period of reference) and including the value of any stock options, phantom stock options or other equivalent instruments granted in the three-year period, the value of which is the value calculated at the grant date.

significantly extending the time horizon and increasing the weight of the equity component:

- i. deferral percentages were increased from 30% to 40% and to 60% for significantly high Variable Remuneration, for the Chief Executive Officer and the remaining Top Management;
  - ii. the deferral periods were increased from 2 to 4 years (5 years for significantly high Variable Remuneration) on a pro rata basis, (*i.e.*, 10% one year after the payment of the up-front portion, 10% in the second year, 10% in the third year, 10% in the fourth year). For beneficiaries of significantly high Variable Remuneration, the deferral is 5 years on a pro rata basis (*i.e.*, 12% one year after the payment of the up-front portion, 12% in the second year, 12% in the third year, 12% in the fourth year and 12% in the fifth year). The payment of deferred portions for Employees is conditional on the beneficiary remaining in service at the date of payment, it being understood that, after three years of deferment, the beneficiary's right to payment will also vest for the subsequent deferred portions, regardless of any termination of employment;
  - iii. the percentage ratio of financial instruments in the deferred portion of the significantly high Variable Remuneration for the Chief Executive Officer and the remaining of the Top Management, (51% in the deferred portion), paragraph 7.2.1.3- Significantly High Variable Remuneration of Top Management.
- 6) with a view to increasing transparency and disclosure to the market and taking into account the recent provisions introduced by the *Issuers' Regulation*, Section II has been supplemented with detailed information on the correlation between the results achieved and the calculation of the variable remuneration, with the disclosure required by article 450 of the CRR<sup>8</sup>, as well as with a comparison between the annual

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<sup>8</sup> The technical implementing rules of the Regulation on prudential requirements for credit institutions (CRR II) concerning disclosure requirements including on remuneration policies to the market and reporting to the relevant authorities published by the EBA on 24 June 2020 applicable from 30 June 2021.

change in the Total Remuneration of the members of the Board of Directors and the Board of Statutory Auditors and the company's results and the average gross annual pay (GAP) of Employees.

- 7) as provided for in article 123-ter, paragraph 3-bis of the Consolidated Law on Finance, as updated in 2019, definition of the elements of the Policy that can be deviated from under exceptional circumstances and the definition of the process for enabling such waiver (paragraph 1.2);
- 8) changes to the definition of the profitability parameter based on EBITDA. In particular, with respect to the previous Policy, this accounting caption may consider the inclusion or exclusion of any accounting items of an extraordinary nature envisaged in the budget (for example, non-recurring corporate transactions) and/or unexpected items generated by the Bank or the Group that could not be budgeted for, only following a specific resolution of the Board of Directors. The corresponding EBTDA<sup>RA</sup> Target is based on clear and documented criteria and is consistent with the *Risk Appetite Framework*.

### **2021-2023 Strategic Plan and sustainability**

On 15 March 2021, the Board of Directors approved the Group's Strategic Plan ("Plan") for the five-year period 2021-2025 and the financial targets for the three-year period 2021-2023.

The Plan, prepared following the acquisition of DEPOBank S.p.A., and presented to the market is based on a number of pillars:

- organic growth of the different businesses in which the Group is engaged;
- expansion and diversification of funding sources, as well as improved operational efficiency implemented through careful management of synergies arising from the DEPObank acquisition;
- maintaining a low credit risk profile by continuing focussing on the public administration;
- maintaining our capital position, confirming the dividend policy focused on meeting capital targets;

- achieving economic objectives through sustainable and responsible growth in respect of ESG issues.



The remuneration policy for 2022 has been prepared in line with the priorities defined in the 2021-2025 Strategic Plan and taking into account the contribution to the achievement of the Sustainable Development Goals, as defined by the UN General Assembly as part of the 2030 Agenda.

In particular:

- it includes a long-term incentive plan linked to performance targets set in line with the strategic plan and corporate social responsibility,
- in relation to the content and choice of the objectives, both in the short-term and long-term incentive components, it promotes performance objectives that are consistent with the Group's strategic objectives and aimed at promoting Sustainable Success, including, where relevant, also non-financial parameters,

Specifically, for the MBO variable incentive scheme, the Bank:

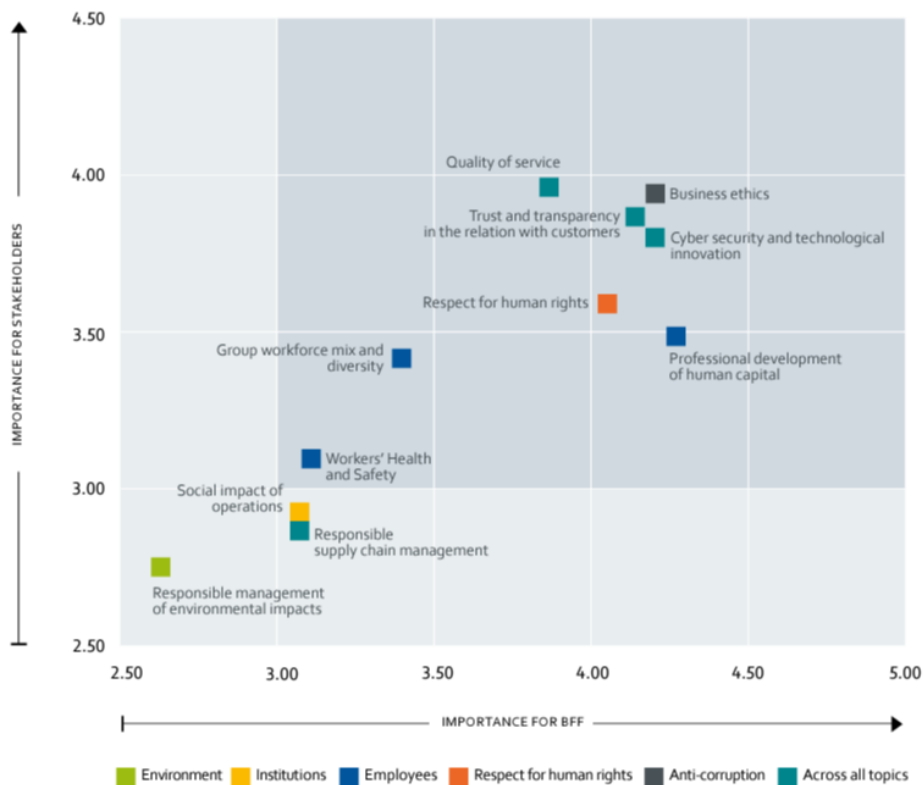
- this year, continues to keep the EBITDA<sup>RA</sup> parameter as the common goal for all company Personnel apart from the Control Functions, the *Financial Reporting Officer* and the *Human Resources & Organizational Development* Function; this parameter appropriately stresses a strong link with profitability while paying great attention to risk and capital absorption, ensuring the sustainable growth of the bank in the long term;
- in line with 2021, includes among its individual objectives for the Employees under the Board of Directors' remit, in support of the assessment of organizational conduct, a



*diversity driver* (both by gender and nationality) for the selection of managerial positions, allowing for an increased presence of women or foreigners in key Group positions, as it requires that at least 50% of the short lists for positions opened during the year includes women or people of a different nationality from the country for which the hiring is being made;

- includes *Customer Satisfaction* as a non-financial quantitative indicator (multiplier) for the Bank’s Employees. For 2022, the *Customer Satisfaction* result for the CEO becomes a quantitative KPI of the short-term variable remuneration.

Attention to sustainability parameters is considered a key and strategic element for the medium-long term development of the Group, thus raising awareness among its Personnel of a corporate culture that is increasingly inclusive, sustainable and attentive to attracting, developing and retaining talent. In this regard, the Group is embarking on a medium-to-long-term development path that envisages an increasingly quantitative approach to ESG metrics, as shown by the materiality matrix below.



## Policy neutrality

The Policy is neutral in respect of Personnel gender and contributes to the pursuit of equality among Personnel members who have the same role, function and geographical location. It ensures that, for the same job, in terms of the relevant responsibilities, activities and time required for its performance, the Remuneration of Personnel is the same, including in terms of conditions for its recognition and payment. To ensure this neutrality, the Bank has introduced the following measures:

- i. gradual review of recruitment, development, career progression and managerial succession policies in order to support gender representation at the various career and/or professional levels; in this respect, in keeping with 2021, the individual objectives of Employees under the Board of Directors' remit include a diversity driver (both by gender and nationality) for the selection of managerial positions, allowing for an increased presence of women or foreigners in key Group positions, as it requires that at least 50% of the short lists for positions opened during the year includes women or people of a different nationality from the country for which the hiring is being made; preparation of a dashboard for the Board of Directors to monitor gender gaps, including the rationale behind significant pay gaps and a corresponding action plan;
- ii. annual information to the Remuneration Committee and to the Board of Directors on the trend of the gender pay gap ("*Average Pay Gap*" and "*Equity Pay Gap*") and of the gender gaps as a whole in time to ensure the integration of any required safeguards in the remuneration policy of the following year.

### 3. IDENTIFICATION OF RISK TAKERS AND CLASSIFICATION OF COMPANY ROLES<sup>9</sup>

The Policy is based on a classification system of company roles that is consistent with the definition of Risk Takers established by the Group.

In particular, the Group identifies the Risk Takers by means of an assessment process performed at least once a year - entrusted to the Board of Directors, with the support of the *Human Resources & Organizational Development* Function, the *Regulations & Processes* O.U. and the *Risk Management* Function - and conducted, until May 2021, on the basis of the qualitative and quantitative criteria laid down by Regulation (EU) no. 604/14, the Group's internal regulations, company procedures, the job description and individual powers of attorney.

Since the approval of Update No. 37 of Circular 285 on May 2021, the *Risk Takers* identification process has been carried out according to the criteria set out in the Supervisory Provisions, identifying the following entities as *Risk Takers*:

- a) the members of the body with strategic supervision and management functions and the top management;
- b) the members of Personnel with managerial responsibilities over company control functions or in relevant operational/business units;
- c) the members of Personnel for whom all of the following conditions are concurrently met:
  - i. the total Remuneration in the previous year was jointly equal to or greater than: €500,000; the average total remuneration paid to the Personnel referred to in a);
  - ii. their professional activity is performed within a relevant operational/business unit and has a significant impact on the risk profile of the operational /business unit.

For the purpose of identifying the Risk Takers under b) and c), the definitions contained in Delegated Regulation (EU) No. 923 of 25 March 2021 apply. The *Risk Takers* category also

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<sup>9</sup> Regulatory references: Supervisory Provisions, Part One, Title IV, Chapter 2, Section I par. 6, EU Delegated Regulation 604/2014.

includes entities identified in implementation of Delegated Regulation (EU) No 923 of 25 March 2021.

Therefore, taking into account the levels of autonomy among the various roles and their impact on the business, the Board of Directors identifies the *Risk Takers* by means of a specific resolution, subject to prior assessment by the *Human Resources & Organizational Development* Function with the support of the *Risk Management*, and *Compliance & AML* Functions, after hearing the opinion of the Remuneration Committee.

In addition, whenever the Bank or one of its Subsidiaries enters into a new employment and/or collaboration contract, the *Human Resources & Organizational Development* Function carries out an assessment to verify whether the person in question falls within the Risk Taker category.

With regard to 2022, the process was based on the criteria set out in the relevant legislation and in particular:

- qualitative criteria: relating to the role, the decision-making powers granted and the responsibilities assumed, within the Bank's organisation, consistent with the nature, scope and complexity of the activities carried out;
- quantitative criteria: relating to the total Remuneration established in the previous year.

The results of the identification process were presented to the Remuneration Committee, which expressed a positive opinion on the matter, and subsequently to the Board of Directors at its meeting of 26 January 2022, which approved the proposal.

This process, on the basis of the above criteria, led to the identification of 41 positions for 2022, 1 more than the results shown in the previous year. Specifically, the change is due to 1 person who became a director of a newly formed Group company.

Category	No.
Executive Members	1
Non-executive Members (Parent Company and Subsidiaries)	22
Directors of Control Functions	3
Remaining personnel of the Top Management	2
Other Risk Takers	13
<b>Total</b>	<b>41</b>

#### 4. RECIPIENTS OF REMUNERATION POLICIES

Remuneration policies are differentiated according to the type of recipients, to take into account the specific characteristics of each interlocutor and the specific regulatory provisions.

In this respect, the Policy identifies the following categories of personnel, whose remuneration systems are described in the following chapters.

CORPORATE BODIES AND SUPERVISORY BODY

CHIEF EXECUTIVE OFFICER

OTHER RISK TAKERS AND EMPLOYEES:

- EXECUTIVES WITH STRATEGIC RESPONSIBILITIES (DIRS)
  - SENIOR MANAGEMENT
  - HEADS OF CONTROL FUNCTIONS
  - REMAINING RISK TAKERS
  - REMAINING PERSONNEL

#### 5. REMUNERATION SYSTEM OF THE COMPANY BODIES AND OF THE SUPERVISORY BOARD

##### 5.1 DIRECTORS OF THE BANK

All Directors:

- i. shall receive the remuneration fixed by the Meeting in addition to the reimbursement of expenses actually incurred in the performance of their duties;
- ii. for those who are Chairmen of Committees and for the members of said Committees, additional remuneration may be determined by the Board of Directors pursuant to article 2389, third paragraph, of the Italian Civil Code;
- iii. have a "civil liability" insurance policy, the cost of which is paid by the Bank.

Except as provided for the Chief Executive Officer (and any executive directors), in no case are the Directors entitled to Variable Remuneration. Any other executive directors may be paid a Fixed Remuneration and a Variable Remuneration, which may include all or some of the components envisaged for the Chief Executive Officer (paragraph 6 - *Chief Executive Officer Remuneration*).

The Chairman of the Board of Directors is paid a Fixed Remuneration established by the Board of Directors pursuant to article 2389, third paragraph of the Italian Civil Code, determined *ex ante*, and consistent with:

- i. the role attributed to him/her;
- ii. the size and organizational complexity of the Bank;
- iii. market practice and benchmarks.

## **5.2 STATUTORY AUDITORS**

The Statutory Auditors:

- i. receive a remuneration set by the Meeting, which is appropriate to the competence, professionalism and commitment required by the importance of the role covered and the size of the Bank;
- ii. do not receive any Variable Remuneration or remuneration linked to the Bank's or Group's results;
- iii. have a "civil liability" insurance policy, the cost of which is paid by the Bank.

The Chairman of the Board of Statutory Auditors receives a higher remuneration than that paid to the Statutory Auditors, which is also set by the Meeting.

## **5.3 MEMBERS OF THE SUPERVISORY BOARD ESTABLISHED PURSUANT TO LEGISLATIVE DECREE NO. 231/2001**

The members of the Supervisory Board who are not Employees receive a Fixed Remuneration that is set by the Board of Directors. The amount of the Fixed Remuneration is established on the basis of market practice and the responsibilities assumed, to guarantee the independence and autonomy of the function, and the diligent performance of office duties. The members of the Supervisory Board cannot receive any Variable Remuneration. However, they receive D&O insurance coverage and the reimbursement of expenses actually incurred in the performance of their duties.

Conversely, for the members of the Supervisory Board who are also Employees no remuneration is envisaged for the office, but only D&O insurance coverage and the reimbursement of expenses actually incurred in the performance of their duties.

## 6. CHIEF EXECUTIVE OFFICE REMUNERATION

The Remuneration structure adopted by the Bank for the Chief Executive Officer favours pay-for-performance, with Variable Remuneration prevailing over Fixed Remuneration.

During the Board meeting held on 1 March 2022, the Bank's Board of Directors approved, on the basis of the positive opinions issued by the competent board internal committees, certain amendments to the contract with the Chief Executive Officer, subsequently signed by the parties. The amendments in question had, and still have, the main purpose of regulating the new commitments of the contractual parties, and the remuneration package to be acknowledged to the Chief Executive Officer, making the related provisions i) consistent with the regulations on the remuneration of corporate officers of credit institutions, as recently amended by Circular no. 285 of the Bank of Italy, and ii) suitable, in the opinion of the Board of Directors, to overcome the remarks contained in the inspection report of the Bank of Italy delivered to this intermediary on 4 November 2021, at the end of the inspections conducted from 8 March to 24 June 2021.

In this regard, the Board of Statutory Auditors pointed out that "having regard to the version of the contract submitted for the approval of the Board of Directors, taking into account the characteristics of the related preliminary investigation process also followed within the scope of the board internal committees, having acknowledged the content of the *pro-veritate* opinion of the independent lawyer appointed by the Remuneration Committee, having however seen the further opinion formulated, at the request of the Chairman of the Board of Directors which was unanimously accepted, in support of the Board of Directors, the Board of Statutory Auditors, within the scope of its duties and functions, expresses, pursuant to art.2389 of the Italian Civil Code, its opinion is not in favor of the proposed amendments to the contract with the Chief Executive Officer, believing that the contractual wording now submitted to the Board of Directors does not make it possible, in particular, to overcome unequivocally, as pointed out in the above-mentioned *pro-veritate* opinion of the [independent legal], the finding of conformity formulated by the Supervisory Authority".

In this regard, the members of the Board of Directors have pointed out that they do not share the opinion of the Board of Statutory Auditors.

The pay mix of the Chief Executive Officer is therefore composed as follows:

- Fixed Remuneration, consisting of remuneration pursuant to article 2389, third paragraph, and a package of Benefits, established by the Board of Directors;
- an MBO with a maximum opportunity of 100% of Fixed Remuneration (excluding *Benefits*) (see section 6.1 *MBO*);
- a medium-long term incentive plan (see section 6.2 *Medium-long term variable system (LTI)*). The maximum allocation to this plan is the difference between (i) twice the Fixed Remuneration and (ii) the annual value of the MBO received by the Chief Executive Officer, the maximum of which is 100% of the Fixed Remuneration.

In addition to the above components, the Chief Executive Officer's Remuneration is composed of (i) a non-competition agreement and (ii) a *golden parachute* - agreed for the purpose, *inter alia*, of limiting the risks of potential litigation between the Bank and the Chief Executive Officer - which may be paid, under certain conditions, upon termination of the office (see Section 6.3 - *Termination payments*).

The Variable Remuneration components of the Chief Executive Officer are described in more detail below.

### **6.1 MBO**

The annual Variable Remuneration and the correlation between risks and performance are established through a process that aims to remunerate the Chief Executive Officer in compliance with the risk profile defined by the *Risk Appetite Framework (RAF)*, and in a *business* continuity perspective and sustainability of long-term results.



In particular, as regards the MBO system of the Chief Executive Officer, the payment is subject to the achievement of certain entry gates:

Indicator	Minimum threshold
<b>Liquidity Coverage Ratio (LCR)</b>	> 0 = risk tolerance (*)
<b>Total Capital Ratio (TCR)</b>	> 0 = risk tolerance (*)
<b>EBTDA<sup>RA</sup> (risk-adjusted and cost of capital-adjusted profitability)</b>	Positive
<b>EBTDA<sup>RA</sup> / Target EBTDA<sup>RA</sup></b>	> 0 = 100% (**)

(\*) level approved by the Board of Directors, and defined within the RAF

(\*\*) unless otherwise resolved by the Board of Directors, in accordance with the assessment made for the EBTDA<sup>RA</sup> / Target EBTDA<sup>RA</sup> indicator as part of the performance assessment process for the remaining personnel and relating to the incentive system multipliers.

The Chief Executive Officer's MBO bonus is linked in part to the timely achievement or exceeding of the *Target Risk Adjusted EBTDA* defined annually and to a further set of targets that are set annually by the Board of Directors. In particular, the MBO bonus depends on the achievement of the *Target EBTDA<sup>RA</sup>* for the year (below which the bonus is not paid, according to an on/off mechanism).

The MBO bonus paid depends on:

- the achievement of objectives defined, at the discretion of the Board of Directors, consistent with the Bank's objectives and values, including sustainable finance objectives that take into account, *inter alia*, environmental, social and governance (ESG) factors, and with the Bank's long-term strategies and prudent risk management policies, including strategies for monitoring and managing impaired loans, consistent with the provisions of the prudential control process<sup>10</sup>. These

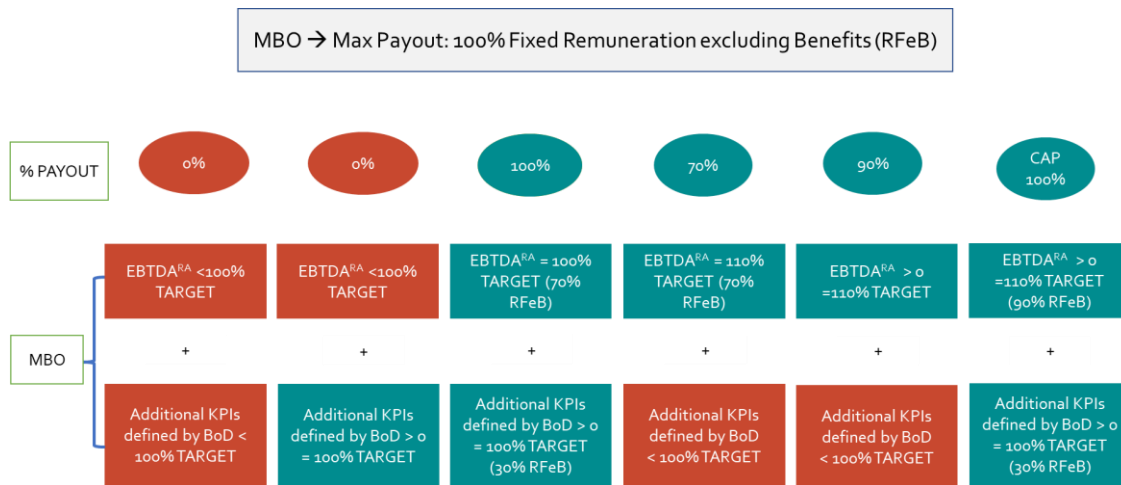
<sup>10</sup> For 2022, the following indicators have been approved by the Board of Directors on 1 March 2022:

- ESG: 20% *customer satisfaction* goal;
- Factoring receivables (weight 15%) at 31/12;
- Depository bank's new AUD volume (weight 15%)

objectives can be broken down into different levels of achievement. If all objectives are achieved, the maximum *payout* for these objectives is **50%** of Fixed Remuneration (excluding *Benefits*);

- the achievement of the Target EBITDA<sup>RA</sup> for the year, which allows for the payment of a bonus amounting to **70%** of Fixed Remuneration (excluding *Benefits*);
- exceeding the Target EBITDA<sup>RA</sup> for the year, which allows for the payment of an incremental amount in the event of *over performance* on this target, up to a maximum of a further **20%** of Fixed Remuneration if 110% of the Target EBITDA<sup>RA</sup> is achieved.

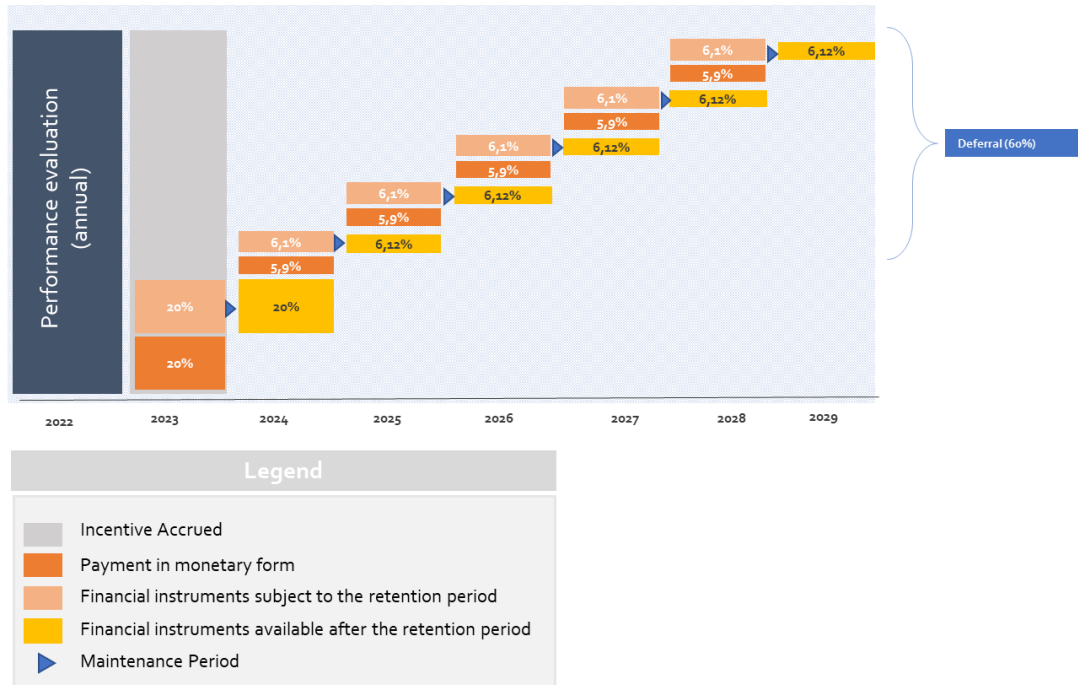
In any event, in line with the provisions for Senior Executives, even where the Chief Executive Officer achieves a performance on the above objectives leading to a bonus that exceeds his/her Fixed Remuneration, (excluding Benefits), the MBO amount may not exceed the Fixed Remuneration (excluding *Benefits*), as shown in the table below.



### Methods of payment

- The Variable Remuneration of the Chief Executive Officer is of a "significantly high amount" pursuant to the Supervisory Provisions. Therefore, the payment of the Chief Executive Officer's MBO bonus is as follows:
- The *up-front* portion, which is paid following the approval of the Group's financial statements, is 40%, while the remaining 60% is deferred in equal annual instalments over 5 financial years, beginning 12 months after the payment of the *up-front* portion;

- 51% of both the up-front and deferred portion is paid through financial instruments, subject to a one-year *retention* period;



- the bonus is subject to *malus* and *claw back* clauses, as envisaged for the remaining Risk Takers (see paragraph 7.2.3 - *Ex-post adjustment mechanisms (Malus and Claw Back)*)<sup>11</sup>.

## 6.2 MEDIUM TO LONG-TERM VARIABLE SYSTEM (LTI)

In addition to the Fixed and Variable Remuneration described above, the Chief Executive Officer participates in *long-term incentive plans* (*stock option plans* or other long-term incentive scheme in addition to existing Stock Option Plans, including "*phantom*" plans, based on options and shares of the Bank), subject to approval by the Meeting where required by law. These plans may be subject to the achievement of objectives, in terms of overall value creation and also having regard to non-financial objectives, which are determined in line with the sector best market practices.

In this regard, a *long-term incentive plan* is submitted for approval at the same Meeting called to approve the Policy.

<sup>11</sup> Subordination of the Chief Executive Officer to the continuation of the employment relationship, not on notice and not pending disciplinary proceedings, does not apply to the Chief Executive Officer, since there is no employment relationship between the Chief Executive Officer and the Bank.

### 6.3 PAYMENTS FOR TERMINATION OF OFFICE

In order to regulate *ex-ante* the financial aspects related to the early termination of the corporate office, the following agreements were entered into with the Chief Executive Officer:

- a ***golden parachute*** to prevent the risk of current or future litigation and the risks associated with legal disputes that could also have reputational and image implications for the Company;
- a ***non-competition agreement*** to safeguard the Bank's competitiveness.

#### Golden parachute

The *golden parachute* potentially payable to the Chief Executive Officer upon termination of office, of a value equal to the lesser of:

- 1.8 times the sum of the average Variable Remuneration of the previous three years<sup>12</sup> and Fixed Remuneration (excluding *Benefits*)<sup>13</sup>;
- the amount of €4,500,000.00 (i.e., the maximum limit approved by the Meeting on 25 March 2021 for amounts recognised under agreements with Personnel, reached in any forum, for the settlement of current or potential disputes).

In this regard, it is noted that the Chief Executive Officer, not being an Employee of the Bank, is not due any notice period or indemnity in lieu of notice in the event of dismissal by the Bank, nor any "additional" indemnity in the event of unjustified termination (which is due instead to executives) and/or employee severance indemnity<sup>14</sup> or indemnity for termination of office.

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<sup>12</sup> Defined as the average of the amounts paid to the Chief Executive Officer as Variable Remuneration (as currently defined) in the three-year period preceding the vesting date of the Chief Executive Officer's right to receive the *golden parachute*, including amounts still subject to deferment (for the sake of clarity: the deferred variable remuneration accrued in the previous three-year period is taken into account but not the deferred amount received in the three-year period arising from variable remuneration prior to the three-year period of reference) and including the value of any stock options, *phantom stock options* or other equivalent instruments granted in the three-year period, the value of which is the value calculated at the grant date.

<sup>13</sup> This formula complies with the maximum limit of 24 months' Global Remuneration provided for in (B), Paragraph 7.2.2.8. (Amounts granted under an agreement for the settlement of a current or potential dispute).

<sup>14</sup> Typically, remuneration defined within the framework of an employment relationship has a company cost that is at least 30% higher than the same amount regulated under a directorship relationship.

The *golden parachute* will be paid to the Chief Executive Officer, in the event of termination of office, upon the occurrence of one of the following circumstances:

- non-renewal of the position of Chief Executive Officer – at the expiration date of the current mandate or any other mandates that will happen before the approval of the Bank’s financial statements as at 31 December 2026 – until the approval of Bank’s financial statements as at 31 December 2026;
- removal from office as a director prior to the approval of the Bank's financial statements at 31 December 2026, other than on *bad leaver* grounds;
- substantial reduction or revocation of the powers of the Chief Executive Officer during any term of office which was in progress up to the date of approval of the Bank's financial statements at 31 December 2026, for any reason other than a written request by the Bank of Italy or Consob;
- reduction of the Chief Executive Officer's Remuneration during any term of office which was in progress up to the date of approval of the Bank’s financial statements on 31 December 2026 (except for any amendments that are necessary to implement new legislation, which shall in any case be agreed by the parties if they have a significant adverse impact on the financial or regulatory conditions granted to the Chief Executive Officer);
- failure to agree to modify the terms and conditions applied to the position of Chief Executive Officer in the event of regulatory changes that have a significant adverse impact on the financial or regulatory conditions guaranteed to the Chief Executive Officer and which, therefore, make it necessary to renegotiate the terms and conditions of the relationship between the Bank and the Chief Executive Officer.

The payment of the *golden parachute* is structured as follows:

- 40% *up-front* portion, while the remaining 60% is deferred in equal annual instalments over 5 years, beginning 12 months after the vesting of the *up-front* portion;

- 51% of both the *up-front* and deferred portion is paid through financial instruments, subject to a one-year *retention* period.

In addition, the *golden parachute* is:

- subject to *malus* and *claw back* mechanisms;
- conditional on the absence of any conduct by the Chief Executive Officer, in the context of the Bank's activities or his/her professional activities in such context, which has resulted in a significant loss for the Bank or the Group companies;
- subject, in the vesting year to compliance with associated gates, with capital and liquidity limits and to the application of performance parameters, net of the risks contained in the 2020 Policy.

### Non-competition agreement

The non-competition agreement entered into with the Chief Executive Officer has the following characteristics:

- duration: two years after termination of the office as Chief Executive Officer;
- annual consideration: 35% of the Fixed Remuneration<sup>15</sup> (excluding *Benefits*) at the time of termination of office as Chief Executive Officer, paid, following termination of office, in cash in four equal six-monthly instalments;
- penalty:
  - 100% of the Fixed Remuneration (in addition to the return of the corresponding) in the event of breach of the non-competition obligation;
  - 100% of the consideration under the non-competition agreement net of withholding taxes in the event certain types of conduct of the Chief Executive Office are established during his/her professional activity.

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<sup>15</sup> The annual consideration for the Chief Executive Officer under the non-competition agreement does not exceed his/her Fixed Remuneration. Therefore, it is not included in the calculation of the limit to the Variable to Fixed Remuneration ratio, see point (A) of paragraph 7.2.2.8. (Non-competition agreement).

#### 6.4 ADDITIONAL ELEMENTS OF THE CHIEF EXECUTIVE OFFICER'S VARIABLE REMUNERATION

The Chief Executive Officer may receive further Variable Remuneration elements related to *performance* against pre-defined objectives, in any case within the limits of the Variable to Fixed Remuneration ratio of 2:1<sup>16</sup>, or within the limits set by the laws in force from time to time.

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<sup>16</sup> In particular, following the DEPObank Transaction, the Board of Directors of the Bank granted the Chief Executive Officer (and some Employees) an additional and extraordinary *bonus*, called "*Integration Bonus*", related to the DEPObank Transaction with a maximum MBO opportunity of 100% of the Fixed Remuneration (excluding *Benefits*), subject to the overall cap of 2:1 considered together with the other Variable Remuneration components, comprising two tranches and subject to:

- *closing* of the Depobank Transaction (event already occurred);
- individual *performance* objectives;
- compliance with the capital, liquidity and profitability *gates* provided for by the 2020 Policy at point (C) of paragraph 10.2.3.1 (*Verifying the achievement of company objectives*);
- the Chief Executive Officer continuing to hold his/her position at the time of payment.

The first tranche was paid in 2021, while the second tranche, allocated in 2021, will be paid in 2022, five quarters after the closing of the transaction, following the achievement of the individual KPIs assigned to the *scorecard*.

The second tranche of the Integration Bonus will be paid 70% *up-front* and 30% with a 3-year deferral, 50% in cash and 50% in financial instruments subject to a 1-year retention period.

## 7. STRUCTURE OF EMPLOYEE REMUNERATION<sup>17</sup>

The Remuneration of Employees provides for a balanced package consisting of Fixed Remuneration and Variable Remuneration.

Excluded Benefits do not constitute Remuneration for the purposes of the Policy.

Excluded Benefits may include small and limited one-off amounts paid as part of an annual salary review. The disbursement of these amounts is appropriately justified and documented on the basis of qualitative and/or quantitative standards

### 7.1 FIXED REMUNERATION

The Fixed Remuneration is linked to the experience and professional skills of the persons working in the company, also on the basis of the roles covered. The Fixed Remuneration is also quantified with a view to attract and/or retain talent (e.g., extra allowance over minimum pay and merit increases possibly linked to stability agreements, provided that the increase is fixed and irrevocable, of a specified amount, justified, does not create incentives for risk-taking and does not depend on personal and/or Bank *performance* and does not discriminate on the basis of gender and/or other personal characteristics, consistently with the principle of neutrality and inclusion of this Policy).

Fixed Remuneration includes, as defined, also Benefits.

Each Group company establishes individually benefit packages, including flexible Benefits, in accordance with local regulations, on the basis of the importance and complexity of the roles covered, as well as according to principles of fairness and alignment with the local labour market, and, in any case, in compliance with the Group's guidelines, in accordance with the principles of the Policy.

As for the Bank, benefits are allocated according to the role held. The Benefit package may include, for example:

- i. periodic medical check-ups;
- ii. flexible benefits;
- iii. meal vouchers;

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<sup>17</sup> Regulatory references: Table 7-bis of Annex 3A to the Issuers' Regulations.



- iv. contribution to a supplementary pension fund;
- v. insurance: long term care, life, occupational and non-occupational accidents, permanent disability, medical expenses;
- vi. company car and reimbursement of fuel costs.

The determination of the Fixed Remuneration is based on certain principles consistent with the Code of Ethics and can be summarised as follows:

- fairness, intended as assigning or recognising what is due to the individual employee, in terms of professional growth, on the basis of the required characteristics, roles and responsibilities covered, without discrimination, giving everyone the same career opportunities;
- competitiveness, meaning the analysis of the remuneration positioning of each position with respect to specific market benchmarks;
- meritocracy, which consists in the enhancement of individuals based on the recognition of their merit;
- consistency over time, with reference to medium to long-term targets and to the risk management policies pursued.

## **7.2 VARIABLE REMUNERATION**

### **7.2.1 General principles**

The Variable Remuneration is linked to various parameters consistent with the function of the specific instrument used to pay the Variable Remuneration (e.g., individual and/or Bank performance, however measured, period of continued employment, etc.).

The Bank's incentive system consists of various elements, depending on the role of the employee within the company structure, including, but not limited to:

- (i) short-term incentive schemes (MBO);
- (ii) long-term incentive plans (including stock option plans);
- (iii) VAP;
- (iv) additional variable remuneration elements, such as retention bonuses, additional

discretionary pension benefits-MBO, golden parachutes and other components set out in the Policy.

Guaranteed forms of payment of the variable component are not permitted, unless in exceptional cases, for the recruitment of new Personnel and limited to the first year of employment or office (e.g., entry bonus). Said forms of guaranteed Variable Remuneration:

- i. cannot be paid more than once to the same person;
- ii. are not subject to the rules on the Variable Remuneration structure if paid in a lump sum at the time of hiring (e.g., rules on balancing cash and Financial Instruments, deferral and retention);
- iii. contribute to the determination of the limit of the Fixed to Variable Remuneration ratio for the first year, unless paid in a lump sum at the time of hiring.

The payment of Variable Remuneration, whether up-front or deferred, with the exception of the golden parachutes provided for in paragraph 7.2.2.8. (Golden Parachute), is also conditional upon:

- i. for Employees, the continuing employment with the Bank and/or the Subsidiaries, not on notice and not pending disciplinary proceedings that may be closed with dismissal on the date of payment. In any case, after three years of deferral and with continuing employment, the beneficiary will also be entitled to the payment of subsequent deferred instalments, irrespective of the termination of employment;
- ii. for Personnel, compliance with economic, equity and liquidity parameters.

With regard to the requirement of continuing employment with the Bank and/or the Subsidiaries, exceptions may be made, on a case-by-case basis in exceptional, adequately justified cases (so-called good leaver provisions), in which, although these conditions are no longer met, the Variable Remuneration in question may, however, be paid in full or in part or *pro rata temporis* depending on the time of the year in which the employment with the Bank and/or the Subsidiaries is terminated. These exceptions must be approved by the Chief Executive Officer, except for the Relevant Personnel for which the Board of Directors has responsibility.

In this respect, with a view to avoiding any circumvention of the regulations or the Policy,

the Bank ensures that Group Personnel are not remunerated or do not receive payments or other benefits through vehicles, instruments or otherwise elusive methods, also with regard to Subsidiaries. In this regard, the Bank may ask the Group Risk Takers to disclose any opening of custody and administration accounts with other intermediaries and any financial transactions or investments made that could affect the Group's risk alignment mechanisms.

#### **7.2.1.1 Variable to Fixed Remuneration Ratio**

The basis for calculating the Fixed to Variable Remuneration ratio is the gross annual value of all elements of Fixed Remuneration, including Benefits.

The maximum limit for the incidence of Variable Remuneration on Fixed Remuneration is 2:1, as established by the Meeting of 5 December 2016<sup>18</sup>, in compliance with the Bank of Italy's advance information procedure.

This limit has been determined according to a total Remuneration logic taking into account compliance with the regulations in force, consistency between the different roles and responsibilities, and external market practices.

The resolution approving the increase of the limit to a maximum of 2:1 has been sent to the Bank of Italy within the deadline set out in the Supervisory Provisions<sup>19</sup>.

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<sup>18</sup>The increase of the limit from 1:1 to 2:1 as resolved by the Meeting of 5 December 2016 was confirmed with subsequent resolution by the Meeting on 5 April 2018, pending the previous legislation, which did not clarify whether, after the first resolution, a subsequent resolution to confirm it was needed in subsequent years. The update of the Supervisory Provisions of 23 October 2018 then clarified that "*if the meeting approves the increase of the limit, it is not necessary in subsequent years to submit a new resolution to the meeting, provided that the assumptions on the basis of which the increase was resolved, the personnel to whom it relates and the limit itself have not changed*" (Supervisory Provisions, Part One, Title IV, Chapter 2, Section III).

<sup>19</sup>The Supervisory Provisions provide that within 30 days from the date on which the Meeting has taken the resolution to increase the limit, the decision with indication of the limit or limits approved for each category of personnel concerned shall be sent to the Bank of Italy. The assumptions on the basis of which the increase was approved, the type of personnel to which it refers and the extent of the limit have remained unchanged and, therefore, the limit does not require further approval, in line with the Supervisory Provisions. In particular, the need to maintain adequate levels of salary competitiveness and staff motivation in order to improve the Bank's ability to retain management and the need to further improve the integration and participation of staff in the Group's results is confirmed.

With reference to Risk Takers, the increase of the limit to 2: 1 has also shown that it does not undermine compliance with the relevant legislation, in light of the following safeguards:

- i. the parameter linked to the Risk Adjusted EBTDA (or EBTDA <sup>RA</sup>) to *Target EBTDA* <sup>RA</sup> ratio which the MBO payment is normally subject to.
- ii. the *Policy* provides for specific *ex-post* adjustment mechanisms (i.e., *Malus* and *Claw Back*), which may

For the Heads of the Corporate Control Functions, the ratio between Variable Remuneration and Fixed Remuneration must not exceed the limit of one third. This limit is raised to 50% for the Head of the Group *Human Resources & Organizational Development Function* and for the *Financial Reporting Officer*, in order to keep their Variable Remuneration low.

**7.2.1.2 Variable Remuneration Payment Arrangements<sup>20</sup>**

The Variable Remuneration payment arrangements (with the exception of non-competition agreements and Incentive Plans in Financial Instruments, which have specific features, in accordance with applicable regulations) consist of:

- a deferral period and a percentage bonus subject to deferral
- financial instruments component and relevant retention period
- ex-post adjustment mechanisms (*malus* clauses, for deferred components, and *claw back* clauses).

These arrangements differ according to the different categories of employees, as shown in the following paragraphs and summarised in this diagram:

	Category of Personnel	Share in financial instruments	Deferral Period Percentage deferred			Ex-post alignment mechanisms	
			5 years 60%	4 years 40%	2 years 30%	Malus clauses	Claw Back clauses
RISK TAKERS	Risk Takers belonging to the Top Management	✓	✓ (if variable particularly high. Par. 7.2.1.3)	✓	✓ (se variable contained, par. 7.2.1.4)	✓	✓ Always present
	Other Risk Takers	✓		✓		✓	
NON RISK TAKERS	Personnel until category QD3			✓		✓	
	Remaining Personnel						

result in the reduction or cancellation of the Variable Remuneration previously paid, following conduct which has caused damage or a significant loss to the Bank or its Subsidiaries.

<sup>20</sup> Regulatory references: Supervisory Provisions, Part One, Title IV, Chapter 2, Section III.

## Deferral

Subject to the provisions of paragraph 7.2.1.3, in relation to the significantly high Variable Remuneration of the Chief Executive Officer, the heads of the main corporate functions, and those directly reporting to the Board of Directors and to paragraph 7.2.1.4 for the Low Variable Remuneration in order to ensure long-term sustainability, the short-term variable remuneration (MBO) is paid as follows:

- i. 60% after the approval of the financial statements by the Meeting;
- ii. 40% with a four-year pro rata straight-line deferral (i.e., 10% one year after payment of the up-front fee, 10% in the second year, 10% in the third year and 10% in the fourth year).

The disbursement rules described above also apply to retention bonuses or golden parachutes, as described in paragraphs 7.2.2.5 and 7.2.2.8, respectively.

The Long-term incentive plans provide for deferral schemes consistent with the characteristics of the plan and regulatory requirements.

The deferral applies to all Employees with a minimum classification of QD3 (third level executive), regardless of their qualification as Risk Taker, subject to the provisions of paragraph 7.2.1.4 (*Low Variable Remuneration*).

The deferred Variable Remuneration is subject to the remuneration policies of the year to which the variable component refers (e.g., the deferred portion of the 2020 MBO is subject to the rules of the 2020 Policy). This is without prejudice to the applicability of *ex-post* adjustment mechanisms (*Malus* and *Claw Back*) and the need to verify compliance with capital, liquidity, and profitability gates to the financial statements of the year preceding that in which the deferred portion payment takes place.

With regard to the remuneration of former DEPObank Personnel:

- a) As for the 2020 MBO, the deferred portion will be subject to the gates from time to time in force in the Bank's remuneration policies and related to the Bank's financial statements.
- b) The deferred Variable Remuneration portions relating to years prior to 2020 will be subject to the relevant DEPObank remuneration policies and to the gates from time

to time in force in the Group's remuneration policies and relating to the Group's financial statements.

### **Balancing Cash and Financial Instruments**

In respect of the Variable Remuneration for Risk Takers<sup>21</sup>, 50% of the Variable Remuneration, whether up-front or deferred, is paid in financial instruments.

The number of the Bank's Financial Instruments of the up-front portion of the Variable Remuneration components to be granted for the balancing purposes set forth in this paragraph is calculated having regard to the value of such instruments on the last trading day prior to the allocation date or, for options granted and vested under stock option plans, on the vesting date or, for plans that take into account past performance (i.e., with allocation based on look back periods), on the allocation date and, if such plans have a duration of more than 5 years, on a *pro rata* basis for each year of the performance period.

Before the end of the deferral period, no dividends or interest can be paid on Financial Instruments.

### **Retention period**

In order to align the incentives with the Bank's long-term interests, the financial instruments provided for in the Policy are subject, with regard to Risk Takers, to a retention period. The retention period is 1 year both for Financial Instruments paid up-front and those subject to deferral. In the case of Deferred Financial Instruments, the retention period begins when the deferred Variable Remuneration (or a portion of it) is paid.

The regulations of Plans based on Financial Instruments include, with regard to the options and shares that can be granted in the event of exercise, provisions aimed at ensuring compliance with retention rules.

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<sup>21</sup>Subject to the provisions of paragraph 7.2.1.3 in relation to the significantly high Variable Remuneration of the Chief Executive Officer, the heads of the main corporate functions, and those directly reporting to the Board of Directors and to paragraph 7.2.1.4 for the Low Variable Remuneration.

During the retention period, the Financial Instruments:

- i. accrue interest and/or dividends (except for stock options, the strike price of which is in any event reduced by the amount of dividends per share paid during the retention period); and
- ii. may not be disposed of by the relevant Risk Takers.

The disposal of Financial Instruments during the retention period is a legitimate reason for the activation of:

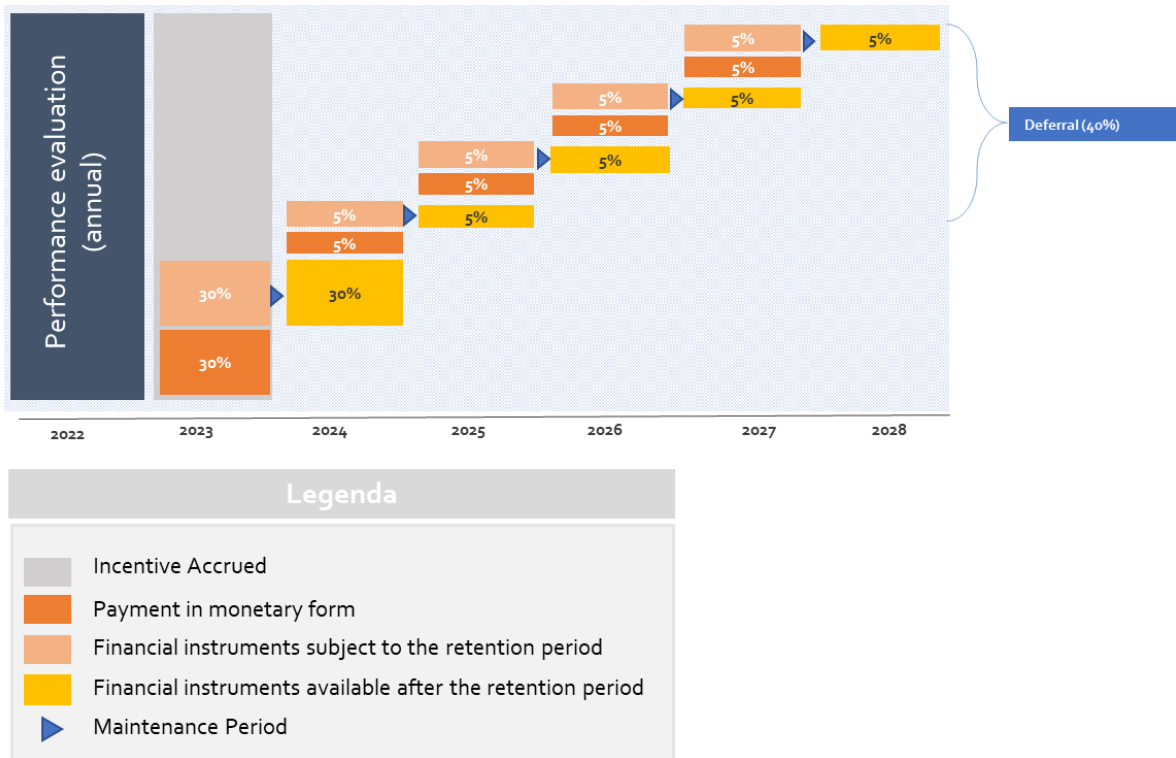
- i. *Malus and Claw Back* mechanisms described in paragraph 7.2.3 (*Ex-Post Correction Mechanisms (Malus and Claw Back)*);
- ii. disciplinary measures concerning Employees pursuant to article 7 of Law no. 300 of 20 May 1970 (*Workers' Statute*).

At the time of allocation of the financial instruments, the Bank may provide for penalties for Risk Takers who breach the retention period.

The provisions on *ex post* adjustment mechanisms (*Malus and Claw Back*), set out in point 10.2.2 (*Ex post adjustment mechanisms - Malus and Claw Back*), are also applicable to the portion of Variable Remuneration paid in the form of Financial Instruments.

### Summary of the expected payout scheme for Risk Takers

Without prejudice to the following paragraphs (for Significantly High Variable Remuneration of Top Management and for Low Variable Remuneration), the payout for Risk Takers can be summarised as follows:



#### 7.2.1.3 Significantly High Variable Remuneration of Top Management

As required by Bank of Italy's Supervisory Provisions on Remuneration, the Bank has defined the amount of significantly high variable remuneration as the lowest of the:

- i) 25% of the average total remuneration of Italian high earners, as per the most recent report published by EBA.

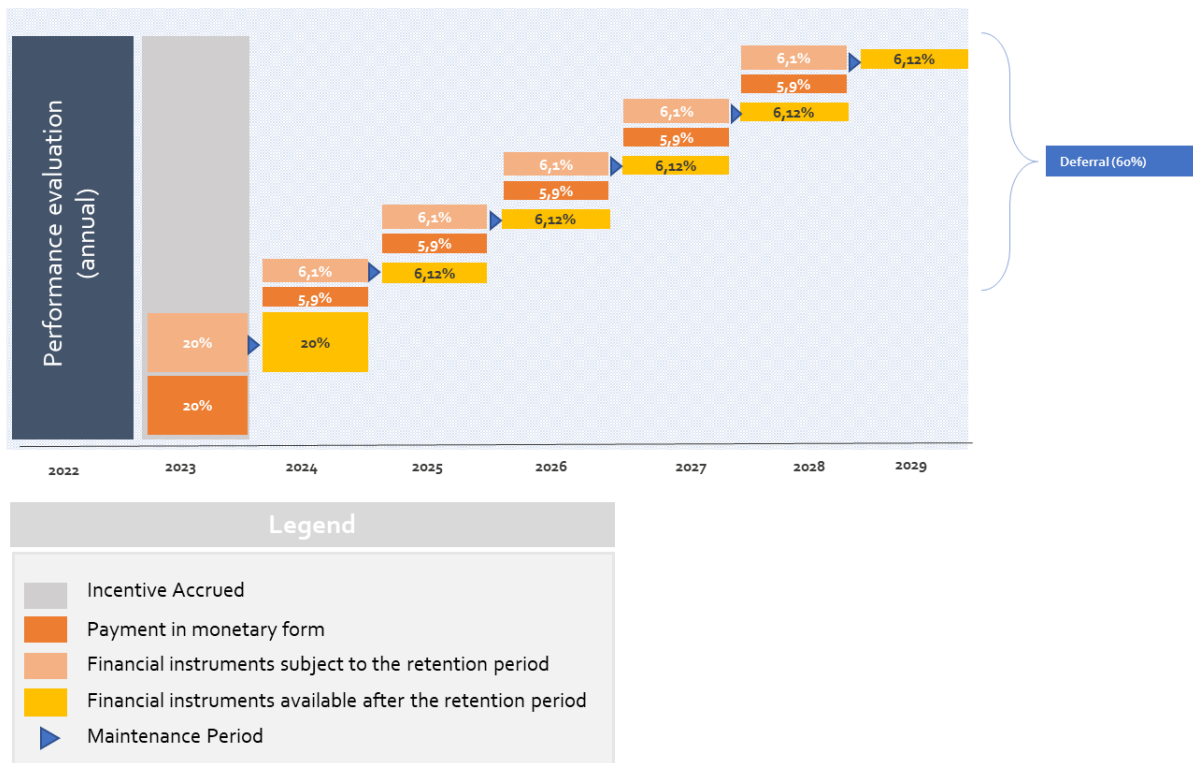
This value, according to the report published by EBA in 2021 with reference to December 2019 data, is € 435.011;

- ii) 10 times the average total remuneration of the Bank's employees and amounting to € 541.611.



Consequently, variable remuneration in excess of € 435.011 is considered as significantly high.<sup>22</sup>

If the Variable remuneration for Top Management is considered to be of a significantly high amount, a 60% portion of it is subject to a deferral period of 5 years. Furthermore, in this case, 51% of the deferred Variable Remuneration of Top Management is paid in financial instruments.



#### 7.2.1.4 Low Variable Remuneration

If the annual Variable Remuneration does not exceed €50.000 and does not account for more than one third of the total annual Remuneration, the bonus is subject to:

- i. for Risk Takers and for Employees with a minimum qualification of QD3 (third level executive), regardless of their qualification as Risk Takers, a deferral period of two years for 30% of the Variable Remuneration. By way of example, for the year ending 31 December 2022, the deferred component of the Variable Remuneration will be

<sup>22</sup> Amount valid for the three-year period 2022-2024.

paid out after the Meeting has approved the financial statements as at and for the year ending 31 December 2024;

- ii. for Risk Takers, a 50% portion in financial instruments with a retention period of 6 months.

For all matters not expressly envisaged in this paragraph, the same rules envisaged for the Variable Remuneration shall also apply to the Low Variable Remuneration, including the ex-post adjustment mechanisms (*Malus* and *Claw Back*).

### **7.2.2 Variable Remuneration components**

Below is a description of the possible forms of Variable Remuneration that can be assigned to Personnel.

#### **7.2.2.1 MBO for Employees**

The MBO for Employees<sup>23</sup> is a formalised incentive system that provides for the possible payment - based on gross annual remuneration - of an incentive, if necessary, against the achievement of qualitative and quantitative corporate and individual objectives. The mix between quantitative and qualitative objectives is appropriately balanced according to the roles and responsibilities of the entitled Employees. The MBO provides retention mechanisms for all Employees, that is, the payment subject to the existence of the employment relationship.

As a general rule, for Employees a length of service of at least 6 months in the relevant financial year is required, as well as presence in the Group – not during the notice period and not pending disciplinary proceedings which then end in dismissal – at the time of payment of the MBO (in any case, after three years of deferral the beneficiary shall accrue the right to payment of the subsequent deferred portions regardless of the termination of employment).

In any case, the amount paid as MBO may not exceed 100% of the Fixed Remuneration (excluding Benefits) for the year in question.

The allocation of the MBO for Employees takes place through a performance management system aimed to:

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<sup>23</sup> For the MBO of the Chief Executive Officer see paragraph 6.1.

- encourage sharing and guide all employees towards achieving the company's objectives;
- align organizational behaviour with corporate values and support medium/long-term objectives;
- encourage dialogue between managers and their staff, development of resources, teamwork, integration and cooperation between the functions.

With regard to the ordinary process of managing the short-term "MBO" incentive system, when drawing up the budget, the *Human Resources & Organizational Development* Function estimates the MBO bonus pool for Personnel, the amount of which is determined by assuming the achievement of individual and corporate objectives based on the mechanisms provided by the incentive system.

The objectives assigned to Employees consist of a quantitative component, assigned to individual resources, and a qualitative component. In particular:

- quantitative objectives may be of an economic, project or process efficiency nature or concern people, and may involve individuals, teams, or organizational units; they must also be clear, objectively observable and measurable, and, depending on the type mentioned, directly linked to the Risk-Adjusted EBTDA and/or to growth;
- qualitative objectives are, on the other hand, linked to organizational behaviour, are identified on the basis of the company's values and culture, and are differentiated according to the role covered.

In order to facilitate strategic alignment with corporate objectives, the allocation of quantitative targets follows a structured "cascading" process.

With regard to former DEPObank Personnel, the Variable Remuneration is governed by this Policy. Specifically, any beneficiaries of a DEPObank MBO plan are covered by the Bank's MBO plan. However, those who are not beneficiaries of such a DEPObank MBO plan are usually not covered by the Bank's MBO plan.

#### **A) Setting objectives**

Within the first quarter of each year, based on the guidelines provided by the Chief Executive

Officer and through a process aimed at full alignment and the widest possible sharing, all the heads of Organizational Units/Functions/Departments inform their personnel of their respective qualitative and quantitative objectives based on which at the end of the financial year (within the first quarter of the following financial year) individual performance will be assessed and the related MBO Variable Remuneration will be determined.

All MBO beneficiaries are given tailored objectives based on their department, function, organizational unit or role, referring to the group model, which requires that the objectives fall within the four areas linked to the bank’s strategy (economic and financial, process and project improvement, customer care, attention to people), as represented in table 1.

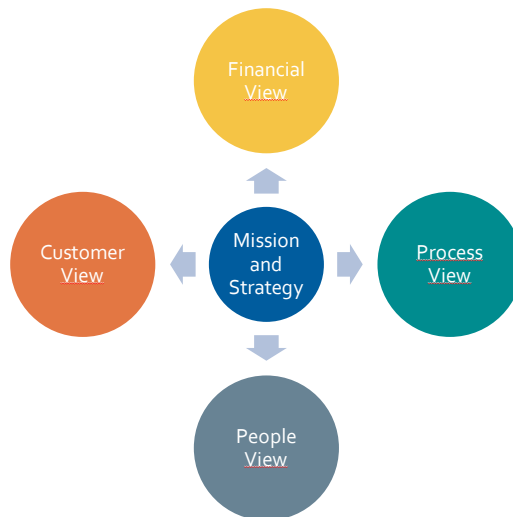


Table 1 Group Performance Management Model

The achievement of each objective is then verified by someone other than the person who assigned it, thereby guaranteeing an independent verification mechanism.

Specifically, the MBO quantitative objectives are assigned as follows:

- i. with regard to *Senior Executives* and *Executives* who report directly to the Chief Executive Officer and the heads of the Corporate Control Functions, the objectives are discussed by the latter with the Chief Executive Officer, and subsequently submitted by the Chief Executive Officer to the Board of Directors for approval, in accordance with the regulations and this Policy;

- ii. for the rest of the Bank’s Employees, the objectives are approved by the Chief Executive Officer;
- iii. as for Risk Takers of the Subsidiaries, targets are approved by the Chief Executive Officer;
- iv. for the rest of the Employees of the Subsidiaries, the objectives are approved by the Chief Executive Officer of the Subsidiary in question, after consultation with the *Human Resources & Organizational Development* Function, on the basis of the delegation of powers structure.

In addition to the satisfaction of individual objectives, the accrual and disbursement of the MBO is also conditional on compliance with the corporate gates of (i) liquidity, (ii) capital and (iii) positive profitability adjusted for risk and cost of capital (Risk-Adjusted EBTDA or EBTDA<sup>RA</sup>), described in point (B) below (*Verification of the achievement of corporate objectives*).

The percentage weight of the quantitative and qualitative objectives changes depending on seniority in the company, as shown in table 2.

Category	Incidence %	
	Quantitative Objectives	Qualitative Objectives
Senior Executive/Executive	70%	30%
Manager	60%	40%
Professional/Coordinator		
Specialist		

Table 2 - Percentage impact of quantitative and qualitative objectives

With particular regard to the Senior Executives included among the *Executives* with strategic responsibility, the quantitative macro-targets included in the individual scorecards with a weight of 70% are as follows<sup>24</sup>:

Entry Gate	Individual Performance	Accelerator (Multiplier)
✓ Liquidity and profitability ++ ✓ EBITDA (performance gate)	Economic & Financial Objectives ✓ Of the Group ✓ Of the Funtion / Department / O.U.	✓ Positive EBITDA at target ✓ Customers: Customer Satisfaction multiplier
	Process Objectives <input type="checkbox"/> Of the Funtion / Department / O.U. <input type="checkbox"/> Individual	
	People Empowerment Objectives <input type="checkbox"/> Of the Group <input type="checkbox"/> Of the Funtion / Department / O.U.	

The qualitative objectives, expressed in specific organizational conduct linked to seniority in the company and therefore uniform for predefined groups, as shown in table 2 above, contribute to making the company culture stable and solid through daily conduct. The conduct is detailed in the following table (Table 3).

Role	Customer Focus	Execution	Innovation	Leadership	Quality	Teamwork
Senior Executive/Executive	X	X	X	X	n/a	X
Manager / Senior Professional	X	X	X	X	n/a	X
Coordinator / Professional	X	X	X	X	n/a	X
Specialist	X	X	n/a	n/a	X	X

Table 3 – Organizational conduct Employee MBO

The description of the qualitative objectives is as follows:

- **Customer Focus:** Constantly strive – directly or by providing support to other line structures – to pursue high standards of customer service to ensure market leadership in

<sup>24</sup> The Bank’s Executives with Strategic Responsibilities at the reporting date are the Vice President of Factoring & Lending, Michele Antognoli, the Vice President of Finance & Administration, Piergiorgio Bicci, the Vice President of Technology & Processes Improvement, Massimo Pavan, and the Vice President of Transaction Services, Enrico Tadiotto.

countries the Group operates in. Promote and demonstrate to one's staff the culture of active listening and growing internal customer satisfaction.

- **Execution:** Operate with quality and efficiency and with careful prevention and management of risk in the use of resources, with streamlined timing and implementation methods, with the right strictness in compliance and careful monitoring of risk, through an appropriate exercise of delegation, in order to fully realise, both directly and through one's own structure, the innovative processes envisaged, the objectives assigned, one's own projects and/or those shared with other staff and/or line structures, operating in a Group perspective, where a functional or coordinating responsibility is envisaged.
- **Innovation:** Identify and propose new organizational solutions/processes/techniques/methods that, by supporting the Company's strategic plan, allow greater efficiency of the structure overseen both locally and at a Group level, the improvement of customer satisfaction, the consolidation of the Group's market positioning and the acquisition of additional competitive advantages.
- **Leadership:** Raise and maintain high levels of motivation and performance of the structure, fostering a sense of belonging of key resources and promoting their retention, contributing to fair and meritocratic management of the reward system, also appropriately managing situations of inadequate performance, being an effective intermediary of decisions and guidance of Top Management, as well as ensuring continuity and back-up of key roles. Provide guidelines, supervision and contribute to the review of resources operating in other Group entities that report functionally or that are coordinated by the headquarters. Establish fruitful and authoritative relationships with key stakeholders (institutions, Bank of Italy), demonstrating skilful negotiation and the ability to establish lasting partnerships with all the main stakeholders.
- **Teamwork:** Proactively contribute to the achievement of cross-functional, intra-group objectives/projects and respond promptly and with high levels of quality to the requests of other organizational units, directing one's structure to maintain a high level of cooperation with other organizational entities.

In order to make the evaluation of organizational conduct as objective and comparable as possible, the objectives assigned can help to objectify qualitative evaluation and allow a

better calibration among the evaluators, also for the benefit of those being evaluated, who will thus have a lower subjectivity of judgement depending on who their evaluator is. These objectives, called Drivers, contribute indirectly to the final result, helping to achieve a more objective evaluation of organizational conduct, which is thus concretely reflected in the activities carried out and the ways in which such conduct is carried out.

As regards the payment methods, see the provisions of paragraph 7.2.1.2 (*Variable Remuneration Payment Arrangements*).

### **B) Verification of corporate target achievement**

With regard to the annual objectives, employees are expected to apply 3 gates in the relevant year, in addition to the possibility of activating *Malus*<sup>25</sup> and *Claw Back* mechanisms, linked to compliance with indicators of (i) liquidity, (ii) capital and (iii) positive risk-adjusted return and cost of capital (*Risk Adjusted EBTDA* (or *EBTDA<sup>RA</sup>*)).

In particular:

- i. the Group liquidity indicator adopted as the gate is the *Liquidity Coverage Ratio* (LCR), equal at least to the level of “*risk tolerance*” approved by the Board of Directors, and defined within the RAF in force on the closing date of the financial year to which the MBO refers, and, in any case, in compliance with the requirements dictated by supervisory regulations on remuneration;
- ii. the Group’s capital indicator adopted as the gate corresponds to a *Total Capital Ratio* (TCR) level at least equal to the level of “*risk tolerance*” approved by the Board of Directors, and defined within the RAF in force at the end of the financial year to which the MBO refers, and, in any case, in compliance with the requirements dictated by supervisory regulations on remuneration;
- iii. the Group profitability indicator adopted as a gate corresponds to a positive *Risk Adjusted EBTDA* (or *EBTDA<sup>RA</sup>*).

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<sup>25</sup> Gates observance with reference to the year prior to the payment of deferred portion of the Variable Remuneration works for Employees as *Malus* condition according to what is set out in point 10.2.2.2 (*Ex post adjustment mechanisms (Malus and Claw Back)*).



Subject to the approval of the Chief Executive Officer, additional “gates” may be provided for Subsidiaries linked to the profitability of the individual companies.

The gate linked to the profitability does not apply to MBO for:

- Corporate Control Functions;
- *Financial Reporting Officer*;
- *Human Resources & Organizational Development Function*.

### C) Application of multipliers

Once the 3 gates have been complied with, the MBO of the Bank’s Employees is then also calculated on the basis of two different multiplier mechanisms.

In particular:

- i. an initial mechanism conditions the effective applicability of the MBO on the achievement of the Group’s economic objective set out in the risk-adjusted budget for the year, as provided for in the *Risk Appetite Framework*, associated with compliance with capital and liquidity limits.

This objective is defined by the ratio between *Risk Adjusted EBTDA* (or  $EBTDA^{RA}$ ) and Target  $EBTDA^{RA}$  at least equal to the percentage indicated below to allow the MBO to be paid to the category of employees:

- a. for *Senior Executives, Executives* and other executives of the Bank: at least 100%;
- b. for middle managers: at least 90%; and
- c. for employees: at least 88%.

If the  $EBTDA^{RA} / \text{Target } EBTDA^{RA}$  ratio does not meet the aforementioned percentages, the disbursement of the MBO may still be allowed, in whole or in part, to all or some of the aforementioned categories, subject to a resolution of the Board of Directors, to be adopted with the opinion of the Remuneration Committee, in the presence of exceptional circumstances that have prevented the aforementioned percentage from being reached. This resolution must be adequately justified by significant performance by the category of Personnel for which the exemption is requested, identify the above circumstances, and certify that there are no prejudices

to the Group's financial sustainability prospects.

If, on the other hand, the above-mentioned percentages are reached, the EBTDA<sup>RA</sup> / Target EBTDA<sup>RA</sup> ratio operates as a multiplier of the Employee MBO. This multiplier can increase the MBO up to 40% for *Senior Executives, Executives* and other executives of the Bank and up to 30% for employees.

The target and multiplier linked to the EBTDA<sup>RA</sup> / Target EBTDA<sup>RA</sup> ratio do not apply to:

- a. Corporate Control Functions;
  - b. *Financial Reporting Officer*;
  - c. *Human Resources & Organizational Development Function*.
- ii. a second multiplier is linked to *Customer Satisfaction*. This business performance indicator is formulated on the basis of a survey conducted by an external consultant and can increase the MBO by up to 9%. This indicator:
- a. applies only as a positive multiplier;
  - b. is not financial, but qualitative, while remaining measurable;
  - c. offers a true picture of the Group's level of sustainability over time, because it measures customer satisfaction with regard to the service offered.

Similar multipliers and gates can also be applied by Subsidiaries, subject to approval by the Chief Executive Officer for anything that is not expressly the responsibility of the Board of Directors.

#### **7.2.2.2 VAP**

The VAP is an economic recognition provided for non-managerial employees of the Bank to whom the Italian national collective labour agreement applies. The VAP is linked to the achievement of specific performance objectives of the Bank, and can be paid out in one of the following ways:

- i. in cash;

- ii. through corporate welfare goods and services on the basis of the relative supplementary agreements;
- iii. through Financial Instruments.

For Risk Takers, VAP is paid without deferral.

### **7.2.2.3 Incentive Plans in Financial Instruments**

As part of its incentive policies and in compliance with applicable law, the Bank adopts Incentive Plans in Financial Instruments (including “phantom” plans, based on options and shares of the Bank) and Stock Option Plans based on the allocation of options that entitle the beneficiary to receive ordinary shares of the Bank.

The purpose of these plans is to:

- i. encourage the integration of Personnel, making them share in the company’s results;
- ii. raising employees’ awareness on the creation of value for the Group and shareholders;
- iii. increase the retention capacity (retention of key resources) of Personnel by decreasing valuable professionals’ propensity to resign from the Group;
- iv. improve the Group’s competitiveness on the labour market, making it more attractive to the best talents with professionalism and skills appropriate to the Group’s needs;
- v. promote the Bank’s sustainability in the medium to long term and ensure that the Variable Remuneration is based on the results actually achieved.

The value of stock options allocated to beneficiaries under Stock Option Plans:

- i. is determined on the basis of *fair market value* using valuation methods and parameters commonly used and recognised by the financial community (the valuation is constructed using the *Black-Scholes* formula), proposed by the *Risk Management* Function and approved by the Board of Directors;
- ii. constitutes Variable Remuneration on a par with the MBO, with which it contributes to the determination of the 2:1 limits and the 50/50 ratio (between cash and Financial Instruments), where applicable, in the year of stock option vesting.

The mechanism for the recognition and exercise of stock option plans follows the rules set out in the applicable law on long-term incentive plans, as governed by the specific regulations, to be referred to for detailed rules.

Stock options are also subject to ex-post adjustment mechanisms (*Malus* and *Claw Back*), which can lead to a reduction, even significant, or zeroing of the stock options awarded. In particular, for stock options, during the vesting period, certain “gates” are applied, linked, respectively, to the achievement of a positive profitability of the Group net of risk and to the respect of risk tolerance levels of equity and liquidity, with reference to the previous year with respect to the date on which it becomes possible to exercise the stock options.

#### **7.2.2.4 Bonus Collectors and Sales Bonus**

Additional forms of MBO bonus linked to KPIs may be envisaged for certain categories of Employees. Specifically, the following may be assigned:

- i. so-called Bonuses Collectors, reflecting the achievement of net capital gains targets on the recovery of default and ancillary interest.

The beneficiaries of the Bonus Collectors are identified from among the debtor management Personnel on the basis of specific strategic and business reasons;

- ii. so-called Sales Bonus, which are designed to support the achievement of the Bank’s commercial and economic-equity objectives, taking into account the actual needs of customers and in line with their risk profile.

Recipients of the Sales Bonus fall under the so-called Relevant Personnel. This component of the Variable Remuneration is specifically addressed in the Remuneration Policy for the Relevant Personnel, for Complaints Handling Personnel and for Group credit managers.

Payment of the Collectors and Sales Bonuses is subject to:

- i. the achievement of annual company and individual qualitative and quantitative objectives, the individual bonuses being distributed quarterly, but all cases being assessed as a whole as part of the annual performance;

- ii. the 3 company “*gates*” envisaged for the disbursement of the Employee MBO, linked to compliance with indicators of (i) liquidity, (ii) equity and (iii) positive return adjusted for risk and cost of capital (*Risk Adjusted EBTDA* or *EBTDA<sup>RA</sup>*);
- iii. the possible activation of the *Malus* and *Claw Back* mechanisms envisaged by the Policy.

Moreover, the payment of Sales Bonuses once the 3 company gates envisaged for the payment of the Employee MBOs have been crossed is linked to:

- i. the level of achievement of the *Target EBTDA<sup>RA</sup>* according to the thresholds set for the disbursement of the Employee MBO, based on the classification of the beneficiaries (Point (C) of Paragraph 7.2.2.1. – Application of multipliers). An additional parameter (KPI) relating to *Customer Satisfaction*, or the number of complaints received, which is respected only if the percentage or value set annually by the Chief Executive Officer is reached, the CEO also deciding on any exemptions.

Both the Bonus Collectors and the Sales Bonus can reach a maximum of 100% of the Fixed Remuneration (excluding Benefits), and together with any other MBO bonuses contribute to the determination of the ratio of Variable Remuneration to Fixed Remuneration for the purposes of the 2:1 limit.

#### **7.2.2.5 Retention bonus**

Variable Remuneration forms may be provided, linked to the continuing employment of Personnel up to a certain date or to a given event (retention bonus). Retention bonuses are allowed, where there are justified and documented reasons, in situations where it is important for the Bank to guarantee the stability of the relationship for a predetermined period of time or until a given event (e.g., to complete a corporate restructuring process or an extraordinary operation, or to incentivise the stability of the relationship until a change of control occurs and/or afterwards). Specifically, when assessing the award of a retention bonus, in accordance with the EBA guidelines (EBA/GL/2021/04), the Group companies evaluate:

- i. the possible risks to the company in the event of termination of the employment

- relationship or office of a given member of the Personnel;
- ii. the reasons why it is important for the company to retain the member of the Personnel in question;
  - iii. the consequences in the event of termination of the employment relationship or office of a particular member of the Personnel;
  - iv. if the amount of the retention bonus granted is necessary and proportionate to retain the member of the Personnel concerned.

Retention bonuses are granted at the end of the period or upon occurrence of the event and may be linked to performance objectives. They are subject to all other rules applicable to Variable Remuneration, including the limit on the variable/fixed ratio. For the purposes of calculating this limit, the amount granted as a retention bonus may be calculated for equal shares in each year of the period of stay (so-called linear *pro rata*), or as a single amount in the year in which the condition of continuing employment is satisfied.

#### **7.2.2.6 Free allotment of Bank shares to Employees<sup>26</sup>**

If the Meeting decides on a bonus issue or grants a special proxy to the Board of Directors pursuant to articles 2443 and/or 2349 of the Italian Civil Code, or decides to purchase shares on the market, it will also be possible to assign shares of the Bank to Employees without consideration within the limits set out in article 51, paragraph 2, letter g) of the Consolidated Law on Income Tax.

#### **7.2.2.7 Discretionary pension benefits**

To date, there are no discretionary pension benefits for Personnel, and the Bank does not have any plans to make use of these instruments. However, Group companies, subject to the approval of the Board of Directors, for the Relevant Personnel of the Board of Directors, and the Chief Executive Officer, for the rest of the Personnel, have the right to grant discretionary pension benefits, as defined and provided for in the Supervisory Provisions. In this case, in applying the provisions on the Variable Remuneration component to

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<sup>26</sup> In the case of marginal allocations, granted to personnel on a non-discretionary basis, which are part of a general policy of the bank and which do not have an effect in terms of risk-taking or risk-control incentives, such allotments fall within the Excluded Benefits.

discretionary pension benefits, the following criteria shall be complied with<sup>27</sup>:

- i. if the Personnel terminate their employment, collaboration or office before having accrued the right to retirement, the discretionary pension benefits are invested in Financial Instruments, held in custody by the Bank for a period of five years, during which they accrue interest and/or dividends, and are subject to ex post adjustment mechanisms in accordance with the provisions of point 10.2.2.2 (*Ex post adjustment mechanisms – Malus and Claw Back*);
- ii. if the employment or collaboration relation ends after the accrual of the pension right, discretionary pension benefits are granted to the employee in the form of Financial Instruments and subjected to a five-year retention period, during which they accrue interest and/or dividends;
- iii. discretionary pension benefits are included in the calculation of the Variable Remuneration to Fixed Remuneration 2:1 ratio limit.

#### **7.2.2.8 Golden parachutes**

Golden parachutes are approved by the Board of Directors for the Relevant Personnel of the Board of Directors and by the Chief Executive Officer for the rest of the Personnel. Golden parachutes<sup>28</sup> are:

- i. the amounts recognised under the non-competition agreement;
- ii. the amounts recognised under an agreement to settle an existing or potential dispute relating to (or with a view to) termination of employment or office, wherever it is reached;
- iii. the indemnity for failure to give notice, for the amount exceeding that determined by law.

##### **a) Non-competition agreements**

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<sup>27</sup> See Part One, Title IV, Chapter 2, Section III of the Supervisory Provisions.

<sup>28</sup> Note 18, of the Supervisory Provisions, Part One, Title IV, Chapter 2, Section III specifies that, for the purposes of the Supervisory Provisions, "golden parachutes" are not only the golden parachutes commonly intended (i.e. amounts recognised under an agreement for the settlement of a current or potential dispute, whatever the forum in which it is achieved) but also the fees of non-competition clauses and the indemnity in lieu of notice in the part that may exceed the amount established by law.

Group companies may enter into non-competition agreements with the aim of limiting Personnel initiative, which may be in competition with the Group's activities, for the time after the termination of the related relationship. The non-competition agreement must include a consideration. The calculation of the consideration will be based on the gross annual fixed salary received in the last year of the employment relationship or office.

Unlike other forms of Variable Remuneration, the amounts paid as consideration for non-competition agreements are subject to the ex-post adjustment mechanisms envisaged by the Policy only for the portion exceeding 100% of the Fixed Remuneration (excluding Benefits) of the last year of employment or office. These mechanisms apply to the portion of the consideration for non-competition agreements subject to ex-post adjustment mechanisms to the extent permitted by the relevant laws and, as regards the Employees, by the collective agreements applied.

The consideration for non-competition agreements is paid after the termination of the employment relationship or office with the relevant Group company. For Risk Takers, the portion of the annual consideration that exceeds the last year of Fixed Remuneration (excluding Benefits) is included in the calculation of the limit to the Variable and Fixed Remuneration ratio.

The portion of the total consideration of the agreement that exceeds the last year of Fixed Remuneration (excluding Benefits) is subject to the further limits provided for the Variable Remuneration, i.e.:

- i. quantification on the basis of performance indicators measured net of risk, determined by the achievement of a positive risk-adjusted profitability of the Group, associated with compliance with the target equity (TCR) and liquidity (LCR) limits, defined in the RAF, in force at the reporting date of the year preceding the payment of the deferred Variable Remuneration;
- ii. balance between cash and Financial Instruments;
- iii. Up-front and deferred.

The following table shows the example of a three-year non-competition agreement, with a consideration of €150,000 (i.e., € 50.000 for each year of the agreement), for a Risk Taker with



a Fixed Remuneration of € 100.000 and who received, in the last year of his/her employment or office with a Group company, a Variable Remuneration of € 10.000.

2:1 Limit	Cash/instruments (retention per share in Financial Instruments)	Deferred	Ex post adjustment
It does not apply because 50K is less for each year of the agreement than 100% of the last year's Fixed Remuneration	Yes, only for 50K because total NCA exceeds 100% of the last year's Fixed Remuneration by 50K	Yes, only for 50K because total NCA exceeds 100% of the last year's Fixed Remuneration by 50K	Yes, only for 50K because total NCA exceeds 100% of the last year's Fixed Remuneration by 50K

**b) Amounts granted under an agreement for the settlement of a current or potential dispute**

The remuneration agreed upon with a view to or on the early termination of the employment relationship or for early termination of the office constitutes Variable Remuneration.

The Board of Directors for its Relevant Personnel and the Chief Executive Officer for the remaining Risk Takers can determine golden parachutes in the event of early termination of the employment relationship or of office, in compliance with the conditions set by the regulations in force and of the following criteria.

These amounts:

- i. do not exceed the limit of 24 months of the Global Remuneration referred to the last year of the relationship. In any event, these amounts may not exceed:
  - a) € 1.100.000,00 for Employees;

b) € 4.500.000,00 for Personnel other than Employees<sup>29</sup>.

The amounts granted in compliance with legal obligations (e.g., severance pay, indemnity in lieu of notice) or during court settlements are excluded from the calculation of the aforementioned limits.

- ii. are not included in the calculation of the 2:1 limit for the ratio between Variable Remuneration and Fixed Remuneration approved by the Meeting of 5 December 2016<sup>30</sup>;
- iii. are linked to the performance achieved and the risks assumed by the individual and the Bank, and are agreed in accordance with the criteria established by the Meeting;
- iv. are subject to a 50%-50% split between cash and Financial Instruments (51% in Financial Instruments for the deferred Variable Remuneration of Top Management);
- v. are subject to a one-year retention period for the portion paid in Financial Instruments;
- vi. for a portion of 40% (60% in the case of particularly high Variable Remuneration of Top Management), are subject to a deferral period of four years (five years in the case of particularly high Variable Remuneration of Top Management) on a linear *pro rata* basis;
- vii. are subject to the ex-post adjustment mechanisms (i.e., *Malus* and *Claw Back*) provided for by the Policy.

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<sup>29</sup> The maximum limits of 24 months of Global Remuneration, € 1.100.000,00 and € 4.500.000,00 are approved by the Meeting, as envisaged in the *Supervisory Provisions, Part One, Title IV, Chapter 2, Section II, Paragraph 1*.

<sup>30</sup> The indication of a predefined formula (i.e.,  $x \leq 24$  months of the Global Remuneration received in the last year of the relationship) allows the Bank to exclude the amounts disbursed in view or in the event of termination of the relationship from the 2:1 limit, as envisaged in the *Supervisory Provisions, Part One, Title IV, Chapter 2, Section III, Paragraph 2.2.2*. This solution, on the one hand, provides the Bank with a certain flexibility when negotiating with the person whose employment relationship is terminating or has just terminated, and on the other hand it places a cap on the amounts payable on termination of the employment relationship, in line with market practice.

The above limits, with the exception of the ex-post adjustment mechanisms, shall not apply to:

- i. golden parachutes agreed as part of extraordinary transactions (e.g., mergers) or corporate restructuring processes, provided that they jointly comply with the following conditions:
  - a) they comply exclusively with the logic of containment of company costs and rationalisation of the Personnel structure;
  - b) they do not exceed € 100.000;
  - c) they provide for the *Claw Back* mechanisms established by the Policy with reference to cases of fraudulent conduct or gross negligence to the detriment of the Bank.
- ii. leaving incentives, also connected with extraordinary operations (e.g., mergers) or corporate restructuring processes, and granted to non-relevant Personnel, provided that they jointly comply with the following conditions:
  - a) they comply exclusively with the logic of containment of company costs and rationalisation of the Personnel structure;
  - b) they favour the adhesion to support measures foreseen, from the law or from the collective bargaining, for the generality of Employees;
  - c) they do not produce ex-ante distortion effects on Personnel behaviour;
  - d) they provide for the *Claw Back* mechanisms established by the Policy with reference to cases of fraudulent conduct or gross negligence to the detriment of the Bank.

**c) Advance notice for the amount exceeding the legal measure**

The treatment applied in the event of termination of the employment relationship, if required by applicable law, is that indicated, where applicable, by the relevant national collective contracts and/or by the law that regulates the relationship.

The Bank may provide for extension of notice for retention purposes. In this case, if the Bank waives the period of notice, the portion of the agreed indemnity exceeding the amount

calculated in accordance with the collective agreement applied and the law (article 2121 of the Italian Civil Code), constitutes Variable Remuneration, as such subject to all the relevant limits (accrual period, quali-quantitative criteria, 2:1 limit, balancing, deferral, retention, ex post adjustment mechanisms).

#### **7.2.2.9 Additional elements of Variable Remuneration**

The Bank may provide all or part of the Personnel with further components of Variable Remuneration within the limits of the Policy and in accordance with the regulations in force at the time, including retention bonuses, long-term incentive plans, quarterly sales or similar incentives and one-off extraordinary entry bonuses, in order to encourage the acquisition of talent (payable only once during the entire relationship, and not subject to the rules on the structure of Variable Remuneration if paid in a lump sum at the time of hiring), any additional bonuses with clear, objective and measurable performance indicators and incentive plans also based on other Financial Instruments (e.g., stock grants).

These components will always be assigned within the limits of the variable/fixed remuneration ratio envisaged by this Policy (paragraph 7.2.1.1. – *Variable to Fixed Remuneration Ratio*).

#### **7.2.3 Ex-Post Adjustment Mechanisms (Malus and Claw Back)**

Variable Remuneration, including golden parachutes, is subject to ex post adjustment mechanisms (*Malus and Claw Back*), which may lead to a reduction, even significant, or to the zeroing of the variable component. The adjustment mechanisms must be identified to the extent permitted by law and collective agreements applicable to employment relationships, reflecting performance levels net of the risks actually assumed or achieved and capital levels, as well as individual conduct. With the assistance of the corporate functions (see Annex 3, *Role of Corporate Functions - Procedure for activating the Malus or Claw Back mechanisms*), the Parent Company's Board of Directors shall ascertain the prerequisites that determine the activation of the ex-post adjustment mechanisms with respect to the Relevant Personnel of the BoD and shall decide on their application in accordance with the procedures set out in the Policy. The Chief Executive Officer takes care of the remaining Personnel, making use of the competent company functions and, where necessary, of the corporate bodies of the Subsidiaries.

For the purposes of recognition of the deferred Variable Remuneration, taking into account all other legal and contractual conditions, the application of a specific “gate” linked to the achievement of a positive profitability for the Group, net of risk, associated with compliance with the levels of risk tolerance of capital (TCR) and liquidity (LCR) as defined in the RAF in force at the end of the financial year preceding the payment of the deferred Variable Remuneration (the “**Malus**” condition) is envisaged during the accrual period of the right to payment.

The variable portion of the Remuneration shall be forfeited or, if already paid, shall be returned if it is ascertained that the component of the Variable Remuneration in question has been determined based on data subsequently found to be manifestly erroneous and/or in the presence of conduct of the person concerned in the context of the Group’s activity and/or in any case of the professional activity of the person concerned that falls under one or more of the following cases (the “**Claw Back**” conditions):

- i. conduct resulting in a significant loss for the Group, the Bank or its Subsidiaries or customers; in this regard, with a resolution dated 3 March 2021 the Parent Company’s Board of Directors established the minimum threshold of such loss within the “Group Risk Management Policy” equal to € 500.000;
- ii. the loss of one or more of the requirements of professionalism, integrity and independence referred to in article 26 TUB for the members of Personnel who carry out administration, management and control functions;
- iii. violation of the obligations provided for in article 53, paragraph 4 et seq. of the TUB by the persons indicated therein, with regard to the assumption by the Group of risk-taking activities with regard to those who can directly or indirectly exercise influence on the management of the Bank or the Group as well as persons connected to them, as well as in situations of conflict of interest and/or in violation of the conditions and limits identified by the Bank of Italy pursuant to the aforementioned article 53 of the TUB;
- iv. violation of the obligations and clauses of the Supervisory Provisions (Section III, e.g. undue receipt of remuneration, violation of the retention period);

- v. specific conduct carried out with gross negligence or wilful misconduct, which has resulted in financial or non-financial damage, including damage to image, to the Group, the Bank or Group companies, even if not fully quantifiable, including, by way of example and without limitation:
  - a) violation of confidentiality and non-competition obligations during the employment relationship with the Bank;
  - b) violation of any post-contractual confidentiality and non-competition obligations, such as non-competition clauses also pursuant to art. 2125 of the Italian Civil Code;
- vi. violation with wilful misconduct or gross negligence of the obligations envisaged in Legislative Decree no. 231/2001 or in the Code of Ethics;
- vii. fraudulent conduct or other conduct carried out with gross negligence or wilful misconduct to the detriment of the Group, the Bank, clients or Group companies.

If a *Claw Back* condition occurs, a partial reduction, rather than total zeroing, of the Variable Remuneration concerned may be determined, giving reasons for this decision. The amount may be deducted by offsetting it against the Remuneration and/or the beneficiary's severance indemnities.

Where repayment of the part of Variable Remuneration already received by the beneficiary is problematic to such an extent as to make it hard to quantify, or costly and time-consuming to recover, payment of a sum commensurate with the amount of Variable Remuneration subject to claw back or the value of the benefit awarded may be requested, without prejudice to any further damages. The amount determined in this way may be deducted by offsetting it against the beneficiary's remuneration and/or severance pay.

The *Malus and Claw Back* mechanisms are triggered when the Bank ascertains the circumstance that justifies *Malus and Claw Back*, using the procedure indicated in Annex 3 (*Role of Corporate Functions - Procedure for activating Malus and Claw Back mechanisms*).

In addition to compensation for damage, from the time the *Claw Back* conditions are ascertained, the Bank and the other Group companies have the right to reclaim all or part of the Variable Remuneration already paid, being entitled to exercise this right within five years of each payment.

Furthermore, the termination of the employment relationship and/or the termination of the office does not prevent the activation of *Claw Back* mechanisms, which in any case take into account the legal, contributory and fiscal aspects of the matter, and the time limits provided for by locally applicable regulations.

With regard to the Incentive Plans in Financial Instruments, if the *Internal Audit* function – at the request of the Board of Directors for the Relevant Personnel of the BoD, and the Chief Executive Officer for the remaining Personnel – ascertains one or more *Malus* conditions before the *vesting* date, the beneficiary loses all the options (or the financial instruments) awarded and not yet vested.

For Stock Option Plans, options that have vested but not yet exercised are subject to *Claw Back* if the related conditions are ascertained by the *Internal Audit* Function after the vesting date and before the exercise of the vested options.

If a *Claw Back* condition is ascertained after the exercise of the options, within the applicable statute of limitations, the beneficiary will be required to pay the Bank a sum equal to the value of the options as determined at the time of assignment, without prejudice to the Bank's right to compensation for additional damage.

## 8. DISCLOSURE AND COMMUNICATION OBLIGATIONS TO THE BANK OF ITALY

For the purposes of public disclosure, as envisaged by the Supervisory Provisions that incorporate the provisions contained in article 450 of the CRR<sup>31</sup>, along with other information required under the document “Pillar III – Public Disclosure”, the Bank publishes on its website:

- i. information on the link between Remuneration and *performance*;
- ii. the most important features of the remuneration system, including information on the criteria used to assess *performance* and risk adjustment, deferral policies and award criteria;
- iii. aggregate quantitative information on Remuneration, broken down by line of business;
- iv. aggregate quantitative information on Remuneration, broken down by top management and members of the Personnel whose actions have a significant impact on the Group’s risk profile;
- v. the number of people remunerated with €1 million or more per year, for Remuneration between €1 and €5 million divided into payment bands of €500,000, and for Remuneration equal to or greater than €5 million divided into payment bands of €1 million.

The same information made available to the public shall be provided, at least annually, to the Meeting.

In addition, the Bank, as Parent Company, submits to the Bank of Italy, by 30 June each year, information on the Group’s so-called *high earners*, i.e. those people whose total remuneration amounts to €1 million on an annual basis. In relation to the levels of consolidated assets achieved, the Bank is included in the Bank of Italy’s benchmarking sample, in implementation of EBA guidelines<sup>32</sup>. The Bank will send to the Bank of Italy, by the above deadline, also information relating to:

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<sup>31</sup> Regulation (EU) no. 575/013 of 26 June 2013.

<sup>32</sup> Banking groups with consolidated assets above €40 billion for benchmarking purposes, and, banks and banking groups with assets exceeding €3.5 billion for national supervisory purposes, are subject to survey obligations. Assets triggering the obligation to send the information are those pertaining to the financial year prior to that to which survey data refer.



- i. the Remuneration of all Personnel, considered as a whole;
- ii. the remuneration of *Risk Takers* only, with particular regard to the analytical structure of the Variable Remuneration;
- iii. the number of *Risk Takers* divided into Remuneration brackets.

The information, denominated in euros, refers to the year prior to the year of the survey and is sent to the Bank of Italy via the "INFOSTAT" platform.

9. ANNEX TO THE POLICY

ANNEX 1: DEFINITIONS

<p><b>2016 Stock Option Plan</b></p>	<p>The stock option plan originally approved by the Meeting of 5 December 2016 and subsequent updates, with the last allotment in 2019.</p>
<p><b>2020 Policy</b></p>	<p>The “<i>Remuneration and Incentive Policy in favor of the members of the Strategic Supervision, Management and Control Bodies and the personnel of the BFF Group</i>” approved by the Meeting on 2 April 2020.</p>
<p><b>2020 Stock Option Plan</b></p>	<p>The stock option plan approved by the Meeting of 12 April 2020.</p>
<p><b>Annual report on the Remuneration Policy and Compensation Paid</b></p>	<p>The Annual Report on the remuneration policy and compensation paid prepared as part of the information required pursuant to Article 123-ter of Legislative Decree no. 58 of 1998 of the TUF and article 84-quater of the Issuers’ Regulation.</p>
<p><b>Bank, Parent Company</b></p>	<p>BFF Bank S.p.A., the Parent Company of the BFF Banking Group.</p>
<p><b>Benefit</b></p>	<p>The so-called fringe benefits represent complementary remuneration elements to the Fixed Remuneration. Specifically, they consist in the granting of the use of goods and services by the employer in favour of the Personnel.</p>
<p><b>Board of Directors</b></p>	<p>The body with strategic supervision functions of the Parent Company, to which the Bank’s management functions are entrusted, through, <i>inter alia</i>, the exam</p>

	of and resolution on business or financial plans of strategic transactions.
<b>Board of Statutory Auditors</b>	The body with control function of the Bank.
<b>Bonus Collectors</b>	A form of objective-based short-term Variable Remuneration that is part of the MBO (Management By Objectives) bonuses envisaged for debt recovery Personnel.
<b>By-Laws</b>	The By-Laws of the Bank.
<b>Capital Requirements Directive IV (CRD IV)</b>	European Directive 2013/36/EU of 26 June 2013.
<b>Capital Requirements Directive V (CRD V)</b>	European Directive 2019/878/EU of 20 May 2019.
<b>Chief Executive Officer</b>	The "management body" of the Bank, i.e., the Board member to whom the Board of Directors delegated current management duties, intended as implementation of the guidance resolved by the strategic supervision function.
<b>Claw Back</b>	The total or partial refund of the Variable Remuneration already received.
<b>Code of Ethics</b>	The code of ethics adopted by the Group.
<b>Compliance &amp; AML Function</b>	The corporate function to manage the risk of non-compliance with legislation, as well as to control the risk of money laundering and terrorist financing.
<b>Risk and Control Committee</b>	The committee set up by the Board of Directors pursuant to and to the effects of paragraph 2.3.3 of Section IV, Chapter 1 ("Corporate Governance"), Title IV, First Part of the Supervisory Rules and article 6 of the Corporate Governance Code.

<b>Corporate Control Functions</b>	The Corporate Control Functions as defined in the Bank of Italy regime in the matter of Internal Control System, <sup>33</sup> i.e., <i>Internal Audit Function</i> , <i>Risk Management Function</i> and <i>Compliance &amp; AML Function</i> .
<b>Corporate Governance Code</b>	The Corporate Governance Code for listed companies approved by the Corporate Governance Committee established by the business associations (ABI, Ania, Assonime, Confindustria), Borsa Italiana S.p.A. and the association of professional investors (Assogestioni) on 31 January 2020.
<b>Customer Satisfaction</b>	Indicator of the degree of satisfaction of BFF customers resulting from a survey conducted with the support of an external consultant. This indicator acts as an MBO multiplier.
<b>DEPObank</b>	DEPObank – Banca Depositaria Italiana S.p.A.
<b>DEPObank transaction</b>	Acquisition of DEPObank - Banca Depositaria Italiana S.p.A. by the Bank, formalised in a binding agreement dated 13 May 2020 (signing).
<b>Employees</b>	The employees of the Group.
<b>Excluded Benefits</b>	Monetary allocations excluded from the concept of Remuneration, since (i) marginal value, (ii) non-discretionary, (iii) falling within a general policy of the Bank and (iv) do not affect the Bank's risk profile. These conditions must exist jointly so that an Excluded Benefit can be identified.

<sup>33</sup> See Supervisory Provisions.

<p><b>Executives</b></p>	<p>The managers of organizational units articulated or characterized by a high professionalism reporting to the <i>Chief Executive Officer</i> or Senior Executives, contributing significantly and with a broad autonomy to the achievement of the objectives of the structure they belong to, or providing qualified support/advisory to the Top Managers and the rest of the organisation. They may be included among the Risk Takers. <i>Executives</i> are identified through specific Board of Directors resolution.</p>
<p><b>Executives with Strategic Responsibilities</b></p>	<p>As per IAS 24, executives with strategic responsibilities are key management personnel having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly and whose remuneration is disclosed – in aggregate form – in section II of the report on remuneration and fees paid.</p>
<p><b>Ex-post report</b></p>	<p>The annual report on the application of the 2019 remuneration policy drawn up as part of the disclosures required pursuant to article 123-ter of the TUF and article 84-quater of the Issuers' Regulation.</p>
<p><b>Financial Instruments</b></p>	<p>The Bank's financial instruments with which part of the Variable Remuneration is paid to Risk Takers.</p>
<p><b>Financial Reporting Officer</b></p>	<p>The officer in charge of the preparation of the bank's accounting documentation pursuant to article 154-bis of the TUF.</p>
<p><b>Fixed Remuneration</b></p>	<p>Stable and irrevocable remuneration, determined and paid on the basis of established and non-discretionary criteria – such as, in particular, levels of seniority and responsibility – that do not create incentives for taking</p>

	risk and are independent of Bank performance.
<b>Group General Counsel &amp; Business Legal Affairs Function</b>	The corporate function of legal support to the Chief Executive Officer and other corporate structures.
<b>Global Remuneration</b>	The sum of annual Fixed Remuneration, annual Benefits and the maximum value of the MBO receivable in the year in question.
<b>Group or BFF Group</b>	BFF Banking Group.
<b>Human Resources &amp; Organizational Development Function</b>	The corporate function with the task of managing and training the Group's human resources, ensuring the development of the Group's human and organizational capital in compliance with the guidelines established by the Chief Executive Officer.
<b>Incentive Plans in Financial Instruments</b>	Any incentive plan based on financial instruments, including Stock Option Plans, already adopted or to be implemented by one of the Group companies.
<b>Integration Bonus</b>	Form of Variable Remuneration linked to additional work in terms of individual contribution and coordination of activities in the case of integrations resulting from extraordinary transactions (e.g., acquisitions, mergers).
<b>Internal Audit Function</b>	The Group Internal Audit Function.
<b>Issuers' Regulation</b>	CONSOB Regulation no. 11971/1999.
<b>Low Variable Remuneration</b>	Annual Variable Remuneration does not exceed €50,000 and does not account for more than one third of the total annual Remuneration.
<b>Malus</b>	The reduction or loss of entitlement to payment of the Variable Remuneration, not yet received.

<p><b>MBO</b></p>	<p>The short-term incentive system, for the Chief Executive Officer and Employees, which provides for a possible payment of annual incentive proportional to the annual gross remuneration.</p>
<p><b>Meeting</b></p>	<p>The Bank’s shareholders’ meeting.</p>
<p><b>Personnel</b></p>	<p>The members of the bodies discharging strategic supervision, management and control functions, as well as the Group employees and collaborators.</p>
<p><b>Planning &amp; Control O.U.</b></p>	<p>The organizational unit with the task of ensuring an appropriate disclosure of corporate events through the performance of accounting processes aimed at financial reporting; that unit also performs the Group’s economic planning/management periodic activities and supervises and monitors the achievement of the budget/business plan through management reporting.</p>
<p><b>Policy</b></p>	<p>The remuneration and incentive policy for the members of the Strategic Supervision, Management and Control Bodies and the Personnel of the BFF Group.</p>
<p><b>Projects O.U.</b></p>	<p>The organizational unit which manages the development projects under its direct responsibility and monitors the project portfolio of the Bank and the Group.</p>
<p><b>RAF</b></p>	<p>"Risk Appetite Framework", namely the framework which defines – in accordance with the maximum risk that can be taken, the business model and the strategic plan – the risk appetite, tolerance thresholds, risk limits, risk management policies and reference processes necessary to define and implement them,</p>

	including at Group level.
<b>Regulation &amp; Processes O.U.</b>	The organizational unit with the tasks of developing the Bank's organizational model in accordance with the guidelines defined by the Chief Executive Officer, and continually updating the Group's internal and governance rules.
<b>Related Party Transactions (or RPT) Committee</b>	The committee for the evaluation of transactions with related parties and associated entities.
<b>Relevant Personnel</b>	Group Personnel offering products to customers, interacting with them, as well as those to whom this Personnel reports hierarchically, as per the Bank of Italy's measure "Transparency of banking and financial transactions and services" of 29 July 2009 as subsequently amended and updated.
<b>Relevant Personnel of the BoD</b>	The Personnel whose remuneration and incentive systems, annual targets and its evaluation are defined by the Board of Directors, namely: <ul style="list-style-type: none"> <li>(i) the Chief Executive Officer;</li> <li>(ii) Directors who perform special functions;</li> <li>(iii) Top Managers of the Group;</li> <li>(iv) Executives who report directly to the Chief Executive Officer;</li> <li>(v) Heads of Corporate Control Functions.</li> </ul>
<b>Remuneration</b>	Every form of payment or benefit paid, including any accessory items (so-called allowances), directly or indirectly, in cash, financial instruments or services or goods in kind (fringe benefits), in exchange for the provision of work or professional services rendered by



	the Personnel to the Bank or other Group companies, except for the Excluded Benefits.
<b>Remuneration Committee</b>	The committee set up by the Board of Directors pursuant to and to the effects of paragraph 2.3.4 of Section IV, Chapter 1 (“Corporate Governance”), Title IV, First Part of the Supervisory Rules and article 5 of the Corporate Governance Code.
<b>Remuneration Policy in Favour of Relevant Persons, of the Personnel Responsible for handling Complaints and of the Personnel in Charge of the Credit Assessment</b>	The remuneration and incentive policies for BFF Banking Group’s Relevant Personnel, for complaints handling personnel and for the personnel in charge of assessing creditworthiness, defined in accordance with the Transparency Regulations and contained in a specific document approved by the Board of Directors.
<b>Risk Management Function</b>	The Group Risk Management Function.
<b>Risk Takers</b>	Individuals whose professional activities have or can have a significant impact on the risk profile of the Group, as identified in accordance with the criteria established in Chapter 3 of this Policy.
<b>Risk-Adjusted EBTDA (EBTDA<sub>RA</sub>)</b>	Group EBTDA adjusted according to an adjustment mechanism that takes into account the risks assumed, consistent with the targets established in the Risk Appetite Framework (RAF) defined on the basis of the budget/strategic plan approved by the Board of Directors according to the following formula: $EBTDA_{RA} = EBTDA - (RWA^M * TCR\ Target * Ke)^{34}$ .

<sup>34</sup> Where:

**EBTDA:** pre-tax profit from continuing operations (item 290) excluding net impairment losses on property, plant and equipment (item 210), net impairment losses on intangible assets (item 220) and income statement items which are offset by corresponding changes in shareholders’ equity (e.g. exchange rate losses and costs connected with stock option plans). This accounting caption is also considered to include or exclude any

<p><b>Sales Bonus</b></p>	<p>The variable remuneration, other than the MBO, for the achievement of annual company and individual qualitative and quantitative objectives, the individual bonuses being distributed quarterly, but all cases being assessed as a whole as part of the annual performance. It is governed by the <i>Remuneration Policy in Favour of Relevant Persons, of the Personnel Responsible for handling Complaints and of the Personnel in Charge of the Credit Assessment</i>.</p>
<p><b>Sales O.U.</b></p>	<p>The organizational unit responsible for managing the Bank's business through the development of relationships with new customers and relationships with existing customers.</p>
<p><b>Senior Executive</b></p>	<p>Roles of Vice President (VP) directly reporting to the Chief Executive Officer, contributing in a significant way to the achievement of the Group strategic objectives, belonging to the Risk Takers, usually managing significant HR and/or economic budgets, in the context of formal delegations and proxies. Senior Executives are identified by specific Board of Directors resolution.</p>
<p><b>Top Management</b></p>	<p>The executive directors, general managers, co-general managers and deputy general managers; the heads of</p>

accounting items of an extraordinary nature envisaged in the budget (for example, non-recurring corporate transactions) and/or unexpected items generated by the Bank or the Group that could not be budgeted. This is due to a specific resolution of the Board of Directors;

**RWA<sup>M</sup>**: the average in the year of total risk-weighted assets, on a single company and Group basis, established on the average of end-month RWA, calculated by the Planning, Administration and Control Department on the basis of monthly accounting closings and through the replication of prudential planning activities required for quarterly supervisory reports;

**TCR Target**: in the absence of instruments eligible for inclusion in equity, this is the risk appetite threshold defined for the Total Capital Ratio in the RAF. If there are eligible instruments for the purposes of equity accounting, the TCR Target value to be applied in the formula is equal to the difference between 15% and the percentage of impact of such instruments on the Group's TCR Target;

**Ke**: cost of the Group's equity capital, defined as 10%.

	the main business areas, company functions or geographic areas; those who report directly to the Board of Directors and/or the Chief Executive Officer.
<b>Significantly High Variable Remuneration</b>	Variable remuneration in excess of €435,000.
<b>Stock Option Plans</b>	The 2016 and 2020 Stock Option Plans considered collectively.
<b>Subsidiaries</b>	The companies belonging to the Group, excluding the Bank.
<b>Supervisory Provisions</b>	The Bank of Italy's Circular no. 285 of 17 December 2013 and subsequent updates, the "Supervisory Provisions for Banks".
<b>Sustainable Success</b>	The objective that guides the actions of the Board of Directors and that consists of creating long-term value for the benefit of the shareholders, taking into account the interests of other stakeholders relevant to the Group.
<b>Target EBTDA<sup>RA</sup></b>	The level of EBTDA <sup>RA</sup> as envisaged and calculated in the annual budget approved by the Board of Directors for the year in question.
<b>Transparency Regulations</b>	The provision of the Bank of Italy " <i>Provisions on transparency of transactions and banking and financial services. Correct conduct between intermediaries and customers</i> " of 19 March 2019.
<b>TUB</b>	The Consolidated Law on Banking under Legislative Decree no. 385 of 1 September 1993, as amended.
<b>TUF</b>	The Consolidated Law on Finance under Legislative Decree no. 58 of 24 February 1998, as amended.
<b>TUIR</b>	The Consolidated Income Tax Act.

<p><b><i>Update No. 37 of Circular 285</i></b></p>	<p>The 37th update of the Supervisory Provisions dated 24 November 2021, implementing CRD V and issued pursuant to articles 53 and 67 of the TUB and Ministerial Decree no. 933 of 27 December 2006.</p>
<p><b>VAP</b></p>	<p>Company bonus provided for in the National Collective Labour Agreement for executives and personnel in professional areas, employees of credit, financial and instrumental companies.</p>
<p><b><i>Variable Remuneration</i></b></p>	<p>(i) Remuneration whose recognition or which payment may change in relation to performance, however measured (income targets, rates, etc.), or other parameters (e.g., assignment period), excluding the severance entitlements laid down by the general standard for working relations and compensation for failure to give notice, when their amount is established in accordance with the law and within the limits set therein.</p> <p>(ii) Discretionary pension benefits and amounts agreed between the Bank and the Personnel in view or for the early termination of the employment relationship or for the early termination of office, regardless of title, legal status and the economic rationale for which they are recognised. Among these amounts, those recognised as a non-competition clause or under an agreement in the resolution of an actual or potential dispute are recognised, regardless of the Forum where it is reached.</p> <p>(iii) The carried interest, as qualified by the provisions regarding compensation and incentive policies and practices in the field of asset management,</p>

	<p>implementing directives 2009/65/EC (UCITS) and 2011/61/EU (AIFMD).</p> <p>(iv) Any other form of remuneration which is not uniquely qualified as Fixed Remuneration, except for the Excluded Benefits.</p>
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## ANNEX 2: REGULATORY CONTEXT OF THE POLICY

The Policy applies to all of the Bank's Personnel, and for the purposes of applying the requirements of the Supervisory Provisions, the Bank falls under the category of a listed bank other than a bank of smaller size or operational complexity, having recognised average assets in excess of €5 billion in the four years prior to 2022.

The BFF Group's remuneration policy report was defined in accordance with:

1. the Bank of Italy's **Supervisory Provisions**<sup>35</sup> on remuneration and incentive policies issued on 23 October 2018, as subsequently amended, which establish an organic set of rules on remuneration practices and policies for banks and banking groups;
2. the **Issuers' Regulation**, recently amended by Consob, in implementation of Directive 2017/828/EC (the so-called "SHRD II"), with Resolution no. 21623 of 10 December 2020. These amendments also affected Schedule 7-bis of Annex 3A of the Regulation, which prescribes the content of the remuneration policies of listed companies;
3. the **Corporate Governance Code**. Given that the Supervisory Provisions on Remuneration set limits that overall are more strict than the corresponding provisions of the Corporate Governance Code, to which the Bank adheres, the Supervisory Provisions on Remuneration apply, absorbing and replacing the provisions of the Corporate Governance Code on remuneration practices and policies, including the provisions on retention of shares granted under remuneration plans, which tend to incentivise the alignment of beneficiaries with the interests of shareholders in a long-term horizon.

In this regard, the Corporate Governance Code establishes that share-based remuneration plans for executive directors and top management must provide that a prevailing portion of the plan has a total vesting period and retention period of at least five years.

The Bank does not apply the above provision to share ownership but rather the rules of the Supervisory Provisions, as on the whole they are more stringent than the corresponding provisions of the Corporate Governance Code. Specifically, 50% of the

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<sup>35</sup> See Circular 285, Section One, Title IV, Chapter 2.

Variable Remuneration of Risk Takers is paid in financial instruments, 40% of which are subject to a deferral period of at least four years and a further retention period of at least one year.

Without prejudice to the above, the Bank has implemented all the recommendations of the new Corporate Governance Code, and specifically applies diversity criteria – including by gender – for the composition of the Board of Directors in compliance with the priority objective of ensuring adequate competence and professionalism of its members.

4. the **Transparency Regulation**. In this regard, the Bank's Board of Directors has approved a Group Remuneration Policy in Favour of Relevant Persons, of the Personnel Responsible for handling Complaints and of the Personnel in Charge of the Credit Assessment. At the national level, the reference framework was supplemented in 2019 by the recent amendment of the Bank of Italy's provision of 29 July 2009 on "*Transparency of banking and financial transactions and services*", which introduced certain provisions on the remuneration policies to be adopted by intermediaries in relation to "personnel and third parties involved in the sales network". In order to transpose these provisions, the Bank draws up a Policy for the so-called "Relevant Persons", which is submitted to the Board of Directors for approval.

Furthermore, the issue of Legislative Decree no. 49 of 10 May 2019, which amended art. 123-ter of the TUF, in implementation of Directive 2017/828/EC (the so-called "SHRD II") as regards the encouragement of long-term shareholder engagement should be noted. Although the SHRD II Directive has yet to be fully implemented (the consultation phase that precedes the issue of the detailed regulations is currently underway), Legislative Decree no. 49/2019 already provides for immediately effective provisions on remuneration policies for listed companies.

Most of these provisions are new only for listed companies that do not operate in the banking sector. For the latter, on the other hand, most of these provisions overlap with those of the Supervisory Provisions (for example, the principle of alignment to long-term interests, including control body remuneration policies in the Report and requiring a binding vote of the Meeting to approve remuneration policies).

At a European level the regulatory environment consists of:

- *Capital Requirements Directive V* (CRD V) which establishes specific principles and criteria that banks must comply with in order to:
  - i. ensure the proper design and implementation of remuneration systems;
  - ii. effectively manage possible conflicts of interest;
  - iii. ensure that the remuneration system appropriately takes into account current and prospective risks, the degree of capitalisation and liquidity levels of each intermediary;
  - iv. increasing the degree of transparency towards the market;
  - v. ensure that there is no gender discrimination among Personnel;
  - vi. increase harmonisation among Member States;
  - vii. ensure greater clarity and transparency when applying the principle of proportionality.
- The EBA *Guidelines* - GL 2021/04 of 2 July 2021, which provide guidelines and interpretative clarifications in accordance with CRD V.



### ANNEX 3: ROLE OF COMPANY FUNCTIONS

#### Corporate Control Functions

The Corporate Control Functions, each for its own competencies, ensure the compliance and adequacy of the Policy with the regulations in force.

The *Compliance & AML* Function verifies that the corporate reward system is consistent with applicable regulations, the By-Laws and any codes of ethics or other standards of conduct adopted by the Bank. As part of this verification, the *Compliance & AML* Function operates in such a way that the legal and reputational risks inherent above all in customer relations are assessed and contained, and informs the Chief Executive Officer, the Remuneration Committee and, as part of the periodic reports, the Board of Directors and the Board of Statutory Auditors. The Meeting is informed of these results through the Board of Directors.

The *Compliance & AML* Function also verifies that the Subsidiaries fully and correctly implement the Policy, assessing any further limits imposed by local regulations. If a possible conflict with local regulations emerges, the *Compliance & AML* Function expresses an opinion to the Chief Executive Officer regarding the resolution of the conflict of regulations and identifies the operational solutions capable of correctly implementing the Policy.

The *Risk Management* Function, based on the accounting evidence provided by the *Finance & Administration* Department, verifies that *gates* for Variable Remuneration, including the results of EBTDA<sup>RA</sup>, have been reached and that the incentive system is consistent with risk management methodologies.

The *Internal Audit* Function verifies at least once a year, the compliance of the Remuneration practices with the remuneration and incentive policies, in particular, on the basis of the audit plan, developed with a risk-based logic. The results of the audits conducted are brought to the attention of the Board of Directors and the Meeting. The *Internal Audit* Function also collaborates with the *Human Resources & Organizational Development* Function in activating the *Malus* and *Claw-Back* mechanisms, carrying out the necessary investigations and analyses at the request of the *Human Resources & Organizational Development* Function, or of the Chief Executive Officer, to ascertain the events that may lead to the activation of the *Malus* or *Claw Back* mechanisms.

### **Financial Reporting Officer**

The Financial Reporting Officer provides the accounting data necessary to verify the objectives and, where required by the business plan, verifies the *performance management* process for the payment of the Variable Remuneration, as per paragraph 7.2.2.1 (MBO for *Employees*).

### **Human Resources & Organizational Development Function**

The *Human Resources & Organizational Development* Function:

- i. applies the provisions contained in the Policy by translating them operationally, within the limits provided by the role and the powers granted;
- ii. ensures the correct application of the criteria and parameters of the Remuneration and incentive scheme within the Group;
- iii. performs *benchmark* analyses against a panel of domestic and foreign banks comparable to the Bank in terms of business and size, which may vary depending on the subject under consideration. This analysis is performed in order to determine:
  - a) proposals for revising the Policy;
  - b) a review of the remuneration and incentive system in terms of the instruments, methods, operating mechanisms and parameters adopted by the Bank;
- iv. coordinates the process of identifying and defining *Risk Takers*;
- v. provides support to the Remuneration Committee and, where appropriate, to the Risk and Control Committee;
- vi. monitors regulatory developments in employment law and the rules governing the remuneration system;
- vii. initiates the verification process on the conditions of *Malus* and *Claw Back*, making use of the *Internal Audit* Function for the appropriate verifications.

Details of the roles in the following processes are given below:

- verification of individual objective achievement
- procedure for activating *Malus* or *Claw Back* mechanisms;

### **Process for verifying individual objective achievement**

The achievement of quantitative objectives linked to the individual *performance* of the Group's Employees is mainly verified by the following corporate functions:

- i. Group Planning & Control O.U., if of a financial nature;
- ii. Projects O.U., if of a project nature.

However, the certification process may involve additional business functions with responsibility for verifying quantitative objectives pertaining to the function in question. In any case, the owner of the certification is normally different from the entity being evaluated in order to ensure an objective assessment. Outside of the quantitative economic and planning objectives, other types of objectives can be assigned which are then verified and certified by the functional manager of the individual collaborator and approved by the Chief Executive Officer. Individual quality objectives are linked to organizational conduct and are assessed directly by the manager of the relevant organizational structure concerned, on a granular evaluation scale. In order to make the evaluation of the qualitative objectives as objective as possible, annual quantitative *drivers* are identified and related to the *performance* of the O.U. or Function or Department to which it belongs, whose overall results support the evaluation of the organizational conduct of the individual in achieving the driver identified. These *drivers* make it possible to argue more precisely the evaluation of the individual's performance in relation to concrete objectives that are considered important from year to year for the department to which they belong.

### **Procedure for activating *Malus* or *Claw Back* mechanisms**

The activation of *Malus* or *Claw Back* mechanisms follows the procedure summarised below.

At the request of the Board of Directors for Relevant Personnel of the BoD and of the Chief Executive Officer for other Personnel, the *Internal Audit* Function performs the analyses

necessary to ascertain the facts that may lead to the activation of the *Malus* or *Claw Back* mechanisms. Investigations are carried out by the Director of *Internal Audit* Function, making use of its structure to complete the phase of initial analysis of the information.

The *Internal Audit* Function prepares a report on the facts under investigation and sends it to the Director of *Human Resources & Organizational Development* Function, and to the Chief Executive Officer.

If the necessary conditions exist, before activating the *Malus* or *Claw Back* mechanisms:

- i. with respect to an employee, the disciplinary procedure is activated in accordance with article 7, Law no. 300/1970 and the applicable collective labour agreement. With the communication concluding the disciplinary procedure (or with separate communication), the person in question is informed of the activation of the *Malus* or *Claw Back* mechanisms;
- ii. with respect to a person who has a relationship other than employment, or with respect to persons who no longer have any relationship with the Bank, the following procedure is activated:
  - a) the facts that are assumed to activate the *Malus* or *Claw Back* mechanisms must be notified in writing to the person concerned, who is guaranteed the right to provide his or her defence in writing within a reasonable period proportionate to the complexity of the facts complained of, in any case not less than 5 calendar days;
  - b) once the party concerned has been heard in his or her defence (or after the deadline assigned without the party concerned having presented his or her defence), the Chief Executive Officer, keeping the Board of Directors (or the Board of Directors for the Relevant Personnel of the BoD) informed, may proceed with any measures that may be taken.

The decision must be communicated to the person concerned in writing, and reasons must be given. The measure referring to the facts committed, identifying the provisions which are assumed to have been breached and the reasons why the concerned person's defence may not be upheld is considered justified.



## SECTION II

### IMPLEMENTATION OF REMUNERATION POLICIES IN 2021

#### 1. PREAMBLE

This section of the Report provides information on the implementation in 2021 of the 2020 Policy, as amended by the Shareholders' Meeting of 25 March 2021, also in light of the feedback received from shareholders at the Shareholders' Meetings of 25 February 2020 and 25 March 2021. In detail, this Section II provides full information about:

- The achievement of the targets set for the activation of the variable remuneration systems including the level of achievement of the *Risk Adjusted EBTDA* (EBTDA<sup>RA</sup>);
- A detailed examination of the achievement of the individual objectives for the Chief Executive Officer.

In particular, the following is provided:

- i. personal data on the remuneration of the members of the management and control bodies, and the Group Chief Executive Officer;
- ii. aggregate data for the *executives with strategic responsibility* as no executive with strategic responsibility receives higher remuneration than the Chief Executive Officer<sup>36</sup>.

This section consists of two parts.

The first part includes:

- i. details of the items that make up the Remuneration (including the compensation provided for in the event of termination of office or termination of employment) of the persons indicated above, in accordance with the 2020 Policy;

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<sup>36</sup> The relevant legislation (Article 123-ter of the TUF and Schedule 7-bis of Annex 3A to the Issuers Regulations) requires specifying by name:

- a. the remuneration of the members of the management and control bodies;
- b. the remuneration of any other executives with strategic responsibilities who received, during the year, total remuneration (obtained by adding the monetary remuneration and remuneration based on Financial Instruments) higher than the highest total remuneration attributed to the individuals identified in letter. a; in the case of the Bank, the Chief Executive Officer.

- ii. general information on the implementation of the 2020 Policy and the assessments provided by the Group's control functions, each for the aspects within their respective remits.

The second part includes:

- details of each of the items making up remuneration, in the table format envisaged by the Issuers' Regulations. Specifically, the information is provided:
  - by name, for the members of the management and control bodies and the Chief Executive Officer
  - in aggregate, for the Executives with Strategic Responsibilities;
- the disclosure required by Article 450 of the CRR in relation to the implementation of the 2021 Remuneration Policy<sup>37</sup>;
- For an illustration of how the Bank considered the vote cast the previous year pursuant to art. 123-ter, paragraph 4, letter B-bis, TUF, reference should be made to paragraph 1.1.1 of Section I - *Voting Results of the Shareholders' Meeting 2021* and to paragraph 2 of Section I – 2. *Principles and pursuit of long-term interests with a view to sustainability and personnel management policy*.

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<sup>37</sup> See the implementing technical standards of the Regulation on prudential requirements for credit institutions (CRR II) concerning requirements of disclosure to the market, also in relation to remuneration policy and reporting to the competent authorities published by the EBA on 24 June 2020 applicable from 30 June 2021.

## 2. FIRST PART

### 2.1 MAIN RESULTS FOR 2021

The continued strengthening of growth initiatives, strict cost control and asset quality control enabled the Group to achieve excellent results in terms of revenues in the year ended 31 December 2021, despite the ongoing pandemic.

As a consequence, the Group achieved the following results:

- adjusted **net revenues** for the year 2021 amounted to **€ 331.4 million**, of which € 161.9 million came from the Factoring & Lending Department;
- **adjusted net income rose to € 125.3 million**, up 7% year-on-year;
- **reported net income** increased in the combined legal entity to € 197.4 million, up significantly from the € 91 million achieved in 2020;
- **CET1 of 17,6%** (23,4% including dividends accrued in 2021).

The decisions relating to the remuneration and incentives for Personnel were therefore taken in a context that rewarded the performance achieved, on the *pay-for-performance* basis underlying the Group's remuneration policy, while respecting the principles of prudence and sustainability.

### 2.2 GENERAL INFORMATION ON THE IMPLEMENTATION OF THE 2020 POLICY

During 2021, Directors and Employees were paid the Fixed Remuneration, in accordance with the 2020 Policies and the individual contractual provisions and in compliance with the collective bargaining agreements applied.

The award of the Variable MBO Remuneration for Employees was based on the achievement of company and individual qualitative and quantitative objectives.

The Variable Remuneration was calculated in accordance with the Policy in force.

The calculation of the ratio between Fixed and Variable Remuneration took into account the gross annual value of all the components of the Fixed Remuneration, including Benefits, and the variable component accrued during the year. The maximum ratios of Variable



Remuneration to Fixed Remuneration of 2:1 for Employees and the Chief Executive Officer, and one third for the Directors of Corporate Control Functions, were respected.

You are reminded that the Group uses Financial Instruments to pay Risk Takers at least 50% of the Variable Remuneration, both up-front and deferred.

In the case of Risk Takers, the deferral portions, and periods, as well as the retention portions and periods of the Financial Instruments in accordance with the 2020 Policies, have been applied to all accrued Variable Remuneration items.

For the year 2021, 80% of the target value linked to the award of the VAP corporate bonus, envisaged for the Bank's Employees subject to the national collective bargaining agreement regarding credit applicable in Italy, was reached.

With regard to the information to be provided pursuant to Article 114-bis of the TUF concerning compensation plans based on significant Financial Instruments, active during 2021, see paragraph 2.4 below (2020 *Stock Option Plan*) of the Report.

In addition, during the reporting year, no discretionary pension benefits were paid out or granted (i.e., no pension benefits were paid out beyond the plans provided for by the National Bargaining Agreements and the law).

In compliance with the provisions of the Issuers' Regulations, the Parent Company notes the following with regard to the two-year period 2020-2021 for the BFF Group:

- the fixed remuneration of each of the non-executive members of the Board of Directors has undergone the changes shown in Table 1, while the fixed remuneration of the Board of Statutory Auditors has remained unchanged
- the sum of the Fixed Remuneration, Benefits and MBO of the Group's Chief Executive Officer did not increase. Indeed, only the remuneration package contractually agreed in August 2020 was paid for the entire year 2021 (and not *pro rata temporis* as in 2020). This is the reason for any variations found in the attached tables. In addition, the Chief Executive Officer was granted stock options in 2021, although in a smaller amount than in 2020.

The average gross annual remuneration, based on the Group's full-time employees, other than members of the management and control bodies and the Chief Executive Officer, changed by -2,3%. This change was due to the addition of employees from the acquisition of DEPObank, mainly consisting of clerical staff.

## 2.3 IMPLEMENTATION OF THE APPLICABLE REMUNERATION AND INCENTIVE POLICY IN 2021

### 2.3.1 Remuneration of the Strategic Supervision, Management and Control Bodies

On 25 March 2021, the Ordinary Shareholders' Meeting of BFF Bank S.p.A. appointed the Board of Directors and the Board of Statutory Auditors using the "list voting" procedure. These Directors and Statutory Auditors will remain in office until the date of the Shareholders' Meeting called to approve the financial statements at 31/12/2023.

The total remuneration of each of the non-executive and independent members of the Board of Directors and of the Board of Statutory Auditors remained unchanged in terms of remuneration paid for the position of advisors.

On the other hand, the remuneration for members and/or chairmen of the board committees was revised, after having commissioned an independent expert (*Willis Towers Watson*) to carry out a benchmarking study on the individual positions of the advisors.

Table 1 below provides details of the remuneration approved on 25 March 2021 and the comparison with the amounts paid prior to that date.

	Annual amounts up to 24/03/2021	Annual amounts from 25/03/2021	Change
Chairman Remuneration	195.000,00	270.000,00	38%
Chief Executive Officer Remuneration	1.067.000,00	1.067.000,00	0%
Director Remuneration	50.000,00	50.000,00	0%
Control and Risk Committee Chairman	25.000,00	35.000,00	40%
Control and Risk Committee Member	10.000,00	20.000,00	100%
Remuneration Committee Chairman	15.000,00	20.000,00	33%
Remuneration Committee Member	5.000,00	10.000,00	100%
Nomination Committee Chairman	15.000,00	20.000,00	33%
Nomination Committee Member	5.000,00	10.000,00	100%
Related Party Transactions Committee Chairman	5.000,00	10.000,00	100%
Related Party Transactions Committee Member	2.000,00	4.000,00	100%

Table 1.

The sum of the Fixed Remuneration, Benefits and maximum MBO of the Group's Chief Executive Officer did not increase.

The details are provided in the paragraphs below.

#### **2.3.1.1 Remuneration of non-executive members of the Board of Directors**

The non-executive members of the Board of Directors were paid the following remuneration components (calculated based on their effective period in office)<sup>38</sup>:

- i. A fixed fee for the office of director, equal to € 50.000,00, unchanged from the previous tenure
- ii. an additional fixed fee for directors who hold special offices, Chairman or member of board committees, for a maximum annual cumulative amount of € 55.000,00, up compared to the previous term; the change was due to the adjustments in remuneration mentioned in point 2.3.1.;
- iii. for the Chairman of the Board of Directors, additional remuneration pursuant to paragraph 3 of Article 2389 of the Italian Civil Code, equal to € 270.000,00 per year, up compared to the previous term.

No Variable Remuneration was paid to the non-executive directors. There are no agreements for the members of the Board of Directors regarding compensation in the event of termination of office, nor are there any variable components of Remuneration.

#### **2.3.1.2 Chief Executive Officer remuneration**

In 2021, the following remuneration components were paid to the Chief Executive Officer:

- the gross annual remuneration as Chief Executive Officer, equal to € 1.117.000,00, including the **fixed remuneration** for the office of director, equal to € 50.000,00;
- a package of non-monetary benefits, amounting to € 78.400 net;
- the MBO for the year 2021 amounting to € 1.117.000,00, subject to the approval of the 2021 financial statements by the Shareholders' Meeting (see the paragraphs below for

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<sup>38</sup> Set within the total amount approved by the Shareholders' Meeting of 25 March 2021, in the Board of Directors of 29 January 2021.

details), of which 70% will be paid up front (of which 50% in financial instruments) and 30% will be deferred for three years (of which 50% in financial instruments);

- the first up-front tranche of the Integration Bonus for an amount of € 390.950,00, of which 70% was paid up front (of which 50% in financial instruments) and 30% was deferred for three years (of which 50% in financial instruments); see the paragraphs below for details;
- a number of stock options totalling 350.000,00, granted under the 2020 Stock Option Plan, in relation to the second tranche<sup>39</sup>.

In 2021, the Chief Executive Officer was also awarded the deferred portion, equal to 30%, relating to the 2018 MBO. The amount paid will be € 95.022,90 in cash and € 95.022,90 in financial instruments for a total of € 190.045,80<sup>40</sup>.

Details are provided below.

## MBO

Despite the uncertain macroeconomic scenario, in 2021 the Group was able to cope with the difficult period, successfully implementing initiatives to strengthen the stability of its balance sheet and Income Statement.

Consequently, the review of the Group's final figures for the year 2021 showed that the entry gate objectives of liquidity and capital and risk-adjusted profitability had been achieved, which led to the activation of the incentive system for the Chief Executive Officer and the Group's employees.

On 10 February 2021, the Board of Directors verified the performance of the three gates<sup>41</sup> established by the reference Policy as gates for the accrual of the MBO in the year 2021 and for the deferred portion pertaining to 2018/2019.

	Performance
EBITDA <sup>RA</sup>	121,5% of the annual target
LCR (Liquidity Coverage Ratio)	274,04%
Total Capital Ratio	22,2%

<sup>39</sup> The unit value of the options granted was determined on the basis of a valuation model for a total value of the options granted of € 331.000.

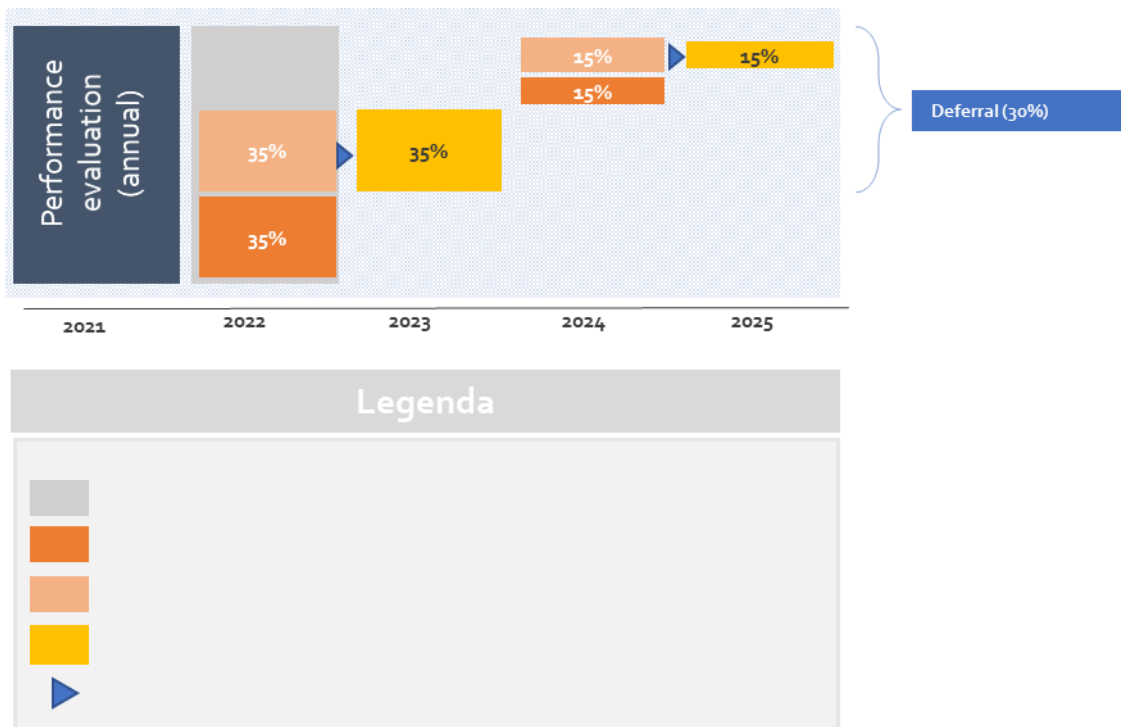
<sup>40</sup> This component will be highlighted in Section 2 of next year's report.

<sup>41</sup> Liquidity Coverage Ratio (LCR), Total Capital Ratio, EBTDA<sup>RA</sup>.

For the 2021 MBO, the Chief Executive Officer reached 100% of the required performance with regard to the value of the EBTDA <sup>RA</sup> and, consequently, on 1 March 2022 the Board of Directors, upon proposal from the Remuneration Committee and subject to the opinion of the Board of Statutory Auditors, approved the award of the bonus of € 1.117.000,00.

The bonus will be paid according to the payment model set out in the remuneration and incentive policies in force, namely:

- up-front portion of € 781.900,00 (70%) and deferred portion of € 335.100,00 (30%)
- 50% of the MBO (both the up-front and the deferred portion) paid in financial instruments. In particular:
  - for the up-front portion, the amount paid in shares of the Bank is € 390.950,00;
  - for the deferred portion, the amount to be paid in shares of the Bank is € 167.550,00.



### Integration Bonus

On 28 May 2020, the Board of Directors approved the granting of an MBO bonus in addition to the annual MBO ("Integration Bonus"), specifically linked to the DEPOBANK integration

project, to encourage key people to stay with the company for the next two years, the time needed to ensure the success of the integration.






The purpose of the Integration Bonus was to maintain the motivation of personnel considered strategic for the purposes of integration and to ensure their retention at least for the period necessary to guarantee the success of the integration, which was estimated to be about 2 years from the signing.

This bonus involved both the Chief Executive Officer and other personnel, mainly in the central functions of the Bank.

This bonus is similar in practice to an additional MBO, given the use of **specific KPIs** that can be measured and objectively linked to the success of the integration over time, as well as achievement thresholds (minimum-target-maximum).

For each objective, the degree of achievement was measured against predetermined levels of “minimum”, “target” and “maximum” achievement or non-achievement.

Details of the objectives and their level of achievement specifically for the Chief Executive Officer are provided below.

Objective	KPI Weight	Level achieved
Managing the integration process Meeting deadlines and completing activities according to approved integration plan	20%	
Managing integration budget	20%	
Identifying synergies: drawing up plan for funding and cost synergies	20%	
Defining the group structure for optimising the capital structure, corporate and taxation structure post closing	20%	
Defining the Group’s Management Structure	20%	


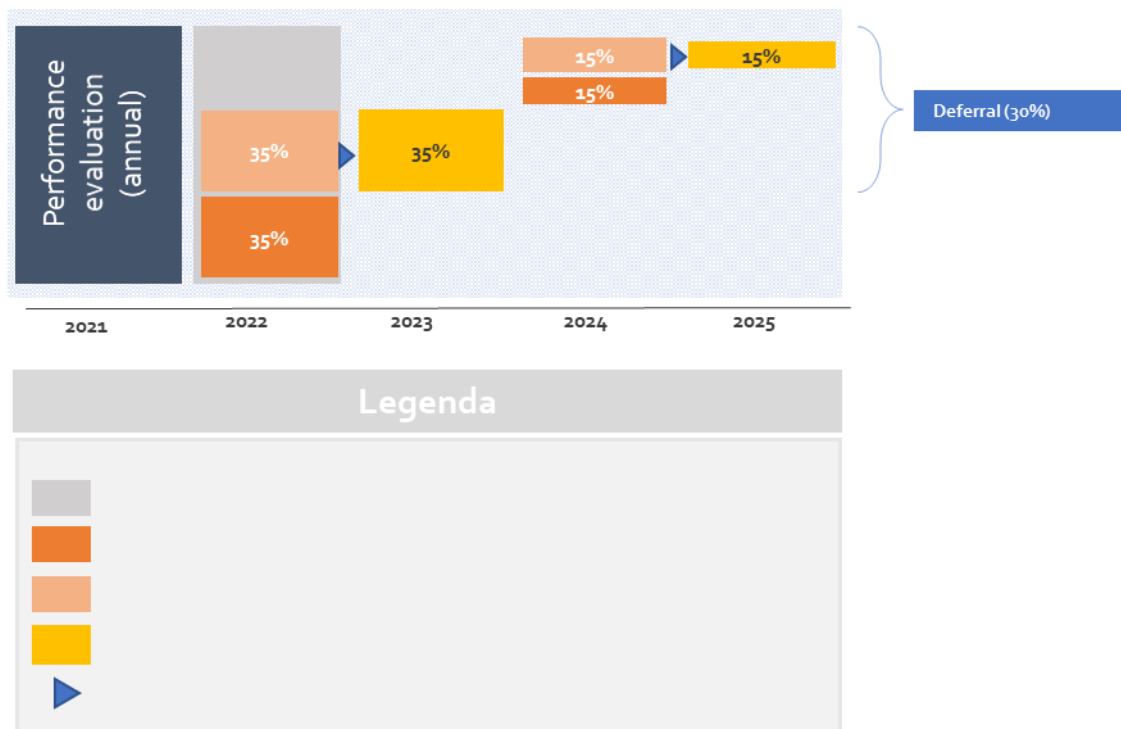
Key:  Actual value

Figure: Integration Bonus - Tranche 1 envisaged for the Chief Executive Officer and related performance.

The overall individual performance for the first tranche was 100% and consequently the amount of the bonus approved for the Chief Executive Officer was € 390.950,00.

The bonus was paid in accordance with the payment model for the Integration Bonus described in paragraph 2.4, namely:

- 70% of the amount due was paid up front and 30% was deferred
- The portion in financial instruments (shares of the Bank) is 50% for both components, with a retention period of 1 year.



### Deferred amounts from prior years variable systems

With regard to the deferred components of the incentive systems from prior years, the Board of Directors' meeting of 1 March 2021 verified that the conditions for the deferred portion for the 2018 MBO system had been met.

The amount to be paid relating to the deferred portion, equal to 30%, referring to the 2018 MBO, is € 95.022,90 in cash and € 95.022,90 in financial instruments (shares of the Bank with a 1-year retention period) for a total of € 190.045,80.

### **2.3.1.3 Remuneration of members of the Board of Statutory Auditors**

The following remuneration elements were paid to the members of the Board of Statutory Auditors – unchanged compared to the previous year, even though 2/3 of its members were reappointed in conjunction with the approval of the appointments of the new Board of Directors in office – following the Shareholders' Meeting approval of 25 March 2021:

- i. fixed remuneration for the position of Standing Statutory Auditor, equal to € 65.000,00;
- ii. fixed remuneration for the Chairman of the Board of Statutory Auditors, equal to € 85.000,00.

The remuneration of the members of the Board of Statutory Auditors is consistent with the Group's remuneration policies, because, among other things:

- iii. it is in line with the Group's long-term objectives;
- iv. no variable component has been paid to the Statutory Auditors<sup>42</sup>.

### **2.3.1.4 Remuneration of the members of the Supervisory Board**

- i. For each of the three members of the Supervisory Board who are not employees of the Bank, fixed remuneration of € 20.000,00 was paid (for the period 01/01/2021 - 31/12/2021);
- ii. no Variable Remuneration was paid to the members of the Supervisory Board.

As envisaged, no additional remuneration was paid to the members of the Supervisory Board who are part of the Bank's employees.

### **2.3.1.5 Remuneration of the remaining Risk Takers<sup>43</sup> who are employees of the Group**

The Remuneration of Risk Takers consists of the following components:<sup>44</sup>

- the Gross Annual Remuneration of € 4.179.472,28;
- a package of non-monetary benefits, amounting to € 343.116,83;

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<sup>42</sup> In compliance with Article 3 of Section III of the Supervisory Provisions on Remuneration, which precludes any form of variable remuneration to the members of the body with control functions.

<sup>43</sup> Managers with strategic responsibilities also included in the perimeter.

<sup>44</sup> The amounts are shown in aggregate form, as required by Schedule 7-bis of Annex 3 to the Issuers' Regulations.



- annual Variable Remuneration accrued in 2021 of € 1.717.197,66, of which an up-front portion of € 1.202.038,36 (70%) and a deferred portion of € 515.159,30 (30%); for the up-front portion, the amount paid in financial instruments of the Group is € 601.019,18 and for the deferred portion, the amount to be paid in shares of the Group is € 257.579,65;
- some of the Risk Takers benefited from the granting of the Integration Bonus accrued in the year 2021 amounting to € 396.021,96, of which an up-front portion of € 277.215,37 (70%) and a deferred portion of € 118.806,59 (30%); for the up-front portion, the amount paid in shares of the Group is € 138.607,69, and for the deferred portion the amount to be paid in shares of the Group is € 59.403,29;
- a total of 885.000,00 stock options were granted for a total value of € 757.620,00. This amount constitutes Variable Remuneration on a par with the MBO incentive system. Specifically, in the event of vesting of the options, the value of the 2021 options will be deemed to be awarded at the vesting date for the purpose of calculating the variable remuneration for the year in progress at that date and, therefore, will contribute to i) determining the maximum ratio of 2:1 between the variable and fixed components of remuneration; and ii) determining the minimum portion of variable remuneration to be paid in financial instruments, equal to 50% of the total variable remuneration, for Risk Takers only.

In addition, the Risk Takers who are employees of the Group will be paid the deferred portion of the annual Variable Remuneration for the year 2019, amounting to € 346.380,80, of which the portion paid in shares of the Group is € 141.506,66.

With regard to the **MBO system** and the related performance, it is noted that:

- as at 31 December 2021, the Group achieved a Risk-Adjusted EBTDA equal to its maximum level, complying with the regulatory capital and liquidity limits set in the 2020 Policy (entry gate values for access to the MBO system). In this regard, the performance results already highlighted are shown below:

	Performance
EBITDA <sup>RA</sup>	121,5% of the annual target
LCR (Liquidity Coverage Ratio)	274,04%
Total Capital Ratio	22,2%

- Given that the Risk-Adjusted EBTDA acts both as a gate and, if reached, as a multiplier for certain beneficiaries (excluding, for example, control or equivalent functions) the multiplier was 130% or 140% depending on the employee classification.
- With regard to the Customer Satisfaction Index, the Bank achieved a 92,6% satisfaction rating for BFF's customers, as measured by a sample survey conducted by an external consultant. Compared to 2020, the Customer Satisfaction Index decreased by 7% due to the new processes required with the introduction of the past due classification, which resulted in many more actions and many more document requests to customers, maintaining a good rating. As a result, the Board of Directors applied a multiplier of 1,06. In 2020, the multiplier applied was 1,09.

Consequently, the Group, following the verification of the gates and the absence of violations by the Risk Takers, that would activate *Malus* or *Claw Back* mechanisms, will pay the Risk Takers the up-front portion of the 2021 MBO equal to € 1.202.038,36 (of which € 326.228,95 for Executives with Strategic Responsibilities in cash and € 163.114,48 in financial instruments), and the deferred MBO portion related to the 2019 performance, amounting to € 346.380,80, of which € 141.506,66 in financial instruments.

With regard to the **Integration Bonus**, it is noted that:

- The average percentage of achievement of the target assigned to Senior Executives or Executives who were included in the list of Risk Takers reporting directly to the Chief Executive Officer was 90%;
- There was no turnover among the Senior Executives and Executives reporting directly to the Chief Executive Officer who received the first tranche, demonstrating the retention effect achieved by the plan, particularly in the first phase of the acquisition project;

- Consequently, the achievement of the Integration Bonus target by the remaining Risk Takers is 83%. The payment of the Integration Bonus is the same as the MBO mechanism, where for Risk Takers it will be paid 70% up front (of which 50% in Financial Instruments) and 30% deferred (of which 50% in Financial Instruments).

The Remuneration of Risk Takers is consistent with the 2020 Policy, because, among other things:

- i. it is in line with the Group's long-term objectives;
- ii. it respects the balance between Variable and Fixed Remuneration;
- iii. it respects the balance between Financial Instruments and Cash for the Variable Remuneration;
- iv. it respects the balance between deferral and retention periods.

#### **2.4 2020 STOCK OPTION PLAN**

The 2020 Stock Option Plan is aimed at the granting – in three tranches – of a maximum number of 8.960.000,00 stock options, each of which grants the beneficiaries the right to receive ordinary shares of the Company, in accordance with the terms and conditions set out in the plan regulations. The options may be exercised on a cashless basis.

The first tranche, granted during 2020, and the second tranche, granted during 2021, involved the granting of almost all the options in the plan, with a remainder of only 480.000,00 options, since the plan also served to include the personnel identified among the employees of the newly acquired DEPObank in the second tranche. This inclusion, not envisaged at the beginning of the plan, resulted in the need to propose a new "2022 SOP" incentive plan for the BFF Banking Group, which will be submitted for approval at the Ordinary Shareholders' Meeting of 31 March 2022, in order to have sufficient capacity to attract, motivate and retain talent in the now larger and more diversified Group.

Pursuant to the "2020 Stock Option Plan", the stock options granted in each tranche vest upon completion of the related vesting period. Vesting is subject to a series of conditions further detailed in the "2020 Stock Option Plan", which require:

- i. the continuation of the employment relationship with one of the Group companies and/or the office on the Board of Directors; and
- ii. levels of capital resources and liquidity necessary to meet the activities undertaken and compliance with other certain parameters, including those of a regulatory nature.

With regard to the 2020 Stock Option Plan, the 8.480.000,00 options granted out of a total of 8.960.000,00 are all still to be exercised, because the vesting will take place starting from 2023.

## **2.5. 2016 STOCK OPTION PLAN**

Concerning the "2016 *Stock Option Plan*", which involved the granting of a total of 8.358.640,00 options, 2.534.684,00 options are still to be exercised, including 1.581.684,00 exercisable as at 31 December 2021.

In the second part of this Report it is contained the Table 2 in accordance with Annex 3A, Schedule 7-bis of the Issuers' Regulations.

## **2.6 AGREEMENTS RELATING TO CASES OF EARLY TERMINATION OF EMPLOYMENT OR TERMINATION OF OFFICE**

As specified in Section I of the Report, the Board of Directors may approve payments for the Risk Takers in the event of early termination of employment or termination of office, in order, among other things, to limit the risks of potential litigation with the Risk Takers concerned and pre-estimate the related cost for the Bank, avoiding the uncertainty of a ruling.

This remuneration is quantified and paid by the Group in accordance with the criteria set out below.

The determination of this remuneration is subject to ex post adjustment mechanisms (*Malus* and *Claw Back*), within the limits allowed by the collective agreements applicable to the employment relationship, as envisaged by the Supervisory Provisions for Banks and, in any case, in compliance with the limits and requirements of the relevant legislation. A retention period of no less than 1 year applies to the above-mentioned remuneration for the portion paid in Financial Instruments.

For amounts agreed with members of Personnel in view or at the time of early termination of employment or early termination of office, the limits set in the Supervisory Provisions on Remuneration, Section III, paragraph 2.2.2 apply: the amount agreed cannot exceed the limit of 24 months of the Global Remuneration for the last year of the relationship.

In any event, these amounts may not exceed:

- a) € 1.100.000,00 for Employees;
- b) € 4.500.000,00 for Personnel other than Employees, including the Chief Executive Officer.

In this regard, the Bank has agreed on amounts in view or at the time of early termination of employment or early termination of office with two Risk Takers:

- the Chief Executive Officer, whose contract provides for the potential payment, upon termination of office, of an amount equal to the lower of (i) 1,8 times the sum of the average Variable Remuneration<sup>45</sup> of the previous three years and the Fixed Remuneration (excluding Benefits) and (ii) € 4.500.000,00.
- the details and conditions of this payment are described in Section I (*Payments for termination of office*);
- a Risk Taker belonging to the category of Employees, whose contract provides for a potential payment, upon termination of employment, of an amount equal to 24 months of the Global Remuneration for the last year of the relationship, in addition to the indemnity in lieu of notice.

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<sup>45</sup> Defined as the average of the amounts paid to the Chief Executive Officer as Variable Remuneration (as currently defined) in the three-year period preceding the vesting date of the Chief Executive Officer's right to receive the golden parachute, including amounts still subject to deferral (for the sake of clarity: the deferred variable remuneration accrued in the previous three-year period is taken into account but not the deferred amount received in the three-year period arising from variable remuneration prior to the three-year period of reference) and including the value of any stock options, phantom stock options or other equivalent instruments granted in the three-year period, the value of which is the value calculated at the grant date.

## **2.7 CHECKS ON THE REMUNERATION SYSTEM BY THE CONTROL FUNCTIONS AND BOARD COMMITTEES**

The Corporate Control Functions and any other person responsible for supervising the Group's incentive system participated in the compliance assessment of the remuneration policies implemented in 2020.

### **2.7.1 Compliance & AML**

The *Compliance & AML* Function verified compliance of the remuneration policies with the reference regulatory framework and believes that they are consistent with the applicable reference legislation, the adopted Code of Ethics and the By-Laws.

### **2.7.2 Risk Management**

The *Risk Management* Function has provided opinions on the adequacy of the indicators used to take account of the risks assumed by the Group in relation to the incentive systems. The *Risk Management* Function has also verified the final result of these indicators for the year 2021.

### **2.7.3 Internal Audit**

In line with the Supervisory Provisions on Remuneration, the *Internal Audit* Function has carried out an annual check on the compliance of the Group's Remuneration and incentive practices with the 2020 Policy.

### **2.7.4 Risk and Control Committee**

The Risk and Control Committee has verified that the incentives underlying the Group's Remuneration system are consistent with the maximum level of risk the Group intends to take.

## 2.8 COMPOSITION AND ACTIVITIES OF THE REMUNERATION COMMITTEE

The Remuneration Committee<sup>46</sup> met 13 times in 2021. The main activities carried out concerned:

- i. Reporting of 2021 performance results relating to the roles of Chief Executive Officer, *Senior Executives*, *Executives* reporting directly to the Chief Executive Officer, and Heads of the Group's Control Functions for the definition of their respective MBOs;
- ii. Definition of the 2021 quantitative objectives relating to the roles of the Chief Executive Officer, *Senior Executives*, *Executives* reporting directly to the Chief Executive Officer and the Directors of the Group's Control Functions;
- iii. Contributing to the definition of guidelines on remuneration policies and principles;
- iv. Analysis and approval of remuneration packages for the hiring of new *Executives* and *Senior Executives*;
- v. Analysis of Shareholders' Meeting votes and update of the *Remuneration and Incentive Policy for the members of the strategic supervision, management and control bodies and the personnel of the BFF Banking Group*;
- vi. Identification of the beneficiaries of stock options in the categories for which the Board of Directors is responsible;
- vii. Analysis of new regulatory requirements and adjustment of the remuneration package for the Chief Executive Officer.

In carrying out its functions, the Remuneration Committee was able to consult the competent internal structures and make use of external consultants such as *Morrow Sodali* for the analysis for the shareholders' meeting voting and *Willis Towers Watson* for benchmarking studies, and *Gattai, Minoli, Partner* Law Firm.

Two descriptive tables are provided below, respectively, of the:

- i. Remuneration Committee meetings in 2021;

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<sup>46</sup> For a description of the composition, function and functioning of the Remuneration Committee, see paragraph 5.4 (Remuneration Committee).

- ii. its composition, pursuant to Article 123 bis, paragraph 2 of the Consolidated Finance Act, with the names of its members, any executive role held, the person appointed as Chairman and the percentage of attendance at meetings.

**1. DESCRIPTION OF THE MEETINGS OF THE REMUNERATION COMMITTEE IN 2021 AND FORECAST NUMBER OF MEETINGS IN 2022.**

Were the proceedings duly recorded?	Yes
Did the Chairman of the Remuneration Committee report them at the next Board of Directors' meeting?	Yes
Number of meetings of the Remuneration Committee	13
Average duration of meetings	1 hour 20 minutes
Were there any meetings of the Remuneration Committee that were also attended by external members?	<i>Yes, by invitation. The Chief Executive Officer, the Director of the Human Resources &amp; Organizational Development Function, the Director of Investor Relations, Strategy &amp; M&amp;A, and external consultants attended some meetings of the Remuneration Committee in 2021 on certain agenda items.</i>
Were there any meetings of the Remuneration Committee attended by the Chairman of the Board of Statutory Auditors or other members?	Yes
Does at least one member of the Remuneration Committee have knowledge and experience in accounting and financial matters, and/or remuneration policies, deemed appropriate by the Board at the time of appointment?	Yes
Number of Remuneration Committee meetings scheduled for 2022 (and number of meetings already held in the current year).	<i>Year 2022: 9 meetings already held (as at 24/02)</i>



The table below summarises the information relating to the members of the Remuneration Committee.

1. INFORMATION ON REMUNERATION COMMITTEE MEMBERS FROM 1/1/2021 TO 31/12/2021					
Name and surname	Independent director?	Non-executive director?	Elected chairman?	% attendance at meetings in relation to period in office	Period of office
Barbara Poggiali	Yes	Yes	Yes	100%	1/1/2021-31/12/2021
Isabel Maria Aguilera	Yes	Yes	No	100%	1/1/2021-25/03/2021
Giorgia Rodigari	Yes	Yes	No	100%	1/1/2021-25/03/2021
Amelie Scaramozzino	Yes	Yes	No	100%	25/3/2021-31/12/2021
Piotr Stepniak	No	Yes	No	100%	25/3/2021-31/12/2021

## 2.9 COMPARISON OF THE ANNUAL CHANGE IN THE TOTAL REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS, THE CHIEF EXECUTIVE OFFICER AND THE BOARD OF STATUTORY AUDITORS WITH THE COMPANY'S RESULTS AND THE AVERAGE GROSS ANNUAL REMUNERATION OF EMPLOYEES

Below is the information on the comparison between:

- the total remuneration of each of the persons for whom the information in this section of the Report is provided by name (Table 2);
- the average gross annual remuneration (calculated based on the full-time employees) for employees other than those whose remuneration is shown individually by name in Table 2 (Table 3).

Remunerazione totale di ciascuno dei soggetti per i quali sono fornite nominativamente le informazioni nella Sezione II della Relazione (Compensi Corrisposti)

Name	Position	2019	2020	2021	2019-2020 variation	2020-2021 variation	Notes
Salvatore Messina	Chairman	245,000	245,000	302,945	0%	24%	
Massimiliano Belingheri	Chief Executive Officer	1,565,221	3,922,798	2,726,170	151%	-31%	
Federic Fornari Luswergh	Director	75,000	75,000	78,863	0%	5%	
Gabriele Michaela Aumann Schindler	Director	77,000	77,000	86,271	0%	12%	
Barbara Poggiali	Director	67,000	67,000	77,044	0%	15%	
Piotr Henryk Stepniak	Director	-	-	69,150	na	na	in office since 25/3 Remuneration relating to the actual period of office held during the year
Domenico Gammaldi	Director	-	-	69,534	na	na	in office since 25/3 Remuneration relating to the actual period of office held during the year
Carlo Paris	Director	55,000	55,000	12,507	0%	na	in office until 31/3/2021
Isabel Maria Aguilera	Director	60,000	60,000	13,644	0%	na	in office until 31/3/2021
Giovanna Villa	Director	-	-	46,356	na	na	in office since 25/3 Remuneration relating to the actual period of office held during the year
Paola Carrara	Statutory Auditor	85,000	85,000	85,000	na	0%	
Marco Lori	Statutory Auditor	65,000	65,000	14,780	na	-77%	
Patrizia Paleologo	Statutory Auditor	65,000	65,000	14,780	na	-77%	
Fabrizio Riccardo Di Giusto	Statutory Auditor	-	-	50,219	na	na	in office since 25/3 Remuneration relating to the actual period of office held during the year
Paolo Carbone	Statutory Auditor	-	-	50,219	na	na	in office since 25/3 Remuneration relating to the actual period of office held during the year

Table 2.

Scope	Average Gross Annual Remuneration			Variation	Variation
	2019	2020	2021	2019-2020	2020-2021
Italy	58.275	57.240	55.912	-1,8%	-2,3%

Table 3.

### 3. SECOND PART

This second part of Section II provides a detailed description of the remuneration paid in the reporting year to the members of the management and control bodies and the executives with strategic responsibilities. In this second part of Section II, “other executives with strategic responsibilities” means those persons who, within the banking Group, meet the definition of *Senior Executive* set out in the 2020 Policy.

Details are also provided of the remuneration paid during the reporting year but relating to activities carried out in previous years (deferred portions of Variable Remuneration referring to previous years), and the remuneration to be paid in subsequent years for activities carried out in the reporting year (deferred portions of Variable Remuneration for the reporting year).

The data are provided on an individual named basis for the remuneration of the members of the management and control bodies, and the Chief Executive Officer and in aggregate for the executives with strategic responsibilities as none of them receives a higher remuneration than the Chief Executive Officer.

**3.1 ANALYTICAL TABLES ON "REMUNERATION PAID TO MEMBERS OF THE MANAGEMENT AND CONTROL BODIES, GENERAL MANAGERS AND OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES"**
**Issuer Regulation - Attachment 3A. SCHEME N. 7-BIS: Report on Remuneration. – TABLE 1 (in euro).**

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the office was held	Expired date of office	Fixed Remuneration	Fees for participation in Committees	Variable non equity Remuneration		Non-monetary Benefits	Other fees	Total	Fair Value of Equity compensation	Termination of office or termination of employment indemnity
						Bonuses and other incentives	Profit-sharing					
<b>Massimiliano Belingheri</b>	<b>Chief Executive Officer</b>	From 01.01.2021 to 31.12.2021	Financial Statements Approval 2023									
(I) Remuneration in the company that draws up the financial statement				1.117.000	--	1.507.950	--	78.400	--	2.713.350	22.780	--
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				1.117.000	--	1.507.950	--	78.400	--	2.713.350	22.780	2.726.130
<b>Salvatore Messina</b>	<b>BoD Chairman</b>	From 01.01.2021 to 31.12.2021	Financial Statements Approval 2023									
(I) Remuneration in the company that draws up the financial statement				302.945	--	--	--	--	--	302.945	--	--
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				302.945	--	--	--	--	--	302.945	--	--
<b>Federico Fornari Luswergh</b>	<b>Director</b>	From 01.01.2021 to 31.12.2021	Financial Statements Approval 2023									
(I) Remuneration in the company that draws up the financial statement				50.000	28.863	--	--	--	--	78.863	--	--
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				50.000	28.863	--	--	--	--	78.863	--	--
<b>Gabriele Michaela Aumann Schindler</b>	<b>Director</b>	From 01.01.2021 to 31.12.2021	Financial Statements Approval 2023									
(I) Remuneration in the company that draws up the financial statement				50.000	36.271	--	--	--	--	86.271	--	--
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				50.000	36.271	--	--	--	--	86.271	--	--

(cont'd)

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the office was held	Expired date of office	Fixed Remuneration	Fees for participation in Committees	Variable non equity Remuneration		Non-monetary Benefits	Other fees	Total	Fair Value of Equity compensation	Termination of office or termination of employment indemnity
						Bonuses and other incentives	Profit-sharing					
<b>Barbara Poggiali</b>	<b>Director</b>	From 01.01.2021 to 31.12.2021	03.02.2022									
(I) Remuneration in the company that draws up the financial statement				50.000	27.044	--	--	--	--	77.044	--	--
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				50.000	27.044	--	--	--	--	77.044	--	--
<b>Carlo Paris</b>	<b>Director</b>	From 01.01.2021 to 24.03.2021	24.03.2021									
(I) Remuneration in the company that draws up the financial statement				11.370	1.137	--	--	--	--	12.507 <sup>(*)</sup>	--	--
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				11.370	1.137	--	--	--	--	12.507	--	--
<b>Isabel Maria Aguilera</b>	<b>Director</b>	From 01.01.2021 to 24.03.2021	24.03.2021									
(I) Remuneration in the company that draws up the financial statement				11.370	2.274	--	--	--	--	13.644 <sup>(*)</sup>	--	--
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				11.370	2.274	--	--	--	--	13.644	--	--
<b>Piotr Henryk Stepniak</b>	<b>Director</b>	From 25.03.2021 to 31.12.2021	Financial Statements Approval 2023									
(I) Remuneration in the company that draws up the financial statement				25.205	21.151	--	--	--	--	46.356 <sup>(*)</sup>	--	--
(II) Remuneration from Subsidiaries and associates				22.794 <sup>(**)</sup>	--	--	--	--	--	22.794	--	--
(III) Total				47.999	21.151	--	--	--	--	69.150	--	--

(cont'd)

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the office was held	Expired date of office	Fixed Remuneration	Fees for participation in Committees	Variable non equity Remuneration		Non-monetary Benefits	Other fees	Total	Fair Value of Equity compensation	Termination of office or termination of employment indemnity
						Bonuses and other incentives	Profit-sharing					
<b>Giovanna Villa</b>	<b>Director</b>	From 25.03.2021 to 31.12.2021	Financial Statements Approval 2023									
(I) Remuneration in the company that draws up the financial statement				38.630	7.726	--	--	--	--	46.356 <sup>(*)</sup>	--	--
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				38.630	7.726	--	--	--	--	46.356	--	--
<b>Domenico Gammaldi</b>	<b>Director</b>	From 25.03.2021 to 31.12.2021	Financial Statements Approval 2023									
(I) Remuneration in the company that draws up the financial statement				38.630	30.904	--	--	--	--	69.534 <sup>(*)</sup>	--	--
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				38.630	30.904	--	--	--	--	69.534	--	--
<b>Paolo Carrara</b>	<b>Statutory Advisor</b>	From 01.01.2021 to 31.12.2021	31.03.2022									
(I) Remuneration in the company that draws up the financial statement				85.000	--	--	--	--	--	85.000	--	--
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				85.000	--	--	--	--	--	85.000	--	--
<b>Marco Lori</b>	<b>Statutory Advisor</b>	From 01.01.2021 to 24.03.2021	24.03.2021									
(I) Remuneration in the company that draws up the financial statement				14.780	--	--	--	--	--	14.780 <sup>(*)</sup>	--	--
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				14.780	--	--	--	--	--	14.780	--	--

(cont'd)

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the office was held	Expired date of office	Fixed Remuneration	Fees for participation in Committees	Variable non equity Remuneration		Non-monetary Benefits	Other fees	Total	Fair Value of Equity compensation	Termination of office or termination of employment indemnity
						Bonuses and other incentives	Profit-sharing					
<b>Patrizia Paleologo</b>	<b>Statutory Advisor</b>	From 01.01.2021 to 24.03.2021	24.03.2021									
(I) Remuneration in the company that draws up the financial statement				14.780	--	--	--	--	--	14.780 <sup>(*)</sup>	--	--
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				14.780	--	--	--	--	--	14.780	--	--
<b>Fabrizio Riccardo Di Giusto</b>	<b>Statutory Advisor</b>	From 25.03.2021 to 31.12.2021	Financial Statements Approval 2023									
(I) Remuneration in the company that draws up the financial statement				50.219	--	--	--	--	--	50.219 <sup>(*)</sup>	--	--
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				50.219	--	--	--	--	--	50.219	--	--
<b>Paolo Carbone</b>	<b>Statutory Advisor</b>	From 25.03.2021 to 31.12.2021	Financial Statements Approval 2023									
(I) Remuneration in the company that draws up the financial statement				50.219	--	--	--	--	--	50.219 <sup>(*)</sup>	--	--
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				50.219	--	--	--	--	--	50.219	--	--
<b>Franco Fondi</b>	<b>Member of the Supervisory Board</b>	From 01.01.2021 to 09.05.2021	09.05.2021									
(I) Remuneration in the company that draws up the financial statement				7.068	--	--	--	--	--	7.068 <sup>(*)</sup>	--	--
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				7.068	--	--	--	--	--	7.068	--	--

*(cont'd)*

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the office was held	Expired date of office	Fixed Remuneration	Fees for participation in Committees	Variable non equity Remuneration		Non-monetary Benefits	Other fees	Total	Fair Value of Equity compensation	Termination of office or termination of employment indemnity
						Bonuses and other incentives	Profit-sharing					
<b>Silvio Necchi</b>	<b>Member of the Supervisory Board</b>	From 01.01.2021 to 31.12.2021	Financial Statements Approval 2023									
(I) Remuneration in the company that draws up the financial statement				20.000	--	--	--	--	--	20.000	--	--
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				20.000	--	--	--	--	--	20.000	--	--
<b>Marina Corsi</b>	<b>Member of the Supervisory Board</b>	From 10.05.2021 to 31.12.2021	Financial Statements Approval 2023									
(I) Remuneration in the company that draws up the financial statement				12.931	--	--	--	--	--	12.931 <sup>(*)</sup>	--	--
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				12.931	--	--	--	--	--	12.931	--	--

(cont'd)



(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the office was held	Expired date of office	Fixed Remuneration	Fees for participation in Committees	Variable non equity Remuneration		Non-monetary Benefits	Other fees	Total	Fair Value of Equity compensation	Termination of office or termination of employment indemnity
						Bonuses and other incentives	Profit-sharing					
<b>Managers with strategic responsibilities (n.6) (***)</b>		From 01.01.2021 to 31.12.2021	Financial Statements Approval 2023									
(I) Remuneration in the company that draws up the financial statement				1.001.822	--	613.001	--	71.517	--	1.686.340	30.280	230.000
(II) Remuneration from Subsidiaries and associates				--	--	--	--	--	--	--	--	--
(III) Total				1.001.822	--	613.001	--	71.517	--	1.686.340	30.280	230.000

**Notes on Table 1:**

(\*) Paid relatively to the effective period of office coverage for the year.

(\*\*) Correspondence in Euro of ~~102.000~~ 104.781 PLN, calculated on the currency 31.12.2021 currency.

(\*\*\*) The Personnel indicated in this category includes all those persons who have held an executive position with strategic responsibilities, even from a fraction of a year, and who actually benefited from the remuneration shown in the table.

**3.2 ANALYTICAL TABLES ON "STOCK OPTIONS GRANTED TO MEMBERS OF THE BOARD OF DIRECTORS, GENERAL MANAGERS AND OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES"**

## SCHEME N. 7-BIS: Report on remuneration. – TABLE 2.

A	B	Options held at the beginning of the year			Options granted during the year						Options exercised during the year			Options expired during the year	Options held at the end of the year	Options accrued during the financial year	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 (= 2+5-11-14)	16
Name and Surname	Position	Plan	Number of options	Operating price	Possible operating period (from – to)	Number of options	Operating price (euro)	Possible operating period (from - to)	Fair value at date of allocation (euro)	Date of allocation	Market price of the shared underlying the assignment of the options	Number of options	Operating price	Market price of the underlying shared on the exercise date	Number of options	Number of options	Fair value (**)
(I) Remuneration in the company that draws up the financial statement	Chief Executive Officer	BFF Group Stock Option Plan approved by the Shareholders' Meeting on 05.12.2016	1.514.000	(*)	From 03.04.2019 to 03.04.2024							537.600	4,70	6,63		976.400	22.780
		BFF Group Stock Option Plan approved by the Shareholders' Meeting on 02.04.2020	1° tranche 1.120.000		For 80% from April 2023 to April 2025 For 20% from October 2024 to October 2026	2° tranche 350.000		2024-2025	0,948	31.08.2021	7,75					1.470.000	
(II) Remuneration from Subsidiaries and associates																	
(III) Total			2.634.000			350.000						537.600				2.446.400	22.780

(cont'd)

A	B	Options held at the beginning of the year					Options granted during the year					Options exercised during the year			Options expired during the year	Options held at the end of the year	Options accrued during the financial year
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 (= 2+5-11-14)	16
Name and Surname	Position	Plan	Number of options	Operating price	Possible operating period (from - to)	Number of options	Operating price (euro)	Possible operating period (from - to)	Fair value at date of allocation (euro)	Date of allocation	Market price of the shared underlying the assignment of the options	Number of options	Operating price	Market price of the underlying shared on the exercise date	Number of options	Number of options	Fair value (**)
<b>Managers with Strategic Responsibilities (n. 6) (***)</b>																	
(I) Remuneration in the company that draws up the financial statement		BFF Group Stock Option Plan approved by the Shareholders' Meeting on 05.12.2016	844.000	(*)	From 03.04.2019 to 03.04.2024							495.200	(min) 4,770-5,94 (max)	(min) 4,661-6,350 (max)	12.000	264.800	30.280
		BFF Group Stock Option Plan approved by the Shareholders' Meeting on 02.04.2020	1° tranche 1.020.000		From 80% from April 2023 to April 2025 For 20% from October 2024 to October 2026	2° tranche 450.000	2024-2025	0,948	31.08.2021	7,75		0					1.470.000
(II) Remuneration from Subsidiaries and associates																	
(III) Total			1.864.000			450.000						495.200			12.000	1.734.800	30.280

(\*) Exercise price determinable in accordance with the formula set forth in the Stock Option Plan on each exercise date.

(\*\*) The *fair value* of *stock options* calculated as of the grant date, is disclosed in the grant letters.

(\*\*\*) The Personnel indicated in this category includes all those persons who have held an executive position with strategic responsibilities, even from a fraction of a year, and who actually benefited from the remuneration shown in the table.

(\*\*\*\*) The exercise took place for the 6 executives at different times, the minimum and maximum *strike price* was taken as a reference.

**3.3 ANALYTICAL TABLES ON " INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS, OTHER THAN STOCK OPTIONS, IN FAVOR OF THE MEMBERS OF THE BOARD OF DIRECTORS, GENERAL MANAGERS AND OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES"**

**SCHEME N. 7-BIS: Report on remuneration. – TABLE 3A.**

A	B	Financial instruments granted in previous year not vested during the year			Financial instruments granted during the year				Financial Instruments vested during the year and non-allocated	Financial Instruments vested during the year and attributable		Financial Instruments accrued during the year	
		1	2	3	4	5	6	7	8	9	10	11	12
Name and Surname	Position	Plan	Number and type of Financial Instruments	Vesting Period	Number and type of Financial Instruments	Fair value at the allocation date	Vesting Period	Vesting Period	Market price at allocation <sup>1</sup>	Number and type of Financial Instruments	Number and type of Financial Instruments	Value at maturity date	Fair value
(I) Remuneration in the company that draws up the financial statement													
(II) Remuneration from Subsidiaries and associates													
(III) Total													
(I) Remuneration in the company that draws up the financial statement													
(II) Remuneration from Subsidiaries and associates													
(III) Total													

**3.4 ANALYTICAL TABLES ON "MONETARY INCENTIVE PLANS IN FAVOR OF MEMBERS OF THE BOARD OF DIRECTORS, GENERAL MANAGERS, AND OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES"**

## SCHEME N. 7-BIS: Report on remuneration. – TABLE 3B.

A Name and Surname	B Position	1 Plan	2 Bonus for the year			3 Bonus from previous years			4 Other Bonuses	
			(A) Payable/Paid	(B) Deferred	(C) Deferral Period	(A) No longer payable	(B) Payable/Paid	(C) Still deferred		
Belingheri Massimiliano	Chief Executive Officer	2021 MBO	781.900	335.100	2024	--	--	--	--	
		2020 MBO	--	--		--	--	204.170	--	
		(I) Remuneration in the company that draws up the financial statement	2019 MBO	--	--		--	--	215.946	--
		2018 MBO	--	--		--	190.046	--	--	
		Integration Bonus	273.665	117.285		--	--	--	--	
(II) Remuneration from Subsidiaries and associates										
(III) Total			1.065.565	452.385		--	190.046	420.115	--	
<b>Executives with strategic responsibilities (n.6) (*)</b>										
		2021 MBO	326.229	139.812	2024	--	--	--	--	
		2020 MBO	--	--		--	--	160.484	--	
		(I) Remuneration in the company that draws up the financial statement	2019 MBO	--	--		--	107.209	--	--
		Integration Bonus	74.872	32.088		--	--	--	--	
		Retention Bonus	28.000	12.000		--	--	--	--	
(II) Remuneration from Subsidiaries and associates										
(III) Total			429.101	183.900		--	107.209	160.484	--	

**Notes:**

(\*) The Personnel indicated in this category includes all those persons who have held an executive position with strategic responsibilities, even from a fraction of a year, and who actually benefited from the remuneration shown in the table.

**3.5 ANALYTICAL TABLES RELATING TO –“INFORMATION ON THE SHAREHOLDINGS OF MEMBERS OF THE MANAGEMENT AND CONTROL BODIES, OF GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES”**
**SCHEME N. 7-TER – TABLE 1: Shareholding of members of the management and control bodies and general managers**

Surname and Name	Position	Investee Company	Number of shares held at the end of the previous year	Number of shares purchased	Number of shares sold	Number of shares held at the end of the year
Belingheri Massimiliano	Chief Executive Officer	BFF Bank S.p.A.	158.825	1.892.755	1.858.319	193.261
Persons closely related to Belingheri			6.181.481	3.795.087	-	9.976.568
Federico Fornari Luswergh	Director	BFF Bank S.p.A.	3.8	0	0	3.8
Salvatore Messina	BoD Chairman	BFF Bank S.p.A.	0	0	0	0
Gabriele Michaela Aumann Schindler	Director	BFF Bank S.p.A.	0	0	0	0
Barbara Poggiali	Director	BFF Bank S.p.A.	0	0	0	0
Piotr Henryk Stepniak	Director	BFF Bank S.p.A.	0	0	0	0
Domenico Gammaldi	Director	BFF Bank S.p.A.	0	0	0	0
Carlo Paris	Director	BFF Bank S.p.A.	0	0	0	0
Isabel Maria Aguilera	Director	BFF Bank S.p.A.	0	0	0	0
Giovanna Villa	Director	BFF Bank S.p.A.	0	0	0	0
Paola Carrara	Statutory Advisor	BFF Bank S.p.A.	0	0	0	0
Marco Lori	Statutory Advisor	BFF Bank S.p.A.	0	0	0	0
Patrizia Paleologo	Statutory Advisor	BFF Bank S.p.A.	0	0	0	0
Fabrizio Riccardo Di Giusto	Statutory Advisor	BFF Bank S.p.A.	0	0	0	0
Paolo Carbone	Statutory Advisor	BFF Bank S.p.A.	0	0	0	0
Franco Fondi	Member of the Supervisory Board	BFF Bank S.p.A.	0	0	0	0
Silvio Necchi	Member of the Supervisory Board	BFF Bank S.p.A.	0	0	0	0
Marina Corsi	Member of the Supervisory Board	BFF Bank S.p.A.	0	0	0	0

**SCHEME N. 7-TER. TABLE 3: Holding of other managers with strategic responsibilities.**

Number of executives with strategic responsibilities	Investee Company	Number of shares held at the end of the previous year	Number of shares purchased (*)	Number of shares sold (*)	Number of shares held at the end of the year (*)
Executives with strategic responsibilities (n° 6) (**)	BFF Bank S.p.A.	130.559	94.968	59.274	151.669
Persons closely associated with Executives with strategic responsibilities (n° 1)		0	30.000	0	30.000

**Notes:**

(\*) Excluding strategic executives discontinued during the year

(\*\*) The Personnel indicated in this category includes all those persons who have held an executive position with strategic responsibilities, even from a fraction of a year, and who actually benefited from the remuneration shown in the table.

**3.6 ANNEX TO THE REMUNERATION POLICY 2022: BANK OF ITALY CIRCULAR 285/2013 – SECTION VI – REPORTING AND DISCLOSURE REQUIREMENTS – SECTION 1. PUBLIC DISCLOSURE REQUIREMENTS DISCLOSURE PURSUANT TO ARTICLE 450 OF THE CRR, PREPARED IN ACCORDANCE WITH THE METHODS SET OUT IN THE IMPLEMENTING REGULATION (EU) NO. 637 OF 15 MARCH 2021.**

**a) Information related to the bodies entitled to oversight remuneration. Information includes:**

— name, composition, and terms of reference of the principal body (Board of Directors and Compensation Committee, if applicable) that oversees the Remuneration Policy and the number of meetings held by that particular body during the year;

The Compensation Committee consists of three non-executive members of the Board of Directors, at least two of whom are independent. The Chairman of the Compensation Committee is identified from among the independent directors. The Chairman of the Board of Directors, even if assessed as independent, cannot be appointed as a member of the Remuneration Committee.

The Remuneration Committee, appointed by resolution of the Board of Directors on February 24, 2022, is currently composed of Giovanna Villa, Chairman (independent director), Domenico Gammaldi, member (independent director), Piotr Stepniak (non-executive director).

The Remuneration Committee carries out investigative, advisory and proposing functions vis-à-vis the Board of Directors with regard to remuneration and incentive policies for Personnel, as well as monitoring the areas for which it is responsible.

For a detailed description of the functions assigned, reference should be made to paragraph 1.4 of the Remuneration Policy.

For a detailed description of the functions carried out during 2021 and the related composition, please refer to paragraph 2.8 of the Report on remuneration paid for 2021.

During 2021, the Committee met 13 times.

— external consultants whose services have been used, the body that engaged them and in which area of the remuneration framework;

In carrying out its functions, the Remuneration Committee had the possibility to consult the competent internal structures as well as to make use of external consultants such as Morrow Sodali with reference to the analysis of the meeting votes, Willis Towers Watson for benchmarking activities, and the law firm Gattai, Minoli, Partners.

— a description of the scope of application of the institution's remuneration policy (e.g. by region, by business line), including the extent to which it applies to subsidiaries and branches located in third countries;

The Group Policy ensures the consistency of the remuneration and incentive systems within the Banking Group, in compliance with the specific nature of the sectors to which the Group Companies belong, the relative organizational structures, the applicable regulations based on the type of business and the geographical location.

— a description of the staff or categories of staff whose professional activities have a significant impact on the institution's risk profile

BFF identifies the most relevant personnel for the Group with regard to all the companies of the same Group, whether or not they are subject to banking regulations on an individual basis, also ensuring the overall consistency of the identification process as well as coordination between the different provisions applicable according to the sector to which the Group companies belong.

To this end, consistently with the applicable regulatory provisions, it adopts a policy on the process of identification of the Group's most significant personnel, which defines: i) the criteria and procedures used to identify the most significant personnel; ii) the methods of personnel assessment; iii) the role played by the corporate bodies and departments responsible for developing, monitoring and reviewing the identification process.

Group Companies actively participate in the process of identification of the most relevant Personnel for the Group conducted by the Parent Company, providing the latter with the necessary information and complying with the coordination indications received.

For further details, see Paragraph 3 of the Remuneration Policy ("Identification of risk takers and classification of corporate roles").



b) Information on the characteristics and structure of the remuneration system for key personnel. Information includes:

— a summary of the key features and objectives of the compensation policy, and information about the decision-making process followed in establishing the compensation policy and the role of stakeholders

The Remuneration Policy for 2022 has been prepared in view of the major challenges that BFF is called upon to continue to pursue as part of the strategic guidelines of the 2021-2023 Business Plan, taking into account the evolution of the regulatory framework of reference that has taken place in the meantime.

BFF has prepared the governance process in order to regulate the activities of definition, implementation and management of remuneration policies. This process envisages the involvement, at different levels and according to their areas of competence, of multiple supervisory bodies and company departments: every year the Report on Remuneration Policy and Remuneration paid is approved by the Shareholders' Meeting, after approval by the Board of Directors, with the opinion of the Remuneration Committee.

Details are given in Paragraph 1 of the Policy ("Governance of the remuneration and incentive system"), and there is also a specific reference in Part II of the Report.

— information on the criteria used to assess performance and adjust for ex ante and ex post risks;

BFF has defined a variable incentive system with the aim of aligning management interests with the creation of shareholder value, so as to reward virtuous conduct and positive results and penalize failure to achieve results and any deterioration in the Group's capital soundness, liquidity and profitability.

To do this, the recognition of annual variable remuneration and the correlation between risks and performance are achieved through a process that aims to remunerate in compliance with the risk profile defined by the Risk Appetite Framework (RAF), and with a view to business continuity and sustainability of long-term results.

For details see Paragraphs 6 and 7 of the Remuneration Policy.

— whether the board of directors or the compensation committee, if established, has reviewed the institution's compensation policy during the past year and, if so, a summary of any changes made, the reasons for such changes, and the impact on compensation;

Main changes introduced in the 2022 Policy

The Remuneration Policy was adjusted as part of a process of continuous improvement aimed at strengthening the dialogue with investors, taking into account the feedback received, the recent regulatory provisions and the objectives that the Bank intends to pursue with the definition of its policies in the medium and long term.

This process includes, in particular, the changes to the structure of the remuneration of the Managing Director, with particular reference to the balancing of the annual component with an incentive plan linked to the achievement of objectives over a multi-year horizon, then the integration of economic-financial objectives with social responsibility objectives, as well as, in the process of continuous improvement with reference to the transparency of policies, the revision of the structure of this document in order to improve the effectiveness of communication and the publication of the objectives underlying the annual and long-term incentive plan.

For details see Paragraphs 2, 6 and 7 of the Remuneration Policy.

b) Information on the characteristics and structure of the remuneration system for key personnel. Information includes:

- information on how the entity ensures that personnel who performs in the internal control functions are compensated regardless of the activities they control;

The remuneration of the figures belonging to the Control Functions falling within the scope of the MRT is made up of a fixed part and a variable part that does not exceed one third of the fixed part. The latter is not determined by the achievement of economic-financial objectives, but is linked to specific function objectives, in order to safeguard the independence required of the functions.

- policies and criteria applied for the recognition of guaranteed variable remuneration and severance pay.

Details regarding Golden Parachutes in place in fiscal year 2021 and valid for 2022 can be found in Section 7.2.2.8 of the Compensation Policy ("Golden Parachute").

c) Description of how current and future risks are factored into compensation processes. Information includes a summary of the main risks, how they are measured, and how these measures affect compensation.

As regards the MBO system for the Managing Director, the Managing Director's MBO is linked in part to the timely achievement or over-achievement of the Risk Adjusted EBTDA Target defined from year to year, and to a further set of targets determined from year to year by the Board of Directors. The payment of variable remuneration is subject to the achievement of certain entry gates:

- Liquidity Coverage Ratio (LCR)  $\geq$  risk tolerance
  - Total Capital Ratio (TCR)  $\geq$  risk tolerance
  - EBTDA<sup>RA</sup> (risk-adjusted profitability and cost of capital): Positive
  - EBTDA<sup>RA</sup> / Target EBTDA RA  $\geq$  100%.
- For details see Section 6.1 of the Remuneration Policy ("MBO").

d) The ratios between the fixed and variable components of remuneration established in accordance with Article 94(1)(g) of the CRD.

The Shareholders' Meeting approves the raising of the limit of the ratio between Variable Remuneration and Fixed Remuneration from 1:1 to a maximum of 2:1 for Risk Takers. This competence was concretely implemented by the Shareholders' Meeting resolution of December 5, 2016, whereby the Shareholders' Meeting approved the proposal of the Board of Directors to raise the limit of the ratio between Variable Remuneration and Fixed Remuneration from 1:1 to a maximum of 2:1 (with the exception of Personnel belonging to the Corporate Control Functions).

e) Description of how the institution seeks to link the performance noted during the evaluation period to compensation levels. Information includes:

— a summary of key performance criteria and metrics for the institution, business lines, and individuals;

With regard to the MBO system for the Managing Director, the MBO for the Managing Director is linked in part to the timely achievement or over-achievement of the EBTDA RA Target defined from year to year and a further set of targets determined from year to year by the Board of Directors.

With regard to the remaining Employees, the ordinary process for managing the short-term "MBO" Incentive System provides that, when preparing the budget, the Human Resources and Organizational Development Department estimates the MBO bonus pool for Personnel, the amount of which is determined by an assumption of the achievement of individual objectives and company objectives based on the mechanisms provided for in the incentive system.

The objectives are made up of a quantitative component, assigned to individual resources, and a qualitative component. In particular:

- quantitative objectives may be economic, project-related, process efficiency, people-related, and may be individual, team-related, or organizational unit-related; they must also be clear, objectively observable and measurable, as well as, depending on the above type, directly linked to EBTDARA and/or growth;
- qualitative objectives, on the other hand, are linked to organizational behaviors, are identified starting from the values and culture of the company and are distinguished according to the role covered.

In order to facilitate strategic alignment with company objectives, the assignment of quantitative objectives follows a structured "cascading" process.

For details see Paragraph 6.1 and 7.2 of the Remuneration Policy.

— a summary of how individual variable compensation amounts are linked to individual and entity performance;

Individual variable remuneration is based primarily on the overall performance of the Group and of the individual Entities/Business Units in order to determine the amount of the bonus pools available and subsequently on individual performance

— information on the criteria used to determine the balance between the different types of recognized instruments, including shares, equity-equivalent interests, options, and other instruments

Variable remuneration has a maximum incidence of 2:1. With reference to the annual incentive schemes for the most significant personnel, at least 50% is paid in financial instruments, both in the up-front and in the deferred component (51% for the deferred portion in case of particularly high variable remuneration). With reference to the long-term incentive schemes, these can be assigned entirely in financial instruments or, if in monetary form, in any case in compliance with the regulatory provisions on the subject of balancing monetary components and components in financial instruments.

— information on the measures the institution will implement to adjust the variable compensation component if performance metrics are weak, including the institution's criteria for determining that such metrics are "weak."

In order to discourage the assumption of excessive risks that could lead to a deterioration of the Group's "health" conditions and also in compliance with Bank of Italy regulations, the disbursement of the bonus pool, whatever its size, is imperatively subject to compliance with certain entry gates, linked to indicators of capital solidity, liquidity and risk-adjusted profitability.

f) Description of how the institution seeks to adjust compensation to reflect long-term performance. Information includes:

— a summary of the institution's policy on deferral, payment in instruments, retention periods, and vesting of variable compensation, including where it differs among personnel or classes of personnel;

As a result of the Bank of Italy's update of the size criteria for banks and, therefore, in view of the Bank's classification as a "bank of no lesser size", the payout schemes for the Chief Executive Officer and the remaining Risk Takers have been modified, significantly extending the time horizon and increasing the incidence of the share component (see Paragraph 6 for the Managing Director and 7.2.1.2 for the Risk Takers):

(i) the deferral percentages have been increased from 30% to 40% and to 60% in the case of particularly high Variable Remuneration, for the Chief Executive Office and the remaining Senior Executives (See Paragraph 7.2.1.2. and 7.2.1.3.);

ii) the deferral periods have been increased from 2 to 4 years (5 years in the case of particularly high Variable Remuneration) on a pro rata linear basis, (i.e. 10% one year after payment of the up-front portion, 10% in the second year, 10% in the third year, 10% in the fourth year). For the beneficiaries of particularly high amounts of Variable Remuneration, the deferment is of 5 years pro rata, (i.e. 12% one year after payment of the up-front portion, 12% in the second year, 12% in the third year, 12% in the fourth year, 12% in the fifth year). Disbursement of Employee deferred dues is contingent upon the beneficiary's continued employment on the date of payment, it being understood that after three years of deferral, the beneficiary will also accrue the right to payment of subsequent deferred dues, regardless of termination of employment.

— information on the institution's criteria for ex post adjustments (malus during the deferral period and post-vesting restitution, if allowed by state law);

Variable Remuneration, including golden parachutes, is subject to ex post correction mechanisms (*Malus* and *Claw Back*), which may lead to a reduction, even significant, or to the cancellation of the variable component. The correction mechanisms must be identified within the limits permitted by law and by the collective labor agreements applicable to employment contracts and must be suitable for reflecting performance levels net of the risks actually assumed or achieved and capital levels, as well as taking individual conduct into account. The Board of Directors of the Parent Company, availing itself of the company departments, ascertains the conditions that determine the activation of the ex-post correction mechanisms with reference to the Personnel falling within the competence of the Board of Directors, and resolves on their application according to the procedures envisaged by the internal activation Policy. As regards the remaining Personnel, the Managing Director takes steps with the help of the competent company departments and, where necessary, the governing bodies of the Subsidiary Companies.

— where applicable, shareholding requirements that may be imposed on key personnel.

There are no shareholding requirements in addition to the retention periods defined with respect to compensation components recognized in financial instruments.

g) A description of the key parameters and rationale for any variable compensation scheme and any other non-cash benefits in accordance with CRR Article 450(1)(f). Information includes:

— information on the specific performance indicators used to determine variable compensation components and the criteria used to determine the balance between the different types of recognized instruments, including stock, equity-equivalent interests, stock-linked instruments, non-cash-equivalent instruments, options and other instruments.

The total annual variable remuneration of the Group's divisions and business units, including the portion attributable to the most significant personnel, is determined on the basis of the risk-adjusted economic performance of the respective divisional perimeters.

A significant part of the variable remuneration is deferred and partly paid with financial instruments in order to link the incentives to the creation of value in the long term, making it possible to verify the continuity and sustainability of positive results. Payments are made annually on a pro-rata basis, depending jointly on the role held and the amount of variable remuneration attributed.

h) At the request of the relevant member state or authority, the total compensation for each member of the governing body or senior executives.

See the Tables in Section II of the Report on Remuneration Policy and remuneration paid

i) Information on whether an exemption under Article 94(3) of the CRD applies to the institution in accordance with Article 450(1)(k) of the CRR.

— For the purposes of this point, institutions that benefit from such a waiver shall indicate whether it is based on Article 94(3)(a) and/or (b) of the CRD. They shall also indicate to which of the remuneration principles they apply the waiver(s), the number of staff members who benefit from the waiver(s), and their total remuneration, broken down into fixed remuneration and variable remuneration.

In cases where the annual Variable Remuneration does not exceed 50,000 euros and does not represent more than one third of the total annual Remuneration (contained remuneration), the bonus is subject to

- i. for Risk Takers and for Employees with a minimum classification equal to QD<sub>3</sub> (Third Level Executive), regardless of their qualification as Risk Takers, a deferral period of two years for 30% of the Variable Remuneration. By way of example, for the fiscal year ending December 31, 2022, the deferred component of Variable Compensation will be paid after the Shareholders' Meeting approves the financial statements for the fiscal year ending December 31, 2024;
- ii. for Risk Takers, a 50% share in financial instruments with a retention period of 6 months.

For all matters not expressly provided for above, the same rules provided for variable remuneration shall apply to the Variable Remuneration, including the *ex post* correction mechanisms (*Malus* and *Claw Back*).

j) Large institutions shall publish quantitative information on the remuneration of the collective board, distinguishing between executive and non-executive members, in accordance with Article 450(2) CRR.

See the following tables pursuant to art. 450 CRR and those relating to Consob disclosure.

EU REM<sub>1</sub> MODEL: REMUNERATION RECOGNIZED FOR THE EXERCISE

		A	B	C	D	
		Board of Directors - strategic supervision function <sup>47</sup>	Board of Directors – Management function	Other members of Top Management	Other relevant personnel	
1		Nmber of key personnel	8	1	6	28
2		Total fixed remuneration	453.369	1.195.400	1.073.339	3.449.251
3		Of which cash	453.369	1.117.000	1.001.822	3.177.651
4		(Non applicable in EU)	--	--	--	--
EU-4a	<b>Fixed remuneration</b>	Of which shares or equivalent holdings	--	--	--	--
5		Of which equity-linked instruments or non-equivalent instruments	--	--	--	--
EU-5x		Of which other instruments	--	--	--	--
6		(Non applicable in EU)	--	--	--	--
7		Of which other forms	--	--	--	--
8		(Non applicable in EU)	--	--	--	--
9		Nmber of key personnel	8	1	6	28
10		Total variable remuneration	--	1.530.730	643.281	1.627.149
11		Of which cash	--	527.783	326.501	770.109
12		Of which deferred	--	226.193	97.950,20	231.032
EU-13a	<b>Variable remuneration</b>	Of which shares or equivalent holdings	--	527.783	286.501	770.109
EU-14°		Of which deferred	--	226.193	85.950	231.032
EU-13b		Of which equity-linked instruments or non-equivalent instruments	--	22.780	30.280	86.930
EU-14b		Of which deferred	--	--	--	--
EU-14x		Of which other instruments	--	--	--	--
EU-14y		Of which deferred	--	--	--	--
15		Of which other forms	--	--	--	--
16	Of which deferred	--	--	--	--	
17	Total remuneration (2 + 10)	453.369	2.726.130	1.716.620	5.076.400	

<sup>47</sup> Including Directors who left office during the year.

EU REM<sub>2</sub> MODEL: SPECIAL PAYMENTS TO PERSONNEL WHOSE PROFESSIONAL ACTIVITIES HAVE A SIGNIFICANT IMPACT ON THE INSTITUTION'S RISK PROFILE (MOST RELEVANT PERSONNEL)

	A	B	C	D	
	Board of Directors - strategic supervision function	Board of Directors – Management function	Other members of Top Management	Other relevant personnel	
<i>Rewards forming part of guaranteed variable remuneration</i>					
1	Rewards forming part of guaranteed variable remuneration - Number of relevant personnel	--	--	1	--
2	Rewards as part of the variable remuneration guaranteed - Total amount	--	--	40.000 <sup>(*)</sup>	--
3	Of which bonuses forming part of the guaranteed variable remuneration paid during the year that are not taken into account in the bonus ceiling	--	--	--	--
<i>Severance indemnities recognized in previous periods that were paid during the year</i>					
4	Severance indemnities recognized in previous periods that were paid during the financial year - Number of members of relevant personnel	--	--	--	--
5	Severance payments recognized in prior periods that were paid during the fiscal year - Total amount	--	--	--	--
<i>Severance indemnities recognized during the year</i>					
6	Severance payments recognized during the fiscal year - Number of relevant personnel	--	--	--	1
7	Severance indemnities recognized during the year - Total amount	--	--	--	230.000
8	Of which paid during the year	--	--	--	161.000
9	Of which deferred	--	--	--	69.000
10	Of which severance indemnities paid during the year not included in the maximum amount of bonuses	--	--	--	--
11	Of which the highest amount paid to an individual person	--	--	--	--

<sup>(\*)</sup> Identified as Executive with strategic responsibilities in 2021.

EU REM<sub>3</sub> MODEL: DEFERRED REMUNERATION

	A	B	C	D	E	F	EU- G	EU- H
Remuneration deferred and subject to retention	Total amount of deferred remuneration recognized for previous service periods	Of which amounts accruing during the year	Of which amounts accruing in subsequent years	Amount of the performance adjustment, made during the year, on the deferred remuneration that should have been earned during the year	Amount of performance adjustment made during the year to the deferred compensation that would have been due in subsequent performance years	Total amount of the adjustments made during the year due to ex post implicit adjustments (i.e. changes in the value of deferred remuneration due to changes in the prices of the instruments).	Total amount of deferred remuneration recognized prior to the year, actually paid during the year	Aggregate amount of deferred compensation recognized for the previous period of service that has been accrued but is subject to retention periods.
1 Board of Directors - strategic supervision function	--	--	--	--	--	--	--	--
2 Cash	--	--	--	--	--	--	--	--
3 Equivalent shares or equity investments	--	--	--	--	--	--	--	--
4 Equity-linked instruments or equivalent non-cash instruments	--	--	--	--	--	--	--	--
5 Other instruments	--	--	--	--	--	--	--	--
6 Other forms	--	--	--	--	--	--	--	--
7 Board of directors - management function	632.942	212.826	420.116	--	--	--	--	--
8 Cash	610.162	190.046	420.116	--	--	--	--	--
9 Equivalent shares or equity investments	--	--	--	--	--	--	--	--
10 Equity-linked instruments or equivalent non-cash instruments	22.780	22.780	--	--	--	--	--	--
11 Other instruments	--	--	--	--	--	--	--	--
12 Other forms	--	--	--	--	--	--	--	--
13 Other senior executives	330.061	166.739	163.322	--	--	--	80.920	--
14 Cash	299.781	136.459	163.322	--	--	--	80.920	--
15 Equivalent shares or equity investments	--	--	--	--	--	--	--	--
16 Equity-linked instruments or equivalent non-cash instruments	30.280	30.280	--	--	--	--	--	--
17 Other instruments	--	--	--	--	--	--	--	--
18 Other forms	--	--	--	--	--	--	--	--
19 Other relevant personnel	775.631	437.212	338.419	--	--	--	251.041	--
20 Cash	688.701	350.282	338.419	--	--	--	251.041	--
21 Equivalent shares or equity interests	--	--	--	--	--	--	--	--
22 Equity-linked instruments or equivalent non-cash instruments	86.930	86.930	--	--	--	--	--	--
23 Other instruments	--	--	--	--	--	--	--	--
24 Other forms	--	--	--	--	--	--	--	--
25 Total amount	1.738.634	816.777	921.857	--	--	--	331.961	--



**EU REM<sub>4</sub> MODEL: REMUNERATION EUR 1 MILLION OR MORE PER YEAR**

		A
EUR		Members of key personnel who have high remuneration within the meaning of Article 450(i) of the CRR.
1	From 1.000.000 to less than 1.500.000	--
2	From 1.500.000 to less than 2.000.000	--
3	From 2.000.000 to less than 2.500.000	--
4	From 2.500.000 to less than 3.000.000	1
5	From 3.000.000 to less than 3.500.000	--
6	From 3.500.000 to less than 4.000.000	--
7	From 4.000.000 to less than 4.500.000	--
8	From 4.500.000 to less than 5.000.000	--
9	From 5.000.000 to less than 6.000.000	--
10	From 6.000.000 to less than 7.000.000	--
11	From 7.000.000 to less than 8.000.000	--

**EU REM<sub>5</sub> MODEL: INFORMATION ON THE REMUNERATION OF THE PERSONNEL OF WHOM PROFESSIONAL ACTIVITIES HAVE A RELEVANT IMPACT ON THE RISK PROFILE OF THE ENTITY (RELEVANT PERSONNEL)**

	A	B	C	D	E	F	G	H	I	J
	Remuneration of the Board of Directors			Business Areas						
	Board of Directors strategic supervision function <sup>48</sup>	Management body management function	Total administrative body	Investment Bank	Retail Banking	Asset Management	Corporate functions	Internal control functions in employees	All others	Total
1	Total number of key personnel	--	--	--	--	--	--	--	--	--
2	Of which members of the Board of Directors	8	1	9	--	--	--	--	--	--
3	Of which other senior executives	--	--	--	--	--	--	--	--	--
4	Of which other relevant personnel	--	--	--	--	--	10	5	13	28
5	Total remuneration of relevant personnel	453.369	2.726.130	3.179.499	--	--	2.095.907	731.885	2.248.607	5.076.399
6	Of which variable remuneration <sup>49</sup>	--	1.530.730	1.530.730	--	--	881.522	136.887	608.739	1.627.148
7	Of which fixed remuneration	453.369	1.195.400	1.648.769	--	--	1.214.385	594.998	1.639.868	3.449.251

<sup>48</sup> Including advisors who have terminated their office during the year.

<sup>49</sup> Excluding *Stock Options* included in the Consob tables



Dear Shareholders,

In light of the above, we ask you to approve the following resolution proposal (on which two separate votes will be proposed based on the topic, one for each resolution item, each with its own executive mandate):

"The Shareholders' Meeting

Having regard to the "2022 Remuneration and Incentive Policy for the members of the Strategic Supervision, Management and Control Bodies and the Personnel of the BFF Banking Group" for the year 2022 as illustrated in the Board of Directors' Report

#### RESOLVED

- i. the approval of the new "2022 Remuneration and Incentive Policy for the members of the Strategic Supervision, Management and Control Bodies and the Personnel of the Banca Farmafactoring Banking Group" described in Section I of the Board of Directors' Report.
- ii. to specifically approve the provisions set forth in sub-point (b) of Section 7.2.2.8 (amounts recognized as part of an agreement for the settlement of an actual or potential dispute) of the new 2022 remuneration and incentive policy in favor of the members of the bodies of strategic supervision, management, control and staff of the BFF Banking Group - of section 1 of the "Annual report on the remuneration and incentive policies of the BFF Banking Group" relating to policies for determining compensation in the event of early termination of office or termination of employment contained, including the default formula for determining the amounts recognized as part of agreements with staff, wherever reached, for the settlement of current or potential disputes.
- iii. the approval of Section II of the *ex-post* Report on (i) the items making up the Remuneration (including the compensation in the event of termination of office or employment) of the persons indicated above, in accordance with the 2021 Policy; (ii) general information on the implementation of the 2020 Policy in 2021 and the assessments provided by the Group's Control Functions, for their respective areas of responsibility; (iii) the detailed description of

the remuneration paid in the reporting year, for any reason and in any form, by the Bank and its Subsidiaries; (iv) the remuneration to be paid in one or more subsequent years, in relation to the work performed in the reporting year;

- iv. to grant the Board of Directors, and on its behalf the Chief Executive Officer, the widest possible powers to complete all the acts, requirements, and formalities necessary to implement each of the above resolutions, and thus also the power to make any changes to the new personnel remuneration policies that may be necessary to comply with the applicable laws and regulations.”

Milan, 1<sup>st</sup> March 2022

The Board of Directors



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