Courtesy Translation

ANNUAL REPORT ON REMUNERATION AND INCENTIVE POLICY OF BANCA FARMAFACTORING BANKING GROUP

3.1 ITEM ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING

(CONVENED ON 28 MARCH 2019 ON SINGLE CALL)

1. INDEX

INTRODUCTION

This Report is drafted in the context of the information required pursuant to Article 123-ter of Legislative Decree 1998 No. 58 of the TUF and Article 84-quater of the Issuers' Regulation.

The Report is structured in two sections, according to the provisions of Scheme 7-bis of Annex 3A to the Issuers' Regulation[1].

The first section contains the Policy.

The second section is composed of the Remuneration Report, which, in turn, is divided into two parts:

1.1.1.a.i.1.a.i. the first part provides information on the implementation of the 2018 incentive remuneration policy for the members of the Strategic Supervision Bodies, Management and Control, and Group Personnel. In this context, the disclosure pursuant to Article 114-bis of the TUF is provided with reference to the incentive plans based on Financial Instruments;

1.1.1.a.i.1.a.ii. the second part illustrates, in an analytical way, the compensation paid in 2018 to the members of the administrative and control bodies and to the other managers with strategic responsibilities, provided for by the relevant legislation. In this context, the information required by Article 84-bis, paragraph 5 of the Issuer Regulation is also provided, through Table no. 1, Schedule 7, Annex 3A of Regulation No. 11971/1999.

The "definitions" in the Policy are used throughout the Report.

1 In particular, Annex 3A, scheme 7-bis to the Issuers Regulation allows for fulfilment, in a single document, of the obligations laid down in article 123-ter of the TUF and Supervisory Remuneration Rules. Considering the relevant legislation, additional information on *Risk takers* is included in the report, in aggregate, without the scope of the cited article of the TUF.

SECTION I

2019 REMUNERATION AND INCENTIVE POLICY IN FAVOUR OF THE MEMBERS OF STRATEGIC SUPERVISION, MANAGEMENT AND CONTROL BODIES, AND THE PERSONNEL OF BANCA FARMAFACTORING BANKING GROUP

1. PREAMBLE: MAIN INNOVATIONS

Compared to the 2018 version, the Policy[2] presents changes in content and form, made with a view to continuous improvement.
Following the updating of the Remuneration Supervisory Provisions, the following main changes were introduced in the Policy.

i. the definitions of Remuneration and Variable Remuneration have been updated and the definition of Fixed Remuneration has been introduced;

ii. the HR and Organizational Development BU is no longer included in the definition of "Corporate Control Functions";

iii. the figure of the Chief Reporting Officer has been introduced, whose Variable Remuneration is subject to the rules applicable to the members of the Corporate Control Bodies, except for the limit of one third in the relationship between Variable and Fixed Remuneration; its Remuneration is very limited;

iv. they were excluded from the 2:1 limit between Variable Remuneration and Fixed Remuneration:

   a) non-competition clauses, for the portion that, for each year of the term of the agreement, does not exceed the last year of Fixed Remuneration;

   b) any amounts recognised for the settlement of a current or potential dispute, if equal or lower than the average risk of the case calculated according to the criteria established by law.

v. the amounts recognised as non-competition agreements, for the portion that does not exceed the last year of Fixed Remuneration, have been excluded from the application of

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2 The Policy in this report concerns the 2019 financial year, according to the guidelines by article 123-ter of the TUF and the Scheme 7-bis of Annex 3A to Issuers' Regulations. In particular, this Scheme provides that the report should state *"any changes in remuneration policy with respect to the previous financial year"*.

the limits on quali-quantitative criteria for quantification, balancing of cash/financial instruments, deferment, *retention*.

vi. Variable Remuneration of the *Chief Executive Officer*, Senior Executives and Executives who report directly to the *Chief Executive Officer* is subject to stricter rules than those established by the Policy regarding deferral and balancing between cash instruments and financial instruments when it is of "particularly high" amount;

Main innovations are the following:

i. liquidity and capitalization limits beyond which the MBO (so-called *gate*) is allowed have been prudently raised to the level of c.d. "Risk tolerance" set by the Board of Directors within the RAF[3], i.e. above the regulatory minimum and levels set by the Supervisory Authority following the outcome of the SREP process, consistent with the operations of the Bank.

ii. Through the application of a multiplier mechanism, MBO disbursement also remains subject to compliance with a profitability parameter linked to the achievement of the Group's economic objective, which can only be waived on the basis of predetermined criteria and the outcome of a decision-making process including an opinion by the Remuneration Committee and a determination by the Board of Directors.

iii. some specifications have been introduced to monitor the effectiveness of the retention period: in particular, was clarified that the sale of Financial Instruments during this period may involve the activation of malus and claw back mechanisms and, for Employees, disciplinary proceedings pursuant to art. 7, Law of May 20, 1970, No. 300.

There was also a formal review, mainly aimed at simplifying the text, in order to provide clear and easily accessible information as possible.

3 "*Risk tolerance*" is "the maximum deviation from the permitted risk appetite"; the tolerance threshold is set so as to ensure in any case the Group sufficient margins to operate, even under stress conditions, within the Risk Capacity).

2. GENERAL PRINCIPLES[4]

The Remuneration and incentive system of the BFF Group draws inspiration from the following principles:

i. being consistent with the objectives and business culture, the overall corporate governance structure and internal controls;

ii. not creating conflict of interest situations;

iii. not discouraging, in the responsible bodies and departments, the control activity;

iv. attracting and retaining persons with professionalisms and skills adequate to the Group's needs, valorising said persons through paths of professional growth;

v. basing behaviour on utmost diligence and correctness 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) such as to avoid 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 same may be exposed.

4 Legislative sources: Scheme 7-bis of Annex 3A to the Issuers' Regulation according to which the report should specify, inter alia, “*its purposes pursued with the remuneration policy and the underlying principle*”.

3. DEFINITIONS

Chief Executive Officer	The "management body" of the Parent Company, i.e. the Board member to whom the Parent Company's Board of Directors delegated current management duties, intended as implementation of the guidance resolved by the strategic supervision function.
Meeting	Shareholders' meeting.
Bank, Parent Company or Banca Farmafactoring	Banca Farmafactoring S.p.A., parent company of the Banca Farmafactoring Banking Group.
Intermediate Bank	According to the definition of par. 3, Section I, Chapter 2 ("Remuneration and incentive policies and practices"), Title IV, First Part of the Supervisory Rules, the bank whose assets are between 3.5 and 30 billion euro or the bank belonging to a banking group whose consolidated assets are between 3.5 and 30 billion euro, which is not considered significant pursuant to Regulation (EU) no. 1024/2013.
Excluded Benefit	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.
Benefit	The so called fringe benefits represent complementary remuneration elements to the main remuneration. They specifically consist in the granting of the use of goods and services by the employer in favour of employees

Claw Back	The total or partial refund of the Variable Remuneration already received.
Corporate Governance Code	The Corporate Governance Code of listed companies prepared by the Corporate Governance Committee set up by Borsa Italiana S.p.A
Code of Ethics	The code of ethics adopted by the Group.
Board of Statutory Auditors	The "body with control functions".
Control and Risk Committee	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 art. 7 of the Corporate Governance Code.
Remuneration Committee	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 art. 6 of the Corporate Governance Code.
Board of Directors	The "body with strategic supervision functions" of the Parent Company, to which the Bank's management functions are entrusted, through, inter alia, the exam of and resolution on business or financial plans of strategic transactions.
Capital requirements directive (CRD IV)	EU Directive 2013/36/EU of 26 June 2013.
Chief Reporting Officer	The *Chief Reporting Officer* for the preparation of the company's financial statements pursuant to article 154-bis of the TUF.

Supervisory Rules	The 7th update of the Bank of Italy's Circular no. 285 of December 17, 2013 "Banking Supervisory Rules".
Supervisory Remuneration Provisions	The 25th update on 23 October 2018 of Supervisory Provisions, assimilating the CRD IV, issued pursuant to articles 53 and 67 of the TUB and the Ministerial Decree of 27 December 2006, no. 933
EBTDA Risk Adjusted (EBTDA ^{RA})	such performance parameter is defined as EBTDA adjusted on a correction mechanism which takes account of the risks taken by the Group, in consistency with the capital targets defined in the RAF and in accordance with the strategic/budget plan, at the beginning of the reporting year. This according to the following formula: EBTDA RA = EBTDA (RWA M * TCR Target * Ke)[5].
Executives	The managers of organizational units articulated or characterised by a high professionalism reporting to the *Chief Executive Officer* or Senior Executives, contributing significantly and with a broad autonomy to the achievement of the objectives of the structure they belong to, or

5 Where:

EBTDA: profit from current operations gross of income taxes (Item 290) with the exclusion of net value adjustments on tangible assets (Item 210), net value adjustments on intangible assets (Item 220) and income statement items that are offset from corresponding changes in equity (for example, loss on exchange rates and costs related to Stock Option Plan);

RWA ^{M}: the average in the year of total risk-weighted assets, on an 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: without a subordinated *eligible Tier 2,* consists of the *risk appetite* threshold defined for the *Total Capital Ratio* (15%). In case of existence of a subordinated *eligible Tier 2*, the TCR Target value to be applied in the formula is equal to the difference between 15% and the percentage of Tier 2 over the Group's *Total Capital*;

Ke: cost of capital is set at 10%.

	providing qualified support/advisory to the Top Managers and the rest of the organization. They may belong to the *Risk Takers*. Executives are identified through specific Board of Directors resolution.
Compliance & AML Function	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.
General Counsel Function	The corporate function of legal support to the *Chief Executive Officer* and other corporate structures.
Internal Audit Function	The corporate internal audit function.
Risk Management Function	The corporate risk control function.
Corporate Control Bodies	The Corporate Control Functions, as defined in the Bank of Italy regime in the matter of Internal Control System[6], i.e. the Internal Audit Function, the Risk Management Function, the Compliance & AML Function and, for the purpose of the current Policy
BFF Group or Group	The Banca Farmafactoring Banking Group.
Malus	The loss of entitlement to payment of the variable remuneration, not yet perceived.
Management By Objective ("MBO")	The incentive system, for the Chief Executive Officer and Employees, which provides for a possible payment of annual incentive proportional to the annual gross remuneration.
Personnel	The members of the bodies discharging strategic supervision, management and control functions, as well

6 *See Supervisory Remuneration Provisions.*

	as the Group employees and collaborators.
Relevant Personnel of the Board of Directors	The Personnel whose remuneration and incentive systems, annual targets and its evaluation are defined by the Board of Directors, namely: (i) the *Chief Executive Officer*; (ii) *Directors* who perform special functions; (iii) *Senior Executives* of the Group*;* (iv) *Executives* who are directly reporting to the CEO; (v) Managers of Corporate Control Functions.
Employees	The employees of the Group.
Stock Option Plan	The Stock Option Plan originally approved by the Meeting of 5 December 2016.
Policy	This Policy.
Policy 2018	The "remuneration and incentive policy in favour of the members of Strategic Supervision, Management and Control Bodies, and the Personnel of BFF Group" approved by the Meeting on 5 April 2018.
RAF	"Risk Appetite Framework", namely the framework which defines – in accordance with the maximum risk that can be taken, the business model and the business plan – the risk appetite, tolerance thresholds, risk limits, risk management policies and reference processes necessary to define and implement them, even at Group level.
Issuers' Regulations	CONSOB Regulation no.11971/1999
Report	This annual report on 2019 remuneration drafted within the information required in accordance with art. 123-ter of the TUF and article 84-quarter of the Issuers' Regulations.
Remuneration	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 the Excluded Benefits.
Fixed Remuneration	A 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 risk and are independent of Bank *performance*.
Variable Remuneration	(i) Remuneration whose recognition or which payment may change in relation to performance, however measured (income targets, rates, etc.), or other parameters (eg. assignment period), excluding the severance entitlements laid down by the general standard for working relations and compensation failure to give notice, when their amount is established in accordance with the law and within the limits set therein. (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. (iii) The *carried interest*, as qualified by the provisions regarding compensation and incentive policies and practices in the field of asset management, implementing directives 2009/65/EC (so called UCITS) and 2011/61/EU (AIFMD). (iv) Any other form of remuneration which is not uniquely qualified as fixed remuneration, except the Excluded Benefits.
Risk Takers	Individuals whose professional activities have or can have significant impact on the risk profile of the Group, as identified in accordance with the criteria established in

	Chapter 7 of this Policy.
Senior Executives	Roles 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.
Subsidiary/ies	The companies belonging to the BFF Group, excluding the Bank itself.
By-Laws	The Corporate By-Laws of the Bank.
Financial Instruments	The Bank's financial instruments with which is paid part of the variable remuneration to *Risk Takers*.
EBTDA^{RA} Target	The level of annual budgeted EBTDA^{RA} approved by the Board of Directors for the relevant year
TUB	The Consolidated law on banking and lending under Legislative Decree No. 385 of 1 September 1993, as amended.
TUF	The Consolidated Law on Financial Intermediation under Legislative Decree No. 58 of 24 February 1998, as amended.
T.U.I.R.	Consolidated law on Income Taxes.
Commercial B.U.	The organizational unit responsible for managing the Bank's business through the development of relationships with new customers and relationships with existing customers.
Organization and Legislation B.U.	The organizational unit with the task of ensuring, on the one hand, the development of the Bank's organizational model, in line with the guidelines set out by the *Chief Executive Officer*, and, on the other hand, the constant

	updating of national and Government legislation of the Group.
HR and Organizational Development B.U.	The organizational unit with the task of managing and developing Group's HR according to the guidelines laid down by the *Chief Executive Officer*.
Planning and Control B.U.	The organizational unit with the task of ensuring an appropriate disclosure of corporate economic events through the performance of accounting processes aimed at reporting; that unit also performs the task of the Group's economic planning/management periodic asset, and supervises and monitors the achievement of budget/business plan through management *reporting*.
Strategy and Projects B.U.	The organizational unit with the task of managing the development projects of its direct responsibility and monitor the project portfolio of the Bank and the Group.
Company bonus (VAP)	Corporate Award based on the national collective agreement applied for middle managers and personnel of professional areas of credit, financial and securities enterprises.

4. LEGISLATIVE CONTEXT OF THE POLICY

The main regulatory framework for defining compensation and incentive processes of the Group consists of the supervisory remuneration provisions[7].

For the purposes of supervisory remuneration provisions, the Bank falls within the category of intermediate banks[8].

Intermediate banks apply to all personnel the entire regime on remuneration and incentive policies and practices of the Supervisory Rules; the provisions under Section III, par. 2.1, items 3 and 4, and par. 2.2.1, apply to the *Risk Takers*, with percentages and deferral and *retention* periods at least equal to half of those specified therein, and increasing depending on the characteristics of the bank and the banking group.

As concerns the EU regime, the CRD IV contains specific principles and criteria which banks must comply with in order to:

i. ensure the correct development and implementation of remuneration systems;

ii. effectively manage possible conflicts of interest;

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7 *See* Section One, Title IV, Chapter 2.

8 The First part, Title IV, Chapter I of Circular no. 285, relating to remuneration and incentive policies and practices, defines as Intermediate banks, those banks whose assets are between 3.5 and 30 billion euro or the bank belonging to a banking group whose consolidated assets are between 3.5 and 30 billion euro, which is not considered significant pursuant to art. 6(4) of the RMVU. Art. 6(4) of the RMVU: "The significance shall be assessed based on the following criteria:

i) size;
ii) importance for the economy of the Union or any participating Member State;
iii) significance of cross-border activities.

With respect to the first subparagraph above, a credit institution or financial holding company or mixed financial holding company shall not be considered less significant, unless justified by particular circumstances to be specified in the methodology, if any of the following conditions is met:

i) the total value of its assets exceeds EUR 30 billion;

ii) the ratio of its total assets over the GDP of the participating Member State of establishment exceeds 20 %, unless the total value of its assets is below EUR 5 billion;

iii) following a notification by its national competent authority that it considers such an institution of significant relevance with regard to the domestic economy, the ECB takes a decision confirming such significance following a comprehensive assessment by the ECB, including a balance-sheet assessment, of that credit institution.

The ECB may also, on its own initiative, consider an institution to be of significant relevance where it has established banking subsidiaries in more than one participating Member States and its cross-border assets or liabilities represent a significant part of its total assets or liabilities subject to the conditions laid down in the methodology. Those for which public financial assistance has been requested or received directly from the EFSF or the ESM shall not be considered less significant […]".

iii. ensure that the remuneration system takes appropriate account of current and future risks, the degree of capitalisation and levels of liquidity of each intermediary;

iv. increase the level of transparency towards the market;

v. strengthen the control action by Supervisory Authorities. Those goals are also accompanied by a general containment of operating costs, with the purpose of not excessively limiting the autonomy of banks and respecting the fundamental principle of proportionality.

Said regulation must be read jointly with the *regulatory technical standards* (RTS), issued by the European Commission, upon EBA proposal, again in accordance with the CRD 4, which are binding and directly applicable to all member states.

The regulatory technical standards (RTS) govern the identification process of the *Risk Takers*, so-called Risk takers. In fact, the rules defined by (EU) Delegated Regulation dated 4 March 2014, no. 604 are applied[9].

Reference is also made to the guidelines issued by EBA (*Guidelines* - GL 2014/7 and 2014/8 dated16 July 2014) which, in compliance with CRD IV, outline the data collection methods and reporting schemes to be used by intermediaries to transmit information, relating to their remuneration systems, to the national supervisory authorities which then take care of forwarding the same information to the EBA[10].

Supervisory Remuneration Provisions establish for banks and banking groups an organic discipline on remuneration practices and policies. They define overall limits that are more stringent than the corresponding provisions in the Corporate Governance Code to which the Bank adheres. Therefore, in the matter of remuneration practices and policies, the Supervisory

9 Delegated Regulation (EU), adopted on 4 March 2014 in accordance with Article 94 of the CRD 4 at the proposal of the EBA, which supplements Directive 2013/36/EU of the European Parliament and Council as regards the regulatory technical standards relating to qualitative and quantitative criteria adequate for identifying the categories of Personnel whose professional activities have a substantial impact on the institution's risk profile.

10 In particular, those guidelines concern:

- the collection activity from all banks and investment companies of data on high earners, i.e. persons whose total Remuneration amounts to at least 1 million Euros on a yearly basis (GL 2014/07, “Guidelines on the data collection exercise regarding high earners”);
- the so-called benchmarking activity, aimed at monitoring and comparing remuneration trends and practices – particularly of risk takers – in a sample of significant European intermediaries, selected by the relevant supervisory authorities in accordance with the representativeness criteria provided by EBA (GL 2014/08, “Guidelines on the remuneration benchmarking exercise”).

Remuneration Provisions are applied, which absorb and replace the provisions in the Corporate Governance Code.

5. GOVERNANCE OF THE REMUNERATION AND INCENTIVE SYSTEM

The Bank draws up the Policy, which constitutes the report on the overall Group remuneration policies, ensures the overall coherence, establishes the necessary Guidelines for its implementation and verifies the proper enforcement.

Subsidiaries are responsible for complying with these laws directly applicable, the proper implementation of guidelines provided by the Bank and *compliance* regarding the Policy.

In cases of non-conformity between the Policy and the legislation of the countries of the subsidiaries, the CEO shall first obtain the opinion of the *Compliance & AML Function* in order to resolve the conflict of laws and implementing the Policy.

Whether the Bank finds that Policy implementation by the Subsidiaries is inconsistent with the guidelines, which it dictated, or comply with the legal regulations, calls for appropriate adjustments, if required, by removing the defaulting administrative bodies.

Set out below are the roles of the corporate bodies and Corporate Control Functions of the Parent Company, in the definition and implementation of the remuneration and incentive system, as laid down by the Supervisory Provisions.

5.1 MEETING

With reference to remuneration policies, the Ordinary Meeting:

i. determines the degree of remuneration to be payed to Directors, Statutory Auditors, Independent Auditors entrusted with the audit engagement;

ii. approves this Policy;

iii. approve 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 relation or early termination of the office, including therein the limits set to that remuneration in terms of annuities of the fixed component and the maximum amount deriving from their application;

v. acknowledges, at least annually, a disclosure on remuneration and incentive policies adopted by the Bank, and their implementation in accordance with the methods defined in the Supervisory Rules. That disclosure contains the same information regarding Remuneration and incentive systems and practices provided to the public, in compliance with the provisions of Circular no. 285.

vi. approves the possible increase of the limit to the ratio between variable component and fixed component of the Remuneration from 1:1 up to a maximum of 2:1. Said competence found its concrete implementation with the meeting resolution of 5 December 2016 through which the proposal of the Board of Directors to increase the limit to the ratio between variable and fixed Remuneration component from 1:1 up to a maximum of 2:1 except for the Personnel belonging to the Control Corporate Bodies, was approved.

The aforementioned meeting resolution, was adopted:

a) in compliance with the qualified majorities required by *Supervisory Remuneration Provisions*[11];

b) after completion of the preliminary consultation procedure provided for by the rules of *Supervisory Remuneration Provisions* [12].

5.2 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 within the corporate structure;

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11 *Supervisory Remuneration Provisions* provide for the approval by the Meeting to require the favorable vote of at least two thirds of the share capital represented at the Meeting, when the latter is constituted with at least half of the share capital, or, should this not be the case, with the favorable vote of at least three quarters of the share capital represented at the Meeting, regardless of the share capital with which the Meeting is constituted.

12 The procedure provides for the transmission to the Bank of Italy or the European Central Bank, at least 60 days prior to the date for which the meeting resolution is scheduled, of the proposal intended to be submitted to the Meeting, together with the relating indications and evidences to prove that the higher limit or limits, for the most significant personnel or certain categories thereof, are not prejudicial to compliance with prudential rules and, in particular, that concerning own funds requirements.

ii. defines remuneration and incentive systems for the relevant Personnel of the Board of Directors. In particular, approves the entire remuneration package of the *Chief Executive Officer*, including the opportunity to assign stock options to the same;

iii. is in charge of administering the Stock Option Plan providing, *inter alia*, with:

   a) determining the maximum number of Options to be granted overall to all beneficiaries, pursuant to the Stock Option Plan, in respect of each *tranche*;

   b) identifying beneficiaries of each tranche as regards the Relevant Personnel of the BoD;

iv. ensures that compensation and incentive systems are consistent with the Bank's overall choices in terms of risk-taking, long-term strategies, targets, governance structure and internal auditing.

5.3 CHIEF EXECUTIVE OFFICER

The *Chief Executive Officer*:

i. submits to the Board of Directors the review proposals of the Policy;

ii. defines and approves the operative definition process of the criteria on which the remuneration and incentive system shall be based, in compliance with what provided for in the Policy;

iii. defines the Remuneration for:

   a) the Group *Executives* not directly reporting to the *Chief Executive Officer*;

   b) the remaining Bank Personnel not included, in terms of Remuneration, among the competence of the Meeting and/or the Board of Directors.

iv. defines for the Group's Subsidiaries, the remuneration systems not included among the competences of the Parent Company’s Board of Directors and Remuneration Committee, taking account of possible other limits pursuant to the reference applicable domestic regulations in force from time to time;

v. identifies the beneficiaries of the Stock Option Plan and the number of stock options to be assigned to those who are not part of the Relevant Personnel of the BoD, as established by the Stock Option Plan, also performing administrative activities of this latter demanded by the Board of Directors or pursuant to the same plan.

5.4 REMUNERATION COMMITTEE

The Remuneration Committee is a body with advisory and proactive function towards the Board of Directors on remuneration and incentive policies of Personnel. The Remuneration Committee is composed of three non-executive members of the Board of Directors, at least two of whom shall be independent. The Chairman of the Remuneration Committee is identified from among independent board members.

As part of those functions the Remuneration Committee:

i. contributes to the definition of the General Principles as contained in Chapter 2 above;

ii. expresses proposals and/or opinions to the Board of Directors on the Remuneration and the *performance* targets linked to the Variable Remuneration of the *Relevant Personnel* of the Board of Directors;

iii. expresses to the Board of Directors:

   a) non-binding opinions and proposals on the adoption (and possible subsequent integration) of possible incentive plans (*stock option*, *stock grant*, "dispersed ownership" etc.), the targets linked thereto, as well as the assessment criteria of their achievement;

   b) opinions and proposals on identifying *Risk Takers*;

   c) opinions in the matter of determination of indemnities to be paid in case of early termination of the employment or cessation of the office (so called *golden parachutes*); assesses the possible effects of the termination on the rights granted in the context of security-based incentive plans;

iv. directly oversees the correct application of the rules relating to the Remuneration of the heads of the Control Corporate Functions (i.e. HR and Organizational Development BU and *Chief Reporting Officer*), in close cooperation with the Board of Statutory Auditors;

v. takes care of the preparation of the documents to be submitted to the Board of Directors on occasion of meetings called to discuss remuneration-related topics, in particular, prepares the Report, in accordance with the deadlines provided for its presentation at the Meeting;

vi. examines the vote expressed by the Meeting on the Report drafted pursuant to art 123-ter of the TUF[13], and submits the relating analysis to the Board of Directors;

vii. cooperates with the other internal committees of the Board of Directors, in particular with the Control and Risk Committee, on matters concerning remuneration and incentive policies; the Control and Risk Committee, in turn, examines, in coordination with the Remuneration Committee, whether incentives provided by the remuneration system are consistent with the RAF, also with the possible support of the Risk Management function;

viii. assures the involvement of the competent corporate functions, each for the relating competences, (HR, Group Planning & Control, Risk Management, Compliance & AML and Internal Audit) in the preparation and control process of remuneration and incentive policies and practices.

ix. expresses itself, also using the information received from the competent corporate functions, on the achievement of the *performance* targets to which incentive plans are linked and on the verification of the other conditions set for the payment of remunerations;

x. periodically assesses the adequacy, overall consistency and correct application of the Remuneration Policy as regards the relevant Personnel of the Board of Directors using in this letter respect the information provided by the *Chief Executive Officer* and expresses proposals on the matter to the Board of Directors;

xi. monitors the application of the decisions adopted by the Board of Directors on the basis of the proposals submitted by the same Committee in the matter of Remuneration, verifying, in particular, the actual achievement of *performance* targets;

xii. monitors the evolution and application over time of the incentive plans approved by the Board of Directors;

13 Art. 123-ter of the TUF: "(Omissis). The first section of the remuneration report illustrates:

a) the company's policy on the remuneration of the members of the administrative bodies, general managers and managers with strategic responsibilities with reference to at least the following year;
b) the procedures used to adopt and implement this policy. *(Omissis)*"

xiii. provides an adequate feedback on the activity carried out thereby to the corporate bodies, to be rendered in accordance with the applicable regulations. In particular, through the Chairman of the Committee or another member designated thereby, reports to the Meeting called to approve the annual financial statement on the exercise modalities of its functions;

xiv. carries out the other duties possibly entrusted by the Board of Directors with specific resolutions.

No director attends the meetings of the Remuneration Committee where proposals to the Board of Directors relating to his or her remuneration are expressed.

In case the Board of Directors has not determined the annual expense *budget* available to the Committee for the performance of its activities, the Committee will submit an approval request of the relating expense items to the Board of Directors.

5.5 CONTROL AND RISK COMMITTEE

The functions of the Control and Risk Committee include that of verifying that incentives underlying the Group's remuneration system are consistent with the maximum level of risk the Group intends to take.

In exercising said function, it cooperates with the other internal committees of the Board of Directors, specifically with the Remuneration Committee. The Control and Risk Committee reviews, in coordination with the Remuneration Committee, whether the incentives provided by the Remuneration system are consistent with the RAF, also with the support of the *Risk Management* function.

5.6 CORPORATE CONTROL BODIES

Corporate Control Functions, each to the extent of competence, ensure, among other things, the compliance and adequacy of the Policy adopted by the Group with the existing regulations as specified below.

The Compliance & AML Function verifies that the company’s reward system is consistent with the objectives of compliance with the rules, the By-Laws, as well as any codes of ethics or other standards of conduct applicable to the Bank, so that legal and reputational risks inherent particularly in the relationships with customers are assessed and limited, and informs the *Chief*

Executive Officer, the Remuneration Committee and, in the context of periodic reports, the Board of Directors and Board of Statutory Auditors thereof. The Meeting is informed of said findings through the Board of Directors.

The Compliance & AML Function further verifies that Subsidiaries fully and correctly implement the Policy, assessing possible further limits imposed by local regulations. Should any conflict emerge with the local regulations, the Compliance & AML Function provides an opinion to the *Chief Executive Officer* on the solution of the legislative conflict, and identifies the operating solutions capable of correctly implementing the Policy.

The Risk Management Function verifies the achievement of the gate to access the variable remuneration component, including EBTDA ^{RA} results and consistency of the incentive system with risk management methodologies.

The Internal Audit Function verifies at least annually, compliance of the Remuneration practices with Remuneration and incentive policies, in particular, on the basis of the Audit Plan, developed with a *risk-based* logic. The findings of the verifications conducted are disclosed to the Meeting and the Board of Directors. The Internal Audit Function also collaborates with the HR B.U. in the activation of the *malus* and *claw-back* mechanisms carrying out the necessary investigations and analyses upon request of the HR B.U. or the *Chief Executive Officer*, for the establishment of facts that may entail the activation of *malus* or *claw back* mechanisms.

5.7 CHIEF REPORTING OFFICER

The Chief Reporting Officer is a subject whose Variable Remuneration, as responsible for the preparation of corporate accounting documents, is subject to the rules applicable to the members of the Corporate Control Bodies, with the exception of the limit of one third of the ratio between Variable and Fixed Remuneration. Its Variable Remuneration is limited, as shown in Chapter 9 (REMUNERATION POLICIES OF THE MANAGEMENT FUNCTIONS, OF THE MANAGER OF HR AND ORGANIZATIONAL DEVELOPMENT BU AND THE CHIEF REPORTING OFFICER).

The *Chief Reporting Officer* provides the accounting data necessary for targets verification and, where required by its business plan, checks the performance management process for Variable Remuneration payment, referred to in point (10.2.2.1) (MBO for Employees).

5.8 HR AND ORGANIZATIONAL DEVELOPMENT B.U.

The HR and Organizational Development B.U.:

i. applies the provisions contained in the Policy translating them under an operational point of view, within the limits provided for by the office and delegations granted;

ii. ensures the correct application of Remuneration and incentive system criteria and parameters within the Group;

iii. performs *benchmark* analyses on the reference labour market and the fairness analyses within the company in order to determine:

   a) review proposals of the Policy;

   b) review of the remuneration and incentive system in terms of instruments, modalities, operational mechanism and parameters adopted by the Bank;

iv. coordinates the identification and definition process of the *Risk Takers*;

v. provides support to the Remuneration Committee, and where appropriate, to the Control and Risk Committee;

vi. monitors the legislative evolution in labour-law related matters and the regime on the remuneration system;

vii. launches the verification process on the malus and claw back conditions with the support of the Internal Audit Function for the appropriate assessments.

6. ADOPTION AND CONTROL PROCESS OF THE POLICY[14]

6.1 ADOPTION PROCESS OF THE POLICY

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

i. The HR and Organizational Development B.U. prepares a draft of the Policy involving the competent functions, including the General Counsel, the Risk Management Function, the Planning and Control Function and the Compliance & AML Function.

ii. The HR and Organizational Development B.U. submits the draft update of the Policy to the CEO.

14 Legislative references: art. 123-ter TUF, Scheme 7-bis of Annex 3A to the Issuers' Regulation.

iii. The *Chief Executive Officer* submits the Policy to the Board of Directors for its approval, accompanied by a specific opinion by the Compliance & AML Function.

iv. The Board of Directors, having heard the opinion of the Remuneration Committee and the Control and Risk Committee, resolves to approve the Policy and submit it to the approval of the Shareholders' Meeting.

v. The Shareholders' Meeting resolves to adopt the Policy.

6.2 APPLICATION AND IMPLEMENTATION CONTROL PROCESS OF THE POLICY

The HR and Organizational Development B.U. is the corporate structure in charge for applying the content of the Policy at Group level.

In particular, at least annually, on the basis of labour market analyses, Group organizational improvements or strategic guidelines, the HR and Organizational Development B.U. verifies the need to update the Policy. Moreover, the HR and Organizational Development B.U. verifies the incentive system of the Personnel, in terms of instruments, modalities, operative mechanisms and parameters adopted by the Group, in order to implement the Policy provisions.

The implementation of the Policy is verified, at least annually, by the *Compliance & AML* Function, and the *Internal Audit* Function, each according to the respective competences, in order to ensure the adequacy and compliance of the adopted remuneration policies and practices with existing regulations and their correct functioning.

7. DEFINITION OF RISK TAKERS AND CLASSIFICATION OF COMPANY OFFICES[15]

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

In particular, the Group identifies the *Risk Takers*, by way of an annual assessment process – entrusted to the HR and Organizational Development B.U. in collaboration with the Organization and Regulation B.U. and the Risk Management Function – performed on the basis of the qualitative and quantitative criteria provided for by Regulation (EU) no. 604/14, the Group internal regulation, corporate procedures, the job description and individual powers

15 Legislative references: Circular no. 285, Section I par. 6, Delegated regulation EU 604/2014.

of attorney.

Therefore, taken account of the autonomy levels among various roles and of the impact thereof on the business, the Board of Directors identifies, with a specific resolution, the *Risk Takers* subject to prior assessment by the HR and Organizational Development B.U. with the support of the Risk Management and Compliance & AML functions, and having heard the opinion of the Remuneration Committee.

Furthermore, every time the Bank establishes a new employment relation and/or collaboration, the HR and Organizational Development B.U. carries out an assessment relating to the identification of the *Risk Takers* to verify whether said individual belongs to the Risk Taker category, on the basis of the qualitative and quantitative criteria provided for by Regulation (EU) no. 604/14.

The Group, even if the quantitative criteria provided for by Regulation (EU) no. 604/14 are fulfilled, may exclude from the category of Risk Takers those subjects that do not have a significant impact on the Group's risk profile, with reference to the following:

i. process centralization level in which they are involved;

ii. delegated and exercised powers;

iii. opportunity of assuming risk positions and generating profits or losses;

iv. activities performed and effective operations;

v. decision-making powers within the scope of tasks assigned to them;

vi. participation rights in intra-corporate formalised committees.

8. CORPORATE BODIES AND SUPERVISORY BODY REMUNERATION SYSTEM

The remuneration system of corporate bodies is based upon compliance with existing regulations, inclusive of regulatory provisions in the matter of policy and practices issued by the Bank of Italy.

8.1 DIRECTORS

<u>All Directors</u>:

i. receive a remuneration set by the Meeting in addition to the refund of costs actually incurred in the exercise of their functions, as well as, where resolved, a remuneration linked to possible offices held in the context of board committees;

ii. for those who are Chairmen of Committees and their members, a remuneration may be determined by the Board of Directors pursuant to Art. 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 for what provided for the *Chief Executive Officer*, under no circumstances Directors are recipients of a variable remuneration component.

The information on the remunerations paid to Directors are set out in part H of the Notes to the annual Financial Statements as part of the information on the remuneration of managers with strategic responsibilities.

The Chairman of the Board of Directors receives a fixed remuneration established by the Board of Directors in accordance with Art. 2389, third paragraph of the Italian Civil Code determined in advance and consistent with the office entrusted thereto.

The *Chief Executive Officer* receives:

i. a fixed remuneration consisting of a remuneration established by the Board of Directors in accordance with Art. 2389, third paragraph of the Italian Civil Code, and a Benefit package.

ii. a Variable Remuneration, subject to the general principles described in sub-paragraph 10.2.1 (General Principles)[16] and which includes:

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16 Specifically, to the Chief Executive Officer apply the general principles relating to:

(i) the ratio between Variable and Fixed Remuneration as per point 10.2.1.1 (Ratio between Variable Remuneration and Fixed Remuneration),
(ii) methods of disbursement of Variable Remuneration (i.e. deferral period, balancing between cash and financial instruments, retention period, rules for the "particularly high" Variable Remuneration referred to in point 10.2.1.2 (Methods of disbursement of Variable Remuneration),
(iii) ex-post correction mechanisms (malus and claw back) referred to in point 10.2.1.3 (Ex post correction mechanisms (malus and claw back)),
process of activation of malus and claw back mechanisms referred to in point 10.2.1.4 (Activation Procedure of malus and claw back mechanisms).

a) a MBO linked to the achievement of EBTDA^{RA} Target and subject to the

   i. exceeding gates linked to liquidity and capital indicators envisaged in sub i. and ii. at the sub-point (C) of point 10.2.2.1 (Verification of achievement of company targets), as well as to

   ii. ratio between EBTDA ^{RA} / *Target EBTDA* ^{RA} at least equal to 100%, unless otherwise decided by the Board of Directors, if any, taken in compliance with the criteria and conditions established to allow the MBO of Senior Executives, Executives and other Bank Managers, as provided for *sub* i. in the sub-point (D) of point 10.2.2.1 (Applying multipliers);

b) *stock options* that may be assigned by the Board of Directors under the Stock Option Plan;

c) a *retention bonus*;

d) *a golden parachute*, including a non-competition clause.

Different and/or other forms of *Fixed and Variable Remuneration* may be provided for when certain needs arise, evaluated from time to time, also on the basis of the range of powers transferred. Any other forms of *Fixed and Variable Remuneration* may be recognised within the limits of the laws currently in force at the time and the provisions of the Policy.

<u>To any other Executive Directors</u> a *Fixed and Variable Remuneration* may be paid, which may include the components envisaged for the *Chief Executive Officer*.

<u>Independent Directors</u>[17], as the other directors, receive the remuneration set established the Meeting for all directors in addition to the refund of expenses actually incurred in exercising

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The criterion of permanent subordination to the employment relationship does not apply to the Chief Executive Officer, not in prior notice and not pending disciplinary proceedings, as there is no subordinate employment relationship between the Chief Executive Officer and the Bank.

17 Independent directors are those members of the Board of Directors who possess the independency requirements laid down in art. 148, subsection 3, of the TUF, and/or art. 3 of the Corporate Governance Code, save where otherwise provided for by the law.

their functions. No further remuneration is provided for, except for that granted due to the offices held within board committees.

8.2 STATUTORY AUDITORS

Statutory Auditors:

i. receive a remuneration established by the Meeting;

ii. do not receive any variable Remuneration component or linked to the results of the Bank, or the Group;

iii. have a "civil liability" insurance policy, the cost of which is paid by the Bank.

Furthermore, the Chairman of the Board of Statutory Auditors receives an addition remuneration determined by the Meeting.

The information on remunerations paid to Statutory Auditors are set out in part H of the Notes to the Financial Statement as part of the information on the remuneration of managers with strategic responsibilities.

8.3 SUPERVISORY BODY SET UP PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

The members of the Supervisory Body who are not employees of the Group receive a fixed remuneration established by the Board of Directors, based upon market conditions and the responsibilities accepted, in guarantee of the independence and autonomy of the function and the diligent performance of the office. These individuals cannot receive Variable Remuneration linked to the Group's targets.

The members of the Supervisory Body who are employees of the Group, instead, receive no remuneration for the office.

8.4 REMUNERATION COMMITTEE AND OTHER BOARD COMMITTEES

The Chairman and members of the Remuneration Committee and other board committees may receive an additional remuneration pursuant to Art. 2389, third subsection of the Italian Civil Code, determined by the Board of Directors for those offices.

9. REMUNERATION POLICIES OF THE MANAGEMENT FUNCTIONS OF THE MANAGER OF HR AND ORGANIZATIONAL DEVELOPMENT AND THE CHIEF REPORTING OFFICER

Variable Remuneration assignment to Corporate Control Functions, HR and Organizational Development B.U. Manager and the Executive Responsible are limited and subject to corporate sustainability targets (*"gates"*). In particular, Variable Remuneration recognition to these parties is subject to the compliance with regulatory capital and liquidity *gates*, such as the rest of the Personnel, but not limited, on economic parameters and components that are not consistent with the tasks assigned to them, with the relative responsibility and with the achieved targets.[18]

For the Managers of the Corporate Control Functions, the ratio between Variable and Fixed Remuneration should not exceed the limit of one third. As a rule, this limit is applied to all the Personnel of the Group's Corporate Control Functions.

10. REMUNERATION STRUCTURE[19]

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

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

10.1 FIXED REMUNERATION

The fixed component is related to the experiences and professional skills of the persons who work in the company, also based on the offices held. Fixed Remuneration quantification also takes place with the aim of attracting and/or retaining talents (eg, allowances and merit increases linked to stability agreements, provided that the increase is stable and irrevocable, both determined and justified, does not create incentives for risk-taking and does not depend on personal and/or bank performance).

Specifically, for the Group Executives, Senior Executives and Bank Managers, Benefits recognised by the Bank recognizes (among which, by way of example, the company car) are

18 The rules and limits of Variable Remuneration also apply to the Personnel of the Control Functions at the Subsidiaries.

19 Legal Sources: Scheme 7-*bis* Annex 3A to Issuers' Regulations.

also included in Fixed Remuneration.

For the remaining personnel each Group company is free to establish Benefit packages, including *flexible Benefits*, in line with the provisions of the local regulations, based on the materiality and complexity of offices held, as well as according to principles of fairness and alignment to the local labour market, and in any case in compliance with the Group guidelines, in accordance with the Policy principles.

The determination of the fixed Remuneration component is based upon some principles, consistent with the code of ethics adopted and which can be summarised as follows:

i. fairness, meaning the attribution or recognition of what is due to the individual resource, in terms of professional growth, based upon possession of the required characteristics and the offices and responsibilities held, with no discrimination whatsoever, granting everyone with the same career opportunities;

ii. competitiveness, meaning the analysis of the remuneration positioning of each position with respect to specific market *benchmarks*;

iii. meritocracy, which consists in the valorisation of individuals based on the recognition of their merit;

iv. consistency over time, with reference to medium to long-term targets and to the risk management policies pursued.

10.2 VARIABLE REMUNERATION

10.2.1 *General principles*

The granting of the Remuneration is linked to various parameters consistent with the function of the specific instrument adopted for the payment of the variable component (e.g. individual and/or Bank *performance*, howsoever measures, retention period, etc.).

Guaranteed forms of payment of the variable component are not permitted, unless in exceptional cases, for the recruitment of new personnel and with limitation to the first year of working relationship or office (e.g. *entry bonus*). Said forms of guaranteed variable remuneration:

i. may not be paid more than once to the same individual;

ii. are not subject to the rules on the structure of the variable component (i.e. rules on balancing cash and financial instruments, deferment and retention);

iii. participate in the determination of the limit to the ratio between fixed and variable component of the first year Remuneration, unless they are paid in a single payment upon hiring.

Variable Remuneration payment, both up-front and deferred, with the exception of the golden parachutes referred to in subparagraph 10.2.2.6 (*Golden Parachute),* is subject to as follows

i. for Employees, the existence of an ongoing employment with the Bank and/or the Subsidiaries, not in prior notice and pending disciplinary proceedings eventually concluded with the dismissal at the payment date;[20]

ii. for Personnel, compliance with economic, equity and liquidity parameters.

The payment of the variable component is conditional upon the continuation of the employment relation with the Bank or the office, at the time of the payment. Derogations may be provided for in specific cases, which shall be precisely identified (so called good leaver provisions), in which, although this condition is no longer satisfied, the variable component under exam may in any case be paid in whole or *pro rata temporis* depending on the time of the year in which the relation with the Bank or the Subsidiaries terminates. These derogations shall be approved by the CEO.

In this regard, with a view to avoiding possible regulatory changes and the Policy, the Bank ensures that Group Personnel are not remunerated, or receive payments, or other benefits through vehicles, instruments or methods that are in any case circumvented, with regard also to Subsidiaries.

10.2.1.1 Ratio between Fixed and Variable Remuneration

The calculation basis for the ratio between fixed and the variable remuneration is composed of the fixed annual gross component plus Benefits according to their annual gross value for tax purposes.

20 Please, see Note 16 regarding the general principles applicable to Variable Remuneration of the Chief Executive Officer.

The incidence limit of the variable Remuneration component over the fixed one is 2:1, as determined by the resolution of the Meeting of 5 December 2016[21], in accordance with the procedure imposing a preliminary disclosure to the Bank of Italy.

The incidence limit was determined with a total Remuneration logic taking into account the legislation in force, consistency between different roles and responsibilities and comparison with the reference external market.

For the Heads of the Corporate Control Functions, the ratio between variable and fixed Remuneration component shall not exceed the limit of one third.

The resolution approving the raising of the maximum 2:1 limit was sent to the Bank of Italy within the deadline set by the *Supervisory Remuneration Provisions*[22].

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21 Raising the limit from 1:1 to 2:1 resolved by the Shareholders' Meeting of 5 December 2016 was confirmed with subsequent resolution by the Shareholders' Meeting of 5 April 2018, pending the previous legislation, which did not clarify whether, after the first raising resolution, it was required a subsequent resolution to confirm, by the Assembly, in the following years. The update of the Supervisory Remuneration Provisions of 23 October 2018 then clarified that "*if the Assembly approves the limit raising limit, it is not required, in subsequent years, to submit a new resolution to the meeting, provided that the assumptions on the basis of which the raising was resolved, the Personnel to whom it refers and the extent of the limit* "(Supervisory Remuneration Provisions, Section III).

22 *Supervisory Remuneration Provisions* provide that within 30 days from the date on which the Shareholders' Meeting has taken the resolution to increase this limit, the decision is transmitted to the Bank of Italy with indication of the limit or limits approved for each category of interested personnel. Assumptions on the basis of which the increase was resolved, the type of personnel to which it refers and the extent of the limit have remained unchanged and, therefore, the limit does not require new approval, in line with the *Supervisory Remuneration Provisions*. In particular, the need to maintain adequate levels of employee retribution and motivation of personnel is confirmed in order to improve the Bank's retention capacity on management and the need to further improve the integration and co-participation of employees in the Group's results.

With reference to Risk Takers, limit raising 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 ratio between EBTDA *Risk Adjusted* (or EBTDA ^{RA}) and *Target EBTDA* ^{RA} which the MBO payment is normally subject to.

ii. the provision, by the Policy, of stricter limits than those that would be applicable to the Bank's Risk Takers considering its classification as an Intermediate Bank, in particular:

a) a balance between payment in cash and in Financial Instruments equal to at least 50% - 50%, instead of 75% - 25% and, in some cases, equal to at least 50% - 50% instead of 74% - 26%, see sub-point (*B*) of point 10.2.1.2 (Balancing between cash and financial instruments);

b) a deferral of 30% of the Variable Remuneration of two years instead of one and a half years and, in some cases, of three years instead of two and a half years, see point (*A*) (Deferment period) of point 10.2.1.2;

10.2.1.2 Variable Remuneration Payment modalities[23]

(A) Deferral period

In order to ensure a long-term sustainability, the Variable Remuneration for Risk Takers will be paid as follows:

i. 70% after the approval of the relevant financial statements by the Meeting;

ii. 30% with a three-years deferral[24] from accrual. By way of example, for the year ending 31 December 2019, the deferral component of Variable Remuneration will be paid after approval of the financial statements by the Shareholders' Meeting for the year ended December 31, 2021.

Before the end of the deferral period, dividends or interest cannot be paid on Financial Instruments.

(B) Balancing between cash and financial instruments

A portion of the Variable Remuneration, whether not deferred (up-front) or deferred, is paid in the form of Financial Instruments. Variable Remuneration component shall be balanced, as regards the Risk Takers, for a portion equal to at least 50%[25], between:

i. Bank shares, including the shares issued pursuant to art. 2349 of the Italian Civil Code, and instruments linked thereto, including Stock Options; and,

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c) a one-year retention period instead of six months.

iii. this Policy provides for specific ex-post correction mechanisms (i.e. malus and claw back), which may involve the reduction or cancellation of the previously paid Variable Remuneration, as a result of conduct resulting in damage or in any case of significant loss for the Bank or for Subsidiaries.

23 Legal References: *Supervisory Remuneration Provisions*, Section III.

24 Considering that the Bank is qualified, for the purpose of the remuneration policy regime, as Intermediate bank, a retention period lower than the one specified, and up to one half, would be applicable. The Bank decided to adopt a more conservative approach adopting a retention period longer than that required by Circular no. 285 for Intermediate banks.

25 The maximum limit for Intermediate banks is 25%. The Bank, in this case, establishes a more conservative minimum limit, provided for larger banks.

ii. where possible, the other instruments identified in Delegated Regulation (EU) no. 527 of 12 March 2014.

The number of Bank's financial instruments to be assigned for the balancing purposes referred to in this paragraph is calculated, with reference to their value on the relevant date.

(C) Retention period

In order to align incentives with the Bank long-term interests, the instruments envisaged in the Policy are subject, as regards *Risk Takers*, to a retention period, a un period di *retention*. The retention period both for financial instruments paid up-front and for deferred ones, is not lower than 1 year[26]. In case of deferred financial instruments, the retention period starts from the time at which deferred Remuneration (or a portion thereof) is paid (or, in case of granting of *stock options* for the purchase or subscription of shares from the time at which *stock options* exercise the so-called vesting conditions, provided by the *Stock Option* Plan, are met).

During the *retention* period, the Financial Instruments:

i. accrued interest and/or dividends (with the exception of *stock options*); and
ii. cannot be transferred to the relevant beneficiary *Risk Takers*.

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

i. *malus* and *claw back* mechanisms described in the following point 10.2.1.3 (Ex-post correction mechanisms (*malus* and *claw back*));

ii. against employees, the disciplinary procedure pursuant to art. 7 of Law n. 300/1970 and the applicable collective agreement is activated (so-called Workers' Charter).

The Bank may provide for penalties when assigning the Financial Instruments that the *Risk Takers* are obliged to pay in case of violation of the *retention* period.

The provisions concerning *ex-post* correction mechanisms (*malus* and *claw back*), referred to in point 10.2.1.3 (*ex-post* correction mechanisms - *malus* and *claw back*) are also applicable to the *Variable Remuneration* portion provided in the form of Financial Instruments.

26 Being the Bank eligible as Intermediate bank, pursuant to Circular no. 285, the retention period, usually not lower than 2 years, may be reduced by not more than one half.

(D) "Particularly high" Variable Remuneration of the Chief Executive Officer, responsible for the main corporate functions and direct reporting by the Board of Directors

The Variable Remuneration of the *Chief Executive Officer*, Senior Executives and Executives reporting to the *Chief Executive Officer* is considered a "particularly high" amount when it is equal to or higher than:

i. 25% of the sum between *Fixed and Variable Remuneration* of Italian high earners[27], as shown in the most recent report published by EBA; or

ii. 10 times the sum between the Fixed Remuneration and the Average Variable Remuneration of the Bank's Employees.

In these cases, unlike the general rules established by the deferral policy (two years, with payment during the third year from the granting date), the variable remuneration of these persons is subject to 30%, a deferral period of 2.5 years from its accrual[28].

10.2.1.3 Ex-Post Correction Mechanisms (Malus And Claw Back)

The variable component, including golden parachutes, is subject to ex-post correction mechanisms (malus and claw back), which can lead to a reduction, even significant, or elimination of the variable component. Correction mechanisms, suitable to reflect performance levels adjusted to capital risks actually taken or acquired, as well as to take into consideration individual behaviour shall be identified to the extent permitted by the law and collective agreements applicable to employment relations.

For the purpose of granting the deferred variable component, all other legal and contractual conditions being satisfied, the application of a specific gate during the period of accrual of the payment right, linked to the achievement of a Group's positive risk-adjusted profitability,

27 Individuals whose total fixed and variable Remuneration amounts to at least 1 million Euros on a yearly basis (see "EBA GL 2014/07 - Guidelines on the exercise of collecting information on so-called "high earners").

28 Being the Bank eligible as Intermediate bank, pursuant to *Supervisory Remuneration Provisions*, the deferral period, usually not lower than 5 years for amounts listed in this paragraph, may be reduced by not more than one half.

associated with compliance with the levels of risk tolerance of assets (TCR) and liquidity (LCR) as defined in the RAF, in force at the end of the year preceding the liquidation of the deferred variable remuneration (the "***Malus***" condition) is provided for.

The granting of the variable portion of the Remuneration fails or, if already paid, shall be returned, in presence of individual behaviour of the concerned individual, held in the context of the Bank activity or in any case of the professional activity thereof, referred to one or more of the following cases (hereinafter, the "***Claw Back***" conditions):

i. behaviour from which a significant loss derived to the Bank or Group companies; in this regard, please note that the Board of Directors determined the minimum threshold for this loss corresponding to the "medium" risk indicated in "Risk and Control Matrix", adopted by the Bank, equal to € 1 million;

ii. the loss of one or more of the requirements of professionalism, integrity and independence pursuant to art. 26 TUB for persons belonging to Personnel who perform administrative, management and control functions;

iii. infringement of the obligations provided for by art. 53, paragraph 4 et seq. of the TUB by the individuals indicated therein, in relation to the acquisition by the Bank of risk activities towards those who may exercise, either directly or indirectly, influence over the management of the Bank or banking Group and those connected thereto, as well as in situations of conflict of interest and/or in breach of conditions and limits identified by the Bank of Italy pursuant to the aforementioned art. 53 of the TUB;

iv. infringement of the obligations and provisions of the *Supervisory Remuneration Provisions* (Section III, e.g. undue receipt of considerations, violation of the retention period);

v. specific behaviour put in place with gross negligence or wilful misconduct, which resulted in financial or image damages to the Bank or Group companies, also, not entirely quantifiable, among which, by way of example but not of 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. infringement with gross negligence or wilful misconduct, of obligations provided for by Legislative Decree no. 231/2001 or the code of ethics adopted by the Bank;

vii. fraudulent behaviour, put in place with gross negligence or wilful misconduct, implemented in detriment of the Bank or Group companies.

If a Claw back condition occurs, the Board of Directors, in the less serious cases, has the possibility to determine a proportional deduction, instead of total elimination, of the affected variable component. Such amount may be deducted by set-off against the Remunerations and/or severance indemnities of the beneficiary.

For the operation of *Malus* and *Claw Back* mechanisms the time at which the Bank ascertains the fact integrating the *Malus* and *Claw Back*, with the procedure specified in in point 10.2.1.4 (Activation Process of *Malus* and *Claw Back* Mechanisms).

In addition to compensation for any damage, at the time of the assessment of *Claw Back*'s conditions, the Group companies are also entitled to obtain the return of all or part of the Variable Remuneration already paid, being able to exercise this right within five years.

Furthermore, the termination of the employment relation and/or termination of the office does not prevent the activation of *Claw Back* mechanisms, which take in any case into account legal, contribution and fiscal aspects, as well as the time limits prescribed by the applicable local regulations.

10.2.1.4 Activation Process of Malus and Claw Back Mechanisms

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

The Internal Audit Function, even upon request of the HR B.U. or the *Chief Executive Officer*, carries out the necessary investigations to establish the facts that may lead to the activation of *Malus* and *Claw Back* mechanisms. Investigations are carried out by the Head 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 events under investigation and forwards it to Head of the HR B.U. and the *Chief Executive Officer*.

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

i. against an employee, the disciplinary procedure pursuant to art. 7 of Law n. 300/1970 and the applicable collective agreement is activated. With the communication that concludes the disciplinary procedure (or with separate communication), the concerned person is informed of the activation of malus or claw back mechanisms;

ii. against a person with a relation other than a subordinated relation, or to a person who no longer has any relation with the Bank, the following procedure is activated:

    a) the facts assumed to be suitable to activate *Malus* or *Claw Back* mechanisms shall be notified in writing to the concerned person, who is entitled to the right to submit own defences in writing within a deadline, which shall be reasonable and proportional to the complexity of the charges, in any case not lower than 5 calendar days;

    b) once the defences of the concerned person have been heard (or after the expiry of the deadline with the concerned person not having submitted any defences), the *Chief Executive Officer* (or the Board of Directors, if the *Chief Executive Officer* is investigated), keeping the Supervisory Board informed, may proceed with possible measures.

The decision shall be communicated to the concerned person in writing and shall be justified. 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 defences may not be upheld, is considered justified.

10.2.2 *Variable Remuneration Structure*

The variable Remuneration component is structured in various components, among which:

10.2.2.1 MBO for Employees

MBO for Employees[29] is a formalised incentive system which provides for a possible payment

29 For the MBO of the Chief Executive Officer, see paragraph 8.1 (Directors).

of annual incentive proportional to the annual gross remuneration, against the achievement of quali-quantitative business and individual targets. The mix of quantitative and qualitative targets is appropriately balanced in function of the offices and responsibilities of the eligible Personnel.

The MBO provides retention mechanisms for all Employees, that is, the payment subject to the existence of the employment relationship. These mechanisms, however, are not provided for the rest of the Personnel.

For Employees, a length of service of at least 6 months is normally required in the reference year, in addition to the existence in the Group - not in the period of notice and not pending a disciplinary procedure that ends, then, with the dismissal - at the time of MBO liquidation.

Below the steps involved in calculating and assigning the MBO are described:

(A) Setting targets

By the first quarter of each year in accordance with the guidance provided by the *Chief Executive Officer*, and through a process aiming at a full alignment and wider sharing, all the heads of Business Units/Functions/Departments communicate to their employees the quantitative and qualitative targets, according to which, at the end of the year, the individual performance will be assessed and the MBO variable remuneration component linked thereto will be determined. Specifically, MBO targets are assigned as follows:

i. As per Senior Executives and Executives directly reporting to the *Chief Executive Officer*, their MBO targets are discussed with the *Chief Executive Officer*, and subsequently approved by the Board of Directors, in compliance with the legislation and this Policy;

ii. as per the other Bank’s Employees, MBO targets are determined by the *Chief Executive Officer*;

iii. as per Risk Takers of the Subsidiaries, targets are approved by the *Chief Executive Officer*;

iv. as per the other Bank’s Employees of the Subsidiaries, targets are approved by the *Chief Executive Officer* of the relevant Subsidiary, after consultation with the HR and Organizational Development B.U.

(B) Verification of individual targets achievement

The achievement of the quantitative targets linked to the individual performance of the Group Employees is verified by the following company functions:

i. Group Planning and Control B.U., if they are of an economic nature;

ii. Strategy and Projects B.U., if they are of a design nature.

Outside of the quantitative economic and planning targets, other types of targets can be assigned which are then verified and certified by the B.U. functional manager of the individual collaborators and approved by the *Chief Executive Officer*.

The individual qualitative targets are linked to organizational behaviour and are assessed directly by the responsible in charge of the single function concerned on the basis of a granular evaluation scale.

(C) Verification of corporate targets achievement

In relation to annual targets, the application of three *"gates"* in the accrual year is provided for, as well as the possibility of activating Malus[30] and Claw Back mechanisms, linked to compliance with positive and risk-adjusted (i) liquidity, (ii) equity and (iii) profitability indicators and for capital cost (EBTDA *Risk Adjusted* (o EBTDA ^{RA}).

Specifically:

i. the Group's liquidity indicator adopted as a gate is the Liquidity Coverage Ratio (LCR), equal to at least the "risk tolerance" levels approved by the Board of Directors and defined within the RAF in force at the year-end closing date, to which the MBO refers, and in any case in compliance with the requirements set by the supervisory regulations on remuneration;

ii. the Group's equity indicator adopted as a gate corresponds to a level of Total Capital Ratio of at least the levels of "risk tolerance" approved by the Board of Directors as

30 Gates observance with reference to the year prior to the liquidation of deferred portion of the Variable Remuneration works for Employees as Malus condition according to what is indicated in point 10.2.1.3 (Ex post correction mechanisms (malus and claw back))

defined in the RAF in force at the end of the year to which the MBO refers to and in any case in compliance with the requirements set by the supervisory remuneration regulations;

iii. the Group profitability indicator adopted as a gate corresponds to a positive EBTDA Risk Adjusted (or EBTDA ^{RA}).

Upon approval of the Chief Executive Officer, for the Subsidiaries, additional "gates" may be envisaged linked to the profitability of the individual companies.

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

- Corporate Control Bodies;
- *Chief Reporting Officer*;
- HR and Organizational Development B.U.

(D) Applying multipliers

Once the 3 *gates* are satisfied, MBO for the Bank's Employee is then calculated also on the basis of the following multipliers.

Specifically:

i. a first mechanism subordinates the effective MBO deliverability, linked to the achievement of the Group's economic targets set for the same risk-adjusted year, as envisaged in the *Risk Appetite Framework*, associated with compliance with capital and liquidity limits.

This target is defined by the ratio between EBTDA *Risk Adjusted* (or EBTDA ^{RA}) and *Target EBTDA* ^{RA} which should comply with the following percentages to allow MBO payment:

- to Senior Executives, Executives and other Bank Managers: at least 100%;
- to middle managers: at least 90%; and
- to employees: at least 88%.

If the EBTDA ^{RA}/Target EBTDA ^{RA} ratio does not meet the percentages indicated above, MBO payment may in any case be allowed, in whole or in part, to all or some of the categories indicated above, subject to resolution by Board of Directors, to be adopted with the favourable opinion of the Remuneration Committee, in the presence of exceptional circumstances preventing the above mentioned percentage from being reached. This resolution shall be adequately justified by significant performance by the category of personnel for which the exemption is requested, identify the aforesaid circumstances, and certify the absence of prejudices for the Group's financial sustainability prospects.

Whether, on the other hand, the above mentioned percentages are reached, the EBTDA ^{RA} / Target EBTDA ^{RA} ratio acts as an Employees MBO multiplier. This multiplier can increase the MBO up to 40% for middle managers and Senior Executive, Executives and other Bank managers and up to 30% for Employees. This multiplier may also be decreased in the case of results lower than the EBTDA ^{RA} Target and in any case allow the delivery of the MBO for the categories of managers and employees, even if the Target EBTDA ^{RA} has not been reached.

The target and multiplier linked to the ratio between EBTDA ^{RA} / Target EBTDA ^{RA} ratio do not apply to:

- Corporate Control Functions;
- *Chief Reporting Officer*;
- HR and Organizational Development B.U.

ii. a second multiplier is linked to *Customer Satisfaction* linked multiplier. Said individual performance indicator is calculated on the basis of a survey conducted by the Sales B.U. Depending on the outcome, the MBO may increase up to a maximum of 9%. Said indicator can be used only as incrementing multiplier.

Similar multipliers may also be applied by the Subsidiaries, subject to approval by the *Chief Executive Officer* for what not expressly falls within the competence of the Board of Directors.

10.2.2.2 Company Bonus (VAP)

For the Parent Company employees subject to the collective credit agreement applicable in Italy, except for managers, a company bonus ("VAP") is provided for, based on the national collective agreement applied, which provides for an economic award in relation to the achievement of specific performance Bank targets, which can be paid with one of the following forms of payment:

i. in cash;

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

iii. through Financial Instruments.

For beneficiary *Risk Takers*, VAP is subject to Variable Remuneration rules referred to in paragraph 10.2 (Variable Remuneration).

10.2.2.3 Stock Option Plan

With resolution dated 5 December 2016 the Meeting approved a Stock Option Plan.

The Stock Option Plan is based on the granting of options entitling to the subscription or purchase of the Bank's ordinary shares.

The Plan purposes are:

i. facilitating the integration of the employees and managers, providing for their participation in the company results;

ii. raising employees' awareness on the creation of value for the Group and shareholders;

iii. increasing the retention capacity (retention of key resources) decreasing the appetite for resignations from the Group by valuable professionals;

iv. increasing the Group competitiveness on the labour market making it more attractive for the best talents, possessing professionalisms and skills adequate for the Group needs.

The value of *stock options* granted to the beneficiaries constitutes one of the variable Remuneration components of the reference year as much as the MBO with which it contributes for the purpose of determining the 2:1 limits and the 50/50 ratio (between cash and financial instruments) where applicable.

10.2.2.4 Retention bonus

Variable Remuneration forms may be provided, linked to the permanence of Personnel up to a certain date or to a given event (*retention* bonus). Retention bonuses are allowed, in the existence of motivated and documented reasons, in situations where it is important for the Bank to guarantee relationship stability for a predetermined period of time or up to a given event (e.g. to complete a process of corporate restructuring or an extraordinary transaction, or to incentivize the stability of the relationship until a change of control occurs and / or following it).

Retention bonuses are granted at the end of the period or the occurrence of the event and, although not linked to performance targets, are subject to all the other rules applicable to Variable Remuneration. 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 permanence is satisfied.

10.2.2.5 Discretional pension benefits

To date, there are no discretional pension benefits for Personnel. However, the Group companies, subject to approval by 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 discretional pension benefits, as defined above and provided for in Supervisory Remuneration Policy. In this case, in applying the provisions on the variable Remuneration component to discretionary pension benefits, the following criteria[31] shall be complied with:

i. if the Personnel terminates its employment or collaboration relation prior to having acquired the right to retire, discretionary pension benefits are invested in financial instruments, held in custody by the Bank for a period of five years, during which interest and/or dividends accrue, and subject to ex-post adjustment mechanisms in compliance with the provisions of point 10.2.1.3 (*Ex-post* correction mechanisms – *malus and claw back*);

31 See Section III of the *Supervisory Remuneration Provisions*.

ii. if the employment or collaboration relation ends after the accrual of pension right, discretionary pension benefits are recognised to the employee in the form of financial instruments and subjected to a five-year *retention* period, during which interest and/or dividends are accrued by Financial Instruments;

iii. discretionary pension benefits are not included in the calculation of the limit to the 2:1 ratio between fixed and variable remuneration.

10.2.2.6 Golden parachute

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*[32] are:

i. the amounts granted as non-competition clauses;
ii. the amounts granted in the context of an agreement for the settlement of a current or potential dispute concerning (or in view of) the termination of the employment relationship or office, whatever the forum where it is reached;
iii. the indemnity of non-notice, for the amount exceeding that determined in accordance with the law.

(A) Non-competition clauses

Group companies may enter into non-competition covenants with the aim of limiting Personnel initiative, which may compete with Group operations, for the time following the termination of the related relationship. The non-competition covenant must provide for a fee. The calculation of this fee will be based on the calculation of the gross annual fixed salary received in the last year of the employment relationship or office.

The amounts paid as consideration for non-competition clauses are subject to the ex-post adjustment mechanisms envisaged by the Policy only for the portion exceeding 100% of Fixed

32 Note 16, of the *Supervisory Remuneration Provisions*, Section III specifies that, for the purposes of the same, "golden parachutes" are not only the golden parachutes commonly intended (i.e. amounts recognised under an agreement for the composition 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 of non-notice in the part that eventually exceeds the amount established by law.

Remuneration of the last year of the employment relationship or of the office. To the portion of the fee for the non-competition covenant subject to ex-post correction mechanisms, these mechanisms apply to the extent permitted by the relevant laws and, as regards the Employees, by the collective agreements applied.

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

The portion of the total covenant consideration which exceeds the last annual Fixed Remuneration is subject to the additional limits set for Variable Remuneration, i.e.:

i. quantification based on performance indicators measured net of risks, determined by the achievement of a positive risk-adjusted profitability of the Group, associated with compliance with the target limits of capital (TCR) and liquidity (LCR), defined in the RAF, in force at the end of the previous year the liquidation of the deferred variable remuneration;

ii. balance between *cash* and financial instruments;

iii. *up front* and deferral.

The following table shows the example of a three-year non-competition covenant, with a payment of € 150,000, for a Risk Taker with Fixed Remuneration of € 100,000, who received in the last year of the employment relationship or the office with a Group company, a variable remuneration of 10,000 euros.

2:1 Limit	**Cash/instruments (retention per share in Financial Instruments)**	**Deferral**	***Ex-post* correction**
It is not counted because 50K is less than 100% of the Fixed	Yes, only for 50K because the total PNC exceeds 50K of 100% of the Fixed	Yes, only for 50K because the total PNC exceeds 50K of 100% of the Fixed	Yes only for 50K because the total PNC exceeds 50K of 100% of the Fixed Remuneration

Remuneration of last year	Remuneration of last year	Remuneration of last year	of last year

(B) Amounts granted under an agreement for the settlement of a current or potential dispute

The treatments agreed upon in view or on the occasion of the early termination of the employment relationship or of office constitute 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.

There amounts are:

i. are not included in the calculation of 2:1 limit to the ratio between Variable and Fixed Remuneration approved by the Meeting resolution of 5 December 2016 where equal or less than 400% of the Fixed Remuneration received in the last year of the relationship[33].

ii. are linked to the *performance* achieved and the risks assumed by the person and the Bank and are agreed in accordance with the criteria established by the Meeting;

iii. they are subject to a 50% -50% balance between *cash* and financial instruments;

iv. subject to a one-year *retention* period for the portion paid in Financial Instruments;

v. subject to two-year deferment;

vi. subject to the *Ex-post* correction mechanisms (i.e. *malus* and *claw back*) provided for in the Policy.

The aforementioned limits, with the exception of being subject to *Ex-post* correction mechanisms, do not apply to:

i. *golden parachutes* agreed as part of extraordinary transactions (e.g. mergers) or corporate restructuring processes, provided that they comply jointly with the following conditions:

33 The maximum limit of 400% is approved by the Meeting, as provided for in the *Supervisory Remuneration Provisions*, Section II, Paragraph 1.

d) they only refer to containing rules for company costs and rationalizing Personnel structure;

e) their amount is no more than 100,000 euros;

f) provide for the *claw back* mechanisms established by the Policy with reference to cases of fraudulent behaviour or gross negligence to Bank detriment.

ii. early retirement incentives, also linked to extraordinary transactions (e.g. mergers) or corporate restructuring processes, and granted to non-relevant personnel, provided they jointly comply with the following conditions

a) they only refer to containing rules for company costs and rationalizing Personnel structure;

b) they favor 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) provide for the *claw back* mechanisms established by the Policy with reference to cases of fraudulent behaviour or gross negligence to Bank detriment.

(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, in the event that the Bank waives the notice period, the portion of the agreed benefit exceeding the amount calculated pursuant to the collective agreement applied and the law (Article 2121 of the Italian Civil Code) constitutes Variable Remuneration, as such subject to all the relative limits (accrual period, qualitative-quantitative criteria, 2:1 limit, balancing, deferment, retention, *ex-post* correction mechanisms).

10.2.2.7 Other components

The Bank may envisage further Variable Remuneration components within the limits of this Policy and the legislation in force from time to time, including retention bonuses, long-term incentive plans, one-off extraordinary entry bonuses to incentivize the acquisition of talents and incentive plans also based on other Financial Instruments (e.g. *stock grant*).

In the event that the Meeting resolves a special free capital increase, or it assigns a specific proxy to the Board of Directors pursuant to article 2443 and/or 2349 of the Italian Civil Code, or decides to purchasing shares in the market, it will also be possible to assign, free of charge, to the Bank's Employees, within the limits set forth in article 51, paragraph 2, lett. g) of the T.U.I.R..

11. *DISCLOSURE AND COMMUNICATION OBLIGATIONS TO THE BANK OF ITALY*

For the purposes of public disclosure, as provided by Circular no. 285 which incorporates the provisions contained in Art. 450 of the CRR[34], among the other information requested, the Bank publishes on its website, in the context of the document "III Pillar – Public Disclosure":

i. information on the link between remuneration and performance;

ii. the most relevant characteristics of the Remuneration system, among which the information on the criteria used for the assessment of performances and the adjustment to risks, deferral policies and the granting criteria;

iii. aggregate quantitative information on Remuneration, broken down by business lines;

iv. aggregate quantitative information on Remuneration, broken down by top managers and members of personnel whose actions have a significant impact on the Group's risk profile;

v. the number of persons remunerated with Euro 1 million or more per financial year, for Remunerations between Euro 1 and 5 million broken down into payment groups of Euro 500,000 and for Remunerations equal to or greater than Euro 5 million broken down into payment groups of Euro 1 million.

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

The Bank furthermore, as Parent Company, sends annually, by the 30th of June in each year, to the Bank of Italy the information regarding the so-called high earners, i.e. persons whose total Remuneration amounts to Euro 1 million on an annual basis. Depending on the consolidates

34 Regulation (EU) no. 575/2013 dated 26 June 2013.

asset levels achieved, the Bank falls within the survey sample of the Bank of Italy for *benchmarking* purposes, in implementation of EBA guidelines[35]. The Bank will send to the Bank of Italy, by the above deadline, also information relating to:

i. the Remuneration of all Personnel, considered as a whole;

ii. the Remuneration of the *Risk Takers* only, with specific regard to the analytical structure of the variable component;

iii. the number of *Risk Takers* divided by Remuneration groups.

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

35 Banking groups with consolidated assets above Euro 40 billion for benchmarking purposes, and, banks and banking groups with assets exceeding Euro 3.5 billion for national supervision purposes, are subject to survey obligations. Assets triggering the obligation to send the information are those resulting at the end of the financial year prior to that to which survey data refer.

SECTION II

IMPLEMENTATION OF 2018 REMUNERATION POLICIES

12. PREAMBLE

In this section of the Report, information on the implementation of the 2018 Policy is provided.

In particular, those data are provided:

i. the names of the remuneration of the members of the administrative and control bodies, and of the Bank's Chief Executive Officer;

ii. aggregated data for *Risk Takers*[36] as no Risk Taker receives a higher remuneration than the Chief Executive Officer[37].

This section consists of two parts.

The first part contains:

i. a representation of the items that make up the remuneration (including the treatments provided in the event of termination of office or termination of the employment relationship) of the persons indicated above, in compliance with the 2018 Policy;

ii. the general information on the implementation of the 2018 Policy and the assessments provided by the Bank's control functions, each for the aspects within its competence.

The second part, instead:

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36 The Issuers' Regulation requires aggregate data of "managers with strategic responsibilities". For the banking sector, to avoid duplication of the documents on the remuneration required by the legislation of listed companies and that of banks, the Issuers' Regulation provides for the possibility to provide aggregate data of Risk takers in Annex 3A, scheme 7-bis, according to the definition provided by banking regulations, a category that includes that of "managers with strategic responsibilities".

37 The relevant legislation (Article 123-ter of the TUF and the schedule 7-bis of Attachment 3A to the Issuers Regulation) to illustrate by name:

a. the remuneration of the members of the administrative and control bodies;

b. the remuneration of any other executives with strategic responsibilities who received, during the year, total fees (obtained by adding the monetary compensation and fees based on Financial Instruments) higher than the higher total remuneration attributed to the subjects indicated in the letter. a, in the case of the Bank, the Chief Executive Officer.

i. analytically identifies the compensation paid during the year in question, for any reason and in any form, by the Bank and the Subsidiaries, reporting any components of the aforementioned fees, referring to activities carried out in the years prior to the reference year;

highlights the fees to be paid in one or more subsequent financial years, against the activity carried out in the year in question, possibly indicating an estimate value for the components that cannot be objectively quantified in the reference year.

13. FIRST PART

13.1 GENERAL INFORMATION ON THE IMPLEMENTATION OF THE 2018 POLICIES

In the course of 2018, the fixed part of the economic treatment was paid to directors and employees, in accordance with the 2018 Policies, individual contractual arrangements and in compliance with the Collective Labour Agreements applied.

The Remuneration Committee verified on 15 February 2019 the performance of the three "*gates*"[38] provided for by the 2018 Policies of the reference financial year for the MBO accrual. The final value of this variable remuneration component was calculated according to the provisions of the 2018 Post-IPO Policy.

Following the Group size growth and its classification as intermediate bank, the Bank uses financial instruments for the payment to *Risk Takers* of a share of at least 50% of the variable Remuneration component, both for the up-front and the deferred part. This share is higher than the minimum limit provided for by the Supervisory Remuneration Provisions.

For the *Risk Takers*, the quotas and deferral periods, the quotas and retention periods of financial instruments were applied to all accrued items of the variable component, in line with the 2018 Policies.

From the above outcomes, it can also be inferred that the Group, as at 31 December 2018, achieved a positive *Risk-Adjusted* EBTDA, complying with the minimum supervisory capital and liquidity limits. Furthermore, since no ascertained infringements were found in relation to the adopted code of ethics and/or infringements such as to trigger the application of claw back mechanisms, the Bank will proceed with the payment to *Risk Takers* of the variable deferred component relating to performance year 2016, overall equal to Euro 511,611.00.

Please note that, with reference to financial year 2018, the "VAP" company bonus, envisaged for employees of the Parent Company subject to the credit collective agreement applicable in Italy was also finally calculated.

With regard to the information required relating to remuneration plans based on financial instruments relevant under art. 114-bis TUF active during financial year 2018, please refer to the

38 Liquidity Coverage Ratio (LCR), Total Capital Ratio, $EBTDA^{RA}$.

following paragraph 14.2 (*Stock Option Plan*) of this Report.

Furthermore, during the reference financial year, no discretionary pension benefits were paid (i.e. no pension benefits were paid beyond the plans provided for by National Labour Agreements and the provisions of law).

In the course of 2017, two *Risk Takers* ceased: one within the Parent Company, one within the Polish Subsidiary (data referring to the update of the annual list of *Risk Takers* presented to and approved by the Remuneration Committee and Board of Directors of July 2018): the Head of the Personnel and Organizational Development B.U. and the Commercial B.U. Manager, both substitute in 2019 by two new subjects, which, in line with law provisions, will be identified as *Risk Takers*.

13.2 STOCK OPTION PLAN

The Stock Option Plan relates to the assignment - in three tranches - of a maximum number of 8,960,000 *stock options*, each of which gives the beneficiaries the right to subscribe an ordinary new issue of the Company or to purchase an ordinary share (regular enjoyment, without par value) in the portfolio of the Company at the time the *stock option* is exercised, at the exercise price calculated from time to time by the Board of Directors of the Company on the basis of the formulas contained in the Stock Option Plan.

The value of the stock options is equal to the *fair market value* calculated on the grant date.

In accordance with the Stock Option Plan, the *stock options* assigned in each tranche mature upon completion of the relevant *vesting* period and therefore:

i. for 40%, 12 months after assignment;

ii. for 40%, 24 months after the assignment; and

iii. for 20%, after 36 months from the assignment.

The *vesting* is subject to a series of conditions that are better detailed in the same Stock Option Plan, which they assume:

i. the continuation of the employment relationship with one of the Group companies and / or the office of the Board of Directors; is

ii. the levels of capital resources and liquidity necessary to deal with the activities undertaken and compliance with other certain parameters, including those of a regulatory nature.

The Stock Option Plan provides for *malus* and *claw back* mechanisms which, upon the occurrence of predefined circumstances, determine, among other things, the loss for the beneficiary concerned of all the *stock options* assigned and not yet matured.

The *stock options*, once accrued, can be exercised in arrears, in the two years following the expiration of the 12th month following the date of the relative vesting.

In paragraph 14.2 of the Report, table No. 2 provided for in Scheme 7-bis of Annex 3A of the Issuers' Regulation.

13.3 REPRESENTATION OF REMUNERATION ITEMS

Remuneration of members of the Board of Directors

For the members of the Board of Directors, following the renewal of the composition approved on 5 April 2018, the following remuneration items were paid (the amounts indicated below are to be considered as re-parameterised for the actual term of office in office):

i. a fixed remuneration for the office as board member, equal to Euro 35,000.00 (period 01.01.2018 – 04.04.2018);

ii. a fixed remuneration for the office as board member, equal to Euro 50,000.00 (period 05.04.2018 – 31.12.2018);

iii. an additional fixed remuneration for the Chair of Committees under the Board of Directors, for a maximum amount of Euro 15,000.00 (period 01.01.2018 – 04.04.2018);

iv. an additional fixed remuneration for the Chair of Committees under the Board of Directors, for a maximum amount of Euro 25,000.00 (period 05.04.2018 – 31.12.2018);

v. for the Chairman of the Board of Directors, an additional fee based on paragraph 3 of the art. C. 2389, equal to Euro 170,000.00 (period 01.01.2018 – 04.04.2018);

vi. for the Chairman of the Board of Directors, an additional fee based on paragraph 3 of the art. 2389 of the Italian Civil Code, equal to € 195,000.00 (period 05.04.2018 – 31.12.2018);

No variable component was paid to board members. No agreements relating to the treatment in the event of end of office, or variable Remuneration components are provided for the members of the Board of Directors.

Remuneration of the Chief Executive Officer

CEO remuneration is in line with the *market practice.*

In particular, the following compensation items were paid to the Chief Executive Officer:

i. a fixed remuneration for the office of board member, equal to Euro 35,000.00 (period 01.01.2018 – 04.04.2018);

ii. a fixed remuneration for the office of board member, equal to Euro 50,000.00 (period 05.04.2018 – 31.12.2018);

iii. the gross annual remuneration as Chief Executive Officer, equal to Euro 667,000 (period 01.01.2018 – 04.04.2018);

iv. the gross annual remuneration as Chief Executive Officer, equal to Euro 717,000 (period 05.04.2018 – 31.12.2018);

v. a package of non-monetary benefits, equal to Euro 78,400;

vi. No. 170,000 *stock options*' assigned in 2018 for a value corresponding to € 113,900; and, subject to the approval by the Assembly of the 2018 financial statements, will also be paid pursuant to the Policy

vii. the deferred share of the 2016 MBO, equal to Euro 238,374[39]; and

viii. the MBO for the year 2018, equal to € 633,486.00, of which an up-front portion of € 443,440.20 (70%) and a deferred portion of € 190,045.80 (30%).

39 This amount includes the amount of MBO paid in *phantom shares.*

From 2015 an agreement is foreseen that contains forecasts regarding the treatment in case of termination of office and / or termination of the employment relationship (so-called *golden parachute*). The same agreement provides for a treatment that can be paid only if the participation, directly or indirectly held by Centerbridge Partners Europe LLP in the Bank, should fall below 25% of the Bank's share capital. The purpose of this emolument is to incentivise the stability of the relationship with the Chief Executive Officer until the time when there is a significant redefinition of the shareholding structure. This treatment therefore qualifies as a *retention* bonus.

The Remuneration of the Chief Executive Officer is consistent with the Bank's Remuneration policies, as it is:

i. in line with the pursuit of the Group's long-term objectives;

ii. compliant with the balancing between variable and fixed component;

iii. compliant with the balancing of the variable component between financial instruments and cash;

iv. compliant with the deferral and *retention* periods.

Remuneration of members of the Board of Statutory Auditors

For the members of the Board of Statutory Auditors, the following remuneration elements are provided for:

i. a fixed remuneration for the office as Statutory Auditor, equal to Euro 50,000.00 (period 01.01.2018 – 04.04.2018);

ii. a fixed remuneration for the office as Statutory Auditor, equal to Euro 65,000.00 (period 05.04.2018 – 31.12.2018);

iii. a fixed remuneration for the Chairman of the Board of Statutory Auditors, equal to Euro 70,000.00 (period 01.01.2018 – 04.04.2018);

iv. a fixed remuneration for the Chairman of the Board of Statutory Auditors, equal to Euro 85,000.00 (period 05.04.2018 – 31.12.2018).

The Remuneration of the members of the Board of Statutory Auditors is consistent with the Bank's Remuneration policies, because:

v. it is in line with the pursuit of the Bank's long-term objectives;

vi. no variable component was paid to Statutory Auditors[40]

Remuneration of members of the Supervisory Body

For the members of the Supervisory Body the following remuneration elements are provided for:

i. a fixed remuneration for members other than the Chairman of the Supervisory Body, who are not Bank employees, equal to Euro 20,000.00 (period 01.01.2018 – 31.05.2018);

ii. a fixed remuneration for members other than the Chairman of the Supervisory Body, who are not Bank employees, equal to Euro 20,000.00 (period 01.06.2018 – 31.12.2018);

iii. a fixed remuneration for the Chairman of the Supervisory Body, equal to Euro 30,000.00 (period 01.01.2018 – 31.05.2018);

iv. a fixed remuneration for the Chairman of the Supervisory Body, equal to Euro 20,000.00 (period 01.06.2018 – 31.12.2018);

v. no variable component was paid to the members of the Supervisory Body.

No additional remuneration is foreseen for the members of the Supervisory Body who are also Bank Employees.

Remuneration of the Group's *Risk Takers*

Risk Takers (as per the document presented and approved in July 2018 by the Remuneration Committee and Board of Directors), excluding the Chief Executive Officer, was identified and classified in:

i. top Management: includes the Group Senior Executives, for a total of 6 persons.

ii. Corporate Control Functions: includes the Group's Risk Takers belonging to the Risk Management, Compliance & AML, Internal Audit and HR functions, for a total of 4 persons.

iii. other *Risk Takers*: includes the Group's Most Significant Personnel not belonging to the above categories, for a total of 24 persons.

40 In compliance with article 3 of Section III of Circular no. 285, which bans every form of variable remuneration to members of the body discharging control functions.

iv. The Remuneration of the *Risk Taker*s consists of the following components:[41]

v. the Gross Annual Remuneration, equal to Euro 3,765,795;

vi. a package of non-monetary benefits, equal to Euro 226,018;

vii. an annual variable component referred to financial year 2018 of Euro 1,033,160.75, of which an up-front portion of Euro 723,212.35 (70%) and a deferred portion of Euro 309,948.22 (30%);

viii. the deferred portion of the annual variable component referring to financial year 2016, equal to Euro 303.210,89;

i. No. 685,000 *stock options*, for a value amount equal to Euro 458,950. This amount is a component of the 2018 variable component, as much as the MBO incentive system, pursuant to the Policy in force at the time of the granting of the same options.

For some *Risk Takers*, non-competition clauses are envisaged.

The Remuneration of the remaining *Risk Takers* is consistent with the Bank's Remuneration Policy in force in 2018 because:

i. it is in line with the pursuit of the Bank's long-term objectives;

ii. it complies with balancing between variable and fixed component;

iii. it complies with the balancing of the variable component between financial instruments and cash;

iv. it complies with deferral and *retention* periods.

13.4 AGREEMENTS RELATING TO THE CASES OF EARLY TERMINATION OF THE WORKING RELATION OR END OF OFFICE

As specified in point 10.2.2.6 (*Golden Parachute*) of Section I of this Report, the Board of Directors may determine for *Risk Takers Golden Parachutes* in the event of early termination of the employment relationship or termination of the office.

41 The amounts are shown in aggregate form, as required by Scheme 7-bis of Annex 3 to the Issuers Regulation.

The *golden parachute* remunerations are quantified and paid by the Bank in accordance with the regulations in force from time to time and the below criteria.

The determination of these remunerations is linked to the performance achieved and the risks taken by the person and the Bank and it is subject to ex post correction mechanisms (*malus and claw back*), within the limits allowed by the collective agreements applicable to the employment relation, as required by the Supervisory Provisions for Banks and, in any case, in compliance with the limits and requirements of the relevant legal provisions. To the abovementioned remunerations, in the part paid in financial instruments, a retention period of at least one year applies[42].

To the amounts relating to golden parachutes the limits laid down in Title IV Chapter 2 Section 3 par. 2.2.2 of Circular No. 285 apply: the agreed amount may be an absolute amount or a multiple of the last fixed, annual, gross, remuneration received, with maximum amount equal to 400% thereof (with reference to the last year). The amount, therefore, is calculated by valuing the fixed Remuneration component excluding the value of *Benefits*, and the Variable Remuneration elements.

A *golden parachute* is active (individual agreements relating to cases of early termination of the employment relationship) for the *Chief Executive Officer* up to a maximum amount corresponding to three times his Fixed Remuneration.

13.5 VERIFICATIONS ON THE REMUNERATION SYSTEM BY CONTROL FUNCTIONS AND BOARD INTERNAL COMMITTEES

The 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 2017.

42 The minimum limit provided for Intermediate banks is thus complied with. The minimum limit for larger banks is 2 years.

13.5.1 *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.

13.5.2 *Risk Management*

The Risk Management Function provided the opinions on the adequacy of the indicators used to take into account the risks taken by the Bank in relation to incentive systems. The Risk Management Function also verified the final figure of said indicators for 2018.

13.5.3 *Internal Audit*

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

13.5.4 *Control and Risk Committee*

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

13.5.5 *Composition and activities carried out by the Remuneration Committee*

In the course of 2018 the Remuneration Committee[43] met 12 times. The main activities carried out concerned:

i. Reporting of the 2017 *performance* results relating to the offices of *Chief Executive Officer, Senior Executives and Executives* directly reporting to the Chief Executive Officer and Heads of Group Control Functions for the definition of the MBOs of competence;

ii. Definition of the 2018 quantitative targets relating to the offices of *Chief Executive Officer, Senior Executives, Executives* directly reporting to the Chief Executive Officer and Heads of the Group Control Functions;

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43 For a description of the composition, function and functioning of the Remuneration Committee, see paragraph 5.4 (Remuneration Committee).

iii. Definition of the Report;

iv. Analysis and approval of the remuneration packages for the recruitment of new Executives and Senior Executives;

v. Update of the Remuneration and incentive policy in favour of the members of Strategic Supervision, Management and Control Bodies, and the Personnel of Banca Farmafactoring Banking Group;

vi. Identification of the Beneficiaries of Stock Options in the categories of competence of the Board of Directors;

vii. Updates to the Chief Executive Officer' Contract;

viii. Proposal to amend the Remuneration Committee Regulation.

Please note that in carrying out its functions, the Remuneration Committee had the possibility to consult the competent internal structures as well as to avail itself of external consultants.

We set out below two descriptive tables, respectively:

i. of the meetings of the Remuneration Committee during 2018;

ii. of its composition, pursuant to Art. 123 bis, para. 2 of the Consolidated Financial Act, with nominal indication of the members, of the possible executive role, of the person appointed as chairman and of the meeting attendance percentage.

1. DESCRIPTION OF THE MEETINGS OF THE REMUNERATION COMMITTEE IN 2017 AND FORESEEN NUMBER OF MEETINGS IN 2019.	
Have works been regularly minuted?	Yes
Has the Chairman of the Remuneration Committee reported thereon at the first useful Board of Directors meeting?	Yes
Average duration of meetings.	80 minutes
Were there any meetings of the Remuneration Committee attended also by external members?	YES, by invitation. In 2018 the Chief Executive Officer, the Heads of HR and Organizational Development B.U. and General Counsel attended some meetings of the Remuneration Committee on some items

	on the Agenda.
Were there any meetings of the Remuneration Committee attended also by the chairman of the board of statutory auditors or other members?	Yes
At least one member of the remuneration committee has knowledge and experience in accounting and finance matters, and/or in the matter of remuneration policies, deemed adequate by the Board at the time of appointment?	Yes
Number of meetings of the Remuneration Committee scheduled for 2018 (and number of meetings already held in the current financial year).	9 (of which 3 already held)

We set out below a table summarizing the information relating to the members of the Remuneration Committee.

2. INFORMATION RELATING TO THE MEMBERS OF THE REMUNERATION COMMITTEE				
Until 4 April 2018				
First name and surname	**Is he/she an independent member?**	**Is he/she a non-executive member?**	**Was he/she appointed Chairman?**	**meeting attendance %**
Elisabetta Oliveri	yes	yes	yes	80%
Giampaolo Zambeletti Rossi	yes	yes	no	80%
Luigi Sbrozzi	no	yes	no	100%
From 5 April 2018				
First name and surname	**Is he/she an independent member?**	**Is he/she a non-executive member?**	**Was he/she appointed Chairman?**	**meeting attendance %**
Barbara Poggiali	yes	yes	yes	100%
Isabel Maria Aguilera	yes	yes	no	100%
Luigi Sbrozzi	no	yes	no	100%

14. SECOND PART

In this second part of Section II, the remunerations paid in the reference financial year to the persons identified by the reference legislation, i.e. the members of management and control bodies, general managers and other managers with strategic responsibilities are analytically illustrated. It should be noted that, in the framework of this second part of Section II, all references to "other managers with strategic responsibilities" are those who, within the Bank, fall within the definition of a Senior Executive contained in the Policy 2018.

The remunerations paid during the reference financial year but referring to activities carried out in previous financial years (deferred portions of variable Remunerations referred to previous financial years) and those to be paid in subsequent financial years for the activity carried out in the reference financial year (deferred portions of the variable component of the reference financial year) are also illustrated.

The data provided are by name with regard to the remuneration of the members of management and control bodies, and the Chief Executive Officer, and aggregate with regard to managers with strategic responsibilities since none of them receives a higher Remuneration than the Chief Executive Officer[44].

Finally, in this second part of Section II, the information required pursuant to article 84-*bis*, paragraph 5, of the Issuers' Regulation with reference to the Stock Option Plan and its implementation is provided.

44 As per the provisions quoted in note 25.

Dear Shareholders,

in light of the above, we invite You to approve the following resolution proposal (on which three separate votes will be proposed depending on the topic, one for each deliberative item, each with its own executive mandate):

"The Meeting

Having seen the "*2019 Remuneration and incentive policy in favour of the members of Strategic Supervision, Management and Control Bodies, and the Personnel of Banca Farmafactoring Banking Group*" for financial year 2019 as illustrated in the Board of Directors' Report

RESOLVES

Resolution 1: the approval of the new "*2019 Remuneration and incentive policy in favour of the members of Strategic Supervision, Management and Control Bodies, and the Personnel of Banca Farmafactoring Banking Group*" illustrated in Section I of the Board of Directors' Report.

Resolution 2: the specific approval of the provision laid down in sub-point (*B*) of point 10.2.2.6 (Amounts recognised in the context of an agreement for the settlement of a current or potential dispute) of the new "*2019 Remuneration and incentive policy in favour of the members of Strategic Supervision, Management and Control Bodies, and the Personnel of Banca Farmafactoring Banking Group*" - referred to in Section I of this Board of Directors' Report relating to the policies for determining remuneration in the event of early termination of office or termination of the employment relationship, including the default formula for determining the amounts recognised in agreements with Personnel in any location reached for the composition of current or potential disputes;

and to confer to the Board of Directors and on its behalf, to the Chief Executive Officer every broader power to carry out all the deeds, formalities and formalities necessary for the implementation of each of the previous resolutions and thus also the power to make new staff remuneration policies each changes that may be necessary in compliance with the regulations, including regulations, from time to time in force".

Milan, 19 February 2019

The Board of Directors

14.1 ANALYTICAL TABLES ON THE "COMPENSATION PAID TO THE MEMBERS OF THE ADMINISTRATIVE AND CONTROL BODIES, THE GENERAL MANAGERS AND THE OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES"

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period for which the office was held	Office expiry	Fixed compensation	Compensation for Committee participation	Variable non-equity compensation		Non-monetary benefits	Other remunerations	Total	Fair Value of equity compensation	Severance indemnity for end of office or Termination of employment
						Bonuses and other incentives	Profit sharing					
Salvatore Messina	Chairman of BdO	from 01.01.2018 to 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				234,698.63						234,698.63		
(II) Compensation from subsidiaries and affiliates												
(III) Total				234,698.63						234,698.63		
Luigi Sbrozzi	Vice Chairman of BdO	from 01.01.2018 to 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				-	-	-	-	-	-	-		
(II) Compensation from subsidiaries and affiliates												
(III) Total				-	-	-	-	-	-	-		
Massimiliano Belingheri	Chief Executive Officer	from 01.01.2018 to 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				750,260.28	-	681,814.20	-	78,400.00	-	1,510,474.48	113,900.00	
(II) Compensation from subsidiaries and affiliates												
(III) Total				750,260.28	-	681,814.20	-	78,400.00	-	1,510,474.48	113,900.00	
		from	Appr.									

Michaela Aumann	Director	01.01.2018 to 31.12.2018	financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				46,136.99	23,909.59	-	-	-	-	70,046.58		
(II) Compensation from subsidiaries and affiliates												
(III) Total				46,136.99	23,909.59	-	-	-	-	70,046.58		
Federico Fornari Luswergh	Director	from 01.01.2018 to 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				46,136.99	22,424.66	-	-	-	-	68,561.64		
(II) Compensation from subsidiaries and affiliates												
(III) Total				46,136.99	22,424.66	-	-	-	-	68,561.64		
Ben Carlton Langworthy	Director	from 01.01.2018 to 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				-	-	-	-	-	-	-		
(II) Compensation from subsidiaries and affiliates												
(III) Total				-	-	-	-	-	-	-		
Marco Riccardo Rabuffi	Director	from 01.01.2018 to 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				9,013.70	-	-	-	-	-	9,013.70		
(II) Compensation from subsidiaries and affiliates												
(III) Total				9,013.70	-	-	-	-	-	9,013.70		
Giampaolo Zambeletti Rossi	Director	from 01.01.2018 to 04.04.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				9,013.70	-	-	-	-	-	9,013.70		
(II) Compensation from subsidiaries and affiliates												
(III) Total				9,013.70	-	-	-	-	-	9,013.70		

Carlo Paris	Director	from 05.04.2018 to 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				37,123.29	3,712.33	-	-	-	-	40,835.62		
(II) Compensation from subsidiaries and affiliates												
(III) Total				37,123.29	3,712.33	-	-	-	-	40,835.62		
Barbara Poggiali	Director	from 05.04.2018 to 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				37,123.29	12,621.92	-	-	-	-	49,745.21		
(II) Compensation from subsidiaries and affiliates												
(III) Total				37,123.29	12,621.92	-	-	-	-	49,745.21		
Aguilera Isabel Maria	Director	from 05.04.2018 to 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				37,123.29	7,424.66	-	-	-	-	44,547.95		
(II) Compensation from subsidiaries and affiliates												
(III) Total				37,123.29	7,424.66	-	-	-	-	44,547.95		
Oliveri Elisabetta	Director	from 05.04.2018 to 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				9,013.70	7,726.03	-	-	-	-	16,739.73		
(II) Compensation from subsidiaries and affiliates												
(III) Total				9,013.70	7,726.03	-	-	-	-	16,739.73		
Paola Carrara	Chairman Board of Statutory Auditors	from 05.04.2018 to 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				63,109.59	-	-	-	-	-	63,109.59		

(II) Compensation from subsidiaries and affiliates												
(III) Total				63,109.59	-	-	-	-	-	63,109.59		
Marco Lori	Chairman Board of Statutory Auditors + Statutory Auditor + SB Member	from 01.01.2018 to 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				70,397.26	-	-	-	-	-	70,397.26		
(II) Compensation from subsidiaries and affiliates												
(III) Total				70,397.26	-	-	-	-	-	70,397.26		
Patrizia Paleologo Oriundi	Statutory Auditor	from 01.01.2018 to 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				61,136.99	-	-	-	-	-	61,136.99		
(II) Compensation from subsidiaries and affiliates												
(III) Total				61,136.99	-	-	-	-	-	61,136.99		
Sabrina Pugliese	Statutory Auditor	from 01.01.2018 to 04.04.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				12,876.71	-	-	-	-	-	12,876.71		
(II) Compensation from subsidiaries and affiliates												
(III) Total				12,876.71	-	-	-	-	-	12,876.71		
Francesco Tabone	Chairman of SB	from 05.04.2018 to 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				11,780.82	-	-	-	-	-	11,780.82		
(II) Compensation from subsidiaries and affiliates												
(III) Total				11,780.82	-	-	-	-	-	11,780.82		

Franco Fondi	Membro ODV	dal 05.04.2018 al 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				11.780,82	-	-	-	-	-	11.780,82		
(II) Compensation from subsidiaries and affiliates												
(III) Total				11.780,82	-	-	-	-	-	11.780,82		
Franco Fondi	Member of SB	from 05.04.2018 to 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				12,328.77	-	-	-	-	-	12,328.77		
(II) Compensation from subsidiaries and affiliates												
(III) Total				12,328.77	-	-	-	-	-	12,328.77		
Marina Corsi	Member of SB	from 01.01.2018 to 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				-	-	-	-	-	-	-		
(II) Compensation from subsidiaries and affiliates												
(III) Total				-	-	-	-	-	-	-		
Managers with strategic responsibilitie s (n. 6)*		from 01.01.2018 to 31.12.2018	Appr. financial Statements 31.12.18									
(I) Compensation in the company preparing the financial statements				1,056,519.10	-	464,395.08	-	69,001.28	-	1,579,261.68	187,600.00	
(II) Compensation from subsidiaries and affiliates					-	-	-	-	-	-	-	
(III) Total				1,056,519.10	-	464,395.08	-	69,001.28	-	1,579,261.68	187,600.00	

* The Personnel indicated in this category included all the subjects who held a position of manager with strategic responsibilities even for a fraction of the year and who were beneficiaries of the economic treatments object of the table

The amounts indicated below were re-parameterised during the actual term of office (where appropriate)

Salvatore Messina – Notes:

The Remuneration indicated refers to the following offices:
Chairman of the Board of Directors of Banca Farmafactoring Spa € 170,000.00 (period 01.01.2018 – 04.04.2018)
Chairman of the Board of Directors of Banca Farmafactoring Spa € 195,000.00 (period 05.04.2018 – 31.12.2018)
Member of the Board of Directors of Banca Farmafactoring Spa € 35,000.00 (period 01.01.2018 – 04.04.2018)
Member of the Board of Directors of Banca Farmafactoring Spa € 50,000.00 (period 05.04.2018 – 31.12.2018)

Luigi Sbrozzi – Notes:
Waives the remuneration for the office of Member of the Board of Directors, of the Control and Risk Committee and of the Remuneration Committee of Banca Farmafactoring Spa

Massimiliano Belingheri – Notes:
The Remuneration indicated refers to the following offices and components of remuneration:
Remuneration as Director of Banca Farmafactoring Spa € 35,000.00 (period 01.01.2018 – 04.04.2018)
Remuneration as Director of Banca Farmafactoring SpA € 50,000.00 (period 05.04.2018 – 31.12.2018)
Chief Executive Officer (Strategic Manager) € 667,000.00 (period 01.01.2018 – 04.04.2018)
Chief Executive Officer (Strategic Manager) € 717,000.00 (period 05.04.2018 – 31.12.2018)
Non-monetary benefits € 78,400.00;
Variable remuneration € 443,440.20 (referred to the upfront 2018 MBO);
Variable remuneration € 238,374.00 (referred to the upfront 2018 MBO);
Remuneration in Stock options granted in the year € 113,900.00;

Michaela Aumann – Notes:
The Remuneration indicated refers to the following offices:
Remuneration as Director of Banca Farmafactoring Spa € 35,000.00 (period 01.01.2018 – 04.04.2018)
Remuneration as Director of Banca Farmafactoring Spa € 50,000.00 (period 05.04.2018 – 31.12.2018)
Remuneration as Chairman of the Control and Risk Committee of Banca Farmafactoring Spa € 15,000.00 (period 01.01.2018 – 04.04.2018)
Remuneration as Chairman of the Control and Risk Committee of Banca Farmafactoring Spa € 25,000.00 (period 05.04.2018 – 31.12.2018)
Member of the Committee for evaluation of Related Party Transactions and related subjects of Bank Farmafactoring SpA € 2,000.00 (period 05.04.2018 – 31.12.2018)

Federico Fornari Luswergh – Notes:
The Remuneration indicated refers to the following offices:
Remuneration as Director of Banca Farmafactoring Spa € 35,000.00 (period 01.01.2018 – 04.04.2018)
Remuneration as Director of Banca Farmafactoring Spa € 50,000.00 (period 05.04.2018 – 31.12.2018)
Remuneration as Chairman of the Nomination Committee of Banca Farmafactoring Spa € 15,000.00 (period 01.01.2018-31.12.2018)
Remuneration as Member of the Control and Risk Committee of Banca Farmafactoring Spa € 10,000.00 (period 05.04.2018 – 31.12.2018)

Ben Carlton Langworthy – Notes:
Waives the remuneration for the office of Director and as Member of the Nomination Committee of Banca Farmafactoring SpA

Marco Riccardo Rabuffi – Notes:

The Remuneration indicated refers to the following offices:
Remuneration as Director of Banca Farmafactoring Spa € 35,000.00 (period 01.01.2018 – 04.04.2018)

Giampaolo Zambeletti Rossi– Notes:
The Remuneration indicated refers to the following offices:
Remuneration as Director of Banca Farmafactoring Spa € 35,000.00 (period 01.01.2018 – 04.04.2018)

Carlo Paris – Notes:
The Remuneration indicated refers to the following offices:
Remuneration as Director of Banca Farmafactoring Spa € 50,000.00 (period 05.04.2018 – 31.12.2018)
Remuneration as Chairman of the Committee for evaluation of Related Party Transactions and related subjects of Bank Farmafactoring SpA € 5,000.00 (period 05.04.2018 – 31.12.2018)

Barbara Poggiali – Notes:
The Remuneration indicated refers to the following offices:
Remuneration as Director of Banca Farmafactoring Spa € 50,000.00 (period 05.04.2018 – 31.12.2018)
Remuneration as Chairwoman of the Remuneration Committee of Banca Farmafactoring Spa € 15,000.00 (period 05.04.2018 – 31.12.2018)
Remuneration as Member of the Committee for evaluation of Related Party Transactions and related subjects of Bank Farmafactoring SpA € 2,000.00 (period 05.04.2018 – 31.12.2018)

Isabel Maria Aguilera – Notes:
The Remuneration indicated refers to the following offices:
Remuneration as Director of Banca Farmafactoring Spa € 50,000.00 (period 05.04.2018 – 31.12.2018)
Remuneration as Member of the Control and Risk Committee of Banca Farmafactoring Spa € 5,000.00 (period 05.04.2018 – 31.12.2018)
Remuneration as Member of the Nomination Committee of Banca Farmafactoring Spa € 5,000.00 (period 05.04.2018 – 31.12.2018)

Elisabetta Oliveri – Notes:
The Remuneration indicated refers to the following offices:
Remuneration as Director of Banca Farmafactoring Spa € 35,000.00 (period 01.01.2018 – 04.04.2018)
Remuneration as Chairwoman of the Remuneration Committee of Banca Farmafactoring Spa € 15,000.00 (period 01.01.2018 – 04.04.2018)
Remuneration as Chairwoman of the Committee for evaluation of Related Party Transactions and related subjects of Bank Farmafactoring SpA € 15,000.00 (period 01.01.2018 – 04.04.2018)

Paola Carrara– Notes:
The Remuneration indicated refers to the following offices:
Remuneration as Chairwoman of the Board of Statutory Auditors of Banca Farmafactoring SpA € 85,000.00 (period 05.04.2018 – 31.12.2018)

Marco Lori– Notes:
The Remuneration indicated refers to the following offices:
Remuneration as Chairman of the Board of Statutory Auditors of Banca Farmafactoring SpA € 70,000.00 (period 01.01.2018 – 04.04.2018)
Remuneration as Statutory Auditor of Banca Farmafactoring SpA € 65,000.00 (period 05.04.2018 – 31.12.2018)
Remuneration as Member of the Supervisory Body of Banca Farmafactoring SpA € 10,000.00 (period 01.01.2018 – 31.05.2018)

Patrizia Paleologo– Notes:
The Remuneration indicated refers to the following offices:
Remuneration as Statutory Auditor of Banca Farmafactoring SpA € 50,000.00 (period 01.01.2018 – 04.04.2018)
Remuneration as Statutory Auditor of Banca Farmafactoring SpA € 65,000.00 (period 05.04.2018 – 31.12.2018)

Sabrina Pugliese– Notes:
The Remuneration indicated refers to the following offices:
Remuneration as Statutory Auditor of Banca Farmafactoring SpA € 50,000.00 (period 01.01.2018 – 04.04.2018)

Francesco Tabone – Notes:
The Remuneration indicated refers to the following offices:
Remuneration as Chairman of the Supervisory Body of Banca Farmafactoring SpA € 20,000.00 (period 05.04.2018 – 31.12.2018)

Franco Fondi – Notes:
The Remuneration indicated refers to the following offices:
Remuneration as Member of the Supervisory Body of Banca Farmafactoring SpA € 20,000.00 (period 05.04.2018 – 31.12.2018)

Gianmaria Garegnani – Notes:
Remuneration as Chairman of the Supervisory Body of Banca Farmafactoring SpA € 30,000.00 (period 01.01.2018 – 31.05.2018)

Marina Corsi – Notes:
No remuneration is provided for the office of Member of the Supervisory Body of Banca Farmafactoring Spa, since she is an employee of the same Bank.

Managers with Strategic Responsibilities – Notes:
These data refer to all those who have held a position of senior management personnel, even for a fraction of the year.
Fixed Remuneration: € 1,056,519.10;
Non-monetary benefits: € 69,001.28;
Variable remuneration: € 464,395.08 (referred to the upfront 2018 MBO);
Variable remuneration: € 143,055.69 (referred to the deferred 2016 MBO);
Remuneration in Stock options granted in the year € 187,600

14.2 ANALYTICAL TABLES ON THE "*STOCK OPTIONS* ASSIGNED TO THE COMPONENTS OF THE ADMINISTRATIVE BODY, GENERAL MANAGERS AND OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES"

We set out below the instructions of Scheme 7-bis:
"If stock option plans are established for members of the administrative body, for general managers and other executives with strategic responsibilities, the issuer users table 2.

In this table, the following are specified for each party involved and for each stock option plan intended for him:
- the options **held** at the beginning of the year, specifying exercise price and period of possible exercise;
- the options **assigned** during the year, specifying the exercise price, the period of possible exercise, the fair value on the assignment date[45], the assignment date and the market price of the underlying shares on that date;
- the options **exercised** during the year, indicating the exercise price and market price of the underlying shares at the time of exercise;
- the options **expired** during the year;
- options **held** at the end of the financial year;
- the *fair value* of the options of the relevant year.
Notes: each option corresponds to the subscription or purchase of one share.
The total (III) is specified with reference to columns (2), (5), (8), (11), (14), (15) and (16).
If an aggregated representation criterion is adopted, the following information is provided in the Table:
- - the total number of options held at the beginning of the year, specifying the total exercise price paid and average maturity;
- the total number of options assigned during the year, indicating the total exercise price paid, the average maturity, the total *fair value* and the average price of the underlying shares when the options are assigned;
- the total number of options exercised during the year, indicating the total exercise price paid during the year and the average price of the underlying shares on the date of exercise;
- the total number of options vesting during the year;
- the total number of options held at the end of the year;
- the total *fair value* of the options of the relevant year."

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The fair value on the assignment date is indicated with reference to all options assigned in relation to each Plan and not with reference to each option.

		Options held at the beginning of the year				Options assigned during the year						Options exercised during the year			Options vested during the year	Options held at the end of the year	Options of the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2)+(5)-(11)-(14)	(16)
Name and surname	Office	Plan	Number of options	Exercise price	Period of possible exercise (from – to)	Number of options	Exercise price	Period of possible exercise (from – to)	Fair value on assignment date(**)	Assignment date	Market value of underlying shares on the assignment date	Number of options	Exercise price	Market value of underlying shares on the exercise date	Number of options	Number of options	Fair value (**)
Massimiliano Belingheri	Chief Executive Officer																
(I) Compensation in the company preparing the financial statements		Stock Option Plan of the BFF Group approved by the Meeting of 5/12/2016	1,344,000	(*)	From 7/4/2019 - to 7/4/2023	170,000	(*)	From 30/3/2020 – to 30/3/2024	0.67	30/3/2018	Share price on 30/3/2018 = €5.94	-	-	-	-	1,514,000	113,900 (***)
II) Compensation from subsidiaries and affiliates		Plan A (related date of resolution)															

	Plan B (related date of resolution)															
(III) Total		1,344,000			170,000										1,514,000	113,900.00
Managers with strategic responsibilities (No. 6)(****)																
(I) Compensation in the company preparing the financial statements	Stock Option Plan of the BFF Group approved by the Meeting of 5/12/2016	887,040	(*)	From 7/4/2019 - to 7/4/2023	280,000	(*)	From 30/3/2020 – to 30/3/2024	0.67	30/3/2018	Share price on 30/3/2018 = €5.94					1,167,040	187,600.00
(II) Compensation from subsidiaries and affiliates																
(III) Total																

(*) Exercise price determined according to the formula set out in the stock option plan at each exercise date.

(**) The *fair value* of stock options is indicated in the letters of assignment.
(***) Value of options granted during the year (see Column 5).
(****) Personnel indicated in this category includes all those who have held an executive management office for a fraction of the year and that were actually the beneficiaries of economic conditions as object of the table.

14.3 ANALYTICAL TABLES ON "MONETARY INCENTIVE PLANS FOR THE MEMBERS OF THE MANAGEMENT BODY, GENERAL MANAGERS AND OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES"

We set out below the instructions of Scheme 7-bis:
"It should be noted that the Table refers to all types of monetary incentive plans, both in the short term and in the medium-long term.
The total (III) is specified with reference to all columns apart from column (2C).
"**Column 2A**" specifies the bonus competent to the year accrued for the objectives achieved during the year and disbursed or able to be disbursed because not subject to any other conditions (upfront compensation).
"**Column 2B**" specifies the bonus linked to objectives to be achieved during the year, but which cannot be disbursed because it is subject to additional conditions (deferred bonus).
"**Column 3A**" specifies the sum of the bonuses deferred in previous years, still to be disbursed at the start of the year and no longer able to be disbursed due to failure to fulfil the conditions to which they are subject.
"**Column 3B**" specifies the sum of bonuses deferred in previous years, still to be disbursed at the start of the year and disbursed during the year or able to be disbursed.
"**Column 3C**" specifies the sum of the bonuses deferred in previous years, still to be disbursed at the start of the year and which are further deferred.
The sum of the amounts specified in columns 3A, 3B and 3C corresponds to the sum of the amounts indicated in columns 2B and 3C of the previous year.
Column "**Other Bonuses**" specifies the bonuses competent for the year, not specifically included in specific plans defined ex ante.
If an aggregated representation criterion is adopted, the following information is provided in the Table:
- total bonuses for the year, broken down into disbursed and deferred, specifying the average deferral period for the latter;
- total bonuses for previous years, broken down into no longer able to be disbursed, disbursed and still deferred;
- total other bonuses."

A	B	(1)	(2)			(3)			(4)
Name and surname	Office	Plan	Bonus for the year			Bonus in previous years			Other bonuses
Massimiliano Belingheri	Chief Executive Officer		(A) Payable/Paid	(B) Deferred	(C) Deferment period	(A) Not payable anymore	(B) Payable/Paid	(c) Still deferred	
(I) Compensation in the company preparing the financial statements		2018 Plan	443,440.20	190,045.80	2019-2021				
		2017 Plan	(*)	(*)					
		2016 Plan					238,374.00		
(II) Compensation from subsidiaries and affiliates		Plan A (related date of resolution)							
		Plan B (related date of resolution)							
(III) Total			443,440.20	190,045.80			238,374.00		
Managers with strategic responsibilities (No. 5)(**)			(A) Payable/Paid	(B) Deferred	(C) Deferment period	(A) Not payable anymore	(B) Payable/Paid	(c) Still deferred	
(I) Compensi nella società che redige il bilancio		2018 Plan	321,339.39	137,716.90	2019-2021				
		2017 Plan	(*)	(*)					
		2016 Plan					143,055.69		
(II) Compensi da controllate e collegate		Plan A (related date of resolution)							

	Plan B (related date of resolution)							
(III) Totale		321,339.39	137,716.90			143,055.69		

(*) The final statement 2017 does not fully meet one of the Policy targets (EBTDA ^{RA}) and therefore, Personnel subject to reaching 100% of Target EBTDA ^{RA}, did not met the conditions for providing the variable remuneration component related to 2017, with reference to both the deferred and *upfront* part.

(**) Personnel indicated in this category includes all those who have held an executive management office for a fraction of the year and that were actually the beneficiaries of economic conditions as object of the table.

14.4 ANALYTICAL TABLES ON "INFORMATION ON THE INVESTMENTS HELD BY THE MEMBERS OF THE ADMINISTRATIVE AND AUDITING BODIES, BY GENERAL MANAGERS AND BY OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES"

We set out below the instructions of Scheme 7-bis:
"The disclosure on investments held by members of the administrative and auditing bodies, by general manager and by executives with strategic responsibilities in companies with listed shares and in companies it controls, is given in table form.
More specifically, the names are given of the members of the administrative and auditing bodies and the general managers and jointly for the other executives with strategic responsibilities, with regards to each subsidiary, the number of shares, divided up according to category:
- held at the end of the previous year;
- acquired during the reference year;
- sold during the reference year;
- held at the end of the reference year.
In this regard, the title and method of possession is also specified.
All parties are included who, during the reference year, held the office of member of the administration and auditing body, general manager or executive with strategic responsibilities, even if only for part of the year."

TABLE 1: Investments of the members of the administrative and auditing bodies and general managers

Name and surname	Office	Investee Company	Number of shares held at the end of the previous year	Number of shares acquired	Number of shares sold	Number of shares held at the end of the current year
Belingheri Massimiliano	Chief Executive Officer	Banca Farmafactoring S.p.A.	5,883,835	149,868	0	6,033,703
Federico Fornari Luswergh	Director	Banca Farmafactoring S.p.A.	0	3,800	0	3,800
Marco Riccardo Rabuffi (through a Trustee company)	Director	Banca Farmafactoring S.p.A.	70,300	0	0	70,300

TABLE 2: Investments of other executives 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 acquired	Number of shares sold	Number of shares held at the end of the current year
Managers with strategic responsibilities (No. 6)	Banca Farmafactoring S.p.A.	3,288,449	1,973	1,480,182	1,810,240

14.5 ANALYTICAL TABLES ON STOCK OPTION PLAN (TABLE 1, SCHEME 7, ANNEX 3A OF REGULATION NO. 11971/1999)

Full name or category (1)	Office (to be specified only for subjects listed by name)	FRAMEWORK 2							
		Stock option							
		Section I Options for plans, valid, approved on the basis of previous resolutions (8)							
		Date of meeting resolution	Instrument description (12)	Options held at the end of the previous year (11)	Exercised options (13)	Assignment date (10)	Exercise price (*)	Market value of underlying shares on the assignment date	Possible exercise period (from-to)
(2) Massimiliano Belingheri	Chief Executive Officer	5/12/2016	BFF share options with physical settlement	1,344,000	/	7/4/2017 (Bod/oc 13/2/2017 and cpr 13/2/2017)		Share price on 7/4/2017[46] = €4.14	From 7/4/2019 – to 7/4/2023
Notes									

46 The opening price (IPO price, relevant for the purpose of determining the exercise price) at the date of 7 April 2017 amounted to Euro 4.7 (source: Borsa Italiana).

(3)									
Notes									
(4)									
Notes									
(5)									
Notes									
(6) Managers with strategic responsibilities (No. 5)		5/12/2016	BFF share options with physical settlement	887,040	/	7/4/2017 (Bod/co 13/2/2017 and cpr 13/2/2017)		Share price on 7/4/2017 = €4.14	From 7/4/2019 – to 7/4/2023
Notes									
(7) Other Employees		5/12/2016	BFF share options with physical settlement	3,795,762	/	7/4/2017 (Bod/co 13/2/2017 and cpr 13/2/2017)		Share price on 7/4/2017 = €4.14	From 7/4/2019 – to 7/4/2023
Notes									

Full name or category (1)	Office (to be specified only for subjects listed by name)	FRAMEWORK 2						
		Stock option						
		Section 2 New assignment options approved by: □ BoD proposal to the Meeting; □ the responsible body for the implementation of the resolution of shareholders ' meeting (9)						
		Date of meeting resolution	Instrument description (12)	Options held at the end of the previous year (11)	Exercised options (13)	Assignment date (10)	Exercise price (*)	Market value of underlying shares on the assignment date
(2) Massimiliano Belingheri		5/12/2016	BFF share options with physical settlement	170,000	30/3/2018 (Bod/co 28/3/2018 and cpr 26/3/2018)		Share price on 30/3/2018 = €5.94	From 30/3/2020 – to 30/3/2024
Notes								
(3)								
Notes								

(4)								
Notes								
(5)								
Notes								
(6) Managers with strategic responsibilities (No.5)		5/12/2016	BFF share options with physical settlement	280,000	30/3/2018 (Bod/co 28/3/2018 and cpr 26/3/2018)		Share price on 30/3/2018 = €5.94	From 30/3/2020 – to 30/3/2024
Note								
(7) Other Employees		5/12/2016	BFF share options with physical settlement	1,280,000	30/3/2018 (Bod/co 28/3/2018 and cpr 26/3/2018)		Share price on 30/3/2018 = €5.94	From 30/3/2020 – to 30/3/2024
Notes								

Notes to Table

(1) It shall be completed one row for each subject individually identified and for each category concerned; for each subject or category must be given a different line for: s) each type of tool or option granted (e.g. different strike prices and/or deadlines determine different types of options); II) any deliberate plan from different Meeting.
(2) Specify the name of the members of the Board of Directors or the Management Board of the issuer financial instruments and its subsidiaries or parent companies.
(3) Specify the name of the general directors of the stock Issuer.
(4) Specify the name of individuals controlling the stock issuer, whether they are employees or that provide collaboration in the the stock issuer and are not linked to the company from employment relationships.
(5) Specify the name of senior executives with strategic responsibilities of the issuer which is not of "of a smaller size", in accordance with Article 3, paragraph 1, lett. f) of Regulation No. 12 of March 2010 17221, f they have received in the year total compensation higher than the highest compensation package (obtained by adding together the monetary remuneration and the payment plan based on financial instruments) assigned to the Members of the Board of Directors or of the Management Board, and general executives of the issuer.
(6) Specify all the executives with strategic responsibilities of the issuer for which categories shall be indicated.

(7) Specify the category of the other employees and the collaborators not employed. Several lines are required in relation to certain categories of employees or collaborators for whom different plan characteristics have been envisaged (for example, executives, managers, employees).
(8) Data refer to instruments relating to approved plans based on:
i. resolutions before the date on which the competent body approved the proposal for the Meeting and/or
ii. resolutions before the date on which the competent body decided to implement pursuant to a power of attorney provided by the Shareholders' Meeting;
the Table therefore contains:
• assuming i), updated data on the date for proposal to shareholders competent body (in this case a Disclosure Document for planning approval by the Meeting is attached);
• assuming ii), updated data as of the date of the decision by the competent body responsible for plan implementation, (in this case the table is attached to press releases published following the decision by the competent body responsible for plan implementation).
(9) Data may refer to:
a. the decision of the Board of Directors prior to the Meeting, for the table combined with the document submitted at the meeting; in this case, the table will list only those features which have been defined by the Board of Directors;
b. the decision of the competent body to decide on plan implementation subsequent to the approval by the Shareholders' Meeting, in the case of a joined table to press release to be published when this latest decision relating to implementation.
In either case you should mark the corresponding box in the field related to this note 9. For data that is not yet defined in the corresponding field in the code "N.A." (Not available).
(10) If the assignment date is different from the one on which any Remuneration Committee adopted the proposal with regard to such assignment, add in the field also the date of the proposal of the aforesaid Committee highlighting the date resolved the Board of Directors or other competent bodies with "BoD/co "and the date of the proposal of the Remuneration Committee with "RC".
(11) Number of options held at the end of the year, i.e. the year preceding that in which the Meeting is called upon to approve the new assignment.
(12) Specify for example, under Framework 1: s) shares of the company X, ii) parameter instrument based on the value of Y, and under Framework 2: iii) stock options with physical settlement; IV) stock options Z paid in cash, etc.
(13) Number of options exercised from the beginning of the plan until the end of the year preceding that in which the meeting is called to approve a new stock option plan.
(14) *Vesting* period refers to the period between the time it is given the right to participate in the incentive system and the date on which the right becomes exercisable.
(*) Exercise price determined according to the formula by the Stock Option plan at each exercise date.