Policy		

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

BOARD OF DIRECTORS' MEETING OF 25 FEBRUARY 2020

TO BE SUBMITTED FOR APPROVAL TO THE SHAREHOLDERS' MEETING

(CALLED FOR 2 APRIL 2020 IN SINGLE CALL)

TABLE OF CONTENTS

SECTION 1

2020 REMUNERATION AND INCENTIVE POLICY (POLICY) FOR THE MEMBERS OF THE STRATEGIC SUPERVISION, MANAGEMENT AND CONTROL BODIES AND THE PERSONNEL OF THE BANCA FARMAFACTORING BANKING GROUP

1. PREAMBLE: MAIN INNOVATIONS

In light of the evolution of the regulatory framework and the objectives that the Bank intends to pursue with the definition of its policies in the medium and long term, the main changes made to the Remuneration and Incentive Policy are as follows:

- the definition of Human Resources and Organizational Development Function has been updated, following the organizational change effective from April 2019;
- in order to implement the provisions issued by the Bank of Italy with the updating of the regulations on "*Transparency of banking and financial transactions and services*" in terms of remuneration and incentive policies, the Bank has decided to establish an ad hoc remuneration and incentive policy for Group personnel who fall within the so-called "*Relevant Persons*" within the meaning of the aforementioned regulation. Again, in application of this regulation, the tasks of the Board of Directors were supplemented by the approval of this policy;
- the tasks of the Remuneration Committee have been combined with ensuring that the compensation paid to the Chairman, the Chief Executive Officer, non-executive directors and members of the control body is commensurate with the competence, professionalism and commitment required for their position, in accordance with recommendation no. 4 of the Chairman of the Italian Corporate Governance Committee in the *2019 Report on the evolution of the corporate governance of listed companies;*
- the tasks of the Board of Directors have been integrated with that of verifying that the remuneration paid to the Chairman, the Chief Executive Officer, non-executive directors and members of the control bodies is in line with the indications provided by the Remuneration Committee;

- the Risk Takers perimeter was updated, which led to the identification of 35 individuals compared to 38 identified in July 2019;
- the retention period for financial instruments granted as variable remuneration has been reduced to 6 months, since for banks classified as intermediate, in accordance with the Supervisory Provisions on Remuneration, this period can be reduced by no more than half of 1 year, which is the retention period applicable to significant banks;
- the amount of variable remuneration has been determined, which for the Bank is a particularly high amount (Eur 424,809) from which the more stringent deferral requirements set out in the regulation are applied;
- with regard to the implementation of the stock option plan, the tasks of the Board of Directors and the Chief Executive Officer have been extended to include the possibility of reassigning options granted to the personnel of each entity that have become available to the Bank in accordance with the terms of the stock option plan regulations;
- more detail was provided regarding the determination of the CEO's Golden Parachute;
- the maximum amount of the MBO equal to 100% of the Fixed Remuneration (excluding Benefits) has been set for both the Chief Executive Officer and the other Personnel, in line with the incentive schemes already in place at the Group;
- more clarity has been provided on the conditions of access to the bonus pool for incentive schemes;
- in order to ensure compliance with the ban on hedging, the Policy has been supplemented with an obligation on the part of Risk Takers to notify the existence or opening of custody and administration accounts with other intermediaries, and any financial transactions or investments made that could affect the Group's risk alignment mechanisms;
- the application of Malus and Claw Back to stock option plans is defined in accordance with the regulations;
- more detail is provided on the performance management process adopted by the bank with regard to the definition of objectives;

- with reference to the calculation of the Golden Parachute the rational underlying the decision to adopt a fixed formula is specified.

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

2. GENERAL PRINCIPLES[1]

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

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

ii. avoiding conflict of interest situations;

iii. encouraging control activities in the relevant Company Control Functions;

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

v. basing behavior 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.

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[1] 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

2016 Stock Option Plan	The Stock Option Plan originally approved by the Meeting of 5 December 2016.
2019 Policy	The "remuneration and incentive policy in favor of the members of Strategic Supervision, Management and Control Bodies, and the Personnel of BFF Group" approved by the Meeting on 5 April 2018.
Annual report on remuneration policy and compensation paid	The Annual Report on the remuneration policy and compensation paid prepared as part of the information required pursuant to Article 123-ter of Legislative Decree no. 58 of 1998 and Article 84-quater of the Issuers' Regulations
Bank	Banca Farmafactoring S.p.A., parent company of the Banca Farmafactoring Banking Group.
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 favor of employees.
BFF Group or Group	The Banca Farmafactoring Banking Group.
Board of Directors	The "body with strategic supervision functions" of the Parent Company, to which the Bank's management functions are entrusted, though, inter alia, the exam of and resolution on business or financial plans of strategic transactions.
Board of Statutory Auditors	The "body with control functions".
By-Laws	The Corporate By-Laws of the Bank.
Capital Requirements Directive (CRD IV)	EU Directive 2013/36/EU of 26 June 2013.
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.
Chief Reporting Officer	The *Chief Reporting Officer* for the preparation of the company's financial statements pursuant to article 154-bis of the TUF.
Claw Back	The total or partial refund of the Variable Remuneration already received.
Code of Ethics	The code of ethics adopted by the Group.
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.
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.
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.
Corporate Governance Code	The Corporate Governance Code of listed companies prepared by the Corporate Governance Committee set up by Borsa Italiana S.p.A.
Corporate Control Bodies	The Corporate Control Functions, as defined in the Bank of Italy regime in the matter of Internal Control System[2], i.e. the Internal Audit Function, the Risk Management Function, the Compliance & AML Function and, for the purpose of the current Policy.

[2] *See Supervisory Provisions on Remuneration.*

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, consistently 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).[3]
Employees	The employees of the Group.
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.
Executives	The managers of organizational units articulated or characterized 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 providing qualified support/advisory to the Top Managers and the rest of the organization. They may belong to the *Risk Takers*.

[3] Where:

EBTDA: pre-tax profit from continuing operations (item 290) excluding net impairment losses on property, plant and equipment (item 210), net impairment losses on intangible assets (item 220) and income statement items which are offset by corresponding changes in shareholders' equity (e.g. exchange rate losses and costs connected with the Stock Option Plan);

RWA ^{M}: average for the year of total, final and Group risk weighted assets determined with respect to the average RWA at the end of the month, calculated by the Planning, Administration and Control Department on the basis of monthly closing of accounts and through the replication of the prudential accounting activities required for quarterly supervisory reports;

TCR Target: if there is no eligible Tier 2 subordinate, is the risk appetite threshold defined for the Total Capital Ratio in the RAF. If there is a subordinate eligible Tier 2, the Target Ratio to be applied in the formula is equal to the difference between 15% and the percentage incidence of Tier 2 on the Group's Target Ratio;

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

	Executives are identified through specific Board of Directors resolution.
Ex-post 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.
Financial Instruments	The Bank's financial instruments with which is paid part of the variable remuneration to *Risk Takers*.
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*.
General Counsel Function	The corporate function of legal support to the *Chief Executive Officer* and other corporate structures.
Human Resources and Organizational Development Function	The corporate function with the task of managing and training the Group's human resources, ensuring the development of the Group's human and organizational capital in compliance with the guidelines established by the Chief Executive Officer.
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 or the bank belonging to a banking group whose consolidated assets are between € 3.5 and 30 billion, which is not considered significant pursuant to Regulation (EU) no. 1024/2013.
Internal Audit Function	The corporate internal audit function.
Issuers' Regulations	CONSOB Regulation no.11971/1999.
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.
Meeting	Shareholders' meeting.
Personnel	The members of the bodies discharging strategic supervision, management and control functions, as well as the Group employees and collaborators.
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*.
Policy	This Policy.
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.
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.
Regulation & Processes	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.
Relevant Persons	Group Personnel offering products to customers, interacting with them, as well as those to whom this Personnel reports hierarchically.

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.
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.
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.
Risk Management Function	The corporate risk control function.
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.
Supervisory Provisions on Remuneration	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.
Supervisory Rules	The 7th update of the Bank of Italy's Circular no. 285 of December 17, 2013 *"*Banking Supervisory Rules*"*.

Transparency Regulations	The provision of the Bank of Italy "*Provisions on the transparency of financial transactions and services. Correctness of relations between intermediaries and clients*" of 19 March 2019
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.
Target EBTDA^{RA}	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.
VAP	Company bonus provided for in the National Collective Labour Agreement for executives and personnel in professional areas, employees of credit, financial and instrumental companies.
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 recognized. Among these amounts, those recognized as a non-competition clause or under an agreement in the resolution of an actual or potential dispute are recognized, 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.

4. REGULATORY FRAMEWORK OF THE POLICY

The report on the BFF Group's remuneration policy was drawn up in accordance with the Bank of Italy's Supervisory Provisions[4] on "remuneration and incentive policies" issued on 23 October 2018, and took account of the regulatory updates that have recently supplemented the applicable regulatory framework.

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

It is also worth mentioning the issue of *Legislative Decree no. 49 of 10 May 2019*, which amended art. 123-ter of the Consolidated Finance Act, in implementation of Directive 2017/828/EC (the so-called "SHRD II") concerning the encouragement of long-term shareholder commitment. Although the SHRD II Directive has yet to be fully implemented (the consultation phase that precedes the issue of the detailed regulations is currently underway), Legislative Decree no. 49/2019 already provides for immediately effective provisions on remuneration policies for listed companies.

Most of these provisions are new only for listed companies that do not operate in the banking sector. For the latter, on the other hand, most of these provisions overlap with those of the Supervisory Provisions (so, for example, the principle of alignment to long-term interests, the inclusion in the Report on the remuneration policy). Consequently, the Group will take into account, for the purposes of drafting this Policy, the new aspects introduced by the aforementioned Decree and not already regulated by sector legislation.

The Policy applies to all the Bank's personnel, and for the purposes of applying the more stringent requirements of the Supervisory Provisions on Remuneration, the Bank falls into the Intermediate Banking[5] category.

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[4] See Circular 285, Section One, Title IV, Chapter 2.

[5] According to Part One, Title IV, Chapter 2, Section I of the Remuneration Supervisory Provisions, Intermediate Banks are those with balance sheet assets between € 3.5 and 30 billion and banks that are part of a banking group with consolidated balance sheet assets between € 3.5 and 30 billion, which are not considered significant within

The Supervisory Provisions on Remuneration establish for banks and banking groups an organic discipline on remuneration practices and policies. They define overall stricter limits than the corresponding provisions of the Corporate Governance Code to which the Bank adheres. Therefore, with regard to remuneration practices and policies, the Supervisory Provisions on Remuneration, which incorporate and replace the provisions of the Corporate Governance Code are applied.

At European level the regulatory environment consists of:

- *Capital Requirements Directive IV* (CRD IV) which sets out specific principles and criteria that banks must comply with in order to:
    i. ensure the proper design and implementation of remuneration schemes;
    ii. effectively manage possible conflicts of interest;
    iii. ensure that the remuneration system appropriately takes into account current and prospective risks, the degree of capitalization and liquidity levels of each intermediary;
    iv. increasing the degree of transparency towards the market;

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the meaning of Article 6(4) of the RMVU. According to Article 6(4) of the RMVU "Significance shall be assessed on the basis of the following criteria:

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

With regard to the first subparagraph, 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 it fulfills any of the following condition:

i) the total value of the assets exceeds EUR 30 billion;
ii) the ratio of total assets to the GDP of the participating Member State in which they are established exceeds 20 %, unless the total value of the assets is less than € 5 billion;
iii) following notification by the competent national authority that such an institution is significant in relation to the national economy, the ECB decides to confirm this significance on the basis of its in-depth assessment, including the balance sheet, of the credit institution concerned.

In addition, the ECB may, on its own initiative, consider an institution to be of significant importance where it has established subsidiaries in more than one participating Member State and its cross-border assets or liabilities represent a significant part of the 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. […]".

v. strengthen the supervisory authorities' control action. These objectives are combined with a general curbing of operating costs, in order not to excessively limit the autonomy of banks and to respect the fundamental principle of proportionality;

- EU Delegated Regulation "*Regulatory Technical Standard (RTS)*" of 4 March 2014, no. 604[6] issued by the European Commission, on a proposal from the EBA, again under CRD IV governing the Risk Taker identification process.
- The *EBA Guidelines* - WG 2014/7 and 2014/8 of 16 July 2014, which, inter alia, in accordance with CRD IV, outline the collection methods and signage formats to be used by intermediaries for the transmission of information, relating to their remuneration schemes, to national supervisors who then send it to the EBA[7].

5. GOVERNANCE OF THE REMUNERATION AND INCENTIVE SYSTEM

The Bank draws up the Policy, which constitutes the report on the overall Group remuneration and incentive policies, ensures the overall coherence, establishes the necessary Guidelines for its implementation, and verifies its correct application, taking into account the specific features of national law in the countries in which the Group companies are based.

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

In cases of non-compliance between the provisions of the Policy and the regulations of the Subsidiaries' countries, the CEO shall first obtain the opinion of the Compliance & AML Function in order to resolve the conflict of laws and implementing the Policy.

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[6] Delegated Regulation (EU) No 604, adopted on 4 March 2014 under Article 94 of CRD IV on a proposal from EBA, supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards on qualitative and quantitative criteria for the identification of categories of personnel whose professional activities have a material impact on the risk profile of the institution.

[7] In particular, the guidelines concern:

1. the collection from all banks and investment firms of information regarding high earners, i.e. those whose Total Remuneration is equal to at least € 1 million on an annual basis (GL 2014/07, "*Guidelines on the data collection exercise regarding high earners*");
2. the so-called benchmarking activity, aimed at monitoring and comparing remuneration trends and practices - in particular of risk takers - in a sample of significant European intermediaries, selected by the competent supervisory authorities according to the representativeness criteria provided by the EBA (GL 2014/08, "*Guidelines on the remuneration benchmarking exercise*").

If the Parent Company finds that the implementation of the Policy by the Subsidiaries is not consistent with the guidelines dictated by the Parent Company or in compliance with the applicable regulations, it shall request the appropriate amendments, including the removal of the defaulting administrative bodies.

The role of the Bank's corporate bodies and Control Functions in defining and implementing the remuneration and incentive system, as provided for in the Supervisory Provisions on Remuneration, is described below.

5.1 Meeting

With reference to remuneration and incentive 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. approves any remuneration plans based on Financial Instruments;

iv. approves the criteria for determining the remuneration to be granted in the event of early termination of the employment relationship or early termination of office, including therein the limits set to such remuneration in terms of annuities of the Fixed Remuneration and the maximum amount deriving from their application;

v. expresses itself by means of a consultative vote, at least once a year, on the information on the remuneration and incentive policies adopted by the Bank, and on their implementation according to the procedures defined by the Supervisory Provisions on Remuneration. This disclosure contains the same information regarding remuneration and incentive schemes and practices provided to the public, in compliance with the provisions of the Supervisory Provisions on Remuneration.

vi. approves the raising of the limit of the ratio between Variable and Fixed Remuneration from 1:1 to a maximum of 2:1 for Risk Takers. This authorization was implemented by the Shareholders' Meeting resolution of 5 December 2016 by which the Shareholders' Meeting approved the proposal of the Board of Directors to raise the limit of the ratio between Variable and Fixed Remuneration from 1:1 to a maximum of 2:1 (with the exception of Personnel belonging to the Corporate Control Functions for whom the ratio between Variable and Fixed Remuneration does not exceed the limit of one third).

The aforementioned meeting resolution, was adopted:

a) in compliance with the qualified majorities required by Supervisory Provisions on Remuneration[8];

b) following the prior notification to the Supervisory Authority provided for by the regulations referred to in the above-mentioned Supervisory Provisions on Remuneration[9].

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 by Personnel;

ii. approves the remuneration and incentive schemes for the Relevant Personnel of the Board of Directors. In particular, it approves the entire remuneration package of the Chief Executive Officer, including any allocation of stock options to same;

iii. approves the Policy drawn up in accordance with the Transparency Regulations for "Relevant Persons”;

[8] The Supervisory Provisions on Remuneration provide that approval by the Shareholders' Meeting must be given with the favorable vote of at least two-thirds of the share capital represented at the Shareholders' Meeting, when it is constituted with at least half of the share capital, or, when this is not the case, with the favorable vote of at least three-fourths of the share capital represented at the Shareholders' Meeting, whatever the share capital with which the Shareholders' Meeting is represented.

[9] The procedure provides for the transmission to the Bank of Italy or the European Central Bank, at least 60 days prior to the date on which the shareholders' meeting decision is taken, of the proposal to be submitted to the Shareholders' Meeting, together with the specific indications and evidence demonstrating that the highest limit or limits, for the most relevant personnel or for certain categories of personnel, do not prejudice compliance with prudential regulations and, in particular, with those concerning own funds requirements.

iv. verifies that the remuneration paid to the Chairman, the Chief Executive Officer, the non-executive directors and the members of the control bodies complies with the indications given by the Remuneration Committee;

v. shall be responsible for the administration of stock option plans by, inter alia:

   a) determining the maximum number of stock options to be allocated to the beneficiaries in relation to each tranche;

   b) identifying the beneficiaries of each tranche with regard to the Relevant Personnel of the BoD;

   c) reallocating options granted to the Relevant Personnel of the Board of Directors, which have become available to the Bank in accordance with the regulations of the stock option plans;

vi. ensures that remuneration and incentive schemes are consistent with the Bank's overall decisions[10], in terms of risk taking, strategies, long-term objectives, corporate governance structure and internal controls.

5.3 Chief Executive Officer

The Chief Executive Officer:

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

ii. defines and approves the operative 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) Group Executives and senior managers of the Bank who are not directly reporting to the Chief Executive Officer;

   b) all other Group Personnel that do not fall, in terms of remuneration, within the competence of the Shareholders' Meeting and/or the Board of Directors.

[10] The Board of Directors may resolve incentives for acquisition integration processes in addition to the annual MBO targets, always in compliance with the 2:1 limit.

iv. defines, for the Group's Subsidiaries, the remuneration systems that do not fall within the competence of the Board of Directors and the Bank's Remuneration Committee, taking into account the local reference regulations;

v. identifies the beneficiaries of the stock option plans and the number of stock options to be granted to those who are not Relevant Personnel of the Board of Directors in accordance with the provisions of the plans. It also carries out the administrative activities of the stock option plan delegated to it by the Board of Directors or pursuant to said plans;

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

5.4 Remuneration Committee

The Remuneration Committee is a body of a consultative and proactive nature supporting the Board of Directors with regard to personnel remuneration and incentive policies. It is composed of three non-executive members of the Board of Directors, at least two of whom are independent. The Chairman of the Remuneration Committee is chosen from among the independent director.

Within the scope of these functions the Remuneration Committee:

i. contributes to the definition of the General Principles described in Chapter 2;

ii. formulates proposals and/or expresses opinions to the Board of Directors on the Remuneration, and on the performance, objectives related 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, “widespread shareholding structure” etc.), the targets linked thereto, as well as the assessment criteria of their achievement;

  b) opinions and proposals on identifying Risk Takers;

  c) opinions on the determination of the indemnities to be paid in the event of early dismissal or termination of office (so-called golden parachutes); assesses the possible effects of the termination on the rights assigned under incentive plans based on Financial Instruments;

iv. directly supervises the correct application of the rules relating to the Remuneration of the heads of the Corporate Control Functions, the Human Resources and Organizational Development Functions, the Chief Reporting Officer, in close liaison with the Board of Statutory Auditors;

v. prepares the documentation to be submitted to the Board of Directors at meetings called to discuss remuneration issues, in particular, it prepares the Report, in compliance with the deadlines set for its presentation at the Shareholders' Meeting;

vi. examines the vote cast by the Shareholders' Meeting on the Policy drawn up pursuant to art. 123-ter of the Consolidated Finance Act[11], and submits the relevant 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. ensures the involvement of the competent corporate functions, each according to their respective competences (Human Resources & Organizational Development Function, Risk Management, Compliance, Group Planning and Control, and Internal Audit), in the process of preparing and controlling the Policy;

ix. expresses itself, also making use of the information received from the competent company departments, on the achievement of the performance objectives to which the incentive plans are linked and on the assessment 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, availing itself

[11] Art. 123-ter of the TUF: "(Omissis). The first section of the remuneration report specifies:
a) the company's policy on the remuneration of members of the board of directors, general managers and executives with strategic responsibilities with reference to at least the following financial year;
b) the procedures used for the adoption and implementation of this policy. *(Omissis)*".

in this regard of 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 Remuneration Committee, verifying, in particular, the actual achievement of the performance objectives;

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

xiii. provides adequate feedback on the activity carried out by it to the company bodies, to be made in compliance with the applicable regulations. In particular, through the Chairman of the Committee or another member designated by the latter, it reports to the Shareholders' Meeting called to approve the financial statements for the year on the manner in which it performs its functions;

xiv. near the renewal of the mandate of the Board of Directors, it shall draw up, using sector benchmarks, indications so that the amount of the remuneration paid to the Chairman, the Chief Executive Officer, the non-executive directors and the members of the control bodies is adequate for the expertise, professionalism and commitment required by their office;

xv. having regard also to the results of the activities referred to in point xiv) above, formulates proposals and/or expresses opinions to the Board of Directors on the remuneration of the following persons (a) the Chairman of the Board of Directors, (b) the Chief Executive Officer, and the other directors who hold special offices and/or positions (including, therefore, the members of Committees), including the setting of performance objectives related to the variable component of the remuneration of executive directors, (c) Senior Executives, (d) Executives who report directly to the Chief Executive Officer, and (e) the heads of the Corporate Control Functions of the Parent Company. The opinions and proposals referred to in points (c), (d) and (e) are expressed on the basis of a discretionary assessment, conducted taking into account, inter alia, the following parameters:

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

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

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

xvi. supports the Board of Directors in verifying that the remuneration paid to non-executive directors and members of the control bodies corresponds to the indications set out in point xiv);

xvii. performs the additional tasks that the Board of Directors may assign to it by means of specific resolutions.

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

If the Board of Directors has not determined the annual expense budget available to the Committee to carry out its activities, the Committee will submit a request for approval of the relevant expense items to the Board of Directors.

5.5 Control and risk committee

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

In performing this function, it collaborates with the other committees within the Board of Directors, in particular with the Remuneration Committee. The Control and Risk Committee, in coordination with the Remuneration Committee, examines 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

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

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

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

The Risk Management Function verifies the achievement of the Variable Remuneration access gates, including the results of the EBTDA RA, and the consistency of the incentive system with the risk management methodologies.

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

5.7 Chief Reporting Officer

The Chief Reporting Manager provides the accounting data necessary to verify the objectives and, where required by his business plan, verifies the performance management process for the payment of the Variable Remuneration, as per paragraph 10.2.3.1 (MBO of Employees).

5.8 The Human Resources and Organizational Development function

The Human Resources and Organizational Development function:

i. applies the provisions contained in the Policy by translating them operationally, within the limits provided by the role and the powers granted;

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

iii. carries out benchmark analyses with respect to the reference labor market, and equity analyses within the company in order to determine:

   a) proposals for revising the Policy;

   b) a review of the remuneration and incentive system in terms of the instruments, methods, operating mechanisms and parameters adopted by the Bank;

iv. coordinates the process of identifying and defining Risk Takers;

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

vi. monitors regulatory developments in employment law and the rules governing the remuneration system;

vii. initiates the verification process on the conditions of Malus and Claw Back, making use of the Internal Audit Function for the appropriate verifications.

6. ADOPTION AND CONTROL PROCESS OF THE POLICY

6.1 Adoption process of the Policy

The Bank adopts the Policy through the following process which takes place at least once a year.

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

ii. The Human Resources and Organizational Development Function submits the draft updated Policy to the Chief Executive Officer.

iii. The Chief Executive Officer submits the Policy to the Board of Directors for its approval, together with the specific opinion of the Compliance and AML Function.

iv. The Board of Directors, after hearing the opinion of the Remuneration Committee and the Control and Risk Committee, decides to approve the Policy and submit it to the Shareholders' Meeting for approval.

v. The Shareholders' Meeting resolves on the adoption of the Policy.

6.2 Policy application and implementation control process[12]

The Human Resources and Organizational Development Function is the corporate structure in charge for applying the Policy at Group level.

In particular, at least once a year, the Human Resources and Organizational Development Function, also on the basis of the analysis of the job market, organizational changes or strategic guidelines of the Group, verifies the need to review the Policy. The Human Resources and Organizational Development Function also checks the Personnel incentive system, in terms of instruments, methods, operating mechanisms and parameters adopted by the Group, in order to implement the provisions of the Policy.

The implementation of the Policy is subject, at least once a year, to verification by the Compliance and AML Function, the Internal Audit Function, and the Risk Management Function, each according to their respective competencies, in order to ensure that the Policy's Supervisory Provisions on Remuneration are adequate and compliant and that it functions properly.

7. DEFINITION OF RISK TAKERS AND CLASSIFICATION OF COMPANY OFFICES[13]

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 Risk Takers by means of an assessment process at least once a year - entrusted to the Board of Directors, with the support of the Human Resources and Organizational Development Function and the Regulation & Processes, and with the Risk Management Function - carried out on the basis of the qualitative and quantitative criteria set out in Regulation (EU) no. 604/14, the Group's internal regulations, company procedures, the job description and the individual proxies.

[12] Regulatory references: art. 123-ter TUF, Scheme 7-bis of Attachment 3A to the Issuers' Regulations.
[13] Regulatory references: Remuneration Supervisory Provisions, Section I par. 6, Delegated Regulation EU 604/2014.

Therefore, taking into account the levels of autonomy between the various roles and their impact on the business, the Board of Directors shall identify, by means of a specific resolution, the Risk Takers after an assessment by the Human Resources and Organizational Development Function with the support of the Risk Management, and Compliance and AML Functions, after hearing the opinion of the Remuneration Committee.

In addition, whenever the Bank or one of its Subsidiaries establishes a new employment and/or collaboration relationship, the Human Resources and Organizational Development Function carries out an assessment to verify whether or not this person belongs to the Risk Taker category, based on the qualitative and quantitative criteria set out in *Regulation (EU) no. 604/2014*.

The self-assessment process based on qualitative criteria led to the identification of 35 positions for 2020, 3 positions less than the outcome of the last update of the process presented in July 2019. In particular, the change is due to 3 persons who, following the organizational change implemented by the Bank with effect from 1 April 2019, no longer hold roles such as to take decisions capable of affecting the Bank's risk profile.

The application of the quantitative criteria has led to the identification of a further 11 persons compared to those already identified in application of the qualitative criteria, who are excluded from the Risk Takers scope as these individuals do not have a significant impact on the Bank's risk profile, taking into account:

- high level of centralization of the processes that involve them;
- powers granted and exercised in day-to-day business;
- the possibility of taking risk positions and generating profits;
- activity carried out and effective daily operations;
- decision-making powers within the scope of the tasks assigned to them;
- participation in formal 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

All Directors:

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 as provided for the Chief Executive Officer (and any executive directors), in no case are the Directors entitled to Variable Remuneration.

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 executives 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 ex ante, and consistent with the role assigned to him.

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)[14] and which includes:

[14] Specifically, to the Chief Executive Officer apply the general principles relating to:

(i) the ratio between Variable and Fixed Remuneration as per point 10.2.2 (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 10.2.2.1 (Methods of disbursement of Variable Remuneration),

a) an MBO whose maximum opportunity is equal to 100% of the Fixed Remuneration (excluding Benefits), linked to the achievement of the EBTDA RA Target and conditional upon the:

- exceeding of gates linked to the liquidity, equity and profitability indicators provided for in subsections i., ii. and iii of sub-section (C) of paragraph 10.2.3.1 (Verifying the achievement of company objectives), as well as on the;
- achievement of a ratio between EBTDA RA / Target EBTDA RA at least equal to 100%, unless otherwise decided by the Board of Directors in compliance with the criteria and conditions provided for the disbursement of the MBO of Senior Executives, Executives and other executives of the Bank, as provided for in point (D) of paragraph 10.2.3.1 (Application of multipliers);

b) stock options that may be assigned by the Board of Directors under the stock option plans in place;

The variable remuneration of the Chief Executive Officer is paid in accordance with paragraph 10.2.2.1, point (D).

c) a retention bonus[15],

(iii) ex-post correction mechanisms (Malus and Claw Back) referred to in point 10.2.2.2 (Ex post correction mechanisms (Malus and Claw Back)),

(iv) activation process of Malus and Claw Back mechanisms referred to in point 10.2.2.3 (Activation Process of Malus and Claw Back mechanisms).

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

[15] On 14/01/2020, the event linked to the activation of the retention bonus provided for in the agreement in force with the Chief Executive Officer, i.e. the stake held by BFF Luxembourg S.à.r.l, in the Bank, was reduced below 25% of the Bank's share capital. As a result of this event, a total amount of €2,301,000 (3 times the fixed remuneration) became payable by the Company to the Chief Executive Officer on that date, subject to the applicable rules on variable remuneration described in this Policy. For the purposes of calculating the ratio of Fixed Remuneration to Variable Remuneration, the amount of the retention bonus is allocated pro-rata for each year of the stability period and therefore from the year in which the retention bonus was agreed (2017) until the event occurred. The up-front portion of € 1,610,700 was paid on 27 February 2020 taking into account, respectively, the cash portion and the portion in financial instruments whose acceptance has been communicated to the market in compliance with the regulations on internal dealing pursuant to art. 19 EU Regulation 596/2014, so-called MAR.

d) a golden parachute potentially payable to the Chief Executive Officer on termination of office, of a value equal to the highest amount among the following:

- 1.8 times the sum of the Fixed Remuneration (excluding Benefits) and the target MBO[16];
- the amount of € 2,301,000.00

e) a non-competition agreement.

Different and/or additional forms of Fixed Remuneration and Variable Remuneration may be provided for when certain requirements are met, evaluated from time to time, also on the basis of the extent of the proxies granted from time to time. Any further forms of Fixed Remuneration and Variable Remuneration may be granted within the limits of the applicable regulations from time to time, and the provisions of the Policy.

Other executive directors may be paid Fixed Remuneration and Variable Remuneration, which may include all or some of the components provided for the Chief Executive Officer.

The independent directors[17], like the other directors, receive the compensation set by the Shareholders' Meeting for all directors in addition to the reimbursement of expenses actually incurred in the performance of their duties. No additional remuneration is envisaged, with the exception of that paid for positions held on the Board of Directors' committees.

8.2 Statutory Auditors

Statutory Auditors:

i. receive a remuneration established by the Shareholders' 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.

[16] "Target MBO" means the minimum value other than zero attributable to the Chief Executive Officer as MBO in the relevant year.

[17] Independent directors are those members of the Board of Directors who meet the independence requirements set forth in Article 148, paragraph 3, of the TUF, and/or Article 3 of the Corporate Governance Code, unless otherwise provided for by law.

The Chairman of the Board of Statutory Auditors receives a higher remuneration than that paid to the Statutory Auditors, established by the Shareholders' 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 executives 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. The amount of the Fixed Remuneration is established on the basis of market practice and responsibilities assumed, to guarantee the independence and autonomy of the function, and the diligent performance of the task. These persons cannot receive Variable Remuneration.

For the members of the Supervisory Board who are Employees, on the other hand, there is no remuneration for the position.

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 paragraph of the Italian Civil Code, determined by the Board of Directors for those offices.

9. REMUNERATION POLICIES FOR THE CORPORATE CONTROL FUNCTION, HUMAN RESOURCES AND ORGANIZATIONAL DEVELOPMENT FUNCTION AND THE CHIEF REPORTING OFFICER

The allocation of Variable Remuneration for the Corporate Control Functions, for the Head of the Human Resources and Organizational Development Function, and for the Chief Reporting Officer is limited and subject to corporate sustainability objectives ("gate"). In particular, the recognition of Variable Remuneration to these individuals is subject to compliance with regulatory capital and liquidity gates, like the rest of the Personnel, and not, on the other hand, to economic parameters and components that are not consistent with the tasks assigned to them, their responsibilities and the objectives achieved.[18]

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

For the Managers of the Corporate Control Functions only, the ratio of Variable Remuneration to Fixed Remuneration must not exceed the limit of one third. Normally, this limit is applied to all Personnel of the Group's Corporate Control Functions.

10. REMUNERATION STRUCTURE[19]

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

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

10.1 FIXED REMUNERATION

The Fixed Remuneration is related to the experience and professional skills of the persons working in the company, also on the basis of the roles covered. Fixed Remuneration is also quantified for the purpose of attracting and/or retaining talent (eg, allowances and merit increases linked to stability agreements, provided that the increase is of a stable and irrevocable nature, is determined in the amount, is motivated, does not create incentives to take risks and does not depend on personal and/or Bank performance).

Fixed Remuneration includes, as defined, also Benefits.

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

The determination of the Fixed Remuneration is based on certain principles consistent with the Code of Ethics and can be summarized 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;

[19] Regulatory references: Scheme 7-bis of Annex 3A to the Issuers' Regulations.

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

iii. meritocracy, which consists in the enhancement 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 recognition of Variable Remuneration and the correlation between risk and performance is achieved through a process that aims to remunerate personnel in compliance with the risk profile defined by the Risk Appetite Framework (RAF), and with a view to business continuity and sustainability of long-term results.

In particular, variable remuneration is paid when the conditions of (i) liquidity (Liquidity Coverage Ratio LCR), (ii) and capital (Total Capital Ratio), equal at least to the level of "risk tolerance" approved by the Board of Directors, and defined within the RAF in force at the end of the financial year to which the incentive scheme refers, and (iii) positive risk-adjusted profitability and cost of capital (EBTDA Risk Adjusted (or EBTDA ^{RA}).

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

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

(i) short-term incentive schemes, (MBO);

(ii) long-term incentive plan, stock option plans;

(iii) VAP;

(iv) any retention bonuses, discretionary retirement benefits, golden parachutes and other components of the Policy.

No form of guaranteed Variable Remuneration is allowed, except in exceptional cases, for the hiring of new personnel and limited to the first year of employment or office (e.g. entry bonus). These forms of guaranteed Variable Remuneration:

i. cannot be paid more than once to the same person;

ii. are not subject to the rules on the structure of Variable Remuneration if paid in a lump sum at the time of hiring (i.e. rules on balancing cash and Financial Instruments, deferral and retention);

iii. contribute to the determination of the limit of the ratio between Fixed Remuneration and Variable Remuneration for the first year, unless paid in a lump sum at the time of hiring.

The disbursement of the Variable Remuneration, both up-front and deferred, with the exception of the golden parachute provided for in paragraph 10.2.3.6 (Golden Parachute), is also subject to the following conditions:

i. for Employees, when the employment relationship with the Bank and/or the Subsidiary Companies continues, not on notice and not pending disciplinary proceedings that may be closed with dismissal on the date of payment;[20]

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

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

In this regard, with a view to avoiding possible circumvention of regulations 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 elusive, also with regard to Subsidiaries. In this regard, the Bank may ask the Group's Risk Takers to report any opening of custody and administration

[20] Please, see Note 15 regarding the general principles applicable to Variable Remuneration of the Chief Executive Officer.

accounts with other intermediaries and any financial transactions or investments made that could affect the Group's risk alignment mechanisms.

10.2.2 *Ratio* between Fixed and Variable Remuneration

The basis for the calculation of the ratio between Fixed Remuneration and Variable Remuneration is the gross annual value of all the elements of Fixed Remuneration, including Benefits, relevant for tax purposes.

The maximum limit for the incidence of Variable Remuneration on Fixed Remuneration is 2:1, as established by the Shareholders' Meeting of 5 December 2016[21], in compliance with the Bank of Italy's advance information procedure.

This limit has been determined in a logic of total Remuneration taking into account compliance with current regulations, consistency between the different roles and responsibilities, and comparison with the external reference market.

For the Heads of the Corporate Control Functions, the ratio between Variable Remuneration and Fixed Remuneration must not exceed the limit of one third.

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

[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 a subsequent resolution to confirm it was needed in subsequent years. The update of the Supervisory Provisions on Remuneration of 23 October 2018 then clarified that "*if the Shareholders' Meeting approves the increase in the limit, it is not necessary in subsequent years to submit a new resolution to the Shareholders' Meeting, provided that the conditions on the basis of which the increase was approved, the personnel to whom it refers and the extent of the limit itself have not changed*" (Remuneration Supervisory Provisions, Section III).

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

10.2.2.1 VARIABLE REMUNERATION PAYMENT MODALITIES[23]

(A) Payment mechanism

Without prejudice to the provisions of paragraph 10.2.2.1 point (D), in relation to the "particularly high" variable compensation of Chief Executive Officer, heads of the main corporate functions, and direct reports to the Board of Directors, in order to ensure long-term sustainability, the payment of short-term variable compensation (MBO) is as follows:

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

ii. 30% with a two year deferral[24] from its maturity. By way of example, for the year ending 31 December 2020, the deferred component of the Variable Remuneration will be paid out after the Shareholders' Meeting has approved the financial statements for the year ended 31 December 2022.

The rules of payment described above also apply in the case of payment of retention bonuses or golden

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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 Policy's provision for 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 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 point (B) of paragraph 10.2.2.1 (Balance between cash and financial instruments);

  b) a deferral of 30% of the Variable Remuneration by two years instead of one and a half years and, in some cases, by three years instead of two and a half years, see point (A) (Payment mechanism) of paragraph 10.2.2.1;

  c) a retention period of six months.

iii. the Policy provides for specific ex post correction mechanisms (i.e. Malus and Claw Back), which may result in the reduction or zeroing of the Variable Remuneration previously paid, as a result of conduct that has resulted in a significant loss or damage to the Bank or its Subsidiaries.

[22] Regulatory references: Supervisory Provisions on Remuneration, Section III.

[24]Considering that the Bank is qualified, for the purposes of regulating remuneration policies, as an Intermediate Bank, it would be possible to apply a shorter deferral period than that indicated, up to one and a half years. The Bank has decided to adopt a more conservative approach by adopting a longer deferral period than that required by the Supervisory Provisions on Remuneration for Intermediate Banks.

parachutes, as described in paragraph 10.2.3.4 and paragraph 10.2.3.6 respectively.

The above does not apply to stock option plans put in place by the Group, for which the regulated deferral provisions apply with regard to the date from which the options vested under the respective plans may be exercised, as set out in the information documents published on the Bank's website, to which reference should be made for details.

No dividends or interest may be paid on the Financial Instruments before the end of the deferral period.

(B) Balancing cash and financial instruments

A portion of the Variable Remuneration, both up-front and deferred, is paid in the form of Financial Instruments. The Variable Remuneration must be balanced, as far as Risk Takers are concerned, at least 50%[25], between:

i. the Bank's shares, including shares issued pursuant to Article 2349 of the Italian Civil Code, and related instruments, including stock options; and

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

The number of the Bank's Financial Instruments to be assigned for the balancing purposes set out in this paragraph is calculated with reference to the value of these instruments on the last trading day prior to the grant date or, for options assigned and vested under stock option plans, on the date of approval of the relevant plan.

(C) Retention period

In order to align the incentives with the Bank's long-term interests, the instruments provided for in the Policy are subject, with reference to Risk Takers, to a retention period. The retention period, both for Financial Instruments paid up-front and those subject to deferral, is at least 6 months[26]. In the case of deferred Financial Instruments, the retention period begins at least from the time the deferred variable compensation (or a portion thereof) is paid.

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[25] The minimum limit for intermediate banks is 25%. The Bank, in this case, established a more conservative minimum limit as envisaged for significant banks.

[26] Since the Bank qualifies as an Intermediate Bank, in accordance with the Supervisory Provisions on Remuneration, the retention period, normally not less than 1 year, may be reduced by no more than half.

The regulations of the financial instrument plans include, with reference to the options and shares that can be granted in the event of exercise, provisions aimed at ensuring compliance with the retention regulations.

During the retention period, the Financial Instruments:

i. accrue interest and/or dividends (with the exception of stock options); and

ii. may not be disposed by the Risk Takers.

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

i. Malus and Claw Back mechanisms described in paragraph 10.2.2 below (Ex post correction mechanisms (Malus and Claw Back));

ii. with regard to Employees, disciplinary proceedings pursuant to art. 7, Law no. 300 of 20 May 1970 (so-called Workers' Statute).

When allocating financial instruments, the Bank may provide for penalties to be paid by the Risk Taker who has violated the retention period.

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

(D) "Particularly high" Variable Remuneration of the Chief Executive Officer, heads of the main corporate functions and direct reports to the Board of Directors

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

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

This value, according to the report published by the EBA with reference to December 2017 data, is € 424,809;

ii) 10 times the average total remuneration of the Bank's employees.

The Bank has calculated this amount considering the Bank's perimeter which is equal to € 598,582.36.

As a result, variable remuneration in excess of €424,809 for the three-year period 2020-2023 is considered particularly high.

The variable compensation of the Chief Executive Officer, Senior Executives and Executives reporting directly to the Chief Executive Officer, if considered "particularly high", is subject, for 30%, to a deferral period of at least 2.5 years from the vesting date[27].

10.2.2.2 EX-POST CORRECTION MECHANISMS (MALUS AND CLAW BACK)

Variable remuneration, including golden parachutes, is subject to ex post correction mechanisms (Malus and Claw Back), which may lead to a reduction, even significant, or to the zeroing of the variable component. The correction mechanisms must be identified to the extent permitted by law and collective agreements applicable to employment relationships, reflecting performance levels net of the risks actually assumed or achieved and capital levels, as well as individual conduct. The Board of Directors of the Parent Company shall ascertain, availing itself of the company functions pursuant to paragraph 10.2.2.3 (Activation Process of Malus or Claw Back mechanisms), the conditions that determine the activation of the ex post correction mechanisms with reference to the Relevant Personnel of the Board of Directors, and shall resolve on their application in accordance with the procedures set out in the Policy. The Chief Executive Officer takes care of the remaining Personnel, making use of the competent company functions and, where necessary, of the corporate bodies of the Subsidiaries.

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

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

The recognition of the variable part of the Remuneration ceases or, if already paid, must be returned, in the presence of the individual conduct of the person concerned, held in the context of the Group's activity and/or in any case of the professional activity of the person concerned, attributable to one or more of the following cases (the "Claw Back" conditions):

i. conduct resulting in a significant loss for the Group, the Bank or its Subsidiaries or clients; in this regard, it should be noted that the Board of Directors of the Parent Company determined by resolution of 2 March 2015 the minimum threshold of this loss corresponding to the "average" risk indicated in the "Group Risk Management Policy", adopted by the Group, corresponding to € 1 million;

ii. the loss of one or more of the requirements of professionalism, integrity and independence referred to in art. 26 TUB for persons belonging to the Personnel who carry out administration, management and control functions;

iii. violation of the obligations provided for in Article 53, paragraph 4 et seq. of the TUB by the persons indicated therein, with regard to the assumption by the Group of risk-taking activities with regard to those who can directly or indirectly exercise influence on the management of the Bank or the Group as well as persons connected to them, as well as in situations of conflict of interest and/or in violation of the conditions and limits identified by the Bank of Italy pursuant to the aforementioned Article 53 of the TUB;

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

v. specific conduct carried out with gross negligence or willful misconduct, which has resulted in financial or non-financial damage, including damage to image, to the Group, the Bank or Group companies, even if not fully quantifiable, including, by way of example and without limitation:

   a) violation of confidentiality and non-competition obligations during the employment relationship with the Bank;

   b) violation of any post-contractual confidentiality and non-competition obligations, such as non-competition clauses also pursuant to art. 2125 of the Italian Civil Code;

vi. infringement with gross negligence or willful misconduct, of obligations provided for by Legislative Decree no. 231/2001 or the Code of Ethics adopted by the Bank;

vii. fraudulent conduct or other conduct carried out with gross negligence or willful misconduct to the detriment of the Group, the Bank, clients or Group companies.

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

Malus and Claw Back mechanisms are activated when the Bank ascertains that Malus and Claw Back apply in accordance with the procedure indicated in paragraph 10.2.2.3 (Activation process of Malus and Claw Back Mechanisms).

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

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

With reference to stock option plans, if the Internal Audit function, at the request of the Board of Directors, for Relevant Personnel of the Board of Directors, and the Chief Executive Officer, for the remaining Personnel, ascertains one or more Malus conditions before the vesting date, the beneficiary loses all the options granted and not yet vested.

Vested options that have not yet been exercised are subject to Claw Back if the relevant conditions are ascertained by the Internal Audit Department after the vesting date and before the exercise of the vested options.

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

10.2.2.3 ACTIVATION PROCESS OF MALUS AND CLAW BACK MECHANISMS

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

The Internal Audit Function, also at the request of the Board of Directors, for the Relevant Personnel of the Board of Directors, and the Chief Executive Officer, for the remaining Personnel, carries out the necessary investigations to ascertain the facts that may lead to the activation of the Malus or Claw Back mechanisms. The investigations are carried out by the Head of the Internal Audit Department, who relies on her department to carry out the initial information analysis process.

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

i. If the conditions are met, before activating the Malus or Claw Back mechanisms:

ii. with respect to an employee, the disciplinary procedure is activated in accordance with Article 7, Law no. 300/1970 and the applicable collective agreement. With the communication concluding the disciplinary procedure (or with separate communication), the person in question is informed of the activation of the Malus or Claw Back mechanisms;

iii. with respect to a person who has a relationship other than employment, or with respect to persons who no longer have any relationship with the Bank, the following procedure is activated:

   a) the facts that are assumed to activate the Malus or Claw Back mechanisms must be notified in writing to the person concerned, who is guaranteed the right to provide his or her defense in writing within a reasonable period proportionate to the complexity of the facts complained of, in any case not less than 5 calendar days;

   b) once the party concerned has been heard in his or her defense (or after the deadline assigned without the party concerned having presented his or her defense), the Chief Executive Officer, keeping the Board of Directors (or the Board of Directors for the Relevant Personnel of the Board of Directors) informed, may proceed with any measures that may be taken.

The decision must be communicated to the person concerned in writing, and reasons must be given. Reasons shall be given for the decision, which refers to the offenses committed, identifies the rules that have been violated and the reasons why the person's defense cannot be accepted.

10.2.3 Variable Remuneration Structure for Employees

The Variable Remuneration is comprised of various components, including:

10.2.3.1 MBO for Employees

The MBO for Employees[28] is a formalized incentive system that provides for the possible payment - based on gross annual remuneration - of an incentive, if necessary, against the achievement of qualitative and quantitative corporate and individual objectives. The mix between quantitative and qualitative objectives is appropriately balanced according to the roles and responsibilities of the entitled Employees. The MBO provides retention mechanisms for all employees, i.e. payment conditional on the continuation of the employment relationship. These mechanisms, on the other hand, are not provided for the rest of the Personnel.

For Employees, length of service of at least 6 months in the financial year of reference is normally required, in addition to presence in the Group - not during the period of notice and not pending disciplinary proceedings that end with dismissal - when the MBO is paid out.

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

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

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

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

[28] For the MBO of the Chief Executive Officer, see paragraph 8.1 (Directors).

incentive system.

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

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

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

(A) Target setting

Within the first quarter of each year, on the basis of the guidelines provided by the Chief Executive Officer, and through a process aimed at full alignment and wider sharing, all managers of Organizational Units/Functions/Departments communicate to their staff their respective quali-quantitative objectives, on the basis of which, at the end of the year, individual performance will be assessed and the related Variable Remuneration as MBO will be determined. In particular, the MBO objectives are assigned as follows:

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

ii. for the rest of the Bank's Employees, the objectives are approved by the Chief Executive Officer;

iii. for the Risk Takers of the Subsidiaries, the objectives are approved by the Chief Executive Officer;

iv. for the rest of the Employees of the Subsidiaries, the objectives are approved by the Chief Executive Officer of the Subsidiary in question, after consultation with the Human Resources and Organizational Development Department, on the basis of the delegation of powers structure.

(B) Monitoring the achievement of individual targets

The achievement of the quantitative objectives linked to the individual performance of the Group's Employees is assessed by the following company departments:

i. Group Planning and Control B.U., if of a financial nature;

ii. Strategy and Projects B.U., if 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 associate and approved by the Chief Executive Officer.

Individual quality objectives are linked to organizational behavior and are assessed directly by the head of the individual department concerned on a granular evaluation scale. In order to make the evaluation of the qualitative objectives as objective as possible, annual quantitative drivers are identified and related to the performance of the B.U. or Function or Department to which it belongs, whose overall results support the evaluation of the organizational behavior of the individual in achieving the driver identified. These drivers make it possible to argue more precisely the evaluation of the individual's performance in relation to concrete objectives that are considered important from year to year for the department to which they belong.

(C) Monitoring the achievement of corporate targets

With regard to the annual objectives, employees are expected to apply 3 "gates" in the relevant year, in addition to the possibility of activating Malus[29] and Claw Back mechanisms, linked to compliance with indicators of (i) liquidity, (ii) capital and (iii) positive risk-adjusted return and cost of capital (EBTDA Risk Adjusted (or EBTDA RA).

[29] Gates observance with reference to the year prior to the payment of deferred portion of the Variable Remuneration works for Employees as Malus condition according to what is set out in point 10.2.2.2 (Ex post correction mechanisms (Malus and Claw Back).

In particular:

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

ii. the Group's capital indicator adopted as the gate corresponds to a Total Capital Ratio (TCR) level at least equal to the level of "risk tolerance" approved by the Board of Directors, and defined within the RAF in force at the end of the financial year to which the MBO refers, and, in any case, in compliance with the requirements dictated by supervisory regulations on remuneration;

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

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

The profitability gate does not apply to the MBO of:

- Corporate Control Functions;
- Chief Reporting Officer;
- Human Resources and Organizational Development Function.

(D) Application of multipliers

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

In particular:

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

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

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

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

If, on the other hand, the above-mentioned percentages are reached, the EBTDA RA / Target EBTDA RA ratio operates as a multiplier of the Employee MBO. This multiplier can increase the MBO up to 40% for senior executives, executives and other executives of the Bank and up to 30% for employees. This multiplier can also be decreasing in the event of results below the EBTDA RA Target and still allow the MBO to be disbursed for middle managers and employees, even if the EBTDA RA Target has not been reached.

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

- Corporate Control Functions;
- Chief Reporting Officer;
- Human Resources and Organizational Development Function.

ii. a second multiplier is linked to Customer Satisfaction. This business performance indicator is formulated on the basis of a survey conducted by the Sales B.U., which can increase the MBO up to a maximum of 9%. This indicator is valid as a multiplier only in an incremental sense.

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

10.2.3.2 VAP

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

i. in cash;

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

iii. through Financial Instruments.

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

10.2.3.3 STOCK OPTION PLANS

As part of its incentive policies and in compliance with applicable regulations, the Bank adopts stock option plans based on the grant of options giving the right to receive ordinary shares of the Bank.

The purpose of these plans is to:

i. encourage the integration of Personnel, making them share in the company's results;

ii. make Personnel aware of the creation of value for the Group and the shareholders;

iii. increase the retention capacity (retention of key resources) of Personnel by decreasing the propensity to resign from the Group by valuable professionals;

iv. improve the Group's competitiveness on the labour market, making it more attractive to the best talents with professionalism and skills appropriate to the Group's needs;

v. promote the Bank's sustainability in the medium to long term, and ensure that the Variable Remuneration is based on the results actually achieved.

The value of stock options awarded to beneficiaries:

i. is determined on the basis of fair market value using valuation methods and parameters commonly used and recognized by the financial community (the valuation is constructed using the Black-Scholes formula), proposed by the Risk Management Function and approved by the Board of Directors;

ii. constitutes Variable Remuneration on a par with the MBO, with which it contributes to the determination of the 2:1 limits and the 50/50 ratio (between cash and Financial Instruments), where applicable, in the year of stock option vesting[30].

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

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

10.2.3.4 RETENTION BONUS

Variable Remuneration may be envisaged linked to the length of stay of Personnel until a certain date or a certain event (retention bonus). Retention bonuses are allowed, where there are justified and documented reasons, in situations where it is important for the Bank to guarantee the stability of the relationship for a predetermined period of time or until a given event (e.g. to complete a corporate restructuring process or an extraordinary operation, or to incentivise the stability of the relationship until a change of control occurs and/or afterwards).

Retention bonuses are awarded at the end of the period or occurrence of the event and may be or linked to performance targets. They are subject to all other rules applicable to Variable Remuneration, including the limit on the variable/fixed ratio. For the purposes of calculating this limit, the amount

[30] Paragraph 2.1.5, Section III of the Supervisory Provisions on Remuneration specifies that "*For the purpose of calculating the limit to the variable/fixed ratio, the amount of the long-term incentive plan shall be calculated in full in the year in which it is recognized*".

recognized as a retention bonus may be calculated in equal shares in each year of the period of continued employment (so-called linear pro rata), or as a single amount in the year in which the condition of continued employment is met.

10.2.3.5 DISCRETIONAL PENSION BENEFITS

To date, there are no discretional pension benefits for Personnel, and the Bank does not have any plans to make use of these instruments. However, Group companies, subject to the approval of the Board of Directors, for the Relevant Personnel of the Board of Directors, and the Chief Executive Officer, for the rest of the Personnel, have the right to grant discretionary pension benefits, as defined and provided for in the Remuneration Supervisory Provisions. In this case, the following criteria are observed when applying the provisions on Variable Remuneration to discretionary pension benefits[31]:

i. if the Personnel terminate their employment, partnership or office before having accrued the right to retirement, the discretionary pension benefits are invested in Financial Instruments, held in custody by the Bank for a period of five years, during which they accrue interest and/or dividends, and are subject to ex post adjustment mechanisms in accordance with the provisions of point 10.2.2 (Ex post correction mechanisms - Malus and Claw Back);

ii. if the employment relationship, partnership or office terminates after having accrued the right to a pension, the discretionary pension benefits are recognized to the employee in the form of Financial Instruments and subject to a retention period of five years, during which the Financial Instruments accrue interest and/or dividends;

iii. discretionary pension benefits are not included in the calculation of the 2:1 ratio limit between Variable and Fixed Remuneration.

10.2.3.6 GOLDEN PARACHUTE

The golden parachutes are approved by the Board of Directors for the Relevant Personnel of the Board, and by the Chief Executive Officer for the rest of the Personnel. They are golden parachutes[32]:

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[31] See Section III of the Supervisory Provisions on Remuneration.
[32] Note 16, of the *Supervisory Provisions on Remuneration*, Section III specifies that, for the purposes of the same, "golden parachutes" are not only the golden parachutes commonly intended (i.e. amounts recognized under an agreement for the composition of a current or potential dispute, whatever the forum in which it is achieved) but

i. the amounts recognized under the non-competition agreement;

ii. amounts recognized under an agreement to settle an existing or potential dispute relating to (or with a view to) termination of employment or office, wherever it is reached;

iii. the indemnity for failure to give notice, for the amount exceeding that determined by law.

(A) Non-competition agreements

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

The amounts paid as consideration for non-competition agreements are subject to the ex-post correction mechanisms provided for in the Policy only for the portion exceeding 100% of the Fixed Remuneration (excluding Benefits) of the last year of the employment relationship or office. These mechanisms apply to the portion of the non-competition compensation subject to ex-post correction mechanisms to the extent permitted by the relevant legislation and, as far as employees are concerned, by the collective agreements applied.

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

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

i. quantification on the basis of performance indicators measured net of risk, determined by the achievement of a positive risk-adjusted profitability of the Group, associated with compliance

also the fees of non-competition clauses and the indemnity of non-notice in the part that eventually exceeds the amount established by law.

with the target equity (TCR) and liquidity (LCR) limits, defined in the RAF, in force at the end of the financial year preceding the payment of the deferred variable remuneration;

ii. balance between cash and Financial Instruments;

iii. up front and deferred.

The following table shows the example of a three-year non-competition agreement, with a consideration of € 150,000 (i.e. € 50,000 for each year of the agreement's duration), for a Risk Taker with Fixed Remuneration of € 100,000 and who received, in the last year of his employment or office with a Group company, a Variable Remuneration of € 10,000.

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

(B) Amounts recognized in the context of an agreement to settle an existing or potential dispute

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

The Board of Directors, for the Relevant Personnel of the Board of Directors, and the Chief Executive Officer, for the remaining Risk Takers, may determine golden parachutes in the event of early termination of employment or termination of office, in compliance with the conditions provided for by current regulations and the criteria indicated below.

These amounts:

i. are not included in the calculation of the limit of 2:1 on the ratio between Variable and Fixed Remuneration approved by the Shareholders' Meeting resolution of 5 December 2016 if equal to or lower than 400%[33] of the Fixed Remuneration received in the last year of employment[34].

ii. are linked to the performance achieved and the risks assumed by the individual and the Bank, and are agreed in accordance with the criteria established by the Shareholders' Meeting;

iii. they are subject to the 50%-50% balance between cash and Financial Instruments;

iv. are subject to a retention period of six months for the portion paid in Financial Instruments;

v. are subject to a two-year deferral;

vi. are subject to the ex post correction mechanisms (i.e. Malus and Claw Back) provided for by the Policy.

The above limits, with the exception of being subject to ex post correction mechanisms, shall not apply to:

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

   a) they comply exclusively with the logic of containment of company costs and rationalization of the staff structure;

   b) do not exceed € 100,000;

   c) provide for the Claw Back mechanisms established by the Policy with reference to cases of fraudulent conduct or gross negligence to the detriment of the Bank.

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[33] The indication of a predefined formula (i.e. $x \leq 400\%$ of the Fixed Remuneration received in the last year of the employment relationship) allows the Bank to exclude the amounts recognized in view of or on termination of the relationship from the 2:1 limit, as provided for in the Supervisory Provisions on Remuneration, Section III, Paragraph 2.2.2. This solution, on the one hand, provides the Bank with a certain flexibility when negotiating with the person whose employment relationship is terminating or has just terminated, and on the other hand it places a maximum limit on the amounts payable on termination of the employment relationship, in line with market practice.

[34] The maximum limit of 400% is approved by the Shareholders' Meeting, as provided for in the *Supervisory Provisions on Remuneration*, Section II, Paragraph 1.

ii. leaving incentives, also connected with extraordinary operations (e.g. mergers) or corporate restructuring processes, and granted to non-significant personnel, provided that they jointly comply with the following conditions

a) they comply exclusively with the logic of containment of company costs and rationalization of the staff structure;

b) encourage adherence to support measures provided for by law or collective bargaining for the generality of Employees;

c) do not produce ex ante distortive effects on staff behavior;

d) provide for the Claw Back mechanisms established by the Policy with reference to cases of fraudulent conduct or gross negligence to the detriment of the Bank.

(C) Notice indemnity for the amount exceeding the statutory measure

The treatment applied in the event of termination of the employment relationship, if provided for by the applicable law, is the one indicated, where applicable, by the relevant national collective bargaining agreements and/or by the law governing the employment relationship.

The treatment applied in the event of termination of the employment relationship, if provided for by the applicable law, is the one indicated, where applicable, by the relevant national collective bargaining agreements and/or by the law governing the employment relationship.

The Bank may provide for covenants to extend the notice for retention purposes. In this case, if the Bank waives the period of notice, the portion of the agreed indemnity exceeding the amount calculated in accordance with the collective agreement applied and the law (art. 2121 of the Italian Civil Code), constitutes Variable Remuneration, as such subject to all the relevant limits (accrual period, quali-quantitative criteria, 2:1 limit, balancing, deferral, retention, ex post correction mechanisms).

10.2.3.7 OTHER COMPONENTS

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

In the event that the Shareholders' Meeting resolves on a specific free capital increase, or assigns specific powers to the Board of Directors pursuant to articles 2443 and/or 2349 of the Italian Civil Code, or decides to purchase shares on the market, it will also be possible to grant shares of the Bank free of charge to employees of the Bank within the limits set out in article 51, paragraph 2, letter g) of the T.U.I.R..

11. DISCLOSURE AND COMMUNICATION OBLIGATIONS TO THE BANK OF ITALY

For the purposes of public disclosure, as required by the Remuneration Supervisory Provisions implementing the provisions contained in Article 450 of CRR[35], among other information provided for, the Bank publishes on its website, as part of the document "Pillar III - Public Disclosures":

i. information on the link between Remuneration and performance;

ii. the most important features of the remuneration system, including information on the criteria used to assess performance and risk adjustment, deferral policies and award criteria;

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

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

v. the number of persons remunerated with € 1 million or more per year, for Remuneration between € 1 and 5 million divided into payment bands of € 500,000, and for Remuneration equal to or greater than € 5 million divided into payment bands of € 1 million.

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

In addition, the Bank, in its capacity as parent company, submits to the Bank of Italy, by 30 June each year, information on the Group's so-called high earners, i.e. those persons whose total remuneration

[35] Regulation (EU) no. 575/2013 dated 26 June 2013.

amounts to € 1 million on an annual basis. In relation to the levels of consolidated assets achieved, the Bank is included in the Bank of Italy's benchmarking sample, in implementation of EBA guidelines[36]. The Bank will also provide the Bank of Italy, within the above-mentioned deadline, with information on:

i. Remuneration of all staff, considered as a whole;

ii. the remuneration of Risk Takers only, with particular regard to the analytical structure of the Variable Remuneration;

iii. the number of Risk Takers divided into Remuneration bands.

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

[36] Banking groups with consolidated assets above € 40 billion for benchmarking purposes, and, banks and banking groups with assets exceeding € 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 2

IMPLEMENTATION OF 2019 REMUNERATION POLICIES

1. PREAMBLE

This section of the Report provides information on the implementation of the 2019 Policy.

In particular, the following is provided:

i. personal data on the remuneration of the members of the management and control bodies, and the Chief Executive Officer of the Bank;

ii. aggregate data regarding Risk Takers as no Risk Taker receives a higher Remuneration than the Chief Executive Officer[37].

This section consists of two parts.

The first part includes:

i. a representation of the items that make up the Remuneration (including the compensation provided for in the event of termination of office or termination of employment) of the persons indicated above, in accordance with the 2019 Policy;

ii. general information on the implementation of the 2019 Policy, and the assessments provided by the Bank's control functions, each for the aspects falling under its own responsibility.

The second part includes:

[37] The relevant legislation (Article 123-ter of the TUF and the schedule 7-bis of Attachment 3A to the Issuers Regulation) requires specifying 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 individuals indicated in the letter. a, in the case of the Bank, the Chief Executive Officer.

i. analytically illustrates the remuneration paid in the year of reference, for whatever reason and in whatever form, by the Bank and its Subsidiaries, indicating any components of the aforesaid remuneration, referring to activities carried out in financial years prior to the reference year;

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

2. FIRST PART

2.1 General information on the implementation of the 2019 Policy

During 2019, directors and employees were paid fixed remuneration, in accordance with the 2019 Policies, individual contractual decisions and in compliance with the collective bargaining agreements applied.

On 24 February 2020, the Remuneration Committee reviewed the performance of the three "gates"[38] provided for in the 2019 Policy as gateways to the accrual of the MBO in the year in question. The final statement of this Variable Remuneration was prepared in accordance with the provisions of the 2019 Policy.

As a result of the growth in size of the Group and its classification as an Intermediate Bank, the Bank uses Financial Instruments to pay Risk Takers at least 50% of the Variable Remuneration, both up-front and deferred. This share is higher than the minimum limit set out in the Remuneration Supervisory Provisions.

In the case of Risk Takers, the portions and deferral periods, as well as the portions and retention periods of the Financial Instruments in accordance with the 2019 Policies, have been applied to all accrued Variable Remuneration items.

At 31 December 2019, the Group achieved a positive EBTDA Risk Adjusted within the regulatory capital and liquidity limits set out in Policy 2019. Therefore, since there have been no verified violations of the Code of Ethics and/or violations such as to trigger the application of Claw Back mechanisms, the Bank will proceed with the disbursement for Risk takers of the deferred variable compensation for the performance year 2017, equal to a total of € 41,100.84[39].

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

[39] The deferred portion of the Variable Remuneration for 2017 is paid exclusively to the Heads of the Control Functions, as the Chief Executive Officer of the Parent Company, the Senior Executives of the Group, the Executives who report directly to the Chief Executive Officer of the Parent Company and the Chairman of the Management Board of BFF Polska have not accrued the right to the variable component of 2017, as the target of the EBTDA RA was not exceeded at that time.

It should be noted that, with reference to the 2019 financial year, the budget value linked to the recognition of the VAP corporate bonus, provided for employees of the Bank subject to the national collective bargaining agreement regarding credit applicable in Italy, was not reached.

With regard to the information to be provided pursuant to Article 114-bis of the TUF with reference to compensation plans based on significant Financial Instruments, active during 2019, please refer to paragraph 2.2 below (2016 Stock Option Plan) of the Report.

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

During 2019, 2 Risk Takers ceased: the Chief Financial Officer BFF Polska, replaced in 2019 by a new person, who, in line with the provisions of the regulations, was identified as a Risk Taker (data referring to the annual updated list of Risk Takers presented and approved by the Remuneration Committee and the Board of Directors in July 2019), and the Group ICT Director, a role then held ad interim by the Central Director of the Operations Department.

2.2 2016 Stock Option Plan

The 2016 Stock Option Plan is aimed at the grant - in three tranches - of a maximum number of 8,960,000 stock options, each of which grants the beneficiaries the right to receive ordinary shares of the Company, in accordance with the terms and conditions set out in the plan regulations. In particular, the options may be exercised in ordinary mode or in cash-less mode. In this regard, it should be noted that the Company has received from the beneficiaries of the plan an irrevocable request for authorization to exercise the options exclusively in cash-less mode, and that this request has been accepted by the Company (as communicated to the market on 24 October 2019).

The shares due to the beneficiaries upon exercise of the options may be newly issued or already issued and in the Company's portfolio.

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

Pursuant to the 2016 Stock Option Plan, the stock options assigned in each tranche vest upon completion of the relative vesting period and therefore:

i. 40%, 12 months after allocation;

ii. 40%, 24 months after allocation; and

iii. 20%, 36 months after allocation.

Vesting is subject to a series of conditions better detailed in the 2016 Stock Option Plan itself, which require:

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

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

The 2016 Stock Option Plan provides for Malus and Claw Back mechanisms which, if pre-defined circumstances occur, determine, among other things, the loss for the beneficiary concerned of all the stock options assigned and not yet vested.

Once vested, stock options may be exercised at a later date, in the two years following the expiration of the 12th month following the date of the vesting.

Paragraph 3.2 of the Report shows table no. 2 provided for in Annex 3A, Schedule 7-bis, of the Issuers' Regulations.

2.3 Representation of Remuneration items

Remuneration of members of the Board of Directors

The members of the Board of Directors were paid the following remuneration elements (the amounts indicated below are to be considered recalculated for the actual period of their stay in office):

i. a fixed fee for the office of director, equal to € 50,000;

ii. an additional fixed fee for directors who hold particular offices - Chairman or member of the Board Committees -, for a maximum cumulative amount of € 27,000;

iii. for the Chairman of the Board of Directors, additional compensation pursuant to paragraph 3 of Article 2389 of the Italian Civil Code, equal to € 195,000;

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

On 12 December 2019, one of the members of the Board of Directors, who left office on 9 December, was replaced by a new member of the Board.

Remuneration of the Chief Executive Officer

The remuneration of the Chief Executive Officer is in line with market practice. In particular, the Group made use of the remuneration study carried out by a leading consulting firm. The analysis is based on a panel of 14 peers chosen for the weight of the position similar to that of the Group's Chief Executive Officer even in non-top positions of larger companies. The analysis also shows that the Total Compensation of the Chief Executive Officer of BFF is between the median and the first quartile. In addition to this, a study carried out by Spencer Stuart "*Spencer Stuart 2018 Board Index for Italy*" shows that, by analyzing the companies whose capitalization is between 40th and 100th place in the sample and which operate in the financial sector, the compensation of the CEO is among the lowest in the panel.

In particular, the following remuneration elements were paid to the Chief Executive Officer:

i. a fixed fee for the office of director, equal to € 50,000;

ii. the gross annual remuneration as Chief Executive Officer, equal to € 717,000;

iii. a package of non-monetary benefits, amounting to € 78,400 net;

and, subject to the approval by the Shareholders' Meeting of the 2019 financial statements, will also be paid in accordance with the Policy:

iv. the MBO for the year 2019 amounting to € 719,821, of which an up-front portion of € 503,874 (70%) and a deferred portion of € 215,946 (30%). 50% of the MBO (both the up-front and deferred portion) is paid in financial instruments:

   - for the up-front portion, the amount paid in shares of the Bank is € 251,937;
   - for the deferred portion, the amount to be paid in shares of the Bank is € 107,973.

In addition, following the verification of regulatory capital and liquidity limits, the deferred portion of the 2016 MBO was disbursed during 2019, of which the cash portion was € 156,825, and the phantom share was € 82,071.75.

From 2013, a golden parachute is envisaged, i.e. an agreement containing provisions relating to severance indemnity in the event of termination of office and/or termination of employment.

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

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

ii. in line with the balance between Variable and Fixed Remuneration;

iii. consistent with the balance of Variable Remuneration between Financial Instruments and Cash;

iv. compliant with deferral and retention periods.

Remuneration of members of the Board of Statutory Auditors

The following remuneration was paid to the members of the Board of Statutory Auditors:

i. a fixed compensation for the position of Regular Auditor, equal to € 65,000;

ii. a fixed compensation for the Chairman of the Board of Statutory Auditors, equal to € 85,000.

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

iii. is in line with the Bank's long-term objectives;

iv. no variable component has been paid to the Statutory Auditors[40].

Remuneration of the members of the Supervisory Board

The following remuneration elements were paid to the members of the Supervisory Board:

i. a fixed fee for a member other than the Chairman of the Supervisory Board, who is not part of the Bank's Employees, equal to € 4,383.56 (period 01.01.2019 - 21.03.2019);

[40] In compliance with Article 3 of Section III of the Supervisory Provisions on Remuneration, which precludes any form of variable remuneration to the members of the body with control functions.

ii. a fixed fee for members other than the Chairman of the Supervisory Board, not belonging to the Bank's Employees, equal to € 4,383.56 (period 01.01.2019 - 21.03.2019). As of 22 March 2019, this member held the position of Chairman, receiving a fixed remuneration of € 15,616.44 (period 22.03.2019 - 31.12.2019);

iii. a fixed fee for a member other than the Chairman of the Supervisory Board, who is not a member of the Bank's Employees, equal to € 15,616.44 (period 22.03.2019 - 31.12.2019);

iv. no Variable Remuneration was paid to the members of the Supervisory Board.

The members of the Supervisory Board who are part of the Bank's Employees have not been paid any additional remuneration, as envisaged.

Remuneration of the Group's Risk Takers

The Risk Takers (as per the document presented and approved in July 2019 by the Remuneration Committee and the Board of Directors), excluding the Chief Executive Officer, have been identified and classified as follows:

i. Senior Management: includes the Group's Senior Executives, for a total of 7 people.

ii. Corporate Control Functions: includes the Group Risk Takers belonging to the Risk Management, Compliance and AML, Internal Audit Functions for a total of 3 persons.

iii. other Risk Takers: includes the Risk Takers of the Group that do not belong to the previous categories, for a total of 27 individuals.

The Remuneration of Risk Takers consists of the following components:[41]

i. Gross Annual Salary of € 3,794,565.40;

ii. a package of non-monetary benefits, equal to € 242,370.75;

iii. an Annual Variable Remuneration paid in 2019 of € 1,079,034.71, of which an up-front portion of € 756,948.18 (70%) and a deferred portion of € 322,086.53 (30%);

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

iv. the deferred portion of the Annual Variable Remuneration for the year 2017, equal to € 41,100.84[42];

v. no. 430,000 stock options, for a value corresponding to € 305,300. This amount constitutes Variable Remuneration for the year 2019, in the same way as the MBO incentive scheme, in accordance with the Policy in force at the time of assignment of the stock options.

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

The Remuneration of Risk Takers is consistent with the Bank's Remuneration Policy in place in 2019, since, inter alia:

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

ii. respects the balance between Variable and Fixed Remuneration;

iii. respects the balance of the Variable Remuneration between Financial Instruments and Cash;

iv. respects the deferral and retention periods.

2.4 Agreements relating to cases of early termination of employment or termination of office

As specified in paragraph 10.2.3.6 (Golden Parachute) of Section I of the Report, the Board of Directors may determine "golden parachutes" for Risk Takers in the event of early termination of employment or termination of office.

The remuneration of golden parachutes is quantified and paid by the Bank in accordance with the regulations in force from time to time, and the criteria set out below.

The determination of such fees is linked to the performance achieved and the risks assumed by the individual and the Bank, and is subject to ex post correction mechanisms (Malus and Claw Back), within the limits allowed by collective agreements applicable to the employment relationship, as provided for in the Supervisory Provisions for Banks and, in any case, in compliance with the limits and requirements

[42] The deferred portion of the Variable Remuneration for 2017 is paid exclusively to the Heads of the Control Functions, as the Chief Executive Officer of the Parent Company, the Senior Executives of the Group, the Executives who report directly to the Chief Executive Officer of the Parent Company and the Chairman of the Management Board of BFF Polska have not accrued the right to the variable component of 2017, as the target of the EBTDA RA was not exceeded at that time.

of the relevant legislation. A retention period of not less than six months shall apply to the above-mentioned fees, in the part paid in Financial Instruments[43].

For the amounts relating to golden parachutes, the limits set out in the Remuneration Supervisory Provisions, Section III, par. 2.2.2 apply: the agreed amount can be an absolute amount or a multiple of the last Fixed Remuneration, received, with a maximum amount equal to 400% of the same (with reference to the last year).

There is a golden parachute (individual agreements relating to cases of early termination of employment) for the Chief Executive Officer of a value equal to the higher of (i) 1.8 times the amount between the Fixed Remuneration (excluding Benefits) and the target MBO[44] and (ii) the amount of € 2,301,000.00.

2.5 Verifications on the remuneration system by control functions and board internal committees

The Corporate Control Functions and any other person responsible for supervising the Group's incentive system participated in the conformity assessment of the remuneration policies implemented in 2019.

2.5.1 *Compliance and AML*

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

2.5.2 *Risk Management*

The Risk Management function has provided opinions on the adequacy of the indicators used to take account of the risks assumed by the Bank in relation to incentive schemes. The Risk Management function also verified the final figure of said indicator for the year 2019.

[43] The minimum limit for Intermediate Banks is thus complied with. The minimum limit for significant banks is 1 year.
[44] Target MBO" means the minimum value other than zero attributable to the Chief Executive Officer as MBO in the year in question.

2.5.3 *Internal Audit*

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

2.5.4 *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.

2.5.5 *Composition and activities of the Remuneration Committee*

The Remuneration Committee[45] met 10 times in 2019. The main activities carried out concerned:

i. Reporting of 2018 performance results relating to the roles of Chief Executive Officer, Senior Executives, Executives reporting directly to the Chief Executive Officer, and Heads of the Group's Control Functions for the definition of the MBOs for which they are responsible;

ii. Definition of the 2019 quantitative targets relating to the roles of the Chief Executive Officer, Senior Executives, Executives reporting directly to the Chief Executive Officer and the Heads of the Group's Control Functions;

iii. Definition of the Report;

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

v. Update of the Remuneration and Incentive Policy for the members of the strategic supervision, management and control bodies and the staff of the Banca Farmafactoring Banking Group*;*

vi. Identification of the beneficiaries of stock options in the categories for which the Board of Directors is responsible;

It should be noted that in carrying out its functions, the Remuneration Committee has had the opportunity to consult the competent internal structures as well as to avail itself of external consultants.

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

Below are two descriptive tables, respectively:

i. the Remuneration Committee meetings during 2019;

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

1. DESCRIPTION OF THE MEETINGS OF THE REMUNERATION COMMITTEE IN 2019 AND FORECAST NUMBER OF MEETINGS IN 2020.	
Were the proceedings duly recorded?	Yes
Has the Chairman of the Remuneration Committee reported this to the first useful Board of Directors?	Yes
Average duration of meetings.	40 minutes
Were there any meetings of the Remuneration Committee that were also attended by external members?	Yes, by invitation. In 2019, the Chief Executive Officer, the Head of Human Resources and Organizational Development, the General Counsel, attended some meetings of the Remuneration Committee on certain items of the agenda
Were there any meetings of the Remuneration Committee attended by the Chairman of the Board of Statutory Auditors or other members?	Yes
Does at least one member of the Remuneration Committee have knowledge and experience in accounting and financial matters, and/or remuneration policies, deemed appropriate by the Board at the time of appointment?	Yes

Number of meetings of the Remuneration Committee scheduled for 2020 (and number of meetings already held during the current year).	10 (of which 3 already held)

Below is a table summarizing the information relating to the members of the Remuneration Committee.

2. INFORMATION ON THE MEMBERS OF THE REMUNERATION COMMITTEE				
Name and surname	**Independent director?**	**Non-executive director?**	**Was elected chairman?**	**% attendance at meetings**
Barbara Poggiali	yes	yes	yes	100%
Isabel Maria Aguilera	yes	yes	no	100%
Giorgia Rodigari[46]	no	yes	no	-

[46] She was appointed by the Board of Directors on December 11, 2019 to replace Luigi Sbrozzi, who resigned on December 9, 2019. After that date, there were no other Remuneration Committees to indicate specifically the % attendance at meetings of the new member.

3. 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 and executives with strategic responsibilities are analytically illustrated. It should be noted that, in this second part of Section II, "other management personnel with strategic responsibilities" means those persons who, within the Bank, fall within the definition of Senior Executive set out in the 2019 Policy.

Also illustrated are the fees paid during the reference year but relating to activities carried out in previous years (deferred portions of Variable Remuneration referring to previous years), and those to be paid in subsequent years for activities carried out in the reference year (deferred portions of Variable Remuneration for the reference year).

The data provided are nominative as regards the remuneration of the members of the management and control bodies, and the Chief Executive Officer, aggregated for executives with strategic responsibilities since none of them receives a higher remuneration than the Chief Executive Officer[47].

[47] As per the provisions mentioned in note 25.

Dear Shareholders,

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

“The Meeting

Having regard to the "2020 Remuneration and Incentive Policy for the members of the Strategic Supervision, Management and Control Bodies and the Personnel of the Banca Farmafactoring Banking Group" for the year 2020 as illustrated in the Board of Directors' Report

RESOLVED

Resolution 1: the approval of the new "*2020 Remuneration and Incentive Policy for the members of the Strategic Supervision, Management and Control Bodies and the Personnel of the Banca Farmafactoring Banking Group"* illustrated in Section I of the Board of Directors' Report.

Resolution 2: specific approval of the forecasts - referred to in subsection (B) of paragraph 10.2.3.6 (Golden Parachute) of the new "2020 Remuneration and Incentive Policy for the members of the Strategic Supervision, Management and Control Bodies, and Personnel of the Banca Banca Farmafactoring Banking Group" - of Section 1 of the Annual Report on the remuneration and incentive policies of the Banca Farmafactoring Banking Group relating to the policies for the determination of remuneration in the event of early termination of office or termination of employment contained therein, including the default formula for the determination of the amounts recognized under agreements with Personnel in any venue reached for the settlement of current or potential disputes;

Resolution 3: the approval of Section II of the ex post Report on (i) the items making up the Remuneration (including the treatments provided for in the event of termination of office or termination of employment) of the persons indicated above, in accordance with the 2019 Policy; (ii) the general information on the implementation of the 2019 Policy and the assessments provided by the Bank's control functions, each for aspects falling within its own competence; (iii) an analytical illustration of the remuneration paid in the reference financial year, for whatever reason and in whatever form, by the Bank and its Subsidiaries; (iv) the remuneration to be paid in one or more subsequent financial years, for the activity carried out in the reference financial year and to grant the Board of Directors, and on its behalf the Chief Executive Officer, the widest possible powers to carry out all the acts, fulfillments and formalities necessary to implement each of the previous resolutions, and thus also the power to make any changes to the new personnel remuneration policies that may be necessary to comply with the laws, including regulations, in force from time to time".

Milan, 25 February 2020

The Board of Directors

3.1 Analytical tables on "Remuneration paid to members of the management and control bodies, general managers and other executives 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	Expiry date of office	Fixed remuneration	Fees for participation in committees	Variable non-equity remuneration		Non-monetary benefits	Other remunerations	Total	Fair Value of equity compensation	Termination of office or termination of employment indemnity
						Bonuses and other incentives	Profit-sharing					
Salvatore Messina	BoD Chairman	from 01.01.2019 to 31.12.2019	Appr. financial Statements 31.12.19									
(I) Remuneration in the company that prepares the financial statements				245.000						245.000		
(II) Remuneration from subsidiaries and affiliates												
(III) Total				245.000						245.000		
Luigi Sbrozzi	Deputy Chairman of the BoD	from 01.01.2019 to 9.12.2019	Appr. financial Statements 31.12.19									
(I) Remuneration in the company that prepares the financial statements				-	-	-	-	-	-	-		
(II) Remuneration from subsidiaries and affiliates												
(III) Total				-	-	-	-	-	-	-		
Massimiliano Belingheri	Chief Executive Officer	from 01.01.2019 to 31.12.2019	Appr. financial Statements 31.12.19									

(I) Remuneration in the company that prepares the financial statements				767.000	-	719.821	-	78.400,00	-	1.565.221	82.071,75	
(II) remuneration from subsidiaries and affiliates												
(III) Total				767.000	-	719.821	-	78.400,00	-	1.565.221	82.071,75	
Michaela Aumann	Director	from 01.01.2019 to 31.12.2019	Appr. financial Statements 31.12.19									
(I) Remuneration in the company that prepares the financial statements				50.0000	27.000	-	-	-	-	77.000		
(II) Remuneration from subsidiaries and affiliates												
(III) Total				50.000	27.000	-	-	-	-	77.000		
Federico Fornari Luswergh	Director	from 01.01.2019 to 31.12.2019	Appr. financial Statements 31.12.19									
	Vice Chairman	From 11.12.2019 to 31.12.2019										
(I) Remuneration in the company that prepares the financial statements				50.000	25.000	-	-	-	-	75.000		
(II) Remuneration from subsidiaries and affiliates												
(III) Total				50.000	25.000	-	-	-	-	75.000		
Ben Carlton Langworthy	Director	from 01.01.2019 al 31.12.2019	Appr. financial Statements 31.12.19									
(I) Remuneration in the company that prepares the financial statements				-	-	-	-	-	-	-		
(II) Remuneration from subsidiaries and affiliates												

(III) Total				-	-	-	-	-	-	-		
Giorgia Rodigari	Director	from 12.12.2019 al 31.12.2019	Appr. financial Statements 31.12.19									
(I) Remuneration in the company that prepares the financial statements					-	-	-	-	-			
(II) Remuneration from subsidiaries and affiliates												
(III) Total					-	-	-	-	-			
Carlo Paris	Director	from 01.01.2019 al 31.12.2019	Appr. financial Statements 31.12.19									
(I) Remuneration in the company that prepares the financial statements				50.000	5.000	-	-	-	-	55.000		
(II) Remuneration from subsidiaries and affiliates												
(III) Total				50.000	5.000	-	-	-	-	55.000		
Barbara Poggiali	Director	from 01.01.2019 to 31.12.2019	Appr. financial Statements 31.12.19									
(I) Remuneration in the company that prepares the financial statements				50.000	17.000	-	-	-	-	67.000		
(II) Remuneration from subsidiaries and affiliates												
(III) Total				50.000	17.000	-	-	-	-	67.000		
Aguilera Isabel Maria	Director	from 01.01.2019 to 31.12.2019	Appr. financial Statements 31.12.19									

(I) Remuneration in the company that prepares the financial statements				50.000	10.000	-	-	-	-	60.000		
(II) remuneration from subsidiaries and affiliates												
(III) Total				50.000	10.000	-	-	-	-	60.000		
Paola Carrara	Chairwoman Board of Statutory Auditors	from 01.01.2019 to 31.12.2019	Appr. financial Statements 31.12.19									
(I) Remuneration in the company that prepares the financial statements				85.000	-	-	-	-	-	85.000		
(II) Remuneration from subsidiaries and affiliates												
(III) Total				85.000	-	-	-	-	-	85.000		
Marco Lori	Regular Statutory Auditor	from 01.01.2019 to 31.12.2019	Appr. financial Statements 31.12.19									
(I) Remuneration in the company that prepares the financial statements				65.000	-	-	-	-	-	65.000		
(II) Remuneration from subsidiaries and affiliates												
(III) Total				65.000	-	-	-	-	-	65.000		
Patrizia Paleologo Oriundi	Regular Statutory Auditor	from 01.01.2019 to 31.12.2019	Appr. financial Statements 31.12.19									
(I) Remuneration in the company that prepares the financial statements				65.000	-	-	-	-	-	65.000		
(II) Remuneration from subsidiaries and affiliates												
(III) Total				65.000	-	-	-	-	-	65.000		

Francesco Tabone	SB Chairman	from 01.01.2019 to 21.03.2019	Appr. financial Statements 31.12.19									
(I) Remuneration in the company that prepares the financial statements				4.383,56	-	-	-	-	-	4.383,56		
(II) remuneration from subsidiaries and affiliates												
(III) Total				4.383,56	-	-	-	-	-	4.383,56		
Franco Fondi	SB Member	from 01.01.2019 to 21.03.2019	Appr. financial Statements 31.12.19									
	SB Chairman	from 22.03.2019 to 31.12.2019										
(I) Remuneration in the company that prepares the financial statements				20.000	-	-	-	-	-	20.000		
(II) Remuneration from subsidiaries and affiliates												
(III) Total				20.000	-	-	-	-	-	20.000		
Necchi Silvio	SB Chairman	from 22.03.2019 al 31.12.2019	Appr. financial Statements 31.12.19									
(I) Remuneration in the company that prepares the financial statements				15.616,44	-	-	-	-	-	15.616,44		
(II) Remuneration from subsidiaries and affiliates												
(III) Total				15.616,44	-	-	-	-	-	15.616,44		
Marina Corsi	SB Member	from 01.01.2019	Appr. financial									

		al 31.12.2019	Statements 31.12.19									
(I) Remuneration in the company that prepares the financial statements				-	-	-	-	-	-	-		
(II) Remuneration from subsidiaries and affiliates												
(III) Total				-	-	-	-	-	-	-		
Executives with strategic responsibilitie s (no. 6)*		from 01.01.2019 to 31.12.2019	Appr. financial Statements 31.12.19									
(I) Remuneration in the company that prepares the financial statements				1.185.295,02	-	431.652,40	-	71.477,21	-	1.688.424,63	122.005,12	
(II) Remuneration from subsidiaries and affiliates					-	-	-	-	-			
(III) Total				1.185.295,02	-	431.652,40	-	71.477,21	-	1.688.424,63	122.005,12	

* The personnel indicated in this category includes all the persons who have held a position of executive with strategic responsibilities even for a fraction of a year, and who have been beneficiaries of the economic treatments covered in the table.

The amounts indicated below are to be understood as adjusted for the actual period in office (where indicated).

Salvatore Messina – Notes:

The Remuneration indicated refers to the following positions:

Chairman of the Board of Directors of Banca Farmafactoring S.p.A. € 195.000,00;

Remuneration as Director of Banca Farmafactoring S.p.A. € 50.000,00.

Luigi Sbrozzi – Notes:

Waived the remuneration envisaged as member of the Board of Directors, member of the Control and Risk Committee and member of the Remuneration Committee of Banca Farmafactoring S.p.A. Mr. Sbrozzi ceased to be a member of the Board of Directors on 9 December 2019.

Massimiliano Belingheri – Notes:
The Remuneration indicated refers to the following positions and components of remuneration:
Remuneration as Director of Banca Farmafactoring S.p.A. € 50,000.00;
Chief Executive Officer (Strategic Manager) € 717,000.00;
Non-monetary benefits € 78,400.00;
Variable compensation € 503,874.70 (referred to MBO 2019 upfront).

Michaela Aumann – Notes:
The Remuneration indicated refers to the following positions::
Remuneration as Director of Banca Farmafactoring S.p.A. € 50,000.00;
Remuneration as Chairman of the Control and Risk Committee of Banca Farmafactoring S.p.A. € 25,000.00;
Remuneration as Member of the Committee for the evaluation of transactions with related parties and with entities related to Banca Farmafactoring S.p.A. € 2,000.00.

Federico Fornari Luswergh – Notes:
The Remuneration indicated refers to the following positions:
Remuneration as Director of Banca Farmafactoring S.p.A. € 50,000.00;
Remuneration as Chairman of the Nomination Committee of Banca Farmafactoring S.p.A. € 15,000.00;
Remuneration as Member of the Control and Risk Committee of Banca Farmafactoring S.p.A. € 10,000.00.

Ben Carlton Langworthy – Notes:
Waived the remuneration for the office of Director and member of the Nomination Committee of Banca Farmafactoring S.p.A.

Giorgia Rodigari – Notes:
Waived the remuneration envisaged as member of the Board of Directors, member of the Control and Risk Committee and member of the Remuneration Committee of Banca Farmafactoring S.p.A.

Carlo Paris – Notes:
The Remuneration indicated refers to the following positions:
Remuneration as Director of Banca Farmafactoring S.p.A. € 50,000.00;
Remuneration as Chairman of the Committee for evaluation of Related Party Transactions and related subjects of Bank Farmafactoring SpA € 5,000.00.

Barbara Poggiali – Notes:
The Remuneration indicated refers to the following positions:
Remuneration as Director of Banca Farmafactoring S.p.A. € 50.000,00;
Remuneration as Chairman of the Remuneration Committee of Banca Farmafactoring S.p.A. € 15,000.00;
Remuneration as Member of the Committee for evaluation of Related Party Transactions and related subjects of Bank Farmafactoring SpA € 2,000.00.

Isabel Maria Aguilera – Notes:
The Remuneration indicated refers to the following positions:
Remuneration as Director of Banca Farmafactoring S.p.A.. € 50.000,00;
Remuneration as Member of the Remuneration Committee of Banca Farmafactoring S.p.A. € 5,000.00;
Remuneration as Member of the Nomination Committee of Banca Farmafactoring S.p.A. € 5,000.00.

Paola Carrara– Notes:
The Remuneration indicated refers to the following positions:
Remuneration as Chairman of the Board of Statutory Auditors of Banca Farmafactoring S.p.A. € 85,000.00.

Marco Lori– Notes:
The Remuneration indicated refers to the following positions:
Remuneration as Statutory Auditor of Banca Farmafactoring S.p.A. € 65,000.00.

Patrizia Paleologo– Notes:
The Remuneration indicated refers to the following positions:
Remuneration as Statutory Auditor of Banca Farmafactoring S.p.A. € 65,000.00.

Francesco Tabone – Notes:
The Remuneration indicated refers to the following positions:
Remuneration as Chairman of the Supervisory Board of Banca Farmafactoring S.p.A. € 4,383.56 (period 01.01.2019 - 21.03.2019).

Franco Fondi – Notes:
The Remuneration indicated refers to the following positions:
Remuneration as Member of the Supervisory Board of Banca Farmafactoring S.p.A. € 4,383.56 (period 01.01.2019 - 21.03.2019);
Remuneration as Chairman of the Supervisory Board of Banca Farmafactoring S.p.A. € 15,616.44 (period 22.03.2019 - 31.12.2019).

Marina Corsi – Notes:
No remuneration is envisaged for the position of member of the SB of Banca Farmafactoring S.p.A. as an employee of said Bank.

Necchi Silvio – Notes:
Remuneration as Member of the Supervisory Board of Banca Farmafactoring S.p.A. € 15,616.44 (period 22.03.2019 - 31.12.2019).

Executives with strategic responsibilities - Notes:
The figures indicated refer to all the persons who have held a position as an executive with strategic responsibilities, even for a fraction of a year.
Fixed remuneration: € 1. 1,185,295.02;
Non-monetary benefits: € 71,477.21;
Variable remuneration: € 719,821 (referred to MBO 2019);
Stock Option compensation awarded in the year € 71,000.

3.2 Analytical tables on "Stock options granted to members of the board of directors, general managers and other executives with strategic responsibilities”

Here are the instructions for Diagram 7-bis:
"If stock option plans are provided for members of the board of directors, general managers and other executives with strategic responsibilities, the issuer uses Table 2.
In this table, for each person concerned and for each stock option plan granted to them, the following is indicated:
- the options held at the beginning of the year, specifying exercise price and period of possible exercise;
- the options granted during the year, specifying the exercise price, the period of possible exercise, the fair value on the grant date, the grant date and the market price of the underlying shares on that date;
- the options exercised during the year, indicating the exercise price and the market price of the underlying shares at the time of exercise;
- options expired during the year;
- options held at the end of the year;
- the fair value of the options of the relevant year.

Notes: Each option corresponds to the subscription or purchase of a share.
The total (III) is indicated by reference to columns (2), (5), (8), (11), (14), (15), (16).
Where an aggregate basis of representation is adopted, the following information should be provided in the Table:
- the total number of options held at the beginning of the year, indicating the total exercise price paid and the average maturity;
- the total number of options awarded during the year, with an indication of the total exercise price paid, the average expiration date, the total fair value and average price of the shares underlying the grant of the option;
- 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 exercise date;
- the total number of options expired during the year;
- the total number of options held at the end of the year;
- the total fair value of the options pertaining to the year.”

		Options held at the beginning of the year				Options granted during the year						Options exercised during the year			Options expired during the year	Options held at the end of the year	Options of the relevant 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	Possible period of exercise (from - to)	Number of options	Exercise price	Possible period of exercise (from - to)	Fair value at grant date (**)	Grant date	Market price of the shares underlying the grant of the options	Number of options	Exercise price	Market price of the underlying shares on the exercise date	Number of options	Number of options	Fair value (**)
Massimiliano Belinghieri	Chief Executive Officer																
(I) Remuneration in the company that prepares the financial statements		BFF Group Stock Option Plan approved by the Shareholders' Meeting of 5/12/2016	1.514.000	(*)	From 3/4/2019 to 3/4/2024	0	(*)					-	-	-	-	1.514.000	0(***)

(II) Remuneration from subsidiaries and affiliates	Plan A (relevant resolution date)															
	Plan B (relevant resolution date)															
(III) Total		1.514 000													1.514.000	
Executives with Strategic Responsibilities (n. 6)(****)																
(I) Remuneration in the company that prepares the financial statements	BFF Group Stock Option Plan approved by the Shareholders' Meeting of	1.086.400 (*****)	(*)	From 3/4/2020 to 3/4/2024	100.000	(*)	From 3/4/2021 to 3/4/2025	71.000	08/4/2019	Share price on 08/04/2019 = €5,32	161.280	4,6	4,7		864.160	71.000

	5/12/ 2016															
(II) Remuneration from subsidiaries and affiliates																
(III) Total		1.086. 400			100.000			71.000			161.280				864.160	71.000

(**) The fair value of stock options is indicated in the grant letters.
(***) Value of options awarded during the year (see Column 5).
(****) The personnel indicated in this category includes all the persons who have held a position of executive with strategic responsibilities even for a fraction of a year and who have actually benefited from the economic benefits referred to in the table.
(*****) Of these individuals, one executive resigned, and in accordance with the provisions of the SOP Regulations, lost the right to receive options, which were consequently released (160,960).

3.3 Analytical tables on "Incentive plans based on financial instruments, other than stock options, in favour of members of the board of directors, general managers and other executives with strategic responsibilities"

Here are the instructions for Diagram 7-bis:
"It should be noted that for each person concerned and for each incentive plan for which he or she is the recipient, these are indicated:
- the financial instruments assigned in previous years and not vested during the year, indicating the vesting period;
- financial instruments assigned during the year, with an indication of the fair value on the grant date[48], the vesting period, the assignment date and the market price on assignment;
- financial instruments vested during the year and not allocated;
- financial instruments vested during the year and attributable, with an indication of the value on the vesting date;
- the fair value of financial instruments attributable during the year.

The **vesting period** is the period between the time when the right to participate in the incentive scheme is granted and the time when the right becomes exercisable.
Financial instruments vested during the year and not granted are those financial instruments for which the vesting period ended during the year and which were not granted to the recipient due to the failure to meet the conditions under which the grant of the instrument was conditional (for example, failure to meet performance targets).
The **value at the vesting date** is the value of the financial instruments accrued, even if not yet paid (for example, due to the presence of lock up clauses), at the end of the vesting period.
Where an aggregate representation criterion is adopted, the following information should be provided in the Table:
- the total number of non-vested financial instruments held at the beginning of the year, with an indication of the average maturity;
- the total number of financial instruments granted at the beginning of the year, with an indication of their total fair value, average maturity and price of average market at allocation;
- the total number of financial instruments vested during the year and not allocated;
- the total number of financial instruments vested during the year and attributable, with an indication of the total market value;
- the total fair value of financial instruments attributable to the year".

[48] The fair value on the grant date is indicated with reference to all options granted in relation to each Plan and not with reference to each option.

			Financial instruments assigned in previous years not vested during the year		Financial instruments assigned during the year					Financial instruments vested during the year and not allocated	Financial instruments vested during the year and attributable		Financial instruments relevant to the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Name and Surname	Office	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at grant date	Vesting period	Grant date	Market price at grant	Number and type of financial instruments	Number and type of financial instruments	Value at vetsing date	Fair value
Massimiliano Belingheri	Chief Executive Officer												
(I) Remuneration in the company that prepares the financial statements		2017 Phantom Share Plan			Phantom shares	82.071,75		27/09/2019				82.071,75	82.071,75
		2019 Stock Grant Plan											
(II) Remuneration from subsidiaries and affiliates													
(III) Total												82.071,75	82.071,75
Executives with Strategic													

Responsibilities (no. 6)(****)												
(I) Remuneration in the company that prepares the financial statements				Phantom shares	42.749,12		27/09/2019				42.749,12	42.749,12
	2017 Phantom Share Plan											
	Stock Grant Plan			1.600 shares	8.256		15/05/2019	4,975		1.600 shares	8.256	8.256
(II) Remuneration from subsidiaries and affiliates												
(III) Total					51.005,12						51.005,12	51.005,12

3.4 Analytical tables on "Monetary incentive plans for members of the board of directors, general managers and other executives with strategic responsibilities”

Here are the instructions for Diagram 7-bis:
“It should be noted that the Table covers all types of monetary incentive plans, both short-term and medium/long-term.
The total (III) is indicated with reference to all columns with the exception of column (2C).
“Column 2A" shows the bonus accrued for the year for the objectives achieved during the year and paid or payable because it is not subject to further conditions (upfront compensation).
“Column 2B" shows the bonus linked to objectives to be achieved during the year but not payable because it is subject to further conditions (deferred bonus).
“Column 3A" shows the sum of bonuses deferred in previous years still to be paid at the beginning of the year and no longer payable due to failure to meet the conditions to which they are subject.
“Colonna 3B” shows the sum of bonuses deferred in previous years still to be paid at the beginning of the year and paid out during the year or payable.
“Colonna 3C” shows the sum of bonuses deferred in previous years still to be paid at the beginning of the year and further deferred.
The sum of the amounts indicated in columns 3A, 3B and 3C corresponds to the sum of the amounts indicated in columns 2B and 3C of the previous year.
The column "Other Bonuses" shows the bonuses pertaining to the year not explicitly included in specific plans defined ex ante.
If an aggregate representation criterion is adopted, the following information should be provided in the Table:
- total bonuses for the year, divided into disbursed and deferred, with an indication of the average period of deferment of the latter;
- total bonuses from previous years, divided into no longer payable, paid and deferred;
- other total bonuses.”

A	B	(1)	(2)			(3)			(4)
Name and Surname	Office	Plan	Bonuses of the year			Bonuses from previous years]			Other bonuses
Massimiliano Belingheri	Chief Executive Officer		(A) Payable/Paid	(B) Deferred	(C) Deferral period	(A) Not payable anymore	(B) Payable/Paid	(c) Still deferred	
(I) Remuneration in the company that prepares the financial statements		2019 Plan	503.874,70	215.946,30	2020-2022				
		2018 Plan						190.045,80	
		2016 Plan					156.825,00		
(II) Remuneration from subsidiaries and affiliates		Plan A (relevant resolution date)							
		Plan B (relevant resolution date)							
(III) Total			503.874,70	215.946,30			156.825,00	190.045,80	

Executives with Strategic Responsibilities (no. 6)**		(A) Erogabile/erogato	(B) Differito	(C) Periodo di differimento	(A) Non più erogabili	(B) Erogabile/erogato	(c) Ancora differiti	
(I) Remuneration in the company that prepares the financial statements	2019 Plan		129.495,72	2020-2022				
	2018 Plan						137.716,89	
	2016 Plan					81.686,19		
(II) Remuneration from subsidiaries and affiliates	Plan A (relevant resolution date)							
	Plan B (relevant resolution date)							
(III) Total		302.156,68	129.495,72			81.686,19	137.716,89	

(**) The staff indicated in this category includes all the persons who have held a position of executive with strategic responsibilities, even for a fraction of a year, and who have actually benefited from the economic benefits referred to in the table.

3.5 Analytical tables relating to "information on the shareholdings of members of management and control bodies, general managers and other executives with strategic responsibilities"

Here are the instructions for Diagram 7-bis:
"Information on investments held by members of the board of directors and control bodies, general managers and executives with strategic responsibilities in listed companies and their subsidiaries is provided in table form.
In particular, the number of shares, broken down by category, is indicated, by name for the members of the board of directors and control bodies and for the general managers and cumulatively for the other executives with strategic responsibilities, with regard to each investee company, the number of shares, broken down by category:
- held at the end of the previous year;
- purchased 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 ownership is also specified.
This includes all persons who, during the reference year, held the positions of member of the administrative and control bodies, general manager or executive with strategic responsibilities even for a fraction of a year."

TABLE 1: Shareholding of members of the management and control bodies and general managers

Name and Surname	Office	Investee company	Number of shares held until the end of the previous year	Number of shares purchased	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.	6.033.703	171.853*	1.456.481**	4.749.075
Federico Fornari Luswergh	Director	Banca Farmafactoring S.p.A.	3.800	0	0	3.800

**Of which 21,803 received as MBOs.
**Of which 370,761 sold to Closely Related Person, and 1,085,720 transferred to Closely Related Person.

TABLE 2: Holdings of other executives with strategic responsibility

Number of executives with strategic responsibility	Investee company	Number of shares held until the end of the previous year	Number of shares purchased	Number of shares sold	Number of shares held at the end of the current year
Executives with strategic responsibility(n° 6)	Banca Farmafactoring S.p.A.	1.887.040	183.628*	891.445	1.179.223

* of which 8,532 received as MBOs, 1,600 as Stock Grants, 171,834 for the exercise of Stock Options, 1,662 as Non-Competition Agreements.

3.6 Analytical tables on the Stock Option Plan (Table No. 1, Schedule 7, Annex 3A of Regulation No. 11971/1999)

Name and surname or category (1)	Office (to be indicated only for persons listed by name))	SCHEDULE 2							
		Stock option							
		Section 1 options relating to plans, valid, approved on the basis of previous shareholders' meeting resolutions (8)							
		Date of shareholders' meeting resolution	Instrument description (12)	Options held at the end of the previous year (11)	Exercised options (13)	Grant date (10)	Exercise price (*)	Market price of the underlying share on the grant date	Period of possible exercise (from-to)
(2) Massimiliano Belingheri	Chief Executive Officer	5/12/2016	Options on BFF shares with physical settlement	1.514.000		07/4/2017 I° tranche 30/3/2018 II° tranche		Share price on il 7/4/2017[49] = €4,7 Share price on 30/03/2018= 5,94	I° tranche 2019-2023 II° tranche 2020-2024

Note									
(3)									
Note									
(4)									
Note									
(5)									
Note									
(6) Executives with strategic responsibilities (n.6)		5/12/2016	Options on BFF shares with physical settlement	1.086.400	161.280	07/4/2017 I° tranche 30/3/2018) II° tranche 08/04/2019 III° tranche		Share price on 7/4/2017 = €4,7 Share price on 30/03/2018= 5,94 Share price on 08/04/2019 = €5,32	I° tranche 2019-2023 II° tranche 2020-2024 III° tranche 2021-2025
Note									

(7) Other employees		5/12/2016	Options on BFF shares with physical settlement	5.079.414	942.726	07/4/2017 I° tranche 30/3/2018) II° tranche 08/04/2019 III° tranche		Share price on 7/4/2017 = €4,7 Share price on 30/03/2018= 5,94 Share price on 08/04/2019 = €5,32	I° tranche 2019-2023 II° tranche 2020-2024 III° tranche 2021-2025
Note									

Name and surname or category (1)	Office (to be indicated only for persons listed by name)	SCHEDULE 2						
		Stock option						
		Section 2 New grant options based on the decision: □ of the Board of Directors' proposal to the shareholders' meeting □ of the body responsible for implementing the shareholders' meeting resolution (9)						
		Date of shareholders' meeting resolution	Instrument description (12)	Number of options	Grant date (10)	Exercise price (*)	Market price of the underlying shares on the grant date	Period of possible exercise (from-to)
(2) Massimiliano Belingheri								

Note								
(3)								
Note								
(4)								
Note								
(5)								
Note								
(6) Executives with strategic responsibilities (n.6)								
Note								
(7) Other employees								

Note

Notes to the table

(1) One line must be filled in for each individually identified person and for each category considered; for each person or category a different line must be filled in for: i) each type of instrument or option granted (e.g. different exercise prices and/or expiry dates determine different types of options); ii) each plan resolved by a different shareholders' meeting.
(2) Specify the names of the members of the board of directors or management board of the issuer of the financial instruments and of the subsidiaries or parent companies.
(3) Specify the names of the general managers of the issuer of shares.
(4) Specify the name of individuals controlling the stock issuer, whether they are employees or they cooperate with the stock issuer and are not linked to the company from employment relationships.
(5) Specify the names of the other executives with strategic responsibilities of the issuer of shares that are not "smaller", pursuant to Article 3, paragraph 1, letter f), of Regulation No. 17221 of 12 March 2010, in the event that they received during the year total remuneration (obtained by adding monetary remuneration and remuneration based on financial instruments) higher than the highest total remuneration among those attributed to the members of the board of directors, or of the management board, and to the general managers of the issuer.
(6) Specify the set of executives with strategic responsibilities of the issuer of shares, for which the indication by categories is foreseen.
(7) Specify the category of other employees and the category of non-employees. Several lines must be reported in relation to categories of employees or consultants for whom different characteristics of the plan have been envisaged (e.g. managers, middle managers, employees).
(8) The data refer to instruments relating to plans approved on the basis of:
i. shareholders' meeting resolutions prior to the date on which the competent body approves the proposal for the shareholders' meeting and/or
ii. resolutions passed by the shareholders' meeting prior to the date on which the body competent to decide implements the proxy received by the shareholders' meeting;;
the table therefore includes:

- in case i), data updated to the date of the proposal of the body responsible for the shareholders' meeting (in this case the table is attached to the information document for the shareholders' meeting to approve the plans);
- in case ii), data updated to the date of the decision of the body competent for the implementation of the plans, (in this case the table is attached to the notices published following the decision of the body competent for the implementation of the plans).

(9) The data may refer to:
a. the decision of the board of directors prior to the shareholders' meeting, for the table together with the document presented at the shareholders' meeting; in this case the table will only include any characteristics already determined by the board of director;
b. the decision of the body competent to decide on the implementation of the plan after approval by the shareholders' meeting, in case of a table together with the notice to be published at the time of the latter decision on implementation.
In both cases, the corresponding box should be marked in the field relating to this note 9. For data not yet defined, indicate in the corresponding field the code "N.A.". (Not available.

(10) If the grant date is different from the date on which the remuneration committee, if any, formulated the proposal with regard to this grant, add in this field also the date of the proposal of the aforementioned committee, highlighting the date on which the board of directors or other competent body voted with the code "cda/oc" and the date of the proposal of the remuneration committee with the code "cpr”.
(11) Number of options held at the end of the year, i.e. the year prior to the year in which the shareholders' meeting is called to approve the new grant.
(12) Specify, for example, in box 1: (i) shares in company X, (ii) instrument based on the value of the Y shares, and in box 2: (iii) options on W shares with physical settlement; (iv) options on Z shares with cash settlement, etc.
(13) Number of options exercised from the beginning of the plan until the end of the financial year preceding that in which the Shareholders' Meeting is called to approve a new stock option plan.
(14) The vesting period is the period between the time when the right to participate in the incentive scheme is awarded and the time when the right becomes exercisable.

(*) Exercise price determinable on the basis of the formula set out in the Stock Option Plan at each exercise date.