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

BOARD OF DIRECTORS OF 17 FEBRUARY 2021
TO BE SUBMITTED TO THE SHAREHOLDERS' MEETING FOR APPROVAL
(Called for 25 March in single call)

COURTESY TRANSLATION

BFF

Letter from the Chairman

Dear Shareholders,

As Chairman of the Remuneration Committee, I am pleased to introduce, on behalf of the Board of Directors as well, BFF's annual report on remuneration policy and remuneration paid.

Over the past three years, the banking group has reported significant growth, with a strong drive towards internationalisation, accompanied by a significant development of its shareholder structure, which made BFF into one of the few widely-held listed Italian companies.

In 2020 in particular, despite the strong crises and unexpected challenges that the Covid-19 pandemic posed for the global population, economies and the government actions taken to mitigate its effects, BFF always remained operational, standing with its clients in support of the local communities in which it operates, while always keeping a close eye on protecting the health and safety of its employees.

In this context, the Remuneration Policy becomes more and more important as a means of clearly aligning the needs of shareholders and management, seeking to satisfy the demands of all stakeholders in an increasingly effective manner.

We strove to ensure greater transparency with regard to our operational practices, how targets are set and payment rules and to align the provisions of our Policy with performance objectives.

We made systematic use of domestic and international external benchmarks to support compensation decisions.

We also formulated precise, objective and measurable metrics (KPIs) for all beneficiaries of variable remuneration, so as to ensure objectivity rather than discretionary power in assessments, for the benefit of performance excellence.

We further emphasised the importance of the sustainability of performance through three main indicators governing the compensation of the bank's personnel: *(i)* risk-adjusted EBTDA, in support of economic continuity and a focus on prudent risk management; *(ii)* Customer satisfaction, through the Customer Satisfaction Survey, designed to ensure ever higher standards of quality of service for our customers; *(iii)* diversity in management, through specific drivers for the entire management team, to ensure gender and cultural diversity: two strategic elements for a sound management composition for an international group.

In addition to diversity, we have always focused on individuals, for a sustainable business transition and growth. This has also meant ensuring to all the peace of mind of stable, unchanged remuneration in a flexible, remote working situation during the pandemic. Proof, once again, of the attention that the Organisation devotes to its employees.

Finally, we maintained extreme discipline in the integration plan for future acquisitions, through a clear, precise account of the impacts on annual and future remuneration.

Along with the other Directors on the Committee, Isabel Aguilera and Giorgia Rodigari, to whom I extend my gratitude for the contributions they have provided, I believe that this policy – above all in view of the current rapidly shifting scenario – is highly consistent with BFF's vision and strategy, in addition to confirming the strong commitment to creating value for all stakeholders on an ongoing basis.

Barbara Poggiali
Chairman of the Remuneration Committee

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SECTION I

2021 REMUNERATION AND INCENTIVE POLICY

1. INTRODUCTION: MAIN NEWS

In light of changes to the regulatory framework, the introduction of the new Corporate Governance Code, the instructions received from investors and the objectives that the Bank intends to pursue by defining its policies with a medium- and long-term perspective, the main changes made to the Remuneration and Incentive Policy are as follows:

1. **changes relating to updates to the Issuers' Regulation brought about by Consob Resolution no. 21623 of 10 December 2020:**
    - explanation of how the Bank has taken into account Staff compensation and working conditions in preparing the Policy (Paragraph 2 - General principles);
    - description of the financial and non-financial performance objectives for the awarding of Variable Remuneration and of how these objectives contribute, as part of the overall company strategy, to the pursuit of the long-term interests and sustainability of the Bank (Point (A) Paragraph 10.2.3.1 - Setting objectives);

2. **changes relating to updates to the new Corporate Governance Code,** implementing the comply or explain principle:
    - introduction of benchmark analysis, including for the foreign market, in the updating phase of the Policy, in accordance with recommendation 25 of the Corporate Governance Code (Paragraph 5.8 - Human Resources and Organisational Development Function);
    - alignment with the principle that the remuneration of the members of the control body is commensurate with the competence, professionalism and commitment required by the significance of the position held and with the scale, business area and position of the company, in accordance with recommendation 30 of the Corporate Governance Code (Paragraph 8.2 - Statutory Auditors);
    - addition of clawback provisions for Variable Remuneration paid on the basis of data subsequently revealed to be manifestly incorrect, in accordance with recommendation 27 e) of the Corporate Governance Code (Paragraph 10.2.2.2 - Ex-post correction mechanisms (malus and clawback));
    - with reference to the performance criteria, in accordance with principle XV and recommendation 27 c) of the Corporate Governance Code, the following should be highlighted:
        - the presence of objectives and tools related to the Sustainable Success of the company, in particular:
            i. an Employee and Chief Executive Officer MBO multiplier based on the risk-adjusted EBTDA (EBTDA ^{RA}) / target EBTDA ^{RA} ratio. EBTDA ^{RA} measures the Group's added value with respect to its cost of capital and the growth of risk-weighted assets (Point (D) Paragraph 10.2.3.1 - Application of multipliers);
            ii. customer satisfaction (Point (D) Paragraph 10.2.3.1 - Application of multipliers);
            iii. diversity drivers (Point (A) Paragraph 10.2.3.1 - Setting objectives);
            iv. stock option plans (Section 10.2.3.3 - Stock option plans);
            v. the payment in securities of 50% of the Variable Remuneration of Risk Takers (Point (B) Paragraph 10.2.2.1 - Balancing cash and securities);

– the presence of a gate relating to the positive profitability adjusted for risk and for the cost of capital and liquidity of the Group for the achievability of the Employee and Chief Executive Officer MBO. This indicator is an effective sustainability parameter because it provides an indication of the results achieved, shielding them from the risk associated with not only the quality but also the growth of the assets that produce those results (Point (C) Paragraph 10.2.3.1 – Verification of the achievement of company objectives);

- with respect to recommendation 28, which requires management to hold onto most of the options and shares allocated for at least 5 years, the Group has maintained its current policy pending the conclusion of the Bank of Italy's consultation process on remuneration. In this regard, the policy is overall more prudent than required by the Code, since 50% of the Variable Remuneration of Risk Takers is paid in securities, of which 30% are subject to a deferral period of at least 2 years and a further retention period of at least six months (Point (C), Paragraph 10.2.2.1 – Verification of the achievement of company objectives), except for stock options, which are all subject to a 3-year vesting period and 20% of which are subject to a further deferral period of 18 months (Section II - Paragraph 2.2).

3. **changes in the instructions received from institutional investors:**
   - introduction of additional information about the CEO's remuneration and, in particular, their CEO non-compete agreement (Paragraph 8.1 – Directors);
   - communication of both *ex-ante* and *ex-post* performance criteria. In particular, it should be stressed that there is a common objective for all Group Personnel (EBTDA RA) and that quantitative objectives are assigned individually according to the Department, Function, Organisational Unit and position (Point (A) Paragraph 10.2.3.1 - Setting of objectives).
     The level of achievement of EBTDA *RA* and Customer Satisfaction is communicated ex-post (Section II - Report on remuneration and compensation paid to members of the strategic supervision, management and control bodies and the personnel of the Banca Farmafactoring Banking Group);
   - the change to the way in which the Golden Parachute formula is calculated, bringing it in line with best market practices by introducing a *cap* of 24 months of Overall Remuneration, defined as the sum of the Fixed Remuneration, the maximum value of the MBO for the year in question and the Benefits, without prejudice to the allowances provided for by law and the amounts agreed upon the recommendation of a Judge during attempted mediation (Point (B) Paragraph 10.2.3.6. – Amounts recognised under an agreement for the settlement of an existing or potential dispute). The only solution agreed in view or on the occasion of the early termination of an office or of the employment relationship currently in place between the Bank and a member of Personnel is the one provided for the CEO, namely 1.8 times the sum of the target MBO and the Fixed Remuneration (excluding Benefits). In quantifying this amount, the fact that the CEO is not due any notice period or indemnity in lieu thereof if they are dismissed by the Bank has been taken into account (Section 8.1 - Directors);

4. **changes relating to the Bank's operational and organisational needs:**
   - formalisation of the rules governing the payment of a one-off bonus during the salary review (Paragraph 10 - Employee Remuneration Structure);
   - a description of the Integration Bonus allotted by the Bank in relation to the DEPObank Transaction (Section 10.2.3.8 – Other components);
   - addition to the Policy of a paragraph dedicated to the remuneration of Employees joining from DEPObank (Paragraph 10.3 – Remuneration of DEPObank personnel).

A formal review was also carried out, mainly with a view to simplifying the text so the information is as clear and comprehensible as possible.

2. GENERAL PRINCIPLES[1]

The Group's remuneration and Incentive system is based on the following principles:

i. ensure consistency with the objectives, the corporate culture and the overall company structure;

ii. avoid conflicts of interest;

iii. encourage control activities by the relevant Corporate Control Functions;

iv. attract and retain individuals with the right professionalism and skills for the Group's needs, and get the most out of them by mapping out a path for professional growth;

v. encourage the utmost diligence and propriety in professional relationships, in line with Group values;

vi. identify and map out a path for achieving objectives that:

   a) are linked to business results, appropriately adjusted to take risks into account;

   b) are consistent with the levels of capital and liquidity needed to cope with the activities undertaken;

   c) avoid distorted incentives that could lead to excessive risk-taking for the Group and the financial system as a whole.

When defining remuneration policies, the following have been taken into account:

i. the size and operational complexity of the Group;

ii. the Group's business model and the resulting levels of risk to which it may be exposed;

iii. domestic and international best remuneration practice;

iv. employee compensation and working conditions. In particular, the Variable Remuneration that the Bank provides for Significant Persons is calibrated to the characteristics of the different staff and business areas by way of a specific policy approved by the Board of Directors, in accordance with the rules and principles of this Policy. Lastly, pay grades and remuneration components have been kept in line with the previous year, despite the frequent use of innovative and flexible working methods (e.g. smart working) due to the COVID-19 crisis.

As required by the Issuers' Regulation, the Bank clarifies that there is no possibility of derogation from the elements of the Policy, except where expressly indicated.

1) Regulatory references: Schedule 7-bis of Annex 3A to the Issuers' Regulation, according to which the Report must indicate, among other things, "the aims of the remuneration policy and its underlying principles".

3. DEFINITIONS

Chief Executive Officer	The Bank's management 'body', i.e. the member of the Bank's Board of Directors to whom the Board has delegated ongoing management tasks, namely implementing the decisions taken at strategic supervisory level.
Shareholders' Meeting	The meeting of the bank's shareholders.
Bank, Parent Company	BFF Bank S.p.A., parent of the BFF Banking Group.
Intermediate Bank	As defined in par. 3, Section I, Chapter 2 ("Remuneration and Incentive Policies and Practices"), Title IV, Part One of the Supervisory Provisions, a bank with balance sheet assets of between €3.5 billion and €30 billion or a bank that is part of a banking group with a consolidated balance sheet assets of between €3.5 billion and €30 billion, which is not considered significant within the meaning of Regulation (EU) No 1024/2013.
Excluded Benefits	Financial allotments that are excluded from the concept of remuneration since they: (i) are of a marginal value; (ii) are of a non-discretionary nature; (iii) are part of a general policy of the Bank; and (iv) do not have an effect on the risk profile of the Bank. These conditions must co-exist in order to qualify for an Excluded Benefit.
Benefits	So-called *fringe benefits* are remuneration elements on top of the Fixed Remuneration. The relate specifically to the concession in use of goods and services from the employer to the Personnel.
Collector Bonuses	A form of target-based short-term Variable Remuneration that is part of the Management By Objectives bonuses envisaged for debt recovery Personnel.
Sales Bonuses	Non-MBO variable pay based on the achievement of annual qualitative and quantitative objectives, both corporate and individual, the latter being distributed quarterly, but all cases being assessed as a whole as part of the annual performance. It is governed by the Remuneration Policy for Significant Persons, complaints handling Personnel and Credit Assessment Personnel.
Clawback	The total or partial return of the Variable Remuneration already received.
Corporate Governance Code	The Corporate Governance Code for listed companies approved by the Corporate Governance Committee established by the business associations (ABI, ANIA, Assonime, Confindustria), Borsa Italiana S.p.A. and the association of professional investors (Assogestioni) on 31 January 2020.
Code of Ethics	The code of ethics adopted by the Group.
Board of Statutory Auditors	The Bank's supervisory body.
Control and Risks Committee	The committee established by the Board of Directors pursuant to paragraph 2.3.3 of Section IV, Chapter 1 ("Corporate Governance"), Title IV, Part One of the Supervisory Provisions and Article 7 of the Corporate Governance Code.

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Remuneration Committee	The committee established by the Board of Directors pursuant to paragraph 2.3.4 of Section IV, Chapter 1 ("Corporate Governance"), Title IV, Part One of the Remuneration Supervisory Provisions and Article 6 of the Corporate Governance Code.
Related Party Transactions or RPT Committee	The committee for the evaluation of transactions with related parties and associated entities.
Board of Directors	The strategic supervision body that is responsible for steering the management of the Bank by, among other things, examining and voting on business or financial plans and strategic operations.
CRD IV	European Directive 2013/36/EU of 26 June 2013.
CRD V	European Directive 2019/878/EU of 20 May 2019.
Customer Satisfaction	Resulting from a survey conducted with the support of an external consultant, the indicator of the degree of satisfaction of BFF customers. This indicator acts as an MBO multiplier.
DEPObank	DEPObank – Banca Depositaria Italiana S.p.A.
Chief Financial Officer	The manager responsible for preparing the company's financial statements pursuant to Article 154-bis of the Consolidated Law on Finance (TUF).
Supervisory Provisions	Bank of Italy Circular no. 285 of 17 December 2013 as subsequently amended, the "Supervisory Provisions for Banks".
Remuneration Supervisory Provisions	The 25th update of the Supervisory Provisions on 23 October 2018, transposing CRD IV and issued pursuant to Articles 53 and 67 of the Consolidated Law on Banking (TUB) and Ministerial Decree no. 933 of 27 December 2006.
Risk-adjusted EBTDA (EBTDA ^{RA})	Group EBTDA adjusted according to a correction mechanism that takes into account the risks assumed, consistent with the capital targets established in the Risk Appetite Framework (RAF) defined on the basis of the budget/strategic plan[2] approved by the Board of Directors according to the following formula: EBTDA ^{RA} = EBTDA – (RWA ^{M} * Target TCR * Ke)[3].

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2) Should the DEPObank Transaction be finalised, this parameter will be defined and calculated based on the size of the Group that results from said acquisition.

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 plans);
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;
Target TCR: in the absence of securities that are eligible for the purposes of calculating equity, this consists of the risk appetite threshold defined for the Total Capital Ratio in the RAF. If there are securities eligible for the purposes of calculating equity, the Target TCR value to be applied in the formula is equal to the difference between 15% and the weighting of said securities on the Group's Target TCR);
Ke: the Group's cost of equity, set at 10%.

Executives	Managers of structured or highly professional organisational units who report to the CEO or to Senior Executives, who contribute significantly and largely autonomously to achieving the objectives of the structure to which they belong, or who provide qualified support/ advice to senior management and the rest of the organisation. They can be Risk Takers. Executives are identified by a specific resolution of the Board of Directors.
Compliance and AML Function	The corporate function that oversees the management of regulatory non-compliance risk, as well as the control of money laundering and terrorist financing risk.
General Counsel Function	The corporate function providing legal support to the Chief Executive Officer and other corporate structures.
Internal Audit Function	The corporate internal audit function.
Risk Management Function	The corporate risk control function.
Human Resources and Organisational Development Function	The corporate function with the task of managing and training the Group's human resources and ensuring the development of the Group's human and organisational capital in compliance with the guidelines established by the CEO.
Corporate Control Functions	The Corporate Control Functions as defined in the Bank of Italy regulations on internal control systems[4], i.e. the Internal Audit, Risk Management and Compliance and AML Functions.
Group or BFF Group	The BFF Banking Group.
Integration Bonus	Form of Variable Remuneration linked to additional work, in terms of individual contribution and coordination of activities, in the case of integrations resulting from extraordinary transactions (*e.g.* acquisitions, mergers).
Malus	The reduction or loss of the right to payment of Variable Remuneration not yet received.
MBO	The short-term incentive system of the CEO and Employees, awarding an annual incentive based on gross annual pay.
Transparency Rules	The Bank of Italy measure "*Transparency of banking and financial transactions and services. Correct conduct between intermediaries and customers*" of 19 March 2019.
DEPObank Transaction	Acquisition of DEPObank – Banca Depositaria Italiana S.p.A. by the Bank, formalised in a binding agreement signed on 13 May 2020.
Personnel	The members of the Group's strategic supervision, management and control bodies, as well as its employees and partners.

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4) See Remuneration Supervisory Provisions.

Board of Directors Personnel	Personnel whose pay and bonuses, annual targets and assessment thereof are defined by the Board of Directors, namely: (i) the Chief Executive Officer; (ii) the Directors with special responsibilities; (iii) the Group's Senior Executives; (iv) the Executives reporting directly to the Chief Executive Officer; (v) the Heads of Corporate Control Functions.
Employees	The employees of the Group.
2016 Stock Option Plan	The stock option plan originally approved by the Shareholders' Meeting of 5 December 2016, as subsequently updated and most recently allotted in 2019.
2020 Stock Option Plan	The stock option plan approved by the Shareholders' Meeting of 12 April 2020.
Stock Option Plans	The 2016 and 2020 Stock Option Plans considered collectively.
Policy	The remuneration and incentive policies for the members of the strategic supervision, management and control bodies and the staff of the Banca Farmafactoring Group.
2020 Policy	The "*Remuneration and incentive policy for members of the strategic supervision, management and control bodies and the personnel of the Banca Farmafactoring Banking Group*" approved by the Shareholders' Meeting on 2 April 2020.
Remuneration Policy for Significant Persons, Complaints Handling Personnel and Credit Assessment Personnel	The remuneration and incentive policies for BFF Banking Group Significant Persons, complaints handling personnel and credit assessment personnel, defined in accordance with the Transparency Rules and contained in a specific document approved by the Board of Directors.
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 the reference processes necessary to define and implement them, including at Group level.
Issuers' Regulation	Consob Regulation no.11971/1999.
Ex-post Report	The annual report on the application of the 2020 remuneration policy drawn up as part of the disclosures required pursuant to Article 123-ter of the TUF and Article 84-quater of the Issuers' Regulation.
Annual Report on Remuneration Policy and Compensation Paid	The Annual Report on Remuneration Policy and Compensation paid drafted as part of the disclosures required pursuant to Article 123-ter of Legislative Decree no. 58 of 1998 (TUF) and Article 84-quater of the Issuers' Regulation.
Remuneration	Any form of payment or benefit paid, including any ancillary components (allowances), directly or indirectly, in cash, securities or goods or services in kind (fringe benefits), in exchange for work or professional services rendered by the Personnel to the Bank or to other Group companies, with the exception of Excluded Benefits.

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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.
Overall Remuneration	The sum of annual Fixed Remuneration, annual Benefits and the maximum value of the MBO receivable in the year in question.
Variable Remuneration	(i) Remuneration whose recognition or disbursement may change in relation to performance, however this is measured (income targets, volumes, etc.), or to other parameters (e.g. length of service), excluding severance pay established by the general legislation on employment relationships and compensation for failure to give notice, when their amount is determined in accordance with the provisions of the law, and within the limits provided for therein. (ii) The discretionary pension benefits and the amounts agreed between the Bank and the Personnel in view or on the occasion of the early termination of the employment relationship or the office, regardless of the title, legal qualification and economic motivation for which they are recognised. These amounts include amounts recognised under a non-competition agreement or under an agreement for the settlement of an existing or potential dispute, wherever it is reached. (iii) Carried interest, as qualified by the provisions on remuneration and incentive policies and practices for the asset management sector, implementing Directives 2009/65/EC (UCITS) and 2011/61/EU (AIFMD). (iv) Any other form of remuneration that does not singularly qualify as Fixed Remuneration, except for Excluded Benefits.
Risk Takers	Persons whose professional activity has or may have a significant impact on the Group's risk profile, as identified in accordance with the criteria set out in Chapter 7 of the Policy.
Senior Executives	Positions that report directly to the CEO, contribute decisively to achieving the Group's strategic objectives, are among the Risk Takers and generally manage significant amounts of human and/or financial resources, within the scope of formal proxies and powers of attorney. These Senior Executives are identified by a specific resolution of the Board of Directors.
Subsidiaries	The companies belonging to the Group, excluding the Bank itself.
Significant Persons	Group Personnel who offer products to and interact with customers, as well as their line managers, as per the Bank of Italy's measure "Transparency of banking and financial transactions and services" of 29 July 2009 as subsequently amended and updated.
By-Laws	The Bank's By-Laws.
Securities	The Bank's securities used to pay some of the Risk Takers' Variable Remuneration.

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Sustainable Success	The objective that guides the actions of the Board of Directors and that consists of creating long-term value for the benefit of the shareholders, taking into account the interests of other stakeholders relevant to the Group.
Target EBTDA RA	The level of EBTDA ^{RA} provided for in the annual budget[5] approved by the Board of Directors for the year in question.
TUB	The Consolidated Law on Banking and Credit Matters pursuant to Legislative Decree no. 385 of 1 September 1993, as subsequently amended.
TUF	The Consolidated Law on Finance pursuant to Legislative Decree no. 58 of 24 February 1998, as subsequently amended.
TUIR	Consolidated Law on Income Tax.
Commercial OU	The organisational unit with the task of managing the Bank's commercial activities by developing relationships with new customers and managing relationships with existing ones.
Rules and Processes OU	The organisational unit with the tasks of developing the Bank's organisational model, in accordance with the guidelines defined by the CEO, and continually updating the Group's internal and governance regulations.
Planning and Control OU	The organisational unit with the task of ensuring that business phenomena are accurately represented through the execution of accounting processes aimed at financial reporting; this unit also carries out the Group's periodic financial/asset management planning activity and oversees and monitors the achievement of the budget/ business plan objectives through management reporting.
Projects OU	The organisational unit with the task of managing development projects under its direct responsibility and monitoring the Bank's and the Group's project portfolio.
VAP	Company bonus provided for in the National Collective Labour Agreement for managers and personnel of professional areas, employed by credit, financial and operating companies.

5) Should the DEPObank Transaction be finalised, this parameter will be defined and calculated based on the size of the Group that results from said acquisition.

4. REGULATORY BACKGROUND TO THE POLICY

The Policy applies to all Bank Personnel, and for the purposes of applying the more stringent requirements of the Remuneration Supervisory Provisions, the Bank falls into the category of intermediate banks, even after the DEPObank Transaction.

In this regard and with reference to Group personnel identified as Risk Takers, the provisions set out in Section III, par. 2.1, points 3 and 4, and par. 2.2.1, apply with percentages and periods of deferral and retention at least equal to half of those indicated therein, and increasing according to the characteristics of the banking group.

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

1. the **Supervisory Provisions**[6] of the Bank of Italy on Remuneration and Incentive Policies issued on 23 October 2018, which establish for banks and banking groups an organic set of rules on remuneration practices and policies.
   The Bank of Italy submitted amendments to the Supervisory Provisions to a public consultation (concluded on 18 January 2021). At the time of approval of the Policy, the changes resulting from the aforementioned consultation have not yet been enacted and, therefore, have not been taken into account when drafting the Policy.
2. the **Issuers' Regulation**, recently amended by Consob, in implementation of Directive 2017/828/EC ("SHRD II"), with Resolution no. 21623 of 10 December 2020. These amendments also covered Schedule 7-bis of Annex 3A of the aforementioned Regulation, which prescribes the content of remuneration policies for listed companies.
3. the **Corporate Governance Code**. In this regard, considering that the Remuneration Supervisory Provisions define limits which are more stringent overall than the corresponding provisions of the Corporate Governance Code, to which the Bank adheres, the Remuneration Supervisory Provisions which absorb and replace the provisions of the Corporate Governance Code regarding remuneration practices and policies are applied, including the provisions on holding onto shares assigned under remuneration plans, which tend to encourage beneficiaries to align themselves with the interests of shareholders over the long term. With this in mind, it should be noted that the Corporate Governance Code states that the biggest part of share-based remuneration plans for executive directors and senior managers must have an overall period of rights accrual and share retention of at least five years.
   The Bank does not apply the aforementioned provision on share ownership, but the rules of the Remuneration Supervisory Provisions (currently under review), because, as already noted above (Paragraph 1 - Introduction: Main News), they are more stringent overall than the corresponding provisions of the Corporate Governance Code. In particular, 50% of the Variable Remuneration of Risk Takers is paid in securities, of which 30% are subject to a deferral period of at least 2 years and further retention of at least six months.
   Without prejudice to the above, the Bank has implemented all the recommendations of the new Corporate Governance Code and, specifically, applies diversity criteria, including gender, for the composition of the Board of Directors, in compliance with the priority objective of ensuring that Board members are suitably competent and professional.

6) See Circular 285, First Section, Title IV, Chapter 2.

4. the **Transparency Rules**. In this regard, the Bank's Board of Directors has approved a Group Remuneration Policy for Significant Persons, Complaints Handling Personnel and Credit Assessment Personnel. At national level, the framework was supplemented during 2019 by the recent amendment of the Bank of Italy's provision of 29 July 2009 on "*Transparency of banking and financial operations and services"*, which introduced some provisions on remuneration policies that intermediaries must adopt in relation to "staff and third parties involved in the sales network". To implement these provisions, the Bank draws up a "Significant Persons" Policy, which requires approval from the Board of Directors.

Most of these provisions are new only for listed companies that do not operate in the banking sector. For such companies, however, most of these provisions overlap with those of the Supervisory Provisions (such as, for example, the principle of alignment with long-term interests, including control body Remuneration Policies in the Report and requiring a binding vote of the Shareholders' Meeting to approve remuneration policies). Consequently, for the purposes of drafting this Policy, the Group will take into account the new aspects introduced by the aforementioned Decree and not already governed by industry legislation.

The Policy applies to all Bank staff, and for the purposes of applying the more stringent requirements of the Remuneration Supervisory Provisions, the Bank falls into the category of intermediary banks[7].

In this regard and with reference to Group personnel identified as Risk Takers, the provisions set out in Section III, par. 2.1, points 3 and 4, and par. 2.2.1, apply with percentages and periods of deferral and retention at least equal to half of those indicated therein, and increasing according to the characteristics of the banking group.

The Remuneration Supervisory Provisions establish for banks and banking groups organic rules on remuneration practices and policies. They define limits that are more stringent overall than the corresponding provisions of the Corporate Governance Code to which the Bank adheres. Therefore, with regard to remuneration practices and policies, the Remuneration Supervisory Provisions that absorb and replace the provisions of the Corporate Governance Code apply.

7) 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 billion and €30 billion and banks that are part of a banking group with consolidated balance sheet assets between €3.5 billion and €30 billion, which are not considered significant within the meaning of Article 6(4) of the SSMR. According to Article 6(4) of the SSMR "The significance shall be assessed based on the following criteria:
i) size;
ii) importance for the economy of the Union or any participating Member State;
iii) significance of cross-border activities.
With respect to the first subparagraph above, a credit institution or financial holding company or mixed financial holding company shall not be considered less significant, unless justified by particular circumstances to be specified in the methodology, if any of the following conditions is met:
i) the total value of its assets exceeds EUR 30 billion;
ii) the ratio of its total assets over the GDP of the participating Member State of establishment exceeds 20%, unless the total value of its assets is below EUR 5 billion;
iii) following a notification by its national competent authority that it considers such an institution of significant relevance with regard to the domestic economy, the ECB takes a decision confirming such significance following a comprehensive assessment by the ECB, including a balance-sheet assessment, of that credit institution.
The ECB may also, on its own initiative, consider an institution to be of significant relevance where it has established banking subsidiaries in more than one participating Member States and its cross-border assets or liabilities represent a significant part of its total assets or liabilities subject to the conditions laid down in the methodology.
Those for which public financial assistance has been requested or received directly from the EFSF or the ESM shall not be considered less significant. [...]".

At European level, the regulatory environment consists of:

- the Capital Requirements Directive V (CRD V), still being implemented in Italy, which establishes specific principles and criteria that banks must comply with in order to:
  - i. ensure the proper design and implementation of remuneration systems;
  - ii. effectively manage potential conflicts of interest;
  - iii. ensure that the remuneration system takes due account of current and prospective risks, the degree of capitalisation and the liquidity levels of each intermediary;
  - iv. increase transparency towards the market;
  - v. ensure that there is no gender discrimination between Personnel;
  - vi. increase harmonisation between Member States;
  - vii. ensure greater clarity and transparency when applying of the principle of proportionality.
- EU Delegated Regulation "Regulatory Technical Standard (RTS)" no. 604 of 4 March 2014[8] issued by the European Commission, on a proposal from the EBA, also in accordance with CRD IV, governing the process of identifying Risk Takers.
- The EBA Guidelines - GL 2014/7 and 2014/8 of 16 July 2014 - which, among other things, in accordance with CRD IV, outline the collection methods and reporting schemes that intermediaries must use to send information about their remuneration systems to the national supervisory authorities, which in turn send it to the EBA[9].

8) Commission Delegated Regulation (EU) No 604, adopted on 4 March 2014 pursuant to Article 94 of CRD IV on a proposal from the EBA, supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile.

9) In particular, the guidelines concern:
   i. the collection from all banks and investment firms of information concerning high earners, i.e. those whose total remuneration is at least €1 million per financial year (GL 2014/07, "*Guidelines on the data collection exercise regarding high earners*");
   ii. the benchmarking aimed at monitoring and comparing remuneration trends and practices – in particular with regard to 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*").

5. GOVERNANCE OF THE REMUNERATION AND INCENTIVE SYSTEM

The Bank defines the Policy, which is the document on remuneration and incentive policies for the entire Group, ensures its overall consistency, provides the necessary guidelines for its implementation, and verifies its correct application taking into account the specificities of the national law of the countries in which the Group Companies are established.

The Subsidiaries are responsible for complying with directly applicable legislation, properly implementing the guidelines provided by the Bank and complying with the Policy.

Where there is a contradiction between the provisions of the Policy and the laws of the Subsidiaries' countries, the CEO first obtains an opinion from the Compliance and AML Function in order to resolve the conflict and implement the Policy.

If the Parent Company finds that the Subsidiaries are implementing the Policy in a way that is not consistent with Policy guidelines or compliant with applicable regulations, it requests that it be amended accordingly, removing the non-compliant administrative bodies if necessary.

Below is a description of how the Bank's corporate bodies and Corporate Control Functions are involved in defining and implementing the remuneration and incentive system, as required by the Remuneration Supervisory Provisions.

5.1 Shareholders' Meeting

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

i. determines the amount of compensation to be paid to the Directors, the Statutory Auditors and the Independent Auditors responsible for auditing the accounts;

ii. approves the Policy;

iii. approves any securities-based remuneration plans;

iv. approves the criteria for determining the compensation to be granted in the event of early termination of the employment relationship or of the office, including the limits imposed on said compensation in terms of the annual Fixed Remuneration and the maximum amount deriving from their application;

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

vi. approves raising the ceiling of the Variable Remuneration to Fixed Remuneration ratio from 1:1 to 2:1 for Risk Takers. This capacity was implemented by way of the Shareholders' Meeting resolution of 5 December 2016, approving the Board of Directors' proposal to raise the ceiling of the Variable Remuneration to Fixed Remuneration ratio from 1:1 to 2:1 (with the exception of Personnel belonging to the Corporate Control Functions, for which the Variable Remuneration to Fixed Remuneration does not exceed 1:3).

The above-mentioned shareholders' resolution was adopted:

a) in compliance with the qualified majorities provided for by the Remuneration Supervisory Provisions[10];

b) following prior notification to the Supervisory Authority provided for by the regulations referred to in the Remuneration Supervisory Provisions[11].

5.2 Board of Directors

The Board of Directors:

i. prepares the Policy, submits it to the Shareholders' Meeting, reviews it at least once a year and is responsible for its implementation, ensuring that it is adequately documented and accessible to Personnel;

ii. approves, in line with the Policy, the remuneration and incentive systems for the BoD's Personnel. In particular, it approves the entire remuneration package of the CEO, including any allocation of stock options to said officer;

iii. approves the Remuneration Policy for Significant Persons, Complaints Handling Personnel and the Credit Assessment Personnel;

iv. checks that the compensation paid to the Chairman, the Chief Executive Officer, the non-executive directors and the members of the control bodies is consistent with the instructions provided by the Remuneration Committee;

v. is entrusted with the administration of stock option plans by, among other things:

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

   b) identifying the beneficiaries of each tranche from among the BoD's Personnel;

   c) reallocating options allotted to the Personnel for whom the Board of Directors is responsible which have become available to the Bank pursuant to the stock option plan regulations;

vi. ensures that the remuneration and incentive systems are consistent with the Bank's overall choices[12] in terms of risk-taking, strategies, long-term objectives, corporate governance structure and internal controls.

10) The Remuneration Supervisory Provisions provide that Shareholders' Meeting approval requires the favourable vote of at least two thirds of the share capital represented at the meeting, when it is constituted with at least half of the share capital, or, when this does not happen, the favourable vote of at least three quarters of the share capital represented, whatever that may be.

11) The procedure provides for the transmission to the Bank of Italy or the European Central Bank, at least 60 days before the date on which the shareholders' vote is scheduled, of the proposal to be submitted to the Shareholders' Meeting, with the relative indications and evidence to demonstrate that the higher limit or limits, for the most important personnel or for some categories of them, do not affect compliance with prudential regulations, especially those concerning own-funds requirements.

12) The Board of Directors may decide on acquisition bonuses in addition to the annual MBO targets, while respecting the 2:1 limit.

5.3 Chief Executive Officer

The Chief Executive Officer:

i. submits proposals for revising the Policy to the Board of Directors;

ii. defines and approves the operational process of defining the criteria underlying the remuneration and incentive system, in compliance with the provisions of the Policy;

iii. defines the remuneration for:

   a) executives of the Group and the Bank who do not report directly to the Chief Executive Officer;

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

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

v. identifies the beneficiaries of stock option plans and the number of stock options to be assigned to those who are not Board of Directors' Personnel as established in the plans. He/she 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. reallocates options allotted to personnel other than Personnel for whom the Board of Directors is responsible which have become available to the Bank pursuant to the stock option plan regulations.

5.4 Remuneration Committee

The Remuneration Committee provides instructions and advice and makes recommendations to the Board of Directors on matters concerning Personnel remuneration and incentives, as well as the monitoring of areas within its remit. It comprises 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 directors. Even if he/she is independent, the Chairman of the Board of Directors cannot be appointed as a member of the Committee.

Within the scope of these functions, the Remuneration Committee:

i. helps the Board of Directors to draw up the Remuneration Policy, with support from the Human Resources and Organisational Development Function;

ii. helps to draw up guidelines on remuneration policies and principles to be submitted to the Shareholders' Meeting for approval, in compliance with Circular 285 and taking into account the relevant provisions of the Corporate Governance Code, including with regard to the comply or explain principle;

iii. is responsible for proposing the salaries for personnel whose pay and bonus systems are decided by the Board of Directors;

iv. is responsible for advising on the setting of pay criteria for all Risk Takers;

v. uses information acquired from the competent Corporate Functions, notably the Human Resources and Organisational Development Function, to comment on the results of the process for identifying the Most Significant Persons, including any exclusions.

vi. expresses to the Board of Directors:

   a) non-binding opinions and proposals concerning the adoption (and possible subsequent expansion) of any incentive plans (stock options, stock grants, "widespread shareholding", etc.), the objectives related to them, and the criteria for assessing their achievement;

   b) opinions and proposals regarding the identification of Risk Takers;

   c) opinions on the determination of the compensation to be paid in the event of early termination of the relationship or the office (golden parachutes). It assesses the possible effects of termination of office on the rights assigned under securities-based incentive plans;

vii. directly supervises the correct application of the rules relating to the remuneration of the heads of the Corporate Control Functions, the Human Resources and Organisational Development Function and the Chief Financial Officer, in close liaison with the Board of Statutory Auditors;

viii. prepares, with the support of the Human Resources and Organisational Development Function, the documentation to be submitted to the Board of Directors at meetings convened to discuss pay issues, in particular the Remuneration Report, in compliance with the deadlines for its presentation to the Shareholders' Meeting;

ix. examines the vote cast by the Shareholders' Meeting on the Remuneration Report, and presents the related analysis to the Board of Directors;

x. works with the other Board committees, particularly the Control and Risks Committee, in relation to the Policy. The Control and Risks Committee, in coordination with the Remuneration Committee and with the help of the Risk Management Function, examines whether the incentives provided by the remuneration system are consistent with the RAF;

xi. ensures that the relevant departments, each according to their respective responsibilities (HR and Organisational Development Function, Risk Management Function, Compliance Function, Group Planning and Control Organisational Unit, and Internal Audit Function), are involved in preparing and controlling the Policy;

xii. gives an opinion on the fulfilment of performance targets linked to the bonus plans, and on the verification of other conditions required for the payment of compensation, including by using information received from the relevant company departments;

xiii. periodically assesses the adequacy, overall consistency and correct application of the Policy with reference to the members of the Board of Directors and the Personnel for whom the Board of Directors is responsible, making use of the information provided by the Chief Executive Officer (including via the Human Resources and Organisational Development Function), and makes proposals to the Board of Directors in this regard;

xiv. 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, that performance targets have been achieved;

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

xvi. reports satisfactorily about the activities it performs to the corporate bodies, thereby complying with applicable laws and regulations. In particular, through the Chairman or another member designated by them, the Committee (i) reports to the Shareholders' Meeting convened to approve the annual financial statements on its operational methods, and (ii) carries out the duties assigned to it by the Engagement Policy - from the moment it is adopted – as regards relations with investors;

xvii. as the renewal of the mandate of the Board of Directors approaches, uses sector benchmarks to prepare instructions so that the amount of compensation paid to the Chairman, the Chief Executive Officer, the non-executive directors and the members of the control bodies is commensurate with the skill, professionalism and commitment required by their position;

xviii. also having regard to the results of the activities referred to in point xiv) above, makes 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 particular positions or perform particular duties (including, therefore, the members of Committees), including the setting of performance targets related to the variable component of the remuneration of the executive directors, (c) the Senior Executives, (d) the Executives who report directly to the Chief Executive Officer, and (e) the heads of the Parent Company's Control Functions. The opinions and proposals referred to in (c), (d) and (e) shall be expressed on the basis of a discretionary assessment that takes into account, among other things:

- the scale of responsibilities in the corporate organisational structure;
- the achievement of specific objectives previously indicated by the Board of Directors;
- any legal and regulatory requirements,

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

- impact on business results;
- the Bank's financial results.

xix. helps the Board of Directors to check that the compensation paid to non-executive directors and members of control bodies is consistent with the instructions referred to in point xiv);

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

No director shall take part in the meetings of the Remuneration Committee at which proposals are made to the Board concerning his/her remuneration.

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

5.5 Control and Risks Committee

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

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

5.6 Corporate Control Functions

The Corporate Control Functions, each within the scope of its own remit, ensure that the Policy is suitable and complies with current legislation.

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. During this check, the Compliance and AML Function operates in such a way that the legal and reputational risks inherent especially in customer relations are assessed and contained, and communicates this to the Chief Executive

Officer, the Remuneration Committee and, in the interim reports, to 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, evaluating any additional limits imposed by local regulations. In the event of a possible conflict with local regulations, the Compliance and AML Function provides an opinion to the CEO about how to resolve the conflict and identifies operational solutions for correctly implementing the Policy.

The Risk Management Function verifies that criteria for Variable remuneration, including the results of EBTDA ^{RA}, have been met and that the incentive system is consistent with risk management methodologies.

The Internal Audit Function checks, at least once a year, that Remuneration practices comply with remuneration and incentive policies, in particular on the basis of the risk-based audit plan. The results of the audits carried out 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 Organisational Development Function to activate the Malus and Clawback mechanisms by carrying out the necessary investigations and analyses at the request of the Human Resources and Organisational Development Function, or the Chief Executive Officer, to ascertain the facts that may lead to these mechanisms being triggered.

5.7 Chief Financial Officer

The Chief Financial Officer provides the accounting data necessary to verify the objectives and, where required by their plan of action, verifies the performance management process for the payment of the Variable Remuneration, as per paragraph 10.2.3.1 (*MBO of Employees*).

5.8 Human Resources and Organisational Development Function

The Human Resources and Organisational Development Function:

i. applies the provisions of the Policy by translating them operationally, within the limits provided for by the role and the powers conferred;

ii. ensures that the criteria and parameters of the remuneration and incentive system are properly applied within the Group;

iii. performs benchmark analyses on a selection of domestic and foreign banks that are comparable to the Bank in terms of business and size, which may vary depending on the subject in question. This analysis is carried out 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, the Control and Risks Committee;

vi. monitors the evolution of labour laws and remuneration system rules;

vii. initiates the process for verifying the conditions of Malus and Clawback, using the Internal Audit Function for the appropriate checks.

6. THE PROCESS OF ADOPTING, APPLYING AND CONTROLLING THE POLICY[13]

6.1 Policy adoption process

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

The Human Resources and Organisational Development Function prepares a draft of the Policy involving the competent functions, including the General Counsel Function, the Risk Management Function, the Planning and Control OU and the Compliance and AML Function, and using the support of an external consultant (*i.e.* the law firm Gattai, Minoli, Agostinelli & Partners).

The Human Resources and Organisational Development Function submits the draft update of the Policy to the Chief Executive Officer.

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.

The Board of Directors, after consulting with the Remuneration Committee and the Control and Risks Committee, resolves to approve the Policy and submit it for approval by the Shareholders' Meeting.

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

6.2 Process of applying and monitoring the implementation of the Policy

APPLICATION OF THE POLICY AT GROUP LEVEL	ANNUAL VERIFICATION		
Human Resources and Organisational Development Function Revision requirement audit Incentive system audit	**Function Compliance and AML**	**Function Internal Audit**	**Function Risk Management**

The Human Resources and Organisational Development Function is the company structure responsible for applying the Policy at Group level.

In particular, at least once a year, the Human Resources and Organisational Development Function, based in part on analysis of the labour market, organisational developments or strategic guidelines of the Group, verifies the need to subject the Policy to review. The Human Resources and Organisational 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 remits, in order to ensure that the Policy works properly, is suitable and complies with the Remuneration Supervisory Provisions.

13) Regulatory references: Article 123-ter of the TUF, Schedule 7-bis of Annex 3A to the Issuers' Regulation.

7. DEFINITION OF RISK TAKERS AND CLASSIFICATION OF COMPANY ROLES[14]

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

In particular, the Group identifies the Risk Takers through an (at least) annual assessment process - entrusted to the Board of Directors, with the support of the Human Resources and Organizational Development Function and the Rules and Processes OU, and together with the Risk Management Function – carried out on the basis of the qualitative and quantitative criteria provided for in Regulation (EU) No 604/14, the Group's internal regulations, company procedures, job descriptions and individual powers of attorney.

Therefore, taking into account the levels of autonomy between the different roles and their impact on the business, the Board of Directors identifies the Risk Takers by way of a specific resolution after evaluation by the Human Resources and Organisational Development Function with the support of the Risk Management and Compliance and AML Functions, having consulted with the Remuneration Committee.

In addition, whenever the Bank or one of the Subsidiaries establishes a new employment relationship and/or partnership, the Human Resources and Organisational Development Function carries out an assessment to check whether the person or entity in question belongs to the Risk Taker category, based on the qualitative and quantitative criteria provided for by Regulation (EU) No 604/2014.

The self-assessment process based on qualitative criteria led to the identification of 37 positions for 2021, two more than the previous year. This change is due to: *(i)* the departure of 1 person, with subsequent deletion of the role and the relevant responsibilities being reallocated within the organisation; *(ii)* 1 eliminated position, with the person in question moved to another role not identified as belonging to the Risk Taker category; *(iii)* the arrival of 1 person whose role was held on an interim basis by another person already identified as a Risk Taker; (iv) an additional 3 people, as members of the Management Board and the Supervisory Board of the Group's subsidiaries.

Applying the quantitative criteria has led to the identification of an additional 9 people, compared to those already identified through the qualitative criteria, who are excluded from the Risk Takers categories since they do not have a significant impact on the risk profile of the Bank, taking into account:

- the highly centralised nature of the processes that involve them;
- the powers conferred and exercised in day-to-day business;
- the possibility of taking risky positions and generating profits;
- the activity carried out and actual daily operations;
- the decision-making powers within the scope of the tasks assigned to them;
- participation in formalised committees.

14) Regulatory references: Remuneration Supervisory Provisions, Section I par. 6, Delegated Regulation (EU) 604/2014

8. REMUNERATION SYSTEM FOR CORPORATE BODIES AND THE SUPERVISORY BODY

The remuneration system for the corporate bodies is based on compliance with current legislation, including the regulatory provisions on policy and practices issued by the Bank of Italy.

8.1 Directors

All Directors:

i. receive the compensation set by the Shareholders' Meeting, a reimbursement of costs incurred during the performance of their duties and, where applicable, compensation for any roles held in Board committees;

ii. who are Committee chairs or members may receive additional compensation determined by the Board of Directors pursuant to Article 2389, paragraph 3 of the Italian Civil Code;

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

Except in the case of the Chief Executive Officer (and any executive directors), Directors are never entitled to Variable Remuneration.

Information on the amounts paid to Directors are set out in part H of the Notes to the Annual Financial Statements as part of the disclosure on the compensation 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 Article 2389, paragraph 3 of the Italian Civil Code determined ex ante and consistent with:

i. their role;

ii. the size and organisational complexity of the Bank;

iii. market practices and benchmarks.

The Chief Executive Officer receives:

i. a Fixed Remuneration, consisting of a salary established by the Board of Directors pursuant to Article 2389, paragraph 3, and a Benefits package.

ii. a Variable Remuneration, subject to the general principles described in paragraph 10.2.1 (General principles), [15]which includes:

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

15) In particular, the CEO is subject to the general principles relating to:
    (i) the Variable Remuneration to Fixed Remuneration ratio referred to in point 10.2.2 (Variable Remuneration to Fixed Remuneration ratio);
    (ii) Variable Remuneration disbursement methods (i.e. deferral period, balance between cash and securities, retention period, rules for "particularly high" Variable Remuneration) referred to in point 10.2.2.1 (Variable Remuneration disbursement methods);
    (iii) ex-post correction mechanisms (Malus and Clawback) referred to in point 10.2.2.2 (Ex-post correction mechanisms (Malus and Clawback));
    (iv) the procedure for activating the Malus and Clawback mechanisms referred to in point 10.2.2.3 (Procedure for activating the Malus and Clawback mechanisms).

    The CEO is not required to still be employed by the Bank and/or its Subsidiaries, to not have submitted their notice to leave and to not have pending disciplinary proceedings, since there is no salaried employment contract between the CEO and the Bank.

- exceeding the gates linked to the liquidity, equity and profitability indicators provided for in i., ii. and iii of point (*C*) of paragraph 10.2.3.1 (*Verification of the achievement of company objectives*), as well as to the
- achievement of an EBTDA ^{RA}/Target EBTDA ^{RA} ratio of at least 1:1, unless otherwise decided by the Board of Directors in compliance with the criteria and conditions set out to allow the disbursement of the MBO of Senior Executives, Executives and other Bank managers, as provided for in i. of point (D) of paragraph 10.2.3.1 (Application of multipliers);

The deferral on the CEO's MBO component is 3 years from its maturity.

b) stock options that may be assigned by the Board of Directors pursuant to the stock option plans in force;

The CEO's Variable Remuneration is paid in accordance with the provisions of paragraph 10.2.2.1 point (D).

c) a golden parachute potentially payable to the CEO upon termination of office, with a value equal to the highest of:
- 1.8 times the sum of the target [16]MBO and the Fixed Remuneration (excluding Benefits);[17]
- the amount of €2,301,000.00.

It should be noted, in this regard, that, given the nature of the relationship between the Bank and the CEO, the latter is not due any notice period or indemnity in lieu of same should they be dismissed by the Bank.

Under the existing contract with the CEO, they will receive the golden parachute upon the occurrence of one of the following circumstances:
- non-renewal of the office of Chief Executive Officer for the period 2021-2023;
- departure from the office of director before the approval of the Bank's financial statements on 31 December 2023, provided the reason is not one of the 'bad leaver' cases defined in the contract between the Bank and the CEO;
- substantial reduction or revocation of the powers of the CEO during any term of office that was in progress until the date of approval of the Bank's financial statements on 31 December 2023, for a reason other than a written request from the Bank of Italy or Consob;
- reduction of the CEO's remuneration during any term of office that was in progress until the date of approval of the Bank's financial statements on 31 December 2023 (notwithstanding any amendments required to transpose new regulations, which must in any case be agreed between the parties if they have a significant negative impact on the CEO's financial or legal guarantees);

d) a non-compete agreement, comprising the following elements:
- <u>duration</u>: two years from their departure as CEO;

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

17) This formula respects the maximum limit of 24 months of the Overall Remuneration provided for in point *(B)*, Paragraph 10.2.3.6 (Amounts recognised under an agreement for the settlement of a current or potential dispute). 1.8 times the sum of Fixed Remuneration (excluding Benefits) and the target MBO, in fact, is less than 24 months of Overall Remuneration, corresponding to 2 times the sum of Fixed Remuneration, Benefits and the maximum value of the MBO receivable in the year in question.

- annual payment: 35% of the Fixed Remuneration[18] (excluding Benefits) when they depart the office of CEO, with 70% paid upfront in half-yearly instalments starting from when they leave the post and 30% deferred for 3 years, and 50% in cash and 50% in securities that must be kept for 1 year;
- penalty:
  - 100% of the Fixed Remuneration (in addition to reimbursement of the payment) if the non-compete obligation is breached;
  - 100% of the non-compete payment less withholding taxes if the CEO is ascertained to have acted in a particular way as part of their professional activity.

Different and/or additional forms of Fixed Remuneration and Variable Remuneration may be provided, including through stock grants, upon the occurrence of certain requirements, which are periodically assessed, partly on the basis of the extent of the powers awarded.

In particular, following the DEPObank Transaction, the Bank's Board of Directors awarded the CEO (as for Employees, see par. 10.2.3.8.) an Integration Bonus connected with the DEPObank Transaction of up to 100% of Fixed Remuneration (excluding Benefits), structured in two tranches and subject to:

- the completion of said Transaction;
- individual performance objectives;
- compliance with the equity, liquidity and profitability gates provided for by the 2020 Policy in point (*C*) of paragraph 10.2.3.1 (*Verification of the achievement of company objectives*);
- tenure of the office of Chief Executive Officer at the time of payment.

Each tranche of the Integration Bonus is paid 70% upfront and 30% deferred for 3 years, 50% in cash and 50% in securities that must be kept for 1 year, in line with the provisions of paragraph 10.2.2.1. point (D) ("Particularly high" Variable Remuneration);

Any additional forms of Fixed Remuneration and Variable Remuneration may be awarded within the limits of applicable laws and regulations, and the provisions of the Policy.

Any other executive directors may be paid a Fixed Remuneration and a Variable Remuneration, which may include all or some of the components envisaged for the CEO.

Independent and non-executive directors[19] other than the Chairman, like the other directors, are entitled to the compensation set by the Shareholders' Meeting for all directors in addition to reimbursement of expenses incurred during the performance of their duties. No further compensation is envisaged, other than for positions on Board committees.

18) The annual payment under the CEO's non-compete agreement does not exceed their Fixed Remuneration. It is not included in the calculation of the ceiling for the ratio of Variable Remuneration to Fixed Remuneration, see point (*A*) of paragraph 10.2.3.6 (Non-compete agreement).

19) Independent directors are those members of the Board of Directors who meet the independence requirements of Article 148, paragraph 3 of the TUF and/or Article 2 of the Corporate Governance Code, unless otherwise provided for by law.

8.2 Statutory Auditors

The Statutory Auditors:

i. receive a remuneration established by the Shareholders' Meeting that is commensurate with the skills, professional capabilities and commitment required by the role and with the size of the Bank;

ii. do not receive any Variable Remuneration or pay 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.

The Chairman of the Board of Statutory Auditors receives a higher compensation than that paid to the Statutory Auditors, established by the Shareholders' Meeting.

Information on amounts paid to the Statutory Auditors is set out in part H of the Notes to the Financial Statements as part of the disclosure 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 receive a Fixed Remuneration established by the Board of Directors. The amount of the Fixed Remuneration is established on the basis of market conditions and responsibilities assumed, guaranteeing the independence and autonomy of the function, and the diligent performance of the task. These people cannot receive Variable Remuneration.

For the members of the Supervisory Body who are also Employees, however, there is no compensation 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 additional compensation in the form of Fixed Remuneration, pursuant to Article 2389, third paragraph of the Italian Civil Code, established by the Board of Directors for these positions.

9. REMUNERATION OF THE CORPORATE CONTROL FUNCTIONS, THE HEAD OF THE HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT FUNCTION AND THE CHIEF FINANCIAL OFFICER

Control Functions
Human Resources
CFO

GATES
WITHOUT ECONOMIC PARAMETERS

The attribution of Variable Remuneration for the Corporate Control Functions, the Head of the Human Resources and Organisational Development Function and the CFO is restricted by and subject to corporate sustainability objectives ("gates"). In particular, payment of Variable Remuneration to these people is subject to compliance with the regulatory capital and liquidity gates, like for the rest of the Personnel, and not to financial parameters and components that are inconsistent with the tasks assigned to them, their responsibilities and the objectives achieved.[20]

For Heads of Corporate Control Functions only, the ratio of Variable Remuneration to Fixed Remuneration must not exceed 1:3. As a rule, this limit applies to all Personnel of the Group's Corporate Control Functions.

20) The rules and limits of Variable Remuneration also apply to the personnel of the Control Functions at the Subsidiaries.

10. STRUCTURE OF REMUNERATION OF EMPLOYEES[21]

Employee Remuneration entails a balanced package consisting of Fixed Remuneration and Variable Remuneration.

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

Excluded Benefits may include lump sums paid during the annual salary review. The disbursement of these amounts is appropriately justified and documented on the basis of qualitative and/or quantitative standards.

10.1 Fixed Remuneration

FIXED REMUNERATION = GAR + BENEFITS

Fixed Remuneration is related to the experience and professional skills of the people working in the company, and is also based on the roles held. Fixed Remuneration is also determined with the aim of attracting and/or retaining talent (e.g. superminimums and pay increases possibly linked to stability pacts, provided that the increase is stable and irrevocable, is of a fixed amount, is justified, does not create incentives to take risks and does not depend on individual and/or Bank performance).

Fixed Remuneration includes the Benefits.

Each Group company is allowed to establish its own Benefit packages, including flexible Benefits, in compliance with local regulations, based on the importance and complexity of the roles held, according to principles of fairness and alignment with the local labour market, and, in any case, in compliance with the Group's guidelines as per the principles of the Policy.

As for the Bank, the Benefits are assigned according to the role held. The current Benefits package may include:

i. regular medical check-ups;

ii. flexible benefits;

iii. meal ticket;

iv. contribution to a supplementary pension fund;

v. insurance: Long-term care, life, occupational and non-professional accidents, permanent disability, medical expenses;

vi. company car and reimbursement for fuel expenses.

21) Regulatory references: Schedule 7-bis of Annex 3A to the Issuers' Regulation.

Fixed Remuneration is calculated based on some principles that are consistent with the Code of Ethics and can be summarised as follows:

vii. fairness, understood as the attribution or recognition of what is due to the individual in question, in terms of professional growth, based on possession of the required characteristics, roles and responsibilities, without any discrimination, giving everyone the same career opportunities;

viii. competitiveness, understood as an analysis of how the salary awarded to each position compares to specific market benchmarks;

ix. meritocracy, which is expressed in how individuals are valued based on merit;

x. consistency over time, with reference to medium- and long-term objectives and risk management policies.

10.2 Variable Remuneration

10.2.1 General principles

$$\text{GATES} = \text{LCR} + \text{TCR} + \text{EBTDA}^{\text{RA}}$$

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 subject to the following conditions: (i) liquidity coverage ratio (LCR), (ii) total capital ratio, 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 year to which the incentive system refers, and (iii) risk-adjusted and cost-of-capital-adjusted positive return (Risk-Adjusted EBTDA, or EBTDA ^{RA}).

Variable Remuneration is also linked to several parameters consistent with the function of the specific instrument used to pay the Variable Remuneration (e.g. individual and/or Bank performance, however measured, length of service, etc.).

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

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

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

(iii) VAP;

(iv) any retention bonuses, discretionary pension benefits, golden parachutes and other components provided for in the Policy.

No forms of guaranteed Variable Remuneration are permitted 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. may not 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 recruitment (i.e. rules on balancing cash and securities, deferral and retention);

iii. contribute to determining the limit of the ratio of Fixed Remuneration to Variable Remuneration for the first year, unless they are paid in a lump sum at the time of recruitment.

The payment of Variable Remuneration, whether upfront or deferred, with the exception of the golden parachutes provided for in paragraph 10.2.3.6 (Golden Parachutes), is also subject to:

i. for Employees, as at the payment date, being employed by the Bank and/or its Subsidiaries, not having submitted notice to leave and not pending disciplinary proceedings that might conclude with dismissal;[22]

ii. for Personnel, compliance with parameters pertaining to results, assets and liabilities and cash flows.

Regarding the requirement to still be employed by the Bank and/or its Subsidiaries, there may be exceptional and properly justified exemptions (so-called good leaver provisions), in which, although said condition is no longer met, the Variable Remuneration in question may be paid in whole, in part or *pro rata temporis* depending on when during the year the relationship with the Bank and/or the Subsidiaries is terminated. These exemptions must be approved by the CEO, except in relation to Personnel for whom the Board of Directors is responsible, when Board approval is required.

In this regard, with a view to avoiding possible regulatory and Policy circumvention, the Bank ensures that Group Personnel are not remunerated and do not receive payments or other benefits through vehicles, instruments or methods that are in any way circumventive, including with regard to Subsidiaries. In this regard, the Bank may ask the Group's Risk Takers to disclose any opening of custody and administration accounts with other intermediaries, and any financial transactions or investments made, which could affect the Group's risk alignment mechanisms.

10.2.2 Ratio of Variable Remuneration to Fixed Remuneration

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

22) See Note 14 for the general principles applicable to the Variable Remuneration of the Chief Executive.

The maximum limit for the Variable Remuneration to Fixed Remuneration ratio is 2:1, as established by the Shareholders' Meeting of 5 December 2016[23], in compliance with the Bank of Italy's prior information procedure.

The aforementioned limit was determined in a total remuneration logic, taking into account compliance with current legislation, consistency between the different roles and responsibilities, and comparison with the relevant external market.

For the Heads of Corporate Control Functions, the ratio of Variable Remuneration to Fixed Remuneration must not exceed 1:3.

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 by the Remuneration Supervisory Provisions[24].

10.2.2.1 Variable Remuneration payment methods[25]

(A) Payment mechanism

Except as set out in paragraph 10.2.2.1 point (D), in relation to the "particularly high" Variable Remuneration of the Chief Executive Officer, heads of the main corporate functions and those who report directly to the Board of Directors, in order to ensure long-term sustainability, payment of short-term Variable Remuneration (MBO) takes place as follows:

23) The increase in the limit from 1:1 to 2:1 resolved by the Shareholders' Meeting on 5 December 2016 was confirmed by a subsequent resolution of the Shareholders' Meeting on 5 April 2018, pending the previous regulation, which did not clarify whether, after the first increase resolution, a subsequent confirmatory resolution by the Shareholders' Meeting was required in subsequent years. The update of the Remuneration Supervisory Provisions 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 assumptions on the basis of which the increase was approved, the personnel to which it refers and the measurement of the limit itself have not changed"* (Remuneration Supervisory Provisions, Section III).

24) The Remuneration Supervisory Provisions provide that within 30 days of the date on which the Shareholders' Meeting took the decision to increase the limit, the decision itself is transmitted to the Bank of Italy with an indication of the limit or limits approved for each category of personnel concerned. The assumptions on the basis of which the increase was approved, the type of personnel to which it refers and the measurement of the limit itself have remained unchanged and, therefore, the limit does not require re-approval, in line with the Remuneration Supervisory Provisions. In particular, the need to maintain adequate levels of competitive pay and Personnel motivation is reaffirmed in order to improve the Bank's management retention capacity and the need to further improve the integration and participation of staff in the Group's results.
With reference to the Risk Takers, the raising of the limit to 2:1 has also proved not to affect compliance with the relevant legislation, in light, in particular, of the following safeguards:
i. the parameter linked to the Risk-Adjusted EBTDA (or EBTDA RA) to Target EBTDA RA ratio to which payment of the MBO is normally subject.
the provision, by the Policy, of stricter limits than those that would be applicable to the Bank's Risk Takers considering its classification as an Intermediate Bank, in particular:
   a) a split in cash and securities disbursement of at least 50/50 instead of 75/25 and, in some cases, at least 50/50 instead of 74/26, see point (*b*) of paragraph 10.2.2.1 (Balancing cash and securities);
   b) a deferral of 30% of the Variable Remuneration for two years instead of one-and-a-half years and, in some cases, 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.
ii. the Policy provides for specific ex-post correction mechanisms (i.e. Malus and Claw Back), which may result in the reduction or elimination of the Variable Remuneration previously paid, as a result of conduct resulting in damage or in any case a significant loss to the Bank or to its Subsidiaries.

25) Regulatory references: Remuneration Supervisory Provisions, Section III.

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

ii. 30% with a deferral of two years[26] from maturity. By way of example, for the year ending 31 December 2021, the deferred component of Variable Remuneration will be paid after the Shareholders' Meeting has approved the financial statements for the year ending 31 December 2023.

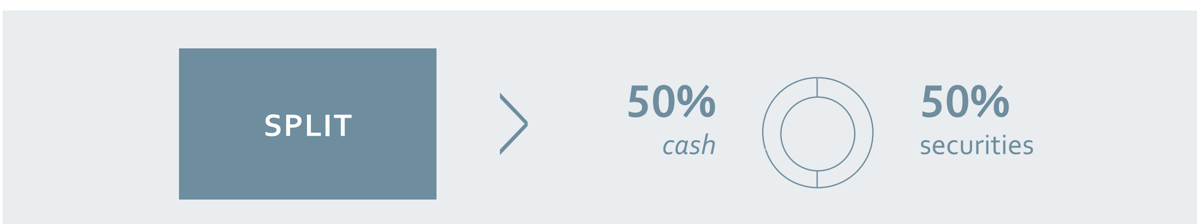
The disbursement rules described above also apply in the case of retention bonuses or golden parachutes, as described in paragraph 10.2.3.4 and paragraph 10.2.3.6 respectively.

The above does not apply to stock option plans activated by the Group, for which the regulatory deferral provisions apply with regard to the date from which the options accrued under the respective plans can be exercised, as per the information documents published on the Bank's website, to which reference should be made for the detailed rules.

Before the end of the deferral period, no dividends or interest may be paid on the Securities.

The deferral applies to all Employees with a minimum classification of QD3 (Level 3 Manager), regardless of whether they are a Risk Taker.

(B) Balancing cash and Securities



Part of the Variable Remuneration, both upfront and deferred, is paid in the form of Securities. For Risk Takers, at least 50% of the Variable Remuneration must be split[27] between:

i. Bank shares, including those 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 Securities to be allocated for the balancing purposes referred to in this paragraph shall be calculated by reference to the value of those instruments on the last open market day prior to the expected date of allocation or, for options allocated and accrued under stock option plans, on the date of approval of the relevant plan.

26) Considering that the Bank is classified, for the purpose of remuneration policy rules, as an Intermediate Bank, it would be possible to apply a deferral period of between one-and-a-half and two years. The Bank considered adopting a more conservative approach by implementing a longer deferral period than required by the Remuneration Supervisory Provisions for Intermediate Banks.

27) The minimum limit for Intermediate Banks is 25%. In this case, the Bank establishes the more conservative minimum envisaged for larger banks.

(C) *Retention period*

RISK TAKERS

DEFERRAL OF SECURITIES

6 MESI

for UPFRONT
for DEFERRED

In order to align incentives with the Bank's long-term interests, the instruments provided for by the Policy, with reference to Risk Takers, are subject to a retention period. This retention period, for Securities paid upfront and those subject to deferral, is at least 6 months[28]. In the case of deferred Securities, the retention period begins no earlier than the moment the deferred Variable Remuneration (or a portion thereof) is paid.

With reference to the options and shares that can be allocated in the event of execution, the rules governing securities-based plans contain forecasts aimed at ensuring compliance with the regulatory provisions on retention.

During the retention period, the Securities:

i. accrue interest and/or dividends (except for stock options); and

ii. cannot be sold or transferred by the beneficiary Risk Takers.

The disposal of Securities during the retention period constitutes a legitimate reason for activating:

i. the Malus and Clawback mechanisms described in paragraph 10.2.2.2 below (Ex-post adjustment mechanisms (Malus and Clawback));

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

When assigning securities, the Bank may enforce financial penalties upon Risk Takers who violate the retention period.

The provisions relating to ex post correction mechanisms (Malus and Clawback), referred to in point 10.2.2.2 (*Ex-post correction mechanisms – Malus and Clawback*), shall also apply to the part of Variable Remuneration paid in the form of Securities.

(D) "Particularly high" Variable Remuneration of the CEO, heads of the main corporate functions and those who report directly to the Board of Directors

RISK TAKERS

DEFERRAL
FOR THOSE RECEIVING
PARTICULARLY HIGH
REMUNERATION

30%
DEFERRED FOR 3 YEARS

more than the 2.5 years
imposedon intermediate banks

28) As the Bank qualifies as an Intermediate Bank pursuant to the Remuneration Supervisory Provisions, the retention period, normally not less than 1 year, can be reduced by no more than half.

As required by the Bank of Italy's Remuneration Supervisory Provisions, the Bank has defined "particularly high" Variable Remuneration as the lower of:

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

   According to the EBA's report containing data for December 2018, this amount was €437,421;

ii. 10 times the average total remuneration of the Bank's employees, namely €654,025.65.

Consequently, Variable Remuneration above €437,421 for the period 2020-2023 is considered "particularly high".

Thirty per cent of the Variable Remuneration of the CEO, Senior Executives and Executives reporting directly to the CEO, if deemed to be "particularly high", is subject to a deferral period of 3 years from its accrual[29].

10.2.2.2 Ex-post adjustment mechanisms (Malus and Clawback)

Variable Remuneration, including golden parachutes, is subject to ex-post adjustment mechanisms (Malus and Clawback), which can result in the variable component being reduced, significantly reduced or even eliminated. The correction mechanisms must be identified within the limits allowed by law and by collective agreements applicable to employment relationships. They must reflect performance levels net of the risks actually assumed or achieved and capital levels, as well as take into account individual conduct. Using the company functions pursuant to paragraph 10.2.2.3 (*Procedure for activating the Malus or Clawback mechanisms*), the Parent Company's Board of Directors ascertains the assumptions that determine the activation of the ex-post correction mechanisms with reference to the Personnel for whom the BoD is responsible, and resolves to apply them in accordance with the procedures provided for in the Policy. For the remaining Personnel, the CEO is responsible, relying on the support of the competent corporate functions and, where necessary, the corporate bodies of the Subsidiaries.

For the purposes of recognising deferred Variable Remuneration, given all other legal and contractual conditions, the application of a certain "gate" linked to the Group achieving a positive return net of risk, associated with compliance with the equity (TCR) and liquidity (LCR) risk tolerance levels as defined in the RAF in force at the end of the year preceding the settlement of the deferred Variable Remuneration (the "**Malus**" condition), is envisaged during the period of accrual of the right to payment.

The variable part of remuneration is not paid or, if already paid, must be returned if it is established that the component of the Variable Remuneration in question has been determined on the basis of data that is subsequently shown to be manifestly incorrect and/or in the presence of individual behaviour of the person concerned, enacted within the scope of the Group's activity and/or in any case of the professional activity of the person in question, that is attributable to one or more of the following (the "**Clawback**" conditions):

i. behaviours resulting in a significant loss for the Group, the Bank, the Subsidiaries or customers; the minimum threshold for this loss is €500,000;

ii. the loss of one or more of the requirements of professionalism, integrity and independence referred to in Article 26 of the TUB for members of Personnel performing administrative, management and control functions;

iii. breach of the obligations provided for in Article 53, paragraph 4 et seq. of the TUB by the parties indicated therein, regarding the Group's assumption of risk activities vis-à-vis those who may directly or indirectly influence the management of the Bank or the Group and parties 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

29) As the Bank qualifies as an Intermediate Bank pursuant to the Remuneration Supervisory Provisions, the deferral period for the amounts referred to in this paragraph, normally not less than 5 years, can be reduced by no more than half.

to the aforementioned Article 53 of the TUB; violation of the obligations and provisions of the Remuneration Supervisory Provisions (Section III, e.g. undue receipt of remuneration, violation of the retention period);

iv. specific behaviours committed with wilful misconduct or gross negligence, which have resulted in financial or non-financial damage, including reputational damage, to the Group, the Bank or Group companies, regardless of whether such damage is fully quantifiable, including, but not limited to:
   a) breach of confidentiality and non-competition obligations during the contractual relationship with the Bank;
   b) breach of any post-contractual confidentiality and non-compete obligations, such as non-competition agreements that may or may not be pursuant to Article 2125 of the Italian Civil Code;

v. violation, with wilful misconduct or gross negligence, of the obligations under Italian Legislative Decree 231/2001 or the Code of Ethics;

vi. fraudulent conduct or other conduct committed with wilful misconduct or gross negligence to the detriment of the Group, the Bank, customers or Group companies.

If a Clawback condition occurs, the Variable Remuneration concerned may be reduced rather than eliminated, provided such a decision is justified. The amount may be offset against Remuneration and/or severance pay.

Where repayment of the part of Variable Remuneration already received by the beneficiary is problematic to such an extent as to make it hard to quantify, or costly and time-consuming to recover, payment of a sum commensurate with the amount of Variable Remuneration subject to Clawback or the value of the benefit awarded may be requested, unless in the case of greater damage. The amount determined in this way may be offset against Remuneration and/or severance pay.

The Malus and Clawback mechanisms are triggered when the Bank uses the procedure indicated in paragraph 10.2.2.3 (*Procedure for activating the Malus and Clawback mechanisms*) to determine that Malus and Clawback should apply.

In addition to compensation for any damages, from the moment the Clawback conditions are ascertained, the Bank and the other Group companies have the right to recover all or part of the Variable Remuneration already paid, this right being exercisable within five years of each payment.

Furthermore, the termination of the employment relationship and/or the office does not prevent the activation of Clawback mechanisms, which still take into account the legal, social security and tax aspects, as well as the time limits provided for by local regulations.

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

Options accrued and not yet exercised are subject to Clawback if the related conditions are ascertained by the Internal Audit Function after the vesting date and before the exercise of the accrued options.

If a Clawback condition is ascertained after the exercise of the options, within the limits of applicable rules, the beneficiary will be required to pay the Bank an amount equal to the value of the options as determined at the time of allocation, without prejudice to the Bank's right to compensation for any greater damage.

10.2.2.3 Procedure for activating the Malus or Clawback mechanisms

The Malus or Clawback mechanisms are activated as summarised below.

The Internal Audit Function, at the request of the Board of Directors for the Personnel for whom the BoD is responsible, and the Chief Executive Officer for the remaining Personnel, carries out the necessary analyses to ascertain the circumstances that may entail activating the Malus or Clawback mechanisms. The investigations are performed by the Head of the Internal Audit Function, who uses their team to carry out the initial analysis of the information.

The Internal Audit Function prepares a report on the facts under investigation and transmits it to the Head of the Human Resources and Organisational Development Function and to the Chief Executive Officer.

If the conditions are met, prior to the Malus or Clawback mechanisms being activated:

i. against an employee, disciplinary proceedings are initiated pursuant to Article 7 of Law no. 300/1970 and to the applicable collective agreement. The person in question is informed of the Malus or Clawback mechanisms being activated by way of the communication at the end of the disciplinary proceedings (or by way of separate communication);

ii. against a person who is not a salaried employee or no longer has a relationship of any kind with the Bank, the following procedure is activated:
   a) the circumstances deemed appropriate for triggering the Malus or Clawback mechanisms must be communicated in writing to the person in question, who is guaranteed the right to defend themselves in writing within a reasonable period and proportionate to the complexity of the charges made, in any case not less than 5 calendar days;
   b) once the interested party's defence has been heard (or after the deadline has elapsed without said party having submitted a defence), the Chief Executive Officer may proceed with any measures provided they keep the Board of Directors informed (or the Board of Directors for Personnel for whom the BoD is responsible).

The decision must be justified and communicated to the person concerned in writing. A measure that lists the events which have occurred, identifies the rules that are assumed to be violated and states the reasons why the defence of the person in question cannot be accepted is considered justified.

10.2.3 Variable Remuneration Structure for Employees

Variable Remuneration is divided into various components, including:

10.2.3.1 Employee MBO

$$\frac{\text{MBO}}{\text{GAR}} = \boxed{\text{MAX 1:1}}$$

The Employee MBO[30] is a formalised incentive system that provides for the payment - based on the annual gross remuneration - of a bonus subject to company and individual qualitative and quantitative objectives being achieved. The mix of quantitative and qualitative objectives is appropriately balanced according to the roles and responsibilities of the eligible Employees. The MBO provides for retention mechanisms for all Employees, namely payment subject to the beneficiary still being employed by the Group. These mechanisms are not provided for the rest of the Personnel.

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

For Employees, a length of service of at least 6 months in the reference year is normally required, in addition to being present in the Group - not under notice to depart and not pending a disciplinary procedure that results in dismissal - at the time of the MBO being paid.

The amount paid as MBO may never exceed 100% of the Fixed Remuneration (excluding Benefits) for the year in question, for all Personnel.

The Employee MBO is awarded through a performance management system that aims to:

- encourage sharing and steer all employees towards achieving the company's objectives;
- align organisational behaviour with company values and with support for medium- and long-term objectives;
- foster dialogue between each manager and his/her colleagues, resource development, teamwork, integration and cooperation between functions.

With regard to the everyday running of the "MBO" Short-Term Incentive System, when preparing the budget, the Human Resources and Organisational Development Function estimates the MBO pool for Personnel, the amount of which is determined by hypothesising the achievement of individual and business objectives based on the mechanisms provided for by the incentive system.

The objectives assigned to Employees consist of a quantitative component, assigned to individuals, and a qualitative component. Specifically:

- quantitative objectives can be related to finances, projects, process efficiency or people, and can be for individuals, teams or organisational units; they must also be clear, objectively observable and measurable, and, depending on the aforementioned type, directly linked to EBTDA ^{RA} and/or growth;
- qualitative objectives, on the other hand, are linked to organisational behaviour, identified on the basis of the company's values and culture, and distinguished according to the position held.

In order to facilitate strategic alignment with company objectives, quantitative objectives are assigned using a structured "cascading" process.

(A) Setting objectives

Within the first quarter of each year, according to the guidelines provided by the CEO, and through a process aimed at full alignment and wider sharing, all heads of Organisational Units/Functions/Departments communicate to their employees their respective qualitative/quantitative objectives, on the basis of which, at the end of the year, individual performance will be evaluated and the Variable Remuneration will be determined in the form of the related MBO.

All MBO beneficiaries are given tailored objectives based on their department, function, organisational unit or role. The achievement of each objective is then verified by someone other than the person who assigned it, thereby guaranteeing an independent verification mechanism.

With regard to the content and choice of the above objectives, it is expressly requested that there is a clear link between the remuneration structure, the business strategy and group sustainability. Specifically, the Bank:

- continues to retain as a common objective for the entire corporate population apart from the Control Functions, the CFO and the Human Resources & Organisational Development Function, the parameter of the EBTDA ^{RA}, which clearly shows a strong link with profitability but also with a great attention to risk, ensuring the sustainable growth of the Bank's sustainability in the long term;

- ensures long-term alignment through the payment of variable remuneration in securities and participation in a stock option plan, which, unlike a share plan, by definition has positive returns only if the company generates value in the medium term.

It is also the Group's intention, in order to align itself as closely as possible with the Corporate Governance Code, to promote the presence of performance objectives that are consistent with the Group's strategic objectives and aimed at promoting its Sustainable Success, including, where relevant, non-financial parameters.

In this regard, the path ahead looks like this:

EBTDA RA	DRIVER DIVERSITY	CUSTOMER SATISFACTION
Guarantees economic sustainability while keeping an eye on risk and cost of capital	**At least 50% of vacancies must have a shortlist with at least 1 woman or 1 foreigner** (i.e. not from the country where the vacancy has arisen)	**Customer satisfaction indicator as long-term element of business sustainability**

- a diversity driver (both gender and nationality) for hiring to managerial positions has been introduced since 2021 among the individual objectives of the Personnel for whom the Board of Directors in responsible, which facilitates more women or foreigners being appointed to key positions of the Group by requiring that at least 50% of the shortlists for posts becoming available during the year include women or people of a different nationality than that of the country for which the selection is being made;
- Customer Satisfaction has been retained as a quantitative non-financial indicator for the Bank's Employees.

Attention to sustainability parameters is considered a key and strategic element for the medium- and long-term development of the Group, raising Personnel awareness of an increasingly inclusive and sustainable corporate culture aimed at attracting, developing and retaining talent.

Specifically, the MBO objectives are assigned as follows:

i. with regard to Senior Executives and Executives reporting directly to the Chief Executive Officer and the heads of the Corporate Control Functions, the objectives are discussed with and then submitted by the CEO for approval by the Board of Directors, in compliance with the provisions of the regulations and this Policy;

ii. for all other Employees of the Bank, the objectives are approved by the Chief Executive Officer;

iii. for the Risk Takers of the Subsidiaries, the objectives are approved by the CEO;

iv. for the rest of the Employees of the Subsidiaries, the objectives are approved by the CEO of the Subsidiary in question, having consulted the Human Resources and Organisational Development Function, based on the delegation structure.

In addition to meeting individual objectives, the accrual and disbursement of the MBO is also subject to compliance with the corporate gates of (i) liquidity, (ii) equity and (iii) risk- and cost-of-capital-adjusted positive return (EBTDA RA), described in the following point (C) of this paragraph 10.2.3.1 (*Verification of achievement of company objectives*).

(B) Verification of achievement of individual objectives

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

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

ii. Strategy and Projects OU, if of a project-related nature.

However, the certification process may involve additional business functions with responsibility for verifying quantitative objectives pertaining to the function in question. In any case, the owner of the certification is normally different from the entity being evaluated, precisely to ensure an objective assessment. Outside of the quantitative financial and project-related objectives, other types of objectives can be assigned which are then verified and certified by the Head of the OU of the individual collaborators, and approved by the CEO.

Individual qualitative objectives are linked to organisational behaviours and are evaluated directly by the head of the individual function concerned based on a detailed 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 in question, whose overall results support the evaluation of the organisational behaviour of the individual in achieving the driver identified. These drivers allow for more accurate discussion of individual performance in relation to concrete objectives that are considered important from year to year for the structure to which they belong.

(C) Verification of the achievement of company objectives

STEP 1

VERIFICATION OF GATES

Liquidity coverage ratio (LCR)	Total Capital Ratio (TCR)	Positive Risk Adjusted EBTDA (EBTDA ^{RA})

With regard to the annual objectives, three gates are applied to Employees in the accrual year, in addition to the possibility of activating Malus[31] and Clawback mechanisms, linked to satisfying indicators of (i) liquidity, (ii) equity and (iii) risk- and cost-of-capital-adjusted positive return (EBTDA ^{RA}).

Specifically:

i. the Group's liquidity indicator adopted as the gate is the Liquidity Coverage Ratio (LCR), at least equal 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, compliant with the requirements of supervisory remuneration legislation;

ii. the Group's equity indicator adopted as a gate is the Total Capital Ratio (TCR) at least equal 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, compliant with the requirements of supervisory remuneration legislation;

iii. the Group's profitability indicator adopted as a gate is a positive EBTDA ^{RA}.

31) Compliance with the gates for the year prior to payment of the deferred portion of the Variable Remuneration is required for Employees as a condition of Malus, as indicated in point 10.2.2.2 (*Ex-post correction mechanisms (Malus and Clawback)*).

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

The profitability gate does not apply to the MBO of:

- Corporate Control Functions;
- the CFO;
- the Human Resources and Organisational Development Function.

(D) Application of multipliers

STEP 2

VERIFICATION OF MULTIPLIER

$$\frac{\text{EBTDA}^{RA}}{\text{Target EBTDA}^{RA}}$$

Position	Min.
Senior Executives, Executives, Senior Managers	100%
Middle managers	90%
Non-managerial staff	88%

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

Specifically:

i. a first mechanism makes the effective disbursement of the MBO subject to the achievement of the Group's financial objective budgeted for the same year adjusted for the risk, as provided for in the Risk Appetite Framework, associated with compliance with capital and liquidity limits.
This objective is defined by the ratio of EBTDA ^{RA} to Target *EBTDA* ^{RA} at least equal to the percentage indicated below triggering the payment of the MBO to the relevant category of employees:

   - for Senior Executives, Executives and other senior managers of the Bank: at least 100%;
   - for middle managers: at least 90%; and
   - for non-managerial staff: at least 88%.

   If the *EBTDA* ^{RA}/*Target EBTDA* ^{RA} ratio does not meet the percentages indicated above, the payment of the MBO may still be allowed, in whole or in part, to all or some of the categories indicated above, subject to a resolution of the Board of Directors, endorsed by the Remuneration Committee, in the presence of exceptional circumstances that have prevented the achievement of the percentages indicated above. This resolution must be adequately justified by significant performance by the category of Personnel for which the exemption is requested, identify the aforementioned circumstances, and certify that there is no threat to the financial sustainability prospects of the Group.

   If, on the other hand, the percentages indicated above are reached, the EBTDA ^{RA}/Target EBTDA ^{RA} ratio acts as a multiplier of the Employee MBO. This multiplier can increase the MBO by up to 40% for middle managers, Senior Executives, Executives and other senior managers of the Bank, and up to 30% for non-managerial staff. This multiplier can also be decremental and still allow the MBO to be paid out to the middle manager and non-managerial categories, even if the Target *EBTDA* ^{RA} has not been reached.

The objective and multiplier related to the *EBTDA* ^{RA}*/Target EBTDA* ^{RA} ratio do not apply to:

- Corporate Control Functions;
- the CFO;
- the Human Resources and Organisational Development Function.

EBTDA ^{RA} MULTIPLIER

- ☐ ■ Corporate Control Functions
- ☐ ■ Chief Financial Officer
- ☐ ■ Human Resources and Organisational Development Function

ii. a second multiplier is linked to Customer Satisfaction. This business performance indicator is formulated on the basis of a survey conducted by an external consultant, and can increase the MBO by up to 9%. This indicator:

- applies as a multiplier only incrementally;
- although qualitative rather than financial, remains measurable;
- offers a true picture of the Group's level of sustainability over time, because it measures customer satisfaction with regard to the service offered.

Similar multipliers can also be applied by the Subsidiaries, subject to the approval of the CEO for what is not expressly the responsibility of the Board of Directors.

10.2.3.2 VAP

The VAP is a payment to the Bank's non-managerial Employees governed by the national collective labour agreement. It is linked to the achievement of specific performance objectives of the Bank, and can be disbursed in one of the following ways:

i. cash;

ii. corporate welfare goods and services on the basis of relevant agreements;

iii. Securities.

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

10.2.3.3 Stock option plans

As part of its incentive policies, the Bank, in compliance with applicable legislation, adopts stock option plans based on the allocation of options that entitle the beneficiary to receive ordinary shares of the Bank.

These plans aim to:

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

ii. make Personnel more aware about creating value for the Group and for shareholders;

iii. increase the retention capacity by making valued staffers less likely to quit the Group;

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

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

The value of stock options attributed to beneficiaries:

i. is determined on the basis of fair market value using common valuation methodologies and parameters recognised by the financial community (the valuation is performed using the Black-Scholes formula), as 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 determining the 2:1 limits and the 50/50 split (between cash and Securities), where applicable, in the year of stock option vesting[32].

The mechanism for the recognition and exercise of stock option plans follows the applicable rules on long-term incentive plans, as governed by the appropriate regulations, which should be consulted for more details.

Stock options are also subject to ex-post adjustment mechanisms (Malus and Clawback), which can result in the stock options being reduced, significantly reduced or even eliminated. Specifically, during the exercise right accrual period for stock options, certain "gates" linked, respectively, to the achievement of a positive Group return net of risk and compliance with capital and liquidity risk tolerance levels are applied, pertaining to the year prior to the date on which it becomes possible to exercise the options.

10.2.3.4 Retention bonus

There may be forms of Variable Remuneration tied to Personnel staying in post until a certain date or a certain event (retention bonus). Retention bonuses are allowed, in the presence of 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 transaction, or to encourage the stability of the relationship until a change of control occurs and/or following same).

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

10.2.3.5 Discretionary pension benefits

To date, there are no discretionary pension benefits for Personnel, and the Bank has no plan to use these instruments. However, the Group companies, subject to the approval of the Board of Directors for the Personnel for whom the BoD is responsible, 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, when applying the provisions on Variable Remuneration to discretionary pension benefits, the following criteria are observed[33]:

i. if the member of Personnel terminates their employment, partnership or office before they have accrued the pension right, the discretionary pension benefits are invested in Securities, 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 point 10.2.2.2 (*Ex-post adjustment mechanisms – Malus and Clawback*);

ii. if the employment, partnership or office ceases after the pension entitlement has accrued, the discretionary pension benefits are granted to the employee in the form of Securities and subject to a retention period of five years, during which the Securities accrue interest and/or dividends;

32) Paragraph 2.1.5, Section III of the Remuneration Supervisory Provisions specifies that "*For the purposes of calculating the limit to the variable/fixed ratio, the amount of the long-term incentive plan is calculated in full in the year in which it is recognised*".

33) See Section III of the Remuneration Supervisory Provisions.

iii. discretionary pension benefits are included in the calculation of the Variable Remuneration to Fixed Remuneration 2:1 ratio limit.

10.2.3.6 Golden parachutes

The golden parachutes are approved by the Board of Directors for Personnel for whom the BoD is responsible, and by the Chief Executive Officer for the rest of the Personnel. The following are golden parachutes[34]:

i. the amounts recognised under a non-competition agreement;

ii. the amounts recognised under an agreement for the settlement of an existing or potential dispute relating (or with a view) to termination of the employment relationship or office, regardless of the location in which it is reached;

iii. the indemnity for failure to give notice, in excess of the amount established by law.

(A) Non-competition agreements

Group companies may enter into non-competition agreements with the aim of preventing the member of Personnel in question from rivalling the Group's business in the period after they depart. The non-competition agreement must entail payment. The calculation basis for the payment is the gross annual fixed remuneration received in the last year of employment or of the office.

The amounts paid as consideration for non-competition agreements are subject to the ex-post adjustment mechanisms provided for by the Policy only for the portion that exceeds 100% of the Fixed Remuneration (excluding Benefits) of the last year of employment or of the office. These mechanisms apply to the non-compete agreement payment portion subject to ex-post adjustment to the extent permitted by applicable laws and, with regard to Employees, by the relevant collective agreements.

The payment 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 consideration that exceeds the last annual Fixed Remuneration (excluding Benefits) is included in the calculation of the Variable Remuneration to Fixed Remuneration ratio limit.

The portion of the total consideration of the agreement that exceeds the last annual Fixed Remuneration (excluding Benefits) is subject to the additional limits provided for Variable Remuneration, namely:

i. quantification based on performance indicators measured net of risks, determined by the achievement of a positive risk-adjusted Group return, associated with compliance with the target equity (TCR) and liquidity (LCR) limits, defined in the RAF, in force at the end of the year preceding the payment of the deferred Variable Remuneration;

ii. balance between cash and Securities;

iii. upfront and deferred.

34) 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 recognised under an agreement for the settlement of a current or potential dispute, whatever the forum in which it is achieved) but also the payments under non-competition clauses and the indemnity of non-notice to the extent that this may exceed the amount established by law.

The following table shows the example of a three-year non-compete agreement, with a payment of €150,000 (i.e. €50,000 for each year of the agreement), for a Risk Taker with a Fixed Remuneration of €100,000 who received, in the last year of the employment relationship or position with a Group company, a Variable Remuneration of €10,000.

2:1 limit	Cash/securities (retention per share in Securities)	Deferred	Ex-post adjustment
Not applicable because €50k is less than 100% of the Fixed Remuneration of the last year for each year of duration of the agreement	Yes, only for €50k because the NCA exceeds by €50k 100% of the Fixed Remuneration of the last year	Yes, only for €50k because the NCA exceeds by €50k 100% of the Fixed Remuneration of the last year	Yes, only for €50k because the NCA exceeds by €50k 100% of the Fixed Remuneration of the last year

(B) Amounts recognised under an agreement for the settlement of an existing or potential dispute

Settlements agreed in view or on the occasion of the early termination of the employment relationship or office constitute Variable Remuneration.

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

These amounts:

i. do not exceed the limit of 24 months of the Overall Remuneration referred to the last year of the report. In any event, these amounts may not exceed:

   a) for Employees, €1,100,000;

   b) for Personnel other than employees, €4,500,000.00[35].

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

ii. are not included in the calculation of the 2:1 Variable Remuneration to Fixed Remuneration limit approved by the shareholders' resolution of 5 December 2016[36];

iii. are linked to the performance achieved and the risks assumed by the person and the Bank, and are agreed in compliance with the criteria set by the Shareholders' Meeting;

iv. are subject to a 50/50 cash and Securities split;

v. are subject to a six-month retention period for the part paid in Securities;

vi. are subject to a deferral of two years;

vii. are subject to the ex-post adjustment mechanisms (i.e. Malus and Clawback) required by the Policy.

35) The maximum limits of 24 months of Overall Remuneration, €1,052,567.51 and €4,468,000.00 are approved by the Shareholders' Meeting, as provided for in the Remuneration Supervisory Provisions, Section II, Paragraph 1.

36) The indication of a predefined formula (i.e. x ≤ 24 months of the Overall Remuneration received in the last year of the relationship) allows the Bank to exclude the amounts recognised in view or on the occasion of the termination of the relationship from the 2:1 limit, as provided for in the Remuneration Supervisory Provisions, Section III, Paragraph 2.2.2. This solution, on the one hand, guarantees the Bank a certain flexibility in the context of a negotiation with the entity whose relationship is ending or has just ended, and on the other, places a maximum limit on the amounts payable on the occasion of the termination of the relationship, in line with market practice.

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

i. golden parachutes agreed as part of extraordinary transactions (e.g. mergers) or corporate restructuring processes, provided that they jointly meet the following conditions:
   a) they are exclusively for the purpose of limiting company costs and streamlining the workforce;
   b) they do not exceed €100,000;
   c) they provide for the Clawback mechanisms established by the Policy with reference to cases of fraudulent conduct or gross negligence to the detriment of the Bank.

ii. exit incentives, including those related to extraordinary transactions (e.g. mergers) or corporate restructuring processes, and awarded to non-significant personnel, provided that they jointly meet the following conditions:
   a) they are exclusively for the purpose of limiting company costs and streamlining the workforce;
   b) they encourage adherence to support measures provided for by law or by collective bargaining agreements for all Employees;
   c) do not have an ex-ante detrimental effect on Personnel behaviour;
   d) they provide for the Clawback mechanisms established by the Policy with reference to cases of fraudulent conduct or gross negligence to the detriment of the Bank.

(C) Notice payments for the amount exceeding the legal amount

The course of action to be taken in the event of the employment relationship being terminated, if provided for by applicable legislation, is the one indicated, where applicable, by the relevant national industry contracts and/or by the law governing the relationship.

The Bank may provide for notice-extension agreements for the purpose of retention. In such a case, if the Bank does not enforce the notice period, the portion of the agreed indemnity exceeding the amount calculated pursuant to the relevant collective agreement and to the law (Article 2121 of the Italian Civil Code), constitutes Variable Remuneration and is as such subject to all the relative limits (accrual period, qualitative-quantitative criteria, 2:1 limit, balancing, deferral, retention, ex-post adjustment mechanisms).

10.2.3.7 Collectors Bonus and Sales Bonus

Additional forms of MBO bonuses related to KPIs may be provided for certain categories of Employees. In particular, the following may be awarded:

i. Collectors Bonuses, which reflect the achievement of targets for making net capital gains on the recovery of interest on arrears and ancillary items.
   Collectors Bonus beneficiaries are identified from among Debt Management Personnel according to specific strategic and business reasons;

ii. Sales bonuses, which are intended to support the achievement of the Bank's commercial, results and asset-based objectives, taking into account customers' needs and in line with their risk profile.

   Sales Bonus beneficiaries are among the so-called Significant Persons. This component of Variable Remuneration is specifically covered by the Remuneration Policy for Significant Persons, Complaints Handling Personnel and Credit Assessment Personnel.

Payment of the Collectors and Sales Bonuses is subject to:

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

ii. the 3 company "gates" envisaged for the disbursement of the Employee MBO, linked to compliance with indicators of (i) liquidity, (ii) equity and (iii) positive risk- and cost-of-capital-adjusted return (EBTDA ^{RA});

iii. the possible activation of the Malus and Clawback mechanisms provided for by the Policy.

Payment of Sales Bonuses, subject to fulfilment of the 3 company "gates" provided for the disbursement of the Employee MBO, is also linked to:

i. the level of achievement of the Target EBTDA ^{RA}, according to the thresholds set for the disbursement of the Employee MBO, based on the classification of the beneficiaries (Point (D) Paragraph 10.2.3.1 – Application of multipliers); an additional parameter (KPI) relating to Customer Satisfaction or the number of complaints received, which is respected only if the percentage or value set annually by the CEO is reached; any exemptions are to be decided by the CEO.

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

10.2.3.8 Other components

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

In particular, following the DEPObank Transaction, the Bank's Board of Directors awarded some Employees an Integration Bonus linked to their additional work, in terms of individual contribution and coordination of activities, required for the implementation of the transaction itself and the subsequent integration phase. The Integration Bonus complies with the conditions of recognition and payment provided for in the Variable Remuneration Policy, including the relative rules provided for in paragraphs 10.2.2. (ratio of Variable Remuneration to Fixed Remuneration) and 10.2.2.2 (Ex-post adjustment mechanisms (Malus and Clawback)).

The Integration Bonus was implemented with the intention of encouraging (i) the engagement of people deemed technically and operationally crucial for the success of the transaction itself and (ii) these same people to stay on for the time needed to ensure the success of the integration between the two companies, estimated at two years from the deal being signed on 13 May 2020. The Integration Bonus has the following structure:

i. <u>duration of the plan</u>: 2 years, except for the Control Functions, for which the time period has been extended to 3 years.

ii. <u>individual amount</u>: equal to a maximum of 100% of the Fixed Remuneration, divided into two tranches (35% for the first tranche, 65% for the second tranche), except for the Control Functions which, including the value of the MBO, may not exceed one third of the Fixed Remuneration (their Integration Bonus will be divided into three equal tranches distributed over the three-year period);

iii. <u>structure</u>:

    a) first tranche, the allocation of which has already been approved by the Board of Directors, subject to:

        - the closing of the DEPObank Transaction;
        - compliance with the liquidity, equity and profitability gates required by the Policy in force at the time of the closing of the DEPObank Transaction;
        - individual objectives linked to the integration plan assigned to each beneficiary, according to their function and role;

b) second tranche, the allocation of which and its objectives remain subject to subsequent approval by the Board of Directors;

iv. method of disbursement: upon the occurrence of the above conditions, the Integration Bonus is paid in accordance with the rules provided for in paragraph 10.2.2.1 (Variable Remuneration payment methods).

Finally, in the event that the Shareholders' Meeting decides on a special free capital increase, or grants a specific proxy to the Board of Directors pursuant to Articles 2443 and/or 2349 of the Italian Civil Code, or decides to purchase shares on the market, it will also be possible to assign shares of the Bank to its Employees free of charge within the limits of Article 51, paragraph 2, letter g) of the Consolidated Law on Income Tax.

10.3 Remuneration of DEPObank staff

Remuneration of Employees who have come from DEPObank is treated as described below. Following the completion of the DEPObank Transaction, Employees coming from DEPObank will stay on with the Bank, retaining all the rights deriving from it, in compliance with Article 2112 of the Italian Civil Code.

As for Variable Remuneration:

i. anything paid prior to the completion of the DEPObank Transaction will be governed by DEPObank's remuneration policies for 2020, which, in the interests of full disclosure, are attached to the Policy (Annex 2). In particular, the attached DEPObank remuneration policies provide that the Variable Remuneration of Employees coming from DEPObank will be subject to compliance with the indicators of liquidity, equity and risk- and cost-of-capital-adjusted positive returns (EBTDA ^{RA}), provided for in the 2020 Policy.

   a) As for the 2020 MBO for Employees from DEPObank:

      - the upfront portion will be subject to gates contained in DEPObank's remuneration policies and referring to DEPObank's 2020 financial statements;
      - the deferred portion will be subject to the applicable gates in the Bank's remuneration policies and referring to the Bank's financial statements.

   b) Deferred Variable Remuneration portions relating to the years prior to 2020 for Employees from DEPObank will be subject to the applicable gates in the Group's remuneration policies and referring to the Group's financial statements.

ii. anything paid after the completion of the DEPObank Transaction will be governed by the Policy. In particular, any beneficiaries of a DEPObank management by objectives plan are covered by the Bank's own 2021 MBP plan , under the same conditions as for the rest of the Employees. Those who are not beneficiaries of such a DEPObank MBO plan, however, are not covered by the Bank’s 2021 MBO plan.

11. DISCLOSURE AND REPORTING OBLIGATIONS TO THE BANK OF ITALY

For the purposes of public disclosure, as provided for by the Remuneration Supervisory Provisions that incorporate the provisions contained in Article 450 of the CRR[37], among other information provided, the Bank publishes on its own website, as part of the document "Pillar III – Public Information”:

i. information on the link between remuneration and performance;

ii. the most important features of the remuneration system, including information on the criteria used for performance evaluation and risk adjustment, deferral policies and allocation criteria;

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

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

v. the number of people paid €1 million or more per year, divided into payment bands of €500,000 for Remuneration between €1 million and €5 million and bands of €1 million for Remuneration of €5 million or more.

The same information made available to the public shall be provided at least once a year to the Shareholders' Meeting.

In its capacity as the Parent Company, the Bank also sends the Bank of Italy, by June 30 every year, information relating to the Group's so-called high earners, namely those whose total annual remuneration €1 million or more. In relation to the levels of consolidated assets achieved, the Bank is included in the benchmarking sample of the Bank of Italy, as per the EBA guidelines[38]. Also within the timeframe mentioned above, the Bank will send the Bank of Italy information relating to:

i. remuneration of all Personnel, taken as a whole;

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

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

The information, denominated in euros, refers to the year preceding the reporting year and is transmitted to the Bank of Italy through the "INFOSTAT” platform.

37) Regulation (EU) No 575/2013 dated 26 June 2013.

38) Banking groups with consolidated assets in excess of €40 billion and, for national supervisory purposes, banks and banking groups with balance sheet assets in excess of €3.5 billion, are subject to the reporting requirements for benchmarking purposes. The balance sheet assets that determine the disclosure obligation are those resulting at the end of the financial year preceding the one to which the reported data refer.

12. ANNEX 1: SUMMARY DIAGRAM OF THE CHANGES MADE TO THE POLICY

Source	Topic	Proposal for transposition	Reference in the Report on remuneration and compensation paid
2020 Shareholders' Meeting season	EX-ANTE COMMUNICATION OF PERFORMANCE CRITERIA	Explain that there is a common objective that effectively measures performance conditions, namely Risk-adjusted EBTDA, which is common to all (group level for the Bank structure and/or locally for branches).	Point (A) Paragraph 10.2.3.1 Setting objectives
		Explain that there is a non-financial indicator, Customer Satisfaction, which represents the focus on Group sustainability over time, through the annual measurement of customer satisfaction with the service offered by BFF.	Point (A) Paragraph 10.2.3.1 Setting objectives Point (D) Paragraph 10.2.3.1 Application of multipliers
		Describe more precisely that the quantitative objectives identified for and assigned to each employee are tailored depending on the Department, Function or OU to which they belong. Each objective is verified by someone other than the person who assigned it, thereby guaranteeing a transparent and objective process.	Point (A) Paragraph 10.2.3.1 Setting objectives
	EMPLOYEE SEVERANCE PAY	Modify not the final result of the formula but how it is defined, making it more easily understandable, putting a cap of 24 months on "Overall De Facto Remuneration", to be defined as the sum of the fixed remuneration, the Target MBO and the benefits, without prejudice to the indemnities provided for by law and/or amounts agreed upon the indication of the Judge during an attempted court settlement.	Point (B) Paragraph 10.2.3.6. Amounts recognised under an agreement for the settlement of an existing or potential dispute
	NON-COMPETITION AGREEMENT	The intention is to supplement the part dedicated to the remuneration of the CEO by indicating the calculation mechanism, some characteristics of the NCA and its amount, and specify that, since the payment is 35%, it is not calculated in the 2:1 ratio.	Paragraph 8.1 Directors
	EX-POST COMMUNICATION OF PERFORMANCE CRITERIA	The intention is to communicate whether the EBTDA ^{RA} has been reached at the upper or lower value or somewhere in between, and the value achieved by Customer Satisfaction.	SECTION II Paragraph 2.1 General information on the implementation of the 2020 Policy

(cont'd)

Source	Topic	Proposal for transposition	Reference in the Report on remuneration and compensation paid
	FIXED REMUNERATION OF THE CEO	The intention is to amend the part of the Policy where we will acknowledge the new CEO emolument package, highlighting the use of an external benchmark, carried out by a market-leading external consultant, the Banking Group's performance over time, the ROE significantly above the reference market, the impact of dimensional growth through acquisition (DEPObank if it concludes positively).	Paragraph 8.1 Directors SECTION 2 Paragraph 2.3 Representation of remuneration Items
	Link between pay structure and business and sustainability strategy	The Policy will highlight how EBTDA RA is the best parameter for the sustainability of the Banking Group over time. In addition, the link between the pay structure, the business strategy and sustainability are partly ensured by the use of stock option plans, instead of shares, as long-term variable remuneration, and by the payment in shares of 50% of short-term variable remuneration.	Paragraph 1 Introduction: main news
	Minimum shareholding levels for executives in the medium to long term	It is not considered necessary to apply minimum levels of equity ownership in absolute terms but to explain that 50% of the variable component is in securities that guarantee a minimum level of equity ownership.	Paragraph 4 Regulatory background to the policy
Corporate Governance Code January 2020		Introducing to the Policy a comparison with foreign remuneration practices and the possible use of independent consultants.	Paragraph 5.8 Human Resources and Organisational Development Function
		Introducing to the Policy the application of the clawback mechanism for variable pay if it has been determined on the basis of data that is later proven to be manifestly incorrect.	Paragraph 10.2.2.2 Ex-post adjustment mechanisms (Malus and Clawback)
		Adding to the Policy a description of the presence of performance objectives that are "consistent with the Bank's strategic objectives and aimed at promoting its Sustainable Success, including any significant non-financial parameters"; We are also considering the possible introduction of a diversity objective (both gender and nationality) for the selection of managerial positions (for example, you could have at least one woman or one candidate of a different nationality to the country where the search is being conducted on 50% of shortlists).	Point (A) Paragraph 10.2.3.1 Setting objectives
		Adding to the Policy the following provision: "the remuneration of the members of the control body is commensurate with the competence, professionalism and commitment required by the significance of the position held and with the scale, business area and position of the company".	Paragraph 8.2 Statutory Auditors

(cont'd)

Source	Topic	Proposal for transposition	Reference in the Report on remuneration and compensation paid
		Adding to the Board of Directors' Regulations and the CEO's succession plan to regulate how the Board of Directors, when an executive director or general manager moves role or departs, discloses to the market the allowances or benefits granted, the justification for same, the relevant decision-making procedures followed within the Bank, the clawback or malus application, compliance with the remuneration policy, and information about the procedures that have been or will be followed to replace the departed executive director or general manager.	N/A - this point concerns documents other than the Policy.
		There is only one recommendation for which the Bank would like to proceed with an explanation: – The Corporate Governance Code requires management to maintain a predominant portion of rights and shares attributed for at least 5 years. We emphasise that the policy in this regard is more prudent than required by the Code, since there is an obligation to maintain 100% of the shares and options attributed for 3.5 years), which is greater than 50% for 5 years. Moreover, since the issue is part of the Bank of Italy's consultation on CRD V, we prefer to await the outcome of this consultation.	Paragraph 4 Regulatory background to the Policy
Operational changes	One-off payments	Specify that one-off payments may be awarded during salary reviews provided they fall within the definition of "Excluded Benefits”. In particular, the payment must be suitably justified and documented.	Paragraph 10 Remuneration structure
	DEPObank Acquisition	Adding to the Policy a paragraph dedicated to the remunerative treatment of personnel coming from DEPOBank.	Paragraph 10.3 Remuneration of DEPObank Personnel Annex 2
	EBTDA RA	It is specified that, should the DEPObank Transaction be finalised, this will be defined and calculated based on the size of the Group that results from said acquisition.	(Paragraph 3-Definitions, note 2);
		The Target Total Capital Ratio (TCR) has been redefined to regulate all securities that are eligible for equity (not just Tier 2) as an adjustive mechanism.	(Paragraph 3-Definitions, note 3)
Issuers' Regulation	Section I	The bodies or subjects involved in the preparation, approval and possible revision of the remuneration policy, specifying their respective roles, as well as the bodies or subjects responsible for the correct implementation of this policy.	Paragraph 6.1 Policy adoption process

(cont'd)

Source	Topic	Proposal for transposition	Reference in the Report on remuneration and compensation paid
		The possible intervention of a remuneration or other competent committee, describing its composition (with a distinction between non-executive and independent directors), its powers and its operating procedures, and any further measures aimed at avoiding or managing conflicts of interest.	Paragraph 5.4 Remuneration Committee
		Illustrate how the company has taken account of the compensation and working conditions of its employees when determining the remuneration policy.	Paragraph 2 General principles
		The name of any independent experts involved in preparing the remuneration policy.	Paragraph 6.1 Policy adoption process
		The purposes pursued by the remuneration policy, the principles underlying it, the duration and, in the event of revision, **the description of the changes compared with the remuneration policy last submitted to the shareholders' meeting, and how such a revision takes into account the votes and assessments expressed by the shareholders at or after that meeting.**	Paragraph 1 Introduction: main news
		The description of the policies on fixed and variable components of remuneration, with particular regard to the indication of the relative proportion in the overall remuneration and distinguishing between short- and medium-to-long-term variable components.	Paragraph 10 Remuneration structure
		The policy with regard to non-monetary benefits.	Paragraph 10.1 Fixed Remuneration
		With reference to variable components, a description of the financial and non-financial performance targets, where appropriate taking into account corporate social responsibility criteria, on the basis of which short- and medium-to-long-term variable components are assigned, distinguishing between the term, and information on the link between the change in results and the change in remuneration.	Point (A) Paragraph 10.2.3.1 Setting objectives
		The criteria used to assess the achievement of performance targets based on the allocation of shares, options, other financial instruments or other variable components of remuneration, specifying the scale of the variable component that is expected to be disbursed based on the level of achievement of the targets.	Information already available in the SOP Regulation and related information document

(cont'd)

Source	Topic	Proposal for transposition	Reference in the Report on remuneration and compensation paid
		Information to highlight the contribution of the remuneration policy, and in particular the policy on variable components of remuneration, to the business strategy, the pursuit of long-term interests and corporate sustainability.	Point (A) Paragraph 10.2.3.1 Setting objectives
		The vesting period, any deferred vesting payment systems, with an indication of the deferral periods and the criteria used to determine these periods and, if applicable, the mechanisms for ex-post adjustment of the variable component (malus or clawback).	Point (A) Paragraph 10.2.2. Payment mechanism Paragraph 10.2.2.2 Ex-post adjustment mechanisms (Malus and Clawback)
		Information on any provisions for holding securities in the portfolio after their acquisition, indicating the retention periods and the criteria used to determine these periods.	Point (C) Paragraph 10.2.2 Retention period
		The policy relating to procedures in the event of termination of office or employment relationship, specifying: i) the duration of any employment contracts and further agreements, the notice period, where applicable, and what circumstances bring about entitlement; ii) the criteria for determining the compensation due to directors, general managers and at an aggregate level to managers with strategic responsibilities, distinguishing, where applicable, the components assigned by virtue of the office of director from those relating to employment relationships, as well as the components for any non-compete commitments. If these payments are expressed by year, indicate in detail the components of this year (fixed, variable, etc.); iii) the possible link between these payments and the performance of the company; iv) the possible effects of the termination of the relationship on the rights assigned under incentive plans based on securities or to be disbursed on a cash basis; v) the possible allocation or maintenance of non-monetary benefits in favour of the beneficiaries or the conclusion of consultancy contracts for a period subsequent to the termination of the relationship.	Point (B) Paragraph 10.2.3.6. Amounts recognised under an agreement for the settlement of an existing or potential dispute
		Information on the presence of any insurance, social security or pension arrangements other than those required by law.	Paragraph 10.1 Fixed Remuneration

(cont'd)

Source	Topic	Proposal for transposition	Reference in the Report on remuneration and compensation paid
		Remuneration policies concerning: (i) independent directors, (ii) participation in committees and (iii) the performance of special duties (chairman, vice-chairman, etc.).	Paragraph 8.1 Directors
		Whether the remuneration policy has been defined using the remuneration policies of other companies as a reference and, if so, the criteria used to choose those companies.	Paragraph 5.8 Human Resources and Organisational Development Function
		The elements of the remuneration policy from which, in exceptional circumstances, it is possible to derogate and, without prejudice to the provisions of Regulation no. 17221 of 12 March 2010, any additional procedural conditions under which the derogation may be applied.	Paragraph 2 General principles
		It must be stated when the information requested is not available because it relates to aspects not covered by the remuneration policy.	We always do this
		The section describes any criteria for calculating the compensation of members of the control bodies, without prejudice to the provisions of Article 2402 of the Italian Civil Code. If the outgoing supervisory body, in view of the shareholders formulating proposals to the shareholders' meeting regarding the compensation of said body, has sent the company insights on the quantification of the commitment required to carry out the assignment, the section contains a summary of these insights.	Paragraph 8.2 - Statutory Auditors Paragraph 8.3 - Supervisory body established pursuant to Legislative Decree. 231/2001
		Listed companies that are the recipients of sector-specific remuneration regulations may provide the information indicated in the first section by using any representation methods required by these regulations.	Our Policy is drawn up in accordance with banking regulations (see Par. 4 - Regulatory background)
	Section II	1. Section II is divided into two parts and illustrates by name: a) the remuneration of members of the administrative and control bodies as well as general managers; b) the remuneration of any other managers with strategic responsibilities who received overall remuneration during the year (obtained by adding together cash and securities-based compensation) that was higher than the highest total remuneration attributed to the subjects indicated in letter a).	SECTION II

(cont'd)

Source	Topic	Proposal for transposition	Reference in the Report on remuneration and compensation paid
		The first part provides an adequate, clear and understandable representation of each of the items that make up the remuneration, including what happens in the event of termination of office or of employment, highlighting their compliance with the reference remuneration policy and the ways in which remuneration contributes to the long-term results of the company.	SECTION II Part One
		With regard to variable components, information is provided on how the performance objectives of the reference remuneration policy have been applied. In particular, for subjects whose remuneration is illustrated by name, as represented in paragraph 1, letters a) and b) of this Section above, an indication of the objectives achieved compared with those envisaged is provided, without prejudice to the right for companies to omit such information where necessary for the protection of the confidentiality of commercially sensitive information or unpublished forecast data, provided reasons are given. An indication of the proportion of fixed and variable remuneration within the total remuneration is also provided, specifying the elements included in the calculation partly by reference to the Tables contained in the second part of this Section.	SECTION II Paragraph 2.1 General information on the implementation of the 2020 Policy (sensitive information is not provided)
		With regard to securities-based incentive plans, detailed information may also be provided by reference to the information contained in the compensation plans provided for in Article 114-bis of the Consolidated Law.	SOP Information Document

(cont'd)

Source	Topic	Proposal for transposition	Reference in the Report on remuneration and compensation paid
		In the event of the award of indemnities and/ or other benefits for termination of office or of employment during the financial year, the companies indicate: – the circumstance justifying their accrual; – the compensation for termination of office or employment, distinguishing the part paid immediately from the part which may be subject to deferral mechanisms, and also distinguishing the components attributed by virtue of the office of director from those relating to any employment relationship as well as the components for any non-competition commitments; – the possible presence of performance criteria to which the award of the indemnity is linked; – the possible effects of the termination of the relationship on the rights assigned under incentive plans based on securities or to be paid in cash; – the possible existence of agreements that provide for the allocation or maintenance of non-monetary benefits in favour of those who have quit their position or the conclusion of consultancy contracts for a period after the termination of the relationship, specifying the amount; – any other compensation attributed for any reason and in any form; – the compliance of the indemnity and/ or other benefits with the indications contained in the reference remuneration policy.	SECTION II Paragraph 2.4 Agreements relating to cases of early termination of contract or termination of office
		Companies shall provide information on any exceptions to the remuneration policy applied in exceptional circumstances, indicating (for each of them): – the specific elements waived and the reference remuneration policy containing the exemption option; – information on the nature of the exceptional circumstances, including an explanation of how the derogation is necessary for the pursuit of the long-term interests and sustainability of the company as a whole or to ensure its ability to remain on the market; information on the procedure followed and confirmation that said procedure complies with the conditions set out in the reference remuneration policy; – information on the remuneration paid in those exceptional circumstances.	No exemption

(cont'd)

Source	Topic	Proposal for transposition	Reference in the Report on remuneration and compensation paid
		The companies provide information on the possible application of ex-post adjustment mechanisms to the variable component (malus or clawback), indicating a summary of the reasons, the amount subject to the adjustment and the reference year of the remuneration subject to the measures. The aforementioned information is provided by name for the people indicated in paragraph 1, letter a) and b) of this Section and on an aggregate level for managers with strategic responsibilities other than those indicated in letter b) of paragraph 1 of this Section.	NA - we have not applied ex-post adjustment mechanisms
		Companies provide comparative information, for the last five financial years or for the shorter period of listing of the company or length of service of the people, on the annual variation of: – the total remuneration of each of the parties for whom the information referred to in this section of the Report is provided by name; – the results of the company; – the average annual gross remuneration, based on full-time staffers, of employees other than those whose remuneration is represented by name in this section of the Report.	SECTION 2 Paragraph 2.1 General information on the implementation of the 2020 Policy
		The companies provide information on how they have taken into account the vote cast by the shareholders' meeting on the second section of the Report of the previous year.	SECTION 2 Paragraph 1 Introduction

13. Annex 2: 2020 DEPOBANK REMUNERATION POLICIES

Introduction

DEPObank is the company that continued the banking activities of the Nexi Group after the demerger that took place on 30 June 2018 and as such continues to apply the Bank of Italy's regulations on remuneration Policies. It should also be specified that the remuneration Policies currently in force for the 2019 financial year were approved by the Ordinary Shareholders' Meeting of DEPObank on 29 April 2019 according to the rules issued by the Bank of Italy on 16/11/14, with the 7th update of Circular no. 285 of 17/12/2013 and with the subsequent 25th update on 23/10/18 of the aforementioned Circ. 285, with which the Bank of Italy published the new Supervisory provisions on Remuneration and Incentive Policies and Practices that took effect from the 2019 financial year.

The Bank's By-Laws are in line with the provisions of the Bank of Italy on incentive and remuneration mechanisms.

Article 10, paragraph 2, provides that the ordinary shareholders' meeting approves the remuneration and incentive policies, securities-based remuneration plans and the criteria and limits for determining compensation in the event of early termination of the employment relationship or early termination of office. As part of the remuneration Policies, the Ordinary Shareholders' Meeting has the power to set a variable remuneration to fixed remuneration ratio higher than 1:1, but it must remain within the limit of 200% (2:1), in compliance with applicable legislation.

Article 21, paragraph 5, also provides that the Board of Directors ensures adequate disclosure to the Ordinary Shareholders' Meeting on the implementation of the remuneration Policies established by the same.

GENERAL PROVISIONS

The provisions implement Directive 2013/36/EU (CRD IV) as regards the provisions on Remuneration and Incentive Policies and Practices in banks and banking groups and take into account internationally agreed guidelines and criteria, including those of the EBA and the FSB.

CRD IV contains specific principles and criteria that banks must comply with in order to define - in the interest of all stakeholders – remuneration systems that:

- are in line with the company's long-term values, strategies and objectives,
- are linked to business results, appropriately adjusted to take account of all risks,
- consistent with the levels of capital and liquidity needed to cope with the activities undertaken;
- avoid distorted incentives that could lead to legislative violations or excessive risk-taking for the Bank and the financial system as a whole.

The provisions are supplemented with the Regulatory Technical Standards (RTS) issued by the European Commission, at the recommendation of the EBA, pursuant to CRD IV; the RTS are binding and directly applicable in all Member States.

Recipients of the regulations

The recipients of the provisions are the Italian Banks and the Parent Companies of an Italian Banking Group. Therefore, DEPObank is required to apply the Bank of Italy provisions.

General Principles and Criteria

The principles already approved by the Shareholders' Meeting of 29 April 2019 have been confirmed, in particular that remuneration systems must be consistent with the reference framework for determining risk appetite and with governance and risk management policies.

Therefore, it seems necessary to maintain the reference to the RAF (Risk Appetite Framework) as a tool to identify the levels of risk that the Bank is able to sustain and, consequently, to which remuneration should be anchored.

With this in mind, the RAF was adopted by DEPObank to define certain conditions for access to the incentive system as better explained in the detailed rules below.

Finally, it should be noted that the provisions concern all personnel, while the more detailed rules:

- Limit on the ratio of variable to fixed remuneration (Sect. III, para. 1.2)
- Use of financial instruments for Variable Remuneration (Section III, par.2.1 point 3)
- Deferral of Variable Remuneration (Section III, par.2.1 point 4)
- Payment of discretionary pension benefits in the form of financial instruments in the event of termination of employment contract (Section III, par.2.2.1);
- Golden parachutes (Sec. III par. 2.2.2);

are applied, as required by the Bank of Italy regulations, only to the most significant personnel (so-called Risk Takers).

In addition, legislation provides that, to ensure compliance with the rules, banks require their most significant personnel not to use personal hedging strategies or remuneration insurance that may alter or affect the risk alignment effects inherent in remuneration mechanisms. Banks, in order to ensure compliance with the rules, require disclosure of custody and administration accounts with other Intermediaries.

DEPObank will identify, where appropriate, the types of financial transactions and investments that directly or indirectly, carried out by the most Significant Personnel, could affect risk alignment mechanisms. These are transactions and investments, carried out by the most significant personnel on their own account, in financial instruments issued by the bank even if subscribed on the basis of an offer not coming from the bank itself and carried out with their own resources.

Therefore, the various points of the legislation were reviewed in order to verify the DEPObank S.p.A.'s ongoing compliance therewith.

Identification of the Most Significant Personnel

Following the corporate spin-off that took place on 30 June 2018, a total review of Risk Takers had become necessary in light of the new operating context of DEPObank, a review that had been conducted – as planned – with the involvement of the control functions and HR, in compliance with Delegated Regulation (EU) no. 604 of 4/3/14 and the respective qualitative and quantitative criteria. Obviously, the criteria have been applied to the current operating reality of DEPObank which, for the activities it carries out, is different from traditional banking, but already taking into account the launch of new business initiatives, fundamentally in the world of lending.

The list of Risk Takers positions approved by the Board of Directors on 11 April 2019 and subsequently by the Shareholders' Meeting on 29 April 2019 has been reassessed and confirmed. The only significant changes, apart from the explanation of the new names of some functions in light of the current structure, are:

- the introduction of the figure of Head of Human Resources instead of that of CAO (following reorganisation);
- the introduction of the new role of Head of Lending Products BU – SME Lending Service Line;

and thereafter:

- the introduction of the General Manager;
- the removal of the positions of Deputy General Manager, Chief Lending Officer (CLO) and Chief Operations Officer (COO);
- the renaming of the Head of Credit & Business Support and the Head of Human Resources & Organisation.

Therefore, also taking into account the operational peculiarities of DEPObank, in which the processes and systems, and not only the behaviour of individuals, can influence the risks, it was possible to define 30 positions held by 29 Risk Takers (CEO and GM is the same person), namely:

- Board members (11, including Chairman and CEO);
- Chief Executive Officer;
- General Manager;
- Head of Crossover Lending & Factoring BU – SME Lending Service Line.
- Head of Distressed & Turnaround Lending BU – SME Lending Service Line.
- Head of Lending Products BU – SME Lending Service Line.
- Head of Banking Payments BU - Payments Service Line.
- Head of Securities Services Operations BU - Securities Services Service Line.
- Head of Depositary Bank and Controls BU - Securities Services Service Line.

- Chief Information Officer (CIO).
- Chief Financial Officer (CFO).
- Head of Human Resources & Organisation.
- Head of Audit.
- Head of Compliance.
- Head of Risk Management.
- Head of Corporate and Legal Affairs.
- Head of Administration.
- Head of Credit & Business Support.
- Head of Treasury.
- Institutional Sales Trading employees (2).

In percentage terms, it remains at 8% as it was last year.

Proportionality criterion

It is confirmed that DEPObank is included among the Intermediate Banks with assets of between €3.5bn and €30bn. This classification is also defined on the basis of a careful reading of the regulations and a detailed analysis of the Bank's operating reality.

This implies, for the Most Significant Personnel, applying all of the more detailed rules with the sole exception concerning the use of financial instruments, deferral and retention to which percentages and periods are applied, equal to 50% of those provided for the bigger banks.

STRUCTURE OF REMUNERATION AND INCENTIVE SYSTEMS

Instruments and variable to fixed component ratio limits

DEPObank uses a variable incentive MBO system:

- linked to qualitative/quantitative objectives concerning certain professional figures;
- which meets the principles laid down by the Bank of Italy's regulations for achieving remuneration systems that are:
  - linked to business results;
  - appropriately adjusted to take risk exposure into account;
  - in any case such as to avoid incentives that could lead to regulatory violations, improper or opaque behaviour or excessive risk-taking for the Bank.

Bonus Pool:
The total amount of the Bonus Pool must be sustainable with respect to the financial situation of the Bank and does not limit its ability to maintain or achieve a level of capitalisation appropriate to the risks assumed.

Evaluation period:
The performance evaluation period is normally annual and takes into account the levels of capital resources and liquidity needed to cope with the activities undertaken.

It should be noted that annual objectives will be defined, but that the Bank reserves the right to revise them according to the revision of the budget, following a redefinition of the Business Plan.

In consideration of some strategic initiatives provided for in the Business Plan, moreover, multi-year objectives may also be assigned as links for Long-Term Incentives, without prejudice of course to compliance with the amount limits and payment methods provided for by current Bank of Italy legislation (deferral, payment in financial instruments, malus and clawback clauses in the same way as for normal MBOs). These multi-annual plans may be envisaged in the case of objectives that are achieved over a period of more than one year, but that derive from precise strategic guidelines set out in the Business Plan or defined at some stage by the Board of Directors.

Entry Gates:
The thresholds for access to Variable Remuneration payments are defined on the basis of the RAF limit of some metrics, namely:

- CET1 Ratio: current 14% RAF limit (aligned with the limit defined by the Bank of Italy).
- Minimum cumulative balance/total assets: 10% limit.

The first is an indicator of capital soundness, the second guarantees the Bank's ability to meet liquidity needs.

As this is the minimum access threshold, failure to reach the relevant limits precludes the payment of Variable Remuneration.

Indicator type:
For the most important personnel, the variable component takes into account:

- risks and results of the Bank;
- team objectives;
- individual objectives.

There is also at least one qualitative objective for all positions.

As expressly provided for in law, the only exceptions are the Heads of Control Functions and the Head of Administration whose variable pay component is linked solely to the achievement of quali/quantitative objectives that measure the effectiveness of their control activities and are not commensurate with the Bank's financial results.

The indicator that we believe we will continue to adopt is RAPM (Risk Adjusted Performance Measurement), defined as follows:

- Financial Performance/Capital Required
- Financial Performance: EBT including expected losses
- Capital Required: sum of regulatory capital requirements associated with Pillar 1 risks (Credit, Market and Operational)

This indicator shall have a weight of at least 25% of the total objectives.

This indicator is suitable for measuring the type of risks encountered by our Bank as it also takes into account the operational risks that are specifically those most affected by our operations.

Limits for ratio of Variable to Fixed Remuneration

In addition to defining the instruments and valuation methods for calculating Variable Remuneration, it is also required to define the limits of the ratio of same to the fixed component, upstream and in a sufficiently detailed manner.

At present, there are no positions within the organisation for which a ratio of more than 1:1 is envisaged. Should the justified need arise for any position to extend to the maximum of 2:1, we will submit our proposal to the Bank of Italy.

In relation to all of the above, and to the Bank of Italy's forecasts, the maximum ratio of Variable to Fixed Remuneration for the Most Significant Personnel are indicated below.

– Belonging to the Management and Senior Management Body	max	100%
– Department Heads or next in line to the CEO(*)	max	100%
– Heads of Control Teams and Administration Service	max	33%
– Heads of Operating Units	max	80%
– Institutional Sales Trade officers	max	80%

(*) Although the law for the HR Director eliminates the previous 1:3 limit of Variable to Fixed Remuneration, it does specify that the amount should still be low.

Deferral mechanisms

The Bank of Italy's provisions govern the structure of the variable component: the type of objectives to be assigned, the payment methods, the retention period and the ex-post adjustment mechanisms (malus and clawback).

As mentioned in the "proportionality criteria", DEPObank's being classed as an Intermediate Bank enables application of the criteria relating to Section III par. 2.1 points 3 and 4 (balance between the cash and securities components, deferral of payment and retention period) with percentages and deferral and retention periods equal to half those defined in law for Large Banks.

Therefore, in light of the above, like for 2019, the cash and securities components of Variable Remuneration will be split as follows:

- 75% (cash) and 25% (securities);
- deferral for a period of 3 years for both types of payment (cash and securities), with an additional retention period for securities at the end of the vesting period equal to 1 year for those paid upfront and 6 months for those already subject to deferral;
- deferred portion equal to 30% of the two types of payment of Variable Remuneration.

With regard to the securities that will be used to pay part of the Variable Remuneration, since DEPObank is not admitted to trading on a regulated market, for the current year we will continue to adopt a plan based on what are known as "phantom shares", whose value reflects the economic value of the company. Therefore, for the Variable Remuneration portion to be paid in securities, individuals will be awarded a number of non-transferable phantom shares dependent on the value of the Bank's shares at the time of assignment, calculated using the following formula:

no. of Phantom Shares = Variable Remuneration Amount / Value of Bank Shares (at time of assignment)

In the case of DEPObank, the value of the shares is determined at the time of allotment and actual liquidation of the phantom shares based on the financial statement year-end value of the Bank's shareholders' equity, taking into account the dividends distributed during the period and any capital increases that have occurred.

The calculation of DEPObank's shareholders' equity will be carried out by neutralising the non-recurring negative elements deriving from the merger with BFF, which will have already occurred at the time of the aforementioned calculation of shareholders' equity.

The deferred portion will be paid annually on a pro rata basis.

Finally, in relation to the provisions of applicable regulations, "the particularly high amount" of Variable Remuneration for DEPObank for the year 2020 is €425,000, or 25% of the average total remuneration of Italian high earners as per the EBA report. This is because the amount equivalent to 10 times the average total remuneration of the Bank's employees would have been higher, namely approximately €510,000. In relation to the "particularly high" Variable Remuneration potentially paid to Risk Takers, it should be noted that 26% of the deferred portion (instead of 25%) will be paid in securities, in compliance with the provisions of Section III, sub-section 2.1, point 4, penultimate paragraph of the Bank of Italy Provisions. At the moment, there are no Risk Takers in DEPObank with target bonuses and/or MBOs exceeding €425,000 gross per year, but this threshold can be exceeded in relation to the compensation that could be paid under an agreement for termination of employment or office and/or under a non-competition agreement (in the latter case, only for the portion that exceeds one year of the most recent fixed remuneration).

Ex-post adjustment mechanisms (clawbacks and malus)

With regard to *ex-post* adjustment mechanisms, the Bank of Italy's provisions specify the cases in which the clawback clause should be applied to violations, namely:

- Conduct that generated a significant loss for the Group.
- Violation of the obligations imposed pursuant to art. 26 or, when the subject is a interested party, to art. 53, paragraph 4 et seq. of the TUB or of the obligations regarding remuneration and incentive.
- Fraudulent behaviour or gross negligence to the detriment of the Group.
- Conduct that does not comply with the provisions of law, regulations, by-laws or codes of ethics or conduct.

The minimum period in which the clawback clauses apply is set at 5 years for the Most Significant Personnel and at 3 years for the other personnel.

As regards malus mechanisms, in addition to cases where clawback is envisaged, the rule already introduced at the time of the deferral for previous years would apply, therefore using as an "entry gate" the CET1 limit defined by the Bank of Italy (currently 14%) in addition to the RAF limit of the ratio of MSC/total assets, which measures both the capital strength and the ability of the Bank to meet liquidity needs (currently 10%).

Finally, it was decided to keep at €50,000 the minimum Variable Remuneration threshold below which the Most Significant Personnel would not be subject to the most detailed rules, except for the percentage of division between cash and securities, with the retention period for the latter component equal to one year. Furthermore, it should be noted that:

- There are no guaranteed bonuses, except in exceptional cases and in any event only where necessary and in the first year of employment to restore lost incentives with the previous employer, or to restore expenses related to the transfer of personnel.
- There are no default incentive mechanisms for non-executive Directors with the exception of the Vice Chairman in relation to the role of "Contact Person for Control Functions" and "Chairman of the Risk

Committee" for which there is a bonus of €40,000 gross per year (equal to 30% of the Fixed Remuneration) for the achievement of qualitative objectives defined by the Board of Directors.

- There is no form of Variable Remuneration for members of the Board of Statutory Auditors.
- There are, as a rule, no incentive mechanisms in favour of non-salaried employees.
- A system of "discretionary one-off bonuses" is maintained for non-MBO Personnel, based on the overall performance achieved and in any case of a limited amount. This system is not applied to the Most Significant Personnel except in exceptional cases – which will in any event be submitted to the Board of Directors for approval - when it is necessary to manage key results for the Company in the face of extemporaneous objectives generated by unforeseen extraordinary situations. Obviously, these awards should only cover cases where the beneficiary has also fully achieved their MBO targets.
- There are no discretionary pension benefits.

End-of-contract agreements (golden parachutes)

The criteria adopted by the Bank to determine the remuneration to be paid in the event of early termination of employment or office (excluding dismissal or termination for just cause), within the framework of an agreement between the Bank and the Risk Takers for the settlement of a current or potential dispute, are exclusively those established by law and by national collective labour agreements for Bank Personnel.

In particular, the national collective labour agreement for Bank executives, in addition to the indemnity for lack of notice as established in relation to length of service, provides as a maximum reference limit the additional indemnity to the maximum extent provided for in the contract (22 monthly payments) and in some cases automatically increased in relation to the age of the person to whom the measure is addressed. Therefore, the additional monthly payments to be awarded could be from a minimum of 7 to a maximum of 29. The amount of the monthly payments is calculated in accordance with the law (Article 2121 of the Italian Civil Code).

Regarding DEPObank, the formula by which to recognise - within the framework of an agreement for the settlement of a current or potential dispute – compensation for termination of employment or office is in any case fixed within the maximum limit of 24 months of total remuneration, in addition to the lack of contractual notice. The portion exceeding the lack of notice, as set by the applicable National Collective Bargaining Agreement (and in the case of non-competition agreements, the portion of the related consideration that exceeds one year of the most recent fixed remuneration), is subject to the provisions of Section III, paragraphs 2.1 points 3 and 4 in the manner provided for Intermediate Banks and in the same measures provided for the payment of Variable Remuneration for Risk Takers, provided that a greater amount is not imposed by a court. In this case, the more detailed criteria would not apply. The calculation methodology is always carried out according to the provisions of Article 2121 of the Italian Civil Code (as applicable).

In relation to the above, the maximum amount is in any case currently set at €900,000, equal to 21 months' Fixed Remuneration for the person to whom the maximum amount refers. This limit excludes failure to give notice and any non-competition agreements.

Treatment of deferrals of ex-DEPObank Risk Takers

to be applied only in the event of completion of the BFF merger ("Closing")

Whereas

The following is the scenario relating to the treatment to be reserved for ex-DEPObank Risk Takers (even if they have already left) to whom Variable Remuneration (cash and DEPObank phantom shares) is awarded before, or up to, the Closing date (the "Risk Takers”) for which the deferral or retention period expires after Closing.

It is understood that:

(A) the Variable Remuneration that will be awarded after Closing will be fully regulated by BFF's remuneration Policies.

(B) the Variable Remuneration awarded to the Risk Takers of DEPObank until the Closing date (i.e. the sale of 100% of the DEPObank shares to BFF) (inclusive) will be regulated by the Remuneration Policies of DEPObank, according to the terms specified below:

In relation to point (B) above, the following is specified:

B.1 MBO 2020

With regard to MBO 2020, if:

(i) Closing takes place in 2021, since the financial statements of DEPObank must be approved, reference must be made to these financial statements and to the current entry gates of DEPObank to verify whether or not the entry gates have been exceeded. This is for the upfront part, since for the deferred part the BFF entry gates as per the combined entity's financial statements will apply;

(ii) Closing takes place in 2020 (e.g. December 1, 2020), the Closing Accounts provided for by the SPMA and the entry gates of DEPObank would be used, while the 2020 targets would be reset proportionally over the shorter period (e.g. 11 months), this for both the departed Risk Takers and those who will make the switch to BFF. This is for the upfront part, since for the deferred part, the BFF entry gates as per the combined entity's financial statements will once again apply.

B.2 Entry Gates

The conditions set out in BFF policies will apply to everyone, i.e. compliance with the following parameters as identified in the 2020 Risk Appetite Framework:

(i) Liquidity Coverage Ratio (LCR).

(ii) Total Capital Ratio.

(iii) risk- and cost-of-capital-adjusted positive return (Risk Adjusted EBTDA, or EBTDA RA).

B.3 Deferral:

The current DEPObank Deferral percentage (30%) will remain over a total period of 3 years, with annual pro rata payments.

B.4 % Cash/Securities:

The component is 25% securities (for both the upfront and the deferred parts). This percentage is increased to 26% only with reference to the Deferred Portion of the “particularly high” Variable Remuneration”

B.5 Phantom Shares:

(i) The DEPObank phantom shares (whose value will be adjusted in accordance with the provisions of (v) below) already awarded to the Risk Takers will be automatically converted, at the Closing date, into BFF phantom shares, ensuring that the DEPOBank phantom shares and the BFF phantom shares allotted to each individual Risk Taker following the Merger by incorporation between DEPObank and BFF have the same value;

(ii) these "new" BFF phantom shares will then be liquidated at the end of the retention periods currently provided for by the Remuneration Policies of DEPObank on the basis of the combined entity's shareholders' equity (the combined entity being the post-Merger BFF Banking Group);

(iii) in relation solely to the deferred part of the Variable Remuneration whose deferral period has not yet ended at Closing, the value of the BFF phantom shares at the time of Closing will be "frozen" until the end of the relevant Deferral period;

(iv) at the end of the Deferral period referred to in point (iii), the Risk Takers must hold the BFF phantom shares for the Retention period which is 6 months (for the deferred portion only), at the end of which they will be liquidated taking into account the change in value of the BFF phantom shares, which will be changed to an extent equal to the percentage change in shareholders' equity per share (calculated for the number of ordinary BFF shares outstanding) of the combined entity during only the 6 months of Retention and compared with the most recent quarterly financial statements approved by the BFF Board of Directors. If dividends are distributed during the retention period, the value of dividends paid per share will be added to the observed change in shareholders' equity;

(v) the value of the DEPObank phantom shares at the time of the merger will be calculated by DEPObank on the equity of DEPObank at Closing, as resulting from the Closing Accounts and on the basis of the principles of the DEPObank Remuneration Policy.

B.6 Retention:

Retention periods are confirmed at 12 months for the upfront portion of phantom shares and 6 months for the deferred portion

B.7 *Ex-post* adjustment mechanisms

The previous mechanisms remain unchanged:

Clawback: With regard to ex-post adjustment mechanisms, the Bank of Italy's provisions specify the cases in which the clawback clause should be applied to violations, namely:

- Conduct that generated a significant loss for the Group;
- Violation of the obligations imposed pursuant to art. 26 or, when the subject is an interested party, to art. 53, paragraph 4 et seq. of the TUB or of the obligations regarding remuneration and incentive;
- Fraudulent behaviour or gross negligence to the detriment of the Group;
- Conduct that does not comply with the provisions of law, regulations, by-laws or codes of ethics or conduct.

The minimum period in which the clawback clauses apply is set at 5 years for the Most Significant Personnel and at 3 years for the other personnel.

Malus: As regards malus mechanisms, in addition to the cases in which clawback is envisaged, the general rule already used by DEPObank on the occasion of the deferral for previous years will apply, but using as a reference the Entry Gates as established in paragraph B.2 above.

SECTION II

IMPLEMENTATION OF REMUNERATION POLICIES IN 2020

1. INTRODUCTION

This section of the Report provides information on the implementation of the 2020 Policy, also in light of the indications received from shareholders at the 2020 meeting. In particular, in this section II it was decided to provide clearer information about:

- The level of achievement of EBTDA ^{RA};
- The representation of the benchmarked panel for the review of the remuneration package in favour of the CEO in 2020.
- In particular the following are provided:
  i. personal data on the remuneration of the members of the management and control bodies, and the Chief Executive Officer of the Group;
  ii. aggregate data regarding *managers with strategic responsibility* as no manager with strategic responsibility receives a higher Remuneration than the Chief Executive Officer[1].

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 2020 Policy;

ii. general information on the implementation of the 2020 Policy, and the assessments provided by the Group's control functions, each for the aspects falling under its own responsibility.

The second part:

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.

1) The reference legislation requires (Art. 123-ter of the TUF and Schedule 7-bis of Annex 3A to the Issuers' Regulations) illustration by name of:
   a. the remuneration of the members of the management and control bodies;
   b. the remuneration of any other managers with strategic responsibilities who received, during the year, total remuneration (obtained by adding monetary remuneration and remuneration based on Financial Instruments) higher than the highest total remuneration attributed to the persons indicated in letter a, in the case of the Bank, the CEO.

2. FIRST PART

2.1 General information on the implementation of the 2020 Policy

During 2020, directors and employees were paid fixed remuneration, in accordance with the 2020 *Policy*, individual contractual decisions and in compliance with the collective bargaining agreements applied.

Short-term Variable Remuneration (MBO) was paid to personnel upon the achievement of corporate and individual qualitative-quantitative objectives. The mix between quantitative and qualitative objectives is appropriately balanced according to the roles and responsibilities of the entitled Employees. 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.

The ratio between Fixed Remuneration and Variable Remuneration was calculate considering the gross annual value of all the elements of Fixed Remuneration, including Benefits, and the variable component accrued during the year. The maximum limits for the incidence of Variable Remuneration on Fixed Remuneration of 2:1 for Employees and the Chief Executive Officer, and the limit of one third for the Managers of the Corporate Control Functions were respected.

On 17 February 2021, the Board of Directors reviewed the performance of the three gates[2] provided for in the 2020 Policy as gateways to the accrual of the MBO in the year in question and to the deferred portion pertaining to 2018. The final statement of this Variable Remuneration was prepared in accordance with the provisions of the 2020 *Policy*.

As a result of the growth in size of the Group and its classification as an Intermediate Bank, the Group 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 2020 Policies, have been applied to all accrued Variable Remuneration items.

At 31 December 2020, the Group achieved a positive EBTDA Risk Adjusted equal to its target level, within the regulatory capital and liquidity limits set out in Policy 2020. In addition, with reference to the Customer Satisfaction Index, the Bank achieved a level of BFF customer satisfaction of 99.58%, measured by sampling conducted by an external consultant. It therefore applied the maximum multiplier of 1.09. Compared to 2019, the Customer Satisfaction index increased by 3.73%. In addition, following verification of the gates and the absence of violations by Risk Takers, such as to trigger Malus or Claw Back mechanisms, the Group will proceed with the disbursement for Risk Takers of the variable compensation for 2020 equal to €1,293,472.55, and the deferred variable compensation for the performance year 2018, equal to €459,638.87.

It should be noted that, with reference to the 2020 financial year, 70% of the target 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 reached.

2) Liquidity Coverage Ratio (LCR), Total Capital Ratio and EBTDA ^{RA}.

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 2020, please refer to paragraph 2.2 below (2020 Stock Option Plan) of the Report.

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

During 2020, the process of identifying Risk Takers based on qualitative criteria led to the identification of 35 positions (data referring to the annual update of Risk Takers presented and approved by the Remuneration Committee and the Board of Directors in January 2020).

In accordance with the Issuers' Regulation, the Parent Company reports that in the 2019-2020 period for the BFF Group:

- the total remuneration of each of the non-executive members of the Board of Directors and Board of Statutory Auditors remained unchanged. Meanwhile, the sum of Fixed Remuneration, Benefits and MBO of the Group's Chief Executive Officer increased by 20%. In addition, in 2020 the CEO was granted stock options and awarded a retention bonus, as described in section 2.3, which are not described when calculating the change in remuneration between the two years of reference.
- adjusted Net Profit decreased by 2.04%;
- the average gross annual remuneration, based on the full-time employees of the Group, other than the members of the management and control bodies and the Chief Executive Officer, was reduced by 0.36%. This change is justified by a higher recruitment during the year of staff in European countries with lower labour costs than in Italy.

2.2 Stock Option Plans

The 2020 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 cash-less mode.

The first tranche, allocated in 2020, involved the grant of 6,620,000 options, while 2,340,000 options remain available for the Plan.

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.

- For beneficiaries classified as Risk Takers, the exercise of the Options may take place:
  - (i) 80% (up-front share) on the vesting date (36 months from the grant date), after verification of the achievement of the vesting conditions [by the Board of Directors];
  - (ii) 20% (deferred portion) in the period beginning at the end of the deferral period (18 months from the vesting date), after verification [by the Board of Directors] of the absence of malus or claw back events.

The exercise period will be 24 months from the date on which the options may be exercised, as set out above.

- For non-Risk Taker Beneficiaries, options may be exercised 100% on the vesting date (36 months from the grant date), after verification of the satisfaction of vesting conditions [by the Board of Directors].

Pursuant to the 2020 Stock Option Plan, the stock options granted in each tranche vest upon completion of the relative vesting period. Vesting is subject to a series of conditions better detailed in the 2020 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 2020 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 granted and not yet vested.

With reference to the 2016 Stock Option Plan, which concerned the total grant of 8,452,640 options, of which 6,830,198 still to be exercised and 3,626,068 exercisable as of 31 December 2020.

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 non-executive members of the Board of Directors

The non-executive members of the Board of Directors were paid the following remuneration elements (based on 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 non-executive 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.

Remuneration of the Chief Executive Officer

In 2020 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 €862,833.35;

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

iv. the retention bonus (as subsequently described in this paragraph), equal to €2,301,000, of which €1,610,700 paid on 27 February 2020 and €690,000 subject to a three-year deferral. 50% of the retention bonus (both the up-front and deferred portion) is paid in financial instruments, in particular;
   - for the up-front portion, the amount paid in financial instruments of the Group is €805,350;
   - for the deferred portion, the amount to be paid in shares of the Group is €345,000;

v. a number of stock options equal to 1,120,000, grant pursuant to the 2020 Stock Option Plan, in relation to the first tranche.

Subject to the approval of the 2020 financial statements by the Shareholders' Meeting, the following will also be paid in accordance with the 2020 Policy:

vi. the MBO for the year 2020 amounting to €680,565, of which an up-front portion of €476,396 (70%) and a deferred portion of € 204,170 (30%). 50% of the MBO (both the up-front and deferred portion) is paid in financial instruments, and in particular:
   - for the up-front portion, the amount paid in financial instruments of the Group is €238,197.79;
   - for the deferred portion, the amount to be paid in shares of the Group is €102,084.77.

As for the retention bonus mentioned above, on 14 January 2020 the vesting condition set in the contract in force with the Chief Executive Officer at the time was met: i.e., the reduction of the stake held by BFF Luxembourg S.à r.l in the Bank to less than 25% of share capital. As a result of this event, the Chief Executive Officer became entitled to receive from the Bank a gross total amount of €2,301,000, subject to the applicable rules on Variable Remuneration on the 2020 Policy.

For the purposes of calculating the ratio of Fixed Remuneration to Variable Remuneration, the amount of the retention bonus was allocated pro-rata for each year of the stability period, as provided for in Circular 285 (paragraph 2.1.5, Part One, Title IV, Chapter 2, Section III) and therefore from the year in which the retention bonus was agreed (2017) until the event occurred. The acceptance of the up-front portion, already paid, by the Chief Executive Officer, was disclosed to the market in compliance with the regulations on internal dealing pursuant to Art. 19 of Reg. (EU) No 596/2014 (MAR).

The Chief Executive Officer's economic and contractual conditions were then revised in the light of the increased complexity of the Group’s size in recent years.

In particular, it should be noted that in recent years, although there have been significant events that have resulted in an certain increase in the level of operational complexity of the Group and the consequent level of responsibility of the Chief Executive Officer, raises of insignificant amounts have been granted in proportion to the resulting level of complexity and responsibility. The last raise, in chronological order, was granted in 2018, on the occasion of the renewal of the Board of Directors, i.e. about a year after the listing on the stock exchange, which took place in 2017. This raise was on the order of 15.7%, and was also in response to the aforementioned listing, which led to a certain increase in the complexity of the Group's organisation and the related responsibilities. In fact, the Group saw an increase in operations in various European countries, involving, among other things, the opening of branches in Poland and Greece, the purchase of 100% of IOS Finance, the granting of authorisation to operate in France under the freedom to provide services (FOS) and cross-border activities in the Netherlands and Ireland.

In addition, on 13 May 2020, the Parent Company signed a binding agreement for the acquisition of DEPObank S.p.A. The success of the DEPObank Transaction will result in an increase in the size of the Group.

The Parent Company commissioned an independent expert (Willis Towers Watson) to carry out a benchmarking study on the remuneration package granted to the Chief Executive Officers of banks comparable to the Group, with reference to both the as-is and prospective situations, following the closing of the DEPObank Transaction.

The benchmark analysis was based on a panel of 13 operators composed of:

- Listed Italian banks with total assets exceed €10 billion[3];
- Banking or non-banking companies that operate in the speciality finance sector (Credit Types/Services; Debt Recovery/Collection Services; Asset Based Lending Service).

The panel was identified considering BFF's various specific qualities, such as:

- a Complex Banking Group, potentially of the "significant" type from the banking supervision standpoint, considering its high level of internationalisation (presence in nine countries within the European Union) and complex governance, in view of its listing on regulated markets and widely-held shareholder structure, despite ranking as an intermediate group, on the basis of the current classification scheme adopted by the banking supervisory authorities, in terms of total loans, amounting to nearly €15 billion post-integration;
- Focus on specialty finance and, following the integration with DEPObank, security services and payment services.

Panel
Banca Generali SpA
Banca IFIS SpA
Banca Mediolanum SpA
Banco BPM SpA
BPER Banca SpA
Cerved Group SpA
doValue SpA
Encore Capital Group, Inc.
FinecoBank SpA
Intrum AB
KRUK SA
PRA Group, Inc.
UBI Banca SpA

3 Excluding Banca MPS as subject to restrictions tied to state aid.

From this study it emerged that, considering the situation as it was at the time the same study was conducted:

- the Group's profitability index, i.e. return on common equity (ROE), was above the third quartile and was the highest of the banks considered (with a further increase estimated at 8% after the closing of the DEPObank Transaction);
  - the remuneration of the Chief Executive Officer was (in the period 2020-2021) between the first quartile (the lowest) and the median remuneration taken as a reference in the benchmarking study mentioned above. In particular, in 2020 the economic package was aligned with the median, but 32% lower than the third quartile. In 2021, in the as-is situation, and thus even without considering the incidence of the DEPObank Transaction, including following the loss of the retention bonus described above, the economic package would have suffered a further loss of competitiveness up to a total of -8.5% compared to the first quartile, -20% compared to the median and -50% compared to the third quartile. Therefore, the Board of Directors approved an increase in Fixed Remuneration of Euro €350,000.00 with effect from 1 August 2020. Consequently, from that date, the amount of the CEO's Fixed Remuneration is equal to €Euro 1,117,000.00 gross per annum. On Variable Remuneration, see paragraph 8.1 (*Directors*) of Section 1 of the Report: the increase in the Fixed Remuneration was accompanied by a proportional increase in the Chief Executive Officer's MBO, whose maximum opportunity is equal to 100% of the Fixed Remuneration.

The raise in question has (i) in part, the function of rebalancing the remuneration of the CEO with respect to his true organisational responsibilities (approximately 25-30% of the raise); (ii) in part (approximately 15-20%), the function of responding to the risk of insufficient competitiveness of the remuneration package previously granted to the CEO, as shown by the aforementioned benchmarking study.

Since 2013 there has been an agreement containing provisions relating to severance indemnity in the event of termination of office. There are no other employee severance benefits, as the CEO is not an employee.

As with the other Risk Takers, a non-competition agreement is also in place with the CEO.

The remuneration of the Chief Executive Officer is consistent with the Group'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 Group's remuneration policies, since, among other things:

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

iv. no variable component has been paid to the Statutory Auditors[4].

4) In accordance with Article 3 of Section III of the Remuneration Supervisory Provisions, which precludes all forms of Variable Remuneration for members of the body with control functions.

Remuneration of the members of the Supervisory Board

i. For each of the two members of the Supervisory Board who are not part of the Bank's Employees, fixed remuneration of €20,000 was paid (period 01.01.2020 - 31.12.2020);

ii. 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 2020 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 4 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 28 individuals.

The Remuneration of Risk Takers consists of the following components:[5]

i. Gross Annual Salary of €4,172,470.35;

ii. a package of non-monetary benefits, equal to €258,085.39;

iii. annual Variable Remuneration accrued in 2020 of €1,293,472.55, of which an up-front portion of €905,430.78 (70%) and a deferred portion of €388,041.76 (30%); for the up-front portion, the amount paid in financial instruments of the Group is €445,035.55, and for the deferred portion the amount to be paid in shares of the Group is €190,729.52;

iv. the deferred portion of the annual Variable Remuneration for the year 2018 of €459,638.87, of which € 134,796.53 paid in the form of shares of the Group;

v. 2,470,000 stock options were granted. The unit value of the options at the grant date was €0.496 for a total value of the options granted of €1,225,120. This amount constitutes Variable Remuneration just like the MBO incentive scheme. In particular, in the event of vesting of the options, the value of the 2020 options will be considered paid at the vesting date for the purpose of calculating the Variable Remuneration of the current year at that date and, therefore, will contribute to i) determining the maximum ratio of 2:1 between the variable and fixed components of remuneration; and ii) determining the minimum Variable Remuneration to be paid through financial instruments, equal to 50% of the total Variable Remuneration, for Risk Takers only. For some Risk Takers, non-competition clauses are envisaged.

The Remuneration of Risk Takers is consistent with the Group's Remuneration Policy in place in 2020, since, inter alia:

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

ii. it respects the balance between Variable and Fixed Remuneration;

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

iv. it respects the deferral and retention periods.

5) The amounts are stated in aggregate form, as provided for in Schedule 7-bis of Annex 3 to the Issuers' Regulations.

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 Group 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 Group, 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 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[6].

For the amounts relating to golden parachutes of Employees, the limits set out in the Remuneration Supervisory Provisions, Section III, paragraph 2.2.2 apply: the agreed amount can be an absolute amount or a multiple of the last Fixed Remuneration, received, in any event not exceeding the limit of 24 months of Total Remuneration referring to the last year of the report. In any event, these amounts may not exceed:

a) for Employees, €1,100,000;

b) for Personnel other than Employees, €4,500,000.

There are also individual agreements relating to cases of early termination of office (golden parachutes) 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[7] and (ii) the amount of €2,301,000, and thus currently €3,375,000.

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 2020.

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 Group in relation to incentive schemes. The Risk Management function also verified the final figure of said indicator for the year 2020.

6) The minimum limit for intermediate banks is thus respected. The minimum limit envisaged for large banks is 1 year.

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

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 Risks 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.

2.6 Composition and activities of the Remuneration Committee

The Remuneration Committee[8] met 10 times in 2020. The main activities carried out concerned:

i. Reporting of 2019 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 2020 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. Analysis of shareholders' meeting votes and update of the *Remuneration and Incentive Policy for the members of the strategic supervision, management and control bodies and the 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;

vii. Definition of the rules and objectives of the Integration Bonus as part of the DEPObank Transaction;

viii. Review of the CEO's economic and contractual conditions;

ix. Definition of a retention bonus in favour of a non-Risk Taker Employee.

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 such as Morrow Sodali with reference to the analysis of the shareholders' votes and Willis Towers Watson for benchmark activities.

Below are two descriptive tables, respectively:

i. the Remuneration Committee meetings during 2020;

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.

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

1. DESCRIPTION OF THE MEETINGS OF THE REMUNERATION COMMITTEE IN 2020 AND FORECAST NUMBER OF MEETINGS IN 2021	
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:	111 minutes
Were there any meetings of the Remuneration Committee that were also attended by external members?	Yes, by invitation. In 2020, the Chief Executive Officer, the Head of Human Resources and Organizational Development and external consultants 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 2021 (and number of meetings already held during the current year).	12 (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?**	**Elected chairman?**	**% attendance at meetings**
Barbara Poggiali	Yes	Yes	Yes	100%
Isabel Maria Aguilera	Yes	Yes	No	100%
Giorgia Rodigari	No	Yes	No	100%

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 managers 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 Banking Group, fall within the definition of Senior Executive set out in the 2020 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 managers with strategic responsibilities since none of them receives a higher remuneration than the Chief Executive Officer[9].

9) As per the legislation cited in note 25.

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 "*2021 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 2021 as illustrated in the Board of Directors' Report

RESOLVES

Resolution 1: the approval of the new "*2021 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 "*2021 Remuneration and Incentive Policy for the members of the Strategic Supervision, Management and Control Bodies, and Personnel of the 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 formulae for the determination of the amounts recognized under agreements with Personnel in any venue reached for the settlement of current or potential disputes and, currently on the basis of the said formula, the maximum amount of a) €1,100,000 for Employees and b) €4,500,000 for Personnel other than Employees;

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 2021 Policy; (ii) the general information on the implementation of the 2020 Policy and the assessments provided by the Group'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, fulfilments 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, 17 February 2021

The Board of Directors

3.1 Analytical tables on "Remuneration paid to members of the management and control bodies, general managers and other managers with strategic responsibilities"

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	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 fees	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 01.01.2020 to 31.12.2020	Appr. financial Statements 31/12/2020									
(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		
Massimiliano Belingheri	**Chief Executive Officer**	from 01.01.2020 to 31.12.2020	Appr. financial Statements 31/12/2020									
(I) Remuneration in the company that prepares the financial statements				862,833.35	–	2,981,565.12	–	78,400.00	–	3,922,798.47	555,520.00	
(II) Remuneration from subsidiaries and affiliates												
(III) Total				862,833.35	–	2,981,565.12	–	78,400.00	–	3,922,798.47	555,520.00	
Michaela Aumann	**Director**	from 01.01.2020 to 31.12.2020	Appr. financial Statements 31/12/2020									
(I) Remuneration in the company that prepares the financial statements				50,000	27,000	–	–	–	–	77,000		
(II) Remuneration from subsidiaries and affiliates												
(III) Total				50,000	27,000	–	–	–	–	77,000		

(cont'd)

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the office was held	Expiry date of office	Fixed remuneration	Fees for participation in committees	Variable non-equity remuneration		Non-monetary benefits	Other fees	Total	Fair Value of equity compensation	Termination of office or termination of employment indemnity
						Bonuses and other incentives	Profit-sharing					
Federico Fornari	**Deputy Chairman**	from 11.12.2020 to 31.12.2020	Appr. financial Statements 31.12.20									
(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 01.01.2020 to 31.12.2020	Appr. financial Statements 31/12/2020									
(I) Remuneration in the company that prepares the financial statements				–	–	–	–	–	–	–		
(II) Remuneration from subsidiaries and affiliates												
(III) Total				–	–	–	–	–	–	–		
Giorgia Rodigari	**Director**	from 01.01.2020 to 31.12.2020	Appr. financial Statements 31/12/2020									
(I) Remuneration in the company that prepares the financial statements					–	–	–	–	–			
(II) Remuneration from subsidiaries and affiliates												
(III) Total					–	–	–	–	–			
Carlo Paris	**Director**	from 01.01.2020 to 31.12.2020	Appr. financial Statements 31/12/2020									
(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		

(cont'd)

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the office was held	Expiry date of office	Fixed remuneration	Fees for participation in committees	Variable non-equity remuneration		Non-monetary benefits	Other fees	Total	Fair Value of equity compensation	Termination of office or termination of employment indemnity
						Bonuses and other incentives	Profit-sharing					
Barbara Poggiali	**Director**	from 01.01.2020 to 31.12.2020	Appr. financial Statements 31/12/2020									
(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		
Isabel Maria Aguilera	**Director**	from 01.01.2020 to 31.12.2020	Appr. financial Statements 31/12/2020									
(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	**Chairman of the Board of Statutory Auditors**	from 01.01.2020 to 31.12.2020	Appr. financial Statements 31/12/2020									
(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	**Statutory Auditor**	from 01.01.2020 to 31.12.2020	Appr. financial Statements 31/12/2020									
(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		

(cont'd)

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the office was held	Expiry date of office	Fixed remuneration	Fees for participation in committees	Variable non-equity remuneration		Non-monetary benefits	Other fees	Total	Fair Value of equity compensation	Termination of office or termination of employment indemnity
						Bonuses and other incentives	Profit-sharing					
Patrizia Paleologo Oriundi	**Statutory Auditor**	from 01.01.2020 to 31.12.2020	Appr. financial Statements 31/12/2020									
(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		
Franco Fondi	**Supervisory Body Chairman**	from 01.01.2020 to 31.12.2020	Appr. financial Statements 31.12.20									
(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		
Silvio Necchi	**Supervisory Body Chairman**	from 22.03.2020 to 31.12.2020	Appr. financial Statements 31/12/2020									
(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		
Marina Corsi	**Supervisory Body Member**	from 01.01.2020 to 31.12.2020	Appr. financial Statements 31/12/2020									
(I) Remuneration in the company that prepares the financial statements				–	–	–	–	–	–	–		
(II) Remuneration from subsidiaries and affiliates												
(III) Total				–	–	–	–	–	–	–		

(cont'd)

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the office was held	Expiry date of office	Fixed remuneration	Fees for participation in committees	Variable non-equity remuneration		Non-monetary benefits	Other fees	Total	Fair Value of equity compensation	Termination of office or termination of employment indemnity
						Bonuses and other incentives	Profit-sharing					
Managers with Strategic Responsibilities (5)*		from 01.01.2020 to 31.12.2020	Appr. financial Statements 31/12/2020									
(I) Remuneration in the company that prepares the financial statements				924,010.73	–	350,664.03	–	62,574.77	–	€ 1,337,249.52	406,720.00	
(II) Remuneration from subsidiaries and affiliates					–	–	–	–	–			
(III) Total				924,010.73	–	350,664.03	–	62,574.77	–	€ 1,337,249.52	406,720.00	

* The personnel indicated in this category includes all the persons who have held a position of manager 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.

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) €1,117,000 per contract, of which €862,833.35 collected during the year;
– Non-monetary benefits €78,400.00;
– MBO variable remuneration € 680,565 (referring to 2020 MBO), retention bonus of €2,301,000.00.

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 the evaluation of transactions with related parties and with entities related to Banca Farmafactoring S.p.A. € 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 the evaluation of transactions with related parties and with entities related to Banca Farmafactoring S.p.A. € 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.

Franco Fondi – Notes:
The Remuneration indicated refers to the following positions:
– Remuneration as Chairman of the Supervisory Board of Banca Farmafactoring S.p.A. €20,000 (period 01.01.2020 - 31.12.2020).

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.

Silvio Necchi – Notes:
Remuneration as Member of the Supervisory Board of Banca Farmafactoring S.p.A. €15,616.44 (period 01.01.2020 - 31.12.2020).

Managers with strategic responsibilities – Notes:
The figures indicated refer to all the persons who have held a position as a manager with strategic responsibilities, even for a fraction of a year.
Fixed remuneration: €924,010.73;
Non-monetary benefits: €62,574.77;
Variable remuneration: €350,664.03 (referring to 2020 MBO);
Stock option compensation awarded in the year: €406,720.00.

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

Here are the instructions for Schedule 7-bis:

"If stock option plans are provided for members of the board of directors, general managers and other managers 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[10], 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;
- the options **expired** during the year;
- the 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.”

10) Fair value at the grant date should be stated with reference to all options granted in relation to each Plan and not with reference to each option.

		Options held at the beginning of the year				Options granted during the year			Options granted during the year			Options exercised during the year			Options expired during the year	Options held at the end of the year	Options accrued during the financial year
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	Position	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 Belingheri	Chief Executive Officer																
(I) Remuneration in the company that prepares the financial statements		BFF Group's stock-option plan approved by the Shareholders' Meeting on 5/12/ 2016	1,514,000	(*)	From 3/4/2019 to 3/4/2024		(*)					–	–	–	–	1,514,000	0 (***)
		BFF Group's stock-option plan approved by the Shareholders' Meeting on 02/04/2020				1,120,000.00		For 80% from April 2023 to April 2025 For 20% from October 2024 to October 2026	555,520.00	29 May 2020	5.17					1,120,000.00	555,520.00
(II) Remuneration from subsidiaries and affiliates		Plan A (relevant resolution date)															
		Plan B (relevant resolution date)															
(III) Total			1.514000			1,120,000.00			555,520.00	29 May 2020	5.17					2,634,000	555,520.00

(cont'd)

		Options held at the beginning of the year				Options granted during the year			Options granted during the year			Options exercised during the year			Options expired during the year	Options held at the end of the year	Options accrued during the financial year
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	Position	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 (**)
Managers with Strategic Responsibilities (5) (****)																	
(I) Remuneration in the company that prepares the financial statements		BFF Group's stock-option plan approved by the Shareholders' Meeting on 5/12/ 2016	602,560	(*)	From 3/4/2020 to 3/4/2024		(*)									602,560	
		BFF Group's stock-option plan approved by the Shareholders' Meeting on 02/04/2020				820,000.00		For 80% from April 2023 to April 2025 For 20% from October 2024 to October 2026	406,720.00	29 May 2020	5.17					820,000.00	406,720.00
(II) Remuneration from subsidiaries and affiliates																	
(III) Total			602,560			820,000.00			406,720.00	29 May 2020	5.17					1,422,560	406,720.00

(*) Exercise price determinable on the basis of the formula set out in the Stock Option Plan at each exercise date.
(**) The fair value of the stock options calculated at the grant date is stated in the grant letters.
(***) Value of options granted during the year (see Column 5).
(****) The personnel indicated in this category includes all the persons who have held a position of manager with strategic responsibilities even for a fraction of a year, and who have been actually beneficiaries of the economic treatments covered in the table.

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 managers with strategic responsibilities”

Here are the instructions for Schedule 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 granted 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 3, 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 basis of representation 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”.

			Financial instruments granted in previous years not vested during the year		Financial instruments granted during the year					Financial instruments vested during the year and not allocated	Financial instruments vested during the year and attributable		Financial instruments accrued during the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Name and surname	Position	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at grant date	Vesting period	Grant date	Market price at granting	Number and type of financial instruments	Number and type of financial instruments	Value at vesting date	Fair value
Massimiliano Belingheri	**Chief Executive Officer**												
(I) Remuneration in the company that prepares the financial statements													
(II) Remuneration from subsidiaries and affiliates													
(III) Total													
Managers with Strategic Responsibilities (5) (****)													
(I) Remuneration in the company that prepares the financial statements													
(II) Remuneration from subsidiaries and affiliates													
(III) Total													

3.4 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 managers with strategic responsibilities”

Here are the instructions for Schedule 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.

“**Column 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.

“**Column 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.

Where an aggregate basis of representation 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	**Position**	**Plan**	**Bonuses of the year**			**Bonuses from previous years**			**Other bonuses**
Massimiliano Belingheri	**Chief Executive Officer**		(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/Paid	Deferred	Deferral period	No longer payable	Payable/Paid	Still deferred	
(I) Remuneration in the company that prepares the financial statements		2020 Plan	476,396	204,170	2021-2024				
		Retention bonus	1,610,700	690,000	2020-2023				
		2019 Plan						215,946.30	
		2018 Plan						190,045.80	
(II) Remuneration from subsidiaries and affiliates		Plan A (relevant resolution date)							
		Plan B (relevant resolution date)							
(III) Total			2,087,095.58	894,169.54				405,992.10	
Managers with Strategic Responsibilities (5) (**)			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/Paid	Deferred	Deferral period	No longer payable	Payable/Paid	Still deferred	
(I) Remuneration in the company that prepares the financial statements 2018 Plan		2019 Plan	245,464.82	105,199.21	2021-2023			93,615.01	
		2018 Plan					102,885.43		
(II) Remuneration from subsidiaries and affiliates Plan B (relevant resolution date)		Plan A (relevant resolution date)							
		Plan B (relevant resolution date)							
(III) Total			245,464.82	105,199.21			102,885.43	93,615.01	

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

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

Here are the instructions for Schedule 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	Position	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.	4,749,075.00	134,750 *	4,725,000.00 **	158,825
Persons closely related to Belingheri			1,456,481	4,725,000		6,181,481
Federico Fornari Luswergh	**Director**	Banca Farmafactoring S.p.A.	3,800	0	0	3,800

* Of which 31,451 received by way of MBO and 103,299 by way of retention bonus.

** Sold to Scalve S.à r.l. (person closely related to Massimiliano Belingheri, pursuant to Art. 3 of EU Regulation (EU) No 596/2014).

TABLE 2: HOLDINGS OF OTHER MANAGERS WITH STRATEGIC RESPONSIBILITY

Number of managers 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
Managers with strategic responsibilities (5)	Banca Farmafactoring S.p.A.	537,667	70,633 (*)	198,000	414,738

(*) Of which 10,530 received by way of MBO.

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

		SCHEDULE 2							
		Stock option							
Name and surname or category (1)	Position (to be indicated only for persons listed by name)	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 shares on the grant date	Period of possible exercise (from-to)
(2) Massimiliano Belingheri	**Chief Executive Officer**	05/12/2016	Options on BFF shares with physical settlement	1,514,000		07/4/2017 1st tranche 30/3/2018 2nd tranche		Share price on 7/4/2017 = €4.7 Share price on 30/03/2018 = €5.94	1st tranche 2019-2023 2nd tranche 2020-2024
Notes									
(3)									
Notes									
(4)									
Notes									
(5)									
Notes									

(cont'd)

Name and surname or category (1)	Position (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 shares on the grant date	Period of possible exercise (from-to)
(6) Executives with strategic responsibilities (6)		05/12/2016	Options on BFF shares with physical settlement	1,086,400	161,280	07/4/2017 1st tranche 30/3/2018 2nd tranche 08/04/2019 3rd tranche		Share price on 7/4/2017 = €4.7 Share price on 30/03/2018 = €5.94 Share price on 8/4/2019 = €5.32	1st tranche 2019-2023 2nd tranche 2020-2024 3rd tranche 2021-2025
Notes									
(7) Other employees		05/12/2016	Options on BFF shares with physical settlement	4,119,798	942,726	07/4/2017 1st tranche 30/3/2018 2nd tranche 08/04/2019 3rd tranche		Share price on 7/4/2017 = €4.7 Share price on 30/03/2018 = €5.94 Share price on 8/4/2019 = €5.32	1st tranche 2019-2023 2nd tranche 2020-2024 3rd tranche 2021-2025
Notes									

Name and surname or category (1)	Position (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 share on the grant date	Period of possible exercise (from-to)
(2) Massimiliano Belingheri	**Chief Executive Officer**	2 April 2020	Options on BFF shares with physical settlement	1,120,000.00	29 May 2020		5.17	For 80% from April 2023 to April 2025 For 20% from October 2024 to October 2026
Notes								
(3)								
Notes								
(4)								
Notes								
(5)								
Notes								

(cont'd)

Name and surname or category (1)	Position (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 share on the grant date	Period of possible exercise (from-to)
(6) Executives with strategic responsibilities (5)		28 April 2020	Options on BFF shares with physical settlement	820,000.00	29 May 2020		5.17	For 80% from April 2023 to April 2025 For 20% from October 2024 to October 2026
Notes								
(7) Other employees		28 April 2020	Options on BFF shares with physical settlement	4,680,000	29 May 2020		5.17	For 100% from April 2023 to April 2025
Notes								

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 contains:

- 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 schedule 1: i) shares in company X, ii) instrument based on the value of the Y shares, and in schedule 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.

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