
**EXPLANATORY REPORT OF THE BOARD OF DIRECTORS ON ITEM 5.4 ON
THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING**

(CONVENED FOR MARCH 31, 2022 IN SINGLE CALL)

PROPOSAL TO ADOPT THE "*BFF BANKING GROUP INCENTIVE PLAN – INCENTIVE PLAN 2022*".

RELATED RESOLUTIONS.

Dear Shareholders,

you have been convened to the Ordinary Shareholders' Meeting of Banca Farmafactoring S.p.A. (the "**Company**" or "**Bank**") to resolve upon the proposal to adopt an incentive plan for employees and executive directors of the Company and/or its subsidiaries, called "*BFF Banking Group – Incentive Plan 2022*" (the "**Plan**"). The adoption of the Plan is proposed to innovate the Bank's incentive policies, in addition to the incentive plans approved and implemented during the past financial years (*i.e.*, the "*Banca Farmafactoring Banking Group Stock Option Plan*", approved by the Ordinary Shareholders' Meeting of December 5, 2016 and amended by the Ordinary Shareholders' Meeting of 28 March 2019 (the "**SOP 2016**") as well as the "*Stock Option Plan of the Banca Farmafactoring Banking Group - SOP 2020*" (the "**SOP 2020**"), approved by the Ordinary Shareholders' Meeting of April 2, 2020).

The Plan provides for the assignment of a maximum total number of 9,700,000 options, of two different kinds: certain options (the "**Options A**"), which grant the right to directly receive ordinary shares of the Company, whilst the other options (the "**Options B**" and, jointly with the Options A, the "**Options**") are cash settled through the assignment of a cash bonus, settled on the basis of the overall market value of a certain number of shares (*phantom shares*), determined at the date of the conversion in bonus, minus the relevant exercise price. All the above, to be carried out according to the terms and conditions set out in the regulations of the Plan and described in the information document prepared pursuant to Article 84-*bis* of the regulations adopted by CONSOB with resolution no. 11971 of 14 May 1999, and subsequent amendments and additions (the "**Issuers' Regulations**"), attached to this Report (the "**Information Document**").

With particular reference to the Options A, the Plan may be serviced either with newly issued shares or with shares already issued and in the Company's portfolio on the date the Options are exercised.

The newly issued shares may arise from the share capital increase without payment, approved by the Ordinary Shareholders' Meeting of April 2, 2020 or, if necessary, by a further share capital increase of the Bank which could be approved by the Shareholders' Meeting on a proposal from the Board of Directors.

The purpose of this report is to provide an illustration of the Plan and the proposed adoption of the plan itself on the agenda of the Ordinary Shareholders' Meeting called for March 31, 2022, in accordance with the provisions of Articles 114-*bis* and 125-*ter* of Legislative Decree no. 58 of 24 February 1998, as subsequently supplemented and amended (the "**TUF**").

The terms with capital letters included in this report have the same meaning attributed to them by the Information Document.

1. **Subject matter of the Plan**

The Plan provides for the assignment of a maximum total number of 9,700,000 Options that, as anticipated above, belong to two different kinds: the Options A, and the Options B. All the above, to be carried out according to the terms and conditions set out in the regulations of the Plan and described in the Information Document.

The assignment of the Options will be carried out in three tranches (First Tranche, Second Tranche and Third Tranche), for the years 2022, 2023 and 2024 respectively.

The assignment to the beneficiary of Options pertaining to the three tranches is subject to the prior verification by the Plan Management Body of the positive assessment of the performance (both at a collective level, with reference to the Bank, and at an individual level, for the potential beneficiary) with regard to the so-called "Look Back Period", *i.e.*, the year prior to the assignment of the Options.

The Options may be exercised in compliance with the exercise conditions set out in the Plan, which are the permanence of the employment relationship or of the position as director for 3 years from the assignment date, as well as the achievement of some corporate KPIs.

For further information in relation to the proceeding for the exercise of the Options, please refer to the Information Document.

2. **Recipients of the Plan**

The beneficiaries will be identified by the Board of Directors and/or the Chief Executive Officer, acting as Plan Governing Body at their sole discretion among the employees and/or Directors with executive responsibilities of the Company and/or its subsidiaries, taking into account the "Remuneration and incentive policy for the members of the strategic supervisory, management and control bodies and the personnel of the BFF Banking Group" in force (the "**Policy**") and – for the Personnel under Board of Directors' responsibility – upon consultation of the Remuneration Committee.

3. **Reasons for adopting the Plan**

In order to grant a continuous innovation and enhancement of the incentivisation policies already pursued with the SOP 2016 and the SOP 2020 and consistent with the Policy, the Plan is intended to (a) encourage the integration of the personnel, making them share in the company's results; (b) raise personnel's awareness on the creation of value for the Bank and the shareholders; (c) strengthen the

retention policy for key resources of the personnel by decreasing the tendency for valuable professionals to resign from the Group; (d) improve the Group's competitiveness and good governance on the labor market by making it more attractive to the best talents on the market, with professionalism and skills appropriate to the needs of the Bank and the Group; (e) promote the Bank's sustainability in the medium to long term, and ensure that remuneration is based on results actually achieved.

4. **Plan Features**

For a detailed description of the Plan, please refer to the Information Document.

5. **Proposed resolution**

In light of the above, the Board of Directors proposes that you adopt the following resolution:

"The Shareholders' Meeting of BFF Bank S.p.A., in relation to item 5.4 on the ordinary part of the agenda,

- *having reviewed the illustrative report of the Board of Directors on the proposed resolution (the "**Report**")*; and
- *having examined the information document prepared pursuant to Article 84-bis of the regulation adopted by Consob with resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented (the "**Information Document**"),*

resolved

*1) to approve the "BFF Banking Group – Incentive Plan 2022" (the "**Plan**") within the terms indicated in the Information Document;*

2) to grant the Board of Directors, and on its behalf the Chief Executive Officer, with the right to sub-delegate, all powers necessary to implement this resolution, including the right to introduce any amendments or additions that may be necessary in order to comply with legal requirements and obligations in the resolution adopted and in the regulations of the Plan".

Milan, March 1, 2022

For the Board of Directors

THE CHAIRMAN

Salvatore Messina