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# Engagement with shareholders

Remuneration Framework

*March 2025*

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Ranieri de Marchis

## Chair of the Board of Directors

Ranieri de Marchis is Chairman of BFF Banking Group since April 2024.

In 2003 he joined UniCredit as Group CFO. In 2005 he was appointed Deputy General Manager, in 2009 he became Head of Internal Audit and in 2016 co-Chief Operating Officer. He has served UniCredit as Group Operating Officer until 2022. From 1990 until 2003 he has held different roles in the financial area at General Electric, both in Italy and abroad, until being appointed CFO of the Oil and Gas business.

Currently he is also Senior Advisor at Deloitte, Independent Board Member and Chairman Audit & Risk Committee at Singular Bank and External Advisor at Bain & Company.

Ranieri de Marchis holds a Degree in Economics from LUISS University in Rome and a Master in Business Administration from INSEAD in Fontainebleau.



Guido Cutillo

## Chair of the Remuneration Committee





















Founder and CEO at Cutillo & Partners, he has about 25 years of experience in the field of Corporate Governance and Executive Compensation both in academics and research sectors, as well as in consulting, where he has held senior and/or associate positions in some of the leading international companies, also supporting Boards and C-Levels in main companies in Italy.

He is Adjunct Professor at Luiss Business School and founder and Director of the Executive Compensation and Corporate Governance Observatory, being a reference point for more than 15 years. In addition, he is Director of the Luiss BS program in Executive Compensation and Governance, lecturer in various master's degree programs as well as author of many publications including the "*Handbook of Executive Compensation and Corporate Governance*" and the "*Compendium on the regulations on compensation of directors and corporate managers*", published by Franco Angeli. He has gained extensive knowledge of institutional investors sector.

# Enhanced Corporate Governance with newly appointed Board<sup>(1)</sup>



The 2024 Board renewal marks a significant step forward, with a **56% turnover** and **higher independence** among directors, included the Chairman. In addition, the appointment of two minority representatives with deep expertise in remuneration and governance, and of members with extensive experience in banking, corporate governance and executive compensation, further enhances the Board's overall governance capabilities.

Name	Gender	Year of birth	Nationality	Date of first appointment	Executive Director	Independent Director <sup>(2)</sup>	
 <b>Ranieri de Marchis</b> <i>Chair</i>	M	1961		<b>18<sup>th</sup> April 2024</b>		✓	<b>67%</b> Independent Directors (56% in previous BoD)
 <b>Anna Kunkl</b> <i>Vice Chair and Chair of Related Party Transactions Committee</i>	F	1972		1 <sup>st</sup> March 2022		✓	
 <b>Massimiliano Belingheri</b> <i>Chief Executive Officer</i>	M	1974		19 <sup>th</sup> December 2006	✓	-	<b>56%</b> New Board members
 <b>Guido Cutillo</b> <i>Chair Remuneration Committee</i>	M	1972		<b>18<sup>th</sup> April 2024</b>		✓	
 <b>Domenico Gammaldi</b>	M	1953		25 <sup>th</sup> March 2021	✓ <sup>(3)</sup>	-	<b>44%</b> Female gender representation
 <b>Mimi Kung</b> <i>Chair Nomination Committee</i>	F	1965	 	<b>18<sup>th</sup> April 2024</b>		✓	
 <b>Alexia Ackermann</b> <i>Chair Risk and Control Committee</i>	F	1973		<b>18<sup>th</sup> April 2024</b>		✓	<b>57.4</b> Average Age <sup>(4)</sup>
 <b>Susana Mac Eachen</b>	F	1965	 	<b>18<sup>th</sup> April 2024</b>		✓	
 <b>Piotr Stepniak</b>	M	1963		25 <sup>th</sup> March 2021		-	

(1) 18<sup>th</sup> April 2024. (2) Independence requirements as per Art. 2, Recom. No. 7, of the Governance Code and in Art. 148, Par. 3, of the TUF, and as referred to in Art. 147-ter, Par. 4, of the TUF.

(3) From 1<sup>st</sup> January 2025. (4) As of 31<sup>st</sup> December 2024.

# A stronger remuneration framework to drive performance, as a result of an extensive dialogue with all stakeholders, still pending Bank of Italy restrictions a bank like no other®

- In defining the 2025 remuneration policy, BFF started from an extensive activity of reading the market dynamics and listening to, and **engaging with, all the stakeholders**, in particular with shareholders and the Supervisory Authority.
- The 2025 **Remuneration Policy presents areas of strong improvements** deriving from the input received from shareholders and the Supervisory Authority, having in mind employee's retention and motivation issues.
- As of the date of drafting this presentation, the Bank, following the outcomes of a supervisory inspection carried out during 2023, is subject to **Bank of Italy's request "to refrain from deliberating or putting in place the payment of forms of Variable Remuneration"**. This provision precludes the possibility by this policy to introduce elements of variable compensation that could generate any payoff<sup>(1)</sup>.
- As a signal of strong commitment to regulatory compliance and governance best practices, **the CEO has voluntarily waived his STI 2024**, even in the event that the restriction imposed by the Bank Italy is lifted, demonstrating leadership, accountability and reinforcing the company's responsible approach to remuneration policies<sup>(2)</sup>.
- In this context, **shareholders are asked to approve a remuneration "scheme" and associated "performance drivers"** to the CEO and to BFF employees. These performance drivers will become bonus drivers only if Regulator's restrictions will be removed in 2025.
- BFF goal is to **keep its people motivated, and to listen to the shareholders points of attention** which have driven the 2025 Remuneration Policy improvements, within the framework of full regulatory compliance. **Should the 2025 proposed Remuneration Policy not be approved, the 2024 framework will remain in place.**

(1) Please see the press releases published on [9<sup>th</sup> May 2024](#) and [10<sup>th</sup> May 2024](#). (2) Due to Bol restrictions, BFF cannot buyback its shares, and, at present, it does not have sufficient treasury shares to allocate to the CEO and other managers under the previous LTIs. This undermines the retention purpose of the variable incentive systems and exposes the Bank to potential default on this obligation.

# BFF constantly engages in a transparent dialogue with its shareholders...



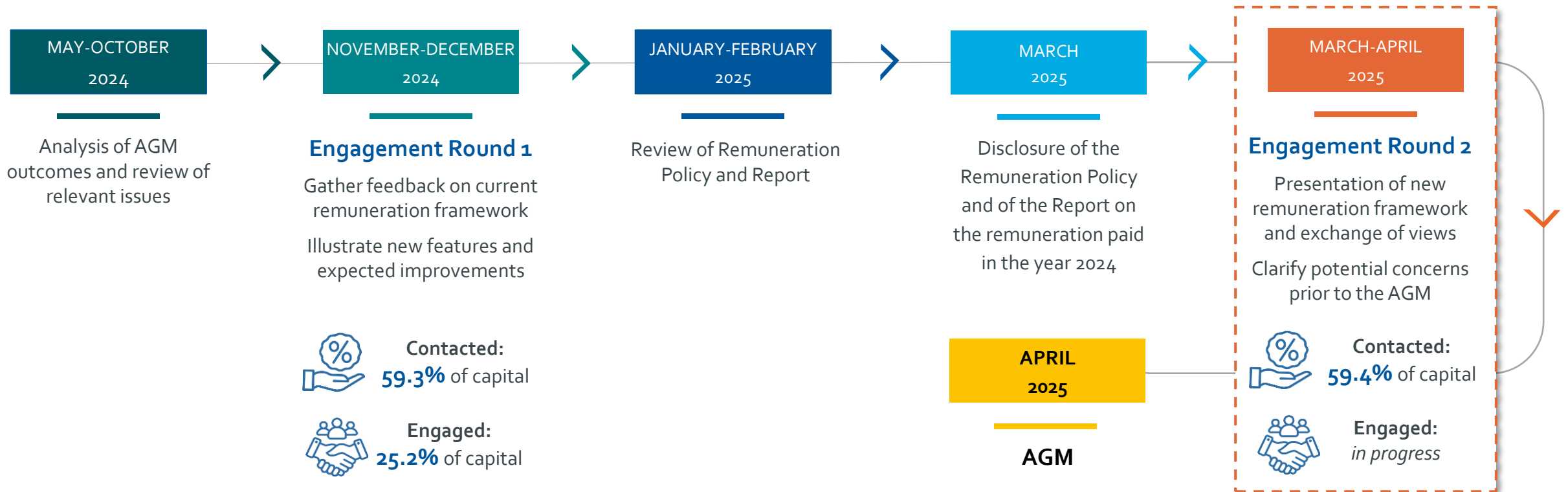
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In continuity with previous years, BFF is conducting an extensive engagement with its shareholders to obtain feedback and, at the same time, illustrate the directions of change of next remuneration policy.

## OBJECTIVE

The dialogue with BFF's investors and proxy advisors aims at enhancing awareness on Group's remuneration practices and receiving feedback, a useful input for the continuous internal evaluation and review process.

## TIMELINE OF EVENTS



# ...to gather feedback, align with market expectations and excel in responsiveness

The engagement process conducted in 2024 highlighted specific areas of concern raised by investors and proxy advisors. Almost all of them have been acknowledged and incorporated into the revisions of BFF's remuneration policy for 2025.

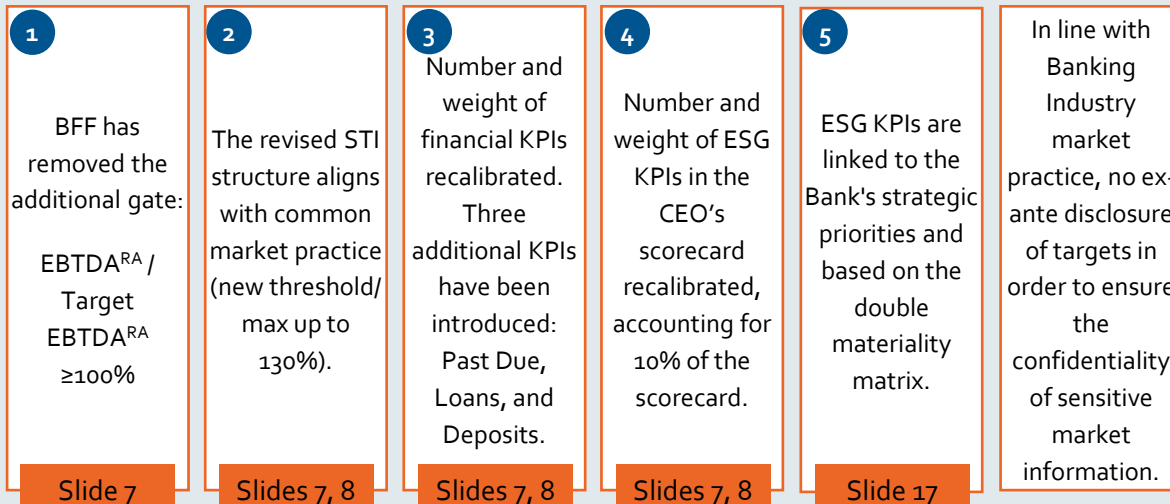
Below are the key areas of focus that emerged, along with the corresponding responses and the new measures adopted by the Bank:

## POINTS OF ATTENTION OF INVESTORS AND PROXY ADVISORS

### STI



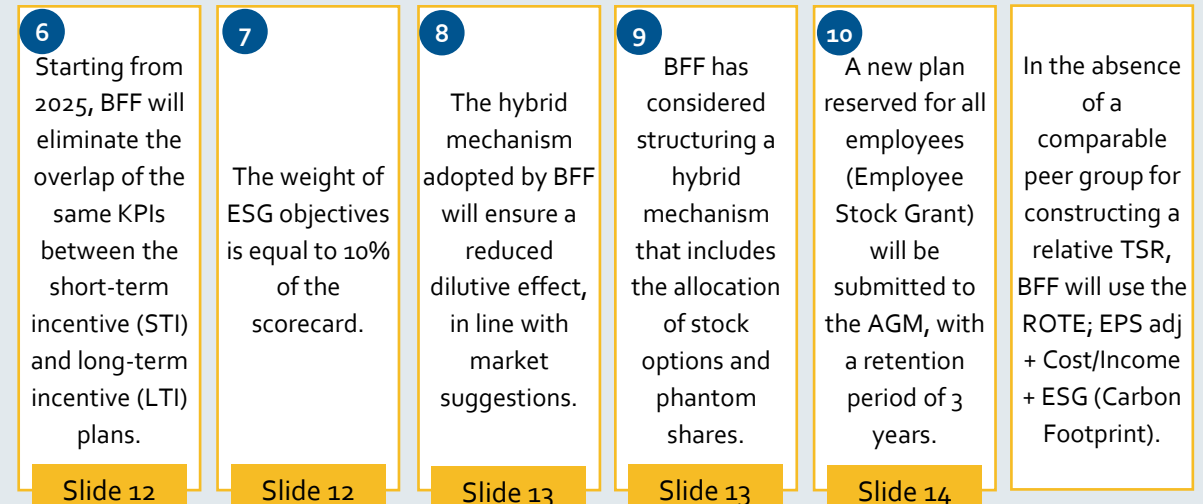
### BFF RESPONSIVENESS



### LTI



### BFF RESPONSIVENESS



# CEO STI scorecard: leaner gate structure and strategic KPIs fully aligned with Risk Appetite Framework

1 Streamlined and simplified CEO gate structure:  $EBTDA^{RA}$  / target  $EBTDA^{RA}$  ratio of at least 100% has been cancelled taking into account investors' requests and to further rely on *pay-for-performance*.

- Assigned KPIs to the CEO (and Bank's employees) to drive performance, with **potential payment conditional to the removal from Bank of Italy restrictions**<sup>(1)</sup>.

3 Introduced 3 new financial KPIs, in addition to  $EBTDA^{RA}$ : **Past Due, Loans and Deposits**; fully coherent with the **Bank's Risk Appetite Framework**, and with the long-term sustainability of the profit generation model.

- $EBTDA^{RA}$ : key metric to assess profitability adjusted for risk and therefore capital generation;
- Past Due reduction: to protect capital ratios through RWAs deflation;
- Loans: to lock in growth and profitability;
- Deposits: to underpin growth and LCR.

4 Reprioritized the number and weight of ESG KPIs within the CEO's MBO, in line with investor expectations.

CEO 2025 Gate KPIs	Minimum Requirements
Liquidity Coverage Ratio (LCR)	≥ risk tolerance (as per RAF)
Total Capital Ratio (TCR)	≥ risk tolerance (as per RAF)
$EBTDA^{RA}$	> 0

1 **NEW** The additional gate  $EBTDA^{RA}$  / Target  $EBTDA^{RA}$  ≥ 100% has been removed, based on investors feedback

## 2 **NEW** CEO 2025 Performance Criteria

Type	KPIs	Weight	Minimum	Target	Maximum
Financial	$EBTDA^{RA}$	50%	= 90% Budget	= Budget	= 110% Budget
	PAST DUE	20%	110%	100%	90%
	LOANS	10%	90%	100%	110%
	DEPOSITS	10%	90%	100%	110%
ESG	CUSTOMER SATISFACTION/ ESG PLAN 2025	10%	90%	100%	110%

**Cap:** maximum 130% of base salary in case of overperformance. Overall cap of 200% of base salary on variable remuneration

(1) Please see the press releases published on [9<sup>th</sup> May 2024](#) and [10<sup>th</sup> May 2024](#).



# CEO STI scorecard: streamlined weights and payoff mix, in line with market best practice

2 Weights sum up 100% vs. previous >100% depending on the scenario.

- Increased maximum variability of the payout, enabling the achievement of overperformance.
- Performance drivers with threshold of 90% (allowing a payout of 50%), a target and maximum in line with the most common practices.

## 2024 SCORECARD

Gate Criteria KPIs	Minimum Requirements
Liquidity Coverage Ratio (LCR)	≥ risk tolerance (as per RAF)
Total Capital Ratio (TCR)	≥ risk tolerance (as per RAF)
EBTDA <sup>RA</sup>	> 0
Additional gate: EBTDA <sup>RA</sup> /Target EBTDA <sup>RA</sup>	≥ 100%

### Performance criteria

Type	KPIs	Weight (at target)	Minimum	Payout	Target	Payout	Maximum	Payout
Financial	EBTDA <sup>RA</sup>	70%	< Budget	No MBO payout	= Budget	70% of base salary	= 110% Budget	90% of base salary
ESG	ESG RATING	20%	Maintain current	50%	Increase by 1	100%	Increase by 2	130%
	GENDER PAY GAP	15%	Reach the target in 1/3 of the cluster at least 80% of the overall population	50%	Reach the target in 2/3 of the cluster at least 80% of the overall population	100%	Reach the target in the cluster at least 80% of the overall population	130%
	SOCIAL BONDS	15%	€ 250 m	50%	€ 300 m	100%	€ 350 m	130%

∑=120%

## 2025 SCORECARD

Gate Criteria KPIs	Minimum Requirements
Liquidity Coverage Ratio (LCR)	≥ risk tolerance (as per RAF)
Total Capital Ratio (TCR)	≥ risk tolerance (as per RAF)
EBTDA <sup>RA</sup>	> 0

**NEW** The additional gate has been removed, based on investors feedback.

### Performance criteria

Type	KPIs	Weight	Minimum	Payout	Target	Payout	Maximum	Payout
Financial	EBTDA <sup>RA</sup>	50%	= 90% Budget	50%	= Budget	100%	= 110% Budget	130%
	PAST DUE	20%	110%	50%	100%	100%	90%	130%
	LOANS	10%	90%	50%	100%	100%	110%	130%
	DEPOSITS	10%	90%	50%	100%	100%	110%	130%
	CUSTOMER SATISFACTION/ ESG PLAN 2025	10%	90%	50%	100%	100%	110%	130%

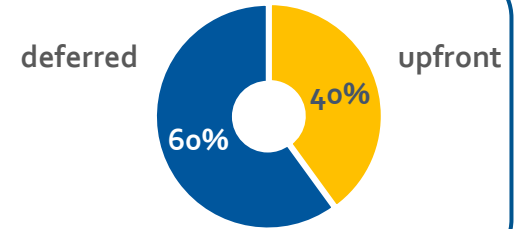
∑=100%

**NEW**

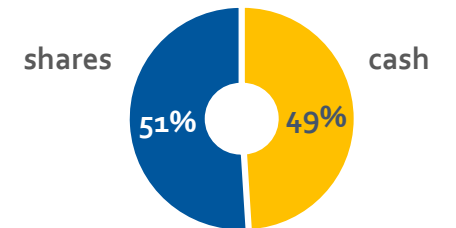
# STI 2025: strengthened by deferral and equity-based rewards

CEO annual bonus is subject to significant deferral and other safeguards, as follows:

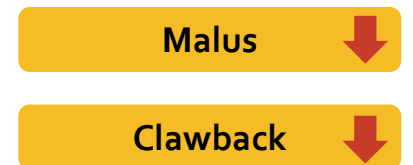
- The up-front portion is 40%, paid following the approval of the Group's financial statements, while the remaining 60% is deferred in equal annual instalments over 5 financial years, beginning 12 months after the payment of the up-front portion.



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



- The bonus is subject to malus and clawback clauses.



# Focus STI 2025 for other personnel: leveraging the EBTDA<sup>RA</sup> multiplier for balanced performance

For all remaining personnel, the EBTDA<sup>RA</sup>/ EBTDA<sup>RA</sup> Target ratio is set at a 70% threshold to foster balanced risk management while ensuring a sustainable incentive aligned with corporate goals.

Each participant has individual targets, and the ratio is **applied only after assessing individual performance.**

This ratio acts as **both a multiplier and a de-multiplier:**

- If the ratio exceeds 100%, it boosts the individual payout;
- if it falls below 100%, it reduces it.

## EXAMPLE

If EBTDA<sup>RA</sup> / EBTDA<sup>RA</sup> Target ratio is:

Below 70%	Payout is zero.
Between 70% and 100%	Total scorecard payout is adjusted linearly from 50% to 100%.
Above 100%	Acts as a multiplier, increasing payouts up to 40% for Senior Executives, Executives and other managers, and up to 30% for all other employees.

**NB: the multiplier mechanism is not applicable to employees working in control functions.**

(1) The Customer Satisfaction multiplier remains unchanged and only yields a positive effect, with no possibility of lowering the target.

### Gate criteria

KPIs	Minimum Requirements
<i>Liquidity Coverage Ratio (LCR)</i>	≥ risk tolerance (as per RAF)
<i>Total Capital Ratio (TCR)</i>	≥ risk tolerance (as per RAF)
<i>EBTDA<sup>RA</sup></i>	> 0

### Performance criteria

Type	Weight	Minimum	Target	Maximum
Quantitative	<b>70%</b>	50%	100%	130%
Qualitative	<b>30%</b>	50%	100%	130%

### Multipliers NEW

- EBTDA<sup>RA</sup>/ EBTDA<sup>RA</sup> Target
- Customer Satisfaction<sup>(1)</sup>

# LTI 2025-27: rewarding performance, driving success with stronger financial KPIs

**6** BFF new 2025-2027 stock option plan, which is introduced due to the termination of the previous plan, aims at incentivizing key personnel, including the CEO, based on strengthened financial KPIs, **avoiding overlapping with STI**.

Strong retention tool, both for the CEO and the banking population, in a situation where:

- i) no 2024 STI can be paid pending Bank of Italy restriction;
- ii) the CEO has completely waived the right to receive the 2024 STI;
- iii) current 2022 LTI is vesting by YE25, and its last tranche was not awarded last year, therefore, without a new LTI, BFF would remain with an LTI system which no longer has a retention effect.

### 2022 SCORECARD

Gate Criteria KPIs	Minimum Requirements	Recipients: Employees and executive directors, including the CEO subject to 2:1 variable remuneration cap.
Liquidity Coverage Ratio (LCR)	≥ risk tolerance (as per RAF)	
Total Capital Ratio (TCR)	≥ risk tolerance (as per RAF)	
EBTDA <sup>RA</sup>	> 0	

#### Performance criteria

Type	KPIs	Weight	Minimum	Vesting	Target	Vesting	Maximum	Vesting
Financial	EBTDA <sup>RA</sup>	50%	90%	50%	100%	100%	110%	150%
	EPS	20%	90%	50%	100%	100%	110%	150%
	COST/INCOME	20%	110%	50%	100%	100%	90%	150%
ESG	CARBON FOOTPRINT	5%	46.7% vs. 2022	50%	32.4% vs. 2022	100%	18.1% vs. 2022	150%
	CUSTOMER SATISFACTION	5%	90%	50%	95%	100%	100%	150%

### 2025 SCORECARD

Gate Criteria KPIs	Minimum Requirements	Recipients: Employees and executive directors, including the CEO subject to 2:1 variable remuneration cap.  subject to 2:1 variable remuneration cap together with STI
Liquidity Coverage Ratio (LCR)	≥ risk tolerance (as per RAF)	
Total Capital Ratio (TCR)	≥ risk tolerance (as per RAF)	
EBTDA <sup>RA</sup>	> 0	

#### Performance criteria

Type	KPIs	Weight	Minimum	Vesting	Target	Vesting	Maximum	Vesting
Financial	ROTE <sup>NEW</sup>	35%	90%	50%	100%	100%	110%	150%
	ADJ. EPS	35%	90%	50%	100%	100%	110%	150%
	COST/INCOME	20%	110%	50%	100%	100%	90%	150%
	CARBON FOOTPRINT	10%	Minimum <sup>(1)</sup>	50%	Target <sup>(1)</sup>	100%	Maximum <sup>(1)</sup>	150%

(1) ESG targets will be defined by the Board of Directors at the beginning of the first cycle.

# LTI 2025-27: unlocking long-term value with rigorous vesting conditions

## 8 Equity impact

Up to 12mln options available across three tranches. **Maximum dilution: 3%<sup>(1)</sup>**. Total dilution, including past unexercised plans: 4%.

## 9 Type of award: Like in the past, the plan provides for two types of options.

**Options A:** "Equity-settled". Upon exercise, the Beneficiary receives a number of ordinary shares as per the following formula:

$$(Total\ Market\ Value\ of\ the\ Opted\ Shares - Total\ Exercise\ Price\ of\ the\ Opted\ Shares - Withholding\ Tax) / Unit\ Market\ Value$$

**Options B:** "Cash-settled". Upon exercise, the beneficiary is entitled to receive a cash bonus equal to the value of the phantom shares, calculated as:

$$Total\ Market\ Value\ of\ the\ Opted\ Phantom\ Shares - Total\ Exercise\ Price\ of\ the\ Opted\ Phantom\ Shares$$

### ▪ Vesting

For Risk Takers:

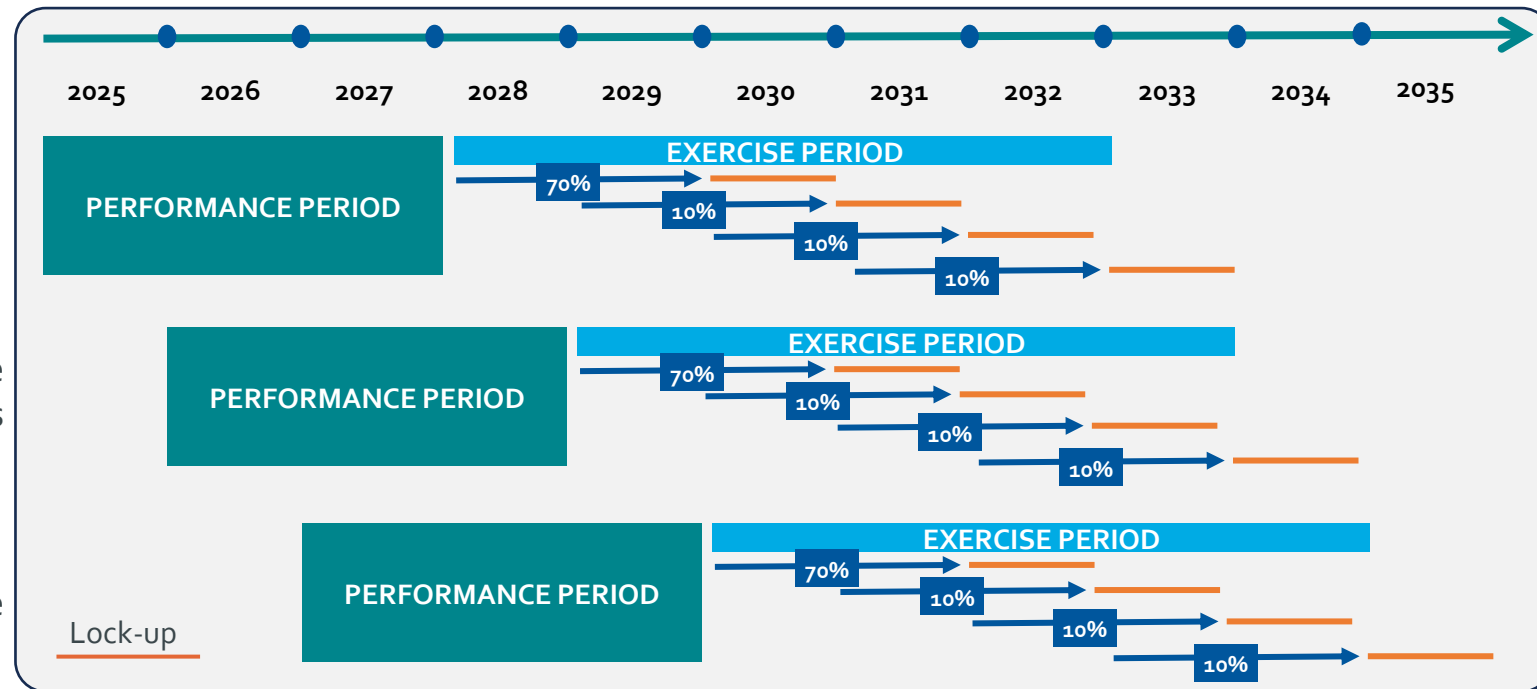
- 70% of vested options can be exercised after 3 years.
- 30% is deferred over the following 3 years.
- 1-year lock-up on selling shares post-exercise.

### ▪ Exercise price

Calculated based on the average share price during the 30 days preceding the Grant Date, adjusted for dividends paid in the same period.

### ▪ Recovery Provision

Malus and clawback clauses, potentially resulting in the withdrawal of the rights granted by the Plan.



(1) Assuming that 100% of the assignable options of the plan are Options A (equity-settled). All three tranches envisage the cashless formula as the only mode to exercise the options; hence, the option-share ratio is always less than 1 and, in any case, the formula provides for a maximum limit (maximum theoretical market value) determined by the board, which, in fact, constitutes an additional cap to the number of issuable shares.

10 A milestone initiative to strengthen employee commitment and drive sustainable growth.

## Introducing the 2025 Employee Stock Grant Plan:

In the context of BFF's 40th anniversary, a new Employee Stock Grant Plan will be presented for shareholders approval at the 2025 AGM.



This initiative aims at enhancing employees' engagement and retention, reinforcing a culture of ownership at all levels within the Bank.

## Key Features of the Plan:

- Broad Employee Participation – Designed for all employees across the BFF Group (max. 900), **except for Senior Management members.**
- Tax-Optimized Structure – Meets Italian legal requirements, with a maximum share allocation per employee equivalent to €2,065.
- 3-Year Retention Period – Strengthening long-term alignment and commitment.
- Enhancing Engagement & Loyalty – Encouraging employees to share in the company's success.
- Limited Dilution Impact – A maximum of 300,000 shares will be allocated to the plan, resulting in an additional dilution of only 0.2% of the share capital.

# CEO's termination pay unchanged and lower than market practice

The CEO's termination pay has not changed. BFF CEO is a Director of the Company and not an employee: his termination package has no hidden costs and no further payments due to law and collective bargaining agreements.

## SEVERANCE<sup>(1)</sup>

unchanged

Equal to the lower of:

- 1.8 times the sum of the fixed pay (excluding benefits) and the average variable remuneration of the previous three years
- the amount of €4,500,000 (cap approved by the 2021 AGM)

In addition:

- ✓ 51% of severance paid in shares
- ✓ 40% upfront, 60% deferred over a six-year period
- ✓ linked to performance and subject to claw back mechanisms

## NON COMPETE

unchanged

Duration: 3 years

Annual amount: 100% of the fixed pay

Penalty:

In the event of breach of the non-compete obligation:

- 150% of the fixed pay within the first year/100% after one year

In the event certain types of conduct:

- 35% of the fixed pay

**NB:** BFF CEO, not being an employee of the company, **does not receive additional payments** related to the notice period, other contractual indemnities and end-of-service allowance (TFR), unlike the majority of Italian CEOs, who as employees, have access to additional contractual provisions.

**Example:** Should a Group CEO have also the General Manager role, the whole termination package would amount to nearly 3.5 years' total pay (see graph below for comparison).



(1) Activated only in case of (i) removal from office as a director before expiry of the mandate – other than on bad leaver grounds – and (ii) reduction of the pay package during any term of office – except for legal purposes.

## Governance

- Robust board renewal, proactive investor dialogue, and responsiveness to stakeholder feedback have reinforced strategic oversight.

## STI

- Under the revised STI plan, a leaner gate structure and scorecard paired with new financial targets, which along with the CEO's proactive waiver of STI 2024, reinforce a culture of accountability.

## LTI

- The new 2025-2027 Stock Option Plan incentivizes key personnel with strengthened financial KPIs and rigorous vesting conditions to secure long-term retention and performance.

## ESOP

- Designed for broad participation, enhancing employee engagement and loyalty, with a limited dilution impact of 0.2%.

## Termination Pay

- CEO termination pay is lower than market practice, with performance-linked severance and clawback mechanisms.



# ANNEX

# ESG KPIs in the 2025 STI are inner part of our strategy



5 KPIs	Minimum	Target	Maximum
CUSTOMER SATISFACTION <sup>(1)</sup>	92%	Between 92% and 97%	≥ 97%
ESG PLAN 2025	Completion of at least 4 of the activities outlined in the ESG 2025 plan, within the scheduled timeline and in full compliance with regulatory obligations and corporate commitments.	Timely execution of all activities planned in the ESG 2025 plan, ensuring full adherence to deadlines and the established objectives.	Early completion of at least 2 activities compared to the timeline outlined in the ESG plan, while maintaining compliance with all other deadlines and achieving particularly positive results.

## PROGRAM PLAN

2025 objectives	Description	End Date	Certification Source	Activity Owner	Notes
Integration of Climate and Environmental Risks	Incorporation of climate and environmental risks into the bank's Risk Framework, in line with Bank of Italy's expectations.	31/12/2025	Sustainability Report Bank of Italy Plan – Climate & Environmental Risks	Risk Management Group ESG All functions involved	This is considered a key activity for 2025.
PRB (Principles for Responsible Banking)	Completion of the Gap Analysis for PRB adoption.	31/12/2025	Sustainability Report PRB Adherence	Group ESG All functions involved	This activity represents only the first step toward the achievement of the overall 2028 target.
Netting Strategy	Update of Decarbonization Plan.	31/12/2025	Sustainability Report	Group ESG Chief of Staff Chief of Countries	This activity represents only the first step toward the achievement of the overall 2026 target.
Climate Reporting Plan	Creation of the first Climate Report, ensuring alignment with TCFD.	30/11/2025	Climate Report	Group ESG Risk Management	This activity represents only the first step toward the achievement of the overall 2026 target.
ESG Procurement Process	Update of the procurement process under ESG criteria and valuation of first suppliers under ESG criteria.	31/12/2025	New Procurement Process Sustainability Report	Group ESG Procurement	The objective is to integrate ESG criteria into procurement processes.

(1) Calculated in the same manner as the rest of the Personnel in Factoring & Lending for the Italy Perimeter. In 2024, the result was 92.01%. The same scale used in 2023 applies.

## CONTACTS

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