



AGM 25th March 2021

March 2021



1. **The appointment of the Board of Directors**
2. **Remuneration and Incentive Policies**

Board Appointment Process



Election Procedures: *Voto di Lista* (Italy)

In Italy, directors' elections generally take place through the ***voto di lista*** mechanism (similar to slate elections).

BFF By-Laws

The lists of candidates for the office of Director can be submitted by:

- *the outgoing Board of Directors*
- *shareholders who, alone or together with other shareholders, hold in aggregate shares representing a percentage equal to at least 2.5% of the share capital entitling to voting right at ordinary meetings*

At the end of the voting operations, candidates of the two lists which obtained the higher number of votes are appointed, according to the following criteria:

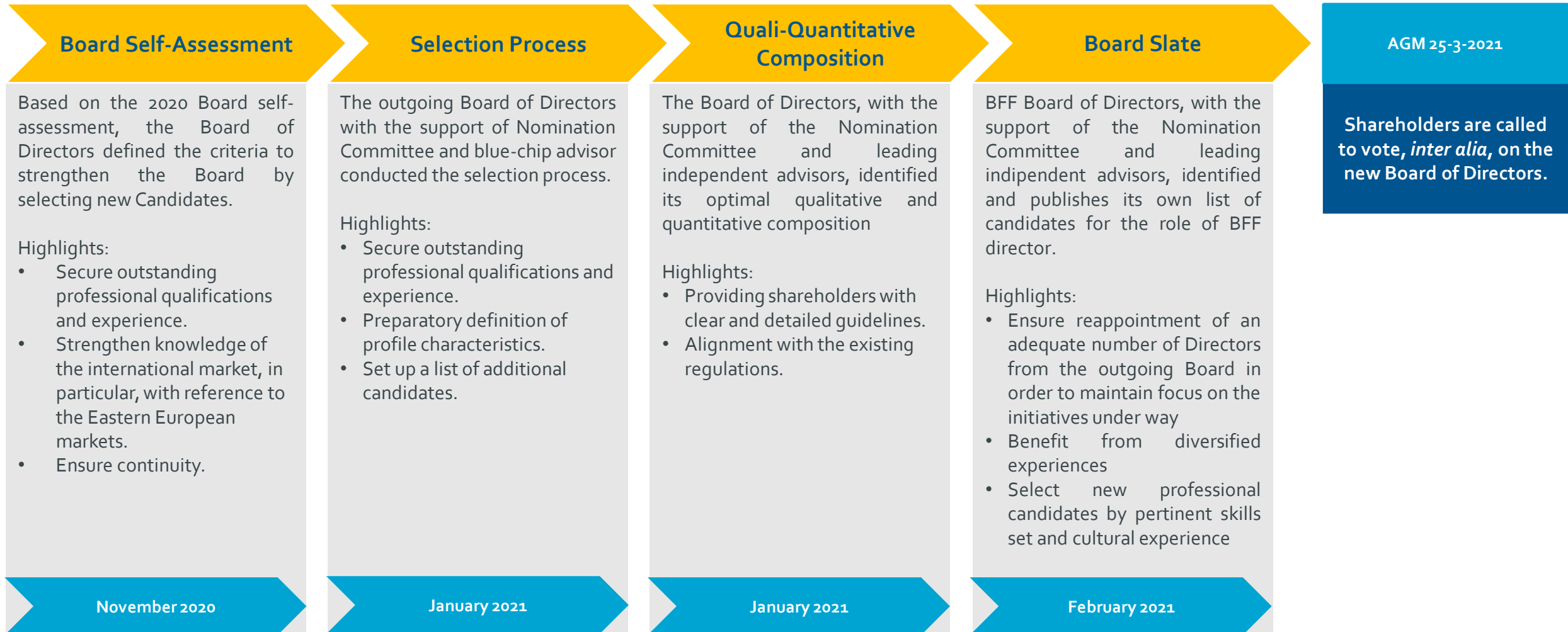
- *a number of Directors equal to the **total number of members to be appointed less 1 (one)**, is derived from the list which obtained the majority of casted votes (so called "majority list"), following the sequential order with which they are listed in the same list;*
- *the residual director is derived from the second list which obtained the highest number of votes at the meeting (so called "minority list"), which is not affiliated in any way, not even indirectly, to those who have submitted or voted for the majority list and which has not been submitted by the Board of Directors*

Submitted Slates

Slate no. 1 submitted by the Board of Directors of BFF

Slate no 2 submitted by the Investors (>2.5%)

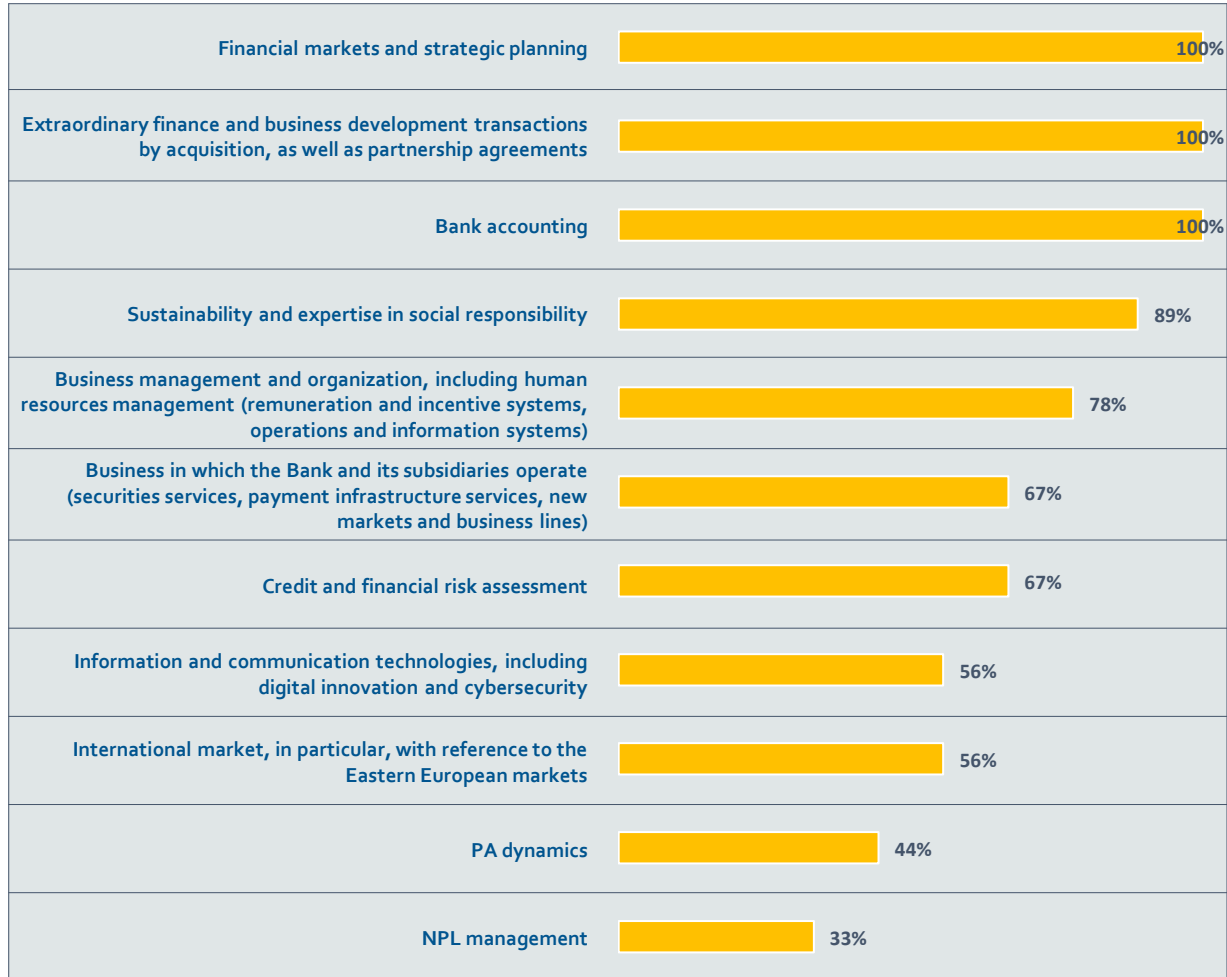
Board Slate Definition Process



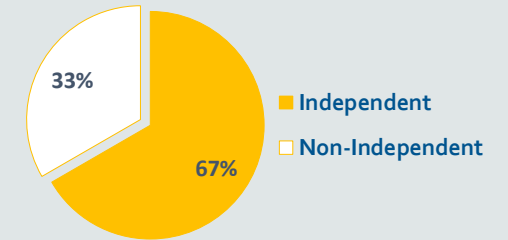
Board Slate Profile



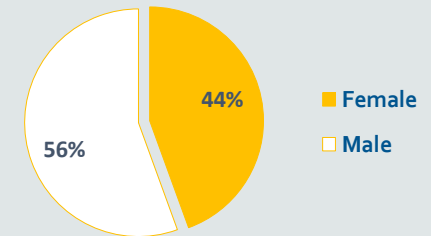
Specific Skills & Expertise



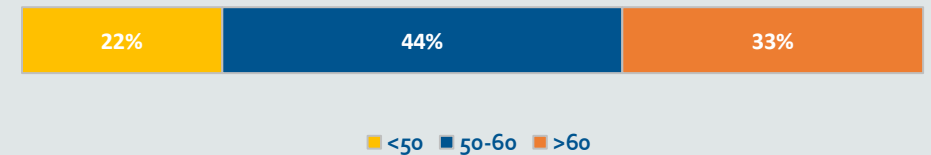
Level of independence *



Gender Diversity



Class of Age



*As per independence requirements set out in art. 13 of Decree no. 169/2020

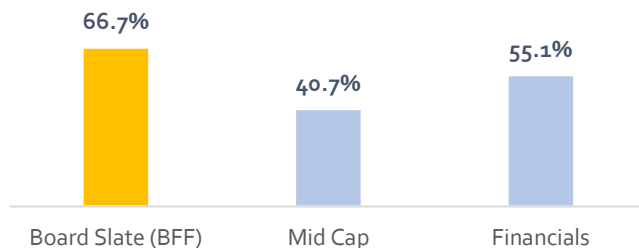
Board Slate VS Domestic and International Peers



Domestic

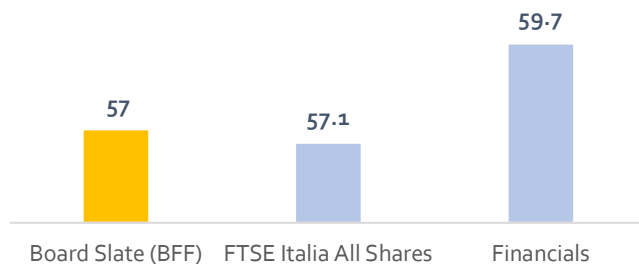
International

Level of Independence*



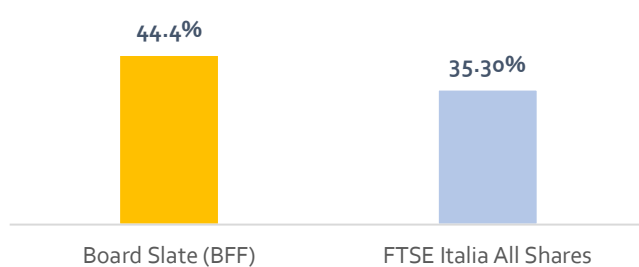
Higher level of Independence vs Italian listed companies and in line with European listed companies

Average Age*



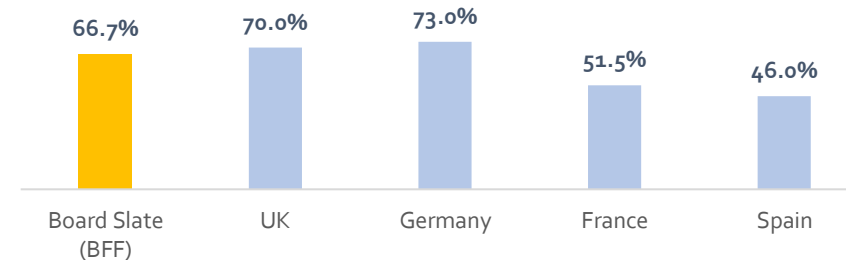
Average Age lower than Italian and European listed companies

Women on the board**

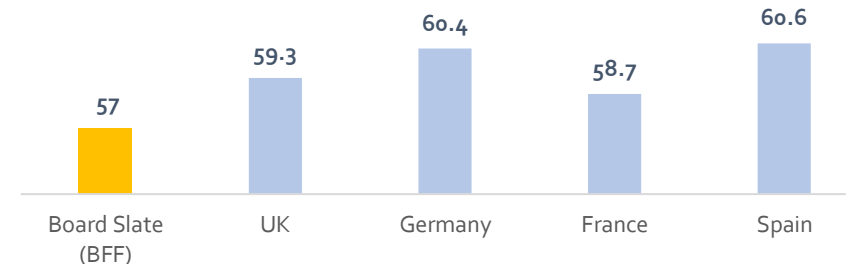


Higher level of WoB vs Italian and European listed companies

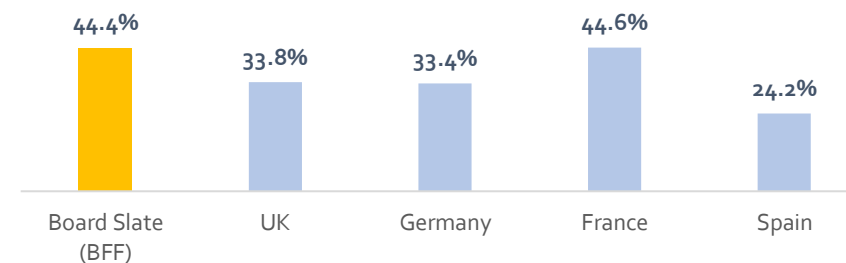
Level of Independence**



Average Age**



Women on the board**



*Assonime: La Corporate Governance in Italia: autodisciplina, remunerazioni e comply-or-explain (anno 2020).

**Spencer Stuart: Board Governance: International Comparison Chart (October 2020)

Board Slate VS Quantitative/Qualitative Assessment



Quanti-Qualitative Criteria	Board guidelines on the qualitative and quantitative composition of the Board of Directors	Board Slate
Board Size	9 (nine) members is the optimal size.	YES
Independence	A majority, not counted the Chairman of the Board, of independent directors.	YES
Cap on offices held	No aggregate number of positions in banks or other business organizations in excess of one of the following alternative combinations: a. No. 1 executive assignment and no. 2 non-executive assignments. b. No. 4 non-executive assignments.	YES ¹
Gender Diversity	At least two-fifths of the Board members belonging to the least represented gender. If the Board of Directors consists of 9 (nine) members, at least 4 (four) Directors shall be appointed belonging to the less represented gender.	YES
Age	Combination of different age brackets within the Board, so as to allow a balanced plurality of perspectives and managerial and professional experiences, without prejudice to the adoption of adequate training plans to ensure that the technical skills of the Directors are preserved over time.	YES
Professionalism	Mix of skills and experiences based on: Fit&Proper Requirements, Board Regulations and Self-assessment results.	YES

¹The candidates Piotr Stepniak and Isabel Aguilera Navarro have declared that, in the event of appointment, they undertake to comply with the limit on the number of offices and, consequently, to resign from the offices that cause the limit to be exceeded.

Board Slate: Breakdown Profiles



- Strengthened **Board diversity** and **international background**, in line with best practices.
- **Right balance** between **continuity** and **refreshment**.
- **Gender diversity** is in line with the Italian Regulatory of 2/5 of the Board.

Name & Title	Gender	Nationality	Year of Birth	Independence*	First Appointment	Outside Ex. Offices	Outside Non Ex. Offices
Salvatore Messina Non Executive Chairman	M	Italian	1946	YES	2013	0	1
Massimiliano Belingheri Chief Executive Officer	M	Italian	1974	NO	2006	0	2
Federico Fornari Luswergh Non Executive Director	M	Italian	1964	NO	2010	1	0
NEW Amélie Scaramozzino Non Executive Director	F	French, Italian	1988	YES	NEW	0	0
Michaela Aumann Non Executive Director	F	German	1953	YES	2015	0	1
NEW Piotr Enryk Stepniak Non Executive Director	M	Polish	1963	NO	NEW	0	4**
NEW Domenico Gammaldi Non Executive Director	M	Italian	1953	YES	NEW	0	0
Barbara Poggiali Non Executive Director	F	Italian	1963	YES	2018	0	2
Isabel Aguilera Navarro Non Executive Director	F	Spanish	1960	YES	2018	0	4**

66.7%
Independent

44%
Female
Representation

57 y/o
Average Age

*As per independence requirements set out in art. 13 of Decree no. 169/2020

**The candidates Piotr Stepniak and Isabel Aguilera Navarro have declared that, in the event of appointment, they undertake to comply with the limit on the number of offices and, consequently, to resign from the offices that cause the limit to be exceeded.

Board Slate: Breakdown Specific Skills & Expertise¹



Skills	Salvatore Messina	Massimiliano Belingheri	Federico Fornari	Amélie Scaramozzino	Michaela Aumann	Piotr Enryk Stepniak	Domenico Gammaldi	Barbara Poggiali	Isabel Aguilera
Business in which the Bank and its subsidiaries operate (securities services, payment infrastructure services, new markets and business lines).	X	X		X		X	X	X	
Financial markets and strategic planning.	X	X	X	X	X	X	X	X	X
Extraordinary finance and business development transactions by acquisition, as well as partnership agreements.	X	X	X	X	X	X	X	X	X
Sustainability and expertise in social responsibility.	X	X	X		X	X	X	X	X
Information and communication technologies, including digital innovation and cybersecurity.		X				X	X	X	X
Business management and organization, including human resources management (remuneration and incentive systems, operations and information systems).	X	X			X	X	X	X	X
Credit and financial risk assessment.	X	X	X		X	X	X		
NPL management.		X			X	X			
Bank accounting	X	X	X	X	X	X	X	X	X
PA dynamics.	X	X	X					X	
International market, in particular, with reference to the Eastern European markets.	X	X		X	X	X			

¹ Specific skills and knowledge identified in the outcomes of the Board of Directors' annual self-assessment.

Note: The skill matrix is based on the analyses carried out by an external independent advisor.

Board Slate: New Candidates



Amélie Scaramozzino

Age	32	Key Experiences:
Education	<ul style="list-style-type: none"> • EDHEC Business School (Nice, France) Master Degree in Management & Finance • Institut d'Etudes Politiques (Grenoble, France) Master Degree in Political Science and Economics 	<ul style="list-style-type: none"> • Private Equity Assistant Director (Business & Financial Services Team & Italian Coverage) at Advent International, one of the largest and longest serving independent private equity partnerships, from 2017. Portfolio responsibility: Nexi S.p.A (Italian bank specialised in payment systems) and Nets A/S (Denmark-based provider of payment services and related technology solutions). • Investment Banker at Morgan Stanley, from 2014 to 2017

Piotr Enryk Stepniak

Age	57	Key Experiences:
Education	<ul style="list-style-type: none"> • Purdue University Kramert School of Management (USA) Master of Science in Management (MSM) • University of Guelph (Canada) Bachelor of Arts Degree (BA) • Ecole Supérieure de Commerce de Rouen (France) Executive MBA 	<ul style="list-style-type: none"> • Member of the Supervisory Board and of Risk Committee at FM Bank – Nest Bank SA, from 2008 to today • Chairman of the Supervisory Board at Skarbiec Holding SA, from 2008 to 2018 • Vice Chairman of the Supervisory Board at Lukas Bank – Credit Agricole Group, from 2001 to 2005 • Chairman of Supervisory at Board f BFF Polska, from 2015 to today

Domenico Gammaldi

Age	67	Key Experiences:
Education	<ul style="list-style-type: none"> • School of Economic Development (Italy) Postgraduate Course • University of Naples (Italy) Degree in Political Science 	<ul style="list-style-type: none"> • Manager at Bank of Italy from 1991 to 2019 in the areas of banking supervision (1991/2019) and markets payment system oversight (2008/2019), from 2013 as Head of Market and System Oversight Directorate • Strategic Consultant at PagoPA /CEO from 2020 • Co-Chair at Italian Cetfin from 2016 to 2019 • Co-Chair of Standing Committee on Payment Services at European Banking Authority from 2016 to 2019 • Member of Market Infrastructure and Payment Committee (MIPC) at European Central Bank from 2013 to 2019 • Member of Committee on Payments and Market Infrastructure (CPMI) at BIS from 2008 to 2019 • Member of Steering Committee for Public Sector and Healthcare bachelor – University of Milan from 2020 • Technical assistance to Central Bank of Thailand, Egypt and Albania on banking and payments regulatory framework and cyber risk (many missions from 1997 to 2010)



1. The appointment of the Board of Directors
2. **Remuneration and Incentive Policies**

General Principles



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

- Being consistent with business objectives, business culture and the overall corporate governance structure.
- Avoiding conflict of interests.
- Encouraging control activities of the relevant Company Control Functions.
- Attracting and retaining persons with professionalisms and skills adequate to the Group's needs, valorising said persons through paths of professional growth.
- Basing individual behaviour on utmost diligence and correctness in relationships, in line with the Group's values.
- Identifying and guiding the achievement of objectives:
 - linked to business results, appropriately adjusted to take account of risks
 - consistent with the levels of capital and liquidity required to cover the activities undertaken
 - such as to avoid distorted incentives that may lead to an excessive risk taking for the Group and the financial system as a whole.
- Consideration is also given to:
 - Group's size profiles and operational complexity
 - Group's business model and the consequent risk levels to which the same may be exposed
 - International Best Practices
 - Employees' compensations and working conditions.

Remuneration Policy: What is new?



1. Amendments relating to updates to the issuers' regulations introduced by Consob

- **Employees' Compensation and Working conditions:** explanation of how the Bank has taken these two factors into account in drafting the Policy.
- Variable Remuneration: **financial and non financial performance objectives'** description and **their contribute**, inside the company strategy, **to long term interests and to the Bank's sustainability.**

2. Amendments relating to updates to the new Corporate Governance Code

- Introduction of the **benchmark analysis.**
- 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
- Addition of **claw back cases** for Variable Remuneration.
- The presence of objectives and instruments connected to the Sustainable Success of the company such as **i) a multiplier for employee and CEO MBO linked to the EBTDA RA / Target EBTDA RA ratio, ii) Customer Satisfaction, iii) Diversity Drivers, iv) Stock Option Plans, v) 50% of Risk Takers' Variable Remuneration paid in financial instruments.**

3. Amendments regarding indications received from institutional investors

- Introduction of additional information pertaining to the CEO's Remuneration and, in particular, their **CEO non-compete agreement.**
- Communication of performance criteria both **ex-ante and ex-post.**
- 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.
- Significant improvement on **ex-post qualitative and quantitative disclosure.**

4. Amendments regarding the Bank's managerial and organizational requirements

- Formalization of **one-off payments rule** during yearly salary review.
- Description of the **Integration Bonus** in relation to the DEPObank Transaction.
- Addition to a **paragraph dedicated to remuneration of Employees joining from DEPObank.**

CEO Compensation 1/3



Fixed Remuneration	The CEO receives a Fixed Remuneration consisting of a remuneration established by the Board of Directors in accordance with Art. 2389, third paragraph of the Italian Civil Code, and a Benefit package.
MBO	MBO's maximum opportunity is equal to 100% of the Fixed Remuneration (excluding Benefits) and linked to the achievement of the EBTDA RA Target and conditional upon the: <ul style="list-style-type: none">• exceeding of gates linked to the liquidity, equity and profitability indicators, as well as on the• achievement of a ratio between EBTDA RA / Target (i.e. Budget) EBTDA RA at least equal to 100%, unless otherwise decided by the Board of Directors.
Variable Long Term	Stock options that may be assigned by the Board of Directors under the stock option plans in place.
Golden Parachute	<p>As the CEO is not an employee of the Company, there are no other statutory or contractual termination protections besides the Golden Parachute.</p> <p>Golden Parachute potentially payable to the CEO on termination of office, of a value equal to the highest amount among the following:</p> <ul style="list-style-type: none">• 1.8 times the sum of the Fixed Remuneration (excluding Benefits) and the target MBO• the amount of € 2,301,000.00 <p>It should be noted that, given the nature of the relationship between the Bank and the CEO, the latter is not due any notice period or indemnity should he be dismissed by the Bank.</p> <p>Golden Parachute will be paid to the Chief Executive Officer upon the occurrence of any of the following circumstances:</p> <ul style="list-style-type: none">• 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.

CEO Compensation 2/3



Non-competition agreement

Duration: 2 years from his departure as CEO.

Annual Consideration: 35% of the Fixed Remuneration (excluding Benefits) when he departs the office of CEO, with 70% paid upfront in half-yearly instalments starting from when he leaves 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 noncompete 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.

Balancing cash and financial instruments

The Variable Remuneration must be balanced, as far as Risk Takers are concerned, at least 50%, between:

- I. the Bank's shares and related instruments, including stock options
- II. where possible, the other instruments identified in Delegated Regulation (EU) No 527 of 12 March 2014.

Deferral

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 (namely €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". Due to the fact that the CEO's Variable Compensation falls within the Bank of Italy "particularly high" category, 30% of the Variable Remuneration of the CEO, is subject to a deferral period of 3 years from its accrual.

CEO Compensation 3/3



Depobank Integration Bonus

The Board of Directors of the Bank has assigned to CEO an Integration Bonus related to Depobank Transaction whose maximum pay-out is equal to 100% of the Fixed Remuneration (excluding Benefits), structured in two tranches and subject to:

- Completion of the Depobank Transaction.
- Individual performance objectives.
- Compliance with the equity, liquidity and profitability gates provided by 2020 Remuneration Policy.
- 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.

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 reflect performance levels net of the risks actually assumed or achieved and capital levels, as well as take into account individual conduct.

Variable Remuneration of Employees 1/3



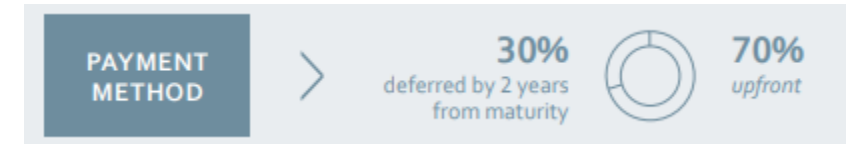
The Bank's incentive system consists of several elements, applied based on the employee's role within the company structure, including, but not limited to:

- Short-term incentive plans, (MBO);
- Long-term incentive plan, stock option plans (SOP)
- VAP - is a payment to Bank's non-managerial Employees governed by national collective labour agreement.
- Any retention bonuses, discretionary pension benefits, golden parachutes and other components provided for in the Policy.

Payment mechanism

Payment of short-term Variable Remuneration (MBO) takes place as follows:

- 70% after approval of the financial statements by the Shareholders' Meeting.
- 30% with a deferral of two years from maturity.



Balancing cash and Securities

The Variable Remuneration is paid to Risk Takers at least 50% in:

- the Bank's shares and related instruments, including stock options
- where possible, the other instruments identified in Delegated Regulation (EU) No 527 of 12 March 2014



Retention period

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.



Variable Remuneration of Employees 2/3



MBO

Max Award: 100% of the Fixed Remuneration (excluding Benefits) for the year in question, for all Personnel, with different levels for seniority.

Target:

- **EBTDA RA** (for all employees apart from the Corporate Control Functions, the Chief Reporting Officer and the Human Resources and Organizational Development Unit) - Guarantees economic sustainability paying attention to risk and cost of capital.
- **Diversity Drivers** (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 is 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** (for Bank's Employees) - as long-term element of business sustainability

2020
SOP

Max Award: 100% of fixed remuneration.

Recipients: The Plan is reserved for employees and executive directors of the Company. The Plan consists of three Tranches and provides for the allocation of Options, up to a maximum of 8,960,000.

Vesting: The Options granted under each Tranche are vested on completion of the Vesting Period and, therefore, after 3 years from the relevant Grant Date.

Vesting Conditions:

1. Vesting is conditional on the Beneficiaries maintaining, for the entire Vesting Period, an employment relationship with the Bank .
2. Vesting takes into account the levels of capital resources and liquidity required to meet the activities undertaken, and is subject to compliance with certain parameters, such as the Return on Adjusted Capital for Risk associated with compliance with the capital and liquidity requirements as measured during the Vesting Period. In particular:
 - I. Liquidity Coverage Ratio compliant with RAF (Risk Appetite Framework)
 - II. Total Capital Ratio compliant with RAF
 - III. Return on Adjusted Risk Capital (RC RA). Specifically:
$$RC\ RA = RWAM * TCR\ Target * Ke.$$
Where:
 - RWAM: average of Group risk weighted assets;
 - Target TCR: consisting of the risk appetite threshold defined for the Total Capital Ratio (15%). In the case of the existence of a subordinate eligible Tier 2, the Target TCR value to be applied in the formula is equal to the difference between 15% and the percentage of Tier 2 on the Group's RWA.
 - Ke: cost of capital equal to 10%.

Vesting Condition is verified when the pre-tax profit resulting from the year-end figures for the year of vesting of the Options granted is higher than RC RA.

Recovery Provision: The Plan provides for Malus Events and Claw Back Events, which result in the withdrawal of the rights granted by the Plan

Exercise Price: The Exercise Price for the Options granted is calculated on the basis of the following formula: **Reference Price - D distributed from the Grant Date until the Exercise Date.**

Administration of the Plan: The management of the Plan is entrusted to the Board of Directors of the Company, which establishes the management criteria on the proposal of the Remuneration Committee.

Variable Remuneration of Employees 3/3



Golden Parachutes

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:

- Do not exceed the limit of 24 months of the Overall Remuneration. In any event, these amounts may not exceed:
 - a) for Employees, €1,100,000
 - b) for Personnel other than employees, €4,500,000.The amounts recognised in compliance with legal obligations (e.g. severance pay, indemnity in lieu of notice) or for court settlements are excluded from the calculation of the aforementioned limits.
- are not included in the calculation of the 2:1 Variable Remuneration to Fixed Remuneration limit
- are subject to a 50/50 cash and Securities split for Risk Takers
- are subject to a six-month retention period for the part paid in Securities for Risk Takers
- are subject to a deferral of two years for 30%
- are subject to the ex-post adjustment mechanisms (i.e. Malus and Clawback) required by the Policy.

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

- 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.
- 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.

*As of today no golden parachutes have been awarded (exl. CEO)

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