

**2023 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**

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**BOARD OF DIRECTORS' MEETING OF 8 MARCH 2023**

**TO BE SUBMITTED TO THE SHAREHOLDERS' MEETING FOR APPROVAL**

**(CALLED FOR 13 APRIL 2023 IN SINGLE CALL)**

## Letter from the Chair of the Remuneration Committee



Dear Shareholders,

As Chair of the Remuneration Committee of BFF, I am pleased to present to you the Report on the 2023 Remuneration Policy and on the remuneration paid in 2022, approved by the Board of Directors on 8 March 2023, following the favourable opinion expressed by the Committee.

I would like to thank you for having renewed your trust in the Group at the last shareholders' meeting, as evidenced by the level of agreement reached on remuneration issues.

In order to ensure increasing transparency towards shareholders and the market during 2022 (a year, moreover, featuring an ownership structure as a public company), the Committee further enhanced its activity of listening to and analysing the suggestions coming from investors and proxy advisors, with whom it has maintained an open and constructive dialogue.

The objective of this activity was to collect feedback with respect to the Report submitted to the Meeting on 31 March 2022 and to acquire the elements characterising the related voting guidelines in order to take them into consideration when updating the 2023 Report on Remuneration Policy and on the remuneration paid.

This Report has been prepared in line with the market context and the strategic guidelines that the BFF Group has outlined, taking into account the constant developments in the regulatory framework and the elements that emerged from the fruitful dialogue with investors and the main proxy advisors, with a view to bringing the remuneration and incentive systems into line with the long-term interests of the Shareholders and other Stakeholders.

In this regard, the Remuneration Policy includes a comprehensive description of the annual and long-term, fixed and variable remuneration systems, with particular reference to the LTI Plan approved during 2022 aimed at enhancing the creation of value for all stakeholders.

In describing the principles and elements that make up remuneration, the Remuneration Policy confirms its respect for diversity and gender equality and the Group's commitment in terms of communication with the aim of offering more complete and transparent information, clearly responding to market and regulatory requests regarding its adopted remuneration practices. As part of this commitment, we would like to point out, in particular, the newly introduced elements regarding:

- Integration and strengthening of ESG priorities, in particular as part of the MBO, by introducing new targets alongside the objectives already defined for the LTI Plan, such as *Customer Satisfaction, Gender Pay Equity Gap, and Promotion of the actions required to facilitate the achievement of the 2023-2027 Foundation Strategic Plan as a vehicle for the Bank's social actions*, thus incentivising the creation of value for all stakeholders, including the wider eco-system within which BFF operates;
- Illustration and explanation of the incentive curves, in order to provide complete information on the envisaged remuneration levels upon achievement of the threshold, target and maximum performance levels.

The Committee has therefore worked with a view to consolidation and improvement in order to make the Remuneration Policy increasingly clear and transparent in terms of linking company performance and recognition of the contribution provided by Top Management to the achievement of annual and multi-year objectives, in a competitive and challenging market context.

In compliance with the provisions in force, the Report offers the market and Investors an immediately readable overview of remuneration aspects and their connection with company performance and the creation of value over time.

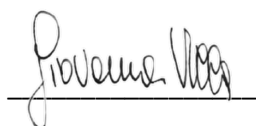
Confident that the Remuneration Policy is in line with Shareholders' expectations, I take this opportunity to sincerely thank the other members of the Committee and the corporate functions who have actively contributed to the definition of the Policy ensuring its alignment with national and international best practices and consistency with the business strategy.

The Report on the Remuneration Policy and on the remuneration paid was approved by the Board of Directors on 8 March 2023, following the favourable opinion expressed by the Remuneration Committee and will be submitted to the binding vote of the Shareholders' Meeting as regards the 2023 Remuneration Policy and to an advisory vote with reference to the Remuneration Paid in 2022, in line with the provisions in the regulations in force.

In conclusion, I hope that the improvements made to the "Remuneration Policy Report" may again enjoy a positive response as evidence and recognition of the commitment of BFF Bank S.p.A.

Milan, 8 March 2023

Chair of the Remuneration Committee

A handwritten signature in black ink, appearing to read 'Giovanna Villa', written over a horizontal line.

Giovanna Villa

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## SECTION I

### 2023 REMUNERATION AND INCENTIVE POLICY

#### Summary table of Remuneration for the Chief Executive Officer

FIXED REMUNERATION	<p>The amount, established within the scope of the relationship as director, is set at a fixed measure.</p> <p>Fixed remuneration is set in line with the assigned powers, the experience and the skills required and taking account of market benchmarks.</p>
BENEFITS	<p>Benefits are set in line with market practice and attributed by taking consideration of the role and assigned responsibilities.</p>
MBO 2023	<p>The MBO is structured with the aim of directly linking the remuneration and the financial and ESG performance results achieved.</p> <p><b>Entry Gate:</b> LCR, TCR, EBTDA<sup>RA</sup>, EBTDA<sup>RA</sup> /Target EBTDA<sup>RA</sup></p> <p><b>Performance Objectives:</b> EBTDA<sup>RA</sup>, Customer Satisfaction, Reduction in Gender pay equity gap, Promotion of the strategic plan of the FF Foundation.</p> <p><b>Methods of payment:</b> deferral of 60% of the incentive over a time horizon of 5 years (pro-rata); payment of the up-front portion and the deferred portion with 49% in cash and 51% in financial instruments, subject to a one-year retention obligation.</p> <p><b>Level of incentive:</b> the award may reach a maximum of <b>100%</b> of Fixed Remuneration.</p> <p>Malus and Claw Back mechanisms will be applied.</p>
DISCRETIONARY BONUSES	<p>It is the Company's policy not to award discretionary bonuses, such as for example One-Off bonuses, i.e. bonuses not related to <i>ex-ante</i> predefined objectives.</p>



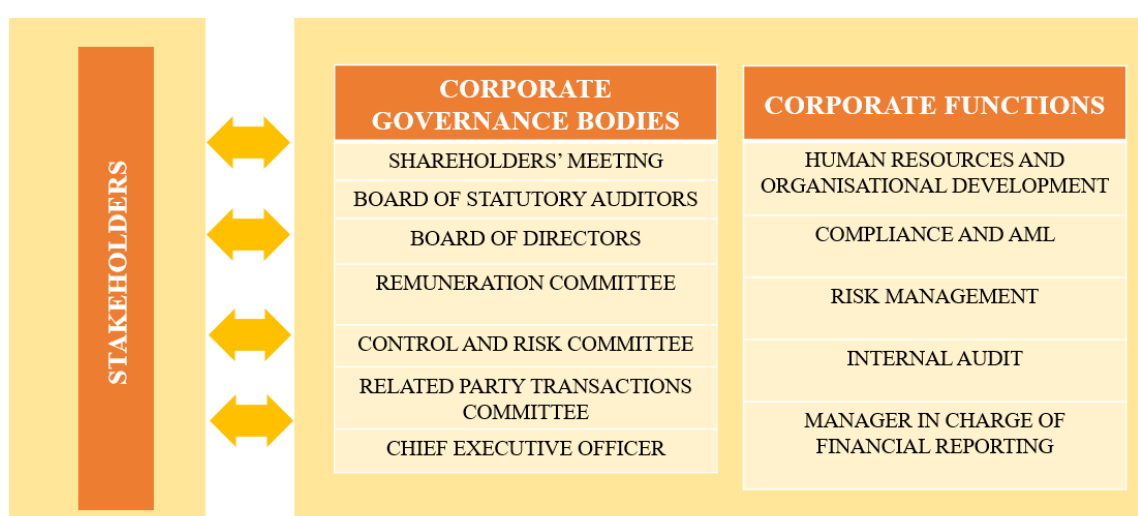
LTI 2022	<p>The LTI Plan pursues the objective of alignment with investors/stakeholders and long-term sustainability.</p> <p>The LTI Plan in Stock Options, approved by the Meeting on 31 March 2022, is arranged into three tranches: 2022, 2023 and 2024.</p> <p><b>Entry Gate:</b> LCR, TCR, EBTDA<sup>RA</sup></p> <p><b>Performance Objectives:</b></p> <ul style="list-style-type: none"> <li>- EBTDA<sup>RA</sup> (weight 50%)</li> <li>- EPS (weight 20%)</li> <li>- Cost/Income (weight 20%)</li> <li>- ESG (carbon footprint weight 5% and customer satisfaction weight 5%)</li> </ul> <p><b>Performance Period:</b> 3 years (2022-2024, 2023-2025 and 2024-2026)</p> <p><b>Time horizon for each tranche:</b> 7 years (3 years for the assessment of performance, 3 years of additional deferral, subject to malus and clawback, and 1 year of retention).</p> <p><b>Level of incentive:</b> the award for each cycle may reach a maximum of 100% of Fixed Remuneration.</p>
TERMINATION OF OFFICE	<p><b>Golden Parachute:</b> The Golden Parachute provision serves to regulate the economic aspects related to the termination of office, with the ultimate goal of preserving the economic value of the Bank and safeguarding the interests of investors and all stakeholders over the long term. Specifically, this provision aims to mitigate the risk of current or future litigation and the associated legal disputes that could potentially lead to reputational and image implications for the Bank.</p> <p><b>Non-competition agreement:</b> to safeguard the Bank's competitiveness and its interests and those of its stakeholders over the medium-to-long term.</p>

## 1. GOVERNANCE OF THE REMUNERATION AND INCENTIVE SYSTEM

The Policy is defined, implemented and managed through a clear process that involves several corporate bodies and functions at various levels and according to specific roles and responsibilities.

The Policy is also defined as part of a dialogue with the various stakeholders, including institutional investors and proxy advisors.

### DEFINITION, IMPLEMENTATION AND MONITORING OF REMUNERATION AND INCENTIVE POLICIES



The role of the Bank's corporate bodies and the process for adopting, applying and monitoring the Policy, as required by Supervisory Provisions, are described below.

### 1.1 SHAREHOLDER'S MEETING

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

- determines the remuneration to be paid to Directors, Statutory Auditors and to the Independent Auditors entrusted with the audit engagement;
- approves this Policy;
- approves any remuneration plans based on Financial Instruments;
- approves the criteria for determining the remuneration to be granted in the event of early termination of the employment or early termination of office, including the limits set to such remuneration in terms of annual Fixed Remuneration and the maximum amount resulting from their application;

- v. at least once a year, expresses its opinion by means of advisory vote regarding the disclosure on the remuneration and incentive policies adopted by the Bank, and their implementation according to the procedures defined by Supervisory Provisions. That disclosure contains the same information regarding remuneration and incentive systems and practices provided to the public, in compliance with Supervisory Provisions.
- vi. approves any increase in the cap to the Variable to Fixed Remuneration ratio from 1:1 up to a maximum of 2:1 for Risk Takers. This authorization was implemented by the Shareholders' Meeting resolution of 5 December 2016 by which the Shareholders' Meeting approved the proposal of the Board of Directors to raise the limit of the Variable to Fixed Remuneration ratio from 1:1 to a maximum of 2:1 (with the exception of Personnel in Corporate Control Functions for whom the Variable to Fixed Remuneration ratio does not exceed the limit of one third). This Board resolution was adopted:
  - a) in accordance with the qualified majorities laid down in the Supervisory Provisions;
  - b) following advance notice to the Supervisory Authority as required by the Supervisory Provisions.

## 1.2 BOARD OF DIRECTORS

The Board of Directors:

- i. develops, submits to the Meeting and re-examines at least annually the Policy, and is responsible for its correct implementation, ensuring that said policy is adequately documented and accessible by Personnel;
- ii. approves, in accordance with the Policy (following a proposal from the Chief Executive Officer), the remuneration and incentive systems for the Relevant Personnel of the BoD, including the deferment and retention periods and portions and the cash - financial instruments ratio, in accordance with the limits laid down in the Policy. It also approves, on the proposal of the Remuneration Committee, the entire remuneration package of the Chief Executive Officer, including any allocation of stock options or other long-term incentive instruments;
- iii. approves the Remuneration Policy for the Relevant Personnel, for Complaints Handling Personnel and for the Personnel in Charge of Assessing Creditworthiness ("Relevant Personnel");

- iv. verifies that the remuneration paid to the Chairman, the Chief Executive Officer, the non-executive directors and the members of the control bodies complies with the indications given by the Remuneration Committee;
- v. is responsible for the administration of stock option plans by, *inter alia*:
  - a) determining the maximum number of stock options to be allocated overall to the beneficiaries, in respect of each *tranche*;
  - b) identifying the beneficiaries of each *tranche* with regard to the Relevant Personnel of the BoD;
  - c) reallocating options granted to the Relevant Personnel of the BoD, which have become available to the Bank in accordance with the regulations of the stock option plans.
- vi. ensures that remuneration and incentive systems are consistent with the Bank's overall choices in terms of risk-taking, strategies, long-term targets, governance structure and internal controls;
- vii. periodically reviews, with the support of the Remuneration Committee, the gender neutrality of remuneration policies and monitors the gender pay *gap* and its evolution over time;
- viii. approves the outcomes of the Risk Taker identification process, including the outcomes of the Risk Taker exclusion process, if any, and periodically reviews the relevant criteria;
- ix. approves, under exceptional circumstances<sup>1</sup> and as provided for by article 123-ter, paragraph 3-bis of the TUF as updated in 2019 and by the update to the Issuers' Regulation of December 2020, any deviation from the Policy, subject to the opinion of the Remuneration Committee and consistent with the procedure contained in the Regulation for the management of transactions with parties in conflict of interest.

In this regard, it is noted that, within the Policy - while ensuring compliance with the cap on the Variable to Fixed Remuneration ratio approved by the Meeting - deviations are possible with regard to the Variable Remuneration components, in particular the objectives and/or

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<sup>1</sup> Exceptional circumstances are exclusively situations where a deviation from the Remuneration Policy is necessary to pursue the long-term interests and sustainability of the Company as a whole or to ensure its ability to continue operating on the market.

adjustments mix underlying the individual variable component, or the target and maximum levels or the vesting and payment conditions.

Information on any deviation from the Policy is provided to the Meeting as part of the Annual Report on the Remuneration Policy and Remuneration Paid for the following year, highlighting the elements that were waived, the exceptional circumstances, why the waiver contributed to the long-term interests and sustainability of the Bank as a whole or to ensuring its ability to continue operating on the market. Information on the procedure followed is also provided.

### 1.3 BOARD OF STATUTORY AUDITORS

On the subject of remuneration, the Board of Statutory Auditors plays an advisory role, expressing opinions as required by the legislation in force. In particular, the Board of Statutory Auditors expresses its opinion on proposals for the remuneration of Executive Directors and other Directors holding special offices.

The information on the Board of Statutory Auditors is included in full in the Corporate Governance Report, to which one should expressly refer.

### 1.4 REMUNERATION COMMITTEE

#### Members of the Remuneration Committee

The Remuneration Committee is composed of three non-executive Directors, at least two of whom are independent. The Chairman of the Remuneration Committee is chosen from among the independent directors. The Chairman of the Board of Directors, although assessed as independent, cannot be appointed as a member of the Remuneration Committee.

The current members of the Remuneration Committee, appointed by resolution of the BoD on 25 March 2021, and, following resignations, supplemented in financial year 2022, most recently on 24 February 2022, are as follows:

Members of the Remuneration Committee		
		
<b>GIOVANNA VILLA</b>	<b>DOMENICO GAMMALDI</b>	<b>PIOTR STEPNIAK</b>
Chairperson	Member	Member
Independent Director	Independent Director	Non-Independent Director

## Tasks of the Remuneration Committee

The functions of the Remuneration Committee consist of analysing, providing advice and making proposals to the Board of Directors on remuneration and incentive policies for Personnel, as well as monitoring the areas for which it is responsible. In performing these functions, the Remuneration Committee:

- i. supports the Board of Directors in defining the guidelines on remuneration policies and principles to be submitted to the Meeting for approval, in accordance with the provisions of Circular 285 and taking into account the relevant provisions of the Corporate Governance Code, also for the “comply or explain” purposes;
- ii. makes proposals on the remuneration of employees whose remuneration and incentive systems are decided by the Board of Directors. The proposals made by the Remuneration Committee are, in turn, drawn up on the basis of proposals made by the Chief Executive Officer;
- iii. advises on the determination of remuneration criteria for all Risk Takers;
- iv. supports the Board of Directors in its periodic review of the gender neutrality of remuneration policies;
- v. expresses its opinion on the outcome of the Risk Taker identification process, including any exclusions, also making use of the information acquired from the relevant Corporate Functions, and in particular from the Group Human Resources and Organisational Development Function;
- vi. submits the following opinions to the Board of Directors:
  - a) non-binding opinions and proposals in respect of the adoption (and possible subsequent integration) of any incentive plans (stock options, stock grants, “employee share ownership”, etc.), the objectives associated with said plans, and the criteria for assessing their achievement;
  - b) non-binding opinions and proposals on the identification of Risk Takers;
  - c) opinions on the determination of the indemnities to be paid in the event of early dismissal or termination of office (golden parachutes). It assesses the potential effects of termination of office on the rights granted under incentive plans based on Financial Instruments;

- vii. directly supervises the correct application of remuneration rules for the Heads of Corporate Control Functions, of the Group Human Resources and Organisational Development Function and of the Financial Reporting Officer, in close cooperation with the Board of Statutory Auditors;
- viii. with the support of the Group Human Resources and Organisational Development Function, oversees the documentation to be submitted to the Board of Directors at meetings called to discuss remuneration issues (in particular, it prepares the Annual Report on Remuneration Policy and Remuneration Paid, in accordance with the deadlines for its submission to the Meeting);
- ix. examines the vote cast by the Meeting on the Remuneration Report, and presents its analysis to the Board of Directors;
- x. cooperates with the other Board of Directors' committees and in particular with the Control and Risk Committee, within the framework of the Policy. The Control and Risk Committee, in coordination with the Remuneration Committee and with the contribution of the Risk Management Function, examines whether the incentives provided by the remuneration system are consistent with the RAF;
- xi. ensures the involvement of the relevant corporate functions in the process of drafting and monitoring the Policy, each according to their respective responsibilities (Group Human Resources and Organisational Development Function, Risk Management Function, Compliance Function, Group Planning and Control Business Unit and Internal Audit Function);
- xii. expresses its opinion, also using the information received from the relevant corporate functions, on the achievement of the performance objectives, to which the incentive plans are linked, and on the verification of the other conditions for the payment of the remuneration;
- xiii. periodically assesses the adequacy, overall consistency and correct application of the Policy in respect of the members of the Board of Directors and the Relevant Personnel of the BoD, making use in the latter respect of the information provided by the Chief Executive Officer (also through the Group Human Resources and Organisational Development Function), and makes proposals on the subject to the Board of Directors;
- xiv. monitors the application of the decisions adopted by the Board of Directors on the basis of Remuneration proposals made by the Committee, verifying, in particular, the actual achievement of performance objectives;

- xv. monitors the evolution and application over time of the incentive plans approved by the Board of Directors;
- xvi. provides adequate feedback to the company bodies with regard to its activities, in compliance with the applicable regulations. In particular, through the Chairman of the Committee or another member designated by said Chairman, (i) reports to the Meeting called to approve the financial statements on the manner in which it exercises its functions, and (ii) performs the duties assigned to it by the Engagement Policy as regards relations with investors;
- xvii. near the renewal of the mandate of the Board of Directors, it draws up, using sector benchmarks, indications so that the amount of the remuneration paid to the Chairman, the Chief Executive Officer, the non-executive directors and the members of the control bodies is adequate for the expertise, professionalism and commitment required by their office;
- xviii. having regard also to the results of the activities referred to in point xiv) above, formulates proposals and/or expresses opinions to the Board of Directors on the remuneration of the following persons (a) the Chair of the Board of Directors, (b) the Chief Executive Officer, and the other directors who hold special offices and/or positions (including, therefore, the members of Committees), including the setting of performance objectives related to the variable component of the remuneration of executive directors, (c) Senior Executives, (d) Executives who report directly to the Chief Executive Officer, and (e) the Heads of Corporate Control Functions of the Parent Company. The opinions and proposals referred to in points (c), (d) and (e) are expressed on the basis of a discretionary assessment, conducted taking into account, inter alia, the following parameters:
  - the importance of responsibilities in the corporate organizational structure;
  - the achievement of specific objectives specified in advance by the Board of Directors;
  - any requirements set out in the regulations;

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

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



- xix. supports the Board of Directors in verifying that the remuneration paid to non-executive directors and members of the control bodies meets the indications set out in point xiv);
- xx. performs the additional tasks the Board of Directors may assign to it by means of specific resolutions.

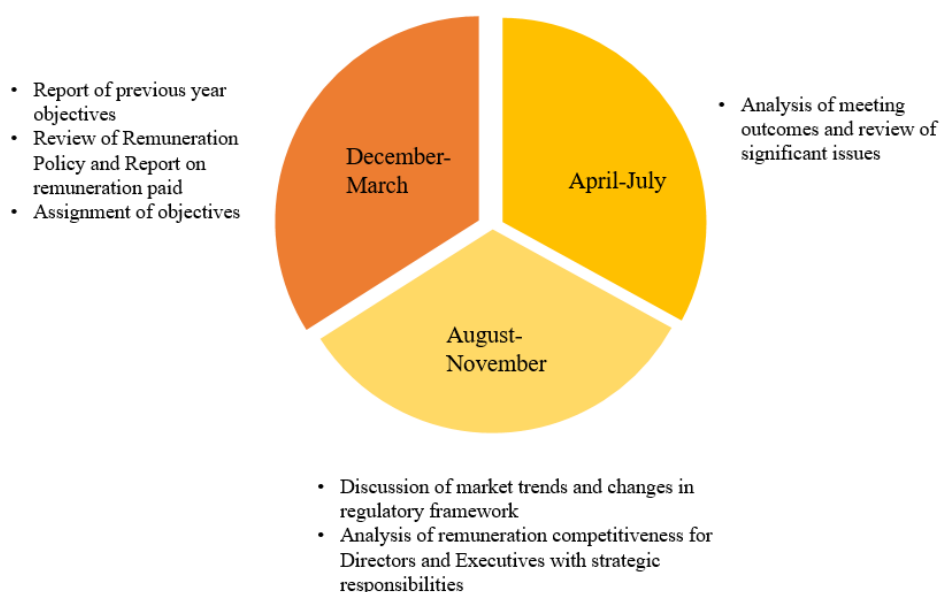
No director takes part in the meetings of the Remuneration Committee where proposals are made to the Board regarding his or her own remuneration.

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

### ***Cycle of activities of the Remuneration Committee***

The Remuneration Committee is convened by the Chair and meets at least once every three months and, in any case, whenever necessary for dealing with matters under its remit.

The Remuneration Committee's calendar of activities for 2023 is as follows:



## 1.5 CONTROL AND RISK COMMITTEE

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

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

## 1.6 RELATED PARTY TRANSACTIONS COMMITTEE

The Related Party Transactions Committee expresses opinions on the remuneration of the members of the Board of Directors. In addition, under exceptional circumstances<sup>2</sup> and as provided for by article 123-ter, paragraph 3-bis of the TUF as updated in 2019 and by the update to the Issuers' Regulation of December 2020, the Related Parties Transactions Committee is consulted in accordance with the regulation for the management of transactions with parties in conflict of interest regarding any deviations from the Policy.

## 1.7 CHIEF EXECUTIVE OFFICER

The Chief Executive Officer:

- i. submits to the Board of Directors proposals to revise the Policy;
- ii. defines and approves the operative process for establishing the criteria underlying the remuneration and incentive system, in compliance with the Policy;
- iii. defines the Remuneration, including deferment and retention portions and periods and the cash - financial instruments ratio, in line with the minimum limits set by the Policy, for:
  - a) group and Bank Executives who do not report directly to the Chief Executive Officer;

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<sup>2</sup> Exceptional circumstances are exclusively situations where a deviation from the Remuneration Policy is necessary to pursue the long-term interests and sustainability of the Company as a whole or to ensure its ability to continue operating on the market.

- b) all other Group Personnel whose Remuneration falls outside the remit of the Meeting and/or the Board of Directors. -
- iv. proposes to the Board of Directors the hiring, promotion, disciplinary sanctions, dismissal and any other measures against Senior Executives and Executives who report directly to the Chief Executive Officer, subject to the limitations provided for by supervisory provisions;
- v. defines, for the Group's Subsidiaries, the remuneration systems that do not fall within the remit of the Bank's Board of Directors, taking into account the relevant local regulations;
- vi. identifies the beneficiaries of the Short and Long Term Incentive Plans, including "equity" and "cash settled" Stock Option Plans, the number of instruments (including stock options, Phantom SOPs etc.) to be granted to those who are not Relevant Personnel of the BoD in accordance with the provisions of the said plans. It also carries out the administrative activities of the Plans delegated to it by the Board of Directors or pursuant to said plans;
- vii. reallocates options granted to Personnel other than the Relevant Personnel of the BoD, which have become available to the Bank in accordance with the regulations of the stock option plans.

### **1.8 POLICY ADOPTION, IMPLEMENTATION AND MONITORING PROCESS<sup>3</sup>**

The Bank adopts the Policy through the following process which takes place at least annually.

- i. The Group Human Resources and Organisational Development Function, having received a mandate from the Group Chief Executive Officer regarding the content, prepares a draft of the Policy involving the relevant functions, including the General Counsel Function, the Risk Management Function, the Planning and Control BU and the Compliance & AML Function, and with the support of an external consultant and a leading consultancy firm specialised in Executive Remuneration<sup>4</sup>.
- ii. The Human Resources and Organisational Development Function submits the draft for updating the Policy to the Chief Executive Officer.

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<sup>3</sup> Regulatory references: article 123-ter TUF, Schedule 7-bis of Annex 3A to the Issuers' Regulations.

<sup>4</sup> Law firm Gattai, Minoli, Partners and Willis Towers Watson.

- iii. The Chief Executive Officer submits the Policy to the Board of Directors for its approval, together with the specific opinion of the Compliance & AML Function.
- iv. The Board of Directors, after hearing the opinion of the Remuneration Committee and the Control and Risk Committee, decides to approve the Policy and to submit it to the Meeting for approval.
- v. The Meeting resolves on the adoption of the Policy.

See Annex 3 for details of the roles of the different corporate functions.

As regards the process of application and monitoring of the Policy, the Human Resources and Organisational Development Function is the corporate structure in charge of applying the Policy at Group level.

In particular, at least once a year, the Human Resources and Organisational Development Function, also on the basis of a job market analysis, organisational changes or strategic guidelines of the Group, verifies the need to review the Policy. 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 verified, at least annually, by the Compliance & AML Function, the Internal Audit Function and the Risk Management Function, each according to their respective responsibilities, in order to ensure the adequacy and compliance of the Policy with Supervisory Provisions and its correct operation.

## **1.9 MEASURING THE VALUE GENERATED IN THE INTERESTS OF THE INVESTORS**

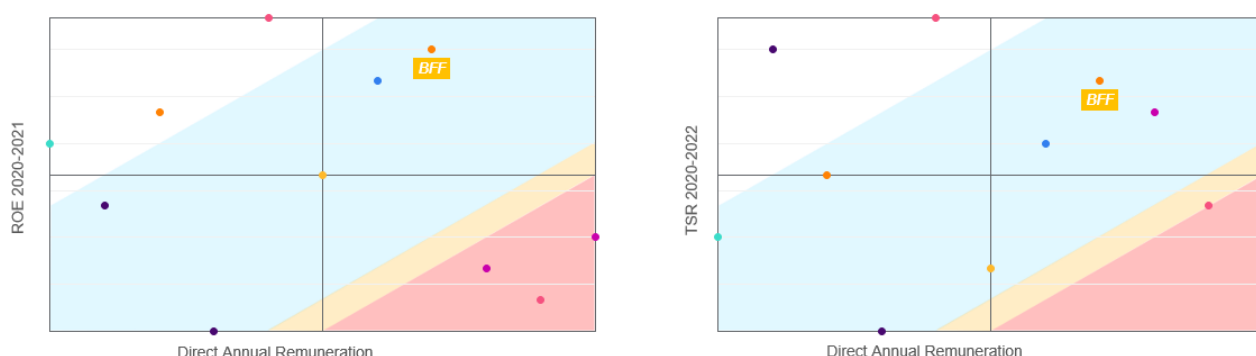
### **Pay for performance**

The founding principle of the Remuneration Policy is to achieve alignment with effective and lasting performance.

A valid reference for assessing the adequacy of remuneration, as well as compliance with the expectations of all stakeholders, is “pay for performance”, which measures the level of alignment between the Group’s performance and the levels of remuneration paid, also with respect to a reference sample which includes numerous companies, comparable in size, representative of the businesses in which BFF operates, as well as the relative complexity and specificity of governance.

The chart shows the relative positioning of the Direct Annual Remuneration of the Chief Executive Officer at 31/12/2022, meaning the fixed remuneration, short-term variable remuneration and medium-to-long term variable remuneration at its maximum level compared to the TSR measured over the three-year period of 2020-2022 and the average ROE over the period of 2021-2022 (most recently published data).

### PAY FOR PERFORMANCE OF THE CHIEF EXECUTIVE OFFICER OF BFF



Processing with respect to the peer group: Banca Popolare di Sondrio, Banco BPM, Banco de Sabadell, BPER Banca, Bankinter, Cembra Money Bank, International Personal Finance, FinecoBank, Nexi

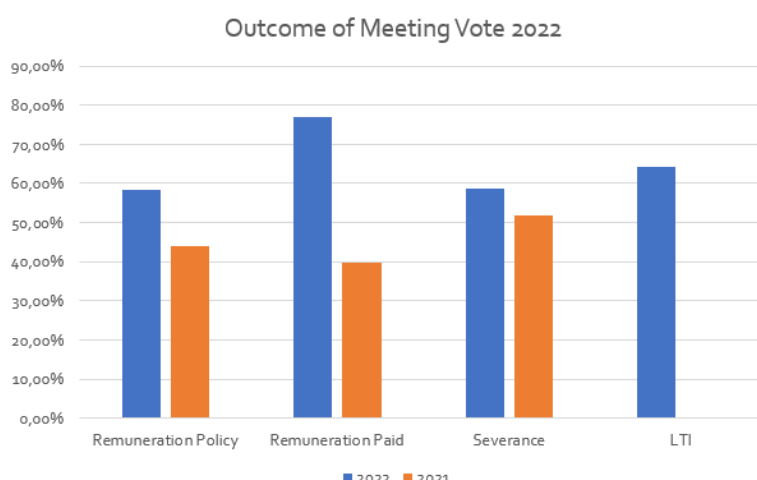
Remuneration data: source Mercer

Financial data: WTW data processed by public source

### Dialogue with investors

Active listening as part of stakeholders' engagement represents a structural element in the governance of the Policy. Already during the phase of presenting the previous Remuneration Policy in 2022, 17 meetings with the leading institutional investors and proxy advisors were held during March in order to gain their backing for the assessments of the Remuneration Policy and the Report on Remuneration Paid.

The adjustments made to the remuneration policy were positively received, with the consequent approval of all points relating to remuneration issues, with a clear improvement compared to 2021:



With the aim of continuing the constructive dialogue with investors and proxy advisors through discussions even outside the season of shareholders' meetings and of understanding the rationale underlying the votes against, BFF held targeted meetings during the months of October and November with 11 institutional investors and 2 proxy advisors.

Within the generally positive context surrounding the actions undertaken with respect to the previous year and the appreciation for the journey embarked upon, the feedback from investors and proxy advisors highlighted their expectation for a continued and intensified path of integration of ESG objectives in the incentive systems, greater transparency regarding the incentive criteria and, therefore, the definition of more stringent criteria with regard to the severance policy.

The 2023 Remuneration Policy starts from the outcome of the dialogue with investors and includes new elements aimed at integrating the feedback received through a robust governance process that has led the Remuneration Committee to perform a critical review of the elements in the policy, analysed with respect to market practices, consistency with the business strategy and sustainability in the medium and long term.

The following is a brief description of the main new elements in the Policy:

- 1) The integration of three ESG KPIs in the MBO of the Chief Executive Officer in order to support the sustainability of the business through a quality relationship with customers, a positive impact on society thanks to a new strategic plan for the foundation and a commitment towards equality and inclusion to guarantee equal opportunities for everyone.

- 2) Update to the conditions for accessing the golden parachute for the Chief Executive Officer (paragraph 6.3 – *Payments for termination of office*).
- 3) Review of the structure of the Report, through the inclusion of summary tables and charts that facilitate the reading of the policy and increase its transparency, especially with reference to its connection with pay-for-performance.
- 4) Clear representation of the pay-mix relating to the remuneration of the Chief Executive Officer, highlighting the maximum incidence of the MBO and LTI (paragraph 6 – *Chief Executive Officer Remuneration*).
- 5) Greater disclosure in the description of the KPIs and the access thresholds relating to the MBO and LTI objectives and the levels of incentives corresponding to the maximum, target and minimum levels of performance (paragraph 6.1 – *MBO*; paragraph 6.2 – *Medium-to-long term variable system (LTI)*; paragraph 7.2.2.1 – *MBO for Employees*; paragraph 7.2.2.3 – *Incentive Plans in Financial Instruments*).

These are added to the main changes already introduced in the Group's remuneration policies for 2022, summarised below:

- 1) introduction of a long-term structural incentive component subject to the achievement of objectives, in terms of overall value creation and also having regard to non-financial objectives, which are determined in line with the reference sector best market practices (paragraph 6.2 – *Medium-to-long term variable system (LTI)*).
- 2) exclusion of the right to receive extraordinary bonuses not related to performance with regard to the Chief Executive Officer and the Executives with Strategic Responsibilities;
- 3) expressly setting out the neutrality of remuneration policies in respect of any diversity, including gender, this being the guiding principle of the Group's remuneration policies, by activating a monitoring framework and the related tasks of the corporate bodies;
- 4) as a result of the Bank of Italy's updating of bank size criteria and, therefore, in consideration of the Bank's classification as a "non-small bank", the pay-out schemes for the Chief Executive Officer and the remaining Risk Takers were modified, by significantly extending the time horizon and increasing the weight of the equity component:
  - a. deferral percentages were increased from 30% to 40% and to 60% for Significantly High Variable Remuneration, for the Chief Executive Officer and the remaining members of Senior Management;

- b. the deferral periods were increased from 2 to 4 years (5 years for Significantly High Variable Remuneration) on a linear pro rata basis, (i.e., 10% one year after the payment of the up-front portion, 10% in the second year, 10% in the third year, 10% in the fourth year). For beneficiaries of Significantly High Variable Remuneration, the deferral is 5 years on a pro rata basis (i.e., 12% one year after the payment of the up-front portion, 12% in the second year, 12% in the third year, 12% in the fourth year and 12% in the fifth year);
  - c. the payment of deferred portions for Employees is conditional on the beneficiary remaining in service at the date of payment, it being understood that, after three years of deferment, the beneficiary's right to payment will also vest for the subsequent deferred portions, regardless of any termination of employment;
  - d. the percentage ratio of financial instruments in the deferred portion of the Significantly High Variable Remuneration for the Chief Executive Officer and the remaining Senior Managers, (51% in the deferred portion), paragraph 7.2.1.3 – Significantly High Variable Remuneration of Senior Management;
- 5) with a view to increasing transparency and disclosure to the market and taking into account the recent provisions introduced by the Issuers' Regulation, Section II has been supplemented with detailed information on the correlation between the results achieved and the calculation of the variable remuneration, with the disclosure required by article 450 of the CRR<sup>5</sup>, as well as with a comparison between the annual change in the Total Remuneration of the members of the Board of Directors and the Board of Statutory Auditors and the company's results and the average gross annual remuneration (RAL) of Employees.

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<sup>5</sup> The technical rules implementing the Regulation on Prudential Requirements for Institutions (so-called CRR II) regarding disclosure requirements including on remuneration policies to the market and reporting to competent authorities published by the EBA on June 24, 2020 applicable from June 30, 2021.



## 2. PRINCIPLES AND PURSUIT OF LONG-TERM INTERESTS WITH A VIEW TO SUSTAINABILITY AND PERSONNEL MANAGEMENT POLICY<sup>6</sup>

The Group Remuneration and Incentive System aims to make the merit-based and pay-for-performance values, on which the Bank is based, truly effective, drawing inspiration from the following principles:

- i. ensuring consistency with the bank's objectives, corporate culture, long-term strategies, prudent risk management policies and overall corporate structure;
- ii. aligning as far as possible the interests of Senior Management and all personnel with the long-term interests of shareholders;
- iii. avoiding conflict of interest situations;
- iv. encouraging control activities by the relevant Corporate Control Functions;
- v. attracting and retaining persons with professionalisms and skills adequate to the Group's needs, enhancing them through paths of professional growth;
- vi. basing behaviour on utmost diligence and fairness in relationships, in line with the Group's values;
- vii. identifying and guiding the achievement of objectives:
  - a) linked to business results, appropriately adjusted to take account of risks,
  - b) consistent with the levels of capital and liquidity required to cover the activities undertaken,
  - c) capable of avoiding distorted incentives that may lead to an excessive risk taking for the Group and the financial system as a whole.

In defining the remuneration policies, consideration was also given to the:

- i. Group's size profiles and operational complexity;
- ii. Group's business model and the consequent risk levels to which the Group may be exposed;

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<sup>6</sup> Regulatory references: Schedule 7-bis of Annex 3A to the Issuers' Regulations according to which the report should specify, *inter alia*, "the purposes and underlying principle of the remuneration policy".

- iii. the best practices, including international best practices, on remuneration policies;
- iv. the remuneration and working conditions of Personnel. In particular, the Bank provides for forms of Variable Remuneration for the Relevant Personnel, based on the specific features of staff and business areas through a specific policy approved by the Board of Directors, which complies with the rules and principles of this Policy.

### 2021-2023 Strategic Plan and sustainability

On 15 March 2021, the Board of Directors approved the Group's Business Plan ("Plan") for the five-year period 2021-2025 and the financial targets for the three-year period 2021-2023.

The Plan, prepared subsequent to the acquisition of DEPO Bank SPA and presented to the market, is based on a number of pillars:

- organic growth of the different businesses in which the Group is engaged;
- expansion and diversification of funding sources, as well as improved operational efficiency implemented through careful management of synergies arising from the Depobank acquisition;
- maintaining a low credit risk profile by continuing focussing on the public administration;
- maintaining our capital position, confirming the dividend policy focused on meeting capital targets;
- achieving economic objectives through sustainable and responsible growth in respect of ESG issues.



The remuneration policy for 2023 has been prepared in line with the priorities defined in the 2021-2025 Strategic Plan and taking into account the contribution to the achievement of the Sustainable Development Goals, as defined by the UN General Assembly as part of the 2030 Agenda.

In particular:

- it includes a long-term incentive plan linked to performance targets set in line with the strategic plan and corporate social responsibility,
- in relation to the content and choice of the objectives, both in the short-term and long-term incentive components, it promotes performance objectives that are consistent with the Group's strategic objectives and aimed at promoting Sustainable Success, including, where relevant, also non-financial parameters,

Specifically, for the MBO variable incentive scheme, the Bank:

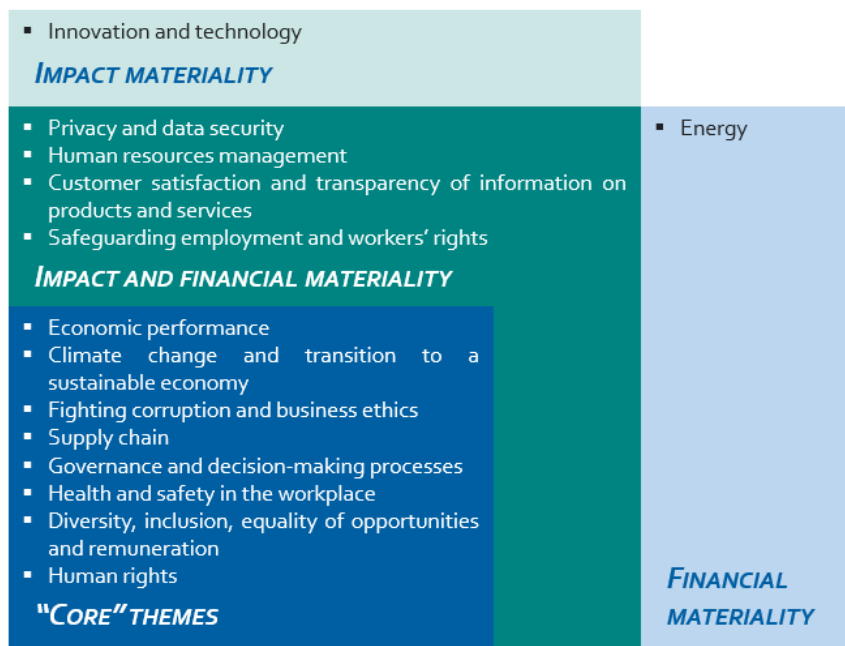
- also continues this year to keep the EBTDA <sup>RA</sup> parameter as the common goal for all company Personnel apart from the Control Functions, the Financial Reporting Officer and the Human Resources and Organisational Development Function; this parameter appropriately stresses a strong link with profitability while paying great attention to risk and capital absorption, ensuring the sustainable growth of the Bank in the long term. This metric is essential because it also allows the alignment of the management with the shareholders in the long term, giving visibility to the market of the Bank's sustainable management;
- includes three ESG-type objectives for the MBO of the Chief Executive Officer;
- in line with 2022, includes among its individual objectives for the Employees under the BoD's remit, in support of the assessment of organisational conduct, a diversity driver (both by gender and nationality) for the selection of managerial positions, allowing for an increased presence of women or foreigners in key Group positions, as it requires that at least 50% of the short lists for positions opened during the year includes women or people of a different nationality from the country for which the selection process is being run. This operational KPI is within the scope of Diversity Equity & Inclusion and also finds strategic and programmatic correspondence with the approval of the new Diversity and Inclusion Policy by the Bank's Board of Directors;

- includes Customer Satisfaction as a non-financial quantitative indicator (multiplier) for the Bank's Employees.

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

During 2022, the Group continued the materiality analysis process, aimed at identifying the most relevant sustainability issues for its business. This process, which started with an activity of surveying the issues considered relevant by BFF's main stakeholders, then saw the involvement of the Senior Management, in order to assign a degree of priority to each of the issues identified. This process enabled the building of an increasingly shared framework used to measure progress in the medium term and to build an increasingly quantitative approach to ESG metrics, as well as to establish initiatives for the creation of culture.

In this context, also in light of the requirements of GRI 3: Material topics and the EFRAG guidelines ("Double Materiality"), the Group has revised its impact assessments from an "inside-out" perspective and from an "outside-in" perspective and defined the material topics considering the Group's impacts on them. Approaching the concept of Double Materiality has led, therefore, to carrying out a materiality analysis aimed at including the assessment of both the Group's impacts on its context (Impact Materiality) and the implications that sustainability has for its operations and its own business (Financial Materiality).



In consideration of the initiatives and attention given by the Group to "Local Communities", to the use of "Materials" and "Water", BFF has also included in its performance analyses - in addition to the above - the impacts connected with the aforementioned topics which, although not significant, are still of great interest to the Group.

### Gender neutrality of policies

The Policy is neutral in respect of Personnel gender and contributes to the pursuit of equality among Personnel members who have the same role, function and geographical location. It ensures that, for the same job, in terms of the relevant responsibilities, activities and time required for its performance, the Remuneration of Personnel is the same, including in terms of conditions for its recognition and payment. To ensure this neutrality, the Bank already implemented the following measures in 2022:

- review of recruitment, development, career progression and managerial succession policies in order to support gender representation at the various career and/or professional levels; in this respect, the individual objectives of Employees under the BoD's remit include a diversity driver (both by gender and nationality) for the selection of managerial positions, allowing for an increased presence of women or foreigners in key Group positions, as it requires that at least 50% of the short lists for positions opened during the year includes women or people of a different nationality from the country for which the hiring is being made; preparation of a dashboard for the Board of Directors to monitor gender gaps, including the rationale behind significant pay gaps and a corresponding action plan;

- ii. annual information to the Remuneration Committee and to the Board of Directors on the trend of the gender pay gap ("Average Pay Gap" and "Equity Pay Gap") and of the gender gaps as a whole, as part of a structured governance process that would assist with activating any corrective actions and therefore, if required, the integration of any additional safeguards in the remuneration policy of the following year.

As part of the monitoring of the gender pay gap and in order to effectively ensure gender neutrality in its remuneration policies, the Bank is committed to:

- defining an action plan to prevent a gender pay gap for the same work performed;
- justifying any significant pay gaps and implementing appropriate corrective actions;
- ensuring equal opportunities for professional development and growth in line with merit-based principles.

In 2022, the Bank drew up a Diversity & Inclusion Policy, approved by the Board of Directors which defines:

- Roles and Responsibilities
- Principles and Commitments

In particular, at the base of the Bank's Diversity & Inclusion Policy, there is the idea that the end objective to be pursued in order to support diversity is to ensure that every individual has access to the same opportunities and the same fair treatment. Therefore, finally, so that everyone has the opportunity to be assessed on the basis of their values, abilities and merits, regardless of their race, ethnicity, age, gender, disability or other characteristics (such as, for example, marital and/or parental status) which could represent a discriminating factor, allowing the Bank, at Group level, to welcome and develop the best talents for hiring on the basis of objective, non-discriminatory and, of course, merit-based criteria.

In fact, the Bank operates within a multinational context in which people express a significant wealth of diversity, whose positive exploitation constitutes both a competitive advantage and an opportunity for growth and enrichment for the Group itself, in the belief that the most innovative ideas and the best solutions are the result of a work environment where people can express their own uniqueness.

### 3. IDENTIFICATION OF RISK TAKERS AND CLASSIFICATION OF COMPANY ROLES<sup>7</sup>

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

In particular, the Group identifies Risk Takers by means of an assessment process performed at least once a year - entrusted to the Board of Directors, with the support of the Human Resources and Organisational Development Function, the Regulation and Processes BU and the Risk Management Function - and conducted on the basis of the criteria laid down by the Supervisory Provisions. In particular, the following persons are identified as Risk Takers:

- a) the members of the body with strategic supervision and management functions and the senior management;
- b) the members of Personnel with managerial responsibilities over corporate control functions or in relevant operational/business units;
- c) the members of Personnel for whom all of the following conditions are concurrently met:
  - i. the total Remuneration in the previous year was jointly equal to or greater than: €500,000; the average total remuneration paid to the Personnel referred to in a);
  - ii. their professional activity is performed within a relevant operational/business unit and has a significant impact on the risk profile of the operational /business unit.

For the purposes of identifying the Risk Takers under b) and c), the definitions contained in Delegated Regulation (EU) No. 923 of 25 March 2021 apply. The Risk Takers' category also includes persons identified in implementation of Delegated Regulation (EU) No 923 of 25 March 2021.

Therefore, taking into account the levels of autonomy among the various roles and their impact on the business, the Board of Directors identifies Risk Takers by means of a specific resolution, subject to prior assessment by the Human Resources and Organisational Development Function with the support of the Risk Management, and Compliance & AML Functions, having obtained the opinion of the Remuneration Committee.

In addition, whenever the Bank or one of its Subsidiaries enters into a new employment and/or

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<sup>7</sup> Regulatory references: Supervisory Provisions, Part One, Title IV, Chapter 2, Section I par. 6, EU Delegated Regulation 604/2014.

collaboration contract, the Human Resources and Organisational Development Function carries out an assessment to check whether the person in question falls within the Risk Taker category.

With regard to 2023, the process was based on the criteria set out in the relevant legislation and in particular:

- qualitative criteria: relating to the role, the assigned decision-making powers and the responsibilities assumed, within the Bank's organisation, consistent with the nature, importance and complexity of the duties performed;
- quantitative criteria: relating to the total Remuneration established in the previous year.

The results of the identification process were presented to the Remuneration Committee, which expressed a positive opinion on the matter, and subsequently to the Board of Directors at its meeting of 27 January 2023, which approved the proposal.

This process on the basis of the above criteria led to the identification of 40 positions for 2023, 1 less than the results shown in the previous year (the variation relates to organisational changes inside the Bank).

Personnel category	No. People
Executive Directors	1
Non-Executive Directors (Parent Company and Subsidiaries)	21
Heads of Control Functions	3
Other Senior Executive personnel	2
Other Risk Takers	13
<b>Total</b>	<b>40</b>



#### 4. RECIPIENTS OF REMUNERATION POLICIES

Remuneration policies are differentiated according to the type of recipients, to take into account the specific characteristics of each interlocutor and the specific regulatory provisions.

In this respect, the Policy identifies the following categories of personnel, whose remuneration systems are described in the following chapters.

CORPORATE BODIES AND SB

CHIEF EXECUTIVE OFFICER

OTHER RISK TAKERS AND OTHER EMPLOYEES:

- EXECUTIVES WITH STRATEGIC RESPONSIBILITIES (ESRs)
  - SENIOR EXECUTIVES
- HEADS OF CONTROL FUNCTIONS
  - REMAINING RISK TAKERS
  - REMAINING PERSONNEL

## 5. REMUNERATION SYSTEM OF THE COMPANY BODIES AND OF THE SUPERVISORY BODY

### 5.1. DIRECTORS OF THE BANK

#### All Directors:

- i. shall receive the remuneration set by the Meeting in addition to the reimbursement of expenses actually incurred in the performance of their duties;
- ii. for those who are Chairmen of Committees and for the members of said Committees, additional remuneration may be determined by the Board of Directors pursuant to article 2389, third paragraph, of the Italian Civil Code;
- iii. have a "civil liability" insurance policy, the cost of which is paid by the Bank.

Except as provided for the Chief Executive Officer (and any executive directors), in no case are the Directors entitled to Variable Remuneration. 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 Chief Executive Officer (paragraph 6 - *Chief Executive Officer Remuneration*).

The Chairman of the Board of Directors is paid a Fixed Remuneration established by the Board of Directors pursuant to article 2389, third paragraph, of the Italian Civil Code, determined *ex ante*, and consistent with:

- i. the role attributed to him/her;
- ii. the size and organisational complexity of the Bank;
- iii. market practice and benchmarks.

### 5.2. STATUTORY AUDITORS

#### The Statutory Auditors:

- i. receive a remuneration set by the Meeting, which is appropriate to the competence, professionalism and commitment required by the importance of the role covered and the size of the Bank;
- ii. do not receive any Variable Remuneration or remuneration linked to the Bank's or Group's results;

- 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 remuneration than that paid to the Statutory Auditors, which is also set by the Meeting.

**5.3. MEMBERS OF THE SUPERVISORY BODY ESTABLISHED PURSUANT TO LEGISLATIVE DECREE NO. 231/2001**

The members of the Supervisory Body who are not Employees receive a Fixed Remuneration that is set by the Board of Directors. The amount of the Fixed Remuneration is established on the basis of market practice and the responsibilities assumed, to guarantee the independence and autonomy of the function, and the diligent performance of office duties. These members cannot receive any Variable Remuneration but receive D&O insurance cover and reimbursement of the expenses actually incurred in the performance of their duties.

Conversely, for the members of the Supervisory Body who are also Employees no remuneration is envisaged for the office, but only D&O insurance coverage and the reimbursement of expenses actually incurred in the performance of their duties.

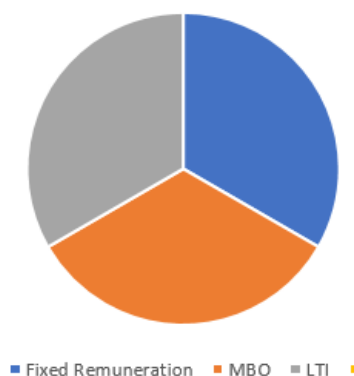
## 6. CHIEF EXECUTIVE OFFICER REMUNERATION

The remuneration structure adopted by the Bank for the Chief Executive Officer favours pay-for-performance, with Variable Remuneration prevailing over Fixed Remuneration.

The pay mix of the Chief Executive Officer is therefore composed as follows:

- Fixed Remuneration, consisting of remuneration pursuant to article 2389, third paragraph, and a package of Benefits, established by the Board of Directors;
- an MBO with a maximum opportunity of 100% of Fixed Remuneration (excluding Benefits) (see par. 6.1 *MBO*);
- a medium-to-long term incentive plan (so-called long-term incentive plan) (see par. 6.2 *Medium-to-long term variable system (LTI)*). The maximum allocation to this plan is the difference between (i) twice the Fixed Remuneration and (ii) the annual value of the MBO received by the Chief Executive Officer, the maximum of which is 100% of the Fixed Remuneration.

Pay Mix (MBO and LTI at Max)



In addition to the above components, the Chief Executive Officer's Remuneration consists of (i) a non-competition agreement with the aim of protecting the Bank subsequent to the termination of office and (ii) a golden parachute - agreed for the purpose, *inter alia*, of limiting the risks of potential litigation between the Bank and the Chief Executive Officer - which may be paid, under certain conditions, upon termination of the office (see par. 6.3 - *Payments for termination of office*).

The Variable Remuneration components of the Chief Executive Officer are described in more detail below.

## 6.1. MBO

The annual Variable Remuneration and the correlation between risks and performance are established through a process that aims to remunerate the Chief Executive Officer in compliance with the risk profile defined by the Risk Appetite Framework (RAF), and on a going concern basis and in view of the sustainability of long-term results.

In particular, as regards the MBO system of the Chief Executive Officer, the payment is subject to the achievement of certain entry gates:

Indicator	Minimum threshold
<i>Liquidity Coverage Ratio (LCR)</i>	> or = <i>risk tolerance</i> (*)
<i>Total Capital Ratio (TCR)</i>	> or = <i>risk tolerance</i> (*)
<b>EBTDA<sup>RA</sup> (risk-adjusted and cost of capital-adjusted profitability)</b>	Positive
<b>EBTDA<sup>RA</sup> / Target EBTDA<sup>RA</sup></b>	> or = 100% (**)

(\*) level approved by the Board of Directors, and defined within the RAF.

(\*\*) unless otherwise resolved by the Board of Directors, in accordance with the assessment made for the EBTDA<sup>RA</sup> / Target EBTDA<sup>RA</sup> indicator as part of the performance assessment process for the remaining personnel and relating to the incentive system multipliers.

The MBO bonus of the Chief Executive Officer is paid based on the level of achievement of a set of economic, financial and qualitative objectives.

The following are the objectives approved by the Board of Directors for 2023:

KPI	Connection with the Strategy	Threshold	Target	Max
EBTDA <sup>RA</sup>	Key indicator of financial sustainability over time	0 (the EBTDA <sup>RA</sup> target is also an entry gate)	70%	90%

On reaching the minimum threshold for the payment of the MBO, given by the EBTDA<sup>RA</sup> target level, the accrued bonus is equal to 70% of the Fixed Remuneration (excluding benefits). Conversely, on reaching the maximum level for the EBTDA<sup>RA</sup> objective, the accrued bonus is equal to 90% of the Fixed Remuneration (excluding benefits). Between the minimum and maximum, the payout will be calculated through linear interpolation.

Further objectives (maximum payout equal to 50% of Fixed Remuneration excluding benefits).

KPI	Connection with the Strategy	Threshold	Target	Max achievable (50% of Fixed Remuneration excluding benefits)
Promote and support the actions required to support the BFF Foundation's strategic plan	Key indicator for the social impact of the Bank	7.5%	15%	19.5%
Reduction of Gender Pay Equity Gap	Key indicator for achieving over time the ambition for substantial remuneration equality	7.5%	15%	19.5%
Customer Satisfaction	Key indicator for measuring the creation of value in relations with customers	10%	20%	26%

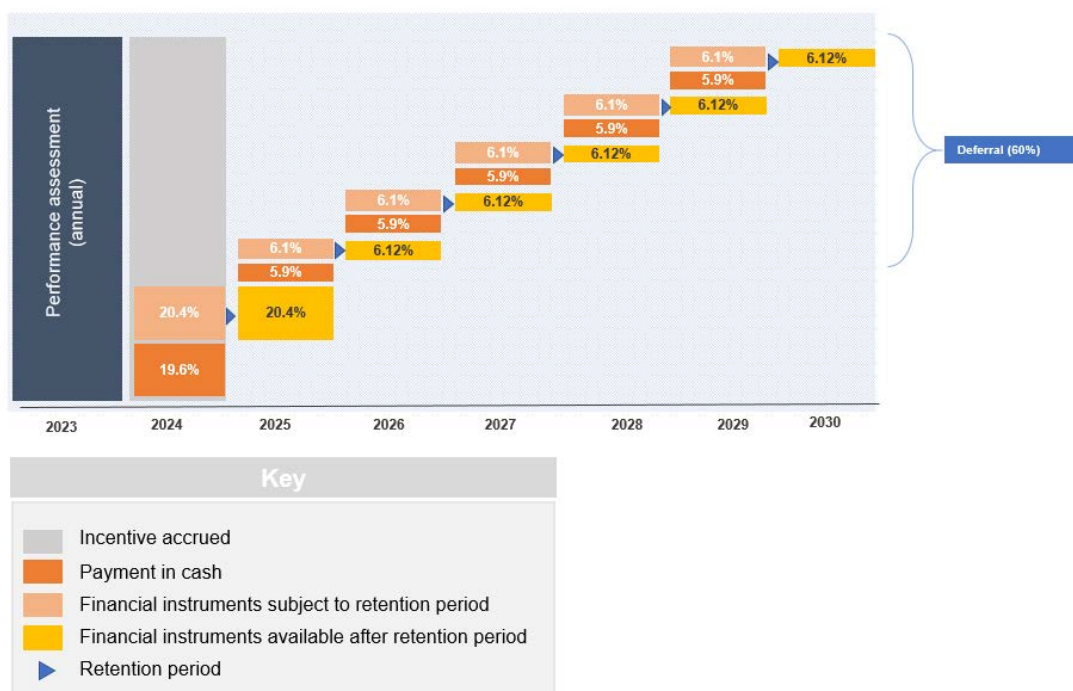
The performance for each KPI is measured by considering the achievement of the threshold, target or maximum level. Therefore, no linear interpolation mechanisms are provided for.

In any case, the maximum payout for the MBO of the Chief Executive Officer may not exceed 100% of his/her Fixed Remuneration (excluding Benefits), in line with what is envisaged for Senior Executives.

## Methods of payment

The payment of the Chief Executive Officer's MBO bonus, considered a "significantly high amount" pursuant to the Supervisory Provisions, is as follows:

- The up-front portion is paid following the approval of the Group's financial statements and is equal to 40%, 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 claw back clauses, as envisaged for the remaining Risk Takers (see par. 7.2.3 - *Ex-post adjustment mechanisms (Malus and Claw Back)*)<sup>8</sup>.

### 6.2. MEDIUM-TO-LONG TERM VARIABLE SYSTEM (LTI)

In addition to the Fixed and Variable Remuneration described above, the Chief Executive Officer participates in long-term incentive plans (stock option plans or other long-term incentive

<sup>8</sup> Subordination of the Chief Executive Officer to the continuation of the employment relationship, not on notice and not pending disciplinary proceedings, does not apply to the Chief Executive Officer, since there is no employment relationship between the Chief Executive Officer and the Bank.

scheme in addition to existing Stock Option Plans, including "phantom" plans, based on options and shares of the Bank), subject to approval by the Meeting where required by law. These plans may be subject to the achievement of objectives, in terms of overall value creation and also having regard to non-financial objectives, which are determined in line with the sector best market practices.

In this regard, the Chief Executive Officer participates in the 2022 long-term Incentive Plan, described in par. 7.2.2.3 below and based on stock options, which are assigned in three annual tranches starting from 2022, with a maximum incidence of 100% of the fixed remuneration for each assignment year.

The amount of options is correlated to the level of achievement of the following objectives, verified at the end of the performance period:

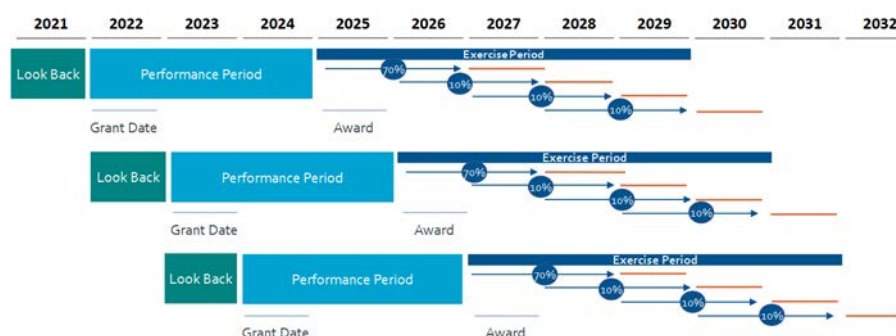
TYPE	KPI	WEIGHT	DESCRIPTION
Financial	EBTDARA	50%	$EBTDARA = EBTDA - (RWAM * TCR \text{ Target} * Ke)$
	EPS	20%	Adjusted consolidated net income divided by share outstanding
	C/I	20%	OPEX and D&A / Net Banking Income and Other operating income
ESG	Carbon Footprint	5%	Direct CO <sub>2</sub> Emissions in the last year of the Performance Period / (Direct CO <sub>2</sub> Emissions Look Back Period - 1%)
	Customer Satisfaction	5%	Survey's result on the "Degree of Satisfaction" of the Bank's customers

For each objective, the number of options accrues as follows (in the case of intermediate performances, the number of options is defined by linear interpolation):

- Threshold level: 50% of the target options
- Target level: 100% of the target options
- Max level: 150% of the target options.

The actual attribution is subject to a further deferral and conditional on the absence of conditions for activating the malus or claw back mechanisms, as highlighted below:





Following the deferral, a further 12-month retention period is defined, at the end of which it is possible to exercise the options (lock up).

The definitive assignment and the start of the period for exercising the option is subject to predetermined performance objectives and the fact that the Chief Executive Officer remains in office, without prejudice to the applicability of *ex-post* correction mechanisms (Malus and Claw Back). Furthermore, the stock options in question contribute to the 2:1 limit between Variable Remuneration and Fixed Remuneration and are subject to a retention period of 1 year, starting from the end of the deferral period of each tranche.

### 6.3. PAYMENTS FOR TERMINATION OF OFFICE

In order to regulate ex-ante the financial aspects related to the early termination of the corporate office, the following agreements were entered into with the Chief Executive Officer:

- a **golden parachute** to prevent the risk of current or future litigation and the risks associated with legal disputes that could also have reputational and image implications for the Company;
- a **non-competition agreement** to safeguard the Bank's competitiveness.

#### Golden parachute

The maximum golden parachute that may be payable to the Chief Executive Officer upon termination of office, amounts to a value equal to the lesser of:

- 1.8 times the sum of the average Variable Remuneration of the previous three years<sup>9</sup> and Fixed Remuneration (excluding Benefits)<sup>10</sup>;
- the amount of €4,500,000.00 (i.e. the maximum limit approved by the Meeting on 25 March 2021 for amounts recognised under agreements with Personnel, reached in any forum, for the settlement of current or potential disputes).

In this regard, it is emphasised that the Chief Executive Officer, not being an Employee of the Bank, is not due any notice period or indemnity in lieu of notice in the event of dismissal by the Bank, nor any “additional” indemnity in the event of unjustified termination (which is due instead to executives) and/or employee severance indemnity<sup>11</sup> or indemnity for termination of office.

In this regard, the Remuneration Committee has commissioned the firm Mercer to perform a benchmarking study<sup>12</sup> relating to the measurement of trends and market practices in the context of listed companies, with reference to agreements stipulated in view of or on the occasion of the early termination of the employment relationship with top managers or for early termination of office and non-competition agreements. This study shows that the golden parachute of the Chief Executive Officer reflects the majority of the best and most widespread practices in the market. In fact, for the purposes of calculating the golden parachute of the Chief Executive Officer, the “pay-for-performance” principle is taken into account and, in particular, the amounts received by way of Variable Remuneration (i) in the previous three years and (ii) also considering the amounts relating to long-term incentive plans.

The golden parachute will be paid to the Chief Executive Officer, in the event of termination of office, solely upon the occurrence of certain circumstances. In this regard, it should be noted that, in line with supervisory expectations, subject to the favourable opinion of the Remuneration Committee and the Board of Statutory Auditors, the aforementioned “golden parachute” was reviewed during 2022 and, in particular, the parties reduced the number of access conditions, removing the so-called trigger event associated with the failure to renew the

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<sup>9</sup> Defined as the average of the amounts paid to the Chief Executive Officer as Variable Remuneration (as currently defined) in the three-year period preceding the vesting date of the Chief Executive Officer’s right to receive the golden parachute, including amounts still subject to deferment (for the sake of clarity: the deferred portions of the variable remuneration accrued in the previous three-year period are taken into account and not the deferred amounts received in the three-year period but arising from the variable remunerations accrued prior to the three-year period of reference) and including the value of any stock options, phantom stock options or other equivalent instruments awarded in the three-year period, the value of which is the value calculated on the award date.

<sup>10</sup> This formula complies with the maximum limit of 24 months’ Global Remuneration provided for in (B), Paragraph 7.2.2.8. (Amounts granted under an agreement for the settlement of a current or potential dispute).

<sup>11</sup> Typically, remuneration defined within the framework of an employment relationship has a company cost that is at least 30% higher than the same amount regulated under a directorship relationship.

<sup>12</sup> Benchmark conducted in November 2022 on all FTSE MIB companies by Mercer

agreement in the event of regulatory changes that have a negative impact on the economic and regulatory framework applied to the Chief Executive Officer<sup>13</sup>. Consequently, the contractually specified circumstances which determine the Chief Executive Officer's right to payment of the golden parachute are as follows:

- failure to renew the office of Chief Executive Officer - upon expiry of this mandate or of any other mandate that may occur before the date of approval of the Company's financial statements at 31 December 2026 - up to the date of approval of the Company's financial statements at 31 December 2026;
- removal from office as a director prior to the approval of the Bank's financial statements at 31 December 2026, other than on bad leaver grounds;
- substantial reduction or revocation of the powers of the Chief Executive Officer during any term of office which was in progress up to the date of approval of the Bank's financial statements at 31 December 2026, for any reason other than a written request by the Bank of Italy or Consob;
- reduction of the Chief Executive Officer's Remuneration during any term of office which may be in progress up to the date of approval of the Bank's financial statements at 31 December 2026 (except for any amendments that are necessary to implement new legislation, which shall in any case be agreed by the parties if they have a significant adverse impact on the financial or regulatory conditions granted to the Chief Executive Officer).

The payment of the golden parachute is structured as follows:

- 40% up-front portion, while the remaining 60% is deferred in equal annual instalments over 5 years, beginning 12 months after the vesting 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.

In addition, the golden parachute is:

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<sup>13</sup> In particular, the following condition for activation of the golden parachute was removed: "Failure to agree to modify the terms and conditions applied to the position of Chief Executive Officer in the event of regulatory changes that have a significant adverse impact on the financial or regulatory conditions guaranteed to the Chief Executive Officer and which, therefore, make it necessary to renegotiate the terms and conditions of the relationship between the Bank and the Chief Executive Officer."

- subject to *malus* and claw back mechanisms;
- conditional on the absence of any conduct by the Chief Executive Officer, in the context of the Bank's activities or his/her professional activities in such context, which has resulted in a significant loss for the Bank or the Group companies;
- subject, in the vesting year, to compliance with gates associated, compliance with capital and liquidity limits and application of performance parameters, net of the risks.

### Non-competition agreement

The non-competition agreement entered into with the Chief Executive Officer has the following characteristics:

- duration: two years after termination of the office as Chief Executive Officer;
- annual consideration: 35% of the Fixed Remuneration (excluding Benefits) at the time of termination of office as Chief Executive Officer, paid subsequent to the termination of office;
- penalty:
  - 100% of the Fixed Remuneration (in addition to the return of the consideration) in the event of breach of the non-competition obligation;
  - 100% of the consideration under the non-competition agreement net of withholding taxes in the event certain types of conduct of the Chief Executive Officer are established during his/her professional activity.

#### 6.4. ADDITIONAL ELEMENTS OF THE CHIEF EXECUTIVE OFFICER'S VARIABLE REMUNERATION

The Chief Executive Officer may receive further Variable Remuneration elements related to performance against pre-defined objectives, in any case within the limits of the Variable to Fixed Remuneration ratio of 2:1, or within the limits set by the laws in force from time to time.

## 7. STRUCTURE OF EMPLOYEE REMUNERATION<sup>14</sup>

The Remuneration of Employees provides for 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 small and insignificant one-off amounts paid as part of an annual salary review. The payment of these amounts is appropriately justified and documented on the basis of qualitative and/or quantitative standards.

### 7.1. FIXED REMUNERATION

The Fixed Remuneration is linked to the experience and professional skills of the persons working in the company, also on the basis of the roles covered. The Fixed Remuneration is also quantified with a view to attract and/or retain talent (e.g. extra allowance over minimum pay and merit increases possibly linked to stability agreements, provided that the increase is fixed and irrevocable, of a specified amount, justified, does not create incentives for risk-taking and does not depend on personal and/or Bank *performance* and does not discriminate on the basis of gender and/or other personal characteristics, consistently with the principle of neutrality and inclusion of this Policy).

Fixed Remuneration includes, as defined, also Benefits.

Each Group company establishes individually Benefit packages, including flexible Benefits, in accordance with local regulations, on the basis of the importance and complexity of the roles covered, as well as according to principles of fairness and alignment with the local labour market, and, in any case, in compliance with the Group's guidelines, in accordance with the principles of the Policy.

As for the Bank, Benefits are allocated according to the role held. The Benefit package may include, for example:

- i. periodic medical check-ups;
- ii. flexible benefits;
- iii. "ticket restaurant" meal vouchers;
- iv. contribution to a supplementary pension fund;

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<sup>14</sup> Regulatory references: Schedule 7-bis of Annex 3A to the Issuers' Regulations.

- v. insurance: long term care, life, occupational and non-occupational accidents, permanent disability, medical expenses;
- vi. company car and reimbursement of fuel costs.

The determination of the Fixed Remuneration is based on certain principles consistent with the Code of Ethics and can be summarised as follows:

- fairness, intended as assigning or recognising what is due to the individual employee, in terms of professional growth, on the basis of the required characteristics, roles and responsibilities covered, without discrimination, giving everyone the same career opportunities;
- competitiveness, meaning the analysis of the remuneration positioning of each position with respect to specific market benchmarks;
- meritocracy, which consists in the enhancement of individuals based on the recognition of their merit;
- consistency over time, with reference to medium to long-term targets and to the risk management policies pursued.

## 7.2. VARIABLE REMUNERATION

### 7.2.1 *General principles*

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

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

- (i) short-term incentive plans (MBOs);
- (ii) long-term incentive plans (including stock option plans);
- (iii) VAP;
- (iv) additional variable remuneration elements, such as retention bonuses, additional discretionary pension benefits-MBOs, golden parachutes and other components set out in the Policy.

Guaranteed forms of payment of the variable component are not permitted, unless in exceptional cases, for the recruitment of new Personnel and limited to the first year of employment or office (e.g. entry bonus). Said forms of guaranteed Variable Remuneration:

- i. cannot be paid more than once to the same person;
- ii. are not subject to the rules on the Variable Remuneration structure if paid in a lump sum at the time of hiring (i.e. rules on balancing cash and Financial Instruments, deferral and retention);
- iii. contribute to the determination of the limit of the Fixed to Variable Remuneration ratio for the first year, unless paid in a lump sum at the time of hiring.

The payment of Variable Remuneration, whether up-front or deferred, with the exception of the golden parachutes provided for in paragraph 7.2.2.8. (Golden Parachute), is also conditional upon:

- i. for Employees, the continuing employment with the Bank and/or the Subsidiaries, not on notice and not pending disciplinary proceedings that may be closed with dismissal on the date of payment. In any case, after three years of deferral with the employment relationship still in place, the beneficiary will be entitled to the payment of subsequent deferred instalments as well, irrespective of the termination of employment;
- ii. for Personnel, compliance with economic, equity and liquidity parameters.

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

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

### 7.2.1.1 Variable to Fixed Remuneration Ratio

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

The maximum limit for the incidence of Variable Remuneration on Fixed Remuneration is 2:1, as established by the Meeting of 5 December 2016<sup>15</sup>, in compliance with the Bank of Italy's advance information procedure.

This limit has been determined according to a total Remuneration logic taking into account compliance with the regulations in force, consistency between the different roles and responsibilities, and external market practices.

The resolution approving the increase of the limit to a maximum of 2:1 was sent to the Bank of Italy within the deadline set out in the Supervisory Provisions<sup>16</sup>.

For the Heads of Corporate Control Functions, the ratio between Variable Remuneration and Fixed Remuneration must not exceed the limit of one third. This limit is raised to 50% for the Head of the Group Human Resources and Organisational Development Function and for the Financial Reporting Officer, in order to keep their Variable Remuneration low.

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<sup>15</sup> The increase of the limit from 1:1 to 2:1 as resolved by the Meeting of 5 December 2016 was confirmed with subsequent resolution by the Meeting on 5 April 2018, pending the previous legislation, which did not clarify whether, after the first resolution, a subsequent resolution to confirm it was needed in subsequent years. The update of the Supervisory Provisions of 23 October 2018 then clarified that *"if the meeting approves the increase of the limit, it is not necessary in subsequent years to submit a new resolution to the meeting, provided that the assumptions on the basis of which the increase was resolved, the personnel to whom it relates and the limit itself have not changed"* (Supervisory Provisions, Part One, Title IV, Chapter 2, Section III).

<sup>16</sup> The Supervisory Provisions provide that within 30 days from the date on which the Meeting has taken the resolution to increase the limit, the decision with indication of the limit or limits approved for each category of personnel concerned shall be sent to the Bank of Italy. The assumptions on the basis of which the increase was approved, the type of personnel to which it refers and the extent of the limit have remained unchanged and, therefore, the limit does not require further approval, in line with the Supervisory Provisions. In particular, the need to maintain adequate levels of salary competitiveness and Personnel motivation in order to improve the Bank's ability to retain management and the need to further improve the integration and participation of personnel in the Group's results is confirmed.

With reference to Risk Takers, the increase of the limit to 2:1 has also shown that it does not undermine compliance with the relevant legislation, in light of the following safeguards:

- i. the parameter linked to the Risk Adjusted EBTDA (or EBTDA<sup>RA</sup>) to Target EBTDA<sup>RA</sup> ratio which the MBO payment is normally subject to.
- ii. the Policy provides for specific *ex-post* adjustment mechanisms (i.e., *Malus* and *Claw Back*), which may result in the reduction or cancellation of the Variable Remuneration previously paid, following conduct which has caused damage or a significant loss to the Bank or its Subsidiaries.



### 7.2.1.2 Variable Remuneration Payment Arrangements<sup>17</sup>

The procedures for payment of the Variable Remuneration (with the exception of non-competition agreements and Incentive Plans in Financial Instruments, which have specific features, in compliance with regulations) consist of:

- a deferral period and a percentage bonus subject to deferral;
- financial instruments component and relevant retention period;
- ex-post adjustment mechanisms (malus clauses, for deferred components, and claw back clauses).

These arrangements differ according to the different categories of employees, as shown in the following paragraphs and summarised in this diagram:

	Personnel Category - Employee	Portion in financial instruments	Deferral period Deferred percentage			Ex-post adjustment mechanisms	
			5 years 60%	4 years 40%	2 years 30%	Malus clauses	Claw back clauses
RISK TAKERS	Risk Takers who are Senior Executives	✓	✓ (if variable particularly high. Par. 7.2.1.3)	✓		✓	
	Other Risk Takers	✓		✓	✓ (if variable low, par. 7.2.1.4)	✓	✓ Always present
NON RISK TAKERS	Employees up to category Q3			✓		✓	
	Other employees					✓	

<sup>17</sup> Regulatory references: Supervisory Provisions, Part One, Title IV, Chapter 2, Section III.

## Deferral

Subject to the provisions of paragraph 7.2.1.3 in relation to the Significantly High Variable Remuneration of the Chief Executive Officer, the heads of the main corporate functions, and those directly reporting to the Board of Directors and to paragraph 7.2.1.4 for the Low Variable Remuneration in order to ensure long-term sustainability, the short-term variable remuneration (MBO) is paid as follows:

- i. 60% after the approval of the financial statements by the Meeting;
- ii. 40% with a four-year pro rata straight-line deferral (i.e. 10% one year after payment of the up-front fee, 10% in the second year, 10% in the third year and 10% in the fourth year).

The disbursement rules described above also apply to retention bonuses or golden parachutes, as described in paragraphs 7.2.2.5 and 7.2.2.8, respectively.

The Long-term incentive plans provide for deferral schemes consistent with the characteristics of the plan and regulatory requirements.

The deferral applies to all Employees with a minimum classification of QD3 (third level executive), regardless of their qualification as Risk Taker, subject to the provisions of par. 7.2.1.4 (*Low Variable Remuneration*).

The deferred Variable Remuneration is subject to the remuneration policies of the year to which the variable component refers (e.g. the deferred portion of the 2022 MBO is subject to the rules of the 2022 Policy). This is without prejudice to the applicability of *ex-post* adjustment mechanisms (*Malus* and *Claw Back*) and the need to verify compliance with capital, liquidity and profitability gates to the financial statements of the year preceding that in which the deferred portion payment takes place.

With regard to the remuneration of former Depobank Personnel:

- a) As for the 2020 MBO, the deferred portion will be subject to the gates from time to time in force in the Bank's remuneration policies and related to the Bank's financial statements.
- b) The deferred Variable Remuneration portions relating to years prior to 2020 will be subject to the relevant Depobank remuneration policies and to the gates from time to time in force in the Group's remuneration policies and relating to the Group's financial statements.

## Balancing Cash and Financial Instruments

In respect of the Variable Remuneration for Risk Takers<sup>18</sup>, 50% of the Variable Remuneration, whether up-front or deferred, is paid in financial instruments.

The number of the Bank's Financial Instruments of the up-front portion of the Variable Remuneration components to be granted for the balancing purposes set forth in this paragraph is calculated having regard to the value of such instruments on the last trading day prior to the allocation date or, for options granted and vested under stock option plans, on the vesting date or, for plans that take into account past performance (i.e. with allocation based on look back periods), on the allocation date and, if such plans have a duration of more than 5 years, on a *pro rata* basis for each year of the performance period.

Before the end of the deferral period, no dividends or interest can be paid on Financial Instruments.

## Retention period

In order to align the incentives with the Bank's long-term interests, the financial instruments provided for in the Policy are subject, with regard to Risk Takers, to a retention period. The retention period is 1 year both for Financial Instruments paid up-front and those subject to deferral. In the case of Deferred Financial Instruments, the retention period begins when the deferred Variable Remuneration (or a portion of it) is paid.

The regulations of Plans based on Financial Instruments include, with regard to the options and shares that can be granted in the event of exercise, provisions aimed at ensuring compliance with retention rules.

During the retention period, the Financial Instruments:

- i. accrue interest and/or dividends (except for stock options, the strike price of which is in any event reduced by the amount of dividends per share paid during the retention period); and
- ii. may not be disposed of by the relevant Risk Takers.

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<sup>18</sup> Subject to the provisions of paragraph 7.2.1.3 in relation to the Significantly High Variable Remuneration of the Chief Executive Officer, the heads of the main corporate functions, and those directly reporting to the Board of Directors and to paragraph 7.2.1.4 for the Low Variable Remuneration.

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

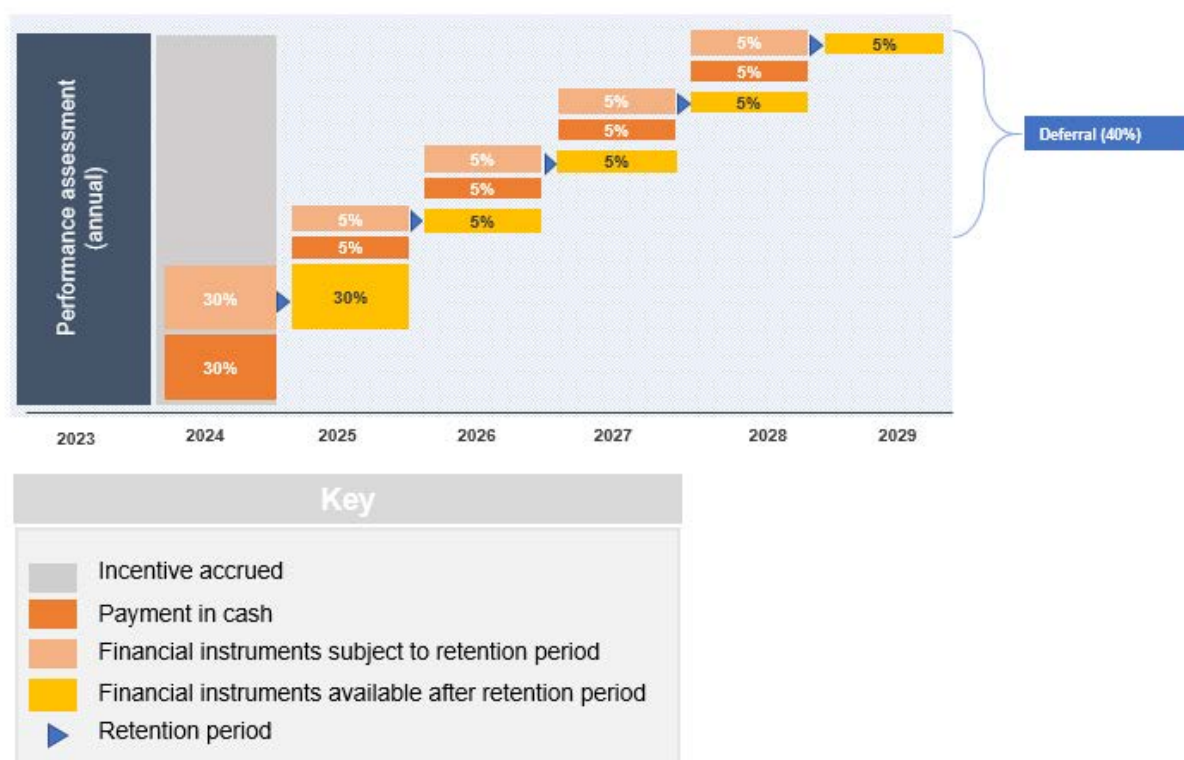
- i. *Malus* and Claw Back mechanisms described in paragraph 7.2.3 (*Ex-Post* Adjustment Mechanisms (*Malus* and Claw Back));
- ii. disciplinary measures concerning Employees pursuant to article 7 of Law no. 300 of 20 May 1970 (Workers' Statute).

At the time of allocation of the financial instruments, the Bank may provide for penalties for Risk Takers who breach the retention period.

The provisions on *ex post* adjustment mechanisms (*Malus* and Claw Back), set out in point 10.2.2.2 (*Ex post adjustment mechanisms* - *Malus* and Claw Back), are also applicable to the portion of Variable Remuneration paid in the form of Financial Instruments.

### Summary of the expected payout scheme for Risk Takers

Without prejudice to the following paragraphs (for Significantly High Variable Remuneration of Senior Management and for Low Variable Remuneration), the payout for Risk Takers can be summarised as follows:



### 7.2.1.3 Significantly High Variable Remuneration of Senior Management

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

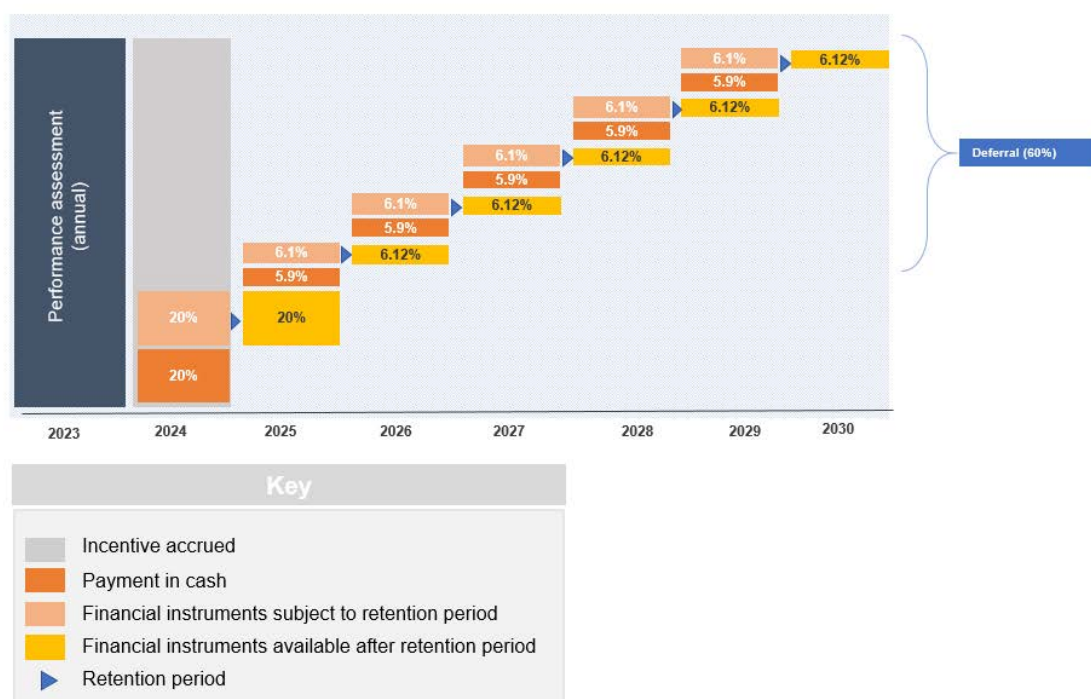
i) 25% of the average total remuneration of Italian high earners, as per the most recent report published by EBA.

According to the report published by the EBA in 2023 with reference to December 2021 data, this value is €424,260;

ii) 10 times the average total remuneration of the Bank's employees and amounting to €565,327.

Consequently, variable remuneration in excess of €424,260 is considered as significantly high.

If the Variable Remuneration for Senior Management is considered to be of a significantly high amount, a 60% portion of it is subject to a deferral period of 5 years. Furthermore, in this case, 51% of the deferred Variable Remuneration of Senior Management is paid in financial instruments.



#### **7.2.1.4 Low Variable Remuneration**

If the annual Variable Remuneration does not exceed €50,000 and does not account for more than one third of the total annual Remuneration, the bonus is subject to:

- i. for Risk Takers and for Employees with a minimum qualification of QD3 (third level executive), regardless of their qualification as Risk Takers, a deferral period of two years for 30% of the Variable Remuneration. By way of example, for the year ending 31 December 2022, the deferred component of the Variable Remuneration will be paid out after the Meeting has approved the financial statements as at and for the year ending 31 December 2024;
- ii. for Risk Takers, a 50% portion in financial instruments with a retention period of 6 months.

For all matters not expressly envisaged in this paragraph, the same rules envisaged for the Variable Remuneration shall also apply to the Low Variable Remuneration, including the *ex post* adjustment mechanisms (Malus and Claw Back).

#### **7.2.2 Variable Remuneration components**

Below is a description of the possible forms of Variable Remuneration that can be assigned to Personnel.

##### **7.2.2.1 MBO for Employees**

The MBO for Employees<sup>19</sup> is a formalised incentive system that provides for the possible payment - based on gross annual remuneration - of an incentive, if necessary, against the achievement of qualitative and quantitative corporate and individual objectives. The mix between quantitative and qualitative objectives is appropriately balanced according to the roles and responsibilities of the entitled Employees. The MBO provides retention mechanisms for all Employees, that is, the payment subject to the existence of the employment relationship.

As a general rule, for Employees a length of service of at least 6 months in the relevant financial year is required, as well as presence in the Group – not during the notice period and not pending disciplinary proceedings which then end in dismissal – at the time of payment of the MBO (in any case, after three years of deferment the beneficiary shall accrue the right to payment of the subsequent deferred portions regardless of the termination of employment).

In any case, the amount paid as MBO may not exceed 100% of the Fixed Remuneration

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<sup>19</sup> For the MBO of the Chief Executive Officer see paragraph 6.1.

(excluding Benefits) for the year in question.

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

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

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

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

- quantitative objectives may be of an economic, project or process efficiency nature or concern people, and may involve individuals, teams, or business units; they must also be clear, objectively observable and measurable, and, depending on the type mentioned, directly linked to the Risk-Adjusted EBTDA and/or to growth;
- qualitative objectives are, on the other hand, linked to organisational behaviour, are identified on the basis of the company's values and culture, and are differentiated according to the role covered.

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

With regard to former Depobank Personnel, the Variable Remuneration is governed by this Policy. Specifically, any beneficiaries of a Depobank MBO plan are covered by the Bank's MBO plan. However, those who are not beneficiaries of such a Depobank MBO plan are usually not covered by the Bank's MBO plan.



## A) Setting objectives

Within the first quarter of each year, based on the guidelines provided by the Chief Executive Officer and through a process aimed at full alignment and the widest possible sharing, all the heads of Business Units/Functions/Departments inform their personnel of their respective qualitative and quantitative objectives based on which at the end of the financial year (within the first quarter of the following financial year) individual performance will be assessed and the related MBO Variable Remuneration will be determined.

All MBO beneficiaries are given tailored objectives based on their department, function, business unit or role, referring to the group model, which requires that the objectives fall within the four areas linked to the bank's strategy (economic and financial, process and project improvement, customer care, attention to people), as represented in table 1.

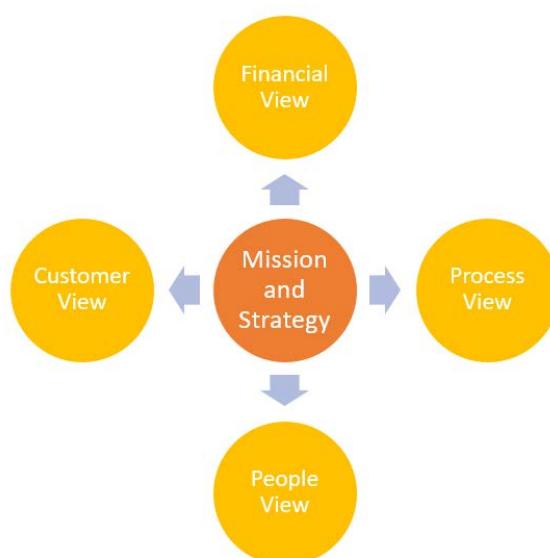


Table 1 Group Performance Management Model

The achievement of each objective is then verified by someone other than the person who assigned it, thereby guaranteeing an independent verification mechanism.

More specifically, the MBO quantitative objectives are assigned as follows:



- i. with regard to Senior Executives and Executives who report directly to the Chief Executive Officer and the Heads of Corporate Control Functions, the objectives are discussed by the latter with the Chief Executive Officer, and subsequently submitted by the Chief Executive Officer to the Board of Directors for approval, in accordance with the regulations and this Policy;
- ii. for the rest of the Bank's Employees, the objectives are approved by the Chief Executive Officer;
- iii. as for Risk Takers of the Subsidiaries, targets are approved by the Chief Executive Officer;
- iv. for the rest of the Employees of Subsidiaries, the objectives are approved by the Chief Executive Officer of the Subsidiary in question, after consultation with the Human Resources and Organisational Development Function, on the basis of the structure of delegated powers.



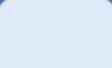
In addition to meeting individual objectives, the accrual and payment of the MBO is also conditional on compliance with the corporate gates of (i) liquidity, (ii) capital and (iii) positive profitability adjusted for risk and cost of capital (Risk-Adjusted EBTDA or EBTDA<sup>RA</sup>), described in point (B) of this paragraph (*Verification of the achievement of corporate objectives*).

The percentage weight of the quantitative and qualitative objectives changes depending on seniority in the company, as shown in table 2.

Categories	% Proportion	
	Quantitative objectives	Qualitative objectives
Senior Executive/Executive	70%	30%
Manager		
Professional/Coordinator	60%	40%
Specialist		

Table 2 - Percentage impact of quantitative and qualitative objectives

With particular regard to the Senior Executives included among the Executives with strategic responsibility, the quantitative macro-objectives included in the individual scorecards with a weight of 70% are as follows<sup>20</sup>:

Entry Gate	Individual Performance	Accelerator (Multiplier)
✓ Liquidity and profitability ++ ✓ EBITDA (performance gate)	 Economic and financial objectives ✓ of the Group ✓ of the Function / Department / BU	✓ EBITDA positive to target ✓ Customers: multiplier of Customer Satisfaction
	 Process objectives <input type="checkbox"/> of the Function / Department / BU <input type="checkbox"/> Individual	
	 People Empowerment objectives <input type="checkbox"/> of the Group <input type="checkbox"/> of the Function / Department / BU	

The qualitative objectives, expressed in specific organisational conduct linked to seniority in the company and therefore uniform for predefined groups, as shown in table 2 above, contribute to making the company culture stable and solid through daily conduct. The conduct is detailed in the following table (Table 3).

Role	Customer Focus	Executives	Innovation	Leadership	Quality	Teamwork
Senior Executive/Executive	X	X	X	X	n/a	X
Manager/Senior Professional	X	X	X	X	n/a	X
Coordinator/Professional	X	X	X	X	n/a	X
Specialist	X	X	n/a	n/a	X	X

Table 3 – Organisational conduct Employee MBO

The description of the qualitative objectives is as follows:

<sup>20</sup> The Bank's Executives with Strategic Responsibilities at the reporting date are the Vice President Factoring & Lending, Michele Antognoli, the Vice President Finance & Administration, Piergiorgio Bicci, the Vice President Technology and Processes Improvement, Massimo Pavan, and the Vice President Transaction Services, Enrico Tadiotto.

- **Customer Focus:** Constantly strive – directly or by providing support to other line structures – to pursue high standards of customer service to ensure market leadership in countries the Group operates in. Promote and demonstrate to one's staff the culture of active listening and growing internal customer satisfaction.
- **Execution:** Operate with quality and efficiency and with careful prevention and management of risk in the use of resources, with streamlined timing and implementation methods, with the right strictness in compliance and careful monitoring of risk, through an appropriate exercise of delegation, in order to fully realise, both directly and through one's own structure, the innovative processes envisaged, the objectives assigned, one's own projects and/or those shared with other staff and/or line structures, operating in a Group perspective, where a functional or coordinating responsibility is envisaged.
- **Innovation:** Identify and propose new organisational solutions / processes / techniques / methods that, by supporting the Company's strategic design, allow greater efficiency of the structure overseen both locally and at a Group level, the improvement of customer satisfaction, the consolidation of the Group's market positioning and the acquisition of additional competitive advantages.
- **Leadership:** Raise and maintain high levels of motivation and performance of the structure, fostering a sense of belonging of key resources and promoting their retention, contributing to fair and merit-based management of the reward system, also appropriately managing situations of inadequate performance, being an effective intermediary of decisions and guidance of Top Management, as well as ensuring continuity and back-up of key roles. Provide guidelines, supervision and contribute to the review of resources operating in other Group entities that report functionally or that are coordinated by the headquarters. Establish fruitful and authoritative relationships with key stakeholders (institutions, Bank of Italy), demonstrating skilful negotiation and the ability to establish lasting partnerships with all the main stakeholders.
- **Teamwork:** Proactively contribute to the achievement of cross-functional, intra-group objectives/projects and respond promptly and with high levels of quality to the requests of other business units, directing one's structure to maintain a high level of cooperation with other organisational entities.

In order to make the evaluation of organisational conduct as objective and comparable as possible, objectives are assigned that can help to objectify qualitative evaluation and allow a better calibration among the evaluators, also for the benefit of those being evaluated, who will thus have a lower subjectivity of judgement depending on who their evaluator is. These objectives, called Drivers, contribute indirectly to the final result, helping to achieve a more

objective evaluation of organisational conduct, which is thus concretely reflected in the activities carried out and the ways in which such conduct is carried out.

As regards the payment methods, see the provisions of paragraph 7.2.1.2 (*Variable Remuneration Payment Arrangements*).

### **B) Verification of the achievement of corporate objectives**

With regard to the annual objectives, 3 gates are expected to be applied for Employees in the relevant year, in addition to the possibility of activating Malus<sup>21</sup> and Claw Back mechanisms, linked to compliance with indicators of (i) liquidity, (ii) capital and (iii) positive profitability adjusted for risk and cost of capital (Risk-Adjusted EBTDA or EBTDA<sup>RA</sup>).

In particular:

- i. the Group liquidity indicator adopted as the gate is the Liquidity Coverage Ratio (LCR), equal at least to the level of "risk tolerance" approved by the Board of Directors, and defined within the RAF in force on the closing date of the financial year to which the MBO refers, and, in any case, in compliance with the requirements dictated by supervisory regulations on remuneration;
- ii. the Group's capital indicator adopted as the gate corresponds to a Total Capital Ratio (TCR) level at least equal to the level of "risk tolerance" approved by the Board of Directors, and defined within the RAF in force at the end of the financial year to which the MBO refers, and, in any case, in compliance with the requirements dictated by supervisory regulations on remuneration;
- iii. the Group profitability indicator adopted as a gate corresponds to a positive Risk-Adjusted EBTDA (or EBTDA<sup>RA</sup>).

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

The gate linked to the profitability does not apply to MBO for:

- Corporate Control Functions;
- Financial Reporting Officer;

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<sup>21</sup> Gates observance with reference to the year prior to the payment of deferred portion of the Variable Remuneration works for Employees as *Malus* condition according to what is set out in point 10.2.2.2 (*Ex post adjustment mechanisms (Malus and Claw Back)*).

- Human Resources and Organisational Development Function.

### C) Application of multipliers

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

In particular:

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

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

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

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

If, on the other hand, the above-mentioned percentages are reached, the EBTDA<sup>RA</sup> / Target EBTDA<sup>RA</sup> ratio operates as a multiplier of the Employee MBO. This multiplier can increase the MBO up to 40% for Senior Executives, Executives and other executives of the Bank and up to 30% for employees.

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

- a. Corporate Control Functions;

- b. Financial Reporting Officer Function;
  - c. 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:
  - a. applies only as a positive multiplier;
  - b. is not financial, but qualitative, while remaining measurable;
  - c. 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 and gates can also be applied by Subsidiaries, subject to approval by the Chief Executive Officer for anything that is not expressly the responsibility of the Board of Directors.

#### **7.2.2.2 VAP**

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

- i. in cash;
- ii. through corporate welfare goods and services on the basis of the relative supplementary agreements;
- iii. through Financial Instruments.

For Risk Taker beneficiaries, VAP is paid without deferral.

#### **7.2.2.3 Incentive Plans in Financial Instruments**

As part of its incentive policies and in compliance with applicable law, the Bank adopts Incentive Plans in Financial Instruments (including “phantom” plans, based on options and shares of the Bank and Stock Option Plans based on the allocation of options that entitle the beneficiary to receive ordinary shares of the Bank).

The purpose of these plans is to:

- i. encourage the integration of Personnel, making them share in the company's results;
- ii. raising Personnel awareness on the creation of value for the Group and shareholders;
- iii. increase the retention capacity (retention of key resources) of Personnel by decreasing valuable professionals' propensity to resign from the Group;
- iv. improve the Group's competitiveness on the labour market, making it more attractive to the best talents with professionalism and skills appropriate to the Group's needs;
- v. promote the Bank's sustainability in the medium to long term, and ensure that the Variable Remuneration is based on the results actually achieved.

The value of stock options allocated to beneficiaries under Stock Option Plans:

- i. is determined on the basis of fair market value using valuation methods and parameters commonly used and recognised by the financial community (the valuation is constructed using the Black-Scholes formula), proposed by the Risk Management Function and approved by the Board of Directors;
- ii. constitutes Variable Remuneration on a par with the MBO, with which it contributes to the determination of the 2:1 limits and the ratio between cash and Financial Instruments, where applicable, in the year of stock option vesting.

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

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

In particular, the Meeting of 31 March 2022 approved the 2022 Incentive Plan, a long-term incentive plan for the Group based on the assignment of options of two types<sup>22</sup> and reserved for beneficiaries identified among Personnel (including the Chief Executive Officer), whose

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<sup>22</sup> The details of the 2022 Incentive Plan are described in the information document, available on the Bank's website, drawn up pursuant to art. 84bis of the Consob regulation adopted with resolution 11971 of 14 May 1999 and subsequent amendments and additions. [3 \(bff.com\)](https://www.bff.com)

main provisions are described below:

- i. the plan consists of three tranches and provides for the assignment of a maximum number of options equal to 9,700,000. The options can be of two types: A options, which attribute the right to receive shares of the Bank and B options, which attribute the right to receive phantom shares;
- ii. each tranche is subject to a period of deferral:
  - a) for non-Risk Takers, the period of deferral is 3 years, after which the options can be exercised within a maximum period of 24 months;
  - b) for Risk Takers, the period of deferral is 6 years. The options can be exercised as follows:
    - for 70%, within a maximum period of 24 months subsequent to the first 3 years of deferral;
    - for 10%, within a maximum period of 24 months subsequent to the first 4 years of deferral;
    - for 10%, within a maximum period of 24 months subsequent to the first 5 years of deferral;
    - for 10%, within a maximum period of 24 months subsequent to 6 years of deferral;
- iii. exercising the options is subject to:
  - a) continued subordinate employment with the Bank or one of the Group companies and/or a position on the Board of Directors of the Bank or of another Group company until the end of the first 3 years of deferral.
  - b) achievement of KPIs that also determine the number of vested options. More specifically, upon reaching the "minimum" level, a percentage of vested options equal to 50% of the total options connected to the individual KPI is envisaged and then, with linear growth, one can achieve vesting of all the options connected to that KPI upon reaching the "target" level, and go as far as achieving, again with linear growth, the vesting of 150% of the options linked to the single KPI with the achievement of the "maximum" level of performance. The following table explains the structure of the KPIs and the percentage of vested options according to level of achievement of the KPIs:



KPI	% of options vested at the “minimum” level	% of options vested at the “target” level	% of options vested at the “maximum” level
EBTDA RA	25%	50%	75%
EPS	10%	20%	30%
C/I	10%	20%	30%
ESG (Carbon Footprint)	2.5%	5%	7.5%
ESG (Customer Satisfaction)	2.5%	5%	7.5%

The actual attribution, subject to a further deferral as regards the most Relevant Personnel, is conditional on the absence of malus or claw back. The following chart represents the deferral applied to the most Relevant Personnel:



Following the deferral, a further 12-month retention period is defined, at the end of which it is possible to exercise the options.

#### 7.2.2.4 Collectors Bonuses and Sales Bonuses

Additional forms of MBO bonus linked to KPIs may be envisaged for certain categories of Employees. Specifically, the following may be assigned:

- so-called Collectors Bonuses, reflecting the achievement of net capital gains targets on the recovery of default and ancillary interest.

The beneficiaries of the Collectors Bonus are identified from among the debtor management Personnel on the basis of specific strategic and business reasons;

- ii. so-called Sales Bonuses, which are designed to support the achievement of the Bank's commercial and economic-equity objectives, taking into account the actual needs of customers and in line with their risk profile.

Recipients of the Sales Bonus fall under the so-called Relevant Personnel. This component of the Variable Remuneration is specifically addressed in the Remuneration Policy for the Relevant Personnel, for Complaints Handling Personnel and for the Personnel in Charge of Assessing Creditworthiness.

Payment of the Collectors and Sales Bonuses is subject to:

- i. the achievement of annual company and individual qualitative and quantitative objectives, the individual bonuses 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) capital and (iii) positive profitability adjusted for risk and cost of capital (Risk-Adjusted EBTDA or EBTDA<sup>RA</sup>);
- iii. the possible activation of the *Malus* and Claw Back mechanisms envisaged by the Policy.

Moreover, the payment of Sales Bonuses once the 3 company gates envisaged for the payment of the Employee MBOs have been crossed is linked to:

- i. the level of achievement of the *Target EBTDA<sup>RA</sup>* according to the thresholds set for the disbursement of the Employee MBO, based on the classification of the beneficiaries (Point (C) of Paragraph 7.2.2.1. – 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 Chief Executive Officer is reached, the CEO also deciding on any exemptions.

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.

#### **7.2.2.5 Retention bonus**

Variable Remuneration forms may be provided, linked to the continuing employment of

Personnel up to a certain date or to a given event (retention bonus). Retention bonuses are allowed, where there are justified and documented reasons, in situations where it is important for the Bank to guarantee the stability of the relationship for a predetermined period of time or until a given event (e.g. to complete a corporate restructuring process or an extraordinary operation, or to incentivise the stability of the relationship until a change of control occurs and/or afterwards). Specifically, when assessing the award of a retention bonus, in accordance with the EBA guidelines (EBA/GL/2021/04), the Group companies evaluate:

- i. the possible risks to the company in the event of termination of the employment relationship or office of a given member of the Personnel;
- ii. the reasons why it is important for the company to retain the member of the Personnel in question;
- iii. the consequences in the event of termination of the employment relationship or office of a particular member of the Personnel;
- iv. if the amount of the retention bonus granted is necessary and proportionate to retain the member of the Personnel concerned.

Retention bonuses are granted at the end of the period or upon 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 granted as a retention bonus may be calculated for equal shares in each year of the period of stay (so-called linear *pro rata*), or as a single amount in the year in which the condition of continuing employment is satisfied.

#### **7.2.2.6 Free allocation of Bank shares to Employees<sup>23</sup>**

If the Meeting decides on a special free-of-charge capital increase, or grants a special 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 Employees free of charge within the limits set out in article 51, paragraph 2, letter g) of TUIR.

#### **7.2.2.7 Discretionary pension benefits**

To date, there are no discretionary pension benefits for Personnel, and the Bank does not have any plans to make use of these instruments. However, Group companies, subject to the

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<sup>23</sup> In the case of marginal allocations, granted to personnel on a non-discretionary basis, which are part of a general policy of the bank and which do not have an effect in terms of risk-taking or risk-control incentives, such allocations fall within the Excluded Benefits.

approval of the Board of Directors, for the Relevant Personnel of the BoD, 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 Supervisory Provisions. In this case, in applying the provisions on the Variable Remuneration component to discretionary pension benefits, the following criteria shall be complied with<sup>24</sup>:

- i. if the Personnel terminate their employment, collaboration or office before having accrued the right to retirement, the discretionary pension benefits are invested in Financial Instruments, held in custody by the Bank for a period of five years, during which time they accrue interest and/or dividends, and are subject to *ex post* adjustment mechanisms in accordance with the provisions of point 10.2.2.2 (*Ex post adjustment mechanisms* – Malus and Claw Back);
- ii. if the employment or collaboration relation ends after the accrual of the pension right, discretionary pension benefits are granted to the employee in the form of Financial Instruments and subjected to a five-year retention period, during which they accrue interest and/or dividends;
- iii. discretionary pension benefits are included in the calculation of the Variable Remuneration to Fixed Remuneration 2:1 ratio limit.

#### **7.2.2.8 Golden parachutes**

Golden parachutes are approved by the Board of Directors for the Relevant Personnel of the BoD, and by the Chief Executive Officer, for the rest of the Personnel. Golden parachutes<sup>25</sup> are:

- i. the amounts recognised under the non-competition agreement;
- ii. the amounts recognised under an agreement to settle an existing or potential dispute relating to (or with a view to) termination of employment or office, wherever it is reached;
- iii. the indemnity for failure to give notice, for the amount exceeding that determined by law.

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<sup>24</sup> See Part One, Title IV, Chapter 2, Section III of the Supervisory Provisions.

<sup>25</sup> Note 18, of the Supervisory Provisions, Part One, Title IV, Chapter 2, Section III specifies that, for the purposes of the Supervisory Provisions, "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 fees of non-competition clauses and the indemnity in lieu of notice in the part that may exceed the amount established by law.

### **a) Non-competition agreements**

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

Unlike other forms of Variable Remuneration, the amounts paid as consideration for non-competition agreements are subject to the *ex-post* adjustment mechanisms envisaged by the Policy only for the portion exceeding 100% of the Fixed Remuneration (excluding Benefits) of the last year of employment or office. These mechanisms apply to the portion of the consideration for non-competition agreements subject to *ex-post* adjustment mechanisms to the extent permitted by the relevant laws and, as regards the Employees, by the collective agreements applied.

The consideration for non-competition agreements 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 year of Fixed Remuneration (excluding Benefits) is included in the calculation of the limit to the Variable and Fixed Remuneration ratio.

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

- i. quantification on the basis of performance indicators measured net of risk, determined by the achievement of a positive risk-adjusted profitability of the Group, associated with compliance with the target equity (TCR) and liquidity (LCR) limits, defined in the RAF, in force at the reporting date of the year preceding the payment of the deferred Variable Remuneration;
- ii. balance between cash and Financial Instruments;
- iii. up front and deferred;
- iv. *ex-post* adjustment mechanisms (Malus and Claw Back).

### **b) Amounts granted under an agreement for the settlement of a current or potential dispute**

The remuneration agreed upon with a view to or on the early termination of the employment

relationship or for early termination of the office constitutes Variable Remuneration.

The Board of Directors for its Relevant Personnel and the Chief Executive Officer for the remaining Risk Takers can determine golden parachutes in the event of early termination of the employment relationship or of office, in compliance with the conditions set by the regulations in force and of the following criteria.

These amounts:

- i. do not exceed the limit of 24 months of the Global Remuneration referred to the last year of the relationship. In any event, these amounts may not exceed:
  - a) €1,100,000 for Employees;
  - b) €4,500,000.00 for Personnel other than Employees<sup>26</sup>.

The amounts granted 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 limit for the ratio between Variable Remuneration and Fixed Remuneration approved by the Meeting of 5 December 2016<sup>27</sup>;
- iii. are linked to the performance achieved and the risks assumed by the individual and the Bank, and are agreed in accordance with the criteria established by the Meeting;
- iv. are subject to a 50%-50% split between cash and Financial Instruments (51% in Financial Instruments for the deferred Variable Remuneration of Senior Management);
- v. are subject to a one-year retention period for the portion paid in Financial Instruments;
- vi. a portion of 40% (60% in the case of Significantly High Variable Remuneration of Senior Management) is subject to a deferral period of four years (five years in the case of

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<sup>26</sup> The maximum limits of 24 months of Global Remuneration, €1,100,000 and €4,500,000.00 are approved by the Meeting, as envisaged in the Supervisory Provisions, Part One, Title IV, Chapter 2, Section II, Paragraph 1.

<sup>27</sup> The indication of a predefined formula (i.e.  $x \leq 24$  months of the Global Remuneration received in the last year of the relationship) allows the Bank to exclude the amounts disbursed in view or in the event of termination of the relationship from the 2:1 limit, as envisaged in the Supervisory Provisions, Part One, Title IV, Chapter 2, Section III, Paragraph 2.2.2. This solution, on the one hand, provides the Bank with a certain flexibility when negotiating with the person whose employment relationship is terminating or has just terminated, and on the other hand it places a cap on the amounts payable on termination of the employment relationship, in line with market practice.

Significantly High Variable Remuneration of Senior Management) on a linear pro rata basis;

- vii. are subject to the *ex post* adjustment mechanisms (i.e. *Malus* and Claw Back) provided for by the Policy.

The above limits, with the exception of the *ex post* adjustment mechanisms, shall not apply to:

- i. golden parachutes agreed as part of extraordinary transactions (e.g. mergers) or corporate restructuring processes, provided that they jointly comply with the following conditions:
  - a) they comply exclusively with the logic of containment of company costs and rationalisation of the Personnel structure;
  - b) they do not exceed €100,000;
  - c) they provide for the Claw Back mechanisms established by the Policy with reference to cases of fraudulent conduct or gross negligence to the detriment of the Bank.
- ii. leaving incentives, also connected with extraordinary operations (e.g. mergers) or corporate restructuring processes, and granted to non-relevant Personnel, provided that they jointly comply with the following conditions:
  - a) they comply exclusively with the logic of containment of company costs and rationalisation of the Personnel structure;
  - b) they favour the adhesion to support measures foreseen, from the law or from the collective bargaining, for the generality of Employees;
  - c) they do not produce any *ex ante* distorting effects on the behaviour of Personnel;
  - d) they provide for the Claw Back mechanisms established by the Policy with reference to cases of fraudulent conduct or gross negligence to the detriment of the Bank.

**c) Advance notice for the amount exceeding the legal measure**

The treatment applied in the event of termination of the employment relationship, if required by applicable law, is that indicated, where applicable, by the relevant national collective contracts and/or by the law that regulates the relationship.

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

#### **7.2.2.9 Additional elements of Variable Remuneration**

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

These components will always be assigned within the limits of the variable/fixed remuneration ratio envisaged by this Policy (paragraph 7.2.1.1. – *Variable to Fixed Remuneration Ratio*).

#### **7.2.3 Ex-Post Adjustment Mechanisms (Malus and Claw Back)**

Variable Remuneration, including golden parachutes, is subject to *ex post* adjustment mechanisms (*Malus* and *Claw Back*), which may lead to a reduction, even significant, or to the zeroing of the variable component. The adjustment mechanisms must be identified to the extent permitted by law and collective agreements applicable to employment relationships, reflecting performance levels net of the risks actually assumed or achieved and capital levels, as well as individual conduct. With the assistance of the corporate functions (see Annex 3, *Role of Corporate Functions - Procedure for activating the Malus or Claw Back mechanisms*), the Parent Company's Board of Directors shall ascertain the prerequisites that determine the activation of the *ex post* adjustment mechanisms with respect to the Relevant Personnel of the BoD, and shall decide on their application in accordance with the procedures set out in the Policy. The Chief Executive Officer takes care of the remaining Personnel, making use of the competent company functions and, where necessary, of the corporate bodies of the Subsidiaries.

For the purposes of recognition of the deferred Variable Remuneration, taking into account all other legal and contractual conditions, the application of a specific "gate" linked to the achievement of a positive profitability for the Group, net of risk, associated with compliance with the levels of risk tolerance of capital (TCR) and liquidity (LCR) as defined in the RAF in force



at the end of the financial year preceding the payment of the deferred Variable Remuneration (the "**Malus**" condition) is envisaged during the accrual period of the right to payment.

The variable portion of the Remuneration shall be forfeited or, if already paid, shall be returned if it is ascertained that the Variable Remuneration component in question has been determined based on data subsequently found to be manifestly erroneous and/or in the presence of conduct of the person concerned, in the context of the Group's activity and/or in any case of the professional activity of the person concerned, that falls under one or more of the following cases (the "**Claw Back**" conditions):

- i. conduct resulting in a significant loss for the Group, the Bank or its Subsidiaries or customers; in this regard, with a resolution dated 3 March 2021 the Parent Company's Board of Directors established the minimum threshold of such loss within the "Group Risk Management Policy" equal to €500,000;
- ii. the loss of one or more of the requirements of professionalism, integrity and independence referred to in article 26 TUB for the members of Personnel who carry out administration, management and control functions;
- iii. violation of the obligations provided for in article 53, paragraph 4 et seq. of the TUB by the persons indicated therein, with regard to the assumption by the Group of risk-taking activities with regard to those who can directly or indirectly exercise influence on the management of the Bank or the Group as well as persons connected to them, as well as in situations of conflict of interest and/or in violation of the conditions and limits identified by the Bank of Italy pursuant to the aforementioned article 53 of the TUB;
- iv. violation of the obligations and clauses of the Supervisory Provisions (Section III, e.g. undue receipt of remuneration, violation of the retention period);
- v. specific conduct carried out with gross negligence or wilful misconduct, which has resulted in financial or non-financial damage, including damage to image, to the Group, the Bank or Group companies, even if not fully quantifiable, including, by way of example and without limitation:
  - a) violation of confidentiality and non-competition obligations during the employment relationship with the Bank;
  - b) violation of any post-contractual confidentiality and non-competition obligations, such as non-competition clauses also pursuant to art. 2125 of the Italian Civil Code;

- vi. violation with wilful misconduct or gross negligence of the obligations envisaged in Legislative Decree no. 231/2001 or in the Code of Ethics;
- vii. fraudulent conduct or other conduct carried out with gross negligence or wilful misconduct to the detriment of the Group, the Bank, clients or Group companies.

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

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 claw back or the value of the benefit awarded may be requested, without prejudice to any further damages. The amount determined in this way may be deducted by offsetting it against the beneficiary's remuneration and/or severance pay.

The *Malus and Claw Back* mechanisms are triggered when the Bank ascertains the circumstance that justifies Malus and Claw Back, using the procedure indicated in Annex 3 (*Role of Corporate Functions* - Procedure for activating Malus and Claw Back mechanisms).

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

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

With regard to the Incentive Plans in Financial Instruments, if the Internal Audit function – at the request of the Board of Directors for the Relevant Personnel of the BoD, and the Chief Executive Officer for the remaining Personnel – ascertains one or more Malus conditions before the vesting date, the beneficiary loses all the options (or the financial instruments) awarded and not yet vested.

For Stock Option Plans, options that have vested but not yet exercised are subject to Claw Back if the related conditions are ascertained by the Internal Audit Function after the vesting date and before the exercise of the vested options.

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

## 8. OBLIGATIONS ON DISCLOSURE AND COMMUNICATIONS TO THE BANK OF ITALY

For the purposes of public disclosure, as envisaged by the Supervisory Provisions that incorporate the provisions contained in article 450 of the CRR,<sup>28</sup> along with other information required under the document "Pillar III – Public Disclosure", the Bank publishes on its website:

- i. information on the link between Remuneration and performance;
- ii. the most important features of the remuneration system, including information on the criteria used to assess performance and risk adjustment, deferral policies and award criteria;
- iii. aggregate quantitative information on Remuneration, broken down by line of business;
- iv. aggregate quantitative information on Remuneration, broken down by senior management and members of the Personnel whose actions have a significant impact on the Group's risk profile;
- v. the number of people remunerated with €1 million or more per year, for Remuneration between €1 and €5 million divided into payment bands of €500,000, and for Remuneration equal to or greater than €5 million divided into payment bands of €1 million.

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

In its capacity as Parent Company, the Bank also sends the following information to the Bank of Italy through the "INFOSTAT" platform, in line with the provisions in the EBA Guidelines 2022/06 and 2022/08:

- (i) on an annual basis, by 15 June of each year:
  - the information required by Annexes I and II in the EBA Guidelines 2022/08, with reference to the so-called high earners in the Group, i.e. individuals whose total Remuneration is equal to Euro 1 million on an annual basis;
  - the information on remuneration trends and practices contained in tables REM1, REM2, REM3, REM4 and REM5 of Implementing Regulation (EU) 2021/637 and in Annexes I, II and III of the EBA Guidelines 2022/06, since the Bank is included in

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<sup>28</sup> Regulation (EU) no. 575/013 of 26 June 2013.

the survey sample for benchmarking purposes of the Bank of Italy, in implementation of the EBA guidelines<sup>29</sup>.

(ii) every two years, starting from 2023, by 15 June of the year of the survey, the information on the ratio between the variable and fixed remuneration components of most relevant personnel exceeding 100% as set out in Annex V of EBA Guidelines 2022/06;

(iii) every three years, starting from 2024, by 15 June of the year of the survey, the information on the gender pay gap as set out in Annex IV of EBA Guidelines 2022/06.

Only for the year 2023, based on the provisions of the Bank of Italy Communication of 1 July 2022 *"Remuneration systems. Communication for the collection of data from banks and investment companies in implementation of the EBA guidelines"*, the information indicated in points (i) and (ii) will be sent by the Bank by 31 August.

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<sup>29</sup> Banking groups with consolidated assets above €40 billion for benchmarking purposes, and, banks and banking groups with assets exceeding €5 billion for national supervisory purposes, are subject to survey obligations. Assets triggering the obligation to send the information are those pertaining to the financial year prior to that to which survey data refer.

## 9. ANNEXES TO THE POLICY

### ANNEX 1: DEFINITIONS

<i>Update No. 37 of Circular 285</i>	The 37th update of the Supervisory Provisions dated 24 November 2021, implementing CRD V and issued pursuant to articles 53 and 67 of the TUB and Ministerial Decree no. 933 of 27 December 2006.
<i>Senior Management</i>	The executive directors, general managers, co-general managers and deputy general managers; the heads of the main business areas, company functions or geographic areas; those who report directly to the Board of Directors and/or the Chief Executive Officer.
<i>Chief Executive Officer</i>	The "management body" of the Bank, i.e. the Board member to whom the Board of Directors delegated current management duties, intended as implementation of the guidance resolved by the strategic supervision function.
<i>Meeting</i>	The Bank's shareholders' meeting.
<i>Bank, Parent Company</i>	BFF Bank S.p.A., the parent of the BFF Banking Group.
<i>Excluded Benefits</i>	Monetary allocations excluded from the concept of Remuneration as they (i) are of marginal value, (ii) are non-discretionary, (iii) fall within a general policy of the Bank and (iv) do not affect the Bank's risk profile. These conditions must exist jointly so that an Excluded Benefit can be identified.
<i>Benefits</i>	The so-called fringe benefits represent complementary remuneration elements to the Fixed Remuneration. Specifically, they consist in the granting of the use of goods and services by the employer in favour of the Personnel.
<i>Collectors Bonus</i>	A form of objective-based short-term Variable Remuneration that is part of the Management By Objectives (MBO) bonuses envisaged for debt recovery Personnel.
<i>Sales Bonus</i>	The variable remuneration, other than the MBO, for the achievement of annual company and individual qualitative and quantitative objectives, the individual bonuses 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 the Relevant Personnel, for Complaints Handling Personnel and for the Personnel in Charge of Assessing Creditworthiness.

<i>Claw Back</i>	The total or partial refund of the Variable Remuneration already received.
<i>Corporate Governance Code</i>	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.
<i>Code of Ethics</i>	The code of ethics adopted by the Group.
<i>Board of Statutory Auditors</i>	The body with control function of the Bank.
<i>Control and Risk Committee</i>	The committee set up by the Board of Directors pursuant to and to the effects of paragraph 2.3.3 of Section IV, Chapter 1 ("Corporate Governance"), Title IV, First Part of the Supervisory Provisions and article 6 of the Corporate Governance Code.
<i>Remuneration Committee</i>	The committee set up by the Board of Directors pursuant to and to the effects of paragraph 2.3.4 of Section IV, Chapter 1 ("Corporate Governance"), Title IV, First Part of the Supervisory Provisions and article 5 of the Corporate Governance Code.
<i>Related Party Transactions (or RPT) Committee</i>	The committee for the evaluation of transactions with related parties and associated entities.
<i>Board of Directors</i>	The body with strategic supervision functions of the Bank, to which the Bank's management functions are entrusted, through, inter alia, the exam of and resolution on business or financial plans of strategic transactions.
<i>CRD IV</i>	European Directive 2013/36/EU of 26 June 2013.
<i>CRD V</i>	European Directive 2019/878/EU of 20 May 2019.
<i>Customer Satisfaction</i>	Indicator of the degree of satisfaction of BFF customers resulting from a survey conducted with the support of an external consultant. This indicator acts as an MBO multiplier.
<i>Depobank</i>	Depobank – Banca Depositaria Italiana S.p.A.
<i>Financial Reporting Officer</i>	The officer in charge of the preparation of the bank's accounting documentation pursuant to article 154-bis of the TUF.

<i>Executives with Strategic Responsibilities</i>	As per IAS 24, executives with strategic responsibilities are key management personnel having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly and whose remuneration is disclosed – in aggregate form – in section II of the report on remuneration and fees paid.
<i>Supervisory Provisions</i>	The Bank of Italy's Circular no. 285 of 17 December 2013 and subsequent updates, the "Supervisory Provisions for Banks".
<i>Risk-Adjusted (EBTDA<sup>RA</sup>)</i> <i>EBTDA</i>	Group EBTDA adjusted according to an adjustment mechanism that takes into account the risks assumed, consistent with the targets established in the Risk Appetite Framework (RAF) defined on the basis of the budget/strategic plan approved by the Board of Directors according to the following formula: $EBTDA^{RA} = EBTDA - (RWA^M * TCR \text{ Target} * Ke)$ . <sup>30</sup>
<i>Executives</i>	The managers of business units articulated or characterised by high professionalism reporting to the Chief Executive Officer or Senior Executives, contributing significantly and with a broad autonomy to the achievement of the objectives of the structure they belong to, or providing qualified support/advice to the Top Managers and the rest of the organisation. They may be included among the Risk Takers. Executives are identified through specific Board of Directors resolution.
<i>Compliance &amp; AML Function</i>	The corporate function to manage the risk of non-compliance with legislation, as well as to control the risk of money laundering and terrorist financing.

<sup>30</sup> 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 stock option plans). This accounting caption is also considered to include or exclude any accounting items of an extraordinary nature envisaged in the budget (for example, non-recurring corporate transactions) and/or unexpected items generated by the Bank or the Group that could not be budgeted. This is due to a specific resolution of the Board of Directors;

**RWA<sup>M</sup>:** the average in the year of total risk-weighted assets, on a single company and Group basis, established on the average of end-month RWA, calculated by the Planning, Administration and Control Department on the basis of monthly accounting closings and through the replication of prudential planning activities required for quarterly supervisory reports;

**TCR Target:** in the absence of instruments eligible for inclusion in equity, this is the risk appetite threshold defined for the Total Capital Ratio in the RAF in force at the beginning of the year to which this policy refers. If there are eligible instruments for the purposes of equity accounting, the TCR Target value to be applied in the formula is equal to the difference between the Risk Appetite in the RAF and the percentage of impact of such instruments on the Group's TCR Target;

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



<i>General Counsel Function</i>	The corporate function of legal support to the Chief Executive Officer and other corporate structures.
<i>Internal Audit Function</i>	The corporate internal audit function.
<i>Risk Management Function</i>	The corporate risk control function.
<i>Human Resources and Organisational Development Function</i>	The corporate function with the task of managing and training the Group's human resources, ensuring the development of the Group's human and organisational capital in compliance with the guidelines established by the Chief Executive Officer.
<i>Corporate Control Functions</i>	The Corporate Control Functions as defined in the Bank of Italy's rules on the internal control system, <sup>31</sup> i.e. the Internal Audit Function, the Risk Management Function and the Compliance & AML Function.
<i>Group or BFF Group</i>	The BFF Banking Group.
<i>2022 Incentive Plan</i>	The Group incentive plan based on stock options approved by the Meeting on 31 March 2022.
<i>Integration Bonus</i>	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).
<i>Malus</i>	The reduction or loss of entitlement to payment of the Variable Remuneration, not yet received.
<i>MBO</i>	The short-term incentive system, for the Chief Executive Officer and Employees, which provides for a possible payment of annual incentive proportional to the annual gross remuneration.
<i>Transparency Regulations</i>	The provision of the Bank of Italy "Provisions on transparency of transactions and banking and financial services. Correct conduct between intermediaries and customers" of 19 March 2019.
<i>Depobank transaction</i>	Acquisition of Depobank - Banca Depositaria Italiana S.p.A. by the Bank, formalised in a binding agreement dated 15 May 2020 (signing) and then definitively acquired on 5 March 2021.
<i>Personnel</i>	The members of the bodies discharging strategic supervision, management and control functions, as well as the Group employees and collaborators.

<sup>31</sup> See Supervisory Provisions.

<i>Relevant Personnel of the BoD</i>	<p>The Personnel whose remuneration and incentive systems, annual targets and its evaluation are defined by the Board of Directors, namely:</p> <ul style="list-style-type: none"> <li>(i) the Chief Executive Officer;</li> <li>(ii) Directors who perform special functions;</li> <li>(iii) Senior Executives of the Group;</li> <li>(iv) Executives who report directly to the Chief Executive Officer;</li> <li>(v) Heads of Corporate Control Functions.</li> </ul>
<i>Employees</i>	The employees of the Group.
<i>2016 Stock Option Plan</i>	The stock option plan originally approved by the Meeting of 5 December 2016 and subsequent updates, with the last allotment in 2019.
<i>2020 Stock Option Plan</i>	The stock option plan approved by the Meeting of 12 April 2020.
<i>Stock Option Plans</i>	The 2016 and 2020 Stock Option Plans and the 2022 Incentive Plan considered collectively.
<i>Incentive Plans in Financial Instruments</i>	Any incentive plan based on financial instruments, including Stock Option Plans, already adopted or to be implemented by one of the Group companies.
<i>Policy</i>	The remuneration and incentive policy for the members of the Strategic Supervision, Management and Control Bodies and the Personnel of the Banca Farmafactoring Group.
<i>2020 Policy</i>	The "Remuneration and Incentive Policy for the members of the strategic supervision, management and control bodies and the personnel of the Banca Farmafactoring Banking Group" approved by the Meeting on 2 April 2020.
<i>Remuneration Policy for the Relevant Personnel, for Complaints Handling Personnel and for the Personnel in Charge of Assessing Creditworthiness</i>	The remuneration and incentive policies for BFF Banking Group's Relevant Personnel, for complaints handling personnel and for the personnel in charge of assessing creditworthiness, defined in accordance with the Transparency Regulations and contained in a specific document approved by the Board of Directors.
<i>RAF</i>	"Risk Appetite Framework", namely the framework which defines – in accordance with the maximum risk that can be taken, the business model and the strategic plan – the risk appetite, tolerance thresholds, risk limits, risk management policies and reference processes necessary

	to define and implement them, including at Group level.
<i>Issuers' Regulation</i>	CONSOB Regulation no. 11971/1999.
<i>Ex-Post Report</i>	The annual report on the application of the 2019 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.

<i>Annual Report on the Remuneration Policy and Remuneration Paid</i>	The Annual Report on the Remuneration Policy and Remuneration Paid prepared as part of the information required pursuant to article 123-ter of Legislative Decree no. 58 of 1998 of the TUF and article 84-quater of the Issuers' Regulation.
<i>Remuneration</i>	Every form of payment or benefit paid, including any accessory items (so-called allowances), directly or indirectly, in cash, financial instruments or services or goods in kind (fringe benefits), in exchange for the provision of work or professional services rendered by the Personnel to the Bank or other Group companies, except for the Excluded Benefits.
<i>Fixed Remuneration</i>	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.
<i>Global Remuneration</i>	The sum of annual Fixed Remuneration, annual Benefits and the maximum value of the MBO receivable in the year in question.
<i>Variable Remuneration</i>	<p>(i) Remuneration whose recognition or which payment may change in relation to performance, however measured (income targets, rates, etc.), or other parameters (e.g. period of continuing employment), excluding the severance entitlements laid down by the general standard for working relations and compensation for failure to give notice, when their amount is established in accordance with the law and within the limits set therein.</p> <p>(ii) Discretionary pension benefits and amounts agreed between the Bank and the Personnel in view or for the early termination of the employment relationship or for the early termination of office, regardless of title, legal status and the economic rationale for which they are recognised. Among these amounts, those relating to a non-competition clause or an agreement in the resolution of an actual or potential dispute are paid, whatever the forum in which it is achieved.</p> <p>(iii) The carried interest, as qualified by the provisions regarding remuneration and incentive policies and practices in the field of asset management, implementing directives 2009/65/EC (UCITS) and 2011/61/EU (AIFMD).</p> <p>(iv) Any other form of remuneration which is not uniquely qualified as Fixed Remuneration, except for the Excluded Benefits.</p>
<i>Risk Takers</i>	Individuals whose professional activities have or can have a significant impact on the risk profile of the Group, as identified in accordance with the criteria established in Chapter 3 of this Policy.

<i>Low Variable Remuneration</i>	Annual Variable Remuneration does not exceed €50,000 and does not account for more than one third of the total annual Remuneration.
<i>Significantly High Variable Remuneration</i>	Variable remuneration in excess of €424,260.
<i>Senior Executives</i>	Roles of Central Director or Vice President (VP) directly reporting to the Chief Executive Officer, contributing in a significant way to the achievement of the Group strategic objectives, belonging to the Risk Takers, usually managing significant HR and/or economic budgets, in the context of formal delegations and proxies. Senior Executives are identified by specific Board of Directors resolution.
<i>Subsidiaries</i>	The companies belonging to the Group, excluding the Bank.
<i>Relevant Personnel</i>	Group Personnel offering products to customers, interacting with them, as well as those to whom this Personnel reports hierarchically, 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.
<i>By-Laws</i>	The By-Laws of the Bank.
<i>Financial Instruments</i>	The Bank's financial instruments with which part of the Variable Remuneration is paid to Risk Takers.
<i>Sustainable Success</i>	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.
<i>Target EBTDA<sup>RA</sup></i>	The level of EBTDA <sup>RA</sup> as envisaged and calculated in the annual budget approved by the Board of Directors for the year in question.
<i>TUB</i>	The Consolidated Law on Banking under Legislative Decree no. 385 of 1 September 1993, as amended.
<i>TUF</i>	The Consolidated Law on Finance under Legislative Decree no. 58 of 24 February 1998, as amended.
<i>TUIR</i>	The Consolidated Income Tax Act.
<i>Sales BU</i>	The business unit responsible for managing the Bank's business through the development of relationships with new customers and relationships with existing customers.

<i>Regulation and Processes BU</i>	The business unit with the tasks of developing the Bank's organisational model in accordance with the guidelines defined by the Chief Executive Officer, and continually updating the Group's internal and governance rules.
<i>Planning and Control BU</i>	The business unit with the task of ensuring an appropriate disclosure of corporate events through the performance of accounting processes aimed at financial reporting; that unit also performs the Group's economic planning/management periodic activities and supervises and monitors the achievement of the budget/business plan through management reporting.
<i>Projects BU</i>	The business unit which manages the development projects under its direct responsibility and monitors the project portfolio of the Bank and the Group.
VAP	Company bonus provided for in the National Collective Labour Agreement for executives and personnel in professional areas, employees of credit, financial and instrumental companies.

## ANNEX 2: REGULATORY CONTEXT OF THE POLICY

The Policy applies to all of the Bank's Personnel, and for the purposes of applying the requirements of the Supervisory Provisions, the Bank falls under the category of a listed bank other than a bank of smaller size or operational complexity, having recognised average assets in excess of €5 billion in the four years prior to 2023.

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

1. the Bank of Italy's **Supervisory Provisions**<sup>32</sup> on remuneration and incentive policies issued on 23 October 2018, as subsequently amended, which establish an organic set of rules on remuneration practices and policies for banks and banking groups;
2. the **Issuers' Regulation**, recently amended by Consob, in implementation of Directive 2017/828/EC (the so-called "SHRD II"), with Resolution no. 21623 of 10 December 2020. These amendments also affected Schedule 7-bis of Annex 3A of the Regulation, which prescribes the content of the remuneration policies of listed companies;
3. the **Corporate Governance Code**. Given that the Supervisory Provisions on Remuneration set limits that are as a whole stricter than the corresponding provisions in the Corporate Governance Code, which the Bank adheres to, the Supervisory Provisions are applied as regards Remuneration, absorbing and replacing the provisions in the Corporate Governance Code on remuneration practices and policies, including the provisions on retention of shares awarded under remuneration plans, which tend to incentivise the alignment of beneficiaries with the interests of shareholders over the long term.

In this regard, the Corporate Governance Code establishes that share-based remuneration plans for executive directors and top management must provide that a prevailing portion of the plan has a total vesting period and retention period of at least five years.

The Bank does not apply the above provision to share ownership but rather the rules of the Supervisory Provisions, as on the whole they are more stringent than the corresponding provisions of the Corporate Governance Code. More specifically, 50% of the Variable Remuneration of Risk Takers is paid in financial instruments, 40% of which is subject to a deferral period of at least four years and a further retention period of at least one year.

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<sup>32</sup> See Circular 285, Section One, Title IV, Chapter 2.

Without prejudice to the above, the Bank has implemented all the recommendations of the new Corporate Governance Code, and specifically applies diversity criteria – including by gender – for the composition of the Board of Directors in compliance with the priority objective of ensuring adequate competence and professionalism of its members.

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

Furthermore, one should also take note of the issue of Italian Legislative Decree no. 49 of 10 May 2019, which amended art. 123-ter of the TUF, in implementation of Directive 2017/828/EC (the so-called "SHRD II") as regards the encouragement of long-term shareholder engagement, which envisages provisions in relation to remuneration policies for listed companies.

Most of these provisions are new only for listed companies that do not operate in the banking sector. For the latter, on the other hand, most of these provisions overlap with those of the Supervisory Provisions (for example, the principle of alignment to long-term interests, including control body remuneration policies in the Report and requiring a binding vote of the Meeting to approve remuneration policies).

At a European level the regulatory environment consists of:

- *Capital Requirements Directive V* (CRD V) 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 possible conflicts of interest;
  - iii. ensure that the remuneration system appropriately takes into account current and prospective risks, the degree of capitalisation and liquidity levels of each intermediary;
  - iv. increasing the degree of transparency towards the market;



- v. ensure that there is no gender discrimination among Personnel;
  - vi. increase harmonisation among Member States;
  - vii. ensure greater clarity and transparency when applying the principle of proportionality.
- The EBA Guidelines - GL 2021/04 of 2 July 2021, which provide guidelines and interpretative clarifications in accordance with CRD V.

## **ANNEX 3: ROLE OF COMPANY FUNCTIONS**

### **Corporate Control Functions**

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

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

The Compliance & AML Function also verifies that the Subsidiaries fully and correctly implement the Policy, assessing any further limits imposed by local regulations. If a possible conflict with local regulations emerges, the Compliance & AML Function expresses an opinion to the Chief Executive Officer on how to resolve the conflict of regulations, and identifies the operational solutions that can allow the Policy to be implemented correctly.

The Risk Management Function, based on the accounting evidence provided by the Finance and Administration Department, checks that the entry gates for Variable Remuneration, including the results of EBTDA<sup>RA</sup>, have been achieved and that the incentive system is consistent with the risk management methodologies.

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

### **Financial Reporting Officer**

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

### **Human Resources and Organisational Development Function**

The Human Resources and Organisational Development Function:

- i. applies the provisions contained in the Policy by translating them operationally, within the limits provided by the role and the powers granted;
- ii. ensures the correct application of the criteria and parameters of the Remuneration and incentive scheme within the Group;
- iii. performs benchmark analyses against a panel of domestic and foreign banks comparable to the Bank in terms of business and size, which may vary depending on the subject under consideration. This analysis is performed in order to determine:
  - a) proposals for revising the Policy;
  - b) a review of the remuneration and incentive system in terms of the instruments, methods, operating mechanisms and parameters adopted by the Bank;
- iv. coordinates the process of identifying and defining Risk Takers;
- v. provides support to the Remuneration Committee and, where appropriate, to the Control and Risk Committee;
- vi. monitors regulatory developments in employment law and the rules governing the remuneration system;
- vii. initiates the verification process on the conditions of Malus and Claw Back, making use of the Internal Audit Function for the appropriate verifications.

Details of the roles in the following processes are given below:

- Verification of the achievement of individual objectives;
- Procedure for activating Malus or Claw Back mechanisms.

## **Process for verification of the achievement of individual objectives**

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

- i. Group Planning and Control BU, if of a financial nature;
- ii. Strategy and Projects BU, if of a design 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 in order to ensure an objective assessment. Outside of the quantitative economic and planning objectives, other types of objectives can be assigned which are then verified and certified by the BU functional manager of the individual collaborators and approved by the Chief Executive Officer. Individual quality objectives are linked to organisational conduct and are assessed directly by the head of the individual function concerned on a granular evaluation scale. In order to make the evaluation of the qualitative objectives as objective as possible, annual quantitative drivers are identified relating to the performance of the BU or Function or Department to which they belong, whose overall results support the evaluation of the organisational conduct of the individual in achieving the identified driver. These drivers make it possible to argue more precisely the evaluation of the individual's performance in relation to concrete objectives that are considered important from year to year for the department to which they belong.

## **Procedure for activating Malus or Claw Back mechanisms**

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

At the request of the Board of Directors for Relevant Personnel of the BoD and of the Chief Executive Officer for other Personnel, the Internal Audit Function performs the analyses necessary to ascertain the facts that may lead to the activation of the Malus or Claw Back mechanisms. Investigations are carried out by the Head of Internal Audit Function, making use of its structure to complete the phase of initial analysis of the information.

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

If the necessary conditions exist, before activating the Malus or Claw Back mechanisms:

- i. with respect to an employee, the disciplinary procedure is activated in accordance with article 7, Law no. 300/1970 and the applicable collective labour agreement. With the communication concluding the disciplinary procedure (or with separate communication), the person in question is informed of the activation of the Malus or Claw Back mechanisms;
- ii. with respect to a person who has a relationship other than employment, or with respect to persons who no longer have any relationship with the Bank, the following procedure is activated:
  - a) the facts that are assumed to activate the Malus or Claw Back mechanisms must be notified in writing to the person concerned, who is guaranteed the right to provide his or her defence in writing within a reasonable period proportionate to the complexity of the facts complained of, in any case not less than 5 calendar days;
  - b) once the party concerned has been heard in his or her defence (or after the deadline assigned without the party concerned having presented his or her defence), the Chief Executive Officer, keeping the Board of Directors (or the Board of Directors for the Relevant Personnel of the BoD) informed, may proceed with any measures that may be taken.

The decision must be communicated to the person concerned in writing, and reasons must be given. The measure referring to the facts committed, identifying the provisions which are assumed to have been breached and the reasons why the concerned person's defence may not be upheld is considered justified.

## SECTION II

### IMPLEMENTATION OF REMUNERATION POLICIES IN 2022

#### 1. PREAMBLE

This section of the Report provides information on the implementation in 2022 of the 2022 Policy, as amended by the Shareholders' Meeting of 31 March 2022, also in light of the feedback received from shareholders. The remuneration described in this section is in line with the provisions of Section I of the Remuneration Report submitted to the binding vote of the Shareholders' Meeting of 31 March 2022, which voted in favour.

This section consists of two parts.

The first part includes:

- i. a summary of the main results achieved by the Bank in 2022 with the aim of illustrating the relationship between the incentives paid and the performance achieved, in accordance with the principle of a pay-for-performance perspective that characterises the Group's remuneration policy, while respecting the principles of prudence and sustainability;
- ii. general information on the implementation of the 2022 Policy, including the monitoring on gender neutrality, which enjoys a specific focus and the assessments provided by the Group's control functions, each for the aspects within their respective remits;
- iii. details 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 2022 Policy;
- iv. implementation of the reference Incentive Policy, including the percentage of achievement of the targets envisaged for the activation of the variable remuneration systems (gate indicators) and a focus on the achievement of individual objectives for the Chief Executive Officer.

The second part includes:

- details of each of the items making up remuneration, in the table format envisaged by the Issuers' Regulation. Specifically, the information is provided:

- by name, for the members of the management and control bodies and for the Chief Executive Officer;
  - in aggregate form for the Executives with Strategic Responsibilities as no executive with strategic responsibility receives higher remuneration than the Chief Executive Officer<sup>33</sup>.
- the disclosure required by Article 450 of the CRR in relation to the implementation of the 2022 Remuneration Policy<sup>34</sup>.

For an illustration on how the Bank kept account of the vote expressed by the Shareholders' Meeting in the previous year pursuant to Art. 123-ter, paragraph 4, Lett. B-bis), TUF one should refer to paragraph 1.1.1 of Section I – *Voting results of the 2022 Shareholders' Meeting* and paragraph 2 of Section I - 2. *Principles and pursuit of long-term interests with a view to sustainability and personnel management policy*.

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<sup>33</sup> The relevant legislation (Article 123-ter of the TUF and Schedule 7-bis of Annex 3A to the Issuers Regulations) requires specifying by name:

- a. the remuneration of the members of the management and control bodies;
- b. the remuneration of any other executives with strategic responsibilities who received, during the year, remuneration (obtained by adding the monetary remuneration and remuneration based on Financial Instruments) higher than the highest total remuneration attributed to the individuals identified in letter a; in the case of the Bank, the Chief Executive Officer.

<sup>34</sup> COMMISSION EXECUTIVE REGULATION (EU) 2021/637 of March 15, 2021 laying down implementing technical rules regarding the publication by institutions of the information referred to in Part Eight, Titles II and III of Regulation (EU) No. 575/2013.

## 2. FIRST PART

### 2.1. MAIN RESULTS FOR 2022

The continued strengthening of growth initiatives, strict cost control and asset quality control enabled the Group to achieve excellent results in terms of revenues in the year ended 31 December 2022.

As a consequence, the Group achieved the following results:

- adjusted **net revenues** for the year 2022 equal to **€379.1 million**, of which €170.1 million came from the Factoring & Lending Department;
- **adjusted net income rising to €146.0 million**, up 16.5% year-on-year;
- consolidated **reported net income** equal to €232 million euro, up by +17.6% compared to the previous year;
- **CET1 of 16.9%** (22.2% including dividends accrued in 2022).

The decisions relating to the remuneration and incentives for Personnel were therefore taken in a context that rewarded the performance achieved, on the pay-for-performance basis underlying the Group's remuneration policy, while respecting the principles of prudence and sustainability.

### 2.2. GENERAL INFORMATION ON THE IMPLEMENTATION OF THE 2022 POLICY

During 2022, Directors and Employees were paid the Fixed Remuneration, in accordance with the 2022 Policy and the individual contractual provisions and in compliance with the collective bargaining agreements applied.

The award of the MBO Variable Remuneration accrual 2022 for Employees was based on the achievement of company and individual qualitative and quantitative objectives.

The Variable Remuneration was calculated in accordance with the Policy in force.

Verification of compliance the ratio between Fixed and Variable Remuneration provided for in Policy 2022 took into account the gross annual value of all the components of the Fixed Remuneration, including Benefits, and the variable component accrued during the year. The maximum ratios of Variable Remuneration to Fixed Remuneration of 2:1 for Employees and the Chief Executive Officer, and one third for the Heads of Corporate Control Functions, were respected.



You are reminded that the Group uses Financial Instruments to pay Risk Takers at least 50% of the Variable Remuneration, both up-front and deferred.

In the case of Risk Takers, the deferral portions and periods, as well as the retention portions and periods of the Financial Instruments in accordance with the 2022 Policy, have been applied to all accrued Variable Remuneration items.

For the year 2022, 120% of the target value linked to the award of the VAP corporate bonus, envisaged for the Bank's Employees subject to the national collective bargaining agreement regarding credit applicable in Italy, was reached.

With regard to the information to be provided pursuant to Article 114-bis of the TUF concerning remuneration plans based on significant Financial Instruments, active during 2022, see paragraph 2.3.2 below (2022 Incentive Plan) in the Report.

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

In compliance with the provisions of the Issuers' Regulation, the Parent Company provides information about the annual variation in total remuneration of each of the members of the Board of Directors, the Bank's results and the average gross annual remuneration calculated based on the full-time employees of the Group, other than members of the management and control bodies and the Chief Executive Officer. In this regard, one should refer to tables 2 and 3 in paragraph 2.8.

## **2.3. IMPLEMENTATION OF THE APPLICABLE REMUNERATION AND INCENTIVE POLICY IN 2022**

### **2.3.1. *Remuneration of the strategic supervision, management and control bodies***

On 25 March 2021, the Ordinary Shareholders' Meeting of BFF Bank S.p.A. appointed the Board of Directors and the Board of Statutory Auditors using the "list voting" procedure. These bodies were subsequently supplemented, following resignations, by the Shareholders' Meeting on 31/03/2022 with regard to the Directors, and on 22/06/2022 with regard to the Board of Statutory Auditors. These Directors and Statutory Auditors will remain in office until the date of the Shareholders' Meeting called to approve the financial statements at 31/12/2023.

The remuneration for the office of director, and for members of the Board of Statutory Auditors did not change.

The remuneration approved by the Shareholders' Meeting held on 25 March 2021, for Directors, and by the Board of Directors held on the same date, for Directors holding special offices and members of the Committees, is shown below:

Director Remuneration	50,000
Chairman of the Board of Directors Remuneration	270,000
Chief Executive Officer Remuneration	1,067,000
Control and Risk Committee Chairman	35,000
Control and Risk Committee Member	20,000
Remuneration Committee Chairman	20,000
Remuneration Committee Member	10,000
Nomination Committee Chairman	20,000
Nomination Committee Member	10,000
Related Party Transactions Committee Chairman	10,000
Related Party Transactions Committee Member	4,000

Table 1.

The sum of the Fixed Remuneration, Benefits and maximum MBO attributable to the Group's Chief Executive Officer did not increase.

#### 2.3.1.1. *Remuneration of non-executive members of the Board of Directors*

The non-executive members of the Board of Directors were paid during FY 2022 the following remuneration components (calculated based on their effective period in office)<sup>35</sup>:

- i. a fixed fee for the office of director, equal to €50,000,
- ii. an additional fixed fee for directors who hold special offices, Chairman or member of board committees, for a maximum annual cumulative amount of €55,000;
- iii. for the Chairman of the Board of Directors, additional remuneration pursuant to paragraph 3 of Article 2389 of the Italian Civil Code, equal to €270,000 per year.

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

<sup>35</sup> Set within the total amount approved by the Shareholders' Meeting of 25 March 2021, in the Board of Directors' meeting of 29 January 2021.

#### **2.3.1.2. Remuneration of members of the Board of Statutory Auditors**

During the 2022 financial year, the members of the Board of Statutory Auditors were paid the remuneration due for their office, approved by the Meeting of 25 March 2021 amounting to:

- i. fixed remuneration for the position of Regular Auditor, equal to €65,000;
- ii. fixed remuneration 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, because, among other things:

- i. it is in line with the Group's long-term objectives;
- ii. no variable component has been paid to the Statutory Auditors<sup>36</sup>.

#### **2.3.1.3. Remuneration of the members of the Supervisory Body**

For each of the two (out of three) members of the Supervisory Body who are not Employees of the Bank,

- i. fixed remuneration of €20,000 was paid (for the period 01/01/2022 - 31/12/2022);
- ii. no Variable Remuneration was paid to the members of the Supervisory Body.

As envisaged, no additional remuneration was paid to the members of the Supervisory Body who are part of the Bank's employees.

#### **2.3.1.4. Chief Executive Officer remuneration**

In 2022, the following remuneration components were paid to the Chief Executive Officer:

##### **Fixed elements**

- the gross annual remuneration as Chief Executive Officer, equal to €1,117,000, including the **fixed remuneration** for the office of director, equal to €50,000;
- a package of non-monetary benefits, amounting to €78,400 net, as provided for in the existing contract between the Bank and the Chief Executive Officer.

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<sup>36</sup> In compliance with Article 3 of Section III of the Supervisory Provisions on Remuneration, which precludes any form of variable remuneration to the members of the body with control functions.

## Variable elements

- the MBO for the year 2022 amounting to €1,117,000, corresponding to the maximum limit for the bonus under the 2022 remuneration policies, subject to the approval of the 2022 financial statements by the Meeting (see the paragraphs below for details), of which 40% will be paid up front (of which 51% in financial instruments) and 60% will be deferred for five years (of which 51% will be paid in financial instruments);
- the second tranche of the Integration Bonus for an amount of €678,810.00, of which 70% equal to €475,167.00 was paid up front (of which 50%, amounting to €237,583.50, in financial instruments) and 30% equal to €203,643.00 was deferred for three years (of which 50%, amounting to €101,821.50, will be paid in financial instruments),
- a number of Stock Options (B Options) amounting to 1,164,000, awarded pursuant to the "2022 Incentive Plan", in relation to the first tranche. One should refer to chapter 2.3.2 (2022 Incentive Plan) for further details on the Plan;
- in 2022, the Chief Executive Officer was also awarded the deferred portion, equal to 30%, relating to the 2019 MBO. The amount paid will be €107,973.15 in cash and €107,973.15 in financial instruments for a total of €215,946.30.

### 2.3.1.5. *Focus on performance of the Chief Executive Officer*

#### 2022 MBO

Despite the still uncertain macroeconomic scenario, in 2022 the Group was able to cope with the difficult period, by implementing with great success initiatives to strengthen the stability of its balance sheet and income statement.

Consequently, the review of the Group's final figures for the year 2022 showed that the entry gate objectives of liquidity and capital and risk-adjusted profitability had been achieved, which led to the activation of the incentive system for the Chief Executive Officer and the Group's employees.

On 27 January and 8 March 2023, the Board of Directors checked the fulfilment of the four conditions (gates) relating to the 2022 MBO of the Chief Executive Officer<sup>37</sup>.

As regards the gate linked to the relationship between EBTDA<sup>RA</sup> and Target EBTDA<sup>RA</sup>, the result achieved was 158.2%.

On this point, in accordance with the definition of EBTDA<sup>RA</sup> outlined in the 2022 remuneration policies, the calculation includes the accounting treatment change related to

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<sup>37</sup> The same conditions operate as a possible malus for the deferred portions of the MBOs of previous years.

the “Recovery Cost” rights accounted on an accrual basis. This change was approved following the Court of Justice of the European Union's confirmation that a minimum amount of 40 euros per invoice is recognized to compensate the incurred recovery costs.

The inclusion of this item meant that an above-target result was achieved. Nevertheless, the Board of Directors passed a resolution also on 27 January 2023, adopting a prudent approach, to consider a ratio level between EBTDA<sup>RA</sup> and Target EBDTA<sup>RA</sup> equal to the target (100%).

Indicator	Minimum threshold	Percentage of achievement 2022	Exceeding the gate
<b>Liquidity Coverage Ratio (LCR)</b>	> or = <i>risk tolerance</i> (*)	297.8%	√
<b>Total Capital Ratio (TCR)</b>	> or = <i>risk tolerance</i> (*)	22.3%	√
<b>EBTDA<sup>RA</sup> (risk-adjusted and cost of capital-adjusted profitability)</b>	Positive	Positive	√
<b>EBTDA<sup>RA</sup> / Target EBDTA<sup>RA</sup></b>	> or = 100% (**)	(158.2%)	√

On the same date, the Board of Directors also checked the level of achievement of the performance objectives assigned to the Chief Executive Officer as part of the 2022 MBO.

KPI	Connection with the Strategy	Threshold	Target	Max	Level of achievement
EBTDA <sup>RA</sup>	Key indicator of financial sustainability over time	0%	70%	90%	70%

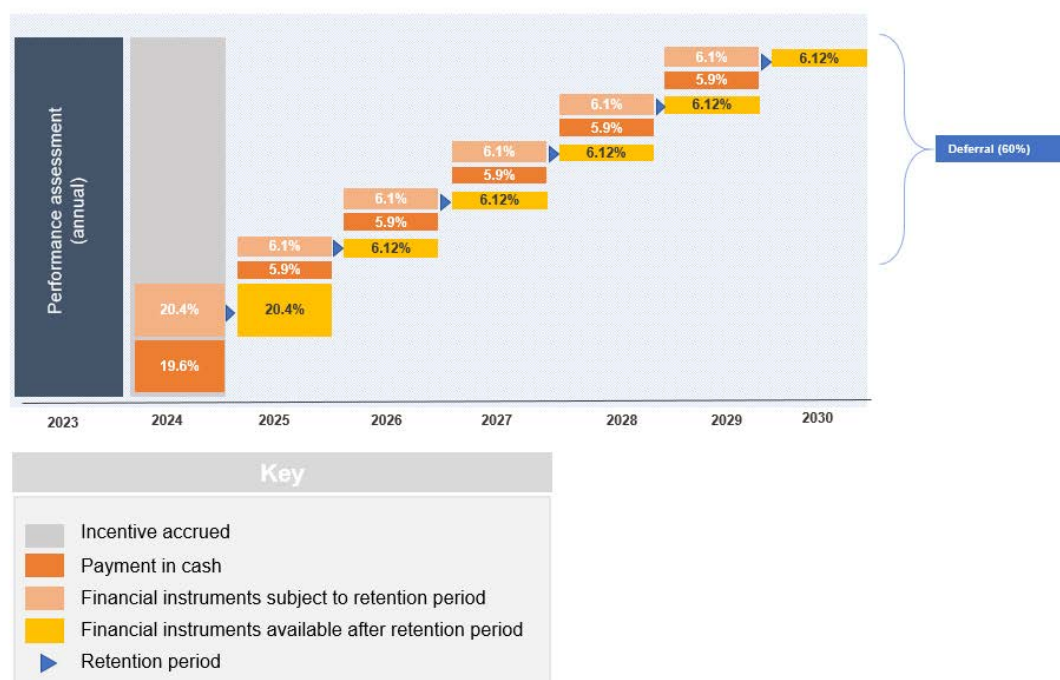
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Factoring & lending receivables (15%)	Key indicator for the growth of the main profitability driver	7.5%	15%	19.5%	7.5%
Depository bank's new AUD volume (15%)	Key indicator to measure the extra value generated by the Depobank integration	7.5%	15%	19.5%	19.5%
ESG – Customer Satisfaction (20%)	Key indicator for measuring the creation of value for the customer	10%	20%	26%	10%

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**Total = 70%+37%>100%. A cap of 100% is applied**

In consideration of the level of performance achieved, the MBO for 2022 is €1,117,000, corresponding to the maximum limit of the bonus specified in the 2022 remuneration policies. This Bonus will be awarded to the Chief Executive Officer subject to approval of the 2022 financial statements by the Meeting as follows:



up-front portion of €446,800.00 (40%) and a deferred portion, subject to checks for further malus and claw back conditions, of €670,200.00 (60%), balanced as follows:

- a portion equal to 51% of the up-front MBO, equal to €227,868.00, is paid in shares of the Bank subject to a retention period of 1 year;
- a portion equal to 51% of the deferred MBO, equal to €341,802.00, is paid in shares of the Bank subject to a retention period of 1 year;

### Integration Bonus

During 2022, the second tranche of the extraordinary MBO “Integration Bonus” was recognised specifically linked to the DEPObank integration project, in order to foster the retention of key people in the company for the following two years, the time necessary to ensure success of the integration, and taking into account the performance results achieved in relation to the assigned performance objectives:

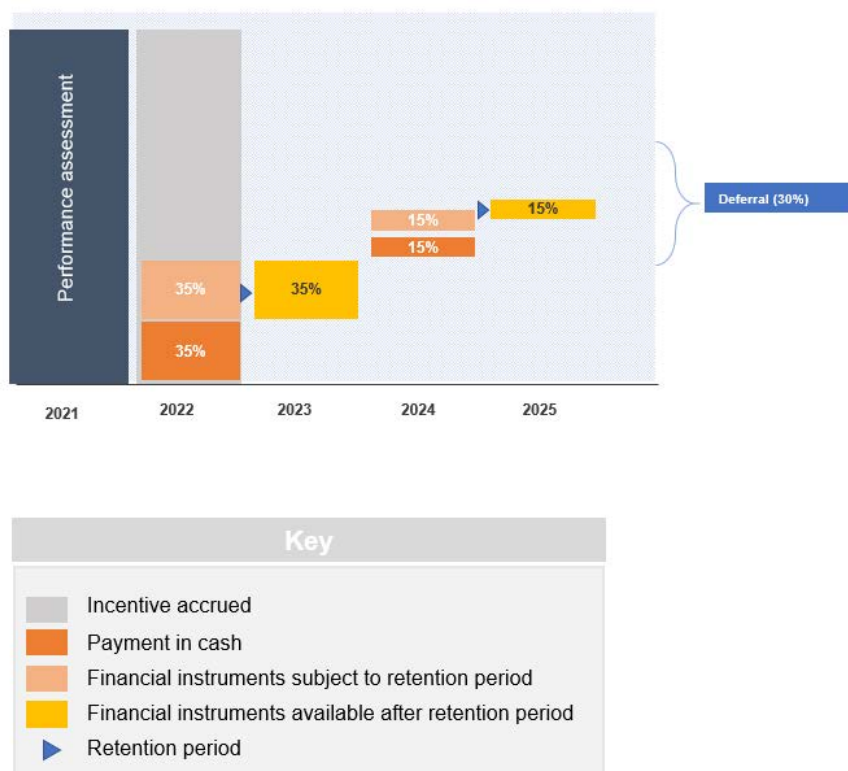
Objective	KPI Weight	Level achieved	Notes
Bank's overall compliance with TOM timescales	15%	100%	Timescales for implementation of TOM on average earlier than target times
Completion of activities for determining the M&A price adjustment	20%	100%	The value of the price was considered <i>ex post</i> to be excellent
Achievement of run-rate cost synergies June 2022	15%	100%	Achieved synergies for over 20 million euro (target)
Managing integration budget for residual post-closing activities	10%	100%	The costs related to the completion of the post-integration activities were lower than the budget, despite being inclusive of all the activities not initially envisaged
Achievement of funding synergies	20%	100%	Exceeded the target for funding synergies
Tax efficiency improvement through the release of goodwill on payments, PPA goodwill and release of ex depo securities by June 2022	10%	100%	Tax efficiency improvement gave a positive result, exceeding the pre-set target
Agility Survey – Post Agility Survey Results Plan	10%	35%	The plan was assessed to be of good quality

**Total = 15% + 20% + 15% + 10%+ 20%+ 10%+ 3.5% = 93.5% of the second tranche**

Figure: Integration Bonus - Tranche 2 envisaged for the Chief Executive Officer and related performance.



The overall individual performance for the second tranche was 93.5% and consequently the amount of the bonus approved for the Chief Executive Officer was €678,810.00.



- 70% of the amount due was paid up front and 30% was deferred.
- The portion in financial instruments (shares of the Bank) is 50% for both components, with a retention period of 1 year.

### Deferred amounts from prior year variable systems

With regard to the deferred components of the incentive systems from prior years, the Board of Directors' meeting of 8 March 2023 verified that the conditions for the deferred portion for the 2019 MBO system maturing in 2022 had been met.

The amount to be paid relating to the deferred portion above, equal to 30%, related to the 2019 MBO, is €107,973.15 in cash and €107,973.15 in financial instruments (shares of the Bank with a 1-year retention period) for a total of €215,946.30.

### 2.3.1.6. *Remuneration of the remaining Risk Takers*<sup>38</sup> who are employees of the Group

The Remuneration of Risk Takers with reference to fiscal year 2022 consists of the following components:<sup>39</sup>

- the Gross Annual Remuneration, amounting to a total of €4,029,661.45;
- a package of non-monetary benefits, amounting to a total of €263,654.74;
- annual Variable Remuneration accrued in 2022 totaling €1,722,432.77, of which an up-front portion of €1,033,459.66 (60%) and a deferred portion of €688,973.11 (40%); for the up-front portion, the amount paid in financial instruments of the Group is €516,729.83 and, for the deferred portion, the amount to be paid in shares of the Group is €344,486.55;
- some of the Risk Takers benefited from the award of the Integration Bonus accrued in 2022 of €302,591.25, consisting of an up-front portion of €211,813.88 (70%) and a deferred portion of €90,777.38 (30%). For the up-front portion, the amount paid in shares is €105,906.94 and for the deferred portion, the amount to be paid in shares is €45,388.69.

As regards the “2022 Incentive Plan”, a total of 1,054,000 phantom stock options and 925,000 options were awarded with a value of awarded phantom stock options totalling €1,153,600 and a value of options of €1,193,800. This amount constitutes Variable Remuneration on a par with the MBO incentive system.

In addition, the Risk Takers who are employees of the Group will be paid the deferred portion of the annual Variable Remuneration for the year 2020, totaling €337,294.19, of which the portion paid in shares of the Group is €117,841.61.

In relation to the 2022 **MBO system** and the associated performance, it should be noted that the regulatory capital and liquidity and profitability limits set in the 2022 Policy (Entry Gate values for access to the MBO system) have also been complied with. In this regard, the performance results already highlighted are shown below:

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<sup>38</sup> The executives with strategic responsibility are also included

<sup>39</sup> The amounts are shown in aggregate form, as required by Schedule 7-bis of Annex 3 to the Issuers' Regulation.

Indicator	Minimum threshold	2022 actual value	Exceeding the gate
<b>Liquidity Coverage Ratio (LCR)</b>	> or = <i>risk tolerance</i> (*)	297.8%	√
<b>Total Capital Ratio (TCR)</b>	> or = <i>risk tolerance</i> (*)	22.3%	√
<b>EBTDA<sup>RA</sup> (risk-adjusted and cost of capital-adjusted profitability)</b>	Positive	(158.2%)	√

- as regards the multiplier associated with the ratio between EBTDA<sup>RA</sup> and *Target EBTDA<sup>RA</sup>*, applicable to part of the beneficiaries, the level of achievement approved by the Board of Directors on 27 January 2023 was 100%, as illustrated in paragraph 2.3.1.5. above with reference to the Chief Executive Officer;
- with regard to the Customer Satisfaction Index, the Bank achieved at Italian level a 92.77% satisfaction rating for customers, as measured by a sample survey conducted by an external consultant and in line with the result for 2021. Therefore, the multiplier of 1.06 was applied as in 2021.

Consequently, following the verification of the gates and the absence of violations by the Risk Takers that would activate Malus or Claw Back mechanisms, the Group will pay the Risk Takers the up-front portion of the 2022 MBO equal to €1,033,459.66 (of which €115,238.15 in cash for Executives with Strategic Responsibilities and €115,238.15 in financial instruments), and the deferred MBO portion related to the 2020 performance, amounting to €337,294.19 (of which €87,666.22 in cash for Executives with Strategic Responsibilities and €27,120.22 in financial instruments).

With regard to the **Integration Bonus**, it is noted that:

- the average percentage of achievement of the target assigned to Senior Executives or Executives who were included in the list of Risk Takers reporting directly to the Chief Executive Officer was 74.8%;
- consequently, the achievement of the Integration Bonus target by the remaining Risk Takers is 52.4%. The payment of the Integration Bonus is the same as the MBO mechanism, where for Risk Takers it will be paid 70% up front (of which 50% in Financial Instruments) and 30% deferred (of which 50% in Financial Instruments).

The Remuneration of Risk Takers is consistent with the 2022 Policy, because, among other things:

- 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 between Financial Instruments and Cash for the Variable Remuneration;
- iv. it respects the balance between deferral and retention periods.

### **2.3.2. 2022 Incentive Plan**

The inclusion in the first tranche of the 2020 Stock Option Plan for the personnel identified among the employees of the newly acquired DEPObank actually led to the need to propose a new incentive plan called "2022 Incentive Plan of the BFF Banking Group", approved by the Ordinary Shareholders' Meeting on 31 March 2022. This Plan aims to attract, motivate and retain talents in the Group, which is now larger and more diversified.

The 2022 Incentive Plan provides for the award - in three tranches - of a maximum number of 9,700,000 stock options. The options can be of two types:

- A Options, which give the right to receive shares in the quantity and according to the terms and conditions established in the Regulations;
- B Options, which give the right to receive Phantom Stock Options in the quantity and according to the terms and conditions established in the Regulations; these Phantom Stock Options will then be converted into Bonuses.

Pursuant to the 2022 Incentive Plan, the *type A and B options* awarded in each tranche shall vest upon completion of the related vesting period. Vesting is subject to a series of conditions further detailed in the 2022 Stock Option Plan, which require:

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

KPI	% of options vested at the “minimum” level	% of options vested at the “target” level	% of options vested at the “maximum” level
EBTDA <sup>RA</sup>	25%	50%	75%
EPS	10%	20%	30%
C/I	10%	20%	30%
ESG (Carbon Footprint)	2.5%	5%	7.5%
ESG (Customer Satisfaction)	2.5%	5%	7.5%

The first tranche of the 2022 Incentive Plan concerned the overall award of 6,698,000 options of which 2,547,000 in cashless mode and 4,151,000 in the mode of Phantom Stock Options out of a total of 9,700,000 that are all still to be exercised, because vesting will take place from 2025.

In general, in the philosophy of pay-for-performance and the deep alignment of the interests of personnel with those of the shareholders, around a quarter of all corporate employees of the Group (22.89%, 192 people) benefit from equity plans.

Part 2 of this section shows table no. 2, scheme 7-bis envisaged by Annex 3A, of the Issuers' Regulation.

### 2.3.3. 2020 Stock Option Plan

The 2020 Stock Option Plan is aimed at the awarding – 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. The options may be exercised on a cashless basis.

Pursuant to the 2020 Stock Option Plan, the stock options granted in each tranche vest upon completion of the related vesting period. Vesting is subject to a series of conditions further detailed in the 2020 Stock Option Plan, which require:

- the continuation of the employment relationship with one of the Group companies and/or the office within the Board of Directors;
- levels of capital resources and liquidity necessary to meet the activities undertaken and compliance with other certain parameters, including those of a regulatory nature.

With regard to the 2020 Stock Option Plan, the 8,384,500 options awarded out of a total of 8,960,000 are all still to be exercised, because vesting will take place starting from 2023.

Part 2 of this section shows table no. 2, scheme 7-*bis*, of the Issuers' Regulation.

#### **2.3.4. 2016 Stock Option Plan**

Concerning the 2016 Stock Option Plan, which involved the award of a total of 8,358,640 options, 1,086,788 options are still to be exercised, including, exercisable as at 31 December 2022, 854,788.

Part 2 of this section shows table no. 2, scheme 7-*bis*, of the Issuers' Regulation.

#### **2.4. AGREEMENTS RELATING TO CASES OF EARLY TERMINATION OF EMPLOYMENT OR TERMINATION OF OFFICE**

As specified in Section I of the Report, the Board of Directors may approve payments for the Risk Takers in the event of early termination of employment or termination of office, in order, among other things, to limit the risks of potential litigation with the Risk Takers concerned and pre-estimate the related cost for the Bank, avoiding the uncertainty of a ruling.

This remuneration is quantified and paid by the Group in accordance with the criteria set out below.

The determination of this remuneration is subject to *ex post* adjustment mechanisms (Malus and Claw Back), within the limits allowed by the collective agreements applicable to the employment relationship, as envisaged by the Supervisory Provisions for Banks and, in any case, in compliance with the limits and requirements of the relevant legislation. A retention period of no less than one year applies to the above-mentioned remuneration for the portion paid in Financial Instruments.

For amounts agreed with members of Personnel in view or at the time of early termination of employment or early termination of office, the limits set in the Supervisory Provisions on Remuneration, Section III, paragraph 2.2.2 apply: the amount agreed cannot exceed the limit of 24 months of the Global Remuneration for the last year of the relationship.

In any event, these amounts may not exceed:

- a) €1,100,000 for Employees;
- b) €4,500,000 for Personnel other than Employees, including the Chief Executive Officer.

In this regard, the Bank has agreed on amounts in view or at the time of early termination of office or early termination of employment with two Risk Takers:

- the Chief Executive Officer, whose contract provides for the potential payment, upon termination of office, of an amount equal to the lower of (i) 1.8 times the sum of the average Variable Remuneration<sup>40</sup> of the previous three years and the Fixed Remuneration (excluding Benefits) and (ii) €4,500,000.00.
- the details and conditions of this payment are described in Section I (*Payments for termination of office*);
- a Risk Taker belonging to the category of Employees, whose contract provides for a potential payment, upon termination of employment, of an amount equal to 24 months of the Global Remuneration for the last year of the relationship, in addition to the indemnity in lieu of notice.

## 2.5. GENDER PAY GAP

The BFF Group offers, on a non-differentiated basis with respect to gender, remuneration in line with the market, benefits and additional incentive systems aimed both at improving people's quality of life and at enhancing the relative performance following a merit-based line.

In 2022, the BFF Group pledged to contribute to narrowing the gender diversity gap, focusing on the following objectives:

- Ensuring fairness and respect for equal opportunities at every stage in the selection, development, career progression and managerial succession process in order to support gender representation at different career and/or professional levels;
- Ensuring remuneration based on the skills and professionalism of each person, arranged in order to avoid any disparities associated with Diversity;
- Bolstering the presence of women in top positions and managerial roles;
- Reducing the wage gap between men and women.

In order to ensure constant monitoring of pay gaps and gender neutrality as part of the overall governance of policies, and in compliance with the provisions of the update of Circular 285/13 on

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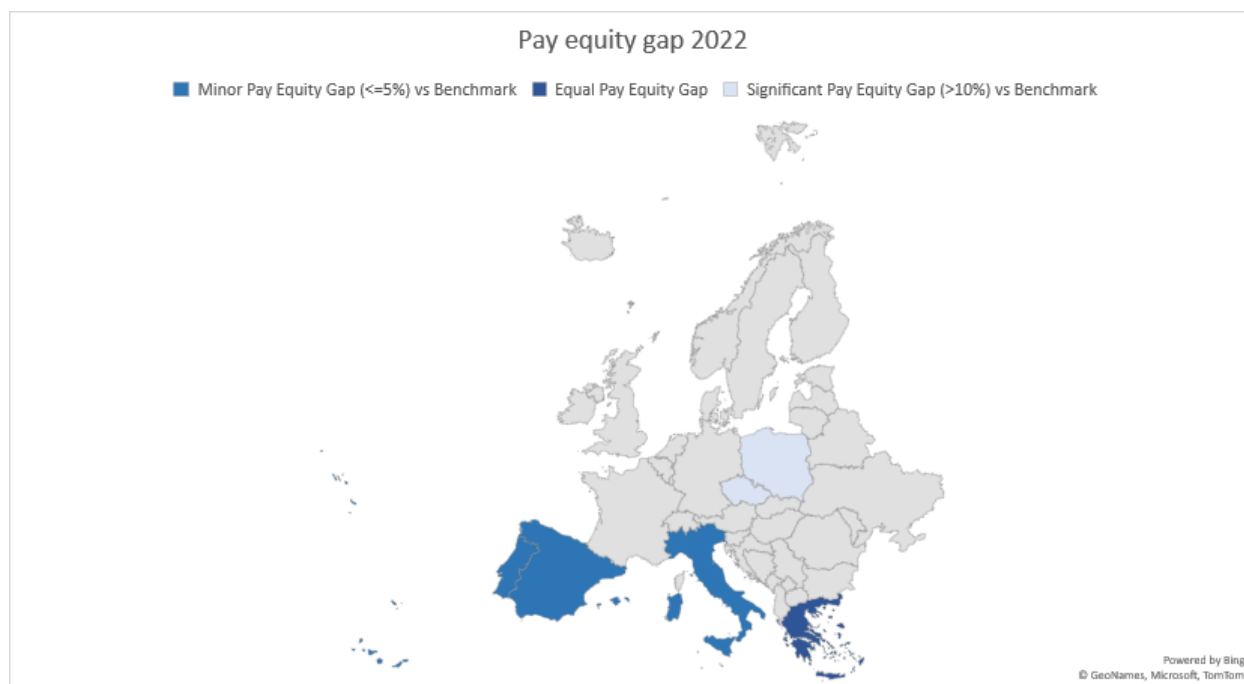
<sup>40</sup> Defined as the average of the amounts paid to the Chief Executive Officer as Variable Remuneration (as currently defined) in the three-year period preceding the vesting date of the Chief Executive Officer's right to receive the golden parachute, including amounts still subject to deferment (for the sake of clarity: the deferred variable remuneration accrued in the previous three-year period is taken into account but not the deferred amount received in the three-year period arising from variable remuneration prior to the three-year period of reference) and including the value of any stock options, phantom stock options or other equivalent instruments awarded in the three-year period, the value of which is the value calculated on the award date.

remuneration and incentive policies and systems of 24 November 2021 and the EBA Guidelines<sup>41</sup> (2 July 2021), the BFF Group annually prepares a Report on the gender neutrality of remuneration policies and activates a series of controls as specified below.

From the analyses carried out for 2022, as regards the BoD (excluding the Chairperson), there is a Gender Pay Gap of 88.4%, (in 2021 a value of 109% was found) The change in Gender Pay Gap is entirely attributable to the change in the composition of the board committees.

The containment of the Pay Equity Gap (pay gap for equal roles or roles of equal value) between 2021 and 2022 in all countries, with the exception of Poland, highlights a non-discriminatory pay policy as regards gender. In line with the new Diversity & Inclusion Policy, the Group is implementing a review of its processes for personnel recruiting, development and retention, with a particular focus on the gender gap. To achieve this goal, analysis and monitoring tools are being used, also based on numerical indicators, in order to accurately assess any situations of wage inequality and adopt the appropriate corrective measures.

For further details, one should refer to the Non-Financial Report.



<sup>41</sup> Guidelines for sound remuneration policies pursuant to Directive 2013/36/EU - [Draft Final report on GL on remuneration policies under CRD.pdf \(europa.eu\)](#)



## 2.6. CHECKS ON THE REMUNERATION SYSTEM BY THE CONTROL FUNCTIONS AND BOARD COMMITTEES

The Corporate Control Functions and any other person responsible for supervising the Group's incentive system participated in the compliance assessment of the remuneration policies implemented in 2022.

### 2.6.1. *Compliance & 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.

### 2.6.2. *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 the incentive systems. The Risk Management Function has also verified the final result of these indicators for the year 2022.

### 2.6.3. *Internal Audit*

In line with the Supervisory Provisions on Remuneration, the Internal Audit Function has carried out an annual check on the compliance of the Group's Remuneration and incentive practices with the 2022 Policy.

### 2.6.4. *Control and Risk Committee*

The Control and Risk Committee has verified that the incentives underlying the Group's Remuneration system are consistent with the maximum level of risk the Group intends to take.

## 2.7. COMPOSITION AND ACTIVITIES OF THE REMUNERATION COMMITTEE

The Remuneration Committee<sup>42</sup> met 23 times in 2022. The main activities carried out concerned:

- i. Reporting of 2021 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 their respective MBOs;

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<sup>42</sup> For a description of the composition, function and operation of the Compensation Committee, see Section I paragraph 1.4 (Compensation Committee)

- ii. Definition of the 2022 quantitative objectives 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. Contributing to the definition of guidelines on remuneration policies and principles;
- 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 personnel of the BFF Banking Group*;
- vi. Identification of the beneficiaries of stock options in the categories for which the Board of Directors is responsible;
- vii. Analysis of new regulatory requirements and adjustment of the remuneration package for the Chief Executive Officer.
- viii. Support to the Board of Directors in the analysis of the remuneration policy neutrality with respect to gender and checks on the Gender Pay Gap and its evolution over time.

In carrying out its functions, the Remuneration Committee was able to consult the competent internal structures and make use of external consultants such as Morrow Sodali for the analysis for the shareholders' meeting voting, Willis Towers Watson and Mercer for benchmarking studies and the Law Firm Gattai, Minoli, Partners.

Two descriptive tables are provided below, respectively, of the:

- i. Remuneration Committee meetings in 2022;
- ii. its composition, pursuant to Article 123 bis, paragraph 2 of the Consolidated Finance Act, with the names of its members, any executive role held, the person appointed as Chairman and the percentage of attendance at meetings.

# 1. DESCRIPTION OF THE MEETINGS OF THE REMUNERATION COMMITTEE IN 2022 AND FORECAST NUMBER OF MEETINGS IN 2023.

Were the proceedings duly recorded?	Yes
Did the Chairman of the Remuneration Committee report them at the next Board of Directors' meeting?	Yes
Number of meetings of the Remuneration Committee	23
Average duration of meetings	1 hour 46 minutes
Were there any meetings of the Remuneration Committee that were also attended by external members?	Yes, by invitation. The Chief Executive Officer, the Directors Gabriele Michaela Aumann and Federico Fornari Luswergh, the Head of the Human Resources and Organisational Development Function, the Head of the Compliance & AML Function, the Group General Counsel & Business Legal Affairs, and the external consultants attended some meetings of the Remuneration Committee in 2022 on certain agenda items.
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 Remuneration Committee meetings scheduled for 2022 (and number of meetings already held in the current year).	Year 2023: 12, of which 3 meetings already held (as at 17/02)

The table below summarises the information relating to the members of the Remuneration Committee.

1. INFORMATION ON REMUNERATION COMMITTEE MEMBERS FROM 1/1/2022 TO 31/12/2022					
Name and surname	Independent director?	Non-executive director?	Elected chairman?	% attendance at meetings in relation to period in office	Period of office
Barbara Poggiali	Yes	Yes	Yes	100%	01/01/2022-03/02/2022
Amélie Scaramozzino	Yes	Yes	No	100%	01/01/2022-24/02/2022
Piotr Henryk Stepniak	No	Yes	No	100%	01/01/2022-31/12/2022
Giovanna Villa	Yes	Yes	Yes	100%	10/02/2022-31/12/2022
Domenico Gammaldi	Yes	Yes	No	100%	24/02/2022-31/12/2022

## 2.8. COMPARISON OF THE ANNUAL CHANGE IN THE TOTAL REMUNERATION OF THE MEMBERS OF THE BOD, THE CHIEF EXECUTIVE OFFICER AND THE BOARD OF STATUTORY AUDITORS WITH THE COMPANY'S RESULTS AND THE AVERAGE GROSS ANNUAL REMUNERATION OF EMPLOYEES

Below is the information on the comparison between:

- the total remuneration of each of the persons for whom the information in this section of the Report is provided by name (Table 2); and
- the average gross annual remuneration (calculated based on the full-time employees) for employees other than those in Table 2 is shown in Table 3.
- The pay ratio (ratio of total CEO remuneration to the median of group employees) is shown in Table 4.

Total remuneration of each of the persons for whom the information in Section II of the Report is provided by name (Remuneration Paid)							
Name	Office	2020	2021	2022	2021-2020 Change	2022-2021 Change	Comments
Salvatore Messina	Chairman	245,000	302,945	320,000	24%	6%	
Massimiliano Belingheri	Chief Executive Officer	3,922,798	2,726,370	2,197,896	-31%	-16%	
Federic Forni Lusiergh	Director	75,000	78,863	80,000	3%	1%	
Gabriele Michaela Aumann Schindler	Director	77,000	86,371	89,000	12%	3%	
Barbara Poggiali	Director	67,000	77,044	8,849	15%	-89%	In office until 3/3/2022
Piotr Henryk Stepniak	Director	-	69,350	81,791	na	18%	In office since 25/3. Remuneration relative to the actual period of office for the year
Domenico Gammaldi	Director	-	69,534	98,904	na	42%	In office since 25/3. Remuneration relative to the actual period of office for the year
Monica Magri	Director	-	-	53,425	na	na	In office since 10/2. Remuneration relative to the actual period of office for the year
Anna Kunkl	Director	-	-	50,164	na	na	In office since 24/2. Remuneration relative to the actual period of office for the year
Giovanna Villa	Director	-	46,356	70,281	na	na	
Paola Carrara	Member of the Board of Statutory Auditors	85,000	85,000	20,726	0%	na	In office until 30/3/2022
Francesca Sandrolini	Member of the Board of Statutory Auditors	-	-	5,123	na	na	In office since 31/3/2022 until 21/4/2022
Claudia Mezzabotta	Member of the Board of Statutory Auditors	-	-	3,260	na	na	In office since 22/4/2022 until 5/5/2022
Carlo Carrara	Member of the Board of Statutory Auditors	-	-	10,945	na	na	In office since 6/5/2022 until 21/6/2022
Nicoletta Paracchini	Member of the Board of Statutory Auditors	-	-	44,945	na	na	In office since 22/6. Remuneration relative to the actual period of office for the year
Fabrizio Riccardo Di Giusto	Member of the Board of Statutory Auditors	-	50,219	65,000	na	na	
Paolo Carbone	Member of the Board of Statutory Auditors	-	50,219	65,000	na	na	
Silvio Necchi	Member of the Supervisory Board	20,000	20,000	20,000	0%	0%	
Marina Corsi	Member of the Supervisory Board	-	12,931	20,000	na	na	

Table 2.

Scope	Average Gross Annual Remuneration 2020	Average Gross Annual Remuneration 2021	Average Gross Annual Remuneration 2022	2021 - 2020 Change	2022 - 2021 Change
Italy	57,240	55,912	56,533	-2.3%	+1.1%

Table 3.

Pay Ratio	Total remuneration (fixed plus annual variable)
2022 Ratio CEO: group employee median	57:1

Table 4

### 3. SECOND PART

This second part of Section II provides a detailed description of the remuneration paid in the reporting year to the members of the management and control bodies and the executives with strategic responsibilities. In this second part of Section II, “other executives with strategic responsibilities” means those persons who, within the banking Group, meet the definition of Senior Executive set out in the 2022 Policy.

Details are also provided of the remuneration paid during the reporting year but relating to activities carried out in previous years (deferred portions of Variable Remuneration referring to previous years), and the remuneration to be paid in subsequent years for activities carried out in the reporting year (deferred portions of Variable Remuneration for the reporting year).

The data are provided on an individual named basis for the remuneration of the members of the management and control bodies, and the Chief Executive Officer and in aggregate for the executives with strategic responsibilities as none of them receives a higher remuneration than the Chief Executive Officer.

### 3.1 ANALYTICAL TABLES ON THE "REMUNERATION PAID TO MEMBERS OF THE MANAGEMENT AND CONTROL BODIES, GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES"

Issuers' Regulation - Annex 3A. SCHEDULE 7-BIS: Remuneration Report. – TABLE 1 (in euro).

(A)	(B)	(C)	(D)	-1	-2	-3	-4	-5	-6	-7	-8
Name and Surname		Period in which the office was held	Expiry of the office held	Fixed remuneration	Remuneration for attending committee meetings	Variable non-equity remuneration	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	End-of-office or termination-of-employment indemnity
						Bonuses and other incentives	Participation in profits				
<b>Massimiliano Belingheri</b>	<b>Chief Executive Officer</b>	from 01/01/2022 to 31/12/2022	Approval of 2023 Financial Statements								
(I) Remuneration in the company that prepares the financial statements				1,117,000	0	1,795,810	0	78,400	0	2,991,210	676,992
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0
(III) Total				1,117,000	0	1,795,810	0	78,400	0	2,991,210	676,992
<b>Salvatore Messina</b>	<b>Chairperson</b>	from 01/01/2022 to 31/12/2022	Approval of 2023 Financial Statements								
(I) Remuneration in the company that prepares the financial statements				320,000	0	0	0	0	0	320,000	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0
(III) Total				320,000	0	0	0	0	0	320,000	0
<b>Federico Fornari Luswergh</b>	<b>Director</b>	from 01/01/2022 to 31/12/2022	Approval of 2023 Financial Statements								
(I) Remuneration in the company that prepares the financial statements				50,000	30,000	0	0	0	0	80,000	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0
(III) Total				50,000	30,000	0	0	0	0	80,000	0
<b>Gabriele Michaela Aumann Schindler</b>	<b>Director</b>	from 01/01/2022 to 31/12/2022	Approval of 2023 Financial Statements								
(I) Remuneration in the company that prepares the financial statements				50,000	39,000	0	0	0	0	89,000	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0
(III) Total				50,000	39,000	0	0	0	0	89,000	0

(contd.)



(A)	(B)	(C)	(D)	-1	-2	-3	-4	-5	-6	-7	-8
Name and Surname		Period in which the office was held	Expiry of the office held	Fixed remuneration	Remuneration for attending committee meetings	Variable non-equity remuneration Bonuses and Participation in profits	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	End-of-office or termination-of-employment
<b>Barbara Poggiali</b>	<b>Director</b>	from 01/01/2022 to 03/02/2022	03/02/2022								
(I) Remuneration in the company that prepares the financial statements				4,658	4,192	0	0	0	8,849	0	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0
(III) Total				4,658	4,192	0	0	0	8,849	0	0
<b>Piotr Henryk Stepniak</b>	<b>Director</b>	from 01/01/2022 to 31/12/2022	Approval of 2023 Financial Statements								
(I) Remuneration in the company that prepares the financial statements				50,000	10,000	0	0	0	60,000 (*)	0	0
(II) Remuneration from subsidiaries and associates				21,791 (**)	0	0	0	0	21,791	0	0
(III) Total				71,791	10,000	0	0	0	81,791	0	0
<b>Giovanna Villa</b>	<b>Director</b>	from 01/01/2022 to 31/12/2022	Approval of 2023 Financial Statements								
(I) Remuneration in the company that prepares the financial statements				50,000	20,281	0	0	0	70,281 (*)	0	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0
(III) Total				50,000	20,281	0	0	0	70,281	0	0
<b>Domenico Gammaldi</b>	<b>Director</b>	from 01/01/2022 to 31/12/2022	Approval of 2023 Financial Statements								
(I) Remuneration in the company that prepares the financial statements				50,000	48,904	0	0	0	98,904 (*)	0	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0
(III) Total				50,000	48,904	0	0	0	98,904	0	0

(contd.)

(A)	(B)	(C)	(D)	-1	-2	-3	-4	-5	-6	-7	-8	
Name and Surname		Period in which the office was held	Expiring of the office held	Fixed remuneration	Remuneration for attending committee meetings	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	End-of-office or termination-of-employment
						Bonuses and other incentives	Participation in profits					
Monica Magri	Director	from 10/02/2022 to 31/12/2022	Approval of 2023 Financial Statements									
(I) Remuneration in the company that prepares the financial statements				44,521	8,904	0	0	0	0	53,425 (*)	0	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0	0
(III) Total				44,521	8,904	0	0	0	0	53,425	0	0
Anna Kunkl	Director	from 24/02/2022 to 31/12/2022	Approval of 2023 Financial Statements									
(I) Remuneration in the company that prepares the financial statements				42,603	7,562	0	0	0	0	50,164 (*)	0	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0	0
(III) Total				42,603	7,562	0	0	0	0	50,164	0	0
Paola Carrara	Member of the Board of Statutory Auditors	from 01/01/2022 to 30/03/2022	30/03/2022									
(I) Remuneration in the company that prepares the financial statements				20,726	0	0	0	0	0	20,726	0	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0	0
(III) Total				20,726	0	0	0	0	0	20,726	0	0
Francesca Sandrolini	Member of the Board of Statutory Auditors	from 31/03/2022 to 21/04/2022	21/04/2022									
(I) Remuneration in the company that prepares the financial statements				5,123	0	0	0	0	0	5,123	0	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0	0
(III) Total				5,123	0	0	0	0	0	5,123	0	0

(contd.)

(A)	(B)	(C)	(D)	-1	-2	-3	-4	-5	-6	-7	-8
Name and Surname		Period in which the office was held	Expiry of the office held	Fixed remuneration	Remuneration for attending committee meetings	Variable non-equity remuneration	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	End-of-office or termination-of-employment
						Bonuses and other incentives	Participation in profits				
Claudia Mezzabotta	Member of the Board of Statutory Auditors	from 22/04/2022 to 05/05/2022	05/05/2022								
(I) Remuneration in the company that prepares the financial statements				3,260	0	0	0	0	3,260	0	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0
(III) Total				3,260	0	0	0	0	3,260	0	0
Carlo Carrera	Member of the Board of Statutory Auditors	from 06/05/2022 to 21/06/2022	21/06/2022								
(I) Remuneration in the company that prepares the financial statements				10,945	0	0	0	0	10,945	0	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0
(III) Total				10,945	0	0	0	0	10,945	0	0
Nicoletta Paracchini	Member of the Board of Statutory Auditors	from 22/06/2022 to 31/12/2022	Approval of 2023 Financial Statements								
(I) Remuneration in the company that prepares the financial statements				44,345	0	0	0	0	44,345	0	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0
(III) Total				44,345	0	0	0	0	44,345	0	0
Fabrizio Riccardo Di Giusto	Member of the Board of Statutory Auditors	from 01/01/2022 to 31/12/2022	Approval of 2023 Financial Statements								
(I) Remuneration in the company that prepares the financial statements				65,000	0	0	0	0	65,000 (*)	0	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0
(III) Total				65,000	0	0	0	0	65,000	0	0

(contd.)

(A)	(B)	(C)	(D)	-1	-2	-3	-4	-5	-6	-7	-8	
Name and Surname		Period in which the office was held	Expiry of the office held	Fixed remuneration	Remuneration for attending committee meetings	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	End-of-office or termination-of-employment indemnity
						Bonuses and other incentives	Participation in profits					
Paolo Carbone	Member of the Board of Statutory Auditors	from 01/01/2022 to 31/12/2022	Approval of 2023 Financial Statements									
(I) Remuneration in the company that prepares the financial statements				65,000	0	0	0	0	0	65,000 (*)	0	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0	0
(III) Total				65,000	0	0	0	0	0	65,000	0	0
Silvio Necchi	Member of the Supervisory Board	from 01/01/2022 to 31/12/2022	Approval of 2023 Financial Statements									
(I) Remuneration in the company that prepares the financial statements				20,000	0	0	0	0	0	20,000	0	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0	0
(III) Total				20,000	0	0	0	0	0	20,000	0	0
Marina Corsi	Member of the Supervisory Board	from 01/01/2022 to 31/12/2022	Approval of 2023 Financial Statements									
(I) Remuneration in the company that prepares the financial statements				20,000	0	0	0	0	0	20,000 (*)	0	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	0	0	0	0	0
(III) Total				20,000	0	0	0	0	0	20,000	0	0
Executives with strategic responsibilities (n.4)		from 01/01/2022 to 31/12/2022	Approval of 2023 Financial Statements									
(I) Remuneration in the company that prepares the financial statements				790,000	0	686,718	0	47,873	-	1,524,592	435,639	0
(II) Remuneration from subsidiaries and associates				0	0	0	0	-	-	-	0	0
(III) Total				790,000	-	686,718	-	47,873	-	1,524,592	435,639	0

#### Notes to Table 1:

(\*) Disbursed relating to the actual period that office was held in the year

(\*\*) Equivalent amount in Euro of 102,000 PLN, calculated at the exchange rate as at 31.12.2022

### 3.2 ANALYTICAL TABLES ON THE "STOCK-OPTIONS AWARDED TO MEMBERS OF THE MANAGEMENT BODY, GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES"

#### SCHEDULE 7-BIS: Remuneration Report. – TABLE 2.

Options held at the beginning of the year																	Options awarded during the year																	Options exercised during the year																	Options expired during the year	Options held at the end of the year	Options accrued in the year
A	B	1		2		3		4		5		6		7		8		9		10		11		12		13		14		15 (= 2+5-11-14)		16																					
Name and Surname	Office	Plan		Number of options		Exercise price		Period of possible exercise		Number of options		Exercise price (euro)		Period of possible exercise (from - to)		Fair value at the date of award		Date of award		Market price of underlying shares when options awarded (**)		Number of options		Exercise price		Market price of underlying shares at the date of exercise		Number of options		Number of options		Fair value																					
Massimiliano Belingheri	CEO	Stock Option Plan of the BFF Group approved by the Meeting on 05/12/2016 - Tranche 1		806,400 *				From 03/04/2019 to 03/04/2024														537,600		3,540		6,258		0		268,800																							
Remuneration in the company that prepares the financial		Stock Option Plan of the BFF Group approved by the Meeting on 05/12/2016 - Tranche 2		170,000				From 30/03/2020 to 30/03/2024														68,000		4,716		6,26		0		102,000		3,290																					
		Stock Option Plan of the BFF Group approved by the Meeting on 02/04/2020		1st Tranche		80% from April 2023 to April 2025																										1,120,000		186,599																			
				20% from October 2024 to October 2026																																																	
		Stock Option Plan of the BFF Group approved by the Meeting on 02/04/2020		2nd Tranche		80% from April 2023 to April 2025																										350,000		58,312																			
				350,000		20% from October 2024 to October 2026																																															
		Stock Option Plan of the BFF Group approved by the Meeting on 07/03/2022 (Phantom Stock Option)																																																			
(II) Remuneration from subsidiaries and associates																																																					
(III) Total				2,446,400						1,164,000												605,600								3,004,800		676,992																					

(\*) Total options awarded for the 2016 Plan relating to the 1st Tranche is 1,344,000 options.

(\*\*) Exercise price which can be determined on the basis of the formula set out in the Stock Option Plan on each exercise date.

(contd.)

			Options held at the beginning of the year				Options awarded during the year					Options exercised during the year				Options expired during the year	Options held at the end of the year	Options accrued in the year
A	B	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 (= 2+5-11-14)	16	
Name and Surname	Office	Plan	Number of options	Exercise price	Period of possible exercise	Number of options	Exercise price (euro)	Period of possible exercise (from - to)	Fair value at the date of award	Date of award	Market price of underlying shares when options awarded (**)	Number of options	Exercise price	Market price of underlying shares at the date of exercise (***)	Number of options	Number of options	Fair value	
Executives with Strategic Responsibilities (n. 4) (*)																		
(I) Remuneration in the company that prepares the financial statements		Stock Option Plan of the BFF Group approved by the Meeting on 05/12/2016 - Tranche 1	150,800		From 03/04/2019 to 03/04/2024							100,640	in) 3.37 (max) ; min) 6.23 (max) 7.		0	50,160		
		Stock Option Plan of the BFF Group approved by the Meeting on 05/12/2016 - Tranche 2	74,000		From 30/03/2020 to 30/03/2024							42,000	in) 3.04 (max) ; min) 6.23 (max) 7.		0	32,000	1,173	
		Stock Option Plan of the BFF Group approved by the Meeting on 05/12/2016 - Tranche 3	50,000		From 08/04/2021 to 08/04/2025										0	50,000		
		Stock Option Plan of the BFF Group approved by the Meeting on 02/04/2020	1st Tranche 790,000		80% from April 2023 to April 2025 20% from October 2024 to October 2026											790,000	131,619	
		Stock Option Plan of the BFF Group approved by the Meeting on 02/04/2020	2nd Tranche 270,000		80% from April 2023 to April 2025 20% from October 2024 to October 2026											270,000	44,984	
		Stock Option Plan of the BFF Group approved by the Meeting on 01/03/2022 (Phantom Stock Option)					700,000		2022 - 2025 (70% after 3 years and 30% in 3 annual pro-rata notes: fourth year 10%, fifth year 10%, sixth year 10%)	0.94	04/07/2022	6.78				700,000	257,864	
(II) Remuneration from subsidiaries and associates																		
(III) Total			1,064,800			700,000						142,640				1,892,160	435,639	

(\*) Total options awarded for the 2016 Plan are as follows: 1st tranche 302,400 options; 2nd tranche 80,000 options.

(\*\*) Exercise price which can be determined on the basis of the formula set out in the Stock Option Plan on each exercise date.

(\*\*\*) The 4 executives exercised their rights at different times; the minimum and maximum strike prices were taken as reference value.

### 3.3 ANALYTICAL TABLES ON THE "INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS IN FAVOUR OF MEMBERS OF THE MANAGEMENT BODY, GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES"

#### SCHEDULE 7-BIS: Remuneration Report. – TABLE 3A

A	B	1	Financial instruments granted in previous year not vested during the year			Financial instruments granted during the year				8	Financial Instruments vested during the year and non-allocated	Financial Instruments vested during the year and attributable		Financial Instruments accrued during the year
			2	3	4	5	6	7			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 the allocation date	Vesting Period	Vesting Period	Market price at allocation <sup>1</sup>		Number and type of Financial Instruments	Number and type of Financial Instruments	Value at maturity date	Fair value
(I) Remuneration in the company that draws up the financial statement														
(II) Remuneration from Subsidiaries and associates														
(III) Total														
(I) Remuneration in the company that draws up the financial statement														
(II) Remuneration from Subsidiaries and associates														
(III) Total														

### 3.4 ANALYTICAL TABLES ON THE "MONETARY INCENTIVE PLANS IN FAVOUR OF MEMBERS OF THE MANAGEMENT BODY, GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES"

SCHEDULE 7-BIS: Remuneration Report. – TABLE 3B.

A	B	1	2	3	4				
Surname and Name	Office	Plan	Bonus for the year			Bonuses in previous years			Other Bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/paid	Deferred	Deferral period	No longer payable	Payable/paid	Still deferred	
Belingheri Massimiliano	Chief Executive Officer								
(I) Remuneration in the company that prepares the financial statements		MBO 2022	446,800	670,200	2023- 2027	--	--	--	-
		MBO 2021	--	--		--	--	335,100	-
		MBO 2020	--	--		--	--	204,170	-
		MBO 2019	--	--		--	215,946		-
		Retention Bonus						690,300 **	
		Integration Bonus	475,167	203,643	2023-2025	--		117,285 (***)	
(II) Remuneration from subsidiaries and associates									
(III) Total			921,967	873,843		--	215,946	1,346,855	-
Executives with strategic responsibilities (n.4) (*)									
(I) Remuneration in the company that prepares the financial statements		MBO 2022	230,476	153,651	2023- 2027	--	--	--	-
		MBO 2021	--	--		--	--	133,850	-
		MBO 2020					114,786	--	-
		Integration Bonus	211,814	90,777	2023-2024	--	--	32,088 (***)	
		Retention Bonus				--	--	12,000	-
(II) Remuneration from subsidiaries and associates									
(III) Total			442,290	244,428		--	114,786	177,938	

(\*) Personnel indicated in this category includes all persons who have held a position of executive with strategic responsibilities, even for a fraction of the year, and who have been beneficiaries of the remuneration covered by the table.

(\*\*) Accrued and paid in January 2023.

(\*\*\*) Refers to the portion of the first tranche.



### 3.5 ANALYTICAL TABLES ON THE "INFORMATION ON THE SHAREHOLDINGS OF MEMBERS OF THE MANAGEMENT AND CONTROL BODIES, GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES"

SCHEDULE 7-TER. Shareholdings of the members of the management and control bodies and general managers.

Name and Surname	Office	Investee Company	Number of shares held up to 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
Belingeri Massimiliano	Chief Executive Officer	BFF Bank S.p.A.	193,261	282,808	449,961	26,108
Persons strictly associated with Belingeri			9,976,568	624,757	-	10,601,325
Federico Fornari Luswergh	Director	BFF Bank S.p.A.	100	5,000		5,100
Persons strictly associated with Fornari Luswergh			49,900	15,000	10,000	54,900
Salvatore Messina	Chairperson	BFF Bank S.p.A.	0	0	0	0
Gabriele Michaela Aumann Schindler	Director	BFF Bank S.p.A.	0	0	0	0
Barbara Poggiali	Director	BFF Bank S.p.A.	0	0	0	0
Piotr Henryk Stepniak	Director	BFF Bank S.p.A.	0	0	0	0
Domenico Gammaldi	Director	BFF Bank S.p.A.	0	0	0	0
Monica Magri	Director	BFF Bank S.p.A.	0	0	0	0
Anna Kunkl	Director	BFF Bank S.p.A.	0	0	0	0
Giovanna Villa	Director	BFF Bank S.p.A.	0	0	0	0
Paola Carrara	Member of the Board of Statutory Auditors	BFF Bank S.p.A.	0	0	0	0
Francesca Sandrolini	Member of the Board of Statutory Auditors	BFF Bank S.p.A.	0	0	0	0
Claudia Mezzabotta	Member of the Board of Statutory Auditors	BFF Bank S.p.A.	0	0	0	0
Carlo Carrara	Member of the Board of Statutory Auditors	BFF Bank S.p.A.	0	0	0	0
Nicoletta Paracchini	Member of the Board of Statutory Auditors	BFF Bank S.p.A.	0	0	0	0
Fabrizio Riccardo Di Giusto	Member of the Board of Statutory Auditors	BFF Bank S.p.A.	0	0	0	0
Paolo Carbone	Member of the Board of Statutory Auditors	BFF Bank S.p.A.	0	0	0	0
Silvio Necchi	Member of the Supervisory Board	BFF Bank S.p.A.	0	0	0	0
Marina Corsi	Member of the Supervisory Board	BFF Bank S.p.A.	47,830	3,000	-	50,830

(contd.)

SCHEDULE 7-TER. TABLE 3: Shareholdings of the other executives with strategic responsibilities.

Number of executives with strategic responsibilities	Investee company	Number of shares held at the end of the previous year	Number of shares purchased	Number of shares sold	Number of shares held at the end of the current year
Executives with strategic responsibilities (n. 4)	BFF Bank S.p.A.	151,669	112,802	45,524	218,947
Persons strictly associated with Executives with Strategic Responsibilities (n. 1)		30,000	59,500	22,000	67,500

### 3.6 ANNEX TO THE 2023 REMUNERATION POLICY: BANK OF ITALY CIRCULAR 285/2013 - SECTION VI – OBLIGATIONS OF DISCLOSURE AND TRANSMISSION OF DATA – PAR.1 OBLIGATIONS OF DISCLOSURE TO THE PUBLIC. DISCLOSURE PURSUANT TO ART. 450 OF THE CRR DRAWN UP ACCORDING TO THE PROVISIONS OF IMPLEMENTING REGULATION (EU) 637 OF 15 MARCH 2021

#### a) Information relating to the bodies responsible for overseeing remuneration. The information includes:

— name, composition and mandate of the main body (management body and remuneration committee, if applicable) which supervises the remuneration policy and the number of meetings held by this body during the year;

The Remuneration Committee is composed of three non-executive Directors, at least two of whom are independent. The Chairman of the Remuneration Committee is chosen from among the independent directors. The Chairman of the Board of Directors, although assessed as independent, cannot be appointed as a member of the Remuneration Committee.

The current members of the Remuneration Committee, appointed by resolution of the BoD on 24 February 2022, are as follows: Giovanna Villa, Chairperson (independent director), Domenico Gammaldi, member (independent director), Piotr Stepniak (non-executive director).

The functions of the Remuneration Committee consist of analysing, providing advice and making proposals to the Board of Directors on remuneration and incentive policies for Personnel, as well as monitoring the areas for which it is responsible.

For a detailed description of the functions assigned, one should refer to paragraph 1.4 of the Remuneration Policy.

For a detailed description of the functions performed during 2022 and the related composition, one should refer to paragraph 2.8 of the Report on remuneration paid for 2022.

The Committee met 23 times in 2022.

— external consultants whose services have been used, the body that appointed them and in which area of the remuneration framework;

In carrying out its functions, the Remuneration Committee was able to consult the competent internal structures and make use of external consultants such as Morrow Sodali for the analysis for the shareholders' meeting voting, Willis Towers Watson and Mercer for benchmarking studies and the Law Firm Gattai, Minoli, Partners.

— a description of the scope of application of the institution's remuneration policy (e.g. by region, by line of business), including the extent to which it is applicable to subsidiaries and branches located in third countries;

The Group Policy ensures the consistency of the remuneration and incentive systems within the Banking Group, in compliance with the specific characteristics of the sectors to which the Group companies belong, the related organisational structures, the applicable regulations based on the type of business and geographical location.

— a description of the staff or categories of staff whose professional activities have a material impact on the risk profile of the institution

BFF identifies the most Relevant Personnel for the Group having regard to all the companies in the same Group, whether or not they are subject to banking regulations on an individual basis, also ensuring the overall consistency of the identification process as well as coordination between the various applicable provisions based on the sectors that the Group companies belong to.

To this end, in line with the applicable regulatory provisions, it adopts a policy on the process of identifying the Group's most relevant personnel, which defines: i) the criteria and procedures used to identify most relevant personnel, ii) the procedures for staff assessment; iii) the role played by the corporate bodies and by the corporate functions responsible for the development, monitoring and review of the identification process.

The Group Companies actively participate in the process of identifying the most relevant Personnel for the Group conducted by the Parent Company, providing the latter with the necessary information and following the coordination instructions received.

For further details, see paragraph 3 of the Remuneration Policy ("Identification of Risk takers and classification of company roles")

b) Information relating to the characteristics and structure of the remuneration system for the most relevant personnel. The information includes:

— a summary of the main characteristics and objectives of the remuneration policy and information on the decision-making process followed to define the remuneration policy and on the role of the interested parties;

The Remuneration Policy for 2023 was prepared in consideration of the important challenges that BFF is called upon to continue to pursue within the strategic guidelines of the 2021-2023 Business Plan, taking into account the developments that have occurred in the meantime in the reference regulatory framework.

The BFF has set up the governance process in order to regulate the definition, implementation and management of remuneration policies. This process envisages the involvement, at various levels and according to their areas of responsibility, of multiple control bodies and corporate functions: The Report on the Remuneration Policy and on the Remuneration paid is approved annually by the Shareholders' Meeting, after approval by the Board of Directors, with the opinion of the Remuneration Committee.

The details are shown in paragraph 1 of the Policy ("Governance of the remuneration and incentive system"), and there is also a specific reference in part II of the Report.

— information on the criteria used for the assessment of performance and *ex ante* and *ex post* risk adjustment;

BFF defined a variable incentive system with the aim of aligning the interests of management with the creation of value for shareholders, such as to reward virtuous conduct and positive results and penalise the failure to achieve results and any worsening of the conditions of capital solidity, liquidity and profitability of the Group itself.

In order to do this, the annual variable remuneration and the correlation between risks and performance are established through a process that aims to provide remuneration in compliance with the risk profile defined by the Risk Appetite Framework (RAF), and on a going concern basis and in view of the sustainability of long-term results.

For details, one should refer to paragraphs 6 and 7 in the Remuneration Policy.

— whether the management body or the remuneration committee, where established, has reviewed the institution's remuneration policy over the past year and, if so, a summary of any changes made, the reasons for such changes and the related impact on remuneration;

Main changes introduced in the 2023 policy:

- Letter of the Chairperson of the Remuneration Committee
- Summary table of Remuneration for the Chief Executive Officer
- Review of the structure of the Report, through the inclusion of summary tables and charts that facilitate the reading of the policy and increase its transparency, especially with reference to its connection with pay-for-performance (in particular paragraph 1.9 – Measuring the value generated in the interests of the investors)
- Clear Pay Mix for the Chief Executive Officer (6. Chief Executive Officer remuneration)
- Inclusion of a section which illustrates the results of engagement, the changes in the year and the actions taken precisely in response to comments made (paragraph 1.9 – Measuring the value generated in the interests of the investors/Dialogue with investors)
- Update to the conditions for accessing the golden parachute for the Chief Executive Officer (paragraph 6.3 – Payments for termination of office).
- The integration of three ESG KPIs in the MBO of the Chief Executive Officer that aims to support the sustainability of the business through a quality relationship with customers, a positive impact on society thanks to a new strategic plan for the foundation and a commitment towards equality and inclusion to guarantee equal opportunities for everyone.
- Clear description of the KPIs and the access thresholds relating to the MBO and LTI objectives and the levels of incentives corresponding to the maximum, target and minimum levels of performance (paragraph 6.1 – MBO; paragraph 6.2 - Medium to long-term variable system (LTI); paragraph 7.2.2.1 – MBO for Employees; paragraph 7.2.2.3 – Incentive Plans in Financial Instruments).
- Comprehensive description of the relevant Medium to Long-Term Variable System (paragraph 6.2 - Medium to long-term variable system (LTI)).

b) Information relating to the characteristics and structure of the remuneration system for the most relevant personnel. The information includes:

— information on how the institution ensures that personnel performing internal control functions are remunerated regardless of the activities they control;

The remuneration of the figures belonging to the Control Functions falling within the perimeter of the MRTs is made up of a fixed part and a variable component which should not exceed one third of the fixed component. The latter is not determined by the achievement of economic and financial objectives, but is related to specific function objectives, in order to safeguard the independence required of the functions.

— policies and criteria applied for the establishment of guaranteed variable remuneration and severance pay.

Details regarding the existing Golden Parachute in 2022 and valid for 2023 can be found in detail in paragraph 7.2.2.8 of the Remuneration Policy ("Golden Parachutes").

c) Description of how current and future risks are taken into account in the remuneration processes. The information includes a summary of the main risks, their measurement and how these measures affect remuneration.

As regards the Chief Executive Officer's MBO system, the Chief Executive Officer's MBO is linked in part to the timely achievement or exceeding of the Target Risk Adjusted EBTDA defined annually and to a further set of targets that are set annually by the Board of Directors.

The payment of the variable remuneration is subject to the conditions for the achievement of certain entry gates being met:

- Liquidity Coverage Ratio LCR ( $LCR \geq$  risk tolerance)
- Total Capital Ratio (TCR)  $\geq$  risk tolerance
- EBTDA<sup>RA</sup> (risk-adjusted and cost of capital-adjusted profitability): Positive
- EBTDA<sup>RA</sup> / Target EBTDA<sup>RA</sup>  $\geq 100\%$

For details, see paragraph 6.1 of the Remuneration Policy ("MBO").

d) The ratios between the fixed and variable components of the remuneration established in accordance with Article 94(1)(g) of the CRD.

The Meeting approves any increase in the limit to the Variable to Fixed Remuneration ratio from 1:1 up to a maximum of 2:1 for Risk Takers. This authorisation was implemented by the Shareholders' Meeting resolution of 5 December 2016 by which the Shareholders' Meeting approved the proposal of the Board of Directors to raise the limit of the Variable to Fixed Remuneration ratio from 1:1 to a maximum of 2:1 (with the exception of Personnel in Corporate Control Functions).

e) Description of how the institution seeks to link performance over the assessment period to remuneration levels. The information includes:

— a summary of the main performance criteria and metrics of the institution, the business lines and the individual persons;

As regards the Chief Executive Officer's MBO system, the Chief Executive Officer's MBO is linked in part to the timely achievement or exceeding of the Target EBTDA<sup>RA</sup> defined annually and to a further set of targets that are set annually by the Board of Directors.

With regard to the remaining Employees, the ordinary process of managing the short-term "MBO" Incentive System specifies that, when drawing up the budget, the Human Resources and Organisational Development Function estimates the MBO bonus pool for Personnel, the amount of which is determined by assuming the achievement of individual and corporate objectives based on the mechanisms provided by the incentive system. The objectives consist of a quantitative component, assigned to individual resources, and a qualitative component. In particular:

- quantitative objectives may be of an economic, project or process efficiency nature or concern people, and may involve individuals, teams, or business units; they must also be clear, objectively observable and measurable, and, depending on the type mentioned, directly linked to the EBTDA<sup>RA</sup> and/or to growth;
- qualitative objectives are, on the other hand, linked to organisational behaviour, are identified on the basis of the company's values and culture, and are differentiated according to the role covered.

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

For details, see paragraphs 6.1 and 7.2 of the Remuneration Policy.

— a summary on how the individual variable remuneration amounts are linked to the performance of the individual and the institution;

The individual variable remuneration is based mainly on the overall performance of the Group and of the individual Entities/Business Units in order to determine the size of the available bonus pools and subsequently on the individual performance

— information on the criteria used to determine the balance between the different types of instruments recognised, including shares, equity equivalents, options and other instruments;

Variable remuneration has a maximum ratio of 2:1. With reference to annual incentive systems for the most relevant personnel, at least 50% is paid in financial instruments, both in the up-front component and in the deferred component (51% for the deferred portion in the event of particularly high variable remuneration). With reference to long-term incentive systems, these can be assigned entirely in financial instruments or, if in monetary form, in any case in compliance with the regulatory provisions regarding the balancing between monetary components and components in financial instruments.

— information on the measures the institution will implement to adjust the variable remuneration component in the event that performance metrics are weak, including the institution's criteria used for determining that such metrics are "weak".

In order to discourage the assumption of excessive risks that could lead to a worsening of the Group's "health" conditions and also in compliance with the provisions of Bank of Italy regulations, the payment of the bonus pool, whatever its extent, is necessarily subject to compliance with certain entry gates, linked to indicators of capital solidity, liquidity and risk-adjusted profitability.

f) Description of how the institution seeks to adjust remuneration to reflect long-term performance. The information includes:

— a summary of the institution's policy on deferral, payment in instruments, periods of retention and vesting of variable remuneration, including where it differs between members of personnel or categories of personnel;

As a result of the Bank of Italy's updating of bank size criteria and, therefore, in consideration of the Bank's classification as a "non-small bank", the payout schemes for the Chief Executive Officer and the remaining Risk Takers were modified, by significantly extending the time horizon and increasing the weight of the equity component (see paragraph 6 for the CEO and 7.2.1.2 for the Risk Takers):

i) deferral percentages were increased from 2022 onwards from 30% to 40% and to 60% for significantly high Variable Remuneration, for the Chief Executive Officer and the remaining members of Senior Management (see paragraphs 7.2.1.2. and 7.2.1.3.);

ii) the deferral periods were also increased from 2022 onwards from 2 to 4 years (5 years for significantly high Variable Remuneration) on a linear pro rata basis, (i.e. 10% one year after the payment of the up-front portion, 10% in the second year, 10% in the third year, 10% in the fourth year). For beneficiaries of significantly high Variable Remuneration, the deferral is 5 years on a linear pro rata basis (i.e. 12% one year after the payment of the up-front portion, 12% in the second year, 12% in the third year, 12% in the fourth year and 12% in the fifth year). The payment of deferred portions for Employees is conditional on the beneficiary remaining in service at the date of payment, it being understood that, after three years of deferment, the beneficiary's right to payment will also vest for the subsequent deferred portions, regardless of any termination of employment.

— information on the institution's criteria for *ex post* adjustments (*malus* during the deferral period and pay-back after vesting, if allowed by national law);

Variable Remuneration, including golden parachutes, is subject to *ex post* adjustment mechanisms (*Malus* and *Claw Back*), which may lead to a reduction, even significant, or to the zeroing of the variable component. The adjustment mechanisms must be identified to the extent permitted by law and collective agreements applicable to employment relationships, reflecting performance levels net of the risks actually assumed or achieved and capital levels, as well as individual conduct. With the assistance of the corporate functions, the Parent Company's Board of Directors shall ascertain the prerequisites that determine the activation of the *ex post* adjustment mechanisms with respect to the Relevant Personnel of the BoD, and shall decide on their application in accordance with the procedures set out in the internal activation Policy. The Chief Executive Officer takes care of the remaining Personnel, making use of the competent company functions and, where necessary, of the corporate bodies of the Subsidiaries.

— where applicable, share ownership requirements that may be imposed on the most relevant personnel.

There are no specified additional shareholding requirements to the retention periods defined with reference to the remuneration components in financial instruments.

g) The description of the main parameters and reasons for any variable remuneration scheme and any other non-monetary benefit according to Article 450(1)(f) of the CRR. The information includes:

— information on the specific performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between the different types of recognized instruments, including shares, equity equivalents, equity related instruments, equivalent non-cash instruments, options and other instruments.

The total annual variable remuneration of the Group's divisions and business units, including the portion attributable to the most relevant personnel, is determined on the basis of the risk-adjusted economic performance of the respective division perimeters.

A significant portion of the variable remuneration is deferred and paid in part with financial instruments to link the incentives to the creation of long-term value, making it possible to verify the continuity and sustainability of positive results. Payments are made in annual pro rata disbursements, based jointly on the role held and the amount of variable remuneration assigned.

h) At the request of the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management.

See the Tables in Section II of the Report on the Remuneration Policy and on remuneration paid

i) Information on whether an institution has right to a waiver under Article 94(3) of the CRD in accordance with Article 450(1)(k) of the CRR.

— For the purposes of this point, institutions benefiting from this waiver shall indicate whether it is based on Article 94(3)(a) and/or (b) of the CRD. They shall also indicate to which of the remuneration principles they apply the waiver(s), the number of staff members who benefit from the waiver(s) and their total remuneration, divided into fixed remuneration and variable remuneration.

If the annual Variable Remuneration does not exceed €50,000 and does not account for more than one third of the total annual Remuneration (low remuneration), the bonus is subject to:

iii. for Risk Takers and for Employees with a minimum qualification of QD3 (third level executive), regardless of their qualification as Risk Takers, a deferral period of two years for 30% of the Variable Remuneration. By way of example, for the year ending 31 December 2022, the deferred component of the Variable Remuneration will be paid out after the Meeting has approved the financial statements as at and for the year ending 31 December 2024;

iv. for Risk Takers, a 50% portion in financial instruments with a retention period of 6 months.

For all matters not expressly envisaged above, the same rules envisaged for the Variable Remuneration shall also apply to the Low Variable Remuneration, including the *ex post* adjustment mechanisms (Malus and Claw Back).

j) Large institutions shall publish quantitative information on the remuneration of the collective management body, distinguishing between executive and non-executive members, according to Article 450(2) of CRR.

See the tables below pursuant to Art. 450 CRR and those relating to Consob disclosure.



## Template EU REM1: remuneration awarded for the financial year

			A	B	C	D
			Management body - strategic oversight function <sup>43</sup>	Management body - management function	Other members of senior management	Other members of most relevant personnel
1	Fixed Remuneration	Number of members of most relevant personnel	8	1	4	26
2		Total fixed remuneration	532,414	1,195,400	837,874	3,455,443
3		Of which: cash-based	532,414	1,117,000	790,000	3,239,661
4		(Not applicable in the EU)	--	--	--	--
EU-4a		Of which: shares or equivalent ownership interests	--	--	--	--
5		Of which: share-linked instruments or equivalent non-cash instruments	--	--	--	--
EU-5x		Of which: other instruments	--	--	--	--
6		(Not applicable in the EU)	--	--	--	--
7		Of which: other forms	--	78,400	47,873	215,781
8	(Not applicable in the EU)	--	--	--	--	
9	Variable Remuneration	Number of members of most relevant personnel	8	1	4	26
10		Total variable remuneration		3,361,789	1,102,174	2,160,405
11		Of which: cash-based		886,735	342,359	890,620
12		Of which: deferred	--	430,220	122,214	334,101
EU-13a		Of which: shares or equivalent ownership interests		2,475,054	758,815	1,269,786
EU-14		Of which: deferred		443,624	122,214	334,101
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments				
EU-14b		Of which: deferred	--	--	--	--
EU-14x		Of which: other instruments	--	--	--	--
EU-14y		Of which: deferred	--	--	--	--
15		Of which: other forms	--	--	--	--
16		Of which: deferred	--	--	--	--
17	Total remuneration (2 + 10)		532,414	4,557,189	1,940,048	5,615,848

<sup>43</sup> Including directors whose office terminated during the financial year.

## Template EU REM2: special payments to staff whose professional activities have a material impact on the risk profile of the institution (most relevant personnel)

		A	B	C	D
		Management body - strategic oversight function	Management body - management function	Other members of senior management	Other members of most relevant personnel
<i>Guaranteed variable remuneration awards</i>					
1	Guaranteed variable remuneration awards - Number of members of most relevant personnel	--	--	--	--
2	Guaranteed variable remuneration awards – Total amount	--	--	--	--
3	Of which: guaranteed variable remuneration awards paid during the year that are not taken into account in the bonus cap	--	--	--	--
<i>Severance payments awarded in previous periods, that have been paid out during the financial year</i>					
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of members of most relevant personnel	--	--	--	--
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	--	--	--	--
<i>Severance payments awarded during the financial year</i>					
6	Severance payments awarded during the financial year - Number of members of most relevant personnel	--	--	--	--
7	Severance payments awarded during the financial year - Total amount	--	--	--	--
8	Of which: paid during the financial year	--	--	--	--
9	Of which: deferred	--	--	--	--
10	Of which: severance payments paid during the financial year, that are not taken into account in the bonus cap	--	--	--	--
11	Of which: highest payment that has been awarded to a single person	--	--	--	--

## Template EU REM3: deferred remuneration

		A	B	C	D	E	F	EU-G	EU-H
Deferred and retained remuneration		Total amount of deferred remuneration awarded for previous performance periods	Of which: amounts due to vest in the financial year	Of which: amounts vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in subsequent performance years	Total amount of adjustments during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	Management body - strategic oversight function	--	--	--	--	--	--	--	--
2	In cash	--	--	--	--	--	--	--	--
3	Shares or equivalent ownership interests	--	--	--	--	--	--	--	--
4	Share-linked instruments or equivalent non-cash instruments	--	--	--	--	--	--	--	--
5	Other instruments	--	--	--	--	--	--	--	--
6	Other forms	--	--	--	--	--	--	--	--
7	Management body - management function	1,562,801	215,946	1,346,855	--	--	--	95,023	--
8	In cash	1,562,801	215,946	1,346,855	--	--	--	95,023	--
9	Shares or equivalent ownership interests	--	--	--	--	--	--	--	--
10	Share-linked instruments or equivalent non-cash instruments	--	--	--	--	--	--	--	--
11	Other instruments	--	--	--	--	--	--	--	--
12	Other forms	--	--	--	--	--	--	--	--
13	Other members of senior management	1,080,863	532,561	548,302	--	--	--	23,082	--
14	In cash	1,080,863	532,561	548,302	--	--	--	23,082	--
15	Shares or equivalent ownership interests	--	--	--	--	--	--	--	--
16	Share-linked instruments or equivalent non-cash instruments	--	--	--	--	--	--	--	--
17	Other instruments	--	--	--	--	--	--	--	--
18	Other forms	--	--	--	--	--	--	--	--
19	Other members of most relevant personnel	292,725	114,786	177,938	--	--	--	149,033	--
20	In cash	292,725	114,786	177,938	--	--	--	149,033	--
21	Shares or equivalent ownership interests	--	--	--	--	--	--	--	--
22	Share-linked instruments or equivalent non-cash instruments	--	--	--	--	--	--	--	--
23	Other instruments	--	--	--	--	--	--	--	--
24	Other forms	--	--	--	--	--	--	--	--
25	Total amount	2,936,389	863,294	2,073,095	--	--	--	267,438	--

Template EU REM<sub>4</sub> - Remuneration of 1 million EUR or more per year

A

	EUR	Members of most relevant personnel that are high earners as set out in Article 450(i) CRR.
1	From 1,000,000 to less than 1,500,000	--
2	From 1,500,000 to less than 2,000,000	--
3	From 2,000,000 to less than 2,500,000	--
4	From 2,500,000 to less than 3,000,000	--
5	From 3,000,000 to less than 3,500,000	--
6	From 3,500,000 to less than 4,000,000	--
7	From 4,000,000 to less than 4,500,000	--
8	From 4,500,000 to less than 5,000,000	1
9	From 5,000,000 to less than 6,000,000	--
10	From 6,000,000 to less than 7,000,000	--
11	From 7,000,000 to less than 8,000,000	--

As per Table REM1 row 17. Includes fixed and variable remuneration and option exercises carried out in 2022, in particular SOP 2016.

Template EU REM5: information on remuneration to staff whose professional activities have a material impact on the risk profile of the institution (most relevant personnel)										
	A	B	C	D	E	F	G	H	I	J
	Remuneration of the management body			Business areas						
	Management body strategic oversight function <sup>44</sup>	Management body management function	Total management body	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of members of most relevant personnel	--	--	--	--	--	--	--	--	--
2	Of which: members of the management body	8	1	9						
3	Of which: other members of senior management									
4	Of which: other members of most relevant personnel	--	--	--	--	--	--	8	4	14
5	Total remuneration of most relevant personnel	532,414	4,557,189	5,089,603	--	--	--	1,651,173	602,891	3,361,784
6	Of which: variable remuneration <sup>45</sup>	--	3,361,789	3,361,789	--	--	--	475,791	136,960	1,547,654
7	Of which: fixed remuneration	532,414	1,195,400	1,727,814	--	--	--	1,175,382	465,931	1,814,130

<sup>44</sup> Including directors whose office terminated during the financial year.

<sup>45</sup> Excluding Stock Options included in the Consob tables

Dear Shareholders,

In light of the above, we ask you to approve the following resolution proposal (on which two separate votes will be proposed based on the topic, one for each resolution item, each with its own executive mandate):

"The Shareholders' Meeting

Having regard to the *"2023 Remuneration and Incentive Policy for the members of the Strategic Supervision, Management and Control Bodies and the Personnel of the BFF Banking Group"* for the year 2023 as illustrated in the Board of Directors' Report

#### RESOLVED

- i. to approve the new *"2023 Remuneration and Incentive Policy for the members of the Strategic Supervision, Management and Control Bodies and the Personnel of the BFF Banking Group"* included in Section I of the Board of Directors' Report;
- ii. to specifically approve the provisions in sub-point (b) in point 7.2.2.8 (Amounts granted under an agreement for the settlement of a current or potential dispute) of the new *"2023 Remuneration and Incentive Policy for the members of the Management Body and the Personnel of the BFF Banking Group"* - of section 1 of the "Annual report on the remuneration and incentive policies of the BFF Banking Group" relating to the policies for determining the remuneration in the event of early termination of office or termination of the employment relationship contained, including the predefined formula for the determination of the amounts awarded in the context of agreements with personnel, reached in any forum, for the settlement of current or potential disputes;
- iii. to approve Section II of the *ex post* Report on (i) the items making up the Remuneration (including the compensation in the event of termination of office or employment) of the persons indicated above, in accordance with the 2022 Policy; (ii) general information on the implementation of the 2022 Policy in 2022 and the assessments provided by the Group's control functions, for their respective areas of responsibility; (iii) the detailed description of the remuneration paid in the reporting year, for any reason and in any

form, by the Bank and its Subsidiaries; and (iv) the remuneration to be paid in one or more subsequent years, in relation to the work performed in the reporting year;

- iv. and to grant the Board of Directors, and on its behalf the Chief Executive Officer, the widest possible powers to complete all the acts, requirements, and formalities necessary to implement each of the above resolutions, and thus also the power to make any changes to the aforesaid Policy that may be necessary to comply with the applicable laws and regulations.”

Milan, 8 March 2023

The Board of Directors