2022 REMUNERATION AND INCENTIVE POLICY FOR THE MEMBERS OF THE STRATEGIC SUPERVISION, MANAGEMENT AND CONTROL BODIES AND THE PERSONNEL OF BFF BANKING GROUP

Date of BoD approval: 1st March 2022

Shareholders' Meeting approval: 31st March 2022

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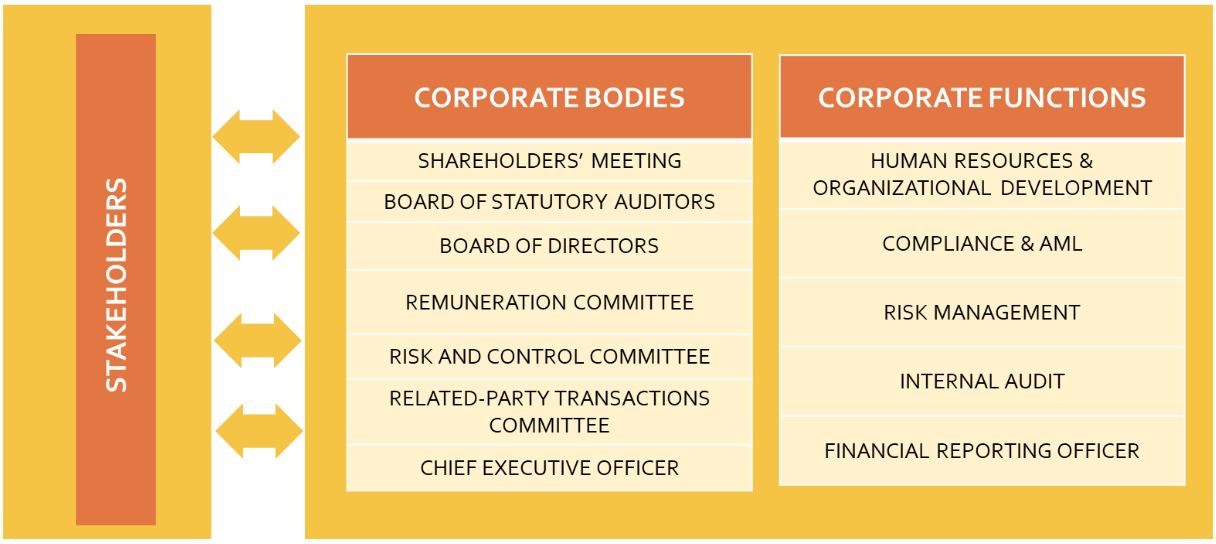
1. GOVERNANCE OF THE REMUNERATION AND INCENTIVE SYSTEM

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 REMUMENTATION 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 MEETING

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

i. determines the remuneration to be paid to Directors, Statutory Auditors and to the Independent Auditors entrusted with the audit engagement;

ii. approves this Policy;

iii. approves any remuneration plans based on Financial Instruments;

iv. 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 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 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.

1.1.1 *Voting results of the 2021 Shareholders' Meeting*

The remuneration policies currently in force for the Group Personnel are those approved by the Board of Directors on 25 February 2020 and by the Meeting on 2 April 2020 (2020 Policy).

The Meeting held on 25 March 2021 did not approve the new version of the remuneration policies proposed by the Board of Directors for 2021 and amended the provisions of the 2020 Policy in sub-point (B) of paragraph 8.2.6.4 (Amounts payable under an agreement to settle an existing or potential dispute). Specifically, the Meeting approved the predefined formulas for calculating the amounts payable under agreements with Personnel, reached in any forum for the settlement of current or potential disputes and, currently on the basis of those formulas, the maximum limit of 24 months of Global Remuneration for the last year of service and the maximum amount of:

- Euro 1,100,000.00 for Employees;
- Euro 4,500,000.00 for Personnel other than Employees.

Paragraph 2 describes the main changes introduced by the Policy in consideration, among other things, of the meeting voting results on 25 March 2021 and the subsequent dialogue with investors; in particular, the changes addressed the additional disclosures provided under the Policy, the introduction of a medium-long term incentive plan, the balancing of economic and financial objectives within a broader corporate social responsibility, in line with the principles of "*stakeholder capitalism*" and, therefore, the *pay-for-performance* orientation in the medium-long term horizon.

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 Board of Directors, including the deferment and *retention* portions and periods 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[1] and as provided for by article 123-ter, paragraph 3-bis of the Consolidated Law on Finance 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 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 on Compensation 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.

[1] 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.

1.4 Remuneration Committee

Composition of the Remuneration Committee

The Remuneration Committee is composed of three non-executive Directors of the Board of Directors, at least two of whom are independent. The Chairman of the Remuneration Committee is chosen from among the independent directors. 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 Board of Directors on 24 February 2022 are as follows:

Composition of the Remuneration Committee

GIOVANNA VILLA
Chairman of the Committee
Independent member

DOMENICO GAMMALDI
Committee Member
Independent member

PIOTR STEPNIAK
Committee Member
Non-executive member

Tasks of the Remuneration Committee

The functions of the Remuneration Committee consist in 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 *"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 & Organizational 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 & Organizational Development* Function and of the *Financial Reporting Officer*, in close cooperation with the Board of Statutory Auditors;

viii. with the support of the Group's *Human Resources & Organizational 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 on Compensation 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 BoD committees and in particular with the Risk and Control Committee, within the framework of the *Policy*. The Risk and Control 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 & Organizational Development* Function, *Risk Management* Function, *Compliance & AML* Function, Group *Planning & Control* Organizational 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 Board of Directors, making use in the latter respect of the information provided by the Chief Executive Officer (also through the Group *Human Resources & Organizational 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. in proximity of 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 Chairman 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 the 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);

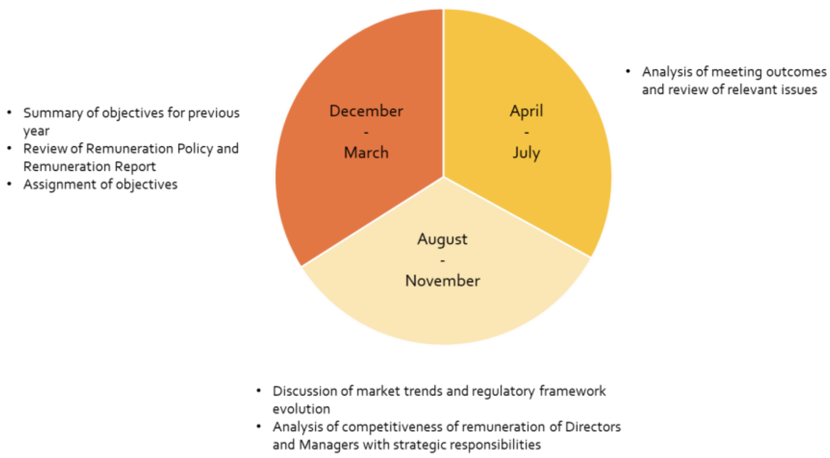
xx. performs the additional tasks the Board of Directors may assign to it by means of specific resolutions.

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 Chairman 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 2022 is as follows:



1.5 RISK AND CONTROL COMMITTEE

One of the functions of the Risk and Control 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 Risk and Control 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[2] and as provided for by article 123-ter, paragraph 3-bis of the Consolidated Law on Finance 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

[2] 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.

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;

   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 stock option plans and the number of stock options to be granted to those who are not Relevant Personnel of the Board of Directors in accordance with the provisions of the plans. It also carries out the administrative activities of the stock option plan 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 Board of Directors, 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[3]

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

i. The Group *Human Resources & Organizational Development* Function, having received a mandate from the Group CEO regarding the content, prepares a draft of the Policy involving the relevant functions, including the *General Counsel* Function, the *Risk Management* Function, the *Planning & Control* O.U. and the *Compliance & AML* Function, and with the support of an external consultant[4].

ii. The *Human Resources & Organizational Development* Function submits the updated draft of the Policy to the Chief Executive Officer.

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 Risk and Control 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 & Organizational 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 & Organizational Development* Function, also based on a job market analysis, organizational changes or strategic guidelines of the Group, verifies the need to review the Policy. The *Human Resources & Organizational*

[3] Regulatory references: article 123-ter TUF, Schedule 7-bis of Annex 3A to the Issuers' Regulations.
[4] Law firm Gattai, Minoli, Partners.

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 functioning.

2. PRINCIPLES AND PURSUIT OF LONG-TERM INTERESTS WITH A VIEW TO SUSTAINABILITY AND PERSONNEL MANAGEMENT POLICY[5]

The Remuneration and incentive system of the Group draws on 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. avoiding conflict of interest situations;

iii. encouraging control activities by the relevant Company Control Functions;

iv. attracting and retaining persons with professionalisms and skills adequate to the Group's needs, enhancing them through paths of professional growth;

v. basing behaviour on utmost diligence and fairness in relationships, in line with the Group's values;

vi. 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.

[5] 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"*.

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;
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. Finally, remuneration levels and components are maintained in line with the previous year, despite the frequent use of innovative and flexible work methods (e.g. smart working) due to the Covid-19 emergency.

Main changes introduced in the 2022 policy

The Policy has been adjusted as part of a process of continuous improvement aimed at strengthening the dialogue with investors, taking into account the feedback received, the recent regulatory provisions[6] and the objectives the Bank intends to pursue through its policies in the medium and long term.

In particular, during 2021, the BFF Group launched a policy of active listening as part of its stakeholder engagement activities, carried out through 10 meetings with the main 8 institutional investors and proxy advisors starting in September-October 2021. This strategy forms a structural element of the governance of the Policy. This process includes, in particular, the changes to the structure of the Chief Executive Officer's remuneration described below, with specific regard to the balancing of the annual component with an incentive plan linked to the achievement of objectives over a long-term horizon, the

[6] On 24 November 2021, the 37th update of Bank of Italy Circular 285/2013 was published, aimed at transposing the changes introduced in this area by CRD V (Directive 2019/878/EU) and the Guidelines of the European Banking Authority implementing the Directive (EBA/GL/2021/04). These Remuneration and Incentive Policies also take into account the introduction of the new 2020 Corporate Governance Code and the amendments relating to the updates of the Issuers' Regulations made by Consob Resolution no. 21623 of 10 December 2020.

integration of economic-financial objectives with social responsibility objectives and, as part of the continuous improvement process regarding the transparency of policies, a review of the structure of this document for a more effective communication and publication of the objectives underlying the Chief Executive Officer's annual and long-term incentive plan (paragraph 6.2 - *Medium-long term variable system*). The main changes of the Policy may be summarised as follows:

1) review of the pay mix and of the remuneration structure of the Chief Executive Officer, by (paragraph 6 - *Remuneration of the Chief Executive Officer):*
   a. with regard to the annual component, supplementing the MBO based on the achievement of the EBTDA ^{RA}, which is a measure calculated on return on capital and the sustainability results of value creation over time, with an MBO that contains additional indicators established annually in line with the various stakeholders and taking into account corporate social responsibility and whose KPIs for 2022 are pointed out in this document, namely i) ESG ("*customer satisfaction")*; ii) volumes of credit factoring and iii) volume of new AUD (paragraph 6.1 MBO);
   b. with regard to the pay mix, introduction of a structural long-term incentive component, subject to the achievement of objectives, in terms of value creation, as a whole and also considering non-financial objectives, set in line with the best market practices of the relevant sector (paragraph 6.2 - *Medium-long term variable system* (LTI)).
2) review of severance policies, by setting the cap for the Chief Executive Officer at 1.8 times the sum of the average Variable Remuneration for the previous three years[7] and the fixed remuneration (excluding Benefits), thereby eliminating the floor, and at 24

[7] 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 granted in the three-year period, the value of which is the value calculated at the grant date.

months' salary for Employees (paragraphs 6.3 for the Chief Executive Officer and 7.2.2.8. for Employees), in addition to the notice period;

3) excluding the right to receive extraordinary bonuses not related to performance with regard to the Chief Executive Officer and the Executives with Strategic Responsibilities;

4) 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;

5) 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:

    i. deferral percentages were increased from 30% to 40% and to 60% for significantly high Variable Remuneration, for the Chief Executive Officer and the remaining Top Management;

    ii. the deferral periods were increased from 2 to 4 years (5 years for significantly high Variable Remuneration) on a 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). 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;

iii. the percentage ratio of financial instruments in the deferred portion of the significantly high Variable Remuneration for the Chief Executive Officer and the remaining of the Top Management, (51% in the deferred portion), paragraph 7.2.1.3- Significantly High Variable Remuneration of Top Management.

6) 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[8], 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 pay (GAP) of Employees.

7) as provided for in article 123-ter, paragraph 3-bis of the Consolidated Law on Finance, as updated in 2019, definition of the elements of the Policy that can be deviated from under exceptional circumstances and the definition of the process for enabling such waiver (paragraph 1.2);

8) changes to the definition of the profitability parameter based on EBITDA. In particular, with respect to the previous Policy, this accounting caption may consider the inclusion or exclusion of 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 for, only following a specific resolution of the Board of Directors. The corresponding

[8] The technical implementing rules of the Regulation on prudential requirements for credit institutions (CRR II) concerning disclosure requirements including on remuneration policies to the market and reporting to the relevant authorities published by the EBA on 24 June 2020 applicable from 30 June 2021.

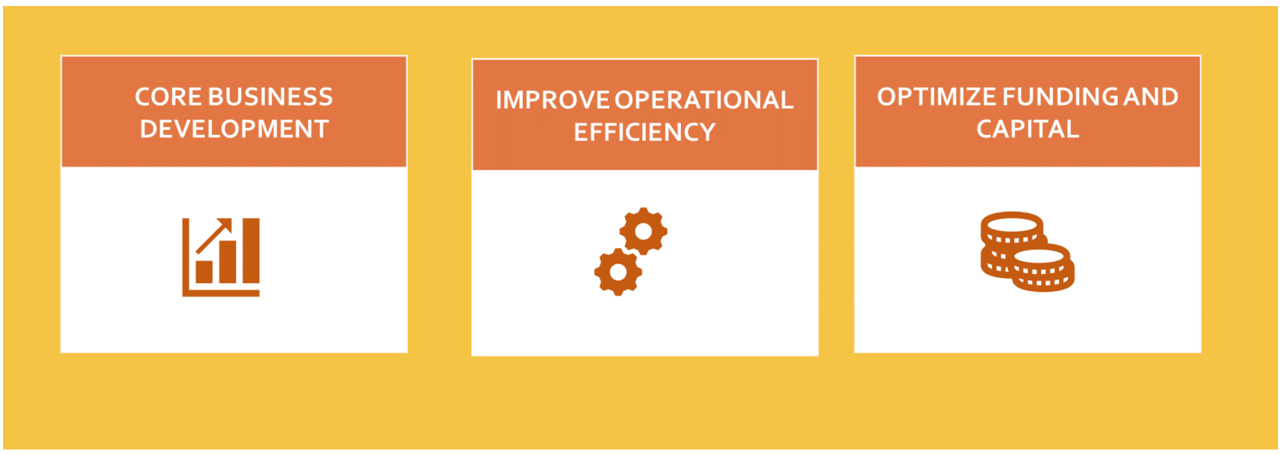
EBTDA^{RA} *Target* is based on clear and documented criteria and is consistent with the *Risk Appetite Framework*.

2021-2023 Strategic Plan and sustainability

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

The Plan, prepared following the acquisition of DEPOBank S.p.A., 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 2022 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.

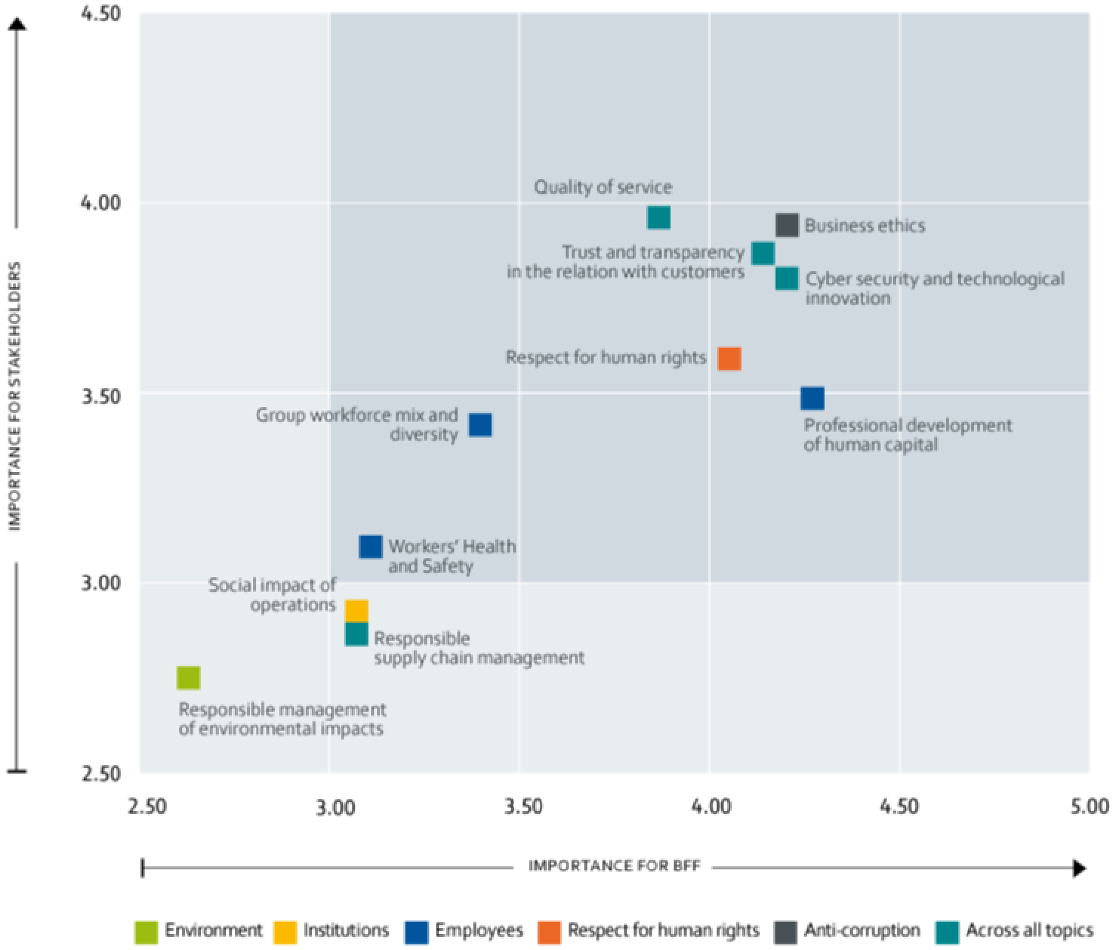
In particular:

- 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:

- this year, continues to keep the EBITDA ^{RA} parameter as the common goal for all company Personnel apart from the Control Functions, the *Financial Reporting Officer* and the *Human Resources & Organizational 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;
- in line with 2021, includes among its individual objectives for the Employees under the Board of Directors' remit, in support of the assessment of organizational 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 hiring is being made;
- includes *Customer Satisfaction* as a non-financial quantitative indicator (multiplier) for the Bank's Employees. For 2022, the *Customer Satisfaction* result for the CEO becomes a quantitative KPI of the short-term variable remuneration.

Attention to sustainability parameters is considered a key and strategic element for the medium-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. In this regard, the Group is embarking on a medium-to-long-term development path that envisages an increasingly quantitative approach to ESG metrics, as shown by the materiality matrix below.



Policy neutrality

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 has introduced the following measures:

i. gradual 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, in keeping with 2021, the individual objectives of Employees under the Board of Directors' 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 in time to ensure the integration of any required safeguards in the remuneration policy of the following year.

3. IDENTIFICATION OF RISK TAKERS AND CLASSIFICATION OF COMPANY ROLES[9]

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 the 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 & Organizational Development* Function, the *Regulations & Processes* O.U. and the *Risk Management* Function - and conducted, until May 2021, on the basis of the qualitative and quantitative criteria laid down by Regulation (EU) no. 604/14, the Group's internal regulations, company procedures, the job description and individual powers of

[9] Regulatory references: Supervisory Provisions, Part One, Title IV, Chapter 2, Section I par. 6, EU Delegated Regulation 604/2014.

attorney.

Since the approval of Update No. 37 of Circular 285 on May 2021, the *Risk Takers* identification process has been carried out according to the criteria set out in the Supervisory Provisions, identifying the following entities as *Risk Takers*:

a) the members of the body with strategic supervision and management functions and the top management;

b) the members of Personnel with managerial responsibilities over company 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 purpose 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 entities 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 the *Risk Takers* by means of a specific resolution, subject to prior assessment by the *Human Resources & Organizational Development* Function with the support of the *Risk Management*, and *Compliance & AML* Functions, after hearing the opinion of the Remuneration Committee.

In addition, whenever the Bank or one of its Subsidiaries enters into a new employment and/or collaboration contract, the *Human Resources & Organizational Development* Function carries out an assessment to verify whether the person in question falls within the Risk Taker category.

With regard to 2022, the process was based on the criteria set out in the relevant legislation and in particular:

- qualitative criteria: relating to the role, the decision-making powers granted and the responsibilities assumed, within the Bank's organisation, consistent with the nature, scope and complexity of the activities carried out;
- 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 26 January 2022, which approved the proposal.

This process, on the basis of the above criteria, led to the identification of 41 positions for 2022, 1 more than the results shown in the previous year. Specifically, the change is due to 1 person who became a director of a newly formed Group company.

Category	No.
Executive Members	1
Non-executive Members (Parent Company and Subsidiaries)	22
Directors of Control Functions	3
Remaining personnel of the Top Management	2
Other Risk Takers	13
Total	**41**

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 SUPERVISORY BODY

CHIEF EXECUTIVE OFFICER

OTHER RISK TAKERS AND EMPLOYEES:
- EXECUTIVES WITH STRATEGIC RESPONSIBILITIES (DIRS)
- SENIOR MANAGEMENT
- HEADS OF CONTROL FUNCTIONS
- REMAINING RISK TAKERS
- REMAINING PERSONNEL

5. REMUNERATION SYSTEM OF THE COMPANY BODIES AND OF THE SUPERVISORY BOARD

5.1 DIRECTORS OF THE BANK

<u>All Directors</u>:

i. shall receive the remuneration fixed 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 organizational 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 BOARD ESTABLISHED PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

The members of the Supervisory Board 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. The members of the Supervisory Board cannot receive any Variable Remuneration. However, they receive D&O insurance coverage and the reimbursement of expenses actually incurred in the performance of their duties.

Conversely, for the members of the Supervisory Board 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 OFFICE REMUNERATION

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

During the Board meeting held on 1 March 2022, the Bank's Board of Directors approved, on the basis of the positive opinions issued by the competent board internal committees, certain amendments to the contract with the Chief Executive Officer, subsequently signed by the parties. The amendments in question had, and still have, the main purpose of regulating the new commitments of the contractual parties, and the remuneration package to be acknowledged to the Chief Executive Officer, making the related provisions i) consistent with the regulations on the remuneration of corporate officers of credit institutions, as recently amended by Circular no. 285 of the Bank of Italy, and ii) suitable, in the opinion of the Board of Directors, to overcome the remarks contained in the inspection report of the Bank of Italy delivered to this intermediary on 4 November 2021, at the end of the inspections conducted from 8 March to 24 June 2021.

In this regard, the Board of Statutory Auditors pointed out that "having regard to the version of the contract submitted for the approval of the Board of Directors, taking into account the characteristics of the related preliminary investigation process also followed within the scope of the board internal committees, having acknowledged the content of the *pro-veritate* opinion of the independent lawyer appointed by the Remuneration Committee, having however seen the further opinion formulated, at the request of the Chairman of the Board of Directors which was unanimously accepted, in support of the Board of Directors, the Board of Statutory Auditors, within the scope of its duties and functions, expresses, pursuant to art.2389 of the Italian Civil Code, its opinion is not in favor of the proposed amendments to the contract with the Chief Executive Officer, believing that the contractual wording now submitted to the Board of Directors does not make it possible, in particular, to overcome unequivocally, as pointed out in the above-mentioned *pro-veritate* opinion of the [independent legal], the finding of conformity formulated by the Supervisory Authority".

In this regard, the members of the Board of Directors have pointed out that they do not share the opinion of the Board of Statutory Auditors.

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 section 6.1 *MBO*);
- a medium-long term incentive plan (see section 6.2 *Medium-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.

In addition to the above components, the Chief Executive Officer's Remuneration is composed of (i) a non-competition agreement 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 Section 6.3 - *Termination payments*).

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 in a *business* continuity perspective and 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
Liquidity Coverage Ratio (LCR)	> 0 = *risk tolerance (*)*
***Total Capital Ratio (TCR*)**	> 0 = *risk tolerance (*)*
EBTDA ^{RA} (risk-adjusted and cost of capital-adjusted profitability)	Positive
EBTDA ^{RA} / Target EBTDA ^{RA}	> 0 = 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 ^{RA} / *Target* EBTDA ^{RA} indicator as part of the performance assessment process for the remaining personnel and relating to the incentive system multipliers.

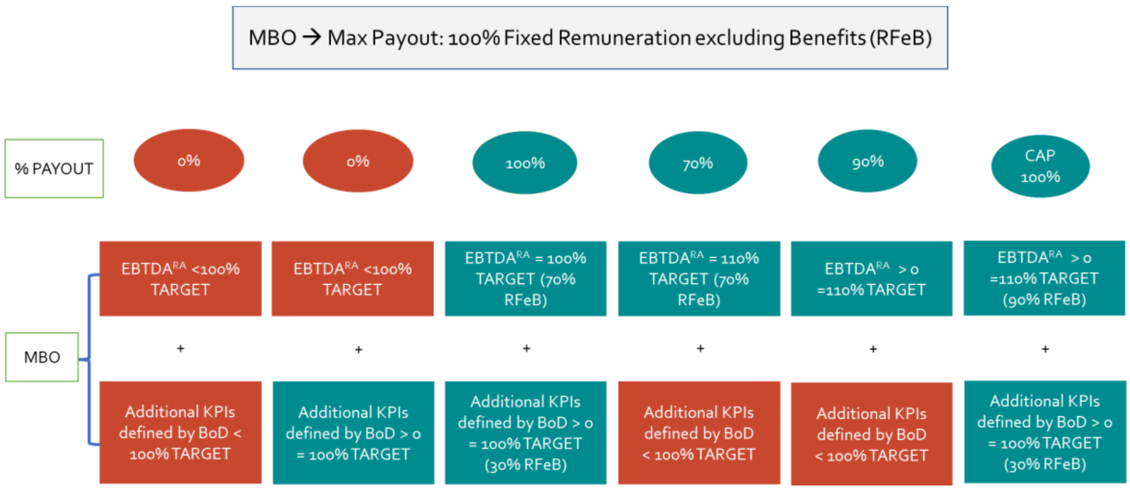
The Chief Executive Officer's MBO bonus is linked in part to the timely achievement or exceeding of the *Target Risk Adjusted* EBTDA defined annually and to a further set of targets that are set annually by the Board of Directors. In particular, the MBO bonus depends on the achievement of the *Target* EBTDA ^{RA} for the year (below which the bonus is not paid, according to an on/off mechanism).

The MBO bonus paid depends on:

- the achievement of objectives defined, at the discretion of the Board of Directors, consistent with the Bank's objectives and values, including sustainable finance objectives that take into account, *inter alia*, environmental, social and governance (ESG) factors, and with the Bank's long-term strategies and prudent risk management policies, including strategies for monitoring and managing impaired loans, consistent with the provisions of the prudential control process[10]. These objectives can be broken down into different levels of achievement. If all objectives are achieved, the maximum *payout* for these objectives is **50%** of Fixed Remuneration (excluding *Benefits*);

- the achievement of the Target EBITDA ^{RA} for the year, which allows for the payment of a bonus amounting to **70%** of Fixed Remuneration (excluding *Benefits*);
- exceeding the Target EBITDA ^{RA} for the year, which allows for the payment of an incremental amount in the event of *over performance* on this target, up to a maximum of a further **20%** of Fixed Remuneration if 110% of the Target EBITDA ^{RA} is achieved.

In any event, in line with the provisions for Senior Executives, even where the Chief Executive Officer achieves a performance on the above objectives leading to a bonus that exceeds his/her Fixed Remuneration, (excluding Benefits), the MBO amount may not exceed the Fixed Remuneration (excluding *Benefits*), as shown in the table below.



[10] For 2022, the following indicators have been approved by the Board of Directors on 1 March 2022:

- ESG: 20% *customer satisfaction* goal;
- Factoring receivables (weight 15%) at 31/12;
- Depositary bank's new AUD volume (weight 15%)

Methods of payment

- The Variable Remuneration of the Chief Executive Officer is of a "significantly high amount" pursuant to the Supervisory Provisions. Therefore, the payment of the Chief Executive Officer's MBO bonus is as follows:
- The *up-front* portion, which is paid following the approval of the Group's financial statements, is 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 paragraph 7.2.3 - *Ex-post adjustment mechanisms (Malus and Claw Back)*)[11].

[11] 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.

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 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, a *long-term incentive plan* is submitted for approval at the same Meeting called to approve the Policy.

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 *golden parachute* potentially payable to the Chief Executive Officer upon termination of office, of a value equal to the lesser of:

- 1.8 times the sum of the average Variable Remuneration of the previous three years[12] and Fixed Remuneration (excluding *Benefits*)[13];
- 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 noted 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[14] or indemnity for termination of office.

The *golden parachute* will be paid to the Chief Executive Officer, in the event of termination of office, upon the occurrence of one of the following circumstances:

- non-renewal of the position of Chief Executive Officer – at the expiration date of the current mandate or any other mandates that will happen before the approval of the Bank's financial statements as at 31 December 2026 – until the approval of Bank's financial statements as 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

[12] 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 granted in the three-year period, the value of which is the value calculated at the grant date.
[13] 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).

[14] 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.

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 was in progress up to the date of approval of the Bank's financial statements on 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);
- 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.

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:

- 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 associated gates, with capital and liquidity limits and to the application of performance parameters, net of the risks contained in the 2020 Policy.

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[15] (excluding *Benefits*) at the time of termination of office as Chief Executive Officer, paid, following termination of office, in cash in four equal six-monthly instalments;
- penalty:
    - 100% of the Fixed Remuneration (in addition to the return of the corresponding) 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 Office 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[16], or within the limits set by the laws in force from time to time.

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[15] The annual consideration for the Chief Executive Officer under the non-competition agreement does not exceed his/her Fixed Remuneration. Therefore, it is not included in the calculation of the limit to the Variable to Fixed Remuneration ratio, see point *(A)* of paragraph 7.2.2.8. (Non-competition agreement).

[16] In particular, following the DEPObank Transaction, the Board of Directors of the Bank granted the Chief Executive Officer (and some Employees) an additional and extraordinary *bonus*, called *"Integration Bonus"*, related to the DEPObank Transaction with a maximum MBO opportunity of 100% of the Fixed Remuneration

7. STRUCTURE OF EMPLOYEE REMUNERATION[17]

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 limited one-off amounts paid as part of an annual salary review. The disbursement 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.

(excluding *Benefits*), subject to the overall cap of 2:1 considered together with the other Variable Remuneration components, comprising two tranches and subject to:

- *closing* of the Depobank Transaction (event already occurred);
- individual *performance* objectives;
- compliance with the capital, liquidity and profitability *gates* provided for by the 2020 Policy at point *(C)* of paragraph 10.2.3.1 (*Verifying the achievement of company objectives*);
- the Chief Executive Officer continuing to hold his/her position at the time of payment.

The first tranche was paid in 2021, while the second tranche, allocated in 2021, will be paid in 2022, five quarters after the closing of the transaction, following the achievement of the individual KPIs assigned to the *scorecard*.

The second tranche of the Integration Bonus will be paid 70% *up-front* and 30% with a 3-year deferral, 50% in cash and 50% in financial instruments subject to a 1-year retention period.

[17] Regulatory references: Table 7-bis of Annex 3A to the Issuers' Regulations.

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. meal vouchers;
iv. contribution to a supplementary pension fund;
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 schemes (MBO);

(ii) long-term incentive plans (including stock option plans);

(iii) VAP;

(iv) additional variable remuneration elements, such as retention bonuses, additional discretionary pension benefits-MBO, 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 (e.g., 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 and with continuing employment, the beneficiary will also be entitled to the payment of subsequent deferred instalments, 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 for which the Board of Directors has responsibility.

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 Fixed to Variable Remuneration ratio 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[18], 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 has been sent to the Bank of Italy within the deadline set out in the Supervisory Provisions[19].

For the Heads of the 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 & Organizational Development Function* and for the *Financial Reporting Officer*, in order to keep their Variable Remuneration low.

7.2.1.2 Variable Remuneration Payment Arrangements[20]

The Variable Remuneration payment arrangements (with the exception of non-competition

[18]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).

[19]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 staff motivation in order to improve the Bank's ability to retain management and the need to further improve the integration and participation of staff 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 ^{RA}) to *Target EBTDA* ^{RA} 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.

[20] Regulatory references: Supervisory Provisions, Part One, Title IV, Chapter 2, Section III.

agreements and Incentive Plans in Financial Instruments, which have specific features, in accordance with applicable 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:

	Category of Personnel	Share in financial instruments	Deferral Period Percentage deferred			Ex-post alignment mechanisms	
			5 years 60%	4 years 40%	2 years 30%	Malus clauses	Claw Back clauses
RISK TAKERS	Risk Takers belonging to the Top Management	✓	✓ (if variable particularly high. Par. 7.2.1.3)	✓	✓ (se variable contained, par. 7.2.1.4)	✓	✓ Always present
	Other Risk Takers	✓		✓		✓	
NON RISK TAKERS	Personnel until category QD3			✓		✓	
	Remaining Personnel						

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 paragraph 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 2020 MBO is subject to the rules of the 2020 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[21], 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

[21]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.

ii. may not be disposed of by the relevant Risk Takers.

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 Correction Mechanisms (Malus and Claw Back);*

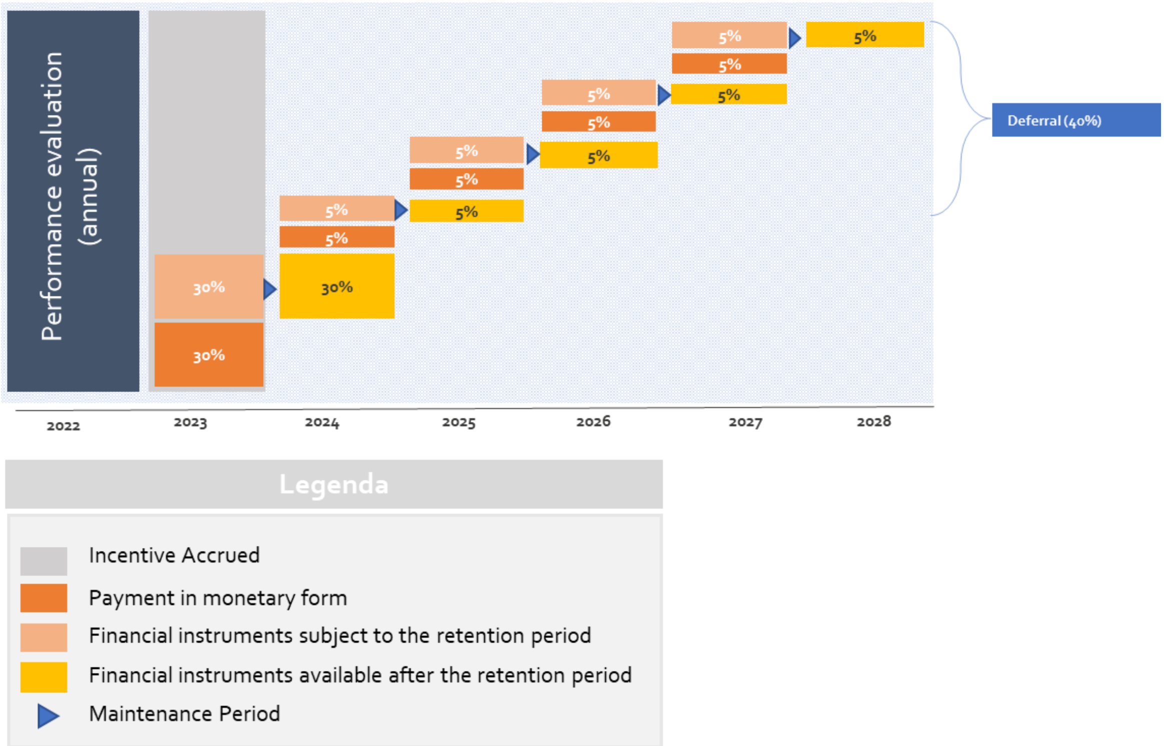
ii. disciplinary measures concerning Employees pursuant to article 7 of Law no. 300 of 20 May 1970 (*Workers' Statute*).

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 (*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 Top 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 Top 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.

This value, according to the report published by EBA in 2021 with reference to December 2019 data, is € 435.011;

ii) 10 times the average total remuneration of the Bank's employees and amounting to € 54.161.110,34

Consequently, variable remuneration in excess of € 435.011 is considered as significantly high.[22]

[22] Amount valid for the three-year period 2022-2024.

If the Variable remuneration for Top 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 Top 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[23] 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 deferral 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 (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

[23] For the MBO of the Chief Executive Officer see paragraph 6.1.

objectives;

- align organizational 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 & Organizational 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 organizational 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 organizational 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 Organizational 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, organizational 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.

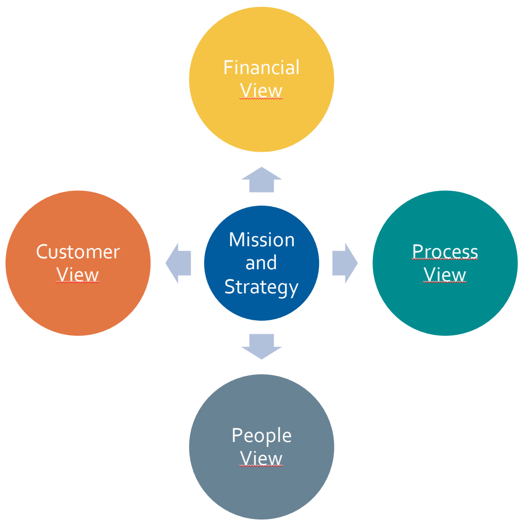


Table 1 Group Performance Management Model

The achievement of each objective is then verified by someone other than the person who assigned it, thereby guaranteeing an independent verification mechanism.
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 the 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 the Subsidiaries, the objectives are approved by the Chief Executive Officer of the Subsidiary in question, after consultation with the *Human Resources & Organizational Development* Function, on the basis of the delegation of powers structure.

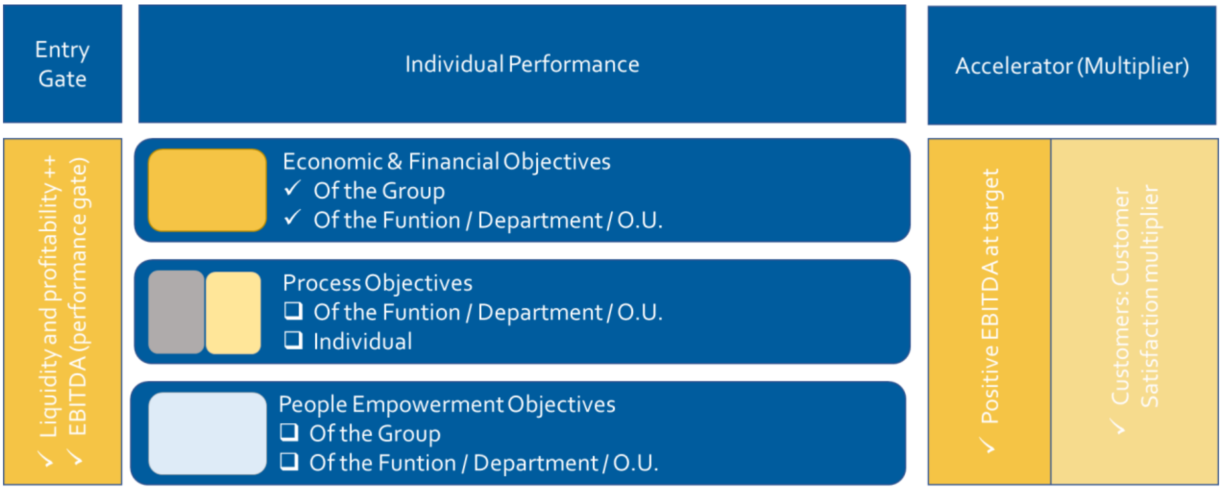
In addition to the satisfaction of individual objectives, the accrual and disbursement of the MBO is also conditional on compliance with the corporate gates of (i) liquidity, (ii) capital and (iii) positive profitability adjusted for risk and cost of capital (Risk-Adjusted EBTDA or EBTDA ^{RA}), described in point (*B*) below (*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.

Category	Incidence %	
	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-targets included in the individual scorecards with a weight of 70% are as follows[24]:



The qualitative objectives, expressed in specific organizational 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	Execution	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 – Organizational conduct Employee MBO

The description of the qualitative objectives is as follows:

[24] The Bank's Executives with Strategic Responsibilities at the reporting date are the Vice President of Factoring & Lending, Michele Antognoli, the Vice President of Finance & Administration, Piergiorgio Bicci, the Vice President of Technology & Processes Improvement, Massimo Pavan, and the Vice President of 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 organizational solutions/processes/techniques/methods that, by supporting the Company's strategic plan, 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 meritocratic 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 organizational units, directing one's structure to maintain a high level of cooperation with other organizational entities.

In order to make the evaluation of organizational conduct as objective and comparable as possible, the objectives assigned 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 organizational 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 corporate target achievement

With regard to the annual objectives, employees are expected to apply 3 gates in the relevant year, in addition to the possibility of activating *Malus*[25] and *Claw Back* mechanisms, linked to compliance with indicators of (i) liquidity, (ii) capital and (iii) positive risk-adjusted return and cost of capital (*Risk Adjusted* EBTDA (or $EBTDA^{RA}$)).

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

[25] 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)*).

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 ^{RA}).

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*;
- *Human Resources & Organizational 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 ^{RA}) and Target EBTDA ^{RA} 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 ^{RA} / Target EBTDA ^{RA} 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 ^{RA} / Target EBTDA ^{RA} 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 ^{RA} / Target EBTDA ^{RA} ratio do not apply to:

a. Corporate Control Functions;

b. *Financial Reporting Officer*;

c. *Human Resources & Organizational 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 Takers, 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 employees' 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 50/50 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.

7.2.2.4 Bonus Collectors and Sales Bonus

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

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

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

ii. so-called Sales Bonus, 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 Group credit managers.

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) equity and (iii) positive return adjusted for risk and cost of capital (*Risk Adjusted* EBTDA or EBTDA ^{RA});
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* ^{RA} 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 Bonus Collectors 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 allotment of Bank shares to Employees[26]

If the Meeting decides on a bonus issue 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 without consideration within the limits set out in article 51, paragraph 2, letter g) of the Consolidated Law on Income Tax.

7.2.2.7 Discretional pension benefits

To date, there are no discretional pension benefits for Personnel, and the Bank does not have any plans to make use of these instruments. However, Group companies, subject to the approval of the Board of Directors, for the Relevant Personnel of the Board of Directors, 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[27]:

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 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;

[26] 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 allotments fall within the Excluded Benefits.

[27] See Part One, Title IV, Chapter 2, Section III of the Supervisory Provisions.

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 Board of Directors and by the Chief Executive Officer for the rest of the Personnel. Golden parachutes[28] 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.

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

[28] 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.

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.

The following table shows the example of a three-year non-competition agreement, with a consideration of €150,000 (i.e., € 50.000 for each year of the agreement), for a Risk Taker with a Fixed Remuneration of € 100.000 and who received, in the last year of his/her employment or office with a Group company, a Variable Remuneration of € 10.000.

2:1 Limit	**Cash/instruments (retention per share in Financial Instruments)**	**Deferred**	**Ex post adjustment**
It does not apply because	Yes, only for 50K because total NCA	Yes, only for 50K because total NCA	Yes, only for 50K because total NCA

50K is less for each year of the agreement than 100% of the last year's Fixed Remuneration	exceeds 100% of the last year's Fixed Remuneration by 50K	exceeds 100% of the last year's Fixed Remuneration by 50K	exceeds 100% of the last year's Fixed Remuneration by 50K

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) € 1.100.000,00 for Employees;

   b) € 4.500.000,00 for Personnel other than Employees[29].

   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.

[29] The maximum limits of 24 months of Global Remuneration, € 1.100.000,00 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*.

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[30];

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 Top Management);

v. are subject to a one-year retention period for the portion paid in Financial Instruments;

vi. for a portion of 40% (60% in the case of particularly high Variable Remuneration of Top Management), are subject to a deferral period of four years (five years in the case of particularly high Variable Remuneration of Top 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;

[30] The indication of a predefined formula (i.e., x ≤ 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.

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 ex-ante distortion effects on Personnel behaviour;

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 and 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 component of the Variable Remuneration 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. DISCLOSURE AND COMMUNICATION OBLIGATIONS 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[31], 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*;

[31] Regulation (EU) no. 575/013 of 26 June 2013.

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 top 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 addition, the Bank, as Parent Company, submits to the Bank of Italy, by 30 June each year, information on the Group's so-called *high earners*, i.e. those people whose total remuneration amounts to €1 million on an annual basis. In relation to the levels of consolidated assets achieved, the Bank is included in the Bank of Italy's benchmarking sample, in implementation of EBA guidelines[32]. The Bank will send to the Bank of Italy, by the above deadline, also information relating to:

i. the Remuneration of all Personnel, considered as a whole;

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

[32] Banking groups with consolidated assets above €40 billion for benchmarking purposes, and, banks and banking groups with assets exceeding €3.5 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.

iii. the number of *Risk Takers* divided into Remuneration brackets.

The information, denominated in euros, refers to the year prior to the year of the survey and is sent to the Bank of Italy via the "INFOSTAT" platform.

ANNEX 1: DEFINITIONS

2016 Stock Option Plan	The stock option plan originally approved by the Meeting of 5 December 2016 and subsequent updates, with the last allotment in 2019.
2020 Policy	The "*Remuneration and Incentive Policy in favor of the members of the Strategic Supervision, Management and Control Bodies and the personnel of the BFF Group*" approved by the Meeting on 2 April 2020.
2020 Stock Option Plan	The stock option plan approved by the Meeting of 12 April 2020.
Annual report on the Remuneration Policy and Compensation Paid	The Annual Report on the remuneration policy and compensation 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.
Bank, Parent Company	BFF Bank S.p.A., the Parent Company of the BFF Banking Group.
Benefit	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.
Board of Directors	The body with strategic supervision functions of the Parent Company, 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.
Board of Statutory Auditors	The body with control function of the Bank.
Bonus Collectors	A form of objective-based short-term Variable Remuneration that is part of the MBO (Management By Objectives) bonuses envisaged for debt recovery Personnel.
By-Laws	The By-Laws of the Bank.
Capital Requirements Directive IV (CRD IV)	European Directive 2013/36/EU of 26 June 2013.
Capital Requirements Directive V (CRD V)	European Directive 2019/878/EU of 20 May 2019.
Chief Executive Officer	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.
Claw Back	The total or partial refund of the Variable Remuneration already received.
Code of Ethics	The code of ethics adopted by the Group.
Compliance & AML Function	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.
Risk and Control Committee	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 Rules and article 6 of the Corporate Governance Code.
Corporate Control Functions	The Corporate Control Functions as defined in the Bank of Italy regime in the matter of Internal Control System,[33] i.e., *Internal Audit* Function, *Risk Management* Function and *Compliance & AML* Function.
Corporate Governance Code	The Corporate Governance Code for listed companies approved by the Corporate Governance Committee established by the business associations (ABI, Ania, Assonime, Confindustria), Borsa Italiana S.p.A. and the association of professional investors (Assogestioni) on 31 January 2020.
Customer Satisfaction	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.
DEPObank	DEPObank – Banca Depositaria Italiana S.p.A.
DEPObank transaction	Acquisition of DEPObank - Banca Depositaria Italiana S.p.A. by the Bank, formalised in a binding agreement dated 13 May 2020 (signing).
Employees	The employees of the Group.
Excluded Benefits	Monetary allocations excluded from the concept of Remuneration, since (i) marginal value, (ii) non-

[33] See Supervisory Provisions.

	discretionary, (iii) falling 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.
Executives	The managers of organizational units articulated or characterized by a 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/advisory 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.
Executives with Strategic Responsibilities	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.
Ex-post report	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.
Financial Instruments	The Bank's financial instruments with which part of the Variable Remuneration is paid to Risk Takers.

Financial Reporting Officer	The officer in charge of the preparation of the bank's accounting documentation pursuant to article 154-bis of the TUF.
Fixed Remuneration	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.
Group General Counsel & Business Legal Affairs Function	The corporate function of legal support to the Chief Executive Officer and other corporate structures.
Global Remuneration	The sum of annual Fixed Remuneration, annual Benefits and the maximum value of the MBO receivable in the year in question.
Group or BFF Group	BFF Banking Group.
Human Resources & Organizational Development Function	The corporate function with the task of managing and training the Group's human resources, ensuring the development of the Group's human and organizational capital in compliance with the guidelines established by the Chief Executive Officer.
Incentive Plans in Financial Instruments	Any incentive plan based on financial instruments, including Stock Option Plans, already adopted or to be implemented by one of the Group companies.
Integration Bonus	Form of Variable Remuneration linked to additional work in terms of individual contribution and coordination of activities in the case of integrations resulting from extraordinary transactions (e.g., acquisitions, mergers).

Internal Audit Function	The Group Internal Audit Function.
Issuers' Regulation	CONSOB Regulation no. 11971/1999.
Low Variable Remuneration	Annual Variable Remuneration does not exceed €50,000 and does not account for more than one third of the total annual Remuneration.
Malus	The reduction or loss of entitlement to payment of the Variable Remuneration, not yet received.
MBO	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.
Meeting	The Bank's shareholders' meeting.
Personnel	The members of the bodies discharging strategic supervision, management and control functions, as well as the Group employees and collaborators.
Planning & Control O.U.	The organizational 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.
Policy	The remuneration and incentive policy for the members of the Strategic Supervision, Management and Control Bodies and the Personnel of the BFF Group.

Projects O.U.	The organizational unit which manages the development projects under its direct responsibility and monitors the project portfolio of the Bank and the Group.
RAF	"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.
Regulation & Processes O.U.	The organizational unit with the tasks of developing the Bank's organizational model in accordance with the guidelines defined by the Chief Executive Officer, and continually updating the Group's internal and governance rules.
Related Party Transactions (or RPT) Committee	The committee for the evaluation of transactions with related parties and associated entities.
Relevant Personnel	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.
Relevant Personnel of the BoD	The Personnel whose remuneration and incentive systems, annual targets and its evaluation are defined by the Board of Directors, namely: (i) the Chief Executive Officer;

	(ii) Directors who perform special functions; (iii) Top Managers of the Group; (iv) Executives who report directly to the Chief Executive Officer; (v) Heads of Corporate Control Functions.
Remuneration	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.
Remuneration Committee	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 Rules and article 5 of the Corporate Governance Code.
Remuneration Policy in Favour of Relevant Persons, of the Personnel Responsible for handling Complaints and of the Personnel in Charge of the Credit Assessment	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.
Risk Management Function	The Group Risk Management Function.
Risk Takers	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.
Risk-Adjusted EBTDA (EBTDA ^{RA})	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 Target * Ke)[34].
Sales Bonus	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 in Favour of Relevant Persons, of the Personnel Responsible for handling Complaints and of the Personnel in Charge of the Credit Assessment*.

[34] 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 ^{M}: 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. 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 15% 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%.

Sales O.U.	The organizational unit responsible for managing the Bank's business through the development of relationships with new customers and relationships with existing customers.
Senior Executive	Roles of 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.
Top Management	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.
Significantly High Variable Remuneration	Variable remuneration in excess of €435,000.
Stock Option Plans	The 2016 and 2020 Stock Option Plans considered collectively.
Subsidiaries	The companies belonging to the Group, excluding the Bank.
Supervisory Provisions	The Bank of Italy's Circular no. 285 of 17 December 2013 and subsequent updates, the "Supervisory Provisions for Banks".

Sustainable Success	The objective that guides the actions of the Board of Directors and that consists of creating long-term value for the benefit of the shareholders, taking into account the interests of other stakeholders relevant to the Group.
Target EBTDA ^{RA}	The level of EBTDA ^{RA} as envisaged and calculated in the annual budget approved by the Board of Directors for the year in question.
Transparency Regulations	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.
TUB	The Consolidated Law on Banking under Legislative Decree no. 385 of 1 September 1993, as amended.
TUF	The Consolidated Law on Finance under Legislative Decree no. 58 of 24 February 1998, as amended.
TUIR	The Consolidated Income Tax Act.
Update No. 37 of Circular 285	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.
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.
Variable Remuneration	(i) Remuneration whose recognition or which payment may change in relation to performance, however measured (income targets, rates, etc.), or other

	parameters (e.g., assignment period), 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. (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 recognised as a non-competition clause or under an agreement in the resolution of an actual or potential dispute are recognised, regardless of the Forum where it is reached. (iii) The carried interest, as qualified by the provisions regarding compensation and incentive policies and practices in the field of asset management, implementing directives 2009/65/EC (UCITS) and 2011/61/EU (AIFMD). (iv) Any other form of remuneration which is not uniquely qualified as Fixed Remuneration, except for the Excluded Benefits.

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 2022.

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

1. the Bank of Italy's **Supervisory Provisions**[35] 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 overall are more strict than the corresponding provisions of the Corporate Governance Code, to which the Bank adheres, the Supervisory Provisions on Remuneration apply, absorbing and replacing the provisions of the Corporate Governance Code on remuneration practices and policies, including the provisions on retention of shares granted under remuneration plans, which tend to incentivise the alignment of beneficiaries with the interests of shareholders in a long-term horizon.

   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.

[35] See Circular 285, Section One, Title IV, Chapter 2.

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. Specifically, 50% of the Variable Remuneration of Risk Takers is paid in financial instruments, 40% of which are subject to a deferral period of at least four years and a further retention period of at least one year.

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 Regulation**. In this regard, the Bank's Board of Directors has approved a Group Remuneration Policy in Favour of Relevant Persons, of the Personnel Responsible for handling Complaints and of the Personnel in Charge of the Credit Assessment. 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 Persons", which is submitted to the Board of Directors for approval.

Furthermore, the issue of 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 should be noted. Although the SHRD II Directive has yet to be fully implemented (the consultation phase that precedes the issue of the detailed regulations is currently underway), Legislative Decree no. 49/2019 already provides for immediately effective provisions on 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 informs the Chief Executive Officer, the Remuneration Committee and, as part of the periodic reports, the Board of Directors and the Board of Statutory Auditors. 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 regarding the resolution of the conflict of regulations and identifies the operational solutions capable of correctly implementing the Policy.

The *Risk Management* Function, based on the accounting evidence provided by the *Finance & Administration* Department, verifies that *gates* for Variable Remuneration, including the results of EBTDA ^{RA}, have been reached and that the incentive system is consistent with 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 & Organizational Development* Function in activating the *Malus* and *Claw-Back* mechanisms, carrying out the necessary investigations and analyses at the request of the *Human Resources & Organizational 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 7.2.2.1 (MBO for *Employees*).

***Human Resources & Organizational Development* Function**

The *Human Resources & Organizational 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 Risk and Control 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 individual objective achievement
- procedure for activating *Malus* or *Claw Back* mechanisms;

Process for verifying individual objective achievement

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 & Control O.U., if of a financial nature;

ii. Projects O.U., if of a project 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 functional manager of the individual collaborator and approved by the Chief Executive Officer. Individual quality objectives are linked to organizational conduct and are assessed directly by the manager of the relevant organizational structure 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 and related to the *performance* of the O.U. or Function or Department to which it belongs, whose overall results support the evaluation of the organizational conduct of the individual in achieving the driver identified. 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 Director 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 Director of *Human Resources & Organizational 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.