



2022 Remuneration policy and 2021 remuneration report

Side presentation

March, 2022

Remuneration policy and report

Contents



**KEY PRINCIPLES
AND
GOVERNANCE**



**MAIN CONTENTS
– FOCUS ON NEW
FEATURES**



**2022 SHORT
TERM INCENTIVE
SYSTEMS**



2021-2023 LTI



**IMPLEMENTATION
OF SHORT AND
LONG TERM
INCENTIVE
SYSTEMS**



Key principles and Governance

Remuneration policy and report



Key principles

Continuous monitoring of national and international market trends and practices, aimed at sound formulation of competitive compensation ensuring transparency and internal equity and motivation and retention of all staff, with particular focus on talents and key players, to attract, motivate and retain the best resources capable of achieving our company mission according to Bank's values.

Clear and transparent governance, through efficient corporate and organizational governance structures, as well as clear and rigorous systems and governance rules.



Alignment with the Group's ESG strategy, aimed at sustainable and organic growth, with a progressive integration of the principles of environmental, social and governance sustainability within business and operational management choices.



Compliance with regulatory requirements and principles of good professional conduct, by protecting and enhancing our company reputation, as well as avoiding or managing conflicts of interest between roles within the Bank or towards customers.



Pay for sustainable performance, by maintaining consistency between remuneration and performance, and between rewards and value creation, as well as enhancing both the actual result achieved and the way by which they are achieved.

Governance



Systematic involvement of the Remuneration Committee in all matters concerning remuneration, with particular reference to the CEO and General Manager and the Bank's Identified Staff.

The other internal Board Committees are involved in their respective areas of competence.



The **Human Resources function** involves the **Compliance, Risk Management and CFO functions** in the definition and implementation of the Incentive Systems in order to ensure compliance with legislation, the prudent risk management policy and the sustainability of remuneration.



The **Internal Audit function** annually verifies the compliance of the remuneration practices with the approved policies and the reference legislation, thus guaranteeing the general consistency of the remuneration and incentive processes. The outcome of the annual audit was positive.



Remuneration system and ESG Strategy

Fineco is aware that a strategy oriented towards a stable and comprehensive growth needs to be progressively supported by the integration of environmental and social sustainability, and sustainable governance principles in its business choices and managerial operations.

SHORT-TERM INCENTIVE SYSTEM

The **2022 Scorecard of the CEO and General Manager** and that of the Identified Staff, depending on the specificity of the role, include sustainable goals related to the capacity of generating medium-long term value for all the stakeholders. In particular, the goal **“Stakeholder Value”** declines ESG targets that are **included and represented in the FinecoBank Group ESG Goals Plan**, in alignment with the Group 2020-2023 Multi Year Plan

2021-2023 LTI

In the **2021-2023 LTI Plan** for employees, among the performance objectives considered, in line with the Multi Year Plan, **ESG parameters relating to customer satisfaction, employee engagement and the extension of the ESG rating to all new funds were introduced** in line with the Multi Year Plan.

GENDER NEUTRALITY IN THE REMUNERATION SYSTEM

The FinecoBank Group is committed to ensuring that **the Compensation Policy is gender neutral**, thus concurring to pursue equal opportunities in terms of professional development and remuneration. For this purpose, **the Board of Directors with the support of the Remuneration Committee oversees the Gender Pay Gap**, which is monitored according to the methodological indications provided for by the new regulatory framework. Furthermore, **the Management is empowered with reference to the gender-neutral application of the remuneration systems**. In fact, since 2017, the Identified Staff individual scorecards include the Gender Pay Gap parameter as one of the elements for their performance evaluation. **The Multi Year Plan 2020-2023** also confirms, among the strategic directives, **objectives in terms of Diversity and Equal Opportunity**.





Main contents

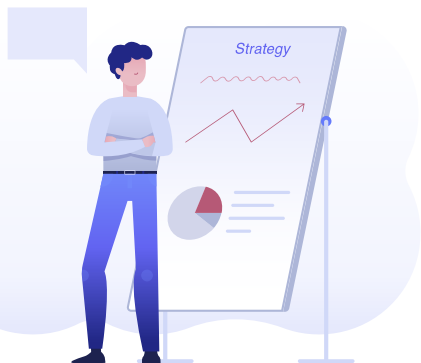
Remuneration policy and report



Introduction and structure

The Remuneration policy and report for 2022 **defines the reference principles for defining the remuneration systems**. Fineco's approach to remuneration, in coherence with regulatory provisions and market practice, **guarantees the link with performance, market environment, business strategies and shareholders' long-term interests**.

- The document consists of an **Executive Summary** that summarizes the key elements of the 2022 remuneration approach and provides the main results for the year 2021. It also highlights variable and fixed compensation data for the CEO and General Manager, and the goals set for 2022, all in order to support the understanding of the key information of the document. Given the market practice, this year, and like every year, the summary follows the **Letter from the Chairman of the Remuneration Committee to the shareholders**.
- Two separated sections follow as provided by art. 123-ter. A separate vote will be held on each section:
 - **Section I** - 2022 Remuneration policy (**binding vote**)
 - **Section II** - 2021 Remuneration report (**advisory non-binding vote**)
- Data required pursuant to article 450 of the Regulation (EU) no. 575/2013 and in compliance with art. 114-bis TUF are contained in the apposite Annexes to document.





Main features - 2022 (vs 2021)

CONFIRMED

NEW

NOTES

Maximum variable/fixed pay ratio:

For employees belonging to business functions, the ratio is 2:1. For the Identified staff of the Company Control Functions, the variable remuneration cannot exceed 1/3 of the fixed remuneration. For the Head of Human Resources and the Manager in charge of preparing financial statements, the fixed remuneration is predominant on the total compensation. The 2:1 ratio also applies to Personal Financial Advisors (PFA) Identified Staff.



Full disclosure of the market peer group, used for trends analysis and benchmarking.



Share Ownership Guidelines for Executives with strategic responsibility.



Full description of **2022 short term Incentive Systems for Employees and PFA Identified Staff** as well of the 2021-2023 LTI Plan and of the implementation in 2022 of the 2021 and prior years' short term Incentive Systems.



- The threshold, which was equal to € 75,000, was adjusted in application of the new regulatory provisions, according to which no deferral is applied in the presence of an annual variable remuneration equal to or less than € 50,000 and equal to or less than one third of the total annual remuneration.

Compensation strategy aligned with the **sustainable principles** set out in FinecoBank Group Strategic Plan 2020-2023.

Specific section focused on gender neutrality of the Remuneration Policy, which incorporates the new regulatory provisions in terms of governance and methodology for calculating the gender pay gap.



- **Inclusion of ESG targets** also in **long term incentive plans**.
- **Continuous monitoring of Gender Pay Gap**, as confirmation of the Group Remuneration policy's gender neutrality.

2021-2023 Long Term Incentive Plan, aimed at incentivizing, motivating and retaining selected employees of the Group



The Plan provides goals in line with 2021-2023 FinecoBank targets in terms of Value Creation, Industrial Sustainability, Risk and Stakeholder Value.

The Report incorporates the provisions introduced by Circular no. 285 of 2013 and the new EU Delegated Regulation 923/2021, with reference to the **identification of personnel whose activities have a significant impact on the Group's risk profile**.





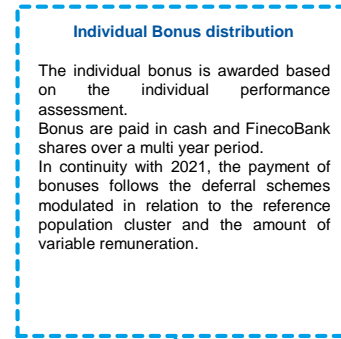
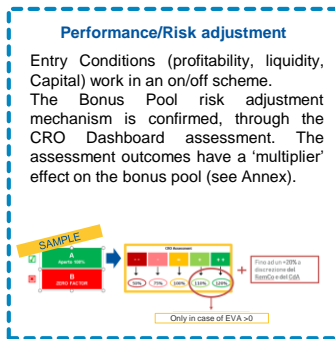
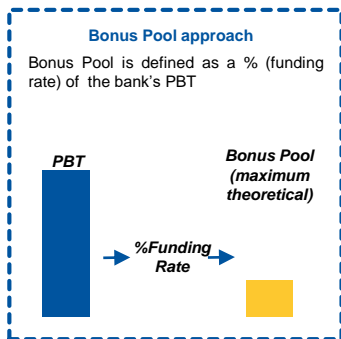
2022 short term Incentive Systems

Remuneration policy and report



2022 short term Incentive Systems

- In continuity with 2021, **specific Incentive Systems for Employees and Financial Advisors Identified Staff** have been put in place in 2022
- The 2021 Incentive Systems follow the **Bonus Pool** logic, providing **entry and malus conditions** linked to **profitability, capital and liquidity indicators**
- The Systems provide for a **specific risk adjustment mechanism**
- Bonus is paid in **cash and FinecoBank shares**, over a multi-year period



Payment scheme for Employees Identified Staff

The deferral schemes introduced following Bank of Italy provisions are based on the corresponding population cluster, as well as on the variable compensation amount.

- For the **CEO and GM and other roles provided by law** (i.e. Executives responding to the CEO) with a ‘significant’ amount of total variable pay (>435,000 €)*, **the 2022 Incentive System is confirmed without changes from the 2021**, with the deferral of 60% of the short-term variable remuneration and a greater quota in shares rather than cash.
- For the **other roles provided by law** (i.e. Executives responding to the CEO) with no “significant” amount of total variable remuneration, **in continuity with 2021, 50% of the bonus will be deferred with a greater quota in shares rather than cash.**
- For **other identified staff with no “significant” amount of total variable remuneration**, the deferral quota remains 40% of the bonus (60% upfront), with a 50/50 mix of shares and cash.
- A 1-year retention period still applies to both upfront and deferred shares

CEO and GM and other roles provided by law with a ‘significant’ amount of total variable pay	PAYOUT		Upfront	N+1	N+2	N+3	N+4	N+5	Total
		Cash	20%		12%			12%	44%
		Shares		20%		12%	12%	12%	56%
			Upfront	N+1	N+2	N+3	N+4	N+5	Total
Other roles provided by law with no “significant” amount of total variable remuneration	PAYOUT	Cash	25%		10%			10%	45%
		Shares		25%		10%	10%	10%	55%
Other identified staff with no “significant” amount of total variable remuneration	PAYOUT		Upfront	N+1	N+2	N+3	N+4	Total	
		Cash	30%			10%	10%	50%	
		Shares		30%	10%	10%		50%	

* Equal to 25% of the total remuneration of the Italian High Earners according to the EBA report (Benchmarking and High Earners Report). The threshold has been defined for the three-year period 2022-2024.



Payment scheme for PFA Identified Staff



- For **Identified Staff with a significant amount (>435.000 €)**, a stricter payout scheme is provided with 60% of the bonus being deferred
- For **other Identified Staff with no significant amount of total variable remuneration**, a stricter payout scheme is provided with 40% of the bonus being deferred
- A 50/50 mix of cash and shares (unchanged from 2021)

Identified Staff with a significant amount of variable remuneration	PAYOUT		Upfront	N+1	N+2	N+3	N+4	Total
		Cash	20%	5%	5%	10%	10%	50%
		Shares		20%	15%	15%		50%

Other Identified Staff with no significant amount of variable remuneration	PAYOUT		Upfront	N+1	N+2	N+3	N+4	Total
		Cash	30%			10%	10%	50%
		Shares		30%	10%	10%		50%



2022 CEO and GM Scorecard

WEIGHT	#	GOAL NAME	REFERENCE TARGET	NOTE/CATEGORY (sustainability, value, creation, risk, cost efficiency, etc.)
 QUANTITATIVE/ STRATEGIC 70%	1	ROAC	vs. budget	Value Creation
	2	Cost Income	vs. budget	Cost Efficiency
	3	EL stock (%)	vs. target	Risk-Based
	4	OPEX	vs. budget Operating costs as reported in reclassified P&L i.e.: Staff expenses + Other Administrative Expenses (direct + indirect) - Expenses Recovery + Depreciations	Cost Efficiency
	5	AUM net sales	vs. budget	Value Creation
 QUALITATIVE/ SUSTAINABLE 30%	6	Stakeholder Value	assessment based on: <ul style="list-style-type: none"> Improve/maintain the scores of the main ESG ratings Responsible finance: y/y % of new ISIN funds with ESG rating* Delta on Gender Pay Gap and Gender Balance (Y/Y) Improve Fineco's environmental performance: renewal of EMAS Registration, also through the achievement of the Environmental Program goals. 	Sustainability
	7	Tone from the top on conduct and compliance culture	vs. qualitative assessment based on: <ul style="list-style-type: none"> Promotion of initiatives aimed at fostering staff integrity, customer protection, and trustworthiness by enhancing risk & control culture; The overall status of audit, compliance and External Authorities findings considering the type, severity and the timely completion of the related remedial actions. 	Sustainability

* Excluding UK representing for Fineco a new opening market







2021-2023 LTI

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Performance goals

With the aim of rewarding, retaining and motivating selected Bank Employees in the long term, in line with FinecoBank Group 2020-2023 Strategic Plan, a share/based long-term incentive plan has been defined. The Plan sets goals linked to the 2021-2023 targets in terms of value creation, industrial sustainability, risk and stakeholder value, also in order to align the long-term interests of the Bank's Management with the long-term value creation for shareholders.

GOALS	KPIs	WEIGHT	TARGET	ASSESSMENT CRITERIA	
				Threshold	Payout
 VALUE CREATION 50%	ROAC	35%	Average 2021-2023	≥ 38% 33% - 38% ≤ 33%	100% 0% - 100% 0%
	Net Sales Asset Under Management	15%	Sum 2021-2023	≥ 13 bn 11 bn - 13 bn ≤ 11 bn	100% 0% - 100% 0%
 INDUSTRIAL SUSTAINABILITY 20%	Cost Income Ratio	20%	Average 2021-2023	≤ 37,5% 40% - 37,5% ≥ 40%	100% 0% - 100% 0%
 RISK 15%	Cost of Risk	15%	Average 2021-2023	≤ 18 bps 18 - 22 bps ≥ 22 bps	100% 0% - 100% 0%
 STAKEHOLDER VALUE 15%	Customer satisfaction	5%	Average 2021-2023	≥ 90 pt 85 pt - 90 pt ≤ 85 pt	100% 0% - 100% 0%
	People engagement	5%	Average 2021-2023	≥ 76% 75% - 71% ≤ 71%	100% 0% - 100% 0%
	ESG rating for all new funds*	5%	EOY 2023	100% 80% - 100% ≤ 80%	100% 0% - 100% 0%

* Excluding UK representing for Fineco a new opening market

Focus Stakeholder Value goal

In light of the benchmarking analysis' results carried out with the support of the External Advisor, with regards to the materiality matrix and Fineco sustainability goals as intended in the strategic plan, **specific ESG parameters have been identified within the macro-goal Stakeholder Value:**

CUSTOMER SATISFACTION

- ✓ Customer Satisfaction monitors the strength of the relationship with our customers, defined by performance and preference.

PEOPLE ENGAGEMENT

- ✓ People Engagement is based on the monitoring of the employees involvement with respect to business strategy and positioning, and it will be measured through the People Survey results, which reflects the engagement level and the alignment with respect to the company strategy.

ESG RATING FOR ALL NEW FUNDS

- ✓ The goal focuses on the introduction of an ESG rating for all new funds, measuring environmental, social and governance risks from a financial point of view, compared with a peers' benchmark.



Implementation of short term incentive systems

Remuneration policy and report

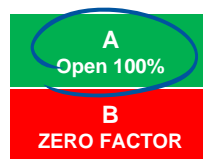
Implementation of 2021 Incentive Systems

According to the schemes provided by the 2021 Incentive System, the Bonus Pool for Employees and Financial Advisors has been defined in consideration:

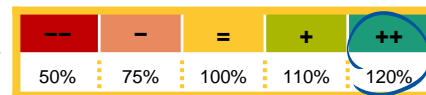
- the results in the “entry conditions matrix” and
- the CRO evaluation (CRO dashboard) of the Bank’s results

The achievement of all the Entry Conditions, and the subsequent Bonus Pool confirmation, is the prerequisite for the payment of the annual instalments of bonuses related to previous years’ incentive systems.

Entry Conditions	Results
Net Operating Profit adjusted ≥0	543.261 k€
Net Profit ≥0	380.711 k€
CET 1 ratio > 8,8% (2021 RAF Capacity)	18,80%
Liquidity Coverage Ratio > 101% (2021 RAF Capacity)	946,05%
Net Stable Funding Ratio > 101% (2021 RAF Capacity)	325,25%



CRO Dashboard Assessment 2021*



* The CRO Dashboard assessment used for PFA’s Incentive Systems provide a correction range of 125% (instead of 120%) in correspondence of ++ sign.








CEO and GM 2021 performance evaluation

**QUANTITATIVE/
STRATEGIC**
Weight 70%



**QUALITATIVE/
SUSTAINABLE**
Weight 30%



GOAL NAME	RESULTS	ASSESSMENT				
		Below	Almost Met	Met	Exceeds	Clearly Exceeds
ROAC vs. budget	Budget: 48.12% Results: 69.88%					
Cost Income vs. budget	Budget: 33.73% Results: 32.2%					
EL stock (%) vs. target	Target: 0.21% Results: 0.11%					
OPEX vs. budget	Budget: 256,121 k€ Result: 258,894 k€					
AUM net sales vs. budget	Budget: 4.655 k€ Result: 7.294 k€					

Stakeholder Value
vs. qualitative assessment based on several initiatives

- In 2021, 16 funds pursuant to Art. 8 of the SFDR were launched by FAM. In addition, within the distribution of ESG investment products, FinecoBank has launched the Private Global lines, an asset management in ETFs and Securities characterized by an average MSCI sustainability portfolio rating over 6. In the Banking & Credit area, the Bank offered the 110% Superbonus. In addition, trading fee discount and zero fee account were introduced for clients under 30.
- The gender analysis shows a positive Y/Y trend, without significant gaps.
- In 2021, 100% of funds launched on FinecoBank platform have an ESG rating.
- In 2021, the Environmental Statement was drawn up according to the EMAS Regulation and received a positive evaluation from the external environmental auditors. During 2021 the Energy Manager conducted specific analysis in order to design interventions aimed at energy efficiency. Finally, as part of the Environmental Management System, in June 2021 the Board approved the 2021-2024 Environmental Program, which is a series of environmental quantitative targets.
- In 2021, FinecoBank participated in the Financial Education Month 2021 and launched a section dedicated to Financial Education in the public Fineco Video Library. Furthermore, two ESG training sessions dedicated to PFAs were held, covering all ESG topics.



Tone from the top on conduct and compliance culture
vs. qualitative assessment based on several initiatives

- Tone from the top activities have been carried out through the promotion of the compliance and risk culture with specific policies, communications and training sessions.
- Overall internal compliance and audit findings as at the end of 2021 show neither open critical aspects nor major/critical overdue items.
- All requests/evidence from external authorities have been promptly and successfully managed by involving the relevant functions of the Bank.





Focus on CEO and GM compensation



The term vesting refers to the performance period of the 2021-2023 LTI Plan

- According to the overall performance assessment showed in the previous slide (resulting in Exceeds Expectations) and of the overall business results achieved by the Company, **the Chief Executive Officer was awarded a short-term variable bonus for the performance year 2021 equal to € 1,000,000**, corresponding to the maximum amount that he can perceive given the applicable 2:1 ratio between variable and fixed remuneration.
- For the purpose of applying this ratio, it should be noted that **the Chief Executive Officer received a fixed remuneration of € 1,000,000** and that an **annual pro-quota of € 1,000,000 relating to the long-term variable remuneration (LTI 2021-2023)** is also included as variable remuneration, in line with the applicable legislation.
- The € 1,000,000 bonus linked to the short-term incentive system awarded for the 2021 performance will be delivered in cash and in shares, with an upfront portion equal to 40% and a deferred portion equal to 60%, which considers the period of unavailability of the shares both upfront and deferred, as required by law**



Annex

Remuneration policy and report

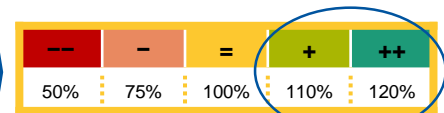
CRO Dashboard assessment mechanism - STI

- FinecoBank Incentive Systems are 'risk adjusted', in coherence with the Bank's Risk Appetite Framework.
- For the purposes of Short Term Incentive Systems, FinecoBank implements this principle through the use of the so called 'CRO Dashboard'
- The CRO dashboard (defined in coherence with Fineco Risk Appetite Framework) includes **KPIs taken from the Risk Appetite Framework**, measured with reference to the respective relevant thresholds (Risk Appetite, Risk Tolerance and Risk Capacity). Here below a sample of the content of the dashboard for 2022:

SAMPLE

DIMENSION	2022			
	KPIs	Risk Appetite	Risk Tolerance	Risk Capacity
Capital	CET1 Ratio (%)	-%	-%	-%
	MREL-LRE	-%	-%	-%
Liquidity	LCR (%)	-%	-%	-%
	NSFR (%)	-%	-%	-%
Credit	EL stock (%)	-%	-%	-%
	Coverage on Impaired (%)	-%	-%	-%
Interest Rate Risk on Banking Book	EV Sensitivity (%)		-%	-%
Risk & Return	ROAC (%)	-%	-%	-%
Operational Risk	Operational Risk Losses / Revenues	-%	-%	-%

CRO Dashboard Assessment and corresponding Bonus Pool correction ranges*:



Only with EVA >0

* The CRO Dashboard assessment used for PFA's Incentive Systems provide a correction range of 125% (instead of 120%) in correspondence of ++ sign

Entry Conditions and Risk adjustment - 21-23 LTI

Entry Conditions

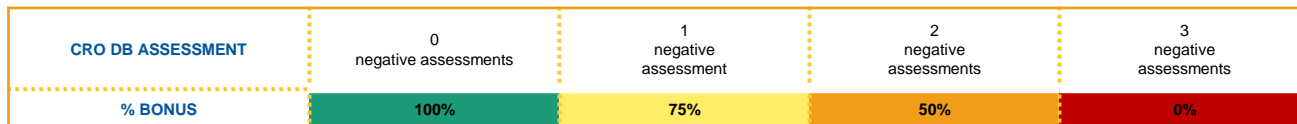
The Plan provides appropriate **Entry Conditions** that - in case they are not met – can zero or reduce the bonus.

- **The indicators are the same used for the implementation of the short-term incentive system**, and therefore suitable for measuring the solidity of capital, liquidity and profitability of the Group.
- Capital (CET 1) and liquidity (Liquidity Coverage Ratio and Net Stable Funding Ratio) parameters are assessed annually.
- Profitability parameters (Net Operating Profit Adjusted and Net Profit) are assessed cumulatively over the performance years

Risk adjustment

A **risk adjustment** is provided based on the evaluation of the 'CRO Dashboard' performance over the three years of performance of the Plan.

- The presence of any negative assessments will result in a proportional reduction of individual bonuses





GRAZIE

