

# Remuneration policy and report /2021







# Contents

## LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

## EXECUTIVE SUMMARY

### SECTION I – 2021 REMUNERATION POLICY

1. Introduction
2. Governance
3. Fundamentals
4. Compensation Structure
5. 2021 Compensation Systems
6. 2021-2023 LTI Plans

### SECTION II – 2020 REMUNERATION REPORT

1. Introduction
2. Governance & Compliance
3. Compensation paid to Members of the Administrative and Auditing Bodies, to General Managers and to other Executives with strategic responsibility
4. Compensation Systems – previous years
5. 2018-2020 LTI Plans
6. Compensation Data

### Annex – I and II





# Letter from the Chairman of the Remuneration Committee



Dear shareholders,

as Chairman of the Remuneration Committee, I am pleased to present you FinecoBank Group's Remuneration policy and report.

The document starts with an "Executive Summary", which summarizes the features of the new Remuneration policy and report and the main results achieved in 2020. Then two Sections follow: the "2021 Remuneration policy" which describes the key principles of our approach to remuneration and incentive systems for Employees and Financial Advisors, as well as Fineco's compensation practices; the "2020 Remuneration report", which provides detailed information on the results of the processes implemented in the previous financial year.

Also in 2021, we propose a clear and easily accessible Policy, oriented towards rewarding performance and merit thanks to promoting the value of equity, sustainability, diversity of human resources and development of people's strategic skills. Our approach is based on the concept of transparency, as an element able to protect and strengthen our reputation and to create value over long term, in the interest of all the stakeholders.

FinecoBank Group closed 2020 with a strong growth in results, an important achievement as it was obtained in a challenging and complex context and which proves the efficacy of a balanced and diversified business model. This testifies how our business model is able to face every stage of the market and to generate a balanced flow of revenues, thanks to a strategy oriented towards a path of long-term sustainable and organic growth, and capable of generating value for all our stakeholders through a process of transforming customer liquidity into more efficient forms of savings. Moreover, those results are the confirmation of a relational approach with customers guided and inspired by criteria of efficiency, innovation and transparency. Without any doubts, Fineco's digital DNA keeps representing a solid basis for a further expansion of our platforms through new projects, supporting the effort towards the achievement of more and more ambitious ESG targets.

In this context, our Bank is constantly engaged in combining values such as people development, corporate social responsibility and business activity, which are fundamental for improving risk management and being highly competitive in the market. Fineco was born and developed as a firm always

oriented towards a sustainable growth in the long term, with long-lasting returns and full satisfaction of all the stakeholders.

With the aim to strengthen the connection with the stakeholders' interests and to foster a sustainable success, the Remuneration Committee has been working closely with the Bank's management to design the new long-term incentive plan: the 2021-2023 LTI Plan. The Plan's structure and KPIs are aligned to Fineco's strategic roadmap, showing how its remuneration policies are being a fundamental part of the Group's strategy.

Our model of remuneration governance is aimed at ensuring full cooperation between the bodies involved and the adequate control of all the Group's remuneration processes, so that informed decisions are taken independently and promptly, in order to avoid conflicts of interest.

In line with previous years and in order to better respond to its tasks, the Remuneration Committee took part in each phase of the remuneration processes, including the project phase, with the objective of guaranteeing an architecture suited to the Fineco's remuneration strategy, in line with the market competitiveness and consistent with the best market practices. In particular, attention was paid to regulatory updates and Regulator's recommendations during the year, advising for prudence in approaching variable remuneration.

Therefore, we reviewed our annual incentive systems' payout mechanisms, opting for an increase in the deferral's length.

In light of the update to the rules on remuneration for listed Companies resulting from the new Code of Corporate Governance and the full implementation of the European Directive 828 of 2017 (Shareholder Rights Directive II), finalized with the update of Consob Regulation 11971/1999 in December 2020, we provided a further disclosure on the elements of the document, including the evidence on compensation and company results' variation as required.

The overall structure of the Remuneration policy and report has been confirmed also considering the great consensus achieved during the 2020 AGM, keeping the main elements and the functioning mechanisms of the incentive systems and taking into account their alignment with the investors and proxy advisor's guidelines as well as with the stakeholders' long-term interests.

As Chairman of the Remuneration Committee, I would like to express my sincere thanks to the Directors Giancarla Branda and Paola Giannotti De Ponti for the meaningful contribution to the discussion and for the continuous attention in searching for effective and balanced solutions.

On behalf of the Remuneration Committee, I would like to thank you Shareholders for the constant willingness to compare and share each need and point of view, and for the time you will spend reading our 2021 Remuneration policy and report, trusting in your positive appreciation.

Sincerely,

**GIANMARCO MONTANARI**

Chairman of the Remuneration Committee



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# Executive Summary

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**FINECO. SIMPLIFYING BANKING**

FinecoBank S.p.A.



# Executive Summary

## Our compensation approach

The implementation of the principles set in FinecoBank Group's (hereinafter also "Fineco" or "Group")<sup>1</sup> *Remuneration policy and report* provides the framework for the design of reward programs.

Fineco's compensation approach, coherent with the regulations and the best market practices, guarantees the link to the performance and the market framework, and the alignment with the business strategy and the long-term shareholders' interest.

The key principles set forth in the *2021 remuneration policy* (Section I) (also "Compensation Policy") reflect the most recent regulations in terms of remuneration and incentive policies and practices, in order to develop, year-by-year – in the interest of all stakeholders – remuneration systems that are aligned with the Group's *Multi Year Plan 2020-2023* (the Strategic Plan) strategies. The Incentive Systems are linked to the Company's long-term strategies and targets, as well as results leveraging on goals that can be achieved and objectively assessed annually. In the definition of the remuneration policies, Fineco also considers its employees' compensation and working conditions, as shown by the inclusion of a specific performance indicator (*People Engagement*) among the goals set for the 2021-2023 Long Term Incentive Plan.

Overall, the attention towards our people needs is also represented by the confirmation of FinecoBank as *2021 Italy Top Employer*. The self-titled Institute annually awards this certification to companies that stand out for their HR strategies and policies, offering their employees the best working conditions. In particular, FinecoBank stands out for its focus on enhancing resources and developing competencies, favouring a positive and challenging workplace.

Moreover, FinecoBank Group is committed to develop and unify a common risk culture, providing the Systems themselves with risk assessment mechanisms aimed at taking into account all risks concerning capital and liquidity levels needed to support all the activities, and to avoid distorted incentives that could lead to a breach of law or to excessive risk taking.

In addition, the *Multi Year Plan* provides specific targets concerning gender neutrality, not only from a compensation perspective, which every year leads to the assessment of the Company Gender Pay Gap, but also pushing Fineco to adopt a specific Global Policy on Gender balance, which should grant diversity and equal opportunities.

<sup>1</sup> Instead, the term "FinecoBank S.p.A." refers to the Italian legal entity (hereinafter also "FinecoBank" or the "Bank" or the "Company")

# Executive Summary

## Key elements of our 2021 compensation approach and 2020 main results

### Key elements of the Remuneration policy and report

#### 1. Fundamentals

- Clear and transparent governance
- Compliance with regulatory requirements and principles of good professional conduct
- Continuous monitoring of market trends and practices (*Benchmark*)
- Sustainable pay for sustainable performance
- Motivation and retention of all staff, with particular focus on talents and mission-critical resources

#### 2. Continuous monitoring of market trends and practices (*Benchmark*)

- Confirmation of the peer group for compensation benchmarking, performed by the independent advisor of the Remuneration Committee

#### 3. Remuneration system and sustainability

- Illustration of the sustainability principles integrated in the remuneration policy, in line with the 2020-2023 strategic plan of FinecoBank Group.
- Definition of the analysis mechanism that ensures the Group remuneration policy's gender neutrality.

#### 4. Identified Staff definition

- Application of qualitative and quantitative criteria which are common at European level defined by EBA Regulatory Technical Standards

#### 5. Ratio between variable and fixed remuneration

- In compliance with the regulatory requirements, the 2:1 ratio represents the maximum limit to the ratio between variable and fixed components of the remuneration for all employees belonging to business functions, including Identified Staff

#### Details – Section I

- *Our Compensation Policy Fundamentals ensure a correct definition of competitive compensation levels, internal equity and transparency*
- *In order to align the remuneration policies to the strategy set out in the Group 2020-2023 Multi Year Plan, they take into account goals linked to sustainability, intended as the capacity to create and maintain value for all the stakeholders in the medium-long term*
- *The Remuneration policy and report are aligned to the national and international regulatory requirements. In particular, it considers also: UE Directive 2017/828 (Shareholder Rights Directive II), implemented in Italy with the Legislative Decree 49/2019, which among others modifies art. 123-ter of TUF and the Consob Regulation 11971/1999; Bank of Italy Circular 285/2013 as constantly updated; Bank of Italy Provision of March 19, 2019 (Provisions on Bank transparency). The involvement of Company Control Functions assures full compliance of compensation policies and processes: for instance, Compliance and Chief Risk Officer (CRO from now on) also guarantee the coherence with the Risk Appetite Framework, in line with sectorial regulations<sup>2</sup>*

#### Details – Section I paragraph 2.2

- *The Remuneration Committee, with particular reference to the population of FinecoBank Group's Identified Staff, through the support of an independent external consultant identifies the peer group, defined considering the main Italian and European peers on which specific comparative analysis on compensation are carried out (*Benchmark*). As a policy objective, the fixed component of the remuneration for Identified Staff takes as reference the market median, with individual positioning defined taking into account the specific performance, the potential and the strategic decisions on Fineco's people and performance over time*

#### Details – Section I paragraph 4.1

- *Both short and long term incentive systems' goals, they take into account sustainable parameters, intended as the capacity to create and maintain value for all the stakeholders in the medium-long term, in particular through a specific cluster named "Stakeholder Value"*
- *In order to ensure diversity and equal opportunities, FinecoBank adopted a specific Global Policy on Gender balance, and specific goals related to this topic are included in the 2020-2023 Multi Year Plan*

#### Details – Section I paragraph 5.1

- *For 2021 the definition of the Identified Staff has been performed involving Compliance and CRO functions of FinecoBank S.p.A. The self-evaluation brought to a total number of Identified Staff for 2021 equal to **21 employees and 10 Financial Advisors***

#### Details – Section I paragraph 3.1

- *In compliance with applicable regulations, the adoption of a maximum ratio between variable and fixed remuneration of 2:1 has not changed for the employees belonging to the business functions. For the rest of the employees, a maximum ratio between the components of remuneration equal to 1:1 is usually adopted, **except for the Identified staff of the Company Control Functions<sup>3</sup>, for which the variable remuneration cannot exceed 1/3 of the fixed remuneration.** For the Head of HR and the Manager in charge for financial statement, the remuneration is predominantly*

<sup>2</sup> i.e. *Capital Requirement Directive IV (CRD IV)*, as amended by the more recent EU Directive 2019/878 (CRD V); *EBA Regulatory Technical Standards (RTS)*; Bank of Italy "Disposizioni di vigilanza per le Banche"; Shareholder Rights Directive II, implemented with amendments to art. 123-ter of TUF and with the update of Consob Regulation n. 11971 of 14 May 1999 (*Regolamento Emittenti*).

<sup>3</sup> Meaning CRO, Compliance, Internal Audit and Anti-money laundering.

# Executive Summary

## 6. Short Term Incentive System for Employees Identified Staff

- FinecoBank's 2021 Incentive System, that confirms the "Bonus Pool" approach, provides for a strong link between remuneration, risk and sustainable profitability
- Such system provides for an overall performance assessment both at individual level and at Bank level

## 7. 2021-2023 Long Term Incentive Plan for Employees

- A **share-based Long Term Incentive Plan** for the three-years performance period 2021-2023 has been introduced to incentive, motivate and retain selected Employees
- The Plan sets performance goals linked to 2021-2023 FinecoBank targets, in terms of Value Creation, Industrial Sustainability, Risk and Stakeholder Value, and the payment of a bonus in shares in installments, over a multi-year period

## 8. Share Ownership Guidelines

- Share ownership guidelines are confirmed for the Chief Executive Officer and the other Executives with strategic responsibility in order to align the managerial and the Shareholders' interests

## 9. Severance Payments

- Termination pay-outs take into consideration long-term performance, in terms of shareholder added-value, do not reward failures or abuses and shall not exceed in general 24 months of total compensation (including the indemnity in lieu of notice)

## 10. Performance Measurement

- Each Risk Taker is provided with his/her own 2021 Scorecard, which balances economic-financial and non-economic indicators (namely, quantitative/strategic and qualitative/sustainable)

*fixed. For the aforementioned Functions, the incentive mechanisms are consistent with the assigned tasks as well as independent of results from areas under their control*

- *With reference to applicable regulations, regarding the **Financial Advisors belonging to Identified Staff**, the 2:1 ratio is adopted between the non-recurring and the recurring component of the remuneration*
- *The adoption of a ratio of 2:1 between variable and fixed compensation has no implication on the Bank's capacity to continue to respect all prudential rules, in particular capital requirement*
- *This approach allows FinecoBank to maintain a strong link between pay and performance, as well as to avoid the rigidity of the cost structure derived from a possible increase of fixed costs and to guarantee the alignment with multi-year performance, through the deferral of a significant part of the variable compensation*

### Details – Section I paragraph 5.2

- *Bonus pool whose size is linked to the Group profitability*
- *Entry and malus conditions are defined on the basis of performance indicators in terms of profitability, capital and liquidity*
- *Risk adjustment on the basis of indicators coherent with Fineco's Risk Appetite Framework*
- *Bonus allocation: incentives are allocated taking into consideration the available bonus pool and the individual performance evaluation based on specific performance indicators*
- *Payout: individual bonuses in cash and shares, pursuant to law; payout over a multi-year period, ensuring alignment with shareholders' interests; each payment is subject to malus and claw-back conditions, as well as to compliance assessment of individual behaviors*

### Details – Section I paragraph 6.1

- *Financial performance goals such as ROAC, Net Sales of AUM, Cost Income Ratio and Coast of Risk on commercial loans are provided. Three ESG parameters have been defined with regard to Stakeholder Value, namely customer satisfaction, people engagement and ESG rating for all new funds*
- *Entry and malus conditions are defined on the basis of performance indicators in terms of profitability, capital and liquidity*
- *Risk adjustment on the basis of indicators coherent with Fineco's Risk Appetite Framework*
- ***Individual bonus payment in FinecoBank shares**, in installments, over a multi-year period, subject to malus and claw-back condition, to compliance assessment of individual behaviors and to continuous employment*

### Details – Section I paragraph 3.5

- *The Chief Executive Officer and the other Executives with strategic responsibility, should ensure appropriate levels of personal investment in FinecoBank shares (equal to 100% of fixed remuneration for the Chief Executive Officer and to 50% for the other Executives with strategic responsibility)*

### Details – Section I paragraph 3.3

- ***Termination Payments Policy** – a specific formula for severance payments calculations is defined, while a maximum limit of 24 months of total remuneration is set, also comprehensive of the indemnity in lieu of notice. Total Remuneration is calculated taking into consideration the average bonus perceived in the three years prior the termination, after applying malus and claw-back conditions*

### Details – Section I paragraph 5.2.1

- *An annual process for performance measurements supports FinecoBank's 2021 Incentive System, granting coherence, consistency and clarity regarding performance goals and business strategy. The process encourages and awards*

# Executive Summary

Medium-long term sustainability is guaranteed for the Group and all its stakeholders, through setting performance goals linked to risk and compliance, as well as adherent to ESG values

*expected behaviors and awareness of risks. In fact, it ensures that at the beginning of the year all Identified Staffs are provided with their own individual goals and it includes a strict monitoring of the achievements. Therefore, the short-term variable remuneration is determined on clear and measurable performance indicators through a considered and not discretionary evaluation*

## 11. Short Term Incentive for Financial Advisors Identified Staff

- The provisions of Group FinecoBank's Compensation Policy also apply to the members of the Financial Advisors Network, in line with their compensation peculiarities
- Following the incentive model provided for the Employees Identified Staff, the 2021 PFA<sup>4</sup> Incentive System provides for a strong link between remuneration, risk and sustainable profitability
- Such system provides for an overall performance assessment both at individual level and at Bank level

## Details – Section I paragraph 5.3

- *Bonus pool whose size is linked to the Group profitability*
- *Entry and malus conditions: based on performance indicators in terms of profitability, capital and liquidity*
- *Risk adjustment based on indicators coherent with Fineco's Risk Appetite Framework*
- *Bonus allocation: incentives are allocated taking into consideration the available bonus pool and the individual performance evaluation based on specific performance indicators*
- *Payout: individual bonuses in cash and shares, pursuant to law, paid out over a multi-year period, ensuring alignment with shareholders' interests; each payment is subject to malus and claw-back conditions, as well as to a compliance assessment of individual behaviors*

## 12. 2021 Remuneration policy – new features

- Entry Conditions consist in an on/off scheme based on indicators defined by Fineco. The pay-out schemes for the CEO/GM and other Identified Staffs still provides a 5-year deferral, while the pay-out schemes adopted for the managers directly reporting to the CEO/GM and for the Heads of the main business units whose variable remuneration is equal to or less than €430,000, and for the Group Identified Staff whose variable remuneration is equal to or less than € 430,000, are stricter.

## Details – Section I paragraph 5

- *While the pay-out scheme for the CEO/GM and other Identified Staffs whose variable remuneration is more than €430,000 it is the same as for 2020, therefore providing a 5-year deferral and a share component equal to 56%, the payout schemes for the managers directly reporting to the CEO/GM and for the Heads of the main business units whose variable remuneration is equal to or less than €430,000 now provide a 5-year deferral (instead of 4) and a share component equal to 55% (instead of 50%). Similarly, the pay-out schemes for the Group Identified Staff whose variable remuneration is equal to or less than €430,000 provide now a 4-year deferral (instead of 3), while the share component is equal to 50%.*

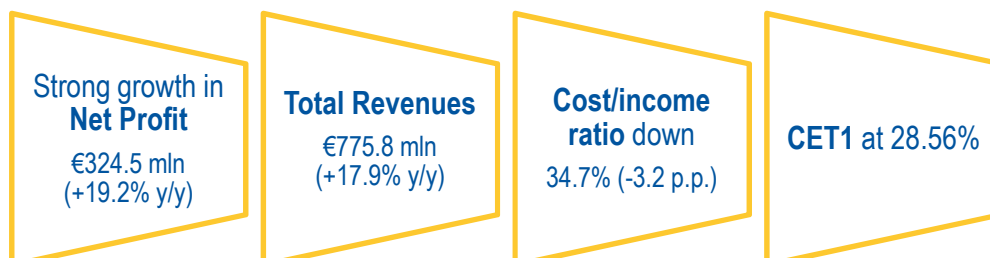
<sup>4</sup> PFA – Personal Financial Advisors.

# Executive Summary

## 2020 FY main results

The results achieved by FinecoBank Group as of December 31, 2020 (2020 financial year) confirm the soundness of its diversified business model and at the same time its great attractiveness in a context where clients are increasingly looking for efficient and quality solutions.

In particular:



The positive answer to new initiatives to invest liquidity, developed in collaboration with our financial advisors, has supported the growth of Investing area. At the same time, we recorded a significant enlargement of the clients' base interested in interacting with financial markets through our platforms. Fineco's digital DNA contributed in keeping this turning point sustainable, represents the starting point for a further development of our platform through new initiatives and supports the achievement of even more ambitious ESG targets.

In line with the most recent regulatory updates<sup>5</sup>, paragraph 6.1 of Section II displays the annual variation of Company results and the other required information.

<sup>5</sup> Update of Consob Regulation n. 11971 of 14 May 1999 (*Regolamento Emittenti*), as of December 11, 2020

# Executive Summary

## Our compensation disclosure

The **2020 remuneration report** (Section II) - issued pursuant to art. 123-ter of Legislative Decree 58/1998 (Consolidated Text of Finance" - "TUF"), as updated by Legislative Decree May 10, 2019, n. 49, and pursuant to Consob Regulation n. 11971 of 14 May 1999 (Regolamento Emittenti), as updated with the Decision n. 21625 of December 11, 2020 - provides the description of our compensation practices and the implementation outcomes of FinecoBank Incentive Systems, as well as remuneration data, with a focus on Identified Staff, defined in line with regulatory requirements. Full disclosure on compensation payout amounts, deferrals and ratio between variable and fixed components of remuneration for Identified Staff is provided in Section II (paragraph 5.1), including data regarding Directors, General Managers and other Executives with strategic responsibility. Data pursuant sect. 84-quarter Consob Issuers Regulation Nr. 11971, as well as the information on incentive systems under 114-bis of legislative decree 58/1998 ("Consolidated Text of Finance" – "TUF") are included in this document as well as in the Annexes I and II<sup>6</sup>.

### Chief Executive Officer and General Manager variable and fixed compensation data

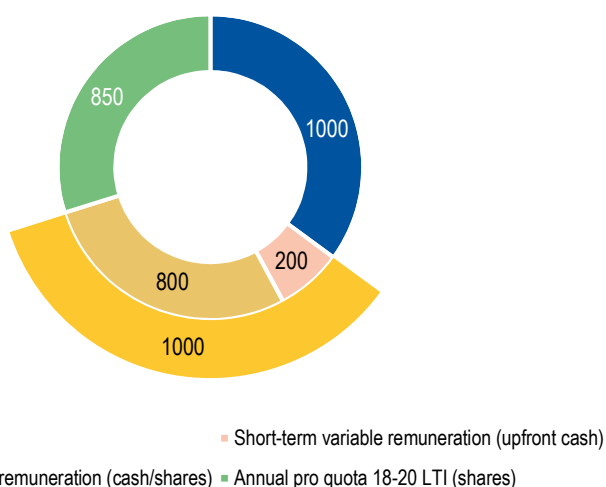
2020 performance evaluation of the Chief Executive Officer and General Manager's individual goals resulted *excellent* ("Exceeds Expectations"), on the basis of the elements reported in Section II – paragraph 4.1.1 and evaluated by the Remuneration Committee and the Board of Directors of February 8 and 9, 2021.

In light of the performance evaluation results and of the excellent business results overall achieved by the Company, it would have been possible to award the CEO and General Manager with a bonus higher than the one defined<sup>7</sup>.

However, the sensitivity towards the current social and economic context and the Supervisory Authority's recommendations on prudence towards remuneration led the Company to the decision of reducing the CEO and GM's short term variable remuneration component by approximately 12%. In any case, competitiveness of the overall compensation has been maintained, taking into account the good results achieved and confirming the alignment of the payout criteria with the *Pay for Sustainable Performance* principle, as required by investors and proxy advisors as well as by the Supervisory Authorities.

Following, the details on the remuneration structure of FinecoBank's CEO and General Manager for 2020.

CEO and General Manager  
(Eur/000)





<sup>6</sup> Annex I: Information tables pursuant to art. 84-quarter of the Regulation n° 11971 issued by Commissione Nazionale per le Società e la Borsa (Consob)

Annex II: Compensation systems based on financial instruments for FinecoBank staff

<sup>7</sup> Within the limits of the fix and variable pay ratio, as described in par. 3.1 Section I

# Executive Summary

Looking forward, the 2021 goals for the Chief Executive Officer and General Manager defined and approved by the Board of Directors are:

	WEIGHT	#	GOAL NAME	REFERENCE TARGET	NOTE/CATEGORY (sustainability, value creation, risk, cost efficiency, etc.)	
<b>QUANTITATIVE/ STRATEGIC</b> 	70% <i>Equally weighted</i>	1	ROAC	vs. budget	Value Creation	
		2	Cost Income	vs. budget	Cost Efficiency	
		3	EL stock (%)	vs. target	Risk-Based	
		4	OPEX	Operating costs as reported in reclassified P&I, i.e.: Staff expenses + Other Administrative Expenses (direct + indirect) - Expenses Recovery + Depreciations	vs. budget	Cost Efficiency
		5	AUM net sales		vs. budget	Value Creation
<b>QUALITATIVE/ SUSTAINABLE</b> 	30% <i>Equally weighted</i>	6	Stakeholder Value	vs. qualitative assessment based on: <ul style="list-style-type: none"> <li>• Broaden the range of ESG products, e.g. lending and investments products (Y/Y);</li> <li>• Delta on Gender Pay Gap and Gender Balance (Y/Y);</li> <li>• ESG rating for the new funds (Y/Y)*;</li> <li>• Improve Fineco's environmental performance (e.g. Environmental Statement, reduction of energy consumption);</li> <li>• Promotions of specific initiatives related to:                             <ul style="list-style-type: none"> <li>- Financial Education</li> <li>- training activities on ESG topics for Financial Advisors</li> </ul> </li> </ul>	Sustainability	
		7	Tone from the top on conduct and compliance culture	vs. qualitative assessment based on: <ul style="list-style-type: none"> <li>• Promotion of initiatives aimed at fostering staff integrity, customer protection, trustworthiness by enhancing risk &amp; control culture;</li> <li>• The overall status of audit, compliance and External Authorities findings considering the type, severity and the timely completion of the related remedial actions</li> </ul>	Sustainability	

\* Excluding UK representing for Fineco a new opening market

Targets/budgets for each goal will be disclosed in the 2021 remuneration report. In fact, those are price sensitive information closely linked to Fineco business strategy.







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# Section I

## 2021 remuneration policy

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**FINECO. SIMPLIFYING BANKING**

FinecoBank S.p.A.

# Section I

## SEZIONE I – 2021 REMUNERATION POLICY

### 1. Introduction

### 2. Governance

- 2.1 Role of the Remuneration Committee
- 2.2 Continuous monitoring of market trends and practices (Benchmark)
- 2.3 FinecoBank Group's Compensation Policy definition
- 2.4 Role of Compliance Function
- 2.5 Role of CRO Function
- 2.6 Role of Internal Audit Function

### 3. Fundamentals

- 3.1 Ratio between variable and fixed remuneration
- 3.2 Sustainability of the variable remuneration
  - 3.2.1 *Definition of performance targets*
  - 3.2.2 *Performance appraisal*
  - 3.2.3 *Payment of variable remuneration*
- 3.3 Termination payments
- 3.4 Non-standard compensation
- 3.5 Share ownership guidelines
- 3.6 Compliance drivers
- 3.7 Exceptions in case of exceptional circumstances

### 4. Compensation Structure

- 4.1 Remuneration system and sustainability
  - 4.1.1 *Gender neutrality in the remuneration system*
- 4.2 Employees
  - 4.2.1 *Fixed compensation*
  - 4.2.2 *Variable compensation*
  - 4.2.3 *Benefits*
- 4.3 Financial Advisors
  - 4.3.1 *Recurring remuneration*
  - 4.3.2 *Non-recurring remuneration*
- 4.4 Sale Staff – Employees and third personnel
- 4.5 Non Executives members of Administrative and Auditing Bodies

### 5. 2021 Compensation Systems

- 5.1 Target population
- 5.2 2021 Incentive System for Employees Identified Staff
  - 5.2.1 *Comprehensive Performance Measurement*
- 5.3 2021 Incentive System for Financial Advisors Identified Staff
  - 5.3.1 *Comprehensive Performance Measurement*

### 6. 2021-2023 LTI Plan

- 6.1 2021-2023 Long Term Incentive Plan for Employees

# Section I

## 1. Introduction

Integrity is the basis of our values, as a condition to transform profit into value for our stakeholders.

By upholding the standards of sustainability behaviors and values which drive our mission, our compensation strategy represents a key instrument to enhance and protect our reputation and to create long-term value for all stakeholders.

Also through appropriate compensation mechanism, we aim to create a work environment which is comprehensive of any form of diversity and which fosters and unlocks individual potential, to attract, retain and motivate highly qualified employees, capable of creating a competitive advantage and to reward those who reflect our standards of consistently ethical behaviour in conducting sustainable business.

Relying on our governance model, our Compensation Policy sets the framework for a common and coherent design, implementation and monitoring of compensation practices across our Company that reinforce sound risk management policies and our long-term business strategy. In so doing, we most effectively meet the specific and evolving needs of our different businesses and populations, and ensure that business and people strategies are always appropriately aligned with our remuneration approach.

To ensure the competitiveness and effectiveness of remuneration as well as transparency and internal equity, the **key principles** of our Compensation Policy have been confirmed:

- **Clear and transparent governance**, through efficient corporate and organizational governance structures, as well as clear and rigorous systems and governance rules.
- **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.
- **Continuous monitoring of national and international market trends and practices**, aimed at sound formulation of competitive compensation ensuring transparency and internal equity.
- **Sustainable 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.
- **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.

# Section I

## 2 Governance

Our compensation governance model aims to assure clearness and reliability in the governance processes related to remuneration through an appropriate monitoring of the Group's remuneration practices by ensuring that decisions are made in an independent, informed and timely manner at appropriate levels, avoiding conflicts of interest and guaranteeing appropriate disclosure in full respect of the general principles defined by Regulators.

### 2.1 Role of the Remuneration Committee

The Board of Directors established a Delegation of Powers system to regulate appropriately effective decision-making processes throughout the organization.

In particular, the Remuneration Committee is vested with the role of providing advice and opinions to the Board of Directors with regard to Fineco Remuneration strategy. It also involves CRO and Compliance functions, and it receives the support of an independent external advisor, if required and needed, in order to make the incentives underlying the remuneration system consistent with the management of risk, capital and liquidity profiles.

The main topics discussed by the Committee are also brought to the attention of the Board of Statutory Auditors, prior to their submission to the Board of Directors. The Remuneration Committee consists of 3 non-executive members<sup>8</sup>.

### 2.2 Continuous monitoring of market trends and practices (Benchmark)

With specific reference to *Identified Staff*, an independent external advisor supports the Remuneration Committee on the definition of a list of selected competitors that represent our peer group for the purpose of compensation benchmarking analysis. The peer group takes into consideration our main national and European competitors in terms of market capitalization, total assets, business scope and dimension, to assure a competitive alignment with the market of reference.

The results of this analysis is provided to the Remuneration Committee, in order to support the formulation of opinions to the Bodies of the Bank responsible for taking such decisions.

Through benchmarking, we aim at adopting a competitive compensation structure for an effective retention and motivation of our critical resources, as well as for defining payments that are consistent with long-term value for stakeholders.

FinecoBank salary and compensation structures, which are defined in relation to business or market-specific benchmarking, must in any case be fully aligned with the values of the Group, with particular reference to compliance and sustainability.

Key highlights of the Compensation Policy defined this year include:

- the definition of the Compensation Policy for the Identified Staff, both employees and Financial Advisors, with particular reference to the design of the 2021 incentive systems;
- the pay recommendations based on specific benchmarking analysis versus our defined peer group to support any compensation decision, relatively to employees Identified Staff.

The peer group used to benchmark compensation policy and practice with particular reference to employees *Identified Staff* has been defined by the Remuneration Committee upon proposal of the independent external advisor according to various criteria, which include: comparability of size, complexity and business model, presence in customer, talent and capital markets, risk and legal-social-economic environment.

The main peer group is subject to annual review to assure its continuing relevance. For 2021, the peer group remains the same as the one defined last year<sup>9</sup>, and it includes:

- Banco Posta
- Credem Group
- Banca Sistema
- Generali Group and Banca Generali
- Banca Finint Group
- Intesa Sanpaolo Group
- Iccrea Group Cooperative Bank
- Mediobanca Group
- Banco BPM Group
- Mediolanum Group
- BNL Group
- BPER Group
- Unicredit Group

In addition to what mentioned above, a role benchmark has been realized for the Chief Executive Officer and General Manager, with respect to an international panel (5 banks belonging to STOXX600 index).

<sup>8</sup> For details on composition and activities of the Remuneration Committee, please refer to the specific paragraph in Section II – Annual report on the remuneration awarded in 2020 financial year

<sup>9</sup> Compared to 2020 peer group, UBI Banca Group does not fall within the banks selected for benchmarking, in light of the changes occurred to its company structure

# Section I

## 2.3 FinecoBank Group's Compensation Policy definition

The Compensation Policy of FinecoBank Group, as drawn up by the Human Resources function, with the involvement of Finance and Network Controls, Monitoring and Service Department functions for all related aspects, is validated by the Compliance and CRO functions for all compliance-related aspects, before being submitted to the Remuneration Committee. Yearly, the Remuneration Committee proposes and submits the Compensation Policy to the Board of Directors for approval. As a last step, the document is presented to the Shareholders' Meeting for approval, in line with the regulatory requirements.

The principles of Fineco Compensation Policy are applicable to the entire organization with regards to:

- all categories of Group employees, with specific reference to Identified Staff defined according to the regulatory requirements of the European Banking Authority (EBA);
- the members of the Bank's Financial Advisors' Network, in line with the specific pay conditions applicable to them.

## 2.4 Role of the Compliance Function

The *Compliance* function operates in close co-ordination with the *Human Resources* function, in order to support the design and the definition of compensation policy and processes and to evaluate them for the profiles in scope.

In this framework, the *Compliance* function verifies the consistency with "the goal of complying with regulations, articles of association and any other code of ethics or other standards of conduct applicable to the bank, so that legal and reputational risks mostly embedded in the relationship with customers are duly contained" (ref. Bank of Italy, 285 Circular).

In particular, the *Compliance* function evaluates, for all related aspects, Fineco Compensation Policy and – according to the applicable regulations – the incentive systems designed by the *Human Resources* function for the employees, and by *PFA Network & Private Banking Department/Network Controls, Monitoring and Service Department* for the Financial Advisors. It provides suggestions – as far as it is concerned – for the design of compliant incentive systems. Furthermore, the *Compliance* function is involved in the process for the identification of Group's risk takers, for all aspects that fall within its perimeter.

In accordance with the regulatory framework and our governance, the guidelines for the definition of the incentive systems for *non-Identified Staff* population are set, in collaboration with the *Compliance* function:

- by Human Resources function for the employees
- by PFA Network & Private Banking Department / Network Controls, Monitoring and Service Department for the Financial Advisors

## 2.5 Role of the CRO Function

Fineco ensures consistency between remuneration and accountable and sustainable risk assumption. This policy is guaranteed through rigorous governance processes based on informed decisions taken by the Corporate Bodies. Compensation plans include the risk adjustment appetite defined through the evaluation of the consistency with the results achieved and the *Fineco Risk Appetite Framework*.

The *CRO* function is constantly involved in the definition of the remuneration policy, the incentive systems and the compensation processes as well as in the definition of targets, in the performance appraisal and in the identification of Group's Identified Staff. This involvement implies explicit link between the Bank incentive mechanisms, selected metrics of the *Risk Appetite Framework*, the validation of performance and pay, so that the incentives are consistent with the risk assumption identified and approved by the Board of Directors.

## 2.6 Role of the Internal Audit Function

Within the remuneration governance process, the Internal Audit function yearly assesses the implementation of policies and practices, and carries out controls on data and processes. The function provides a final judgement on remuneration practices, providing recommendations aimed at improving the processes and informing the competent Bodies on the possible findings, in order to adopt corrective measures.

# Section I

## 3 Fundamentals

### 3.1 Ratio between variable and fixed compensation

- Compensation levels and ratio between fix and variable component of overall remuneration for Identified Staff are managed and monitored according to our business strategy, and aligned with Fineco performance over time.
- In compliance with the applicable regulations<sup>10</sup>, the adoption of the maximum pay ratio of 2:1<sup>11</sup> for personnel belonging to business functions is confirmed.
- For the rest of the employees, a maximum ratio between the components of remuneration equal to 1:1 is usually adopted, except for the Identified Staff of the Company Control Functions<sup>12</sup>, for which it is provided that the variable remuneration could not exceed 1/3 of the fixed remuneration. For the Head of Human Resources and the Manager in charge for preparing financial statements, the remuneration is predominantly fixed. For the aforementioned Functions, the incentive mechanisms are consistent with the assigned tasks as well as independent from the results of the areas under their control.
- With reference to applicable regulations, for Financial Advisors belonging to Identified Staff, the 2:1 ratio is adopted between the non-recurring and the recurring component of the remuneration.
- The adoption of a ratio of 2:1 between variable and fixed compensation doesn't have any implication on the Bank's capacity to continue to respect all prudential rules, in particular capital requirements.

Ratio between variable and fixed compensation		
Employees	Business functions	2:1
	Identified staff of company control functions	1:3
	Other employees	1:1
	Head of Human Resources and Manager in charge of preparing financial statements	Fix>Var with respect of total compensation
PFA Identified Staff	2:1	

### 3.2 Sustainability of the variable compensation

Performance is evaluated in terms of risk-adjusted profitability and risk-weighted systems and mechanisms are provided.

Incentive systems must not favor in any way risk-taking behaviors in excess of the risk appetite envisaged by the business strategies; in particular, they should be aligned with the Risk Appetite Framework ("RAF").

#### 3.2.1 Definition of performance targets

- Consider the customer as the central focus of our mission, placing customer satisfaction in the forefront of all incentive systems, at all levels, both internally and externally;
- design forward-looking incentive plans which balance internal key value driver achievement with external measures of value creation relative to the market;
- consider performance on basis of annual achievements and on their impact over time;
- include elements reflecting the impact of individual's / business units' performance on the overall value creation of related business groups and organization as a whole;
- individual performance appraisal cannot be based only on financial criteria<sup>13</sup>, but should be also based on non-financial criteria, considering the specificity of the various roles;
- maintain an adequate balance between economic and non-economic objectives, also considering performance targets such as risk management, adherence to the Group's values or other behaviors;
- consider initiatives that aim at improving the Company's ESG Footprint, defining the role of different actors involved and their respective contribution;
- it is crucial to avoid, in individual scorecards, goals linked to economic results for Company Control Functions (CRO, Compliance, Internal Audit and AML), for the Head of Human Resources and for the Manager in charge for preparing financial statements;

<sup>10</sup> For Fineco Asset Management DAC (FAM) Employees not identified as Group's risk takers - taking into account the current regulatory framework - the sectorial regulation applies, which does not provide a pre-determined maximum cap to variable remuneration.

<sup>11</sup> As approved by the Fineco Shareholders Meeting on June 5, 2014. The rationales of the original request did not change, thus no further maximum ratio approval is requested.

<sup>12</sup> Meaning CRO, Compliance, Internal Audit and AML.

<sup>13</sup> As provided by the CRD IV art 94, 1 a). Financial criteria includes performance indicators reported in the annual financial report and in particular linked with the profit and loss report, the balance sheet and relevant components or indicators.



## Section I

- the approach adopted for Company Control Functions is also recommended where possible conflicts may arise due to the function's activities. In particular, this is the case of functions (if any) performing control activities pursuant to internal/external regulations such as some structures that perform accounting/tax activities;
- assure independence between front and back office functions in order to guarantee the effectiveness of cross-checks and avoid conflict of interest, as well as ensuring the appropriate independence levels for the functions performing control activities;
- set an appropriate mix between short and long-term variable compensation, coherently with the business strategy, as relevant on the basis of market and business specifics, and in line with long-term interests of FinecoBank.

### 3.2.2 Performance appraisal

- To base performance evaluation upon profitability, capital strength and other drivers of sustainable business with particular reference to risk, cost of capital and efficiency;
- to design flexible incentive systems such as to manage pay-out levels in consideration of the Bank and of FinecoBank Group performance results and individual achievements, adopting a meritocratic approach to selective performance-based reward;
- to design incentive systems to set minimum performance thresholds below which zero bonus will be paid. With regard to the Company Control Functions and in order to maintain the adequate independence level and provide a maximum threshold for the progressive reduction of the bonus pool, which can be phased out to zero in presence of an exceptionally negative situation<sup>14</sup>, within a governance process including an approval by the Board of Directors;
- to guarantee that evaluations and appraisals linked to compensation are, as far as possible, available for the scrutiny of independent checks and controls;
- to assess all incentive systems, programs and plans against in order to avoid the risk that our Company reputation may be jeopardized.

### 3.2.3 Payment of variable compensation

- To defer, as foreseen by regulatory requirements, performance-based incentive pay-out to coincide with the risk timeframe of such performance by subjecting the pay-out of any deferred component of performance-based compensation to the actual sustainable performance demonstrated and maintained over the deferral timeframe, so that the variable remuneration takes into account the time trend of the risks assumed by the Bank (e.g. *malus* mechanisms);
- to consider claw-back actions as legally enforceable on any performance-based incentive paid out on the basis of circumstances subsequently proven to be erroneous;
- to include clauses for zero bonus in circumstances of non-compliant behavior or qualified disciplinary action, subjecting pay-out to the absence of any proceeding undertaken by the company for irregular activities or misconduct of the employee with particular reference to risk underwriting, sales processes of banking and financial products and services, internal code of conduct or values breach;
- to require the employee or the Financial Advisor who received *locked up shares* or *expiring shares* not to use personal hedging strategies or remuneration and liability related insurance or other strategies to undermine or modify the risk alignment effects embedded in their remuneration arrangements. The detailed rules of the Incentive Systems also describe such obligation. In order to ensure compliance with this provision, the Company Control and HR Functions establish a procedure to carry out checks on the internal custody or administration accounts of the personnel Identified Staff and request to disclose the existence of custody and administration accounts with other intermediaries, as well as any transactions and financial investments made. A sample and not complete list of operations and subjects interested by the personal hedging ban is transmitted to all Identified Staff within the letter that informs of the ban.

<sup>14</sup> For instance: *Common Equity Tier 1 Ratio* dropping under the minimum regulatory limit, in a persistent "recession" scenario.

## Section I

### FOCUS

#### Compliance breach, individual Malus and Claw-back

Fineco reserves the right to activate malus and claw-back mechanisms, meaning respectively the reduction/cancellation and the return of any form of variable compensation.

The malus mechanisms, (i.e. the reduction/cancellation of all or part of the variable remuneration) can be activated with reference to the variable remuneration to be paid or awarded but not already paid, related to the performance period, which the compliance "violation" is referred to. In case the variable pay affected is not enough to ensure an adequate malus application, the reduction can be referred also to other components of variable remuneration.

The claw-back mechanisms, (i.e. the restitution of all or part of the variable remuneration) can be activated with reference to the overall variable remuneration already paid, awarded for the performance period which the "violation" is referred to, without prejudice to more restrictive local laws or provisions.

The claw-back mechanisms can be activated for a period up to 5 years after each tranche (upfront or deferred) has become available to the beneficiary (that means, after holding periods, deferrals and/or retention periods applicable), also after the termination of the employment relationship and/or of the role and take into account legal, pension and tax aspects and the time limits provided by law and practices locally applicable.

Malus and claw-back mechanisms can be activated upon the assessment of certain behaviors within the referred period, which starts with the performance period and ends with the tranche becoming available to the beneficiary (that means, after holding periods, deferrals and/or retention periods applicable), in case the staff\*:

- contributed with fraudulent behavior or gross negligence to incurring significant financial losses, or by his conduct had a negative impact on the risk profile or on other regulatory requirements at Bank or FinecoBank Group level;
- engaged in misconduct and/or fails to take expected actions which contributed to significant reputational harm to the Bank or the FinecoBank Group, or which were subject to disciplinary measures by the Authority;
- is the subject of disciplinary measures and initiatives envisaged in respect of fraudulent behavior or characterized by gross negligence during the reference period;
- infringed the requirements set out by articles 26 TUB and 53 TUB, where applicable, or the obligations regarding remuneration and incentives.

Moreover, the malus mechanisms are activated to take into account the performance adjusted for the risks actually taken and the liquidity and capital conditions.

Furthermore, claw-back clauses can be activated in case the variable remuneration is awarded on the basis of circumstances subsequently proven to be wrong.

In the year 2018 the Compliance Breach Committee was established\*\*, composed of the Chief Executive Officer and General Manager, the Head of Human Resources and the Head of Compliance\*\*\*. With reference to Fineco's Identified Staff, the Committee has the function of assessing the severity of any anomalous behavior/violations due to non-compliance by the parties involved, following notification by Bank or Internal Audit structures.

On the basis of the analyzes carried out and in relation to the seriousness of the violation, the Committee proposes to the Remuneration Committee and to the Board of Directors - on the basis of the established governance - the consequent measures to be adopted with reference to the variable remuneration of the Identified Staff (reduction/cancellation - malus - or return - claw-back).

\* Employees and all personnel, including Personal Financial Advisors.

\*\* For the PFA Identified Staff, the functions of Compliance Breaches Committee are covered by the competent Disciplinary Committee

\*\*\* The Head of Internal Audit is a permanent guest of the Committee, without voting rights.

### 3.3 Termination Payments

- The last update of the remuneration policy in the event of early termination of the employment relationship ("Severance Payments Policy" - so-called "Severance") has been approved by the Shareholders' Meeting on April 10, 2019, implementing the regulatory provisions provided by Bank of Italy Circular 285 and in particular the provisions on remuneration amounts agreed upon early termination.

With the exception of the notice required by law and Severance Payments, the aforementioned amounts constitute variable remuneration and should therefore be included in the calculation of the variable remuneration limit for Identified Staff, with the exception of:

- the fees for non-competition agreements that do not exceed a fixed annual remuneration for each year of the term of the agreement
- the amounts for the settlement of a current or potential litigation related to the termination of the employment relationship, if calculated on the basis of a predefined formula in the Policy.

Therefore, it has been determined a predefined formula for the calculation of severances that, if used, allows not to compute them within the maximum limit set for variable remuneration.

Reference is made to the aforementioned Policy regarding criteria, limits and authorization processes in relation to termination payments.

- In general, the calculation of any severance pay-outs prescribed or suggested by the specific market of reference takes into consideration the long-term performance in terms of shareholder added value, as well as any local legal requirements, collective/individual contractual provisions, and any individual circumstances, including the reason for termination.
- According to the Severance Policy, the maximum limit for termination payments - inclusive of the indemnity in lieu of notice - is equal to 24 months of total compensation<sup>15</sup>, calculated considering the average of the incentives actually received in the 3 years preceding the termination, after the application of the malus and claw-back clauses. In any case, the termination payments do not exceed the limits foreseen by the laws and collective labour agreements.

<sup>15</sup> In any case, the amount of payments in addition to the indemnity in lieu of notice does not exceed eighteen months of total compensation

## Section I

- As a rule, discretionary pension benefits are not granted and, in any case, even if they may be provided in the context of local practices and/or, exceptionally, within individual agreements, they are paid consistently with the specific and applicable laws and regulations.
- The individual contracts must not contain clauses envisaging the payment of indemnities, or the right to keep post-retirement benefits, in the event of resignations or dismissal/revocation without just cause or if the employment relationship is terminated following a public purchase offer. In case of early termination of the mandate, the ordinary law provisions would therefore apply.
- The payments defined accordingly replace the provisions of the national collective contract of employment in case of termination, and they will be awarded only under subscription of an out of court agreement that implies a waiver by the beneficiary, with regards to any claim linked to the employment relationship and the role covered. These agreements are defined keeping into account all the applicable regulations; therefore, they do not include payments and awards due on the basis of law provisions and collective contract.

### 3.4 Non-standard Compensation

- Non-standard compensation are those compensation elements not usually provided under our Compensation Policy and are considered exceptions (for instance welcome bonus, guaranteed bonus, special award, retention bonus, role based allowance).
- These awards are limited only to specific situations related to hiring phases, launch of special projects, achievement of extraordinary results, high risk of leaving for critical/strategic employees/roles, roles in specific Company's functions.
- As a general rule, non-standard compensation is variable remuneration. In specific cases, such as Role-Based Allowance for Company Control Functions, is considered fixed remuneration.
- Moreover, these awards must in any case be compliant with regulations in force (e.g. cap on the ratio between variable and fix remuneration, technical features fixed by regulation where applicable for bonus pay-out) and subject to FinecoBank S.p.A. and FinecoBank Group governance processes, periodically monitored and disclosed, as well as subject to malus conditions and claw-back actions, as legally enforceable.

#### FOCUS

##### Role-Based Allowance for Company Control Functions

*Role-Based Allowances* (RBA) for Company Control Functions were introduced in 2019. RBAs are considered fixed remuneration, in line with regulatory provisions and market practices. Therefore, they are not lined to performance and they cannot be discretionally reduced, suspended or cancelled until the employee covers a role that provides for the allowance.

This compensation component aims at:

- ensuring competitiveness in terms of total compensation, avoiding excessive salary increases also taking into account of the restrictive variable/fix ratio for Company Control Functions in Italy;
- allowing and facilitating job rotations between business and control functions within the Group;
- demonstrating a careful approach with relevant professionals within the Group.

RBAs are awarded individually to the employee, when nominated for a role in a control function, and they are taken away when the employee moves to a position that does not provide for the allowance. The amount is pre-determined (based on banding levels\*); the annual gross amount is equal to 20.000 EUR for SVP, 40.000 EUR for EVP and 60.000 EUR for SEVP.

\* Defined according to the Global Job Model, an organizational advanced system describing, standardizing and allowing for the calibration of all roles. The "Banding" system (Global Banding Structure) is one of the fundamental elements of the Global Job Model, and it consists of nine bands.

# Section I

## 3.5 Share Ownership Guidelines

Share ownership guidelines set minimum levels for company share ownership for covered Executives, aiming to align managerial interests to those of shareholders by assuring appropriate levels of personal investment in FinecoBank shares over time. As part of our total compensation approach, we offer equity incentives that provide for opportunities of share ownership, in compliance with the applicable laws.

The ownership of shares by our Company leaders is a meaningful and visible way to show our investors, clients and employees that we believe in our Company.

FinecoBank Board of Directors and Shareholders Meeting approved in 2017 specific share ownership guidelines, as shown in the following table, for the Chief Executive Officer and General Manager and for the other Executives with strategic responsibility, in order to reinforce the alignment between managerial and shareholders' interests in the achievement of goals.

Population	Shares Ownership
CEO and General Manager	1 x annual fixed remuneration
Executives with strategic responsibilities	0.5 x annual fixed remuneration

As a rule, the established levels described in the above table should be reached within 5 years from the first appointment in the covered role and they should be maintained for the entire duration of the role covered.

The established levels should be reached through a linear pro-rata approach during the 5-year period, providing for a minimum portion every year.

Involved Executives are also expected to refrain from entering into schemes or arrangements that specifically protect the unvested value of equity granted under incentive plans (“hedging”).

Any violation of the share ownership guidelines and any form of hedging shall be considered in breach of compliance rules with such consequences as provided for under enforceable rules, provisions and procedures.

## 3.6 Compliance Drivers

**TO SUPPORT THE DESIGN OF REMUNERATION AND INCENTIVE SYSTEMS, THE FOLLOWING “COMPLIANCE DRIVERS” HAVE BEEN DEFINED:**

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>▪ maintenance of an adequate ratio between economic and non-economic goals, depending on the role (in general, at least one goal should be non-economic)</li> </ul>  | <ul style="list-style-type: none"> <li>▪ qualitative measures must be accompanied by an ex-ante indication of objective parameters to be considered in the evaluation, the descriptions of expected performance and the person in charge of the evaluation</li> </ul>  |
| <ul style="list-style-type: none"> <li>▪ non-economic quantitative measures should be related to an area for which the employee perceives a direct link between her/his performance and the trend of the indicator</li> </ul>                             | <ul style="list-style-type: none"> <li>▪ among the non-financial goals (quantitative and qualitative), include, where relevant, goals related to Risk as well as to Compliance (e.g. credit quality, operational risks, application of MIFID principles, products sale quality, respect of the customer, Anti Money Laundering requirements fulfilment)</li> </ul>                         |
| <ul style="list-style-type: none"> <li>▪ set and communicate <i>ex-ante</i> clear and pre-defined parameters as drivers of individual performance</li> </ul>  | <ul style="list-style-type: none"> <li>▪ avoidance of incentives with excessively short timeframes</li> </ul>  |
| <ul style="list-style-type: none"> <li>▪ promotion of a customer-centric approach which places customer needs and satisfaction at the forefront and which will not constitute an incentive to sell unsuitable products to clients</li> </ul>              | <ul style="list-style-type: none"> <li>▪ take into account, even in remuneration systems of the external networks (Financial Advisors), the principles of fairness in relation with customers, management of legal and reputational risks, protection and loyalty of customers, compliance with the provisions of law, regulatory requirements, and applicable self-regulations</li> </ul> |
| <ul style="list-style-type: none"> <li>▪ create incentives that are appropriate in avoiding potential conflicts of interest with customers, considering fairness in dealing with customers and the endorsement of appropriate business conduct</li> </ul> | <ul style="list-style-type: none"> <li>▪ to promote responsible risk management for personnel assigned to the evaluation of credit rating, and to take into account the results of complaints management and customer care quality for personnel who handles complaints</li> </ul>   |
| <ul style="list-style-type: none"> <li>▪ define – for personnel providing investment services and activities – incentives that are not only based on financial parameters, but also</li> </ul>  | <ul style="list-style-type: none"> <li>▪ for Control Functions<sup>17</sup>, HR and Manager in charge for preparing financial statements, economic goals must be avoided and individual goals</li> </ul>   |

<sup>17</sup> Company Control Functions meaning CRO, Compliance, Internal Audit and AML.

## Section I

<p>take into account the qualitative aspects of the performance; this in order to avoid potential conflicts of interest in the relationship with customers<sup>16</sup></p>	<p>set for employees in these functions shall reflect primarily the performance of their own function and be independent of results of monitored areas, in order to avoid conflict of interests</p>
<ul style="list-style-type: none"> <li>▪ avoidance of incentives on a single product / financial instrument or specific categories of financial instruments, as well as single banking product</li> </ul>	<ul style="list-style-type: none"> <li>▪ the approach adopted for Company Control Functions is also recommended where possible conflicts may arise due to function's activities. This is the case in particular of functions of the Company (if any) performing control activities pursuant to internal/external regulations<sup>18</sup></li> </ul>
<ul style="list-style-type: none"> <li>▪ Commercial Network Roles, goals shall be defined including drivers on quality/riskiness/sustainability of the products sold, in line with client risk profiles. Particular attention shall be paid to the provision of non-economics goals for customer facing roles selling products covered by MiFID Directive; for those roles, incentives must be set in order to avoid potential conflict of interest with customers</li> </ul>	<ul style="list-style-type: none"> <li>▪ for the purpose of granting incentive, the absence of disciplinary sanctions and/or sanctions by regulatory authorities should be taken into account. In the presence of these measures, the possible allocation of the incentive will require a written explanation, which will make possible a case-by-case verification of the managerial decisions</li> </ul>
<ul style="list-style-type: none"> <li>▪ maintenance of adequate balance of fixed and variable compensation elements also with due regard to the role and the nature of the business performed. The fix portion is maintained sufficiently high in order to allow the variable part to decrease, and in some extreme cases to drop down to zero</li> </ul>	<ul style="list-style-type: none"> <li>▪ rewarding system communication and reporting phases shall clearly indicate that the final evaluation of the employee achievements will also rely, according to local requirements, on qualitative criteria such as: <ul style="list-style-type: none"> <li>- compliance to external (i.e. laws/regulations) and internal rules (i.e. policies) and company values</li> <li>- mandatory training completion</li> <li>- existence of disciplinary procedures officially activated and/or disciplinary sanctions actually applied</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>▪ in case individual performance evaluation systems are fully or partially focused on the manager decision making authority, the evaluation parameters should be defined <i>ex-ante</i>, clear and documented to the manager at the beginning of the evaluation period. Such parameters should reflect all applicable regulation requirements<sup>19</sup>. The results of managerial discretionary evaluation should be formalized for the adequate and predefined monitoring process by the proper functions</li> </ul>	<ul style="list-style-type: none"> <li>▪ the entire evaluation process must be conveniently put in writing and documented</li> </ul>
<ul style="list-style-type: none"> <li>▪ in case of a multiple contracts offer aside of a credit contract, if the side contract is optional, even through third parties, in order to avoid the offer of unsuitable, incoherent and not appropriate product to the customer's interests and objectives, remuneration and appraisal of sale staff (employees and third personnel) do not incentive the combined sale of the two contracts more than a separate sale of the same products.</li> </ul>	<ul style="list-style-type: none"> <li>▪ FinecoBank Group adopts and applies remuneration policies and practices for the subjects relevant to the scope of the regulation and credit intermediaries that take into account consumers' rights and interests, in relation to the products offer. To this extent, Fineco ensures that: <ol style="list-style-type: none"> <li>a) their remuneration does not provide an incentive to pursue their own interests or the Company's, with a harm for its customers;</li> <li>b) proper measures are in place to take into account any risk that could harm the customers;</li> <li>c) the variable remuneration for relevant subjects and intermediaries: <ol style="list-style-type: none"> <li>i. is linked to qualitative and quantitative assessment criteria;</li> <li>ii. does not provide an incentive to offer a specific product or a specific category of products or a combination of products (i.e. because those are particularly convenient for the Company or the relevant subjects or the intermediaries), if doing so would harm the customer in terms of unsuitability of the product for its financial needs, or because it is more expensive than another equivalent and suitable product,</li> <li>iii. is adequately balanced with respect of the fixed remuneration;</li> <li>iv. is subject to adjustment mechanisms that can reduce it or eliminate it, for instance in case of behaviors that directly or indirectly damaged the costumers, as well as in case of a violation of the relevant regulation (Title VI T.U.) or the related provisions that protect the customers' interests.</li> </ol> </li> </ol> </li> </ul>

<sup>16</sup> For instance:

- ESMA Guidelines on remuneration policies and practices – MiFID;  
- ESMA Technical Advice on MiFID II (Final Report 2014/1569);  
- MiFID II Directive provisions for remuneration/incentives of relevant subjects.

<sup>18</sup> For instance, functions covering accounting and tax functions

<sup>19</sup> Also in line with the regulation references reported in note 16 above

## Section I

With regards to incentive systems for the network's Financial Advisors, particular attention is addressed on all commercial initiatives that involve the aforementioned network<sup>20</sup>.

Such initiatives may be organized after the evaluation and authorization of the competent Bank's Bodies. They represent business actions aimed at providing guidance to the sales network towards the achievement of the period's commercial targets (also intermediate) and with a direct impact on the budget and related incentive systems.

Among the distinctive features of the initiatives, there is the expectation of an award - in cash or non-monetary reward. The initiatives can also have the function to accelerate the achievement of certain objectives of the incentive system. The grant of awards related to the initiatives will be subordinated to behaviors compliant with external and internal regulations.

Under no circumstances may the system of remuneration and evaluation of the sales network employees constitute an incentive to sell products unsuitable to the financial needs of the clients.

In particular the following "compliance drivers" have been defined:

- setting-up of the incentive mechanisms using criteria which are consistent with the best interest of the client and which avoid in any case conditions of potential conflicts of interest with customers, and coherently with relevant regulatory provisions (e.g. MiFID);
- ensuring consistency with the AML regulation;
- ensuring consistency between an initiative's objectives with the objectives set when defining the budget and when assigning targets to the sales network;
- avoidance of initiatives on a single product/financial instrument, or on a single Banking product;
- inclusion of clauses for zero bonus payment in case of relevant non-compliant behavior or qualified disciplinary actions;
- avoidance of initiatives which – not being grounded an objective and customer interests related basis – may directly or indirectly lead to breaching the rules of conduct regarding clients;
- avoidance of initiatives lacking a clear indication of the targets and of the maximum level of incentive to be granted for achieving those targets;
- avoidance – in general – of initiatives that link incentives not only to the targets assigned to specific roles/structures but also to higher hierarchical levels or to the budget of the higher territorial structure.

### 3.7 Exemptions in case of exceptional circumstances

Without prejudice to the provisions of Regulation n. 17221 of March 12, 2010, as provided by art. 123-ter, letter 3-bis of TUF amended in 2019, in case of exceptional circumstances FinecoBank can temporarily derogate from its remuneration policies, still taking into account all legal and regulatory restrictions. Exceptional circumstances are intended to be only situations for which the exemption from the remuneration policy is necessary in order to preserve the Company's long term interests and sustainability, or to ensure its market competitiveness. The process is summarized as follows.

The Board of Directors, having heard the opinion of the Remuneration Committee and the Risk and Related Party Committee, can temporarily derogate from the remuneration policy in the aforementioned circumstances, in coherence with FinecoBank Group *Global Policy on the management of transactions with individuals in potential conflict of interests* whenever applicable, and limited to some elements defined in paragraphs 4.2 and 4.3 Section I, specifically the short and long term variable remuneration systems, and in paragraph 2.2 Section I of this document, specifically the peer group for compensation benchmarking.

<sup>20</sup> See paragraph 4.3 for details.

# Section I

## 4. Compensation Structure

### 4.1 Remuneration system and sustainability

Fineco is aware that its strategy, oriented to a sustainable and organic growth, should necessarily be sided by a progressive integration of ESG principles in its business choices and operations management.

In 2018, FinecoBank Group defined its first list of material topics, with the support of ALTIS, Università Cattolica del Sacro Cuore di Milano. On the basis of the four principles suggested by the GRI Standards guidelines for the definition of the most relevant aspects (materiality, inclusion of stakeholders, completeness of data and sustainability context), a topic has been deemed material if it effectively reflects the economic, environmental and social impacts of the organization or it influences the stakeholders' decisions.

During 2020, the material topics list previously defined has been updated taking into account: (i) the events of the last two years, including the COVID-19 pandemic, (ii) the new stakeholders' expectations, resulting especially from the recent investor engagement activities and from the ESG rating agencies' requirements, and (iii) the regulatory evolution.

The material topics updated as such are 19, approved in 2020 by the Corporate Governance and Environmental and Social Sustainability and by FinecoBank Board of Directors. They are aggregated in 9 macro-areas and they represent the starting point to direct the chosen sustainable path and the consequent goal setting.

Macro-aspect	Aspect	L.D. 254/2016
Transparency	Fairness and transparency in the sale of products and services and reporting of ESG risks	Social
People Development	Human resources management policies	Personnel
	Management of welfare and industrial relations	
	Protection of health and safety at work	
	Training of human resources	Respect for human rights
	Protection of diversity, equal opportunity and inclusion	
	Non-discrimination policies	
Efficiency and Solidity	Economic performance and capital strength	Social
Control and Risk Management System	Risk management (financial and ESG risks)	Fighting active and passive corruption
		Environmental
Environmental Sustainability	Reducing environmental impact	Environmental
	Fighting corruption	Fighting active and passive corruption
	Prevention of anti-competitive behaviour	
Fairness	Socio-economic, environmental and tax compliance	Social Environmental
	Protection of privacy	Social
	Clear approach to the markets	-
	Responsible Finance	Financial inclusion and education
	Responsible products and investments	Social
Information Security and Cyber Security	Identification and management of ICT security risks	Social
Innovation and Customer Experience	Innovation and digitisation to improve service quality	Social

In this respect, proceeding with the path established in 2020, the 2021 CEO and General Manager individual scorecard for the short term incentive system, and the other Identified Staff's, provides for goals linked to sustainability intended as the capacity of creating and maintaining value for all the stakeholders in the medium-long term. In particular, targets built-in in the FinecoBank Group ESG Plan have been included in the specific "Stakeholder Value" goal, in coherence with the Group 2020-2023 Multi Year Plan. Additionally, with regards to the new 2021-2023 LTI Plan for employees a benchmarking analysis has been conducted on potential goals and parameters, which led to the introduction of ESG parameters among the performance



## Section I

targets. Therefore, the Plan's coherence with the Multi Year Plan has been ensured, representing a further step in the integration of sustainable principles within Fineco remuneration policy.

FinecoBank Group is committed to develop and unify a common risk culture at all organizational levels. This provides a fundamental condition to grant a sustainable return in the long term. Among the risks with potential ESG implications, operational risks and reputational risks, which could be determined by specific social, environmental and customer relationship risks, are particularly important.

### 4.1.1 Gender neutrality in the remuneration system

- In line with the principles defined in art. 157 TFUE, the CRD V introduces the requirement for all banks to establish and apply remuneration policies that are gender neutral regarding the personnel and that contribute to achieve a full gender equality among employees. The policies should ensure that personnel receives equal pay for the same activity performed.
- The Board of Directors, with the support of the Remuneration Committee, examines the remuneration policy's gender neutrality and verifies the Company's gender pay gap and its evolution over time. The Gender Pay Gap analysis aims at increasing the sensitivity and the attention towards gender equality and diversity within the organization at all levels, with the ultimate scope of creating a working environment that offers equal opportunities. The equal pay issue is of relevant importance also for the investors. In this regard, and in order to ensure a growing inclusion of ESG aspects within the Bank's strategy, sustainable goals to be pursued over the years 2020-2023 (*Multi Year Plan*) have been approved. Among these, a specific goal combines the following aspects:
  - Diversity and Equal Opportunity
  - Monitoring and ongoing attention to the Gender Pay Gap issue
  - Focus on issues such as the promotion of women in managerial roles, equal gender representation and
  - The monitoring of how the return from maternity leave is managed.
- In order to avoid the risk that programs and initiatives related to Diversity issues might lack of effectiveness, FinecoBank issued a specific Global Policy on Gender Equality and the HR function monitors and pays attention to the Gender Pay Gap, trying to ensure the equal gender representation through the promotion of women in managerial roles. Since 2017, the Identified Staff individual scorecards include the Gender Pay Gap parameter as one of the elements for their performance evaluation. In continuity with 2020, also in 2021 the CEO and General Manager performance scorecard, as well as that of the Identified Staff, includes a qualitative goal defined as "Stakeholder Value", which comprehends the sub-goal "Y/Y delta on Gender Pay Gap and Gender Balance". For calculating it, the methodology takes into account the sustainable cluster that allows evaluating at the same time the organizational complexity of the roles and the uniformity of the professional roles. The analysis show that across Fineco there is no significant gender pay gap. Moreover, among the qualitative/sustainable goal assigned there is a specific one concerning the integrity of conduct and the spread of compliance culture within the organization ("Tone from the top" initiative).
- Starting from 2021, Gender Balance and Gender Pay Gap goals have been monitored among the Bank's operational risks. Moreover, the Gender Pay Gap is reported in the Consolidated Non-Financial Statement (in accordance with the LD 254/2016) according to the GRI standards.

## 4.2 Employees

Within the framework provided by its Compensation Policy, Fineco is committed to ensure fair treatment in terms of compensation and benefits regardless of age, race, culture, gender, disability, sexual orientation, religion, political belief and marital status.

Our total compensation approach provides for a balanced package of fix and variable, monetary and non-monetary elements, each designed to impact in a specific manner the motivation and retention of employees.

In line with the applicable regulations, particular attention is paid to avoid incentive elements in variable compensation that may induce to behaviours not aligned with the company's sustainable business results and risk appetite.

As a policy target, fix compensation for *Identified Staff* considers as a reference the market median, with individual positioning being defined on the basis of specific performance, potential and people strategy decisions.

With particular reference to *Identified Staff* – within the governance defined according to the applicable laws and regulations - the Board of Directors, upon proposal of the Remuneration Committee, establishes the compensation structure for top positions, defining the mix of fix and variable compensation elements, consistently with market trends and internal analyses performed.

Moreover, the Board of Directors annually approves the criteria and features of *Identified Staff* incentive plans, ensuring the appropriate balance of variable reward opportunities within the pay-mix structure.

TYPE OF REMUNERATION	PURPOSES	FEATURES
<b>4.2.1. FIXED COMPENSATION</b>		
<b>The fixed salary remunerates the role covered and the scope of responsibilities, reflecting the experience and skills required for each position, as well as the level of excellence demonstrated and</b>	<i>Fixed salary is appropriately defined for the specific business in which an individual works and for the talent, skills and competencies that the individual brings to the Bank.</i>	Specific pay-mix guidelines for the weight of fix versus variable compensation are defined with respect to each target of employee population. With particular reference to <i>Identified Staff</i> , the Remuneration Committee proposes to the Board of Directors: <ul style="list-style-type: none"> <li>▪ the criteria and guidelines to perform market benchmarking analysis for each position in terms of compensation levels and pay-mix structure, including the definition of a specific peer group</li> </ul>

## Section I

<p><b>the overall quality of the contribution to business results.</b></p>	<p><i>The relevance of fixed compensation weight is sufficient to reward the activity rendered even if the variable part of the remuneration package is not paid due to non-achievement of performance goals such as to reduce the risk of excessively risk-oriented behaviours, to discourage initiatives focused on short-term results and to allow a flexible bonus approach.</i></p>	<p>and the identification of an external consultant to provide “executive compensation” services</p> <ul style="list-style-type: none"> <li>▪ the positioning in terms of compensation, in line with relevant market’s competitive levels, defining operational guidelines to perform individual compensation reviews as necessary.</li> </ul> <p>For the Identified Staff in Control Functions, specific Role Based Allowance (or RBA ) in cash are provided, defined ex ante on the basis of the “band”<sup>21</sup> and Function.</p> <p>In case of changes in the banding, the RBAs can be increased, decreased or zeroed.</p>
<p><b>4.2.2. VARIABLE COMPENSATION</b></p>		
<p><b>The variable compensation includes payments depending on performance, independently from how it is measured (profitability goals, volumes, etc.), or on other parameters (e.g. length of service), discretionary pension benefits and amounts agreed between the bank and personnel in view or upon the early termination of the employment or office (excluding termination benefits and indemnity in lieu of notice), carried interests and more generally any other form of remuneration that is not uniquely qualify as fixed remuneration.</b></p>	<p><i>Variable compensation aims to remunerate achievements by directly linking pay to performance outcomes in the short, medium and long-term, and risk adjusted.</i></p> <p><i>To strengthen the alignment of shareholders’ interest and the interests of management and employees, performance measurement reflects the actual results of the Company overall, the business unit of reference and the individual. As such, variable compensation constitutes a mechanism of meritocratic differentiation and selectivity.</i></p>	<ul style="list-style-type: none"> <li>▪ Adequate range and managerial flexibility in performance-based pay-outs are an inherent characteristic of well-managed, accountable and sustainable variable compensation, which may be awarded via mechanisms differing by time horizon and typology of reward.</li> <li>▪ Incentives remunerate the achievement of performance objectives, both quantitative and qualitative, by providing for a variable bonus payment.</li> <li>▪ An appropriately balanced performance-based compensation element is encouraged for all employee categories as a key driver of motivation and alignment with organizational goals, and is set as a policy requirement for all business roles.</li> <li>▪ The systems features, including performance measures and pay mechanisms, must avoid an excessive short-term focus by reflecting the principles of this policy, focusing on parameters linked to profitability and sound risk management, in order to guarantee sustainable performance in the medium and long-term.</li> <li>▪ The <i>Identified Staff</i> contracts provide only the “eligibility” to the variable compensation. The amounts related to the variable compensation and all the technical details of the pay-out (instruments, pay-out structure, timing) are included in a specific communication not included in the <i>Identified Staff</i> contract and are managed in strict coherence with the governance and the rules of the delegation of authorities.</li> <li>▪ More details on the design of remuneration and incentive systems, with particular reference to Control Functions, are reported in the section “<i>Compliance Drivers</i>”.</li> </ul>
<p><b>Incentive Systems linked to yearly performance (Short Term Incentives or STI)</b></p>	<p><i>Aim to attract, motivate and retain strategic resources and maintain full alignment with national and international regulatory requirements and with best market’s practices.</i></p>	<ul style="list-style-type: none"> <li>▪ Pay-out is based on a “<i>bonus pool</i>” approach providing for a comprehensive performance measurement at individual and at Group level.</li> <li>▪ Reward is directly linked to performance, which is evaluated on the basis of results achieved and on the alignment with our leadership model and values.</li> <li>▪ The Performance Management process as the framework for <i>Identified Staff</i> performance evaluation is a cornerstone of fair and coherent appraisal across the organization.</li> <li>▪ Also for the remaining employees – within the bonus pool logic as described above - annual incentives are determined on a discretionary basis according to the individual performance appraisal (<i>Performance Management</i>) that foresees a yearly,</li> </ul>

<sup>21</sup> Pursuant to the Global Job Model: an advanced organizational system that describes, standardizes and calibrates all the roles within the Group. The “Banding” system (Global Banding Structure) is one of the elements of the Global Job Model and it is constituted by 9 bands.

## Section I

		<p>written, and documented process for the goals setting, self-assessment, managerial assessment and the definition of an individual development plan.</p> <ul style="list-style-type: none"> <li>▪ Where foreseen by regulations, the pay-out is phased to coincide with an appropriate risk time horizon. The design features of incentive plans for <i>Identified Staff</i> are aligned with shareholder interests and long-term, firm-wide profitability, providing for an appropriate allocation of a performance related incentive in cash and in shares, upfront and deferred</li> <li>▪ Each year, detailed information about our compensation governance, key figures and the features of our incentive systems, is fully disclosed in the <i>remuneration policy</i>.</li> <li>▪ The individuals' behaviours (compliance with internal and external rules and regulations, absence of disciplinary actions and completion of mandatory training) are also elements on which individual incentives award is based.</li> </ul>
<p><b>Long-term Incentive plans (Long Term Incentive or LTI)</b></p>	<p><i>The aim of these plans is to strengthen the link between variable pay and long term results and to further align the interests of Management to those of Shareholders</i></p>	<ul style="list-style-type: none"> <li>▪ For the 2021-2023 performance period, a share based Long Term Incentive Plan for selected Employees considered "key roles", has been approved.</li> <li>▪ The plan sets goals linked to the 21-23 three-year targets, in terms of value creation, industrial sustainability, risk and stakeholder value, coherent with Fineco long term goals established in the 2020-2023 Multi Year Plan.</li> <li>▪ The Plan provides entry and malus conditions, a claw-back condition and a specific risk adjustment mechanism.</li> <li>▪ The Plan provides for the payment of a bonus in FinecoBank shares, over a multi-year period.</li> <li>▪ For the Plan details, please refer to the specific section of the <i>remuneration policy</i>.</li> </ul>
<p><b>4.2.3. BENEFITS</b></p>		
<p><b>These include welfare benefits supplementary to social security plans, and are intended to provide substantial guarantees for the well-being of staff and their families during the active career as well as the retirement. In addition, special terms and conditions of access to various FinecoBank Banking products and other services may be offered to employees in order to support them during different stages of their lives</b></p>	<p><i>Benefits aim to reflect internal equity and overall coherence of our remuneration systems, catering to the needs of different categories as appropriate and relevant.</i></p>	<ul style="list-style-type: none"> <li>▪ In coherence with Fineco Bank Group governance framework and Global Job Model, benefits are aligned against general common criteria for each employee category, while benefits plans are established on the basis of FinecoBank practices.</li> <li>▪ To face the exceptional situation due to the COVID-19 pandemic, Fineco adopted since the beginning of the emergency all the necessary measures to ensure the safety of its employees and the effective work management and work-life balance.</li> </ul>

# Section I

## 4.3 Financial Advisors

Financial Advisors are tied to the Company by an agency agreement, under which the Advisor is engaged on a permanent basis (without representation) to provide independent services, exclusively for the Bank, for the promotion and placement of financial instruments and Banking/financial services in Italy, as well as insurance and welfare products or any other products indicated in the contract. Advisors are also responsible for diligently monitoring the assistance to the existing and/or allocated customers in order to fulfil the Company's objectives.

In accordance with existing regulations, contractual relationships with customers acquired by the Financial Advisor, and any other that is subsequently allocated, are conducted exclusively between the customer and the Bank.

FinecoBank's Network of Financial Advisors is composed by:

- Financial Advisors
- Group Managers
- Area Managers

The Group Managers and the Area Managers are Financial Advisors with the accessory assignment to coordinate other Financial Advisors.

In particular, Area Managers are responsible for coordinating Advisors in their geographic area, for growing the business and for reaching the targets set by Commercial Department, and are supported - for the purposes of coordination activity - by Group Managers.

The Commercial Department uses Company's internal structures, to provide support to the network. Their tasks are to control the local activities and provide support for commercial activity.

As mentioned in the preamble, the provisions of this Compensation Policy also apply to the members of the Financial Advisors' Network, in line with the Advisors' specific remuneration.

Financial Advisors are freelancers and their remuneration is entirely variable. The regulatory requirements, in order to adapt the same employees' rules on compensation structure, based on a fixed and on a variable component, established for Financial Advisors a distinction between a "recurring" and a "non-recurring" pay component.

TYPE OF REMUNERATION	PURPOSES	FEATURES
<b>4.3.1. RECURRING REMUNERATION</b>		
<p><b>This is the most stable and ordinary part of the total remuneration, equivalent to the fixed salary of employees</b></p>	<p><i>Recurring remuneration is sufficient to reward the activity rendered even if the variable part of the remuneration package is not paid due to non-achievement of performance goals such as to reduce the risk of excessively risk-oriented behaviours, to discourage initiatives focused on short-term results and to allow a flexible bonus approach.</i></p>	<ul style="list-style-type: none"> <li>▪ Sales commission, in other words the payment to the Financial Advisor of a percentage of the sales charge, paid by the customer at the time of purchase of investment instruments. It is paid on an individual basis or as a supplement if the Advisor has been given coordination tasks.</li> <li>▪ Management and maintenance commission, in other words the Financial Advisor monthly remuneration for assistance provided to customers during the contract, commensurate with the average value of the investments and the type of product, paid on an individual basis or as a supplement if the Advisor has coordination tasks.</li> </ul>
<b>4.3.2. NON RECURRING REMUNERATION</b>		
<p><b>Incentive Systems linked to short term performance.</b></p> <p><b>This is the incentive element, in other words it is tied to reach certain goals, equivalent to the variable compensation of employees</b></p>	<p><i>Aims at motivating, retaining and rewarding Financial Advisors and Managers of the Network, in full alignment with the regulatory requirements.</i></p>	<ul style="list-style-type: none"> <li>▪ Pay-out is based on a "bonus pool" approach providing for a comprehensive performance measurement at individual and at Group level.</li> <li>▪ Reward is directly linked to performance, which is evaluated on the basis of results achieved.</li> <li>▪ For the Financial Advisors belonging to Identified Staff, a dedicated incentive system ("PFA Incentive System") was defined, whose pay-out, as foreseen by regulations, is phased to coincide with an appropriate risk time horizon. The design features of the plan is aligned with shareholder interests and long-term, firm-wide profitability of the Bank, providing for an appropriate allocation of a performance related incentive in cash and in shares, upfront and deferred.</li> <li>▪ For all the Financial Advisors not belonging to Identified Staff, specific incentive systems were defined, as, for example, "Incentive Plans for PFA-Area Managers-Group Managers", and specific retention initiatives such as the "Additional Future Program". This plan, in particular, is dedicated to selected PFA and network Managers not Identified Staff and provides the accrual of annual awards (subject to the achievement of specific performance conditions and the compliance of individual</li> </ul>

## Section I

behaviors) in specific insurance policies. The release of those awards is provided at the reach of the retirement age.

- All the incentive systems provide for ex-ante ("entry conditions") and ex-post (malus on any deferred components) adjustment mechanisms and claw-back clauses.
- The individual behaviors (compliance with internal and external rules and regulations and absence of disciplinary actions) are also evaluation elements to assign individual incentives.

## Section I

### 4.4 Sale Staff (employees and third personnel)

The existing provisions on Bank Transparency (for reference, “*Disposizioni in materia di trasparenza delle operazioni e dei servizi bancari finanziari – Correttezza delle relazioni tra intermediari e clienti*”) issued by Bank of Italy on March 19, 2019, appoint two categories of staff (relevant subjects and credit intermediaries)<sup>22</sup> which remuneration has to follow further principles, in addition to the ones provided in paragraph 3, Section I (2021 remuneration policy; 3. Fundamentals).

In particular, these subjects' remuneration has to be:

- i. coherent with Fineco objectives and values;
- ii. inspired by diligence, transparency and fairness criteria in the approach to FinecoBank S.p.A.'s customers, towards the protection and retention of them and aimed at keeping legal and reputational risks under control;
- iii. considerate of any risk that could cause harm to the costumers;
- iv. not only based on economic goals and should not induce to pursue self-interests or FinecoBank's, with a prejudice for costumers, nor to offer products that do not meet the costumers' interests;
- v. linked to quantitative and qualitative criteria (i.e. costumers fidelity) and not only based on the achievement of targets linked to products' sale;
- vi. adequate in a manner that does not induce to offer specific products, or specific categories or combinations of products just because more fruitful for FinecoBank S.p.A. or for the relevant subjects or intermediaries themselves, if that could harm the costumers in terms of an offer based on a product that does not meet their financial needs, or which is more expensive than other equally adequate products with respect of the costumers' needs;
- vii. adequately balance with respect of the fixed remuneration;
- viii. subject to malus, claw-back and zero-factor (see *Focus on compliance breach, individual malus and claw-back*).

The total number of relevant subjects as of December 31, 2020, is 2,606, with 205 of them in a managerial position; these subjects, Financial Advisors allowed to off-site sales, are also entitled to present and offer loan contracts and to other activities pursuant the conclusion of loan contracts<sup>23</sup>.

Regarding the personnel who has to evaluate the credit rating, remuneration ensures the adequate risk management by the Bank. Personnel who are assigned to handle complaints, remuneration takes into consideration, among other things, the results of the complaints management and the customer care quality.

### 4.5 Non Executives members of Administrative and Auditing Bodies

For non-executives members of Board of Directors and for the members of the Board of Statutory Auditors, in line with the regulatory provisions, stock option based or, more in general, instrument based incentives are avoided. The remuneration of said subjects is fixed, and determined on the basis of the relevance of the role, of possible additional duties, and of the requested efforts for carrying out the assigned tasks and is not linked to economic results.

As provided by Bank of Italy provisions on remuneration policies and practices, the Board of Directors' Chairman remuneration is not higher than the fixed one provided for the Chief Executive Officer.

<sup>22</sup> Relevant subjects: personnel who offers product to costumers as well as their underling;

Credit intermediaries: financial agents, loan mediator and subjects other than the Bank who, in the exercise of their professional/commercial activity, concludes loan contracts on the Bank's behalf as well as presents and offers loan contracts or carries out other related activities in exchange of a monetary compensation or other economic advantage in respect with applicable regulation.

<sup>23</sup> According to art. 31(2) of legislative Decree n. 58, February 24, 1998, “L'attività di consulente finanziario abilitato all'offerta fuori sede è svolta esclusivamente nell'interesse di un solo soggetto. Il consulente finanziario abilitato all'offerta fuori sede promuove e colloca i servizi d'investimento e/o i servizi accessori presso clienti o potenziali clienti, riceve e trasmette le istruzioni o gli ordini dei clienti riguardanti servizi d'investimento o prodotti finanziari, promuove e colloca prodotti finanziari, presta consulenza in materia di investimenti ai clienti o potenziali clienti rispetto a detti prodotti o servizi finanziari. Il consulente finanziario abilitato all'offerta fuori sede può promuovere e collocare contratti relativi alla concessione di finanziamenti o alla prestazione di servizi di pagamento per conto del soggetto nell'interesse del quale esercita l'attività di offerta fuori sede.” The Bank contracted an agreement for the promotion and sale of banking and insurance products aimed at distributing mortgage loans.



# Section I

## 5. 2021 Compensation Systems

### 5.1 Target Population

Fineco, starting from 2014 conducted, in alignment with specific regulation, the annual self-evaluation process to define the *Identified Staff* population, both employees and Financial Advisors, to whom, according to regulators, specific remuneration rules apply.

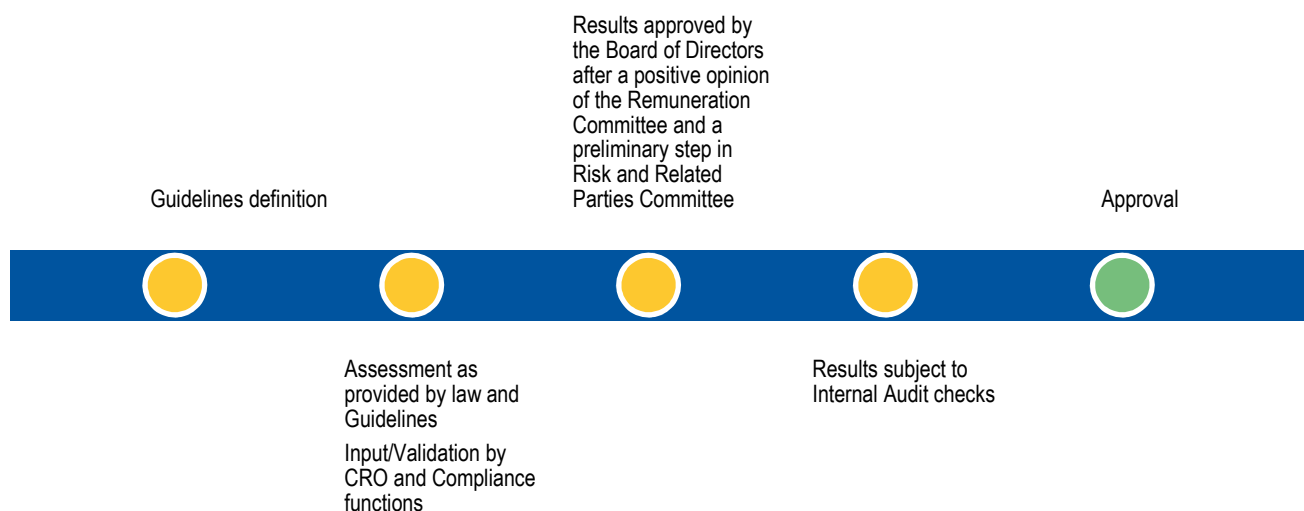
The definition of 2021 *Identified Staff*, pursuant to the European criteria foreseen in the *European Banking Authority Regulatory Technical Standard (RTS)*<sup>24</sup>, followed a structured and formalized assessment process based on the guidelines provided by the functions *Human Resources* with the contribution of *CRO* and *Compliance*, to guarantee a unique and common approach In FinecoBank Group.

In line with the regulatory provisions, the criteria used to define the Identified Staff are those defined by the aforementioned European standards, and incorporated into the national legislation (Circular 285 of the Bank of Italy). In line with the defined guidelines, Fineco - for the purposes of identifying the Identified Staff - adopts the additional criterion of the "band" for Employees, including all Employees with band 5 (Senior Vice President)<sup>25</sup> or higher, in the risk takers category.

The identification of subjects with significant impact on risk is aimed at the definition of Bank and FinecoBank Group's Identified Staff. This is valid, in any case, for both Employees of FinecoBank Group and FinecoBank S.p.A. PFAs.

As every year, the assessment performed took into account the role, the decision-making power, the effective responsibilities of the employees and of the Financial Advisors and, in addition, the total compensation level.

#### PROCESS TO DEFINE FINECOBANK IDENTIFIED STAFF



The result of the assessment process, submitted to Internal Audit scrutiny and documented into Fineco Remuneration Policy, brought to the identification of a total number of **21 employees and 10 Financial Advisors**<sup>26</sup> for 2021<sup>27</sup>.

Regarding employees, as a result of the analysis and as approved by the Board of Directors upon proposal of the Remuneration Committee, the following categories of employees have been defined for 2021 as Identified Staff: Chief Executive Officer and General Manager, Executives with strategic responsibility, executive positions in Company Control Functions (Compliance, CRO, Internal Audit and AML) and other positions that are responsible for strategic decisions which may have a relevant impact on the Group's risk profile<sup>28</sup>.

Regarding Financial Advisors, Fineco has applied a qualitative criteria to select those belonging to *Identified Staff*, on the basis of their impact on business risk (represented by the risk that the Bank's profitability decreases consequently to the exit of Advisors from the Network and the related loss of customers and assets), the only type of risk that the Bank considers attributable to PFA, due to the absence of power of attorney they have to assume any other kind of risks.

→ Compensation data and vehicles used for the target population in 2020 are disclosed in Section II – chapters 4, 5 and 6 and in the Annexes.

<sup>24</sup> European Banking Authority (EBA) Regulatory Technical Standards on criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile under Article 94 (2) of Directive 2013/36/EU as amended by EU Directive 2019/878 (CRD V).

<sup>25</sup> According to the Global Job Model

<sup>26</sup> Vs 19 Employees and 11 Financial Advisors identified in 2020

<sup>27</sup> Identified Staff data refers to the population at the date of February 2021, providing for an ex-ante definition, in line with regulatory requirements. The Non Executive Directors member of the Board (11 people), identified by the regulatory provisions applicable, are included as Identified Staff; however, the identification does not have any impact on remuneration.

<sup>28</sup> The list of Fineco Identified Staff includes also the Fineco Asset Management DAC CEO



# Section I

As a result of the analysis and as approved by the Board of Directors upon proposal of the Remuneration Committee as shown above, and prior the control carried out by the Risk and Related Parties Committee, the following categories of Financial Advisors have been identified for 2020 as *Identified Staff*:

- for the single PFA the criteria above mentioned has been applied selecting those Advisors with a total yearly compensation higher/equal to Euro 750,000;
- for PFA who have a managerial role have been selected Managers that coordinate Advisors with a total asset equal/higher to 5% of the total asset of the PFA Network.

Pursuant to the regulatory requirement and the process defined at European level<sup>29</sup>, the exclusion from Identified Staff of 28 PFA whose total remuneration in 2020 is equal or exceeds Euro 500,000 is submitted to the Regulatory Authority.

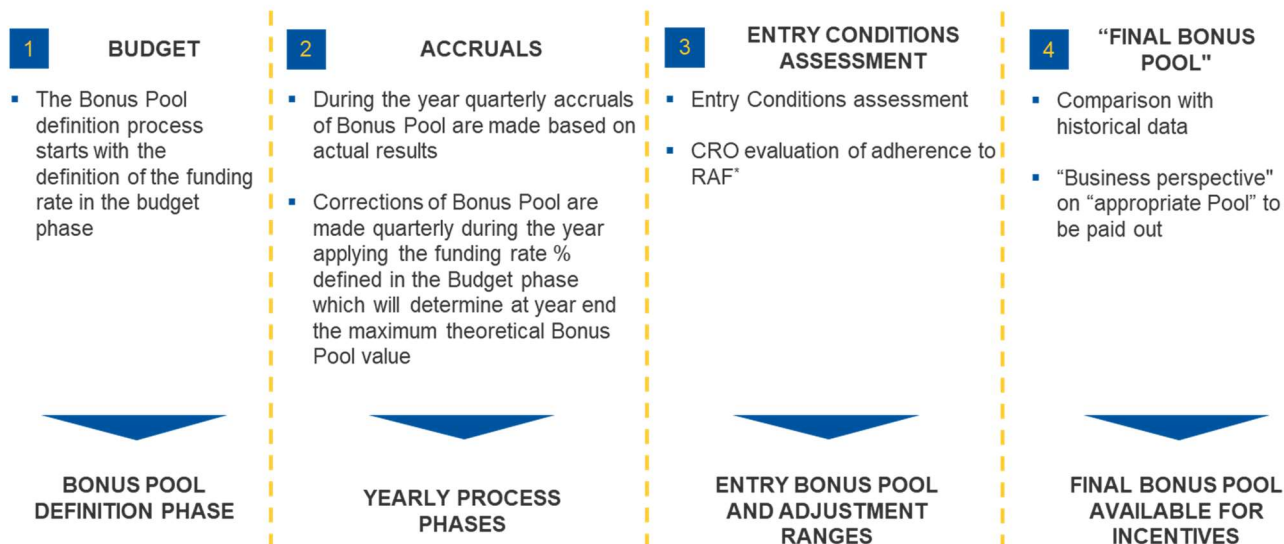
## 5.2 2021 Incentive System for Employees Identified Staff

As in the past years, the 2021 Incentive System, as approved by the Board of Directors of FinecoBank on January 19, 2021, is based on a “*bonus pool*” approach that takes into consideration the national and international regulatory requirements and directly links bonuses with Fineco results, ensuring the link between profitability, risk and reward.

In particular, the system provides for:

- allocation of a variable incentive defined on the basis of the determined bonus pool, of the individual performance appraisal and of the internal benchmarking on similar roles as well as compliant with the ratio between fixed and variable remuneration approved by the Shareholder’s Meeting;
- definition of a balanced structure of “upfront” (following the moment of performance evaluation) and “deferred” payments, in cash and/or in shares<sup>30</sup>, to be paid over a period of up to maximum 6 years;
- distributions of share payments which take into account the applicable regulatory requirements regarding the application of a retention period. In fact the payment structure defined requires a one-year retention period for both upfront and deferred shares;
- risk adjusted measures in order to guarantee long-term sustainability, regarding Company financial position and to ensure compliance with regulations;
- a *malus* clause (Zero Factor) which applies in case specific thresholds (profitability, capital and liquidity) are not met. In particular, the bonus pool related to 2021 performance will be zeroed, while previous systems deferrals could be reduced from 50% to 100% of their value, based on final effective results.

The bonus pool process includes the following steps:



\* Risk Appetite Framework

<sup>29</sup> ECB Decision (EU) 2015/2218 dated November 20, 2015; EBA RTS chapter 4, art. 4

<sup>30</sup> In compliance with sectorial regulations, the Chief Executive Officer of Fineco Asset Management DAC - Identified Staff of the Group - is the beneficiary of the FAM Incentive System 2021, for which the use UCITS compliant instruments is envisaged.

# Section I

## Budget

The Bonus pool process starts with the definition of the “funding rate” during budgeting phase. The funding rate for FinecoBank is a percentage of the Net Operating Profit (net of Provisions for Risk and Charges, corresponding to Profit Before Tax) considering: historical data analysis, expected profitability, business strategy and previous year pool. The bonus pool is submitted for approval to the Board of Directors of FinecoBank S.p.A.

## Accruals

- During the year of performance, quarterly accruals are based on the actual results;
- on a quarterly basis bonus pool is adjusted applying the percentage of funding rate fixed during budgeting phase that set by the end of the year the maximum theoretical bonus pool.

## Entry conditions verification and risk adjustment

- Consistency with performance and sustainability is ensured through specific “Entry Conditions” set at Group level;
- application of a *Zero Factor/malus* clause in case specific profitability, liquidity and capital thresholds are not reached;
- the distribution is risk adjusted in order to guarantee sustainability with respect to *Fineco Risk Appetite Framework*;
- the bonus pool is proposed on the basis of the year forecast, risk-adjusted.

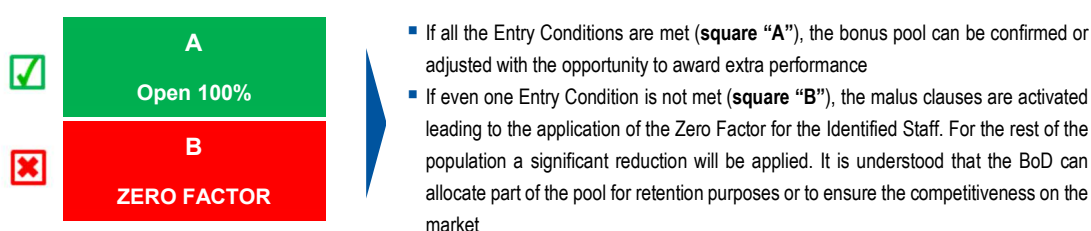
The Entry Conditions are the mechanism that determines the possible application of the Zero Factor based on performance indicators in terms of profitability, capital and liquidity. The entry conditions defined for 2021 – working also as malus conditions for the previous incentive systems deferrals – are reported in the following table.

Fineco Entry Conditions
Net Operating Profit adjusted $\geq 0$ and
Net Profit $\geq 0$ and
CET1 Ratio $> 8,8\%$ (2021 RAF Capacity) and
Liquidity Coverage Ratio $> 101\%$ (2021 RAF Capacity)
Net Stable Funding Ratio $> 101\%$ (2021 RAF Capacity)

- *Net Operating Profit* adjusted is the Net Operating Profit reported in the Financial Statement, with the exclusion of any extraordinary item as considered appropriate by the Board of Directors upon proposal of the Remuneration Committee.
- *Net Profit* is the Net Profit reported in the Financial Statement that may be adjusted in order to exclude any extraordinary item, as considered appropriate by the Board of Directors upon proposal of the Remuneration Committee.
- *Common Equity Tier 1 Ratio* is the ratio between the Common Equity Tier 1 capital and the Risk Weighted Assets.
- *Liquidity Coverage Ratio* is the ratio between the stock of “High Quality Liquid Assets” and the “Net Cash Outflows” in the following 30 calendar days in a high stress liquidity scenario as defined by the Supervisory Authorities.
- *Net Stable Funding Ratio* is the ratio between the Available Stable Funding and the Required Stable Funding.

Compared to the 2020 system, the Capital and the Liquidity indicators are amended, taking into account the RAF Capacity value.

The on/off mechanism of the entry conditions and the related effects on the Fineco Bonus Pool work as shown below:



## Section I

The CRO dashboard assessment is confirmed to activate the “multiplier”, pursuant to the defined methodology.

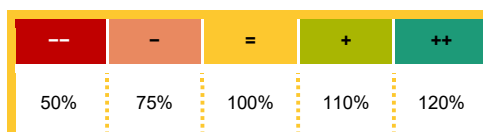
The CRO dashboard (defined in coherence with Fineco Risk Appetite Framework) includes KPIs taken from the Risk Appetite Framework, measured with reference to the respective relevant thresholds (*Risk Appetite, Risk Tolerance and Risk Capacity*). Here below a sample of the content of the dashboard:

DIMENSION	2021			
	KPIs	Risk Appetite	Risk Tolerance	Risk Capacity
Capital	CET1 Ratio (%)	--%	--%	--%
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	--%	--%	--%

**SAMPLE**

The “multiplier” effect deriving from the overall evaluation of the risk factors included in the CRO Dashboard applies to the bonus pool in case all the Entry Conditions are met. The dashboard evaluation made by the FinecoBank CRO and verified by the Remuneration Committee and the Board is carried out pursuant to a methodology defined by the CRO function and approved by the Board of Directors itself.

The bonus pool corrections ranges deriving from the CRO Dashboard assessment are the same as the 2020 Incentive System, as follows.



The opportunity to award an extra performance in the bonus pool (fully positive “++” rating) can only be granted in case of positive EVA at the end of the financial year. As provided in the 2020 System, the Remuneration Committee and the Board of Directors may apply a further correction up to +20%, while no limit is set in case the bonus pool is lowered with respect to the theoretical value.

In any case, as requested by regulations as per Bank of Italy provisions, the final evaluation of sustainable performance parameters and the alignment between risk and remuneration will be assessed by Remuneration Committee and defined under the governance and accountability of the Board of Directors.

The Board of Directors may not take into account, when deciding bonus, balance sheet extraordinary items that do not affect operational performance, regulatory capital and liquidity (e.g. goodwill impairment, extraordinary contributions to deposit guarantee schemes, etc.).

Moreover, following potential changes in current regulations and/or in relation to potential extraordinary and/or unpredictable contingencies that can impact the Group, the Bank or the market in which they operate, the Board of Directors, having heard the opinion of the Remuneration Committee and upon competent functions proposition, maintains the right to amend the system and relevant rules.

# Section I

## Individual bonus allocation

- Individual bonus will be allocated to beneficiaries considering the bonus pool, the individual performance appraisal, the internal benchmarking analysis on similar roles and the maximum ratio between variable and fix compensation as approved by Shareholder's Meeting;
  - individual performance appraisal is based on 2021 Scorecard: a minimum of 5 and maximum 8 goals that reflect the Bank and FinecoBank Group's strategy. The Scorecard includes 4-6 quantitative/strategic goals, equally weighted, with an overall incidence of 70% on the Scorecard, and up to 2 qualitative/sustainable goals (if the case, equally weighted) with an incidence of 30% on the Scorecard;
  - competencies and behaviours considered as relevant can be taken into account by the manager for the overall performance appraisal;
- Further details in chapter 5.2.1.
- the appraisal system is based on a 5-rating scale with a descriptive outcome (from "Below Expectations" to "Greatly Exceeds Expectations").

Sample of 2021 Scorecard

	WEIGHT	GOAL NAME	REFERENCE TARGET	NOTE/CATEGORY (sustainability, value creation, risk, cost efficiency, etc.)
<b>QUANTITATIVE/ STRATEGIC</b> 	70% Equally weighted	GOAL 1	vs. budget	Value Creation
		GOAL 2	vs. budget	Value Creation
		GOAL 3	vs. target	Risk-based
		GOAL 4	vs. budget	Cost efficiency
		GOAL 5	vs. budget	Value Creation
		GOAL 6	vs. budget	Value Creation
<b>QUALITATIVE/ SUSTAINABLE</b> 	30% Equally weighted	GOAL 7	vs. qualitative assessment	Sustainability
		GOAL 8	vs. qualitative assessment	Sustainability

Sample of 2021 evaluation

Below Exp	Almost Meets Exp	Meets Exp	Exceeds Exp	Greatly Exceeds Exp
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→

For the purpose of the individual allocation of bonuses, the 2021 Incentive System requires beneficiaries to carry out the mandatory Compliance training (at least 90% completed by October 28).

## Bonus payment

- As approved by the Board of Directors on January 19, 2021, regarding the payment structure, the Identified Staff will be divided into 3 groups according to the regulations.
- Payment of the incentives will be made through immediate and deferred tranches - in cash or in FinecoBank ordinary shares - over a period of up to 6 years:
  - in 2022 the first portion of the overall incentive ("1<sup>st</sup> tranche") will be paid in cash, after verifying the compliance and adherence at the individual level of compliance rules and principles of conduct and behavior<sup>31</sup>;
  - the remaining amount of the total incentive will be paid in several installments in cash and/or Fineco free ordinary shares in the period:
    - 2023-2027 for the CEO and GM, and for the other roles foreseen by the legislation (e.g. first reports of the CEO and DG) with variable remuneration amount over Euro 430,000
    - 2023-2027 for other for other roles foreseen by the legislation (e.g. first reports of the CEO and DG) with variable remuneration amount below or equal Euro 430,000
    - 2023-2026 for other Identified Staff
- In particular, payment systems are based on two time horizons (5 and 6 total years) differentiated on the basis of the target population and of the total amount of variable remuneration received in the performance year, according to the schemes described below:

<sup>31</sup> Considering also the seriousness of possible internal/external inspections (i.e. Internal Audit, Bank of Italy, Consob and/or similar authorities), and in general, according to the paragraph "Focus on violation for non-compliance, individual Malus and Claw- back "

## Section I

- For the CEO and GM and other roles provided by law<sup>32</sup> with a “significant amount” of total variable remuneration in the performance year (>430,000 €)<sup>33</sup> a 5-year payout scheme applies with an overall payout structure of 6 years, with 60% of bonus deferred, in coherence with the 2020 payout scheme.

PAYOUT		2022	2023	2024	2025	2026	2027	Total
	Cash		20% upfront		12% deferred			12% deferred
Shares			20% upfront		12% deferred	12% deferred	12% deferred	56%

- For the other roles provided by law<sup>34</sup> with no significant amount of total variable remuneration (≤430,000 €) a 5-year payout scheme applies with an overall payout structure of 6 years, with 50% of bonus deferred.

PAYOUT		2022	2023	2024	2025	2026	2027	Total
	Cash		25% upfront		10% deferred			10% deferred
Shares			25% upfront		10% deferred	10% deferred	10% deferred	55%

- At last, for other identified staff with no significant amount of total variable remuneration a 4-year payout scheme applies with an overall payout structure of 5 years, with 40% of bonus deferred.

PAYOUT		2022	2023	2024	2025	2026	Total
	Cash		30% upfront			10% deferred	10% deferred
Shares			30% upfront	10% deferred	10% deferred		50%

Every tranche will be subject to the *Zero Factor* related to the year of competence and to the verification of the compliance of individual behaviors:

- all instalments are subject to the application of claw-back conditions;
- in coherence with 2020, a minimum threshold<sup>35</sup> is set, below which no deferral mechanisms will be apply;
- the number of shares to be allocated in the respective instalments shall be defined in 2022, on the basis of the arithmetic mean of the official closing market price of FinecoBank ordinary shares during the month preceding the Board resolution that evaluates the 2021 performance achievements;
- free FinecoBank ordinary shares that will be allocated will be freely transferable;
- the payment structure has been defined in line with Bank of Italy provisions requiring a share retention period for both upfront and deferred shares;
- the 2021 Incentive System provides for an expected impact on FinecoBank S.p.A. share capital of approximately 0.09%, assuming that all free shares for employees have been distributed. The current overall dilution for all other outstanding equity-based plans for both Employees and Financial Advisors is 0.6% ca;
- the beneficiaries cannot activate programs or agreements that specifically protect the value of unavailable financial instruments assigned within the incentive plans. Any form of coverage will be considered a violation of compliance rules and imply the consequences set out in the regulations, rules and procedures.

The employee participation to the Incentive System will automatically lapse (as well as any right depending on the Incentive System) upon any of these circumstances happening:

- The employee terminates his/her contract for any reasons, excluding death and “good leaver” status; or
- The employee communicates or is informed of the termination of his/her contract.

<sup>32</sup> For instance the first reporting line of Management Body (CEO) and responsible of main business areas.

<sup>33</sup> Equal to 25% of the total remuneration of the Italian High Earners according to the EBA report (Benchmarking and High Earners Report). The threshold includes both the short-term variable remuneration and the annual tranche of the long-term variable remuneration, and it is equal to less than 10x the overall average remuneration of the Bank’s employees. As required by the regulatory provisions (Circular 285/2013), the threshold has been defined for the three-year period 2019-2021.

<sup>34</sup> See note 36

<sup>35</sup> Equal to Euro 75.000 that will be paid in cash; if the Regulator will require the mandatory application of a lower threshold starting from 2021, FinecoBank retains the right to amend the 2021 Incentive System accordingly.

## Section I

The “good leaver” status occurs only when the employee terminates his/her contract (or his/her contract is terminated) with the Company or any other company of FinecoBank Group, during the validity of the Incentive System, because of any of the reasons mentioned in the System’s Rule (e.g. physical constraints, retirement, sale of the business...).

It is understood the right of the beneficiary to receive any of the deferred payment already awarded but subject to a holding period.

# Section I

## 5.2.1 Comprehensive performance measurement

An annual performance measurement framework supports the 2021 Incentive System described in chapter 5.2. The measurement assures coherence, consistency and clarity of performance objectives with business strategy, and encourages and rewards desired behaviours and risk orientation. Our performance management process ensures that to all *Identified Staff* receive their own individual goals at the beginning of the year and includes a rigorous review of their goals achievements. Short-term variable remuneration, for instance, is determined based on specific, clear and measurable performance indicators, through an assessment based on objective drivers.



For each Risk Taker, the 2021 Scorecard adequately balances economic-financial and non-economic factors (that means, *quantitative/strategic* and *qualitative/sustainable*), also considering performance goals linked to Risks and Compliance, to the respect of values and to ESG parameters. In this way, it ensures medium-term sustainability for the Bank and all its stakeholders.

For Company Control Functions, Human Resources department and the Manager in charge for the financial statement, all goals linked to economic results must be excluded, in order to minimize potential conflicts of interest and be independent from the results of the respective areas.

With the aim to align all goals coherently, the individual scorecards for the Deputy General Managers replicate exactly the scorecard of the CEO and GM, also considering their role. The goal setting for the remaining Identified Staff, instead, has been carried out through a cascading process of their superiors' goals, taking into account both the strategic factors and the business objectives of the Bank, as well as the specificities of each role.

### 2021 CEO and General Manager scorecard

The 2021 scorecard defined and approved by FinecoBank S.p.A. Board of Directors as the core drivers of performance for the Chief Executive Officer and General Manager includes goals related to the Group profitability, with particular focus on risk, consistency with *Risk Appetite Framework* and sustainability.

	WEIGHT	#	GOAL NAME	REFERENCE TARGET	NOTE/CATEGORY (sustainability, value creation, risk, cost efficiency, etc.)
<b>QUANTITATIVE/ STRATEGIC</b> 	70% Equally weighted	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&I, i.e.: Staff expenses + Other Administrative Expenses (direct + indirect) - Expenses Recovery + Depreciations	Cost Efficiency
		5	AUM net sales	vs. budget	Value Creation
<b>QUALITATIVE/ SUSTAINABLE</b> 	30% Equally weighted	6	Stakeholder Value	vs. qualitative assessment based on: <ul style="list-style-type: none"> <li>Broaden the range of ESG products, e.g. lending and investments products (Y/Y);</li> <li>Delta on Gender Pay Gap and Gender Balance (Y/Y);</li> <li>ESG rating for the new funds (Y/Y)*;</li> <li>Improve Fineco's environmental performance (e.g. Environmental Statement, reduction of energy consumption);</li> <li>Promotions of specific initiatives related to: - Financial Education - training activities on ESG topics for Financial Advisors</li> </ul>	Sustainability
		7	Tone from the top on conduct and compliance culture	vs. qualitative assessment based on: <ul style="list-style-type: none"> <li>Promotion of initiatives aimed at fostering staff integrity, customer protection, trustworthiness by enhancing risk &amp; control culture;</li> <li>The overall status of audit, compliance and External Authorities findings considering the type, severity and the timely completion of the related remedial actions</li> </ul>	Sustainability

\* Excluding UK representing for Fineco a new opening market

For the other *Identified Staff* of Fineco, indicators that include profitability and risk management are reflected also in their scorecards, with individual differences linked to their role. It is understood in any case the rule pursuant to which no economic goals must be provided for the Company Control Functions, the Head of Human Resources and the Manager in charge for preparing financial statements.

The target/budget of each goal will be disclosed ex-post within the 2021 Remuneration report. In fact, this is price sensitive information linked to Fineco strategies.

The individual bonus is defined ex post, based on the overall evaluation (from *Below Expectations* to *Greatly Exceed Expectations*) and on the Bonus Pool allocated for the financial year.

Below	Almost Meets	Meets	Exceeds	Greatly Exceeds
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## Section I

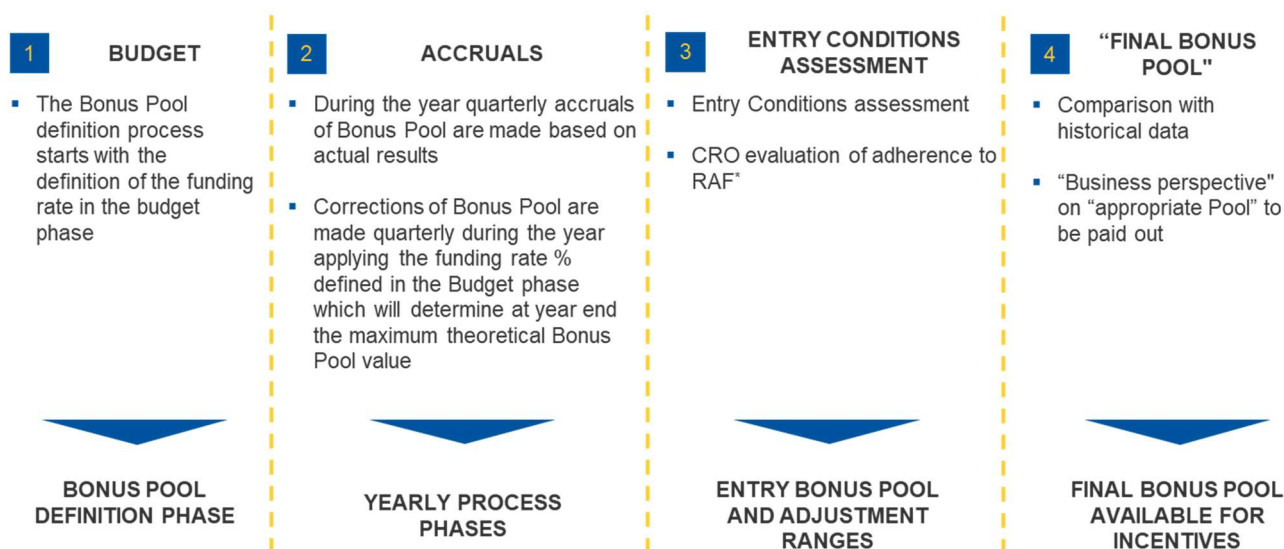
### 5.3 2021 Incentive System for Financial Advisors Identified Staff

Given the differences in the forms of remuneration and in the modalities of its generation (see paragraph 4.2, Section I), also for the PFA population Identified Staff in Fineco a specific Incentive System is provided. Mirroring what is designed for the Employees, the system is based on a bonus pool approach, it takes into account the national and international regulatory requirements, and it directly links bonuses with Group results, ensuring the link between profitability, risk and reward.

In particular, the 2021 Incentive System for PFA Identified Staff – as approved by the Board on January 19, 2021 - provides for:

- allocation of a variable incentive defined on the basis of the determined bonus pool, of the individual performance appraisal as well as compliant with the ratio between fixed and variable remuneration approved by the Shareholder's Meeting;
- definition of a balanced structure of “upfront” (following the moment of performance evaluation) and “deferred” payments, in cash and/or in shares, to be paid over a period of up to maximum 5 years;
- distribution of share<sup>36</sup> payments which take into account the applicable regulatory requirements regarding the application of a retention period. In fact the payment structure defined requires a one-year retention period for both upfront and deferred payments;
- risk adjusted measures in order to guarantee long-term sustainability, regarding Company financial position and to ensure compliance with regulations;
- a *malus* clause (Zero Factor) which applies in case specific thresholds (profitability, capital and liquidity) are not met. In particular, the bonus pool related to 2021 performance will be zeroed, while previous systems deferrals could be reduced from 50% to 100% of their value, based on final effective results.

In coherence with what previously described for the Employees, also for the PFA the process of bonus pool definition includes the following steps:



\* Risk Appetite Framework

#### Budget phase

The Bonus pool process starts with the definition of the “funding rate” during budgeting phase. The funding rate is a percentage of the Net Operating Profit (net of Provisions for Risk and Charges, corresponding to Profit Before Tax) considering: historical data analysis, expected profitability, business strategy and previous year pool. The bonus pool is submitted for approval to the Board of Directors of FinecoBank S.p.A.

#### Accruals

- During the year of performance, quarterly accruals are based on the actual results;
- on a quarterly basis the bonus pool is adjusted applying the percentage of *funding rate* fixed during budgeting phase that set by the end of the year the maximum theoretical bonus pool.

#### Entry conditions verification and risk adjustment

- Consistency with performance and sustainability is ensured through specific “Entry Conditions” set at Group level;
- application of a *malus* clause in case specific profitability, liquidity and capital thresholds are not reached;
- the distribution is risk adjusted in order to guarantee sustainability with respect to Fineco *Risk Appetite Framework*;
- the bonus pool is proposed by FinecoBank on the basis of the year forecast, risk-adjusted.

<sup>36</sup> Unlike what happens in the Incentive System for Employees, the FinecoBank shares used for the purposes of payments to the PFA, are not generated by a free capital increase but are purchased directly on the market, pursuant to section 2357 of Italian Civil Code.



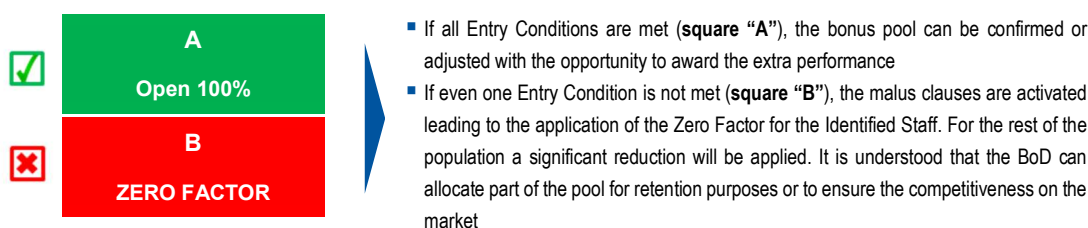
## Section I

The Entry Conditions are the mechanism that determines the possible application of the Zero Factor based on performance indicators in terms of capital, liquidity and profitability. The entry conditions<sup>37</sup> defined for 2021 – working also as malus conditions for the deferrals of previous years incentive systems – are reported in the following table.

Fineco Entry Conditions
Net Operating Profit adjusted $\geq 0$ e
Net Profit $\geq 0$ e
CET1 Ratio $>8,8\%$ (2021 RAF Capacity) e
Liquidity Coverage Ratio $>101\%$ (2021 RAF Capacity)
Net Stable Funding Ratio $>101\%$ (2021 RAF Capacity)

Compared to the 2020 system, the Capital and the Liquidity indicators are amended, taking into account the RAF Capacity value.

The on/off mechanism of the entry conditions and the related effects on the Fineco Bonus Pool work as shown below:



The CRO dashboard assessment is confirmed to activate the “multiplier”, pursuant to the defined methodology.

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*)<sup>38</sup>.

The “multiplier” effect deriving from the evaluation of overall CRO dashboard outcome made by the FinecoBank S.p.A. CRO – and verified by the Remuneration Committee and the Board of Directors – applies to the bonus pool in case all entry conditions are met.

The dashboard evaluation is carried out pursuant to a methodology defined by the CRO, as for the Employees System.

The bonus pool corrections ranges deriving from the CRO Dashboard assessment are not modified compared to the 2020 Incentive System, as follows:

--	-	=	+	++
50%	75%	100%	110%	125%

The opportunity to award an extra performance in the bonus pool (fully positive “++” rating) can only be granted in case of positive EVA at the end of the financial year. As provided in the 2020 System, the Remuneration Committee and the Board of Directors may apply a further correction up to +20%, while no limit is set in case the bonus pool is lowered with respect to the theoretical value.

In any case, as requested by regulations as per Bank of Italy provisions, the final evaluation of sustainable performance parameters and the alignment between risk and remuneration will be assessed by Remuneration Committee and defined under the governance and accountability of the Board of Directors.

The Board of Directors does not take into account, when deciding bonus, balance sheet extraordinary items that do not affect operational performance, regulatory capital and liquidity (e.g. goodwill impairment, extraordinary contributions to deposit guarantee schemes, etc.).

Moreover, following potential changes in current regulations and/or in relation to potential extraordinary and/or unpredictable contingencies that can impact the Group, the Bank or the market in which they operate, the Board of Directors, having heard the opinion of the Remuneration Committee and upon competent functions proposition, maintains the right to amend the system and relevant rules.

<sup>37</sup> For the indicators' definitions, see par. 5.2

<sup>38</sup> See paragraph 5.2.

# Section I

## Bonus payment

- For the Financial Advisors belonging to the Identified Staff, the payment mechanism provides for a 4-year deferral period. The payment of the potential bonus 2021 will therefore take place over a maximum period of 5 years. In particular:
  - in 2022 the first portion of the overall incentive ("1<sup>st</sup> tranche") will be paid in cash, after verifying the compliance and adherence at the individual level of compliance rules and principles of conduct and behavior<sup>39</sup>;
  - over the period 2023-2026 the remaining amount of the total incentive will be paid in several installments in cash and/or FinecoBank shares. Each individual tranche will be subject to the application of the Zero Factor relating to the year of competence and to the verification of compliance by each beneficiary with the compliance rules and the principles of conduct and behavior.
- In particular, the payment systems are differentiated on the basis of the total amount of variable remuneration<sup>40</sup> received in the performance year, according to the schemes described below:
  - For roles with a significant amount of total variable remuneration, a 4-year payout scheme applies with an overall payout structure of 5 years, with 60% of bonus deferred.

PAYOUT		2022	2023	2024	2025	2026	Total
		Cash	20% upfront	5% deferred	5% deferred	10% deferred	10% deferred
Shares			20% upfront	15% deferred	15% deferred		50%

- For roles with no significant amount of total variable remuneration, a 4-year payout scheme applies with an overall payout structure of 5 years, with 40% of bonus deferred.

PAYOUT		2022	2023	2024	2025	2026	Total
		Cash	30% upfront			10% deferred	10% deferred
Shares			30% upfront	10% deferred	10% deferred		50%

- All instalments are subject to the application of claw-back conditions, as legally enforceable;
- in coherence with 2020, a minimum threshold<sup>41</sup> is set, below which no deferral mechanisms will be apply;
- the number of shares to be allocated in the respective instalments shall be defined in 2022, on the basis of the arithmetic mean of the official closing market price of FinecoBank ordinary shares during the month after the Board resolution that verifies the 2021 performance achievements;
- free Fineco ordinary shares that will be allocated will be freely transferable;
- the 2021 Incentive System provides for an expected impact on FinecoBank share capital of approximately 0.03%, assuming that all free shares for Financial Advisors have been assigned. The current overall dilution for all other outstanding FinecoBank equity-based plans for both Employees and Financial Advisors equals 0.6% ca. However, the 2021 PFA Incentive System does not have a proper dilution impact as the FinecoBank shares awarded are purchased on the market and are not generated through a free capital increase.

The beneficiaries cannot activate programs or agreements that specifically protect the value of unavailable financial instruments assigned within the incentive plans. Any form of coverage will be considered a violation of compliance rules and imply the consequences set out in the regulations, rules and procedures.

<sup>39</sup> Considering also the seriousness of possible internal/external inspections (i.e. Internal Audit, Bank of Italy, Consob and/or similar local authorities).

<sup>40</sup> The definition of the overall variable remuneration threshold (>€ 430,000) follows the same logic described in the 2021 Incentive System for Employees Identified Staff

<sup>41</sup> Equal to Euro 75,000 that will be paid in cash; if the Regulator will require the mandatory application of a lower threshold starting from 2021, FinecoBank retains the right to amend the 2021 Incentive System accordingly.

## Section I

### 5.3.1 Comprehensive performance measurement

Taking into account the specificities of the PFA business, and in continuity with the previous years' Incentive Plans in terms of business objectives, for the purposes of the 2021 Incentive System for PFA<sup>42</sup> the performance assessment of Financial Advisors included in the Identified Staff will be based on the following indicators:

- net sales goal;
- development activities (for instance planned and structured meeting with customers);
- percentage of achievement of the overall group net sales goal by the managed Financial Advisors and percentage of sales in Guided Products<sup>43</sup> in comparison with the group overall goal<sup>44</sup>;
- percentage of achievement of individual net sales goal and percentage of net sales of Guided Products in comparison with the individual goal<sup>45</sup>;
- value generated by the requalification of assets in liquidity and asset under custody in Guided Products.

For the purpose of evaluating individual performance, the Scorecard provides a specific indicator to reflect the quality of the work of the Financial Advisor.

Finally, the payment of the bonus is subject to the preliminary verification of compliance with anti-money laundering regulation.

<sup>42</sup> Always taking into account the individual compliance condition, as described above

<sup>43</sup> Guided products refer to high added value products and developed services, considering the different customers risk profiles

<sup>44</sup> For the Financial Advisors in managerial positions with more than 5 PFA coordinated

<sup>45</sup> For PFAs and Financial Advisors in managerial position and less than 5 PFA coordinated

# Section I

## 6. 2021-2023 LTI Plan

### 6.1 2021-2023 Long Term Incentive Plan for Employees

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 based has been defined. The Plan sets goals linked to the 21-23 three-year 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.

The beneficiaries of the Plan are selected Group Employees among key resources (100 resources estimated), including Executives with strategic responsibility.

The Heads of the Company Control Functions (CRO, Head of Compliance, Head of Internal Audit and Head of AML) are excluded from the Beneficiaries of the Plan.

The structure of the Plan, described below in detail, provides for:

- performance goals at Bank level such as ROAC, Net Sales of AUM, Cost Income Ratio, Cost of Risk on commercial loans;
- three ESG parameters, within the stakeholder value goal, namely customer satisfaction, people engagement and ESG rating for all new funds;
- the goals impact on the final bonus based on their specific weight. Their assessment is based on progressive thresholds, corresponding to increasing bonus percentages from 0% to 100% in a linear progression;
- entry and malus conditions based on capital, liquidity and profitability set at Group level;
- specific individual compliance conditions, a specific claw-back clause and a continuous employment clause<sup>46</sup>;
- risk adjusted measures, in order to ensure the long term sustainability of the Company's financial position and to ensure compliance with the Authorities' expectations;
- individual bonuses in FinecoBank shares, defined taking into account the roles of the beneficiaries;
- a payment structure over a multi-year period, defined according to the categories of beneficiaries and in line with applicable regulatory provisions.

#### Entry and malus conditions

In order to comply with current regulations, Fineco defined

- appropriate Entry Conditions (which work as *ex ante* risk adjustment) that will be measured within the performance period of the Plan and may confirm, reduce or cancel the individual bonus as detailed below, and
- appropriate Malus Conditions (*ex post* adjustment mechanism) measured during the deferral period, which may confirm, reduce or cancel the deferred shares, as detailed below.

According to the results of the benchmarking analysis and in compliance with regulations and market practice, it is provided the application of the same parameters used for the short-term incentive system, therefore specific to measure capital strength, liquidity and profitability of the Group<sup>47</sup>.

GOALS	PARAMETERS	2021 THRESHOLDS
PROFITABILITY	Net Operating Profit Adjusted	> 0
	Net Profit	> 0
CAPITAL	CET 1 Ratio	> 8,8% (2021 RAF Capacity)
LIQUIDITY	Liquidity Coverage Ratio	> 101% (2021 RAF Capacity)
	Net Stable Funding Ratio	> 101% (2021 RAF Capacity)

Shares will be awarded only in case the minimum conditions of capital, liquidity and profitability (entry conditions) are met over the whole performance period. The mechanism works as follows:

- in order to award the maximum bonus, all conditions have to be met;
- a cumulative assessment of the profitability parameters is carried out over the performance period; if even one profitability condition is not met, the bonus will be zeroed;
- capital and liquidity parameters will be assessed annually; if even one of the capital or liquidity conditions is not met, the maximum bonus will be reduced pro-quota (equal to 1/3 per year).

Moreover, each single deferral will be subject to malus conditions concerning the considered year (2024-2027):

- all capital, liquidity and profitability parameters will be assessed annually;

<sup>46</sup> Shares will be awarded only if the beneficiaries will still be employed at each date of the assignment of the shares.

<sup>47</sup> For the indicators' definitions, see par. 5.2

## Section I





- if even one of the capital or liquidity conditions is not met, the deferral will be reduced pro-quota (1/3 per parameter) until its cancellation for the considered year;
- if even one profitability condition is not met, the deferral will be zeroed for the considered year.

Any right of the employee to the bonus (or its instalments) under the Plan depends on the existence of an employment relationship between him/her and any company of Fineco Group at each date of the assignment of the shares<sup>48</sup> provided by the Plan's Rule, as well as the absence of a notice period.

The bonus payout is subject to claw-back<sup>49</sup> mechanisms.

### Performance goals

The performance targets, as defined above, have a specific weight in terms of impact on the final bonus and their assessment is based on progressive thresholds, corresponding to increasing bonus percentages from 0% to 100% in a linear progression<sup>50</sup>, as shown below.

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

\*Excluding UK, which represents a new market for Fineco

<sup>48</sup> To be understood as the final vesting of the right to the incentive and not the actual instalment of the shares at the end of the holding period.

<sup>49</sup> See paragraph 3.2 Section I

<sup>50</sup> For example, with average ROAC equal to 35.5%, the corresponding bonus instalment amount would be equal to 50% of the value established for reaching the ROAC 38% threshold.

# Section I

## 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*:

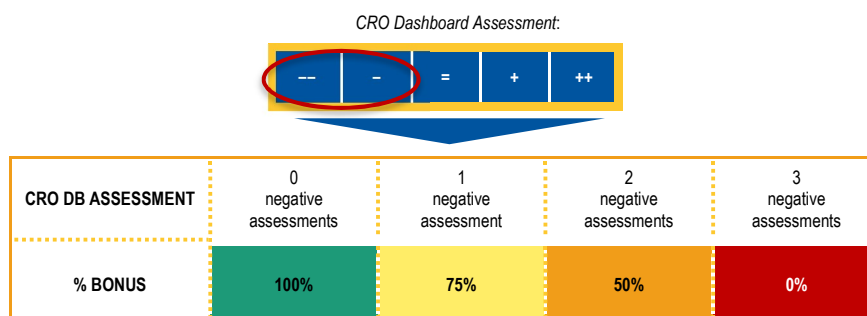
**Customer Satisfaction:** as to monitor the strength of the relationship with our customers, defined by performance and preference → In order to measure this performance indicator, it will be used the average of the assessments carried out twice a year during the performance years (2021-2023).

**People Engagement:** it 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 → In order to measure this performance indicator, the survey will be carried out twice during the performance years (2021-2023) with the purpose to elaborate a data mean that could reflect the employee experience over a long-time period.

**ESG rating for all new funds:** it 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 → In order to measure this performance indicator, at the end of the performance years (2021-2023) it will be taken into account the percentage of new funds with ESG rating on the total number of new funds (ISIN).

## Risk adjustment

For the purposes of the appropriate Plan correction for the Bank's Risk, the results of the annual CRO Dashboard assessments will be taken into consideration for each year of the Plan's performance. The presence of any negative assessments will result in a proportional reduction of individual bonuses, as shown below:



## Bonus payout

Maximum bonuses have been defined on the basis of the categories of beneficiaries of the Plan. The amounts were established in line with the applicable regulatory provisions and the FinecoBank Group Compensation Policy.

Individual bonuses - in particular - confirm compliance with the maximum limits for the variable remuneration envisaged for the Plan Beneficiaries, also taking into account the short-term variable remuneration attributable in each year of performance.

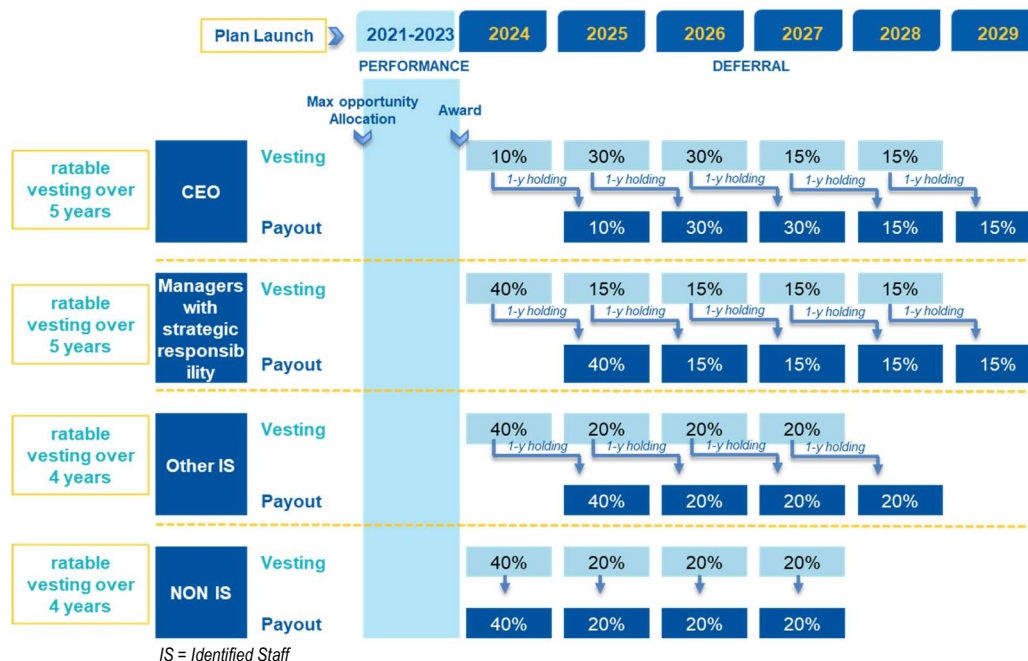
Within the aforementioned limits, it is planned, in detail:

- for the Chief Executive Officer and General Manager, a maximum percentage impact of the bonus relating to the Plan equal to 50% of the maximum variable remuneration attributable in each year of performance;
- for the other Executives with strategic responsibility, a maximum percentage of the bonus of the Plan equal to 30% of the maximum variable remuneration attributable in each year of performance.

For the other Beneficiaries bonus ranges will be defined according to their banding, always in compliance with the maximum limits set by the regulations and FinecoBank Group Compensation Policy.

## Section I

As mentioned, the bonuses will be paid entirely in FinecoBank free ordinary shares<sup>51</sup>, according to the payment schemes shown below.



For the Beneficiaries of the Plan included in Identified Staff a one-year holding period on the shares is provided, both for the upfront shares, assigned at the end of the performance period, and the deferred shares.

For the other Beneficiaries the assignments of the shares and their availability coincide.

The evaluation of the results and the conditions for the individual assignment of the shares will be carried out by the Board of Directors, upon the proposal of the Remuneration Committee, according to the established governance.

It is provided the possibility for the Remuneration Committee and the Board of Directors to increase bonuses up to 20% (within the maximum bonuses provided by the Plan), as well as reduce them without limits, considering indicators as the *Total Shareholders Return* (absolute and relative) or other indicators, such as market context and trends on remuneration, or events with reputational impacts. The correction "in positive" does not apply in case Entry Conditions are not met, as described in this paragraph.

When deciding the bonus, the Board of Directors does not take into account balance sheet extraordinary items, which do not affect operational performance, regulatory capital and liquidity (e.g. goodwill impairment, extraordinary contributions to deposit guarantee schemes, etc.).

The maximum number of shares to be allocated in the respective instalments – at the conditions stated above – will be defined in 2021, based on the arithmetic mean of the official closing market price of FinecoBank ordinary shares during the month preceding the Board resolution that will execute the Shareholders Meeting resolution related to the Plan.

The Plan provides for an impact on FinecoBank S.p.A. share capital of approximately 0.24%, assuming that all free shares for employees will be distributed. The current overall dilution for all other outstanding equity-based plans for both Employees and Financial Advisors equals to 0.6% ca.

The beneficiaries cannot activate programs or agreements that specifically protect the value of unavailable financial instruments assigned within the incentive plans. Any form of coverage will be considered a violation of compliance rules and imply the consequences set out in the regulations, rules and procedures.

The employee participation to the Plan will automatically lapse (as well as any right depending on the Plan) upon any of these circumstances happening:

- i. The employee terminates his/her contract for any reasons, excluding death and "good leaver" status; or
- ii. The employee communicates or is informed of the termination of his/her contract.

The "good leaver" status occurs only when the employee terminates his/her contract (or his/her contract is terminated) with the Company or any other company of FinecoBank Group, during the validity of the Plan, because of any of the reasons mentioned in the Plan's Rule (e.g. physical constraints, retirement, sale of the business...).

It is understood the right of the beneficiary to receive any of the deferred payment already awarded but subject to a holding period.

Moreover, following potential changes in current regulations and/or in relation to potential extraordinary and/or unpredictable contingencies that can affect FinecoBank Group, the Bank or the market in which it operates, the Board of Directors, having heard the opinion of the Remuneration Committee and upon competent Company Functions' proposal, maintains the right to amend the Plan and relevant rules.

<sup>51</sup> The Bank reserves the right to assign different instruments from the FinecoBank ordinary shares, where requested by law.







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## Section II

# 2020 remuneration report

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**FINECO. SIMPLIFYING BANKING**

FinecoBank S.p.A.

## Section II

### SECTION II – 2020 REMUNERATION REPORT

#### 1. Introduction

#### 2. Governance & Compliance

2.1 Remuneration Committee

2.2 The Role of the Company Control Functions: *Compliance, CRO and Internal Audit*

#### 3. Compensation paid to Members of the Administrative and Auditing Bodies, to General Managers and to other Executives with strategic responsibility

#### 4. Compensation Systems – previous years

4.1 2020 Incentive Systems implementation and outcomes, and previous years' payments

4.1.1 2020 Incentive System for employees belonging to Identified Staff

4.1.2 Previous years' Incentive Systems payout for employees belonging to Identified Staff

4.1.3 2020 Incentive System for Financial Advisors belonging to Identified Staff

4.1.4 Previous years' Incentive Systems payout for Financial Advisors belonging to Identified Staff

#### 5. 2018-2020 LTI Plans

5.1 2018-2020 Long term incentive Plan for Employees

5.2 2018-2020 Long term incentive Plan for Personal Financial Advisors Identified Staff

#### 6. Compensation Data

6.1 Company results, compensation and employees' remuneration variation

6.2 2020 Compensation outcomes

6.3 Benefits Data

# Section II

## 1. Introduction

The 2020 *Remuneration report* discloses all relevant FinecoBank compensation-related information and methodologies with the aim to increasing Stakeholders' awareness of our compensation policies, practices and outcomes, demonstrating their coherence with business strategy and performance, responsible remuneration and sound risk management.

The report provides *ex-post* information on 2020 outcomes, covering our *Identified Staff* population (both employees and Financial Advisors) and Corporate Bodies' members.

Remuneration solutions implemented in 2020 provided for:

- compliance of incentive strategies with all relevant regulations, including deferred pay-outs and incentives based on financial instruments;
- comprehensive performance measurement to foster sound behaviours aligned with different types of risk.

Over the years we constantly kept abreast of ongoing changes in national and international regulations (see, for instance, EBA Guidelines on remuneration policies and practices).

The most recent changes in the regulatory framework include the European Directive 828/2017 (Shareholder Rights Directive II), implemented in Italy with the Legislative Decree n. 49 of May 10, 2019 that amends the Legislative Decree n. 58/1998 (TUF) and Consob Regulation n. 11971/1999.

In particular, data in compliance with art. 84-quater as approved by the Regulation n. 11971/1999 updated on December 11, 2020, as well as information on the incentive systems in compliance with art. 114-bis TUF and with the Regulation n. 11971/1999 itself, with regards to information that have to be disclosed to the market concerning the award of incentive plans based on financial instruments, are included in this document and in the Annexes I and II<sup>52</sup>.

The 2020 *remuneration report* updated as such provides complete and comprehensive information on compensation, and includes details referring to Members of Administrative and Auditing bodies, General Manager and Executives with strategic responsibility.

To this regard, it is highlighted that the aforementioned information are provided also pursuant to the Report on Corporate Governance and Ownership Structures, issued pursuant to art. 123-bis of TUF.

According to the mentioned regulations and in line with the previous year, Section II will receive an *advisory and non-binding vote* by the Shareholders' General Meeting 2021 on a specific resolution, distinct and separate from the one approving Section I.

### 2020 FY main results

The results achieved by FinecoBank Group as of December 31, 2020 (2020 financial year) confirm the soundness of its diversified business model and at the same time its great attractiveness in a context where clients are increasingly looking for efficient and quality solutions.

In particular:

- Strong growth in Net Profit<sup>53</sup> thanks to the diversified business model: **€324.5 million (+19.2% y/y)**
- Total revenues<sup>54</sup>: **€775.8 million (+17.9% y/y)**
- Cost/income ratio<sup>55</sup> down: **34.7% (-3.2 p.p.)**
- CET1 at **28.56%**

The positive answer to new initiatives to invest liquidity, developed in collaboration with our financial advisors, has supported the growth of Investing area. At the same time, we recorded a significant enlargement of the clients' base interested in interacting with financial markets through our platforms. Fineco's digital DNA contributed in keeping this turning point sustainable, represents the starting point for a further development of our platform through new initiatives and supports the achievement of even more ambitious ESG targets.

<sup>52</sup> Annex I: Information tables pursuant to art. 84-quater of the Regulation n° 11971 issued by Commissione Nazionale per le Società e la Borsa (Consob)  
Annex II: Compensation systems based on financial instruments for FinecoBank staff

<sup>53</sup> Figures net of non-recurring items recorded in 2020

<sup>54</sup> Figures net of non-recurring items recorded in 2020

<sup>55</sup> Figures net of non-recurring items recorded in 2020

## Section II

### 2. Governance & Compliance

#### 2.1 Remuneration Committee

The Remuneration Committee performs a strategic role in supporting the Board of Directors' oversight of FinecoBank Group Remuneration policy and plans design.

According to the internal provisions approved by the Board of Directors, ruling the functioning and competencies of corporate bodies and related information flows (hereinafter the "Corporate Governance Rules"), this Committee is composed by 3 non-executive members. In compliance with regulatory provisions, at least one member of the Committee has adequate knowledge and experience in accounting and finance topics, as well as in remuneration policies.

Mr. Gianmarco Montanari, Ms. Elena Biffi and Mr. Enrico Cotta Ramusino were members of FinecoBank Remuneration Committee until the renewal of the Company Bodies, which occurred on April 28, 2020 with the Shareholders' General Meeting.

With reference to the Committee composition before the mentioned renewal of the Company Bodies, FinecoBank Board of Directors verified their independence requirements pursuant to art. 148 TUF and art. 3 of Corporate Governance Code then in force. In this regards, with reference to the Remuneration Committee members:

- Mr. Gianmarco Montanari and Ms. Elena Biffi resulted Independent Directors pursuant to art. 148 TUF and art. 2 of Corporate Governance Code;
- Mr. Enrico Cotta Ramusino resulted independent pursuant to art. 148 TUF.

With the renewal of the Company Bodies and the appointment of the new Directors by the Shareholders' Meeting on April 28, 2020, Mr. Gianmarco Montanari, Ms. Giancarla Branda and Ms. Paola Giannotti De Ponti are now members of FinecoBank Remuneration Committee.

The Board of Directors verified the Administrators' independence requirements pursuant to art. 148 TUF and art. 2 of the new Corporate Governance Code. In this regards, all the Remuneration Committee members resulted Independent Directors pursuant to art. 148 TUF and art. 2 of the new Corporate Governance Code.

Mr Gianmarco Montanari, who covered the role of Chairman in the precedent composition and still cover this role, coordinated the Committee meetings held in 2020.

In performing its duties and if important and suitable, the Remuneration Committee, also with the support of an external consultant:

- i. presents proposals or issues opinion to the Board for the definition of a general remuneration policy for the CEO, the General Manager, and other Executives with Strategic Responsibility and the identified staff, also with reference to the identification process, so that the Board is also able to prepare the Remuneration report to be presented to the Shareholders' Meeting on an annual basis and to periodically assess the suitability, overall consistency and effective application of the general remuneration policy approved by the Board;
- ii. presents proposals or issues opinion to the Board relating to the overall remuneration of the CEO, the General Manager, and other Executives with Strategic Responsibility, and the identified staff and for determining criteria for the remuneration of the Company's senior management, including the relevant performance targets related to the variable component of the remuneration;
- iii. monitors the implementation of the decisions adopted by the Board and specifically verifies that the performance targets are actually achieved;
- iv. examines any share-based or cash incentive plans for employees and financial advisors of the Bank and the FinecoBank Group, and the strategic staff development policies;
- v. directly supervises the correct application of the remuneration rules related to the persons in charge of the Company's control functions, in close liaison with the Board of Statutory Auditors;
- vi. cooperates with the other Committees, in particular with the Risk and Related Parties Committee, which, with reference to the remuneration and incentive policies, examines whether the incentives provided by the remuneration system take into account the risks, share capital and liquidity, provided that this does not affect the tasks assigned to the Remuneration Committee, with which adequate coordination must be ensured;
- vii. ensures the involvement of the relevant business functions in the process of drawing up and monitoring remuneration and incentive policies and practices;
- viii. with the support of the information collected from the competent company functions, it gives an opinion on the identification process for the Group Risk Takers, including any exclusions;
- ix. provides an adequate reporting on the activities carried out by the Corporate Bodies, including the Shareholders' Meeting.

In 2020 the Remuneration Committee met 15 times. The meetings had an average duration of one hour and half, and since march, consequently to the health crisis, they have been held remotely. From the beginning of 2021 and until the approval of the present Report, 3 meetings of the Committee have been held. The Secretary designated by the Committee takes minutes of each meeting and places them on record. From the approval of "Corporate Governance Rules", the Chairman of the Committee provided time by time the information on the Committee meetings to the subsequent Board meeting.

From December 2014 on, the Committee has started a collaboration with an external advisor by means of the budget assigned, which supports the decisions making process of the Committee itself and whose independence has been previously verified. The external advisor participates to the Committee's meeting when required.

## Section II

The Committee may, when it deems it appropriate, invite other individuals from within the Company to attend the meetings, in relation to the corporate functions and organizations concerned by the issues at hand, including members of other committees within the Board of Directors, or external parties. The Committee shall meet when convened by its Chairman, whenever he/she deems necessary, or upon the request of one of its members. In any case, the Committee has always been able to access the information and the Company Functions necessary to perform its activities.

In 2020, the Head of *Human Resources* has been always invited to Committee's meetings. The Chairman has also invited the Head of *Legal & Corporate Affairs* for the matters within the competence, and the Head of *Network Controls, Monitoring and Service Department* for topics related to PFA network (see for instance the Incentive Systems and related rules for the PFA population). In addition to the aforementioned Functions, the Chairman invited - to specific Committee's meetings and for topics in the respective competence perimeters - the CRO, CFO and Compliance Officer of FinecoBank. In particular, the CRO and CFO participated in the meetings regarding the 2020 Incentive Systems evaluation.

The Chairman has also invited the *Internal Audit* function to the meeting related to the annual audit performed on FinecoBank remuneration policies and practices.

During 2020, the key activities of the Remuneration Committee included:

MAIN COMMITTEE'S ACTIVITIES IN 2020	
<b>January</b>	<ul style="list-style-type: none"> <li>▪ 2020 Employees Identified Staff definition and related 2020 Incentive System</li> <li>▪ 2020 Incentive System for PFA Identified Staff</li> </ul>
<b>February</b>	<ul style="list-style-type: none"> <li>▪ "2014-2017 Multi-year Plan Top Management" implementation</li> <li>▪ Bonus Pool 2019 and 2019 and previous years Incentive Systems implementation</li> <li>▪ 2020 Performance goals of Employees Identified Staff</li> <li>▪ 2018-2020 LTI Plan guidelines amendments</li> <li>▪ 2020 PFAs Identified Staff definition</li> <li>▪ 2019 Bonus Pool and 2019 and previous years Incentive Systems implementation for PFAs Identified Staff</li> </ul>
<b>March</b>	<ul style="list-style-type: none"> <li>▪ 2020 Remuneration policy and remuneration report</li> <li>▪ 2020 Incentive Systems guidelines for Employees Identified Staff</li> <li>▪ Salary review for Identified Staff</li> <li>▪ 2020 Incentive System guidelines for PFAs Identified Staff</li> <li>▪ Report on Corporate Governance and Ownership Structures - for the section related to the Committee itself</li> </ul>
<b>April</b>	<ul style="list-style-type: none"> <li>▪ Salary review for Identified Staff</li> <li>▪ Information on 2020 FAM Incentive System</li> </ul>
<b>June</b>	<ul style="list-style-type: none"> <li>▪ Remuneration Committee Onboarding: Introduction to Fineco Remuneration policy</li> </ul>
<b>July</b>	<ul style="list-style-type: none"> <li>▪ Outcomes analysis – Shareholders' General Meeting 2020</li> <li>▪ Analysis of FinecoBank peers' remuneration policies</li> <li>▪ Report to the Board of Committee's activities in the first semester of 2020</li> <li>▪ Information on the implementation of the new EBA Regulatory Technical Standards</li> </ul>
<b>September</b>	<ul style="list-style-type: none"> <li>▪ Information on Share Ownership Guidelines</li> <li>▪ Information on the "2015-2017 Plan PFA" and implementation</li> <li>▪ Fineco Asset Management DAC 2020 Remuneration policy</li> </ul>
<b>October</b>	<ul style="list-style-type: none"> <li>▪ Share Ownership Guidelines: best practice analysis</li> <li>▪ Compensation benchmarking</li> <li>▪ 2020 "Pay for Performance" analysis</li> <li>▪ FinecoBank Delegated Powers scheme update</li> </ul>
<b>November</b>	<ul style="list-style-type: none"> <li>▪ Information – follow up onboarding: focus on PFA Incentive Systems</li> <li>▪ New 2021-2023 Long Term Incentive Plan proposal analysis</li> <li>▪ Employees Identified Staff Banding review proposal</li> </ul>
<b>December</b>	<ul style="list-style-type: none"> <li>▪ 2021 Guidelines for PFAs Incentive System</li> </ul>

## Section II

	<ul style="list-style-type: none"> <li>▪ FinecoBank S.p.A. Corporate Bodies Guidelines update, for the part related to the Remuneration Committee</li> <li>▪ Information on regulatory updates related to Bank of Italy Circular n. 285</li> <li>▪ Selection of the Independent Advisor of the Committee in 2021</li> <li>▪ Information on the new 2021-2023 LTI Plan</li> </ul>
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The main topics discussed by the Committee are also submitted to the attention of the Board of Statutory Auditors, in advance over their submission to the Board of Directors. Moreover, at least a member of the Board of Statutory Auditors attended to the meetings of the Committee in 2020.

We highlight that the Directors do not participate in the Committee meetings in which the proposals to the Board concerning their remuneration are made.

The following tables summarizes the two different compositions of the Committee in 2020 and, in addition to the information on the independency of the members, provides details regarding their attendance to the meetings that have been called during the year.

From January 1 to April 28, 2020						
Name	Executive	Non executive	Indip. Code	Indip. TUF	% (*)	(**)
Gianmarco Montanari		X	X	X	100%	P
Elena Biffi		X	X	X	100%	M
Enrico Cotta Ramusino		X		X	100%	M
<b>N. Committee meetings: 6</b>						
(*) in this column is indicated the percentage of participation of the directors in the Committee's meetings (n. of presences/n. of meetings held during the actual period in which the director was in charge, in the Exercise).						
(**) In this column is reported the qualification of the director in the Committee ("C" Chairman; "M" member)						
From April 28, 2020						
Name	Executive	Non executive	Indip. Code	Indip. TUF	% (*)	(**)
Gianmarco Montanari		X	X	X	100%	P
Giancarla Branda		X	X	X	100%	M
Paola Giannotti De Ponti		X	X	X	100%	M
<b>N. Committee meetings: 9</b>						
(*) in this column is indicated the percentage of participation of the directors in the Committee's meetings (n. of presences/n. of meetings held during the actual period in which the director was in charge, in the Exercise).						
(**) In this column is reported the qualification of the director in the Committee ("C" Chairman; "M" member)						

## Section II

### 2.2 The Role of the Company Control Functions: Compliance, CRO and Internal Audit

Key contributions in 2020 of FinecoBank S.p.A. *Compliance* function, for all aspects that fall within its perimeter, included:

- validation of FinecoBank 2020 Remuneration policy and remuneration report submitted to the Board of Directors for subsequent approval of the Shareholders' Meeting on April 28, 2020;
- validation of the 2020 Incentive System for employees of FinecoBank belonging to *Identified Staff*;
- validation of the 2020 Incentive System for Financial Advisors of FinecoBank belonging to *Identified Staff*;
- validation of the 2021-2023 Long Term Incentive Plan for employees of the Group;
- preparation – in collaboration with the *Human Resources* function – and distribution of FinecoBank guidelines for the development and management of incentive systems for the population not belonging to *Identified Staff* (ref. *FinecoBank Internal Regulation 13/2020*);
- participation in specific initiatives of *Human Resources* function (e.g.: review of definition of *Identified Staff* for the application of Incentive System).

In 2021, the *Compliance* function will continue to operate in close co-ordination with the *Human Resources* function to support not only in the validation but also in the design and definition of compensation policy and processes.

The link between compensation and risk has been maintained in 2020 with the involvement of the *CRO* function in compensation design and the definition of an explicit framework to base remuneration within an overarching FinecoBank *Risk Appetite Framework*, so that incentives to take risk are appropriately constrained by incentives to manage risk. In particular, the Board of Directors and Remuneration Committee draw upon the input of involved functions to define the link between profitability, risk and reward within FinecoBank incentive systems.

The external company in charge for the statutory audit verifies that the Board actually drafted the Section II concerning the 2020 remuneration report, according to art. 123-ter letter 8-bis of TUF.

#### [Internal Audit Report on the 2020 Fineco remuneration policies and practices](#)

The Internal Audit Function has examined the remuneration and incentive system adopted by FinecoBank ("Bank") and by the Group for the determination and disbursement of compensation to representatives of corporate bodies and variable remuneration to employees and the Personal Financial Advisors ("PFA"), in order to verify compliance with the supervisory regulations issued by the Bank of Italy and the Remuneration Policy defined for 2020 and approved by the Shareholders' Meeting.

The "good" evaluation was based on the overall correct application of the remuneration and incentive system.

The checks carried out have ascertained in the governance area the correct fulfillment of the obligations envisaged by the regulations the general compliance of the remuneration policies with the current regulatory and the sustainability with regard to the Bank's capital and income conditions, the dissemination of the Group Policies to the subsidiary Fineco Asset Management DAC and the correct functioning of the relevant bodies, including the Remuneration Committee and the Board of Directors. During 2020 the internal regulation framework has been updated and was found overall adequate; furthermore, compliance with external regulations was ascertained in the process of identifying staff belonging to the category of most relevant personnel (*Identified Staff*), both for employees and PFAs.

The incentives awarded to employees and Financial Advisors were determined in accordance with the defined policies, ensuring the correct balance of the fixed and variable components, consistency with the qualitative / quantitative assessments of the performance objectives, as well as an adequate information to the Remuneration Committee and Control Bodies.

The remuneration paid to company representatives, the payment and deferral of the incentive system of the previous year and the application of the employee termination policy, aligned with the corporate risk management strategy, were also correctly determined.

The Company control functions, in particular Compliance and Risk Management, were correctly involved, in line with respective competencies, in the definition steps of the remuneration policy as well as in the process of evaluating the annual performance. In line with the recommendations issued in the previous audit report, Compliance has correctly performed the controls provided by the Bank of Italy Circular 285/2013 aimed at verifying the prohibition on activating programs or agreements that specifically protect the value of unavailable financial instruments assigned within the incentive plans (so-called personal hedging).

The main results of the audit were presented to the Remuneration Committee on March 15, 2021.

## Section II

### 3. Compensation paid to Members of the Administrative and Auditing Bodies, to General Managers and to other Executives with strategic responsibility

The remuneration for members of the administrative and auditing Bodies of FinecoBank S.p.A. is represented only by a fix component, determined on the importance of the position and the time required for the performance of the tasks assigned.

This policy applies to non-Executive Directors and to the Supervisory Body members that are not employees of FinecoBank or other Legal Entities of the Group, as well as to Statutory Auditors.

The compensation paid to non-Executive Directors, to the Supervisory Body members and to the Statutory Auditors is not linked to the economic results achieved by FinecoBank and none of them takes part in any incentive plans based on stock options or, generally, based on financial instruments. The compensation has been defined referring to market benchmarks.

BENEFICIARIES	REMUNERATION COMPONENT	APPROVED BY	AMOUNT (€)	NOTES
Non Executive Directors	Fixed only	Board of Directors of March 9, 2020 and Shareholders' Meeting of April 28, 2020	Yearly amount: <ul style="list-style-type: none"> <li>▪ € 550,000 for the Board of Directors</li> <li>▪ € 110,000 for participating in the Risk and Related Parties Committee</li> <li>▪ € 65,000 for participating in other BoD's Committees</li> <li>▪ € 35.000 e € 25.000 respectively for the Chairman and the Members of the Supervisory Body<sup>56</sup></li> <li>▪ € 600 attendance fee for<sup>57</sup>:               <ul style="list-style-type: none"> <li>- BoD</li> <li>- BoD's Committees</li> </ul> </li> </ul>	Compensation is determined on the role relevance and the effort required for carrying out all the assigned activities.
		Board of Directors of March 9, 2020, according to art. 2389 par. 3 of Civil Code and heard the favourable opinion of the Statutory Auditors	<ul style="list-style-type: none"> <li>▪ € 260,000 yearly, divided between:               <ul style="list-style-type: none"> <li>- BoD Chairman</li> <li>- BoD Deputy Chairman</li> </ul> </li> </ul>	
Statutory Auditors	Fixed only	Shareholders' Meeting on April 28, 2020	Yearly <sup>58</sup> : <ul style="list-style-type: none"> <li>▪ € 65,000 for the Chairman of Statutory Auditors</li> <li>▪ € 50,000 for each effective member</li> <li>▪ € 600 as attendance fee for BoD and Statutory Audit meetings<sup>59</sup></li> </ul>	
Executives with strategic responsibility <sup>60</sup>	Fixed and variable	Board of Directors	Total amounts assigned, related to 2020 performance <sup>61</sup> : <ul style="list-style-type: none"> <li>▪ € 1,000,000 fixed + € 1,850,000 variable for the CEO and General Manager</li> <li>▪ € 1,840,000 fixed + € 2,937,708 variable for the other 4 Executives with strategic responsibility</li> </ul>	Fixed and variable components of the CEO/GM and others Executive with strategic responsibility remuneration are balanced through the prior definition of the maximum ration between the two

<sup>56</sup> With the BoD decision of June 9, 2020, the new Members of the Supervisory Body have been nominated.

<sup>57</sup> In case of multiple meetings on the same day, the fee can be cumulated.

<sup>58</sup> Alternate Statutory Auditors don't receive any compensation, except if they permanently substitute one of the Auditors.

<sup>59</sup> According to the *Global Policy* General guidelines for the definition of Company Bodies' structure, remuneration and composition.

<sup>60</sup> CEO and General Manager, Deputy General Manager and Head of Global Banking Services, Deputy General Manager and Head of Global Business, Deputy General Manager and Head of PFA Sale Network & Private Banking, as well as Chief Financial Officer.

<sup>61</sup> It includes 2018-2020 LTI pro-quota.



## Section II

### Further details on compensation of Executives with strategic responsibility

For 2020, according to our Compensation Policy, in line with regulatory provisions, it has been defined *ex-ante* the maximum ratio between variable and fix component of the compensation both for the Chief Executive Officer and General Manager (the sole executive director sitting on the Board of Directors and employee of the Company) and for the other Executives with strategic responsibility.

The balance between variable and fixed components has been defined considering also the Company's strategic goals, risk management policies and other elements influencing firm's business.

With reference to the above table, for Executives with strategic responsibility it is specified that:

- the fix component is defined taking into opportune consideration market information and in such a way to be sufficient to reward the activity rendered even if the variable part of the remuneration package were not paid due to non-achievement of performance goals;
- in line with the latest regulatory requirements, the Chief Executive Officer and General Manager – as well as the Executives with strategic responsibility – have a balanced part of their remuneration linked to the overall profitability of Fineco, weighted by risk and cost of capital, as well as sustainability goals (based on capital and liquidity ratios);
- variable compensation considers the achievement of specific goals which are previously approved by the Board of Directors upon proposal of the Remuneration Committee, and having informed the Board of the Statutory Auditors.

In particular, *ex-ante* defined specific metrics that reflect categories of our Fineco *Risk Appetite Framework* align the remuneration of the Chief Executive Officer and General Manager and of the others Executives with strategic responsibility to sustainable performance and value creation for the shareholders in a medium/long term perspective. Specific individual goals are set out taking into consideration the market practices and the role assigned within the Group, through the systematic use of specific indicators aimed at strengthening the sustainability of business, such as, for example, risk and financial sustainability indicators and profitability measures<sup>62</sup>.

→ More information regarding our short-term performance management and evaluation are provided in chapter 5.2.1 – Section I

It is also foreseen the deferral in cash and shares of minimum 50% of the incentive. All the instalments are subject to the application of *malus* and/or claw-back conditions, if legally enforceable. 2020 Incentive System provides for 50% of the annual incentive to be deferred and paid in the five following years through the granting of FinecoBank shares. The number of such shares is set at the beginning of the deferral period, thus creating a link between the evolution of the share price and the actual value of the incentive.

→ More information regarding the 2020 incentive plan implementation and outcomes are provided in chapter 4.1.1.

The Chief Executive Officer and General Manager, on top of 2020 Incentive System, benefits also from:

“2015 Incentive System” (hereinafter also “Group Incentive System 2015”)

“2016 Incentive System” (hereinafter also “Group Incentive System 2016”)

“2017 Incentive System” (hereinafter also “Group Incentive System 2017”)

“2018 Incentive System” (hereinafter also “Group Incentive System 2018”)

“2019 Incentive System” (hereinafter also “Group Incentive System 2019”)

“Long Term Incentive Plan 2018-2020”

→ More information regarding the plans above mentioned are provided further in chapters 4.1.2, 5 and 6 and in the Annexes.

The measure and duration of the deferral are aligned with the provisions set by regulators and are consistent with the characteristics of the business and with the Bank's risk profiles.

<sup>62</sup> Since the CFO - included in the Executives with Strategic Responsibility - cover also the activities related to the Financial Statements, the individual goals are defined in coherence with the assigned tasks

## Section II

### **Indemnities to directors in the event of resignations, dismissal or termination of employment following a public purchase offer (as per section 123/bis, paragraph 1, letter i), of TUF)**

None of the Directors have contracts containing clauses envisaging the payment of indemnities, or the right to keep post-retirement benefits, in the event of resignations or dismissal/revocation without just cause or if the employment relationship is terminated following a public purchase offer. In case of early termination of the mandate, the ordinary law provisions would therefore apply.

The individual employment contract of the Chief Executive Officer and General Manager, Mr. Alessandro Foti, is today governed - also concerning the event of resignations, dismissal/revocation or termination - by the ordinary provisions of the law and National Labor Agreement for Banking Industry Executives. In such context, the annual remuneration used to define the possible indemnity due in the above mentioned instances would include the fix remuneration, any other continuative compensation and the average of the variable pay (inclusive of the components paid in equity - such as for example free shares, restricted shares, performance shares - with the only exclusion of the valorisation of the stock options potentially assigned within long-term incentive plans) received in the last three years prior to the termination. The actual amount of such indemnity – in terms of months of compensation considered – is then bound to vary depending on the events which led to the termination and on the relationship's duration and is anyway subjected to provisions of the "Severance Policy" of FinecoBank approved by the Shareholders' Meeting on April 10, 2019 and in line with paragraph 3.3 of Section I – Remuneration policy.

Non-executive Directors do not receive, within incentive plans, stock options or others equities. For the Chief Executive Officer and General Manager no specific provisions are provided with reference to the right to keep, in case of termination, the options received and the plans' provisions apply.

For none of the Directors currently in office, provisions exist regarding the establishment of advisory contracts for a term following the termination of the directorship, nor the right to keep post retirement perks. No agreements exist either providing compensation for non-competition undertakings.

## Section II

### 4. Compensation Systems – previous years

#### 4.1 2020 Incentive Systems implementation and outcomes, and previous years' payments

##### 4.1.1 2020 Incentive System for employees belonging to Identified Staff

The 2020 Incentive System, approved by FinecoBank Board of Directors on January 15, 2020, provides - in continuity with 2019 System - a "bonus pool" approach, which directly links bonuses with Company results, ensuring the link between profitability, risk and reward.

The System, implemented within the framework of our policy and governance, provides for the allocation of a performance related bonus in cash and/or free ordinary shares over maximum 6 years.

##### Bonus Pool sizing

The bonus pool dimension is related to the actual profitability measure multiplied for the percentage of the bonus pool funding rate defined in the budgeting phase.

This calculation determines the so called "theoretical bonus pool" that, during the year of performance, has been adjusted based on the effective performance trend.

##### 2020 Entry Conditions

For the purpose of alignment with regulatory requirements, specific indicators are set to measure profitability, financial solidity and liquidity on an annual basis, which act as access conditions. In particular, the indicators<sup>63</sup> and thresholds that are defined as access conditions for the 2020 Incentive System - which confirm or cancel immediate and deferred payments - are as follows:

Fineco Entry Conditions	
Net Operating Profit adjusted $\geq 0$ and	
Net Profit $\geq 0$ and	
Common Equity Tier 1 Ratio $> 9,77\%$ (2020 RAF Trigger) and	
Liquidity Coverage Ratio $>101\%$ (2020 RAF Limit)	
Net Stable Funding Ratio $>101\%$ (2020 RAF Limit)	

According to the actual results, verified and approved by the Board of Directors of FinecoBank S.p.A. on February 9, 2021, the relevant entry conditions have been achieved, confirming FinecoBank bonus pool<sup>64</sup>.

Condizioni di Accesso	Risultati	
Net Operating Profit adjusted $\geq 0$	€ 501,432k	✓
Net Profit $\geq 0$	€ 323,571k	✓
Common Equity Tier 1 Ratio $>9,77\%$ (RAF Trigger)	28.56%	✓
Liquidity Coverage Ratio $>101\%$ (RAF Limit)	926.00%	✓
Net Stable Funding Ratio $>101\%$ (RAF Limit)	308.50%	✓

➔

✓

✗

##### Bonus Pool Risk Adjustment

Once the entry conditions have been verified, the effective bonus pool for FinecoBank's employees was confirmed, also in light of the overall positive ("++") assessment of the performance of the so-called "CRO dashboard"<sup>65</sup>, carried out by FinecoBank CRO.

This method provides a quarterly monitoring of the progress of the indicators included in the Dashboard and an annual assessment.

<sup>63</sup> For the indicators' definitions, see par. 5.2 Section I

<sup>64</sup> Calculated applying the funding rate percentage to the profitability results

<sup>65</sup> The CRO Dashboard 2020 is a set of indicators selected among the Risk Appetite Framework KPIs; the threshold values have been approved by the Board of Directors at the beginning of the year (January 2020).

## Section II

### Evaluation and pay-out for Identified Staff

In line with Fineco governance, the Board of Directors, based on the positive opinion of Remuneration Committee, approved the 2020 evaluations and pay-out for Chief Executive Officer and General Manager, Deputy General Managers, other Executives with strategic responsibility and other *Identified Staff*.

The Board of Directors of FinecoBank on February 9, 2021, has approved the allocation of a total number of shares equal to 164,658 to be assigned in 2022, 2023, 2024, 2025 and 2026.

On the same date, the Board of Directors also approved the implementation - in 2021 - of the Incentive Systems 2015, 2016, 2017, 2018, 2019 and the 2018-2020 Long Term Incentive System for employees<sup>66</sup>.

### Focus on CEO and General Manager performance evaluation

#### Performance appraisal for the Chief Executive Officer and General Manager

The Board of Directors, upon positive opinion of Remuneration Committee, assessed the 2020 performance of FinecoBank CEO and General Manager as *Exceeds Expectations*. Below the details of the individual scorecard assessment.

	#	GOAL NAME	RESULTS	ASSESSMENT				
				Below	Almost Meets	Meets	Exceeds	Greatly Exceeds
ASSESSMENT	1	<b>ROAC</b> <i>vs. budget</i>	Budget: 36.27% Results: 63.27%					●
	2	<b>EVA</b> <i>vs. budget</i>	Budget: 216,136 k€ Results: 277,447 k€				●	
	3	<b>EL stock (%)</b> <i>vs. target</i>	Target: 0.28% Result: 0.14%					●
	4	<b>OPEX</b> <i>vs. budget: Operating costs as reported in reclassified P&amp;L, i.e.: Staff expenses + Other Administrative Expenses (direct + indirect) - Expenses Recovery + Depreciations</i>	Budget: 275,420 k€ Result: 269,587 k€			●		
	5	<b>Net New Clients<sup>67</sup></b> <i>vs. budget</i>	Budget: net 53,561 # Result: net 11,981 #	●				
	6	<b>Net Sales of Guided Product</b> <i>vs. budget</i>	Budget: 4,399 k€ Result: 4,209 k€			●		
	7	<b>Stakeholder Value</b> <i>vs. qualitative assessment based on: Broaden the range of ESG products (e.g. lending and investments products); YY delta on Gender Pay Gap and Gender Balance; Expand our range of "Welfare" solutions; Improve Fineco's environmental performance (e.g. sustainable mobility, Environmental Statement, reduction of plastic waste and energy consumption)</i>	<ul style="list-style-type: none"> <li>In 2020 investments and lending ESG product offering (e.g. Core Pension ESG, FAM Sustainable Targets Boost, Superbonus 110%) have been successfully diversified the number of funds with ESG ratings have been increased as well as the percentage of green mortgages compared to total mortgages granted</li> <li>No significant gender pay gap for 2020; with regards to gender balance, we report a slight improvement compared to 2019 for executive positions</li> <li>Our welfare solutions focusing on health and safety and work-life balance (both home working &amp; safe work in office) have been successfully expanded</li> <li>The Global Policy on environmental performance have been approved and the implementation of the Environmental Management System have started in line with the EMAS regulation; the #BikeToFineco initiative (reimbursement of their annual subscription to bike-sharing services) was successfully launched</li> </ul>				●	
	8	<b>Tone from the top on conduct and compliance culture</b> <i>vs. qualitative assessment based on: Scope, kind and numbers of documented initiatives aimed at promoting staff integrity/customer protection/trustworthiness The overall status of findings or proceedings in place (internal or external) considering the trend, type, severity and the timely completion of the related remediation actions/enhance risk&amp;control culture</i>	<ul style="list-style-type: none"> <li>Tone from the top activities have been carried out through the promotion of the compliance culture with specific communication and training sessions</li> <li>Overall internal compliance and audit findings as at 4Q 2020 show neither open critical aspects nor major overdue items</li> <li>All requests from external authorities have been promptly and successfully managed by involving the relevant functions of the Bank</li> </ul>			●		

<sup>66</sup> The data relating to the assignments are included in the information reported in chapters 4.1.2, 5.1 and 6 of the Remuneration Report and in the Annexes

<sup>67</sup> The *Net New Clients* goal, considering the budget approved in January 2020, resulted to be higher than the later estimate, taking into account circumstances and events such as the "repricing maneuver", further affected by the pandemic. In any case, both the fewer openings and the more closures registered during the year were limited to accounts of irrelevant value, in line with the Bank's commercial strategic decision of favoring the quality of the customers base.

## Section II

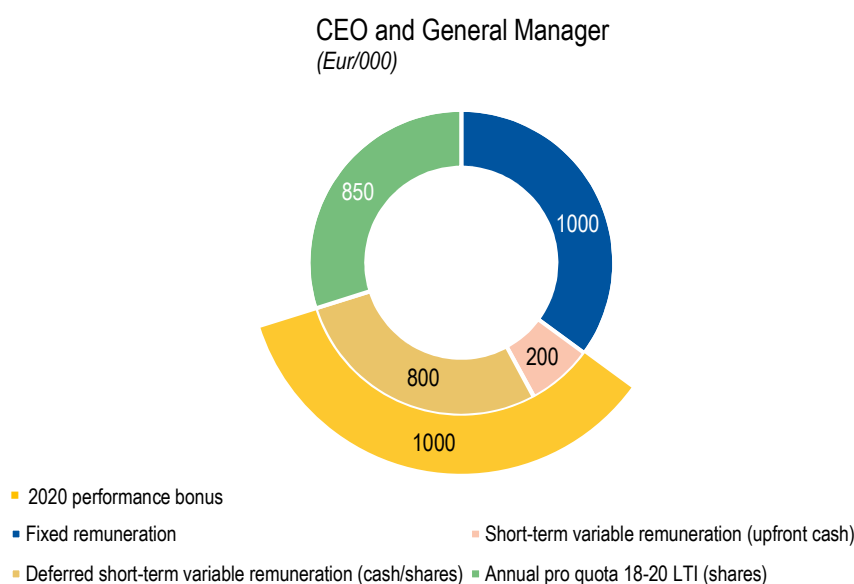
### Chief Executive Officers and General Manager variable and fixed compensation data

2020 performance evaluation of the Chief Executive Officer and General Manager's individual goals resulted *excellent* ("Exceeds Expectations"), on the basis of the elements reported in the previous figure and evaluated by the Remuneration Committee and the Board of Directors of February 8 and 9, 2021.

In light of the performance evaluation results and of the excellent business results overall achieved by the Company, it would have been possible to award the CEO and General Manager with a bonus higher than the one defined<sup>68</sup>.

However, the sensitivity towards the current social and economic context and the Supervisory Authority's recommendations on prudence towards remuneration led the Company to the decision of reducing the CEO and GM's short term variable remuneration component by approximately 12%. In any case, competitiveness of the overall compensation has been maintained, taking into account the good results achieved and confirming the alignment of the payout criteria with the *Pay for Sustainable Performance* principle, as required by investors and proxy advisors as well as by the Supervisory Authorities.

Following, the details on the remuneration structure of FinecoBank CEO and General Manager for 2020<sup>69</sup>.



<sup>68</sup> Within the limits of the fix and variable pay ratio, as described in par. 3.1 Section I

<sup>69</sup> As disclosed in the Remuneration policy approved by the Shareholders' Meeting on April 28, 2020, in January 2020 the CEO and GM's fixed remuneration has been increased to € 1,000,000. This choice is explained by the great results achieved by the Bank in the past few years (see par. 6.1), as well as by the need to align the fixed remuneration to the market benchmark.

## Section II

### 4.1.2 Previous years' Incentive Systems payout for employees belonging to Identified Staff

The achievement of all entry conditions and the subsequent bonus pool confirmation related to the positive evaluation for the performance year 2020 allow the execution of the Incentive Systems for the Employees Identified Staff, which have been approved in previous years and provide a cash and/or shares instalment in 2021. In particular, these are 2015, 2016, 2017, 2018 and 2019 Incentive Systems, for which the Board of Directors approved on February 9, 2021:

- the payment of the third cash instalment and of the fourth shares instalment to the beneficiaries of 2015 Incentive System, according to the maximum amount approved by the Board of Directors with the resolution of January 22, 2015;
- the payment of the third shares instalment to the beneficiaries of 2016 Incentive System, according to the maximum amount approved by the Board of Directors with the resolution of January 12, 2016;
- the payment of the third cash instalment and of the second shares instalment to the beneficiaries of 2017 Incentive System, according to the maximum amount approved by the Board of Directors with the resolution of January 9, 2017;
- the payment of the first shares instalment to the beneficiaries of 2018 Incentive System, according to the maximum amount approved by the Board of Directors with the resolution of January 10, 2018;
- the payment of the first shares instalment to the beneficiaries of 2019 Incentive System, according to the maximum amount approved by the Board of Directors with the resolution of January 10, 2019.

Following, the implementation dashboard for the aforementioned plans:

	IMPLEMENTED					PAYMENT	OUTSTANDING			
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2015 Incentive System	CASH	CASH	SHARES	SHARES	SHARES	CASH SHARES				
2016 Incentive System		CASH	CASH	SHARES	SHARES	SHARES	CASH SHARES			
2017 Incentive System			CASH	CASH	SHARES	CASH SHARES	SHARES	CASH SHARES		
2018 Incentive System				CASH	CASH	SHARES	SHARES	SHARES	CASH SHARES	
2019 Incentive System					CASH	SHARES	CASH SHARES	CASH SHARES	SHARES	CASH SHARES

Moreover, the achievement of all the entry conditions allows the implementation of the 2018-2020 Long Term Incentive Plan for the employees, according to the Board of Directors decision of May 8, 2018. In particular, the Board of Directors on February 9, 2021 approved the payment of the first share instalment to the beneficiaries of the Plan who belong to the Non-Identified Staff category.

→ More information regarding the 2018-2020 LTI Plan are provided further in chapter 5.1 of this Section II

## Section II

### 4.1.3 2020 Incentive System for Financial Advisors belonging to Identified Staff

The 2020 Incentive System PFA, approved by the Board of Directors on January 15, 2020, takes into consideration all the national and international regulatory requirements for the sales networks incentives and directly links bonuses with the objectives of growth in the medium and long term, in a general framework of overall sustainability. In the same way as for the Employees, the 2020 PFA System is based on a Bonus Pool approach that directly links bonuses with Company results, ensuring the link between profitability, risk and reward.

The System, implemented within the framework of our policy and governance, provides for the allocation of a performance related bonus in cash and/or shares over 4 years.

#### Bonus Pool sizing

The bonus pool dimension is related to the actual profitability measure multiplied for the percentage of the bonus pool funding rate defined in the budgeting phase.

This calculation determines the so called “theoretical bonus pool”, that, during the year of performance, has been adjusted based on the effective performance trend.

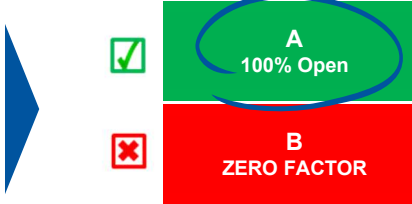
#### 2020 Entry Conditions

In order to align to regulatory requirements, specific indicators measuring annual profitability, solidity and liquidity results had been set as Entry Conditions. In particular, metrics<sup>70</sup> and thresholds for 2020 PFA Incentive System as defined within the Entry Conditions that confirm or cancel upfront and deferred payments are:

Fineco Entry Conditions	
Net Operating Profit adjusted $\geq 0$ and	
Net Profit $\geq 0$ and	
Common Equity Tier 1 Ratio $> 9,77\%$ (2020 RAF Trigger) and	
Liquidity Coverage Ratio $> 101\%$ (2020 RAF Limit)	
Net Stable Funding Ratio $> 101\%$ (2020 RAF Limit)	

According to the actual results, verified and approved by the Board of Directors of FinecoBank S.p.A. on February 9, 2021, the relevant entry conditions have been achieved, confirming FinecoBank PFA bonus pool<sup>71</sup>.

Condizioni di Accesso	Risultati	
Net Operating Profit adjusted $\geq 0$	€ 501,432k	✓
Net Profit $\geq 0$	€ 323,571k	✓
Common Equity Tier 1 Ratio $> 9,77\%$ (RAF Trigger)	28.56%	✓
Liquidity Coverage Ratio $> 101\%$ (RAF Limit)	926.00%	✓
Net Stable Funding Ratio $> 101\%$ (RAF Limit)	308.50%	✓



#### Bonus Pool Risk Adjustment

Once the entry conditions have been verified, the effective bonus pool for FinecoBank's Financial Advisors was confirmed, also in light of the overall positive assessment (“++”) of the performance of the so-called “CRO dashboard”<sup>72</sup>, carried out by FinecoBank S.p.A. CRO.

This method provides a quarterly monitoring of the progress of the indicators included in the Dashboard and an annual assessment.

<sup>70</sup> For the indicators' definitions, see par. 5.2 Section I

<sup>71</sup> Calculated applying the funding rate percentage to the profitability results

<sup>72</sup> The CRO Dashboard is a set of indicators selected among the Risk Appetite Framework KPIs; the threshold values have been approved by the Board of Directors at the beginning of the year (January 2020). The assessment methodology is the one used for Employees.

## Section II

### **Evaluation and payout for Identified Staff**

In line with Fineco governance, 2020 evaluations and payouts for PFA Identified Staff have been approved by the Board of Directors, based on the positive opinion of Remuneration Committee.

Based on the resolutions of the Board of Directors of February 9, 2021, the total number of shares serving the 2020 Incentive System for Financial Advisors is 54,560 to be assigned in 2022, 2023 and 2024.

On the same date, the Board of Directors also approved the implementation - in 2021 - of the Incentive Systems 2016, 2017, 2018 and 2019 and of the 2018-2020 Long Term Incentive Plan for PFA Identified Staff<sup>73</sup>.

### **4.1.4 Previous years' Incentive Systems payout for Financial Advisors belonging to Identified Staff**

The achievement of all entry conditions and the subsequent bonus pool confirmation related to the positive evaluation for the performance year 2020 allow the execution of the Incentive Systems for the Personal Financial Advisors Identified Staff, which have been approved in previous years and provide a cash and/or shares instalment in 2021. In particular, these are 2016, 2017, 2018 and 2019 PFA Incentive Systems, and the 2018-2020 Long Term Incentive Plan for PFA Identified Staff, for which the Board of Directors approved on February 9, 2021:

- the payment of the third shares instalment to the beneficiaries of 2016 PFA Incentive System, in coherence with the equivalent cash amount approved by the Board of Directors with the resolution of January 12, 2016;
- the payment of the second shares instalment to the beneficiaries of 2017 PFA Incentive System, in coherence with the equivalent cash amount approved by the Board of Directors with the resolution of January 9, 2017;
- the payment of the third cash instalment to the beneficiaries of 2017 PFA Incentive System;
- the payment of the first shares instalment to the beneficiaries of 2018 PFA Incentive System, in coherence with the equivalent cash amount approved by the Board of Directors with the resolution of January 10, 2018;
- the payment of the first shares instalment to the beneficiaries of 2019 PFA Incentive System, in coherence with the equivalent cash amount approved by the Board of Directors with the resolution of January 10, 2019.

Following, the implementation dashboard for the aforementioned plans:

	IMPLEMENTED				PAYMENT	OUTSTANDING	
	2017	2018	2019	2020	2021	2022	2023
2016 PFA Incentive System	CASH	CASH	SHARES	CASH SHARES	SHARES		
2017 PFA Incentive System		CASH	CASH	SHARES	CASH SHARES	SHARES	
2018 PFA Incentive System			CASH	CASH	SHARES	CASH SHARES	SHARES
2019 PFA Incentive System				CASH	SHARES	SHARES	CASH SHARES

Moreover, the achievement of all the entry conditions allows the implementation of the 2018-2020 Long Term Incentive Plan for PFA Identified Staff, according to the Board of Directors decision of May 8, 2018. In particular, the Board of Directors on February 9, 2021 approved the payment of the first share instalment to the beneficiaries of the Plan.

→ More information regarding the 2018-2020 LTI Plan are provided further in chapter 5.2 of this Section II

<sup>73</sup> The data relating to the assignments are included in the information reported in chapters 4.1.4, 5.2 and 6 of the Remuneration Report and in the Annexes.



## Section II

### 5. 2018-2020 LTI Plans

#### 5.1 2018-2020 Long Term Incentive Plan for Employees

With the aim of rewarding, motivating and retaining selected Bank Employees, in line with the 2020 objectives of FinecoBank Group in terms of value creation, sustainability and risk, a long-term share-based plan was approved by the Board of Directors on January 10, 2018 and the by the Shareholders' Meeting on April 11, 2018, also in order to align the long-term interests of the Bank's Management with the long-term value creation for shareholders. The beneficiaries of the Plan are selected Employees with "key roles" within the organization: 65 resources, of whom 14 are Group Identified Staff. The Heads of the Company Control Functions (CRO, Head of Compliance) and the Head of Human Resources are excluded from the Beneficiaries of the Plan<sup>74</sup>.

The structure of the Plan, described below in detail, provides for:

- performance goals at Bank level such as the EVA, the Cost/Income and the Cost of Risk on commercial loans;
- Entry and malus conditions of profitability, capital and liquidity;
- specific individual compliance and claw-back conditions;
- a risk adjustment linked to the annual assessment of the CRO Dashboard;
- individual bonuses defined taking into account the roles of the beneficiaries;
- a payment structure over a multi-year period defined according to the categories of beneficiaries, in line with the regulatory provisions.

#### Plan's outcomes

##### Entry Conditions

In order to comply with current regulations, the Plan provided appropriate Entry Conditions, measured within the performance period of the Plan. For this purpose, specific KPIs have been identified to measure profitability, capital strength and liquidity.

The capital and liquidity parameters (*Common Equity Tier 1 Ratio*, *Liquidity Coverage Ratio* and *Net Stable Funding Ratio*) have been calculated annually, while the profitability parameters (*Net Operating Profit adjusted* and *Net Profit adjusted*) have been assessed cumulatively throughout the performance years<sup>75</sup>.

Following, the assessment results show that all the Entry Conditions are fully met:

Performance				RESULTS			
Entry Conditions							
KPIs	VALUES						
Net Operating Profit adjusted	Σ 2018-2020			1,279,840			✓
	>0						
Net Profit adjusted	Σ 2018-2020			853,155			✓
	>0						
CET1 Ratio	2018	2019	2020	2018	2019	2020	
	Fully Loaded	Fully Loaded		21.16%	24.19%	28.56%	✓
	>10.4% (RAF Trigger)	>11.1% (RAF Trigger)	>9.77% (RAF Trigger)				
Liquidity Coverage Ratio	2020	2020	2020	1321.38%	1066.49%	926.00%	✓
	>101% (RAF Limit)						
Net Stable Funding Ratio	2020	2020	2020	216.15%	261.46%	308.50%	✓
	>101% (RAF Limit)						

##### Malus Conditions

The Plan provides appropriate Malus Conditions measured during the deferral period, which may confirm, reduce or cancel the deferred payments in case they are not met.

The Malus Conditions follow the same logic of the Entry's, therefore the capital (*CET 1*) and liquidity (*Liquidity Coverage Ratio* and *Net Stable Funding Ratio*) parameters are calculated annually, while the profitability parameters (*Net Operating Profit Adjusted* and *Net Profit*) are assessed cumulatively throughout the years of deferral (depending on the year of payment).

In case the cumulated conditions are not met, the deferred instalment will be zeroed.

In case the annual conditions are not met, the CEO's deferred instalment will be reduced, while the other beneficiaries' deferred instalments will be zeroed for the corresponding year.

<sup>74</sup> Considered as Control Function according to the regulatory provisions in force at time of the Plan's approval.

<sup>75</sup> For the indicators' definitions, see par. 5.2 Section I

## Section II

### Performance goals

The performance goals, as defined above, have been assessed in relation to specific targets. Each KPI, defined for each goal, is weighted in terms of percentage with respect to the final bonus. All KPIs have been assessed in relation to specific 2020 targets. The maximum bonus can be awarded upon reaching the established thresholds. For the EVA and Cost/Income parameters, lower thresholds have been set, within which the bonus will be defined with a linear progression<sup>76</sup>, while for the CoR an on/off threshold has been set.

Following, the performance results show that all the goals have been fully achieved:

	KPI	ASSESSMENT CRITERIA		RESULTS
		Threshold	Payout	
Value Creation	EVA	≥200 M	100%	277,477k ✓
		180 M – 200 M	0 – 100%	
		≤180 M	0%	
Industrial Sustainability	COST/INCOME RATIO	≤39%	100%	34.8% ✓
		42% - 39%	0 – 100%	
		≥42%	0%	
Risk	COR*	≤40 bps	100%	10 bps ✓

\*Calculated on commercial loans

### Risk Adjustment

For the purposes of the appropriate Plan correction for the Bank's risk, according to regulatory provisions (Bank of Italy, Circular n. 285) a risk adjustment mechanism is provided, in coherence with Fineco Group RAF and based on the CRO Dashboard annual assessment throughout the Plan's performance years. The presence of 'neutral' or negative annual assessment would result in a proportional reduction of individual bonuses, as shown below:

% BONUS	100%	75%	50%	25%	0%
CRO DB ASSESSMENT	1 'neutral' assessment and 2 positive assessments (or 3 positive assessments)	≥2 'neutral' assessments	1 negative assessment	2 negative assessments	3 negative assessments

The adjustment results show a positive *assessment* in each performance year:

PERFORMANCE YEAR	ASSESSMENT	% BONUS
2018	++ ✓	
2019	++ ✓ 3 POSITIVE	100%
2020	++ ✓	

### Compliance Assessment

Each payment is subject to the Compliance Assessment of individual behaviors, which will confirm, reduce or zero the bonus instalment in the right of the beneficiary with reference to each year's assessment.

At the end of the performance period, it has been verified the absence of official disciplinary procedures and/or disciplinary sanctions actually applied, as well as the Compliance Assessment has been carried out.

Moreover, the HR Function verified the employment continuity condition.

An individual claw-back<sup>77</sup> clause is provided in case any fraudulent behavior or serious misconducts are found, or any behavior that significantly contributed to reputational damage, sanctions, significant financial losses for Fineco, or that negatively affected the risk profile or any other regulatory requirement. Moreover, the Executive Directors and the Executives with strategic responsibility are subject to claw-back in case the bonus awarded is based on circumstances later found to be wrong.

<sup>76</sup> E.g., If EVA equals to 190 Mio on Dec 31, 2020, the corresponding bonus instalment to be paid would be 50% of the amount established for achieving the EVA threshold at 200 Mio.

<sup>77</sup> In application of the Plan's Rule

## Section II

### Beneficiaries and shares number

Individual maximum bonuses have been defined on the basis of the beneficiaries' category, in line with the limits set by the applicable regulatory provisions and the Remuneration policy.

On May 8, 2018, the Board of Directors approved the maximum bonuses for a total number of 905,066 FinecoBank ordinary shares, which can be paid to the beneficiaries in 2021 after the Entry Conditions and the performance are assessed according to the Plan itself.

The number of shares has been calculated considering the arithmetic mean of the official closing market price of Fineco ordinary shares during the month preceding the Board of Directors' approval of the maximum bonuses, which is equal to €9.88.

Following, the actual number of beneficiaries and the corresponding maximum number of shares that can be awarded, upon confirmation of the performance results, the Entry Conditions and the risk adjustment:

	# beneficiaries	# shares
CEO/GM	1	258,096
Identified Staff	13	311,048
Other beneficiaries	51	261,535
	<b>65</b>	<b>830,679</b>

The beneficiaries cannot activate programs or agreements that specifically protect the value of unavailable financial instruments assigned within the incentive plans. Any form of coverage will be considered a violation of compliance rules and imply the consequences set out in the regulations, rules and procedures.

Individual bonuses confirm compliance with the maximum limits set for the beneficiaries' variable remuneration, also taking into account the short term variable remuneration that is awarded in each performance year.

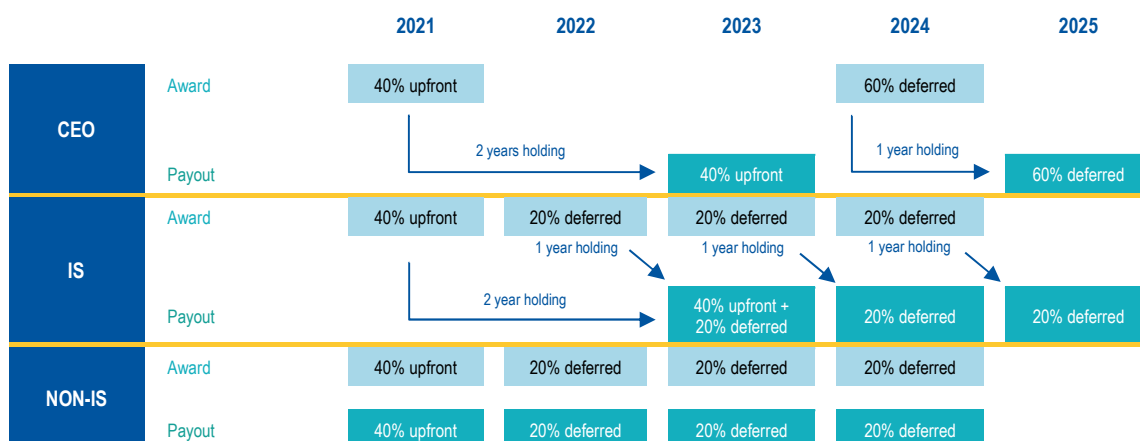
Within the aforementioned limits, it is provided in detail:

- for the Chief Executive Officer and General Manager, a maximum percentage impact of the bonus relating to the Plan equal to 50% of the maximum variable remuneration attributable in each year of performance;
- for the other Executives with strategic responsibility, a maximum percentage impact of the bonus relating to the Plan equal to 30% of the maximum variable remuneration attributable in each year of performance.

For the other Beneficiaries the target bonus is defined individually, always in compliance with the maximum limits set by the regulations and FinecoBank Group Remuneration policy.

### Payment structure

The bonuses will be paid entirely in FinecoBank free ordinary shares<sup>78</sup> starting from 2021, according to the payment schemes shown below:



For the Beneficiaries of the Plan included in Identified Staff holding periods on the shares are provided, equal to two years for the upfront shares, assigned after the end of the performance period, and one year for deferred shares.

For the other Beneficiaries the assignments of the shares and their availability are concomitant during the deferral period.

<sup>78</sup> The Company retains the power of awarding instruments other than FinecoBank ordinary free shares, in case it is required by law

## Section II

Moreover, following potential changes in current regulations and/or in relation to potential extraordinary and/or unpredictable contingencies that can affect FinecoBank Group, the Bank or the market in which it operates, the Board of Directors, having heard the opinion of the Remuneration Committee and upon competent Company Functions' proposal, has the right to amend the remuneration policy (e.g., the Plan).

## Section II

### 5.2 2018-2020 Long Term Incentive Plan for Financial Advisors Identified Staff

With the aim of rewarding, motivating and retaining selected Financial Advisors and Network Managers<sup>79</sup>, in line with the commercial goals of the three-year period 2018-2020 and with the aim of creating value for Shareholders, on January 10, 2018 the Board of Directors approved a long-term incentive plan based on cash and FinecoBank shares.

The Plan is dedicated to Financial Advisors who qualified as Identified Staff in the year 2020, therefore it counts 11 beneficiaries<sup>80</sup>.

The Plan - whose characteristics are described below in detail - provides:

- three-year performance targets (2018-2020) linked to Total Net Sales (NS), Net Sales of Guided Products (NSGP) and, for PFAs and Group Managers, also to the ratio between Guided Products (GP) as at December 31, 2020 on Total Financial Asset (TFA) as at December 31, 2019;
- entry conditions based on individual and Fineco performance;
- malus conditions of capital, liquidity and profitability;
- specific individual compliance and claw-back conditions;
- a risk adjustment linked to the annual evaluation of the CRO Dashboard;
- a balanced structure of "upfront" and "deferred" payments, in the form of cash and/or shares.

#### Plan's outcomes

##### Entry and Malus Conditions

##### Group Entry and Malus Conditions

For the purposes of the Plan, specific entry and malus conditions were defined at Group level in order to comply with the regulatory provisions in force at the time:

- appropriate Entry Conditions, measured within the Plan performance years in order to confirm, reduce or cancel the individual bonuses pursuant to what is detailed below, and
- appropriate Malus Conditions, measured within the deferral period that can confirm, reduce or cancel the deferred portions, pursuant to what is detailed below.

For these purposes, specific capital, profitability and liquidity indicators have been defined.

The capital and liquidity parameters (*Common Equity Tier 1 Ratio*, *Liquidity Coverage Ratio* and *Net Stable Funding Ratio*) have been assessed annually, while the profitability parameters (*Net Operating Profit Adjusted* and *Net Profit*) have been assessed cumulatively throughout the performance years<sup>81</sup>.

As displayed in the figure "Performance – Entry Conditions and Results" in paragraph 5.1, all Entry Conditions are met.

The Malus Conditions follow the same logic of the Entry's, therefore the capital (*CET 1*) and liquidity (*Liquidity Coverage Ratio* and *Net Stable Funding Ratio*) parameters are calculated annually, while the profitability parameters (*Net Operating Profit Adjusted* and *Net Profit*) are assessed cumulatively throughout the years of deferral (depending on the year of payment).

##### Risk Adjustment

For the purposes of the appropriate Plan correction for the Bank's risk, according to regulatory provisions (Bank of Italy, Circular n. 285) a risk adjustment mechanism is provided, in coherence with Fineco Group RAF and based on the CRO Dashboard annual assessment throughout the Plan's performance years. The presence of 'neutral' or negative annual assessment would result in a proportional reduction of individual bonuses, as shown below:

% BONUS	100%	75%	50%	25%	0%
CRO DB ASSESSMENT	1 'neutral' assessment and 2 positive assessments (or 3 positive assessments)	≥2 'neutral' assessments	1 negative assessment	2 negative assessments	3 negative assessments

The adjustment results show a positive assessment in each performance year, as already verified for the 2018-2020 LTI Plan for Employees.

<sup>79</sup> Group Managers and Area Managers (Financial Advisors with accessory assignment of other PFAs coordination)

<sup>80</sup> Identified pursuant to the regulation in place at the time

<sup>81</sup> For the indicators' definitions, see par. 5.2 Section I

## Section II

### Compliance Assessment

At the end of the performance period, the Network Controls, Monitoring and Service Department function verified the absence of official disciplinary procedures, taking into account any Supervisory Authorities' finding and Internal Audit's, therefore the full compliance of the beneficiaries with regulatory provisions and Bank's internal rules, as well as the internal procedures and the integrity values already adopted.

It is understood the assessment - in each payment year - of individual behaviors compliance and the verification of the existence of the agency contract.

### Performance Goals

#### Individual Entry Conditions

In order to access the bonus, the Plan provided the achievement at the individual level of specific thresholds in terms of Net Sales of Asset under Management<sup>82</sup>:

- Net Sales of Asset under Management >150% of individual target for PFAs e Group Managers with individual portfolios
- Net Sales of Asset under Management >100% of group target for Area Managers and Group Managers with group portfolio

In addition to the above individual conditions, in order to access the bonus, it was required the achievement of an EVA threshold equal or higher than € 180 Mio.

✓ **Result:** the performance assessment with regards to the Net Sales targets in the 18-20 three-year, and to the EVA target in 2020, shows that 5 beneficiaries met all the individual Entry Conditions.

Performance goals were defined on the basis of increasing targets as a percentage of the cumulative budget for the three-year period of the Plan, in terms of Total Net Sales (NS) and Net Sales of Guided Products (NSGP).

### Beneficiaries and shares number

A maximum bonus target of equal amount has been defined for all the participants of the plan, in line with the provisions of the applicable regulatory provisions and the FinecoBank Group Remuneration policy.

Individual bonuses - in particular - confirm compliance with the maximum limits for the variable remuneration envisaged for the Plan Beneficiaries, also taking into account the short-term variable remuneration attributable to each year of performance.

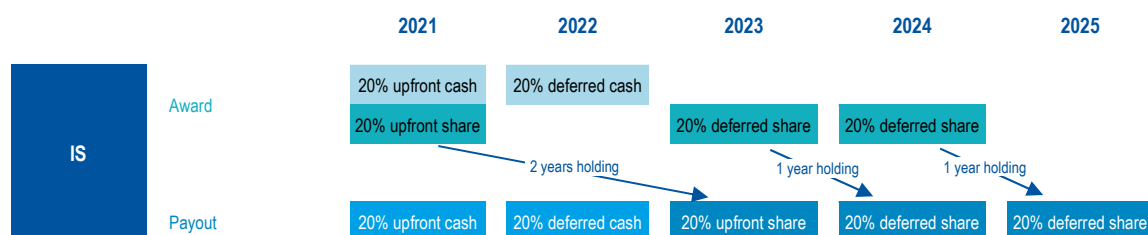
On February 9, 2021, after the Entry Conditions and the performance were assessed according to the Plan itself, the Board of Directors approved the bonus payout for 5 beneficiaries, for a total equivalent of € 457,000, to be paid in cash and shares.

The maximum number of shares to be awarded (see the next paragraph on the payment structure), equal to 18,585, it has been defined in 2021 on the basis of the arithmetic mean of the official closing market price of Fineco ordinary shares during the month after the Board resolution that verifies the performance achievements in 2020, which is equal to € 14.75.

The beneficiaries cannot activate programs or agreements that specifically protect the value of unavailable financial instruments assigned within the incentive plans. Any form of coverage will be considered a violation of compliance rules and imply the consequences set out in the regulations, rules and procedures.

### Payment Structure

The bonuses will be paid 40% in cash and 60% in FinecoBank shares, according to the payment scheme shown below:



- In 2021 the first installment of the total incentive will be paid in cash once verified the compliance at the individual level with rules and principles of conduct and behavior, considering the severity of any internal/external inspections (i.e. Internal Audit, Consob and/or similar local authorities);
- in 2022-2025 the remaining amount of the total incentive will be paid in several installments in cash and shares; each individual tranche will be subject to the application of the Zero Factor relating to the year of competence and to the verification of compliance by each beneficiary with rules and the principles of conduct and behavior.

As per regulations, there are periods of unavailability on the shares assigned equal to two years for the shares allocated upfront and one year for deferred shares.

Each payment related to the Plan is subject to prior verification of the compliance of the behavior at individual level.

<sup>82</sup> Measured at 31/12/2020 as "cumulated" within the Plan performance years

## Section II

The bonus payment is subject to claw-back<sup>83</sup>.

Moreover, following potential changes in current regulations and/or in relation to potential extraordinary and/or unpredictable contingencies that can affect FinecoBank Group, the Bank or the market in which it operates, the Board of Directors, having heard the opinion of the Remuneration Committee and upon competent Company Functions' proposal, has the right to amend the remuneration policy (e.g., the Plan).

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<sup>83</sup> In application of the Plan's Rule

## Section II

### 6. Compensation data

Compensation was awarded in compliance with the remuneration policy approved by the Shareholders' Meeting on April 28, 2020, keeping into account the broad consensus achieved:

	Voting results
Section I – 2020 Remuneration policy (Shareholders' Meeting's approval is required)	97.5% of favorable votes
Section II – 2019 Remuneration report (a non binding advisory vote is required)	95.25% of favorable votes

During the year, no exceptions have been applied.

#### 6.1 Company results, compensation and employees' remuneration variation

In line with the most recent regulatory provisions, as outlined in the Consob Regulation n. 11971/1999 updated on December 11, 2020, it is displayed the comparison of the annual variation for the last two years<sup>84</sup> of the following information:

- total compensation for each individual whose information is namely disclosed in this Section;
- company results;
- average annual gross remuneration of full time equivalent employees, excluding the individuals whose information is namely disclosed in this Section.

Company performance variation		
Euro/ 000	FY 2020	FY 2020 vs FY 2019
<b>Company results<sup>1</sup></b>		
Revenues	775,796	17.9%
Net Profit	324,531	19.2%

<sup>1</sup> Adjusted data

Individual compensation variation		
Euro/ 000	FY 2020	FY 2020 vs FY 2019
<b>Management Body members' remuneration<sup>2</sup></b>		
Alessandro Foti (CEO/GM)	2,427	9.2%
<b>Non-Executive Directors remuneration<sup>3</sup></b>		
Marco Mangiagalli (Chair)*	174	-
Francesco Saita (Deputy Chair)	171	24.2%
Patrizia Albano	96	56.0%
Elena Biffi	108	25.4%
Giancarla Branda*	58	-
Paola Giannotti De Ponti*	75	-
Marin Gueorguiev*	58	-
Gianmarco Montanari	109	17.2%
Andrea Zappia*	50	-
Maria Alessandra Zunino De Pignier*	81	-
<b>Statutory Auditors remuneration<sup>4</sup></b>		
Luisa Marina Pasotti (Chair)**	25	-
Massimo Gatto*	54	-
Giacomo Ramenghi**	19	-

\*In office since April 28, 2020

\*\*Role taken over during 2020

<sup>2</sup> As displayed in the Consob Table and in line with accounting principles: overall total compensation including the fair value of the financial instruments.

<sup>3</sup> Intended as the fees approved by the Shareholders' Meeting for the Non-Executive Directors and Members of the Board's Committees, plus the fees approved for Committee's special roles and the related participation fees.

<sup>4</sup> Intended as the fees approved by the Shareholders' Meeting for the Statutory Auditors, plus the related participation fees.

Employees' average remuneration variation		
Euro/ 000	FY 2020	FY 2020 vs FY 2019
<b>Employees' average remuneration<sup>5</sup></b>		
Average fixed and variable annual remuneration	54	6.7%

<sup>5</sup> Intended as the average total remuneration paid out in the referred year (excluding social security contributions and other benefits), therefore: average fixed remuneration and average variable remuneration, which corresponds to the bonus paid in the referred year (for the Identified Staff, the short and long term incentive systems' instalments and deferrals awarded in the previous years were also included).

<sup>84</sup> In application of the transitory provision that allows the company to provide the comparison of information of the financial years starting from January 1, 2019, instead of the five years' preceding the regulatory amendment



## Section II

### 6.2 2020 Compensation Outcomes

#### Employees

Euro/ 000

Population	No.	Fix	2020 Variable				Deferred variable from previous exercises				Variable paid in 2020 from previous exercises <sup>4</sup>	
			Upfront		Deferred		Vested in 2020		Unvested		€	Shares
			€	Shares	€	Shares <sup>2,3</sup>	€	Shares	€	Shares <sup>3</sup>		
			€	Shares	€	Shares <sup>2,3</sup>	€	Shares	€	Shares <sup>3</sup>	€	Shares
Chief Executive Officer and General Manager (CEO)	1	1,000	200	-	240	1,410	170	874	656	3,459	255	2,245
Non-executive Directors <sup>1</sup>	13	1,093	-	-	-	-	-	-	-	-	-	-
Executives with strategic responsibilities	4	1,840	453	-	533	1,952	297	1,712	1,282	4,223	551	3,900
Other Identified Staff	14	2,547	686	-	334	1,029	129	665	390	1,392	552	172
<b>Total</b>	<b>32</b>	<b>6,480</b>	<b>1,340</b>	<b>-</b>	<b>1,106</b>	<b>4,391</b>	<b>596</b>	<b>3,251</b>	<b>2,328</b>	<b>9,075</b>	<b>1,358</b>	<b>6,317</b>

<sup>1</sup> Overall number of Non-Executive Directors during 2020, considering the Board of Directors renewal of April 28, 2020

<sup>2</sup> Including the reference amount of the bonus component in financial instruments for an Employee, who is posted in Fineco Asset Management DAC, in line with the applicable UCITS provisions.

<sup>3</sup> 2018-2020 LTI Plan is counted for one third in the 2020 Variable and for two thirds in the Deferred variable from previous exercises.

<sup>4</sup> The shares amounts related to UniCredit Group Incentive System Plans are expressed with conversion rate and after Capital increase resolved on March 13, 2017

**Please Note**

The amounts concerning Variable referred to previous financial years also include an Executive with strategic responsibility whose termination happened in 2018.

Euro/ 000

Population	No.	Fix	2020 Variable				Deferred variable from previous exercises				Variable paid in 2020 from previous exercises <sup>3</sup>	
			Upfront		Deferred		Vested in 2020		Unvested		€	Shares
			€	Shares	€	Shares <sup>1,2</sup>	€	Shares	€	Shares <sup>2</sup>		
			€	Shares	€	Shares <sup>1,2</sup>	€	Shares	€	Shares <sup>2</sup>	€	Shares
Business functions Identified Staff	5	2,710	695	-	834	3,478	435	2,510	1,898	7,388	833	5,727
Support functions Identified Staff	11	2,034	495	-	251	870	109	690	430	1,687	330	560
Control functions Identified Staff	3	644	150	-	21	42	52	51	-	-	195	30
<b>Total</b>	<b>19</b>	<b>5,387</b>	<b>1,340</b>	<b>-</b>	<b>1,106</b>	<b>4,391</b>	<b>596</b>	<b>3,251</b>	<b>2,328</b>	<b>9,075</b>	<b>1,358</b>	<b>6,317</b>

<sup>1</sup> Including the reference amount of the bonus component in financial instruments for an Employee, who is posted in Fineco Asset Management DAC, in line with the applicable UCITS provisions.

<sup>2</sup> 2018-2020 LTI Plan is counted for one third in the 2020 Variable and for two thirds in the Deferred variable from previous exercises.

<sup>3</sup> The shares amounts related to UniCredit Group Incentive System Plans are expressed with conversion rate and after Capital increase resolved on March 13, 2017

**Please Note**

The amounts concerning Variable referred to previous financial years also include an Executive with strategic responsibility whose termination happened in 2018.

The vested component refers to cash and equity awards to which the right matured in 2020 as the performance conditions were achieved:

- vested cash payments refer to 2015 and 2017 Group Incentive System;
- vested equity payments refer to 2015, 2016, 2017, 2018 and 2019 Group Incentive System and to 2018-2020 LTI Plan for Employees.

The unvested component refer to cash and equity awards for which the right did not matured in 2020 and for which any potential future gain has not been yet realized and remains subject to future performance:

- unvested cash payments refer to 2016, 2017, 2018 and 2019 Group Incentive System;
- unvested equity payments refer to 2016, 2017, 2018 and 2019 Group Incentive System and the 2018-2020 LTI Plan for Employees.

The value of the shares shown as 2020 variable and deferred variable from previous exercises is calculated considering:

- for 2015, 2016, 2017, 2018 and 2019 Group Incentive System and for 2020 Fineco Incentive System, the arithmetic mean of the official closing prices of Fineco ordinary shares from January 8 to February 8, 2021;
- for 2018-2020 Long Term Incentive Plan, the arithmetic mean of the official closing prices of FinecoBank ordinary shares from April 7 to May 7, 2018.

Variable paid in 2020 from previous exercises includes payouts based on demonstrated multi-year performance achievements related to Group Incentive Systems plans based on FinecoBank and UniCredit shares and to the "2014-2017 Multi-year Plan Top Management".

It is underlined that in 2020 three Identified Staff have been rewarded with a total remuneration equal or higher than Euro 1 Mio. In particular:

- EUR 1 Mio ≤ 2020 compensation < EUR 1.5 Mio: 2 Identified Staff (Executives with strategic responsibility)
- EUR 2 Mio ≤ 2020 compensation < EUR 1.5 Mio: 1 Identified Staff (CEO and General Manager)

## Section II

In the end, it is underlined that in 2020 any non-standard remuneration<sup>85</sup> has been paid for the Identified Staff.

### Financial Advisor

Euro/ 000

Population (31/12/2020)	No.	Fix <sup>1</sup>	2020 Variable <sup>2</sup>				Deferred variable <sup>2</sup> from previous exercises				Variable paid <sup>2</sup> in 2020 from previous exercises	
			Upfront		Deferred		Vested in 2020		Unvested			
			€	Shares	€	Shares	€	Shares <sup>3</sup>	€	Shares <sup>3</sup>	€	Shares
Personal Financial Advisors belonging to Identified Staff	11	7,198	576	0	468	1,079	54	687	195	393	354	682

<sup>1</sup> Recurring remuneration (benefits and other compensations in kind included)

<sup>2</sup> Non-recurring remuneration

<sup>3</sup> Equity and Phantom share

The vested component refers to cash and equity awards to which the right matured in 2020 as the performance conditions were achieved. In particular:

- vested cash payments refer to 2017 Group Incentive System PFA and 2018-2020 LTI Plan for Financial Advisors and Managers of the Network Identified Staff;
- vested equity share payments refer to 2016 Group Incentive System PFA, 2017 Group Incentive System PFA, 2018 Group Incentive System PFA and 2019 Group Incentive System PFA and 2018-2020 LTI Plan for Financial Advisors and Managers of the Network Identified Staff.

The unvested component refer to cash and equity shares to which the right did not matured in 2020 and for which any potential future gain has not been yet realized and remains subject to future performance. In particular:

- the unvested cash payment refer to 2018 Group Incentive System PFA and to 2019 Group Incentive System PFA for Financial Advisors and Managers of the Network Identified Staff;
- the unvested equity refer to 2017 Group Incentive System PFA, 2018 Group Incentive System PFA and 2018 Group Incentive System PFA for Financial Advisors and Managers of the Network Identified Staff.

The value of the shares shown as 2020 variable is calculated considering the arithmetic mean of the official closing prices of FinecoBank ordinary shares from February 10 to March 10, 2021.

The value of the shares shown as deferred variable from previous exercises is calculated considering the arithmetic mean of the official closing prices of Fineco ordinary shares from January 8 to February 8, 2021.

Variable paid in 2020 from previous exercises includes payouts based on actual performance achievements related to 2015 Group Incentive System PFA, to 2016 Group Incentive System PFA, 2017 Group Incentive System PFA, 2018 Group Incentive System PFA and 2019 Group Incentive System PFA, and to "2015-2017 Plan PFA" for Financial Advisors and Managers of the Network Identified Staff.

<sup>85</sup> On this topic, see par. 3.4 Section I

## Section II

### Compensation pay-mix for employees' category/business area

Total compensation policy for non-Executive Directors, Identified Staff and for the overall employee population demonstrates in particular how:

- remuneration of the non-Executive Directors, as approved by the Shareholders' Meeting, does not include variable performance-related pay;
- Identified Staff are offered opportunities for variable compensation in line with their strategic role, regulatory requirements and our pay for performance culture;
- the general employee population is offered a balanced pay-mix in line with the role, scope and business or market context of reference.

COMPENSATION PAY-MIX	
FIX AND OTHER NON-PERFORMANCE RELATED PAY	VARIABLE PERFORMANCE-RELATED PAY

#### NON-EXECUTIVE DIRECTORS

Chairman and Deputy Chairman	100%	0%
Directors	100%	0%
Statutory Auditors	100%	0%

#### OVERALL EMPLOYEE POPULATION

Business areas	75%	25%
Support function	92%	8%
Overall Company	88%	12%

## Section II

### 6.3 Benefit Data

Our employees enjoy welfare, healthcare and life balance benefits that supplement social security plans and minimum contractual requirements. These benefits are intended to provide substantial guarantees for the well-being of staff and their family members during their active careers as well as in retirement.

In Italy, among the complementary pension plans, there are defined benefit plans and defined contribution plans. In most cases, benefits are paid out once retirement requirements are satisfied: in the first ones the benefit's calculation is known in advance, while in defined contribution plans the benefit depends on allocated asset management results.

Complementary pension plans are external pension funds, legally autonomous from the Group. These plans are closed and do not allow new subscriptions, the only exception is represented by the defined contribution plan section of the "Fondo Pensione per il Personale delle Aziende del Gruppo".

Within this section subscribers can distribute contribution, depending on their own risk appetite, among four investment lines (Insurance, Short, Medium and Long Term) characterized by different risk/yield ratios. In addition, always in this section, the enrolled employees may open complementary pension plan positions in favor of their family members dependent for tax purposes.

#### ***Facing the health crisis***

In 2020, FinecoBank actively responded to the health crisis since the beginning, adopting all the necessary measures and taking strategic decisions for the safety of its employees and the work and work-life balance management.

The initiatives referred to various aspects, which can be grouped under categories such as *health, home working, office* and *others*.

- **Health:** employees' health and safety immediately had the highest priority. Therefore, the Bank provided additional assistance, such as an Health Crisis Support Service and the Psychological Support Service, the home-delivered COVID test service, the anti-seasonal flu vaccine;
- **Home Working:** quickly, 100% of the employees were made able to work from home thanks to specific initiatives, such as the Home Working Kit distribution, and other initiatives supporting the work-life balance, such as temporary free welfare services and leaflets on the new working normal;
- **Office:** attendance in the office is constantly monitored to ensure the correct application of the safety protocols, through termoscanners at the entrance and splitting up over time entrances and exits. Moreover, the employees were provided with all the appropriate personal protective equipment;
- **Other initiatives:** all the initiatives put in place during the pandemic can be found in a specific section of the corporate website. Moreover, the new FAQ section is being constantly updated, so that employees can find all the information they need to manage their workday (at home or in the office) and their health.

The implementation of new initiatives and the monitoring of the ones in place are an essential activity.

