

Compensation policy /2020

2020 REMUNERATION POLICY
AND 2019 REMUNERATION REPORT





Executive Summary

FINECO. SIMPLIFYING BANKING

FinecoBank S.p.A.

LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

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2020 Compensation Policy

LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE



Dear shareholders,

as Chairman of the Remuneration Committee, I am pleased to present you the FinecoBank Group's Compensation Policy for 2020.

The document starts with an "Executive Summary", which summarizes the features of the new Remuneration Policy and the main results achieved in 2019. Then two Sections follow ahead: the "2020 remuneration policy" which describes the key principles of our approach to the remuneration and incentive systems for Employees and Financial Advisors, as well as Fineco's compensation practices; the "2019 Remuneration Report", which provides detailed information on the results of the implemented processes in the previous financial year.

This year like others, we propose a transparent 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.

2019 closed for FinecoBank Group with the best results ever, an important element because it was obtained in a challenging and complex context for the financial markets and for Fineco, which faced the deconsolidation of the Unicredit Group (effective from May 10, 2019) and the definitive exit of Unicredit from the shareholding structure (effective from July 8, 2019). This testifies how our business model is able to face every stage of the market and to generate a well-diversified and balanced flow of revenues, thanks to a strategy oriented towards a path of long-term sustainable independent 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 integrity, transparency, equity and cooperation.

In this context, our Bank is constantly engaged in combining values such as development, corporate social responsibility and business activity, which are fundamental for improving risk management and being highly competitive on the market. These elements are affirmed in the Fineco's first non-Financial Statement, are integrated into our annual incentive systems and corporate

risk management processes and reflected in the Standard Ethics' Rating on sustainability topics.

The guiding principles of our way of doing business have always been at the base of our Compensation Policy, which - in turn - confirms that it is a key tool for guiding behaviors, both in the short and long term. In this context we have worked with a view to consolidation and continuous improvement, involving - in the definition phase of the incentive plans - the main corporate Bodies and Functions, also to adapt our remuneration policies to the new corporate structure following the deconsolidation of the Unicredit Group.

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

In order to better respond to its tasks, the Remuneration Committee took part in each phase of the remuneration processes, including in fact the project one, with the objective of guaranteeing an architecture suited to the Fineco's remuneration strategy, in line with the regulations and consistent with best market practices. We have maintained a solid continuity with the previous payout mechanisms despite of according to the assessed applicable proportionality the Group is no longer among significant institutions.

In light of the issuing of the new rules on remuneration for listed Companies resulting from the transposition of the European Directive 828 of 2017 (Shareholder Rights Directive II) implemented by Legislative Decree of May 10, 2019, n. 49, we generally aligned the remuneration policies with the new discipline. In particular, in relation to the provision for a consultative vote on the Remuneration Report, a better distinction was made regarding 2020 Remuneration Policy in respect to the second section to allow a separate vote.

In addition, the Remuneration Policy incorporates the updates of the "Provisions of transparency of financial banking transactions and services - fairness of relationships between intermediaries and clients" of March 19, 2019.

Having said that, in light of the favorable opinion of the shareholders collected by the 2019 Remuneration Policy and taking into account the market benchmark analyses, we considered appropriate to preserve overall the structure of the Remuneration Policy, keeping the main elements and the functioning mechanism of incentive systems adopted last year still considered to be already very effective for the achievement of the results defined in the strategic plan.

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 2020 Policy, trusting in your positive appreciation.

Sincerely,

A handwritten signature in black ink, reading "Gianmarco Montanari". The signature is fluid and cursive, with the first name being more prominent.

GIANMARCO MONTANARI

Chairman of the Remuneration Committee

2020 Compensation Policy

Our Compensation Policy

The implementation of the principles set in FinecoBank Group's (hereinafter also "Fineco" or "Group")¹ 2020 Compensation Policy - 2020 remuneration policy and 2019 remuneration 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 2020 remuneration policy (Section I) reflect the most recent regulations in terms of remuneration and incentive policies and practices, in order to build, year-by-year – in the interest of all stakeholders – remuneration systems aligned with long-term strategies and goals. The systems are linked with the company results and adequately adjusted in order to take 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.

Following the demerger from UniCredit Group in May 2019, ECB spoke on Fineco classification concerning its status as Supervised Entity. Based on the criteria included in art. 6(4) of 1024/2013 EU Regulation, ECB concluded that Fineco has to be classified as Less Significant Entity. Therefore, an assessment involving Human Resources, Compliance and Risk Management functions led to the qualification of Fineco as Intermediate Bank for the correct application of the proportionality criteria, with respect of the elements provided by Circular 285/2013 and by 2015 EBA Guidelines.

The Remuneration Committee's independent external consultant has endorsed the classification as Intermediate Bank and the application of the proportionality criteria.

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

2020 Compensation Policy

Key elements of our 2020 compensation approach and 2019 main results

Key elements of 2020 Compensation Policy

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*)

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

3. Identified Staff definition

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

4. 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. The compensation approach takes into account Fineco qualification as Intermediate Bank and therefore subject to Bank of Italy surveillance, within the scope of correct application of the proportionality criteria.*
- *The Compensation Policy is 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; 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 Risk Management also guarantee the coherence with the Risk Appetite Framework, in line with sector regulations².*

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 5.1

- *As for 2020, the definition of the Identified Staff has been performed involving Compliance and Risk Management functions of FinecoBank S.p.A. The self-evaluation brought to a total number of Identified Staff for 2020 equal to **19 employees and 11 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 Functions³, 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 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 don't have any implication on 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.*

² i.e. Capital Requirement Directive IV (CRD IV); EBA Regulatory Technical Standards (RTS); Bank of Italy "Disposizioni di vigilanza per le Banche", 25th update to the Circular n. 285 of 26th October 2018; Shareholder Rights Directive II, implemented with amendments to art. 123-ter of TUF.

³ Meaning Risk Management, Compliance and Internal Audit.

2020 Compensation Policy

5. Short Term Incentive System for Employees Identified Staff

- FinecoBank's 2020 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

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.*

6. 2018-2020 Long Term Incentive Plan for Employees

- **A share-based Long Term Incentive Plan** for the three years performance period 2018-2020, has been defined in 2018, to incentive, motivate and retain selected Employees
- The Plan provides performance goals set at 2020, in terms of Value Creation, Industrial Sustainability and Risk, and the payment of a bonus in shares in installments, in a multi-year period

Details – Section I paragraph 6.1

- *Performance goals at Bank level set at 2020 considering specific targets and thresholds for EVA (Economic Value Added), C/I (Cost/Income Ratio) and CoR (Cost of Risk on commercial loans) indicators.*
- *Entry and malus conditions: 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, in a multi-year period, subject to malus and claw-back condition and to compliance assessment of individual behaviors

7. 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

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)*

8. 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)

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.

9. Performance Measurement

- Each Risk Taker is provided with his/her own *2020 Scorecard*, which balances economic-financial and non-economic indicators (namely, quantitative/strategic and qualitative/sustainable) 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.

Details – Section I paragraph 5.2.1

- *An annual process for performance measurements supports FinecoBank's 2020 Incentive System, granting coherence, consistency and clarity regarding performance goals and business strategy. The process encourages and awards 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.*

10. 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

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*

2020 Compensation Policy

Identified Staff, the 2020 PFA⁴ 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

11. 2018-2020 Long Term Incentive Plan for Financial Advisors Identified Staff

- **A Long Term Incentive Plan** for the three years performance period 2018-2020 has been defined in 2018, to incentive, motivate and retain selected Financial Advisors
- The Plan aims at rewarding the extra performance in relation to commercial goals and provides the payment of a bonus in cash and shares in installments, in a multi-year period

12. Amendments to 2019 Reward Systems intervened during the year

- On July 7, 2019, FinecoBank's Board of Directors approved the amendment of short and long term incentive systems' guidelines for employees and PFA, following the exit from UniCredit Group. In particular, all references to UniCredit and the entry conditions defined at UniCredit Group level have been removed.
- On October 7, 2019, the Board of Directors approved the amendment of the Termination Payments Policy in order to remove all references to UniCredit.

13. 2020 Compensation Policy – new features

- Entry Conditions consist in a new on/off scheme based on indicators defined by Fineco. The payout scheme for the CEO/GM and other Identified Staffs still provides a 5 years deferral, while 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 or less than €430,000 have been simplified.
- In line with the regulatory updates concerning the Provisions on Bank Transparency ("Disposizioni in materia di trasparenza delle operazioni e dei servizi bancari finanziari – Correttezza delle relazioni tra intermediari e clienti") of March 19, 2019, additional principles applicable to sale staff (employees and third personnel) have been introduced.

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.

Details – Section II paragraph 6.2

- **Individual performance goals** defined on the basis of commercial targets cumulated within the three-years performance period
- **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
- **Individual bonus payment** in cash and FinecoBank shares, in installments, in a multi-year period. Each payment is subject to malus and claw-back conditions and to a compliance assessment of individual behaviors

Details

- **SECTION II PARAGRAPH 4 – Entry and Malus Conditions of short term incentive systems:** the matrix has been replaced with the introduction of a new on/off scheme, based on indicators defined by Fineco.
- **SECTION I PARAGRAPH 6 - Entry and Malus Conditions of long term incentive systems:** Entry Conditions defined at UniCredit Group level have been removed.
- **POLITICA DEI PAGAMENTI DI FINE RAPPORTO – All references to UniCredit Group** have been removed.

Details

- **SECTION I PARAGRAPH 5 – While the payout scheme for the CEO/GM and other Identified Staffs whose variable remuneration is more than €430,000 it is the same as for 2019, therefore providing a 5 years deferral and a shares 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 or less than €430,000 now provide a 4 years deferral (instead of 5) and a shares component equal to 50% (instead of 55%).**
- **SECTION I PARAGRAPH 4.3 – Employees and third personnel assigned to the sales network (in particular, the ones who are defined as "relevant subjects" and "credit intermediaries") receive a remuneration which is based on fairness and fidelity criteria towards customers and which does not encourage individual behaviors that could harm the Bank's customers.**

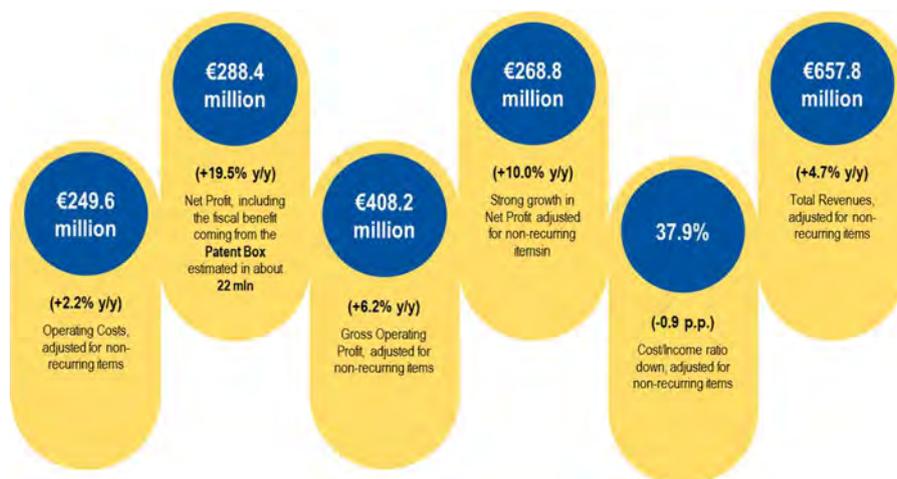
⁴ PFA – Personal Financial Advisors.

2020 Compensation Policy

2019 FY main results

The results achieved by FinecoBank Group as of December 31, 2019 (2019 financial year) are of fundamental importance for its history. Numbers and facts confirm the sustainability and the quality of Fineco's business model.

In particular:



The greatest result ever has been achieved thanks to transparency and efficiency values, which are constantly part of Fineco identity, and to the ability of our Advisors to meet the customers' financial needs effectively, in combination with increasingly advanced investment solutions.

It is the evidence of a strong growth involving all business units.

2020 Compensation Policy

Our compensation disclosure

The **2019 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 - 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 of FinecoBank Group's 2020 Compensation Policy.

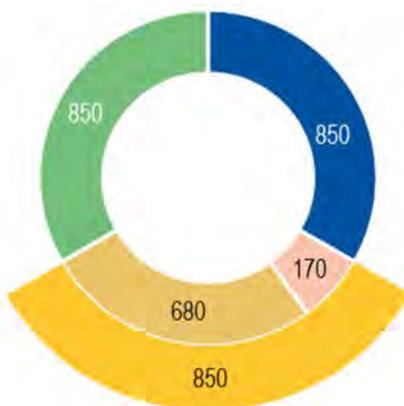
Chief Executive Officer and General Manager variable and fixed compensation data

2019 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 7 and 11, 2020.

In 2019 – also considering the excellent business results – the incidence of the short and long term variable remuneration on the fixed remuneration of the CEO and General Manager has been equal to 200%: such percentage results adding up the short term variable remuneration (up to 100% of fixed remuneration) and the annual tranche of the long term variable remuneration (2018-2020 LTI; up to 100% of fixed remuneration) incidence on the fixed remuneration.

Here is detailed the remuneration structure of FinecoBank's CEO and General Manager for 2019⁵.

CEO and General Manager
(Eur/000)



- Bonus related to 2019 performance
- Fixed remuneration
- Short-term variable remuneration deferred (cash/shares)
- Short-term variable remuneration (upfront cash)
- Annual tranche LTI 18-20 (shares)

⁵ In January 2020, 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 on pag. 10, 2019 FY main results), as well as by the need to align the fixed remuneration to the market benchmark and the increasing complexity due to the new business structure.

2020 Compensation Policy

Looking forward, 2020 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.)		
QUANTITATIVE/ STRATEGIC 	70%	each goal has the same weight	1	ROAC	vs. budget	Value Creation	
			2	EVA	vs. budget	Value Creation	
			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	Net New Clients	vs. budget	Value Creation	
			6	Net sales of Guided Product	vs. budget	Value Creation	
QUALITATIVE/ SUSTAINABLE 	30%	the two goals have the same weight	7	Stakeholder Value	vs. qualitative assessment based on: <ul style="list-style-type: none"> • Broaden the range of ESG products (e.g. lending and investments products); • Y/Y delta on Gender Pay Gap/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). 	Sustainability	
			8	Tone from the top on conduct and compliance culture	vs. qualitative assessment based on: <ul style="list-style-type: none"> • 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&control culture 	Sustainability	

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

Section I

2020 remuneration policy

2020 Compensation Policy

SEZIONE I – 2020 REMUNERATION POLICY

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- 2.2 Continuous monitoring of market trends and practices (Benchmark)
- 2.3 FinecoBank Group's Compensation Policy definition
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 - 3.2.2 *Performance appraisal*
 - 3.2.3 *Payment of the variable remuneration*
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- 4.1 Employees
 - 4.1.1 *Fixed compensation*
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 - 5.2.1 *Comprehensive Performance Measurement*
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 - 5.3.1 *Comprehensive Performance Measurement*

6. 2018-2020 LTI Plans

- 6.1 2018-2020 Long Term Incentive Plan for Employees
- 6.2 2018-2020 Long Term Incentive Plan for Financial Advisors Identified Staff

2020 Compensation Policy

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 foster and unlock 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.

During 2019 and the first few months of 2020, we continue the outreach process for the engagement of international Investors and Proxy Advisors. Considering Italian and International standards, we received valuable advice on our remuneration approach and specific suggestions in order to achieve an effective public disclosure, which we took into account to draft this document.

2020 Compensation Policy

2 Governance

Our compensation governance model aims to assure clearness and reliability in the governance processes related to remuneration through a right control of 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 Risk 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 members⁶.

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 with regards to whom compensation benchmarking analysis is performed. 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 will be at FinecoBank Remuneration Committee's disposal, 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 effective retention and motivation of our critical resources, as well as payments 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 2020 incentive systems;
- the pay recommendations based on specific benchmarking analysis versus our defined peer group to inform any 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 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 2020, the peer group 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
- UBI Banca 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).

⁶ 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 2019 financial year

2020 Compensation Policy

2.3 Fineco Compensation Policy definition

The Compensation Policy of FinecoBank Group, as drawn up by the Human Resources function, with the involvement of Risk Management, Finance and Network Controls, Monitoring and Service Department functions for all related aspects, is validated by the Compliance and Risk Management 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 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 regard to:

- all categories of the Group's 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 Compliance Function

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, *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, *Compliance* function evaluates, for all related aspects, Fineco Compensation Policy and – according to the applicable regulations – the incentive systems for Bank staff as drawn up by *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, *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 arranged, in collaboration with *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 Risk Management 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 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*.

Risk Management 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 Internal Audit Function

Within the remuneration governance process, Internal Audit function⁷ 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 the corrective measures.

⁷ Insourcing of the function in FinecoBank S.p.A. during 2019

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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 regulations⁸, the adoption of the maximum pay ratio of 2:1⁹ for personnel who belongs 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 Functions¹⁰, 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 will be 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 strategic risk appetite as of business strategies; in particular, they should be coherent to 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;
- include both absolute and relative performance measures based on the comparison of the results achieved with those of competitors;
- individual performance appraisal cannot be based only on financial criteria¹¹, 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;
- it is crucial to avoid, in individual scorecards, goals linked to economic results for Company Control Functions (*Risk Management*¹², *Compliance* and *Internal Audit*), for the Head of Human Resources and for the Manager in charge for preparing financial statements;

⁸ 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 the variable remuneration.

⁹ 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.

¹⁰ Meaning *Risk Management, Compliance and Internal Audit*

¹¹ As provided by the CRDIV 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.

¹² Where CRO roles cover both *Underwriting* and *Risk Management* functions, goals assigned must not represent a source of conflict of interest between Risk Management and Underwriting activities

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- the approach 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, with a particular focus on trading activities, 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

- Base performance evaluation upon profitability, financial 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 only in presence of an exceptionally negative situation¹³, within an approval process including a governance step in 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 the 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 a pretext 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;
- employees are required to undertake not to use personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. Such obligation is also described in the detailed rules of the Incentive Systems. In order to ensure compliance with this provision, the Corporate Control and HR Departments establish a procedure to carry out checks on the internal custody or administration accounts of the most important personnel and request the communication of the existence of custody and administration accounts with other intermediaries, and any transactions and financial investments made. A sample and not complete list of operations and relevant subjects interested by the personal-hedging ban is transmitted to all the Identified Staff within the letter that informs of the ban. For instance, the operations list includes the purchase of Bank's participations by its employees or PFAs Identified Staff, or their spouse.

Focus on compliance breach, individual Malus and Claw-Back

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

The malus mechanisms, (i.e. the reduction/cancelation 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 disposal (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 of the legal, pension and tax aspects and the time limits provided by law and practices locally applicable.

¹³ For instance: *Common Equity Tier 1 Ratio* dropping under the minimum regulatory limit, in a persistent "recession" scenario.

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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 disposal (that means, after holding periods, deferrals and/or retention periods applicable), in case the staff¹⁴:

- contributed with fraudulent behaviour 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 behaviour 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.

In the year 2018 the Compliance Breaches Committee was established¹⁵, composed of the Chief Executive Officer and General Manager, the Head of Human Resources and the Head of Compliance¹⁶. 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 - *clawback*).

3.3 Termination Payments

- In compliance with the regulatory provisions contained in Circular no. 285 of the Bank of Italy, a specific 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 in 2017, updating the document original approved in 2015.

On October 23, 2018, the Bank of Italy published the 25th update of Circular 285 which establishes, among other things, that the amounts agreed in sight or upon the early termination of the relationship - with the exception of the notice required by law and Severance Payments - 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.

As a consequence, a further update of Severance Payments Policy pay was approved by the Shareholders' Meeting on April 10, 2019. Without changing the main criteria and limits, it incorporates the new regulations, providing - among other things - 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, it is provided that the maximum limit of termination payments - inclusive of the indemnity in lieu of notice - is equal to 24 months of total compensation¹⁷, 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.
- 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.

¹⁴ Employees and all personnel, including Personal Financial Advisors.

¹⁵ For the PFA Identified Staff, the functions of Compliance Breaches Committee are covered by the competent Disciplinary Committee

¹⁶ The Head of Internal Audit is permanent guest of the Committee, without any voting rights.

¹⁷ In any case, the amount of payments in addition to the indemnity in lieu of notice does not exceed eighteen months of total compensation

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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).
- 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 people/roles.
- Moreover, these awards must in any case be in accordance with regulations time to time 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.

3.5 Share Ownership Guidelines

Share ownership guidelines set minimum levels for company share ownership by 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:

- | | |
|---|--|
| ▪ 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) | ▪ 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 for the evaluation |
| ▪ 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 | ▪ 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) |
| ▪ set and communicate <i>ex-ante</i> clear and pre-defined parameters as drivers of individual performance | ▪ avoidance of incentives with excessively short timeframes (e.g. less than three months) |
| ▪ promotion of a customer-centric approach which places customer | ▪ take into account, even in remuneration systems of the external |

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<p>needs and satisfaction at the forefront and which will not constitute an incentive to sell unsuitable products to clients</p>	<p>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</p>
<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> ▪ 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
<ul style="list-style-type: none"> ▪ to define – for personnel providing investment services and activities – incentives that are not only based on financial parameters, but also take into account the qualitative aspects of the performance; this in order to avoid potential conflicts of interest in the relationship with customers¹⁸ 	<ul style="list-style-type: none"> ▪ for Control Functions¹⁹, HR and Manager in charge for preparing financial statements, economic goals must be avoided and individual goals 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
<ul style="list-style-type: none"> ▪ avoidance of incentives on a single product / financial instrument or specific categories of financial instruments, as well as single banking product 	<ul style="list-style-type: none"> ▪ the approach 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 regulations²⁰
<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> ▪ for the purpose of granting incentive, take also into account any disciplinary sanctions and/or sanctions by regulatory authorities imposed on the resource. 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
<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> ▪ 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"> - compliance to external (i.e. laws/regulations) and internal rules (i.e.policies) and company values - mandatory training completion - existence of disciplinary procedures officially activated and/or disciplinary sanctions actually applied
<ul style="list-style-type: none"> ▪ in case of individual performance evaluation systems are fully or partially focused on a managerial discretionary approach, the evaluation parameters should be defined <i>ex-ante</i>, should be clear and documented to the manager at the beginning of the evaluation period. Such parameters should reflect all applicable regulation requirements²¹. The results of managerial discretionary evaluation should be formalized for the adequate and predefined monitoring process by the proper functions 	<ul style="list-style-type: none"> ▪ the entire evaluation process must be conveniently put in writing and documented
<ul style="list-style-type: none"> ▪ 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) don't incentive the combined sale of the wo contracts more than a separate sale of the same products. 	<ul style="list-style-type: none"> ▪ 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: <ul style="list-style-type: none"> a) their remuneration does not provide an incentive to pursue their own interests or the Company's, with a harm for its customers; b) any risk that could harm the customers should be taken into account, therefore it adopts proper measures; c) the variable remuneration for relevant subjects and intermediaries: <ul style="list-style-type: none"> i. it is linked to qualitative and quantitative assessment criteria; ii. it does not provide an incentive to offer a specific product or a

¹⁸ 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.

¹⁹ Company Control Functions meaning Risk Management, Compliance and Internal Audit (insourcing in FinecoBank S.p.A. during 2019). Where CRO covers both Underwriting and Risk Management activities, the goals assigned shall not be source of conflict of interests between Underwriting and Risk Management.

²⁰ For instance, functions covering accounting and tax functions

²¹ Also in line with the regulation references reported in note 18 above

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	<p>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,</p> <p>iii. it is adequately balanced with respect of the fixed remuneration;</p> <p>iv. it 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.</p>
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Within network roles incentive systems, particular attention is addressed on all commercial initiatives that involve the Personal Financial Advisor network²².

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 the 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.

²² See paragraph 4.2.2 for details.

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4. Compensation Structure

4.1 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 behaviors not aligned with the company's sustainable business results and risk appetite.

As 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
4.1.1. FIXED COMPENSATION		
<p>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 the overall quality of the contribution to business results.</p>	<p><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></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>Specific pay-mix guidelines for the weight of fix versus variable compensation are defined with respect to each target of employee population.</p> <p>With particular reference to <i>Identified Staff</i>, the Remuneration Committee proposes to the Board of Directors:</p> <ul style="list-style-type: none"> 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 and the identification of an external consultant to provide "executive compensation" services the positioning in terms of compensation, in line with relevant market's competitive levels, defining operational guidelines to perform individual compensation reviews as necessary. <p>For the <i>Identified Staff</i> in Control Functions, it is foreseen the introduction of specific Role Based Allowance (or RBA) in cash, defined ex ante on the basis of the "band"²³ and Function.</p> <p>In case of changes in the banding, the RBAs can be increased, decreased or zeroed.</p> <p>RBAs are not linked to performance and consequently cannot be discretionally reduced, suspended or cancelled as far as the employee covers a specific role providing the allowance.</p> <p>According to regulation, RBA are to be considered fixed remuneration. RBA were firstly introduced in 2019 and individually assigned to employees when appointed to a control function role.</p>
4.1.2. VARIABLE COMPENSATION		
<p>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</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</i></p>	<ul style="list-style-type: none"> 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. Incentives remunerate the achievement of performance objectives, both quantitative and qualitative, by providing for a variable bonus payment.

²³ 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.

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<p>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.</p>	<p><i>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"> ▪ 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. ▪ 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. ▪ 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. ▪ 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>”.
<p>Incentive Systems linked to yearly performance (Short Term Incentives or STI)</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"> ▪ Pay-out is based on a “<i>bonus pool</i>” approach providing for a comprehensive performance measurement at individual and at Group level. ▪ 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. ▪ The <i>Executive Development Plan</i> (EDP) as the framework for <i>Identified Staff</i> performance management is a cornerstone of fair and coherent appraisal across the organization. ▪ 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 (e.g. <i>Performance Management</i>) that foresees a yearly, written, and documented process for the goals setting, self-assessment, managerial assessment and the definition of an individual development plan. ▪ 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 ▪ 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>. ▪ 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.
<p>Long-term Incentive plans (Long Term Incentive or LTI)</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"> ▪ For 2018-2020 three years performance period, a share based Long Term Incentive Plan for selected Employees considered “key roles”, has been approved. ▪ The plan is based on Group’s goals with targets set at 2020, in terms of value creation, business sustainability and risk, coherently with the long term Fineco goals.

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- The Plan provides entry and malus conditions, a claw-back condition and a specific risk adjustment.
- The Plan provides for the payment of a bonus in FinecoBank shares, in a multi-year period.
- For the Plan details, please refer to the specific section of the *remuneration report*.

4.1.3. BENEFIT

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

Benefits aim to reflect internal equity and overall coherence of our remuneration systems, catering to the needs of different categories as appropriate and relevant..

- 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.

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4.2 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
4.2.1. RECURRING REMUNERATION		
<p>This is the most stable and ordinary part of the total remuneration, equivalent to the fixed salary of employees</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"> ▪ 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. ▪ 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.
4.2.2. NON RECURRING REMUNERATION		
<p>Incentive Systems linked to short term performance.</p> <p>This is the incentive element, in other words it is tied to reach certain goals, equivalent to the variable compensation of employees</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"> ▪ Pay-out is based on a "bonus pool" approach providing for a comprehensive performance measurement at individual and at Group level. ▪ Reward is directly linked to performance, which is evaluated on the basis of results achieved. ▪ 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. ▪ 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

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		<p>behaviours) in specific insurance policies. The release of those awards is provided at the reach of the retirement age.</p> <ul style="list-style-type: none"> ▪ 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 behaviours (compliance with internal and external rules and regulations and absence of disciplinary actions) are also evaluation elements to assign individual incentives.
<p>Long Term Incentive Plans (Long Term Incentive or LTI)</p>	<p>The long term Incentive Plans aim at retaining and rewarding selected Financial Advisors and Network Managers towards commercial Network goals for the 2018-2020 performance period.</p>	<ul style="list-style-type: none"> ▪ Within a wider long-term incentive and retention program for the Financial Advisors network in 2018-2020 three years performance period, the following Plans have been approved by the Board of Directors: <ol style="list-style-type: none"> 1) A long term Incentive Plan with bonuses in cash and FinecoBank shares for Financial Advisors that will be qualified as Identified Staff in the performance year 2020. The Plan is based on commercial goals with cumulated target in the three years 2018-2020, coherently with the long-term goals of FinecoBank Network. The Plan provides specific entry conditions at individual and Group level, a claw-back condition and a risk adjustment mechanism. At last, the Plan provides the payment of a bonus in cash and FinecoBank shares, in a multi-year period, as provided by law. The Plan details are described in the specific section of the <i>remuneration report</i>. 2) A Long Term cash-based Incentive plan for selected Financial advisors not belonging to Identified Staff population. The Plan is based on the same logics of the LTI Plan described above, including – for the purpose of bonus provision – a further permanence duty after the payment of at least 36 months.

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4.3 Sale Staff (employees and third personnel)

The updates to the 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*”) of March 19, 2019, appoint two categories of staff (relevant subjects and credit intermediaries)²⁴ which remuneration has to follow further principles, in addition to the ones provided in paragraph 3, Section I (2020 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 is 2,542, with 203 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.²⁵

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.

4.4 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.

²⁴ 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.

²⁵ 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.

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5. 2020 Compensation Systems

5.1 Target Population

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

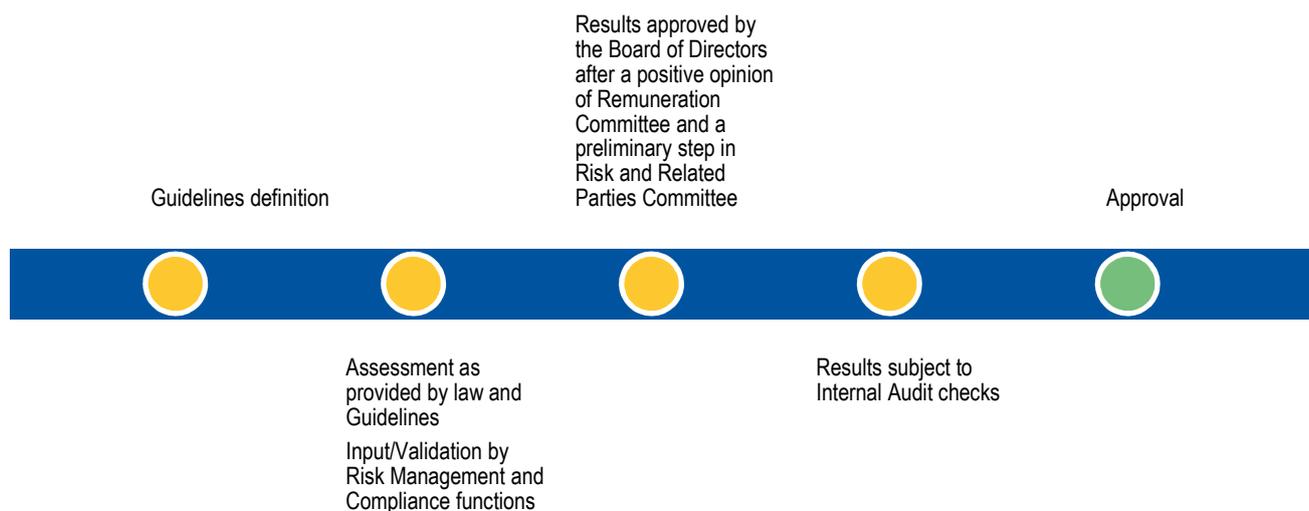
The definition of 2020 *Identified Staff*, pursuant to the European criteria foreseen in the *European Banking Authority Regulatory Technical Standard (RTS)*²⁶, followed a structured and formalized assessment process based on the guidelines provided by the functions *Human Resources* with the contribution of *Risk Management* 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 for the "band" for Employees, including all Employees with band 5 (Senior Vice President)²⁷ or higher, in the risk takers category.

The recognition 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 Compensation Policy, brought to the identification of a total number of **19 employees and 11 Financial Advisors**²⁸ for 2020²⁹.

Regarding the employees, as a result of the analysis and as approved by the Board of Directors upon Remuneration Committee proposal, the following categories of employees have been defined for 2020 as *Identified Staff*: Chief Executive Officer and General Manager, Executives with strategic responsibility, executive positions in Company Control Functions (Compliance, Risk Management) and other positions that are responsible for strategic decisions which may have a relevant impact on the Group's risk profile³⁰.

Regarding the 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 2019 are disclosed in Section II – chapters 4 and 5 and in the Annexes.

²⁶ 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.

²⁷ According to Global Job Model

²⁸ Vs 14 Employees and 8 Financial Advisors identified in 2019

²⁹ *Identified Staff* data refers to the population at the date of February 2020, providing for an ex-ante definition, in line with regulatory requirements. The assessment included as *Identified Staff* also the Non Executive Directors member of the Board (8 people), identified by the regulatory provisions applicable; however, the identification does not have any impact on remuneration.

³⁰ The list of Fineco *Identified Staff* includes also the Fineco Asset Management DAC CEO

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As a result of the analysis and as approved by the Board of Directors upon Remuneration Committee proposal as shown above, and prior the control carried out by 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 who have 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 higher/equal to 5% of the total asset of the PFA Network.

Pursuant to the regulatory requirement and the process defined at European level³¹ the exclusion from Identified Staff of 19 PFA whose total remuneration in 2019 is equal or exceeds Euro 500,000 is submitted to the Regulatory Authority.

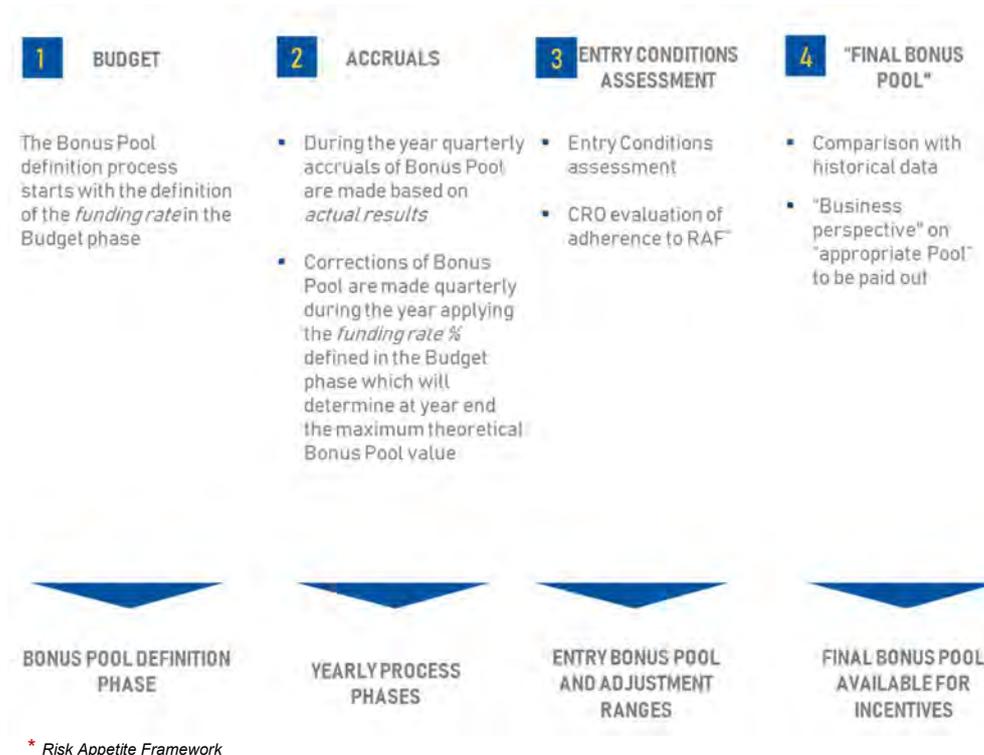
5.2 2020 Incentive System for Employees Identified Staff

As in the past years, the 2020 Incentive System, as approved by the Board of Directors of FinecoBank on January 15, 2020, 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 shares³², 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 share retention periods. In fact the payment structure defined requires a retention period on shares (of 1 year for 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 2020 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



³¹ ECB Decision (EU) 2015/2218 dated November 20, 2015; EBA RTS chapter 4, art. 4

³² In compliance with sector regulations, the Chief Executive Officer of Fineco Asset Management DAC - Identified Staff of the Group - is the beneficiary of the FAM Incentive System 2020, for which the use UCITS compliant instruments is envisaged.

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Budget

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 Zero Factor based on performance indicators in terms of profitability, capital and liquidity. The entry conditions defined for 2020 – working also as malus conditions for the previous incentive systems deferrals – are reported in the following table.

Fineco Entry Conditions
Net Operating Profit adjusted ≥ 0 and
Net Profit ≥ 0 and
CET1 Ratio $> 9.77\%$ (2020 RAF Trigger) and
Liquidity Coverage Ratio $> 101\%$ (2020 RAF Limit)
Net Stable Funding Ratio $> 101\%$ (2020 RAF Limit)

Compared to the 2019 system, the Capital indicator changes moving from the CET1 Ratio RAF *limit* to the CET1 Ratio, with reference to the RAF *trigger* value instead of limit.

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



- In case the Entry Conditions are all met (**quadrant “A”**), the bonus pool can be confirmed or increased, with the possibility to award the extra performance
- In case at least one Entry Condition is not met (**quadrant “B”**), malus conditions apply, so that Zero Factor is determined for the Identified Staff; however, for the remaining population, a portion of pool could be kept for retention purposes or to guarantee the competition on the market

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

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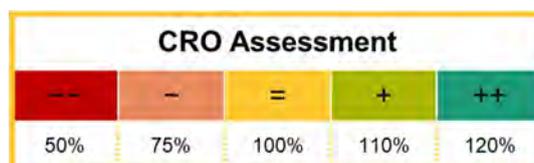
The CRO dashboard (defined in coherence with Fineco Risk Appetite Framework) includes KPIs taken from the Risk Appetite Framework, measured with reference to the respective relevant thresholds (*limit, trigger and target*). Here below a sample of the content of the dashboard.

AREA	DIMENSION	2020			
		KPIs	Target	Trigger	Limit
Pillar 1 KPIs	Capital	CET1 Ratio (%)	-%	-%	-%
	Liquidity	LCR (%)		-%	-%
		NSFR (%)		-%	-%
Managerial KPIs	Risk & Return	ROAC (%)	-%	-%	-%
	Credit	EL stock (%)	-%	-%	-%
		Coverage on Impaired (%)	-%	-%	-%
Specific Risk KPIs	Interest Rate Risk on Banking Book	EV Sensitivity (%)		-%	-%
	Operational	Operational Risk Losses/Revenues	-%	-%	-%

SAMPLE

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

The bonus pool corrections ranges deriving from the CRO Dashboard assessment are not modified compared to the 2019 Incentive System, as follows.



The fully positive “++” rating can only be granted in the case of positive EVA at the end of the financial year (or EVA > 0 if the budget is equal to 0). As provided in the 2019 System, a further range of discretion up to +20% is in the faculty of the Remuneration Committee and Board of Directors, while no limit is set in case the bonus pool is lowered with respect to 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.

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Individual bonus allocation

- Individual bonus will be allocated to beneficiaries considering 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 2020 Scorecard: a minimum of 5 and maximum 8 goals that reflect the Bank and FinecoBank Group's strategy. The Scorecard include 4-6 quantitative/strategic goals, each one with the same weight and with an overall incidence of 70% on the evaluation, and up to 2 qualitative/sustainable goals (if the case, both with the same weight) with an incidence of 30% on the evaluation;
 - 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 goals appraisal system is based on a 5 values scale with a descriptive outcome (from "Below Expectations" to "Greatly Exceeds Expectations").

Sample of 2020 Scorecard

	WEIGHT	GOAL NAME	REFERENCE TARGET	NOTE/CATEGORY (sustainability, value creation, risk, cost efficiency, etc.)
QUANTITATIVE/ STRATEGIC 	70% each goal has the same weight	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
QUALITATIVE/ SUSTAINABLE 	30% the two goals have the same weight	GOAL 7	vs. qualitative assessment	Sustainability
		GOAL 8	vs. qualitative assessment	Sustainability

Sample of 2020 evaluation

Below Exp	Almost Meets Exp	Meets Exp	Exceeds Exp	Greatly Exceeds Exp
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With the purpose of the individual allocation of bonuses, 2020 Incentive System requires that beneficiaries carry out the mandatory training according to Compliance (at least 90% at September 30).

Bonus payment

- As approved by the Board of Directors on January 15, 2020, compared to 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 2021 the first portion of the overall incentive ("1st tranche") will be paid in cash, after verifying the compliance and adherence at the individual level of compliance rules and principles of conduct and behavior³³;
 - the remaining amount of the total incentive will be paid in several installments in cash and/or Fineco free ordinary shares in the period:
 - 2022-2026 for the CEO and DG, 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
 - 2022-2025 for other for other roles foreseen by the legislation (e.g. first reports of the CEO and DG) with variable remuneration amount under or equal Euro 430,000
 - 2022-2024 for other Identified Staff
- In particular, payment systems are based on three time horizons (4, 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:

³³ 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"

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- For CEO and GM and other roles provided by law³⁴ with “significant amount” of total variable pay in the performance year (>430,000 €)³⁵ a 5 years payout scheme applies with an overall payout structure of 6 years, with 60% of bonus deferred, **in coherence with 2019 payout scheme**.

PAYOUT		2021	2022	2023	2024	2025	2026	Total
	Cash	20% upfront			12% deferred			12% deferred
Shares			20% upfront		12% deferred	12% deferred	12% deferred	56%

- For the other roles provided by law³⁶ with non-significant amount of total variable remuneration (≤430,000 €) a 4 years payout scheme applies with an overall payout structure of 5 years, with 50% of bonus deferred.

PAYOUT		2021	2022	2023	2024	2025	Total
	Cash	25% upfront			15% deferred		10% deferred
Shares			25% upfront		15% deferred	10% deferred	50%

- At last, for other identified staff with non-significant amount of total variable remuneration a 3 years payout scheme applies with an overall payout structure of 4 years, with 40% of bonus deferred.

PAYOUT		2021	2022	2023	2024	Total
	Cash	30% upfront				20% 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 the instalments are subject to the application of claw-back conditions;
- in coherence with 2019, a minimum threshold³⁷ will be introduced, below which no deferral mechanisms will be apply;
- the number of shares to be allocated in the respective instalments shall be defined in 2021, 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 2020 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 upfront and deferred shares.;
- 2020 Incentive System provides for an expected impact on FinecoBank S.p.A. share capital of approximately 0.1%, 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 0.7% 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.

5.2.1 Comprehensive performance measurement

An annual performance measurement framework supports the 2020 Incentive System described in the 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 individuals 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 a balanced and not discretionary assessment.

³⁴ For instance the first reporting line of Management Body (CEO) and responsible of main business areas.

³⁵ Equal to 25% of the total remuneration of the Italian High Earners according to the EBA report (Benchmarking and High Eaners 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.

³⁶ See note 34

³⁷ Equal to Euro 75.000 that will be paid in cash.

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For each Risk Taker, the 2020 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 exactly replicate the CEO and GM's scorecard, also considering their role. The goal setting for the remaining Identified Staff, instead, has been carried out through the cascading 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.

2020 CEO and general manager scorecard

2020 goals 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 include 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.)
QUANTITATIVE/ STRATEGIC 	70%	1	ROAC	vs. budget	Value Creation
		2	EVA	vs. budget	Value Creation
		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	Net New Clients	vs. budget	Value Creation
		6	Net sales of Guided Product	vs. budget	Value Creation
QUALITATIVE/ SUSTAINABLE 	30%	7	Stakeholder Value	vs. qualitative assessment based on: <ul style="list-style-type: none"> Broaden the range of ESG products (e.g. lending and investments products); YY delta on Gender Pay Gap/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). 	Sustainability
		8	Tone from the top on conduct and compliance culture	vs. qualitative assessment based on: <ul style="list-style-type: none"> 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&control culture 	Sustainability

For the other *Identified Staff* of Fineco, indicators that include profitability and risk management are reflected also in their scorecards, with differences given by the relevant activities. 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 with the 2021 Compensation Policy. In fact, those are price sensitive information linked to Fineco strategies.

Focus on sustainable goals

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

For instance, the CEO and General Manager's 2020 Scorecard and the Identified Staff's, with reference to the short-term incentive system and in line with 2019, contain sustainable goals, related to the capacity of generating medium-long term value for all the stakeholders. In particular, the goal "Stakeholder Value" declines ESG targets that are included in the 2020-2023 Group's Strategic Plan, and that can be pursued and measured objectively also in a one-year period.

In continuity with 2019, 2020 scorecards also provide a specific goal related to the "Tone from the top", therefore related to behavior integrity and spread of compliance culture within the organization.

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5.3 2020 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 2020 Incentive System for PFA Identified Staff – as approved by the Board on January 15, 2020 - 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 4 years;
- distribution of share³⁸ payments which take into account the applicable regulatory requirements regarding the application of share retention periods. In fact the payment structure defined requires a retention period on shares (1 year 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 2020 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:



Budget phase

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.

³⁸ 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.

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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.

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 provided for 2020 – 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 ≥ 0 and
Net Profit ≥ 0 and
CET1 Ratio > 9.77% (2020 RAF Trigger) and
Liquidity Coverage Ratio > 101% (2020 RAF Limit)
Net Stable Funding Ratio > 101% (2020 RAF Limit)

Compared to the 2019 system, the Capital indicator changes moving from the CET1 Ratio RAF *limit* to the CET1 Ratio, with reference to the RAF *trigger* value instead of limit.

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



- In case the Entry Conditions are all met (**quadrant "A"**), the bonus pool can be confirmed or increased, with the possibility to award the extra performance
- In case at least one Entry Condition is not met (**quadrant "B"**), malus conditions apply, so that Zero Factor is determined for the Identified Staff; however, for the remaining population, a portion of pool could be kept for retention purposes or to guarantee the competition on the market

To activate the "multiplier" the CRO dashboard assessment is confirmed, pursuant to the defined methodology.

The CRO dashboard (defined in coherence with the Fineco Risk Appetite Framework) includes indicators taken from FinecoBank Risk Appetite Framework, measured with reference to the respective relevant thresholds (*limit*, *trigger* and *target*)³⁹.

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 the entry conditions are all met.

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

The bonus pool corrections ranges deriving from the CRO Dashboard assessment are not modified compared to the 2019 Incentive System, as follows:

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

The fully positive "++" rating can only be granted in the case of positive EVA at the end of the financial year (or EVA > 0 if the budget is equal to 0). As provided in the 2019 System, a further range of discretion up to +20% is in the faculty of the Remuneration Committee and Board of Directors, while no limit is set in case the bonus pool is lowered with respect to 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.

³⁹ See paragraph 5.2.

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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.

Bonus payment

- For the Financial Advisors belonging to the Identified Staff, the payment mechanism provides for a 3 years deferral. The payment of the potential bonus 2020 will therefore take place over a maximum period of 4 years. In particular:
 - in 2021 the first portion of the overall incentive ("1st tranche") will be paid in cash, after verifying the compliance and adherence at the individual level of compliance rules and principles of conduct and behavior⁴⁰;
 - over the period 2022-2024 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 remuneration⁴¹ received in the performance year, according to the schemes described below:
 - For roles with significant amount of total variable remuneration, a 3 years payout scheme applies with an overall payout structure of 4 years, with 60% of bonus deferred.

PAYOUT		2021	2022	2023	2024	Total
	Cash	20% upfront	5% deferred	5% deferred	20% deferred	50%
Shares		20% upfront	15% deferred	15% deferred	50%	

- For roles with non-significant amount of total variable remuneration, a 3 years payout scheme applies with an overall payout structure of 4 years, with 40% of bonus deferred.

PAYOUT		2021	2022	2023	2024	Total
	Cash	30% upfront			20% deferred	50%
Shares		30% upfront	10% deferred	10% deferred	50%	

- All the instalments are subject to the application of claw-back conditions, as legally enforceable;
- in coherence with 2019, a minimum threshold⁴² will be introduced, below which no deferral mechanisms will be apply;
- the number of shares to be allocated in the respective instalments shall be defined in 2021, 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 2020 performance achievements;
- free Fineco ordinary shares that will be allocated will be freely transferable;
- 2020 Incentive System provides for an expected impact on FinecoBank share capital of approximately 0.04%, 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 0.7% ca. However, the 2020 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.

⁴⁰ Considering also the seriousness of possible internal/external inspections (i.e. Internal Audit, Bank of Italy, Consob and/or similar local authorities).

⁴¹ The definition of the overall variable remuneration threshold (>€ 430,000) follows the same logic described in the 2020 Incentive System for Employees Identified Staff

⁴² Equal to Euro 75,000 that will be paid in cash.

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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 2020 Incentive System for PFA⁴³ the performance assessment of Financial Advisors included in the Identified Staff will be based on the following indicators:

- total net sales goal (difference between the invested and disinvested assets by FinecoBank customers);
- development activities (for instance planned and structured meeting with customers);
- percentage of achievement of the overall group goal by the managed Financial Advisors and percentage of sales in Guided Products⁴⁴ in comparison with the group overall goal⁴⁵;
- percentage of achievement of individual net sales goal and percentage of net sales of asset under management in comparison with the individual goal⁴⁶;
- 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.

⁴³ Always taking into account the individual compliance condition, as described above

⁴⁴ Guided products refer to high added value products and developed services, considering the different customers risk profiles

⁴⁵ For the Financial Advisors in managerial positions with more than 5 PFA coordinated

⁴⁶ For PFAs and Financial Advisors in managerial position and less than 5 PFA coordinated

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6. 2018-2020 LTI Plans

6.1 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 equity plan has been defined in 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 (about 65 resources, including Executives with strategic responsibility).

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.

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.

Performance goals

The performance targets, as defined above, will be assessed in relation to specific targets and will have a specific percentage weight on the total bonus. Their valuation (with the exception of the Cost of Risk for which an "on-off" threshold is envisaged) will be based on progressive thresholds, which will correspond to increasing percentages of bonuses from 0 to 100% with a linear progression⁴⁷, as shown below.

	KPI	PERIMETER	WEIGHT	TARGET	PARAMETERS	
					Threshold	Payment
VALUE CREATION	EVA	FINECO	50%	2020	≥ 200M€	100%
					180M – 200M€	0 – 100%
					≤ 180M€	0%
INDUSTRIAL SUSTAINABILITY	COST/INCOME RATIO	FINECO	35%	2020	≤ 39%	100%
					42% – 39%	0 – 100%
					≥ 42%	0%
RISK	CoR*	FINECO	15%	2020	≤ 40 bps	100%

* Calculated on commercial credits.

Entry and malus conditions

In order to comply with current regulations, Fineco defined

- appropriate Fineco Entry Conditions 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 Fineco malus conditions measured during the deferral period, which may confirm, reduce or cancel the deferred shares, as detailed below.

In full compliance with the regulations in force, and for the purposes set out above, specific Fineco indicators have been identified to measure profitability, capital strength and liquidity.

⁴⁷ For example, with EVA at 12/31/2020 equal to 190 million, the payment of the corresponding bonus portion would be equal to 50% of what is expected in case of EVA equal to 200 million.

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The indicators of capital and liquidity (Common Equity Tier 1 Ratio Fully Loaded⁴⁸, Liquidity Coverage Ratio and Net Stable Funding Ratio) will be calculated annually, while a "cumulative" assessment of profitability indicators is envisaged. In 2020 - in line with the provisions for the short-term Incentive System and in accordance with the provisions of the Plan Regulations - the Capital Condition CET1 Ratio (*limit*) has been changed for the year of performance in *CET1 Ratio (trigger)*.

Performance Entry Conditions		Deferral Malus	
INDICATORS	VALUES	INDICATORS	VALUES
Σ 2018-2020 Net Operating Profit Adjusted	>0	Σ Net Operating Profit Adjusted	>0
Σ 2018-2020 Net Profit	>0	Σ Net Profit	>0
CET1 Ratio (RAF Trigger)*	>9.77%	CET1 Ratio (RAF Trigger)*	>9.77%
Liquidity Coverage Ratio (RAF Limit)*	>101%	Liquidity Coverage Ratio (RAF Limit)*	>101%
Net Stable Funding Ratio (RAF Limit)*	>101%	Net Stable Funding Ratio (RAF Limit)*	>101%

1) In case cumulated entry conditions are not met, bonus will be zeroed.
2) In case annual entry conditions are not met, bonus will be reduced pro-quota.

1) In case both cumulated and annual entry conditions are not met, deferred installments will be zeroed

* In case more restrictive amendments are provided by law in the Plan performance years, the thresholds will be modified accordingly.

Each payment related to the Plan is subject to the preliminary compliance check of individual behaviors.

The bonus payment is subject to claw-back⁴⁹.

Risk adjustment

For the purposes of the appropriate Plan correction for the Bank's Risk, the results of the annual CRO Dashboard assessments for the purposes of short-term incentive systems will be taken into consideration for each year of the Plan's performance. The presence of several 'neutral' annual assessments or negative assessments will 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

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 the target bonus is defined individually, always in compliance with the maximum limits set by the regulations and FinecoBank Group Compensation Policy.

⁴⁸ It's the Class 1 Capital of the Institution expressed in percentage of the overall amount of the risk exposure. It's the CET1 requirement recommended by ECB in its communication on variable remuneration.

⁴⁹ See par. 3.2, section I

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As mentioned, the bonuses will be paid entirely in FinecoBank free ordinary shares⁵⁰, according to the payment schemes shown below.

	2018-2020	2021	2022	2023	2024	2025
CEO/GM	PERFORMANCE			40% UPFRONT SHARES		60% DEFERRED SHARES
IDENTIFIED STAFF	PERFORMANCE			40% UPFRONT SHARES	20% DEFERRED SHARES	20% DEFERRED SHARES
OTHER BENEFICIARIES	PERFORMANCE	40% UPFRONT SHARES	20% DEFERRED SHARES	20% DEFERRED SHARES	20% DEFERRED SHARES	

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.

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 of non-achievement of the entry conditions, 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 – has been defined in 2018, based on the arithmetic mean of the official closing market price of FinecoBank ordinary shares during the month preceding the Board resolution that executed the Shareholders Meeting resolution related to the Plan.

The Plan provides for an impact on FinecoBank S.p.A. share capital of approximately 0.1%, 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 equals to 0.7% 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.

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.

⁵⁰ The Bank reserves the possibility to assign different instruments from the FinecoBank ordinary shares, where requested by law.

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6.2 2018-2020 Long Term Incentive Plan for Financial Advisors Identified Staff

With the aim of rewarding, motivating and retaining selected Financial Advisors and Network Managers⁵¹, in line with the commercial goals of the three-year period 2018-2020 and with the aim of creating value for Shareholders, a long-term plan has been defined in cash and FinecoBank shares. The Plan is dedicated to Financial Advisors who will be qualified as Identified Staff in the year 2020. At the moment, 11 beneficiaries are estimated⁵². 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 (which will be purchased on the market).

Performance goals

Performance goals are 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). Through the evaluation system, as described below, the Plan aims at rewarding the extra performance towards the defined goals.

Performance indicators work in a general "matrix" logic with different specificities, depending on the target population (PFA / Group Manager and Area Manager) as shown below.

- For Group Manager and PFA population, increasing bonuses are expected up to a theoretical maximum when 250% of the cumulated budgets in terms of Total Net Sales and Net Sales of Guided Products are reached⁵³.

NS VS 2018-2020 BUDGETS	PFA & GROUP MANAGERS			Theoretical Bonus
	70%	80%	100%	
250%	70%	80%	100%	
200%	60%	70%	80%	
150%	50%	60%	70%	
	150%	200%	250%	NSGP

- For the purposes of determining the final maximum bonus a "multiplier" is also provided based on the ratio between Guided Products and Total Financial Asset, as shown below:

GP/TFA	Final Bonus
≥65%	1.5x
<65% ≥60%	1.25x
<60%	1x

⁵¹ Group Managers and Area Managers (Financial Advisors with accessory assignment of other PFAs coordination)

⁵² Identified pursuant to the regulation in place at the time

⁵³ Group Manager that at December 31, 2020 have reached the personal targets as described in the matrix, in order to access the bonus shall have also achieved the goal of 100% of Total Net Sales and Net Sales of Guide Products in the period of the coordinated PFAs.

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- For the Area Managers the performance evaluation follows the same logics with targets “vs budget” measured in a different way, as shown below. Differently from Group Manager and PFAs, in facts, the further multiplier is not provided⁵⁴.

NS	AREA MANAGERS			Final Bonus
	70%	80%	100%	
250%	70%	80%	100%	
200%	60%	70%	80%	
150%	50%	60%	70%	
VS 2018-2020 BUDGETS	150%	200%	250%	NSGP

Malus and entry conditions

For the purposes of the Plan, specific entry conditions are defined at individual and Group level as detailed below.

Individual entry conditions

In order to access the bonus, is provided at individual level the achievement of specific thresholds in terms of Net Sales of Asset under Management⁵⁵, namely:

- 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 is provided the achievement of a EVA threshold equal or higher than € 180 Mio.

Entry and Malus conditions

In order to comply with regulatory provisions, the following are defined:

- specific “Entry Conditions” that will be measured within the Plan performance years and can confirm, reduce or cancel the individual bonuses pursuant to what is detailed below, and
- specific 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.

Capital and liquidity indicators (*Common Equity Tier 1 Ratio Fully Loaded, Liquidity Coverage Ratio and Net Stable Funding Ratio*) will be assessed yearly, while is provided a “cumulated” assessment of the profitability indicators (*Net Operating Profit Adjusted and Net Profit*). In 2020 - in line with the provisions for the short-term Incentive System and in accordance with the provisions of the Plan Regulations - the Capital Condition CET1 Ratio (*limit*) has been changed for the year of performance in *CET1 Ratio (trigger)*.

Below is shown the functioning mechanism of entry and malus conditions provided by the Plan:

Performance		Deferral	
Entry Conditions		Malus	
INDICATORS	VALUES	INDICATORS	VALUES
Σ 2018-2020 Net Operating Profit Adjusted	>0	Σ Net Operating Profit Adjusted	>0
Σ 2018-2020 Net Profit	>0	Σ Net Profit	>0
CET1 Ratio (RAF Trigger)*	>9.77%	CET1 Ratio (RAF Trigger)*	>9.77%
Liquidity Coverage Ratio (RAF Limit)*	>101%	Liquidity Coverage Ratio (RAF Limit)*	>101%
Net Stable Funding Ratio (RAF Limit)*	>101%	Net Stable Funding Ratio (RAF Limit)*	>101%

1) In case cumulated entry conditions are not met, bonus will be zeroed.

2) In case annual entry conditions are not met, bonus will be reduced pro-quota.

1) In case both cumulated and annual entry conditions are not met, deferred installments will be zeroed

* In case of more restrictive amendments provided by law in the Plan performance years, the thresholds will be modified accordingly.

The conditions must all be met for the purpose of awarding the maximum bonus (including deferrals).

The verification - in every year of performance of the Plan and in each year of bonus assignment - of the persistence of the agency relationship remains valid.

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

⁵⁴ The multiplier is not provided for Area Manager in consideration of the scope of the role and considering challenging the achievement of the over-performance in terms of Total Net Sales and Net Sales of Guided Products.

⁵⁵ Measured at 31/12/2020 as “cumulated” within the Plan performance years

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The bonus payment is subject to claw-back⁵⁶.

Risk adjustment

For the purposes of the appropriate Plan correction for the Bank's Risk, the results of the annual CRO Dashboard assessments for the purposes of short-term incentive systems will be taken into consideration for each year of the Plan's performance. The presence of several 'neutral' annual assessments or negative assessments will 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

Bonus payment

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 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 to each year of performance.

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

2018-2020	2021	2022	2023	2024	2025
PERFORMANCE	20% UPFRONT CASH	20% DEFERRED CASH	20% UPFRONT SHARES	20% DEFERRED SHARES	20% DEFERRED SHARES

- 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.

The evaluation of the results and the conditions for the individual awarding of bonuses will be carried out by the Board of Directors, upon the proposal of the Remuneration Committee, according to the established governance⁵⁷.

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

The maximum number of shares to be assigned with the third, fourth and fifth tranches of the bonus shall be 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.

The Plan provides for an expected impact on FinecoBank share capital of approximately 0,08%, assuming that all free shares for Financial Advisors have been assigned. The current overall dilution for all other outstanding FinecoBank equity-based plans both for Employees and Financial Advisors equals 0,7% ca. However, the Plan 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.

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

⁵⁶ See paragraph 3.2 Section I

⁵⁷ It is possible for the Remuneration Committee and the Board of Directors to increase bonuses up to 20% (within the maximum bonus provided by the Plan) or to correct them in negative without limits, in the presence of extraordinary conditions and taking into account elements such as for example behaviors with significant reputational impact. The 'positive' correction does not apply if entry conditions are not met, as described in this paragraph.

Section II

2019 remuneration report

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SECTION II – 2019 REMUNERATION REPORT

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1. Introduction

The *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 2019 outcomes, covering our *Identified Staff* population (both employees and Financial Advisors) and Corporate Bodies' members.

Remuneration solutions implemented in 2019 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). The new provisions have been fully implemented within the scope of the present Compensation Policy. For instance, an *advisory non-binding vote* will be held on the Section II of the document by the 2020 Shareholders' Meeting, in relation to a separate and different resolution from the one required to approve the Section I.

2019 remuneration report, the section that provides complete and comprehensive information on compensation, includes details referring to Members of Administrative and Auditing bodies, General Manager and Executives with strategic responsibility.

Data pursuant section 84-*quater* approved with resolution of the Italian National Commission for Listed Companies (Consob) no.11971, dated May 14th 1999 (as subsequently modified), providing the rules for Issuers (so called "Issuers Regulation"), as well as the information on incentive systems pursuant to section 114-bis of the Legislative Decree issued on February 24, 1998 n. 58 (the Consolidated Text on Finance –"TUF"), and to the provisions of the Issuers Regulation on information that have to be communicated to the market on compensation plans based on financial instruments, are included in this document, further to be included in the Annexes to the 2019 FinecoBank Compensation Policy.

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.

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2. Governance & Compliance

2.1 Remuneration Committee

The Remuneration Committee, established by the Board of Directors' resolution on April 11, 2017, performs a strategic role in supporting Board of Directors' oversight of FinecoBank Group Compensation 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, Mr. Gianmarco Montanari, Ms. Elena Biffi and Mr. Enrico Cotta Ramusino

As provided by law, at least a Committee Member has adequate knowledge and experience in finance or accounting topics, and in remuneration policies.

The FinecoBank Board of Directors verified the Directors independence requirements pursuant to art. 148 TUF and art. 3 of Corporate Governance Code. Pursuant to this, with reference to the Remuneration Committee members:

- Mr. Gianmarco Montanari and Ms. Elena Biffi resulted Independent Directors pursuant to art. 148 TUF and art. 3 of Corporate Governance Code;
- Mr. Enrico Cotta Ramusino resulted independent pursuant to art. 148 TUF.

The Committee meetings held in 2019 have been coordinated by the Chairman Mr Gianmarco Montanari.

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 Report on Remuneration 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 2019 the Remuneration Committee met 11 times. The meetings had an average duration of one hour and half. From the beginning of 2020 and until the approval of the present 2020 Compensation Policy, 4 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, by means of the budget assigned for the year (amounting to Euro 35,000 for 2019), has started a collaboration with an external advisor - whose independence has been previously verified - who is invited to the Committee's meeting when required.

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 2019, 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 2019 Incentive Systems evaluation, while the Compliance Officer was invited, among others, to participate in the discussions related to the Identified Staff definition.

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The Chairman has also invited the *Internal Audit*⁵⁸ function to the meeting related to the annual audit performed on FinecoBank remuneration policies and practices.

During 2019, the key activities of the Remuneration Committee included:

MAIN COMMITTEE'S ACTIVITIES IN 2019	
January	<ul style="list-style-type: none"> ▪ 2019 Employees Identified Staff definition and related 2019 Incentive System ▪ 2019 Incentive System for PFA Identified Staff
February	<ul style="list-style-type: none"> ▪ "2014-2017 Multi-year Plan Top Management" implementation and guidelines amendments ▪ Bonus Pool 2018 and 2018 and previous years Incentive Systems implementation ▪ 2019 Performance goals of Employees Identified Staff ▪ 2018-2020 LTI Plan guidelines amendments ▪ 2019 PFAs Identified Staff definition ▪ 2018 Bonus Pool and 2018 and previous years Incentive Systems implementation for PFAs Identified Staff ▪ 2018 Incentive Plans and Additional Future Program for PFAs implementation ▪ 2019 Incentive Plans for PFAs ▪ Information on amendments to the PFA Disciplinary Committee guidelines
March	<ul style="list-style-type: none"> ▪ 2019 Compensation Policy ▪ Severance Policy ▪ 2019 Incentive System guidelines for Employees Identified Staff ▪ Salary review for Identified Staff ▪ 2019 Incentive System guidelines for PFAs Identified Staff ▪ 2018-2020 LTI Plan for PFAs guidelines amendments ▪ Report on Corporate Governance and Ownership Structures - for the section related to the Committee itself ▪ Information on 2019 FAM Incentive System
May	<ul style="list-style-type: none"> ▪ Salary review for Identified Staff – Role Based Allowance ▪ Role Based Allowance guidelines ▪ 2019 Identified Staff update
July	<ul style="list-style-type: none"> ▪ Exit from UniCredit Group: amendments to employees' short and long term incentive systems guidelines ▪ Exit from UniCredit Group: amendments to PFAs' short and long term incentive systems guidelines ▪ Report to the Board of Committee's activities in the first semester of 2019
October	<ul style="list-style-type: none"> ▪ Exit from UniCredit Group: update to the Severance Policy ▪ 2019 "Pay for Performance" analysis ▪ FinecoBank S.p.A. Corporate Bodies Guidelines update ▪ Banding and Salary review proposals ▪ 2019 Gender Pay Gap: new methodology
December	<ul style="list-style-type: none"> ▪ 2020 Guidelines for PFAs Incentive System ▪ Information on the proportionality criteria application and on the payout schemes for 2020 Incentive Systems for Identified Staff ▪ Selection of the Independent Advisor of the Committee in 2020 ▪ Report to the Board of Committee's activities in the second semester of 2019

⁵⁸ Insourcing of Internal Audit function in FinecoBank S.p.A. during 2019

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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 2019.

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 table summarizes the composition of the Committee in 2019 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.

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
N. Committee meetings: 11						
(*) 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)						

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2.2 The Role of Company Control Functions: Compliance, Risk Management and Audit

Key contributions in 2019 of FinecoBank S.p.A. *Compliance* function, for all aspects that fall within its perimeter, included:

- validation of the 2019 FinecoBank Compensation Policy submitted to the Board of Directors for subsequent approval of the Shareholders' Meeting on April 10, 2019;
- validation of the 2019 Incentive System for employees of FinecoBank belonging to *Identified Staff*;
- validation of the 2019 Incentive System for Financial Advisors of FinecoBank belonging to *Identified Staff*;
- 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 14/2019*);
- participation in specific initiatives of *Human Resources* function (e.g.: review of definition of *Identified Staff* for the application of Incentive System).

In 2020, 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 2019 with the involvement of the *Risk Management* 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 2019 remuneration report, according to art. 123-ter letter 8-bis of TUF.

Internal Audit Report on the 2019 Fineco remuneration policies and practices

The Internal Audit Function has examined the remuneration and incentive system adopted by FinecoBank 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 2019 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; furthermore, compliance with external regulations was ascertained in the process of identifying resources belonging to the category of most relevant personnel (*Identified Staff*), both for employees and PFAs.

The incentives awarded to employees and Financial Advisors ("PFA") 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 the definition and validation steps of the remuneration policy, the incentive systems and the related remuneration processes as well as in the process of evaluating the annual performance.

The Bank has planned for the current year 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 hedging).

During 2019-2020, the updating of the remuneration policy continued, aimed both at the transposition of the latest regulatory changes and at the alignment with the new operating context arising from the deconsolidation from the UniCredit Group, while all subsequent changes (including the Shareholders Rights Directive II and Prov. 81/2019 on "Banking Transparency") will be disclosed in the 2020 Compensation Policy, being defined at the date of the audit.

The main results of the audit were presented to the Remuneration Committee on March 9, 2020.

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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.

BENEFICIARIES	REMUNERATION COMPONENT	APPROVED BY	AMOUNT (€) ⁵⁹	NOTES
Non Executive Directors	Fixed only	Shareholders' Meeting and Board of Directors of April 11, 2017	Yearly amount: <ul style="list-style-type: none"> ▪ € 330,000 for the Board of Directors⁶⁰ ▪ € 50,000 for participating to Board's Committees ▪ € 20,000 e € 15,000 for the Chairman and the Members of the Supervisory Body⁶¹ ▪ € 300 attendance fee for⁶²: <ul style="list-style-type: none"> - BoD - BoD's Committees 	Compensation is determined on the role relevance and the effort required for carrying out all the assigned activities.
		Board of Directors of April 11, 2017, according to art. 2389 par. 3 of Civil Code and heard the favourable opinion of the Statutory Auditors	<ul style="list-style-type: none"> ▪ € 200,000 yearly, divided between: <ul style="list-style-type: none"> - BoD Chairman - BoD Deputy Chairman 	
Statutory Auditors	Fixed only	Shareholders' Meeting on April 11, 2017	Yearly ⁶³ : <ul style="list-style-type: none"> ▪ € 50,000 for the Chairman of Statutory Auditors ▪ € 40,000 for each effective member ▪ € 300 as attendance fee for BoD and Statutory Audit meetings⁶³ 	
Executives with strategic responsibility ⁶⁴	Fixed and variable	Board of Directors	Total amounts assigned, related to 2019 performance: <ul style="list-style-type: none"> ▪ € 850,000 fixed + € 850,000 variable for the CEO and General Manager ▪ € 1,416,053 fixed + € 1,813,166 variable for the other 4 Executives with strategic responsibility 	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

Further details on compensation of Executives with strategic responsibility

⁵⁹ 2018-2020 LTI Plan is not included because it is related to long-term performance that have not been assessed yet.

⁶⁰ Total amount for the whole Board of Directors (including the Executive Director) approved by the Shareholders' Meeting is equal to Euro 370,000.

⁶¹ On April 11, 2017, the Board of the Bank named as external members the Chairman and Member of the Supervisory Body according to the guidelines provided by the former parent company UniCredit, in relation to the update of the Organization, management and control Model ex legislative Decree 231/2001.

⁶² Cumulative, if participating in more than one meeting on the same day.

⁶³ Alternate Statutory Auditors don't receive any compensation, except if they permanently substitute one of the Auditors.

⁶⁴ CEO and General Manager, Deputy General Manager and Head of Global Banking Services, Deputy General Manager and Head of Global Business, Head of PFA Sale Network & Private Banking, as well as Chief Financial Officer.

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For 2019, 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 measures⁶⁵.

→ 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. 2019 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 2019 incentive plan implementation and outcomes are provided in chapter 4.1.1.

The Chief Executive Officer and General Manager, on top of 2019 Incentive System, benefits also from:

“2014 Incentive System” (hereinafter also “Group Incentive System 2014”)

“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”)

“2014-2017 Multi-year Plan Top Management”

“Long Term Incentive Plan 2018-2020”

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

⁶⁵ 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

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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 Shareholders' Meeting.

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.

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4. Compensation Systems – previous years

4.1 2019 Incentive Systems implementation and outcomes, and previous years' payments

4.1.1 2019 Incentive System for employees belonging to Identified Staff

The 2019 Incentive System, approved by FinecoBank Board of Directors on January 10, 2019, provides - in continuity with 2018 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.

2019 Entry Conditions

For the purpose of alignment with regulatory requirements, specific indicators are set to measure profitability, solidity and liquidity on an annual basis, which act as access conditions. In particular, the indicators and thresholds that are defined as access conditions for the 2019 Incentive System - which confirm or cancel immediate and deferred payments - are as follows⁶⁶:

Fineco Entry Conditions
Net Operating Profit adjusted ≥ 0 and
Net Profit ≥ 0 and
Common Equity Tier 1 Ratio Fully Loaded $>11,1\%$ (RAF Limit) and
Liquidity Coverage Ratio $>101\%$ (RAF Limit)
Net Stable Funding Ratio $>101\%$ (RAF Limit)

- *Net Operating Profit adjusted* to measure the profitability, is the NOP excluding income from buy-back of own debt and from the fair value accounting of own liabilities.
- *Net Profit* to measure profitability considering the results stated in the balance sheet excluding any extraordinary item as considered appropriate by the Board of Directors upon Remuneration Committee proposal.
- *Common Equity Tier 1 Ratio Fully Loaded* to measure the bank's solidity in terms of highest quality of capital introduced by Basel 3 framework, consistent with regulatory limits and conservation buffers.
- *Liquidity Coverage Ratio*: guarantees the maintenance of an adequate level of "high quality liquid assets" non-binding in appropriate amount to cover the "net cash outflows" within 30 calendar days in a high stress scenario defined by the Authorities.
- *Net Stable Funding Ratio*: represents the ratio between the available amount of stable funding and the required amount of stable funding.

⁶⁶ As modified by the BoD on July 8, 2019, in order to eliminate the entry conditions defined at UniCredit Group Level

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According to the actual results, verified and approved by the Board of Directors of FinecoBank S.p.A. on February 11, 2020, the relevant entry conditions have been achieved, confirming FinecoBank bonus pool⁶⁷.

Entry Conditions	Results
Net Operating Profit adjusted ≥ 0	✓
Net Profit ≥ 0	✓
Common Equity Tier 1 Ratio Fully Loaded $> 11.1\%$ (RAF Limit)	✓
Liquidity Coverage Ratio $> 101\%$ (RAF Limit)	✓
Net Stable Funding Ratio $> 101\%$ (RAF Limit)	✓

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"⁶⁸, 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.

Evaluation and pay-out for Identified Staff

In line with Fineco governance, 2019 evaluations and pay-outs for Chief Executive Officer and General Manager, Deputy General Managers, other Executives with strategic responsibility and other *Identified Staff* have been approved by the Board of Directors, based on the positive opinion of Remuneration Committee.

The Board of Directors of FinecoBank on February 11, 2020, has approved the allocation of a total number of shares equal to 163,658 to be assigned in 2021, 2022, 2023, 2024 and 2025.

On the same date, the Board of Directors also approved the implementation - in 2020 - of the Incentive Systems 2014, 2015, 2016, 2017, 2018 and "2014-2017 Multi-year Plan Top Management Plan"⁶⁹.

⁶⁷ Calculated applying the funding rate percentage to the profitability results

⁶⁸ The CRO Dashboard 2019 is a set of indicators selected among the Risk Appetite Framework KPIs, plus a single indicator on operational risks; the threshold values have been approved by the Board of Directors at the beginning of the year (January 2019).

⁶⁹ The data relating to the assignments are included in the information reported in chapters 4.1.2 and 5 of the Remuneration Report and in the Annexes

2020 Compensation Policy

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 2019 performance of FinecoBank CEO and General Manager as *Exceeds Expectations*. Below the details of the individual scorecard assessment⁷⁰.

	#	GOAL NAME	RESULTS	ASSESSMENT
FINALISATION	1	ROAC/EVA <i>vs. budget</i>	Bdg. ROAC Bdg 33.3%, EVA Bdg 201,293 k€ Result: ROAC 40.01%, EVA 229,915 k€	
	2	New business EL% <i>vs. target</i>	Target 0.28% - Result: 0.25%	
	3	Operating Costs <i>vs. budget</i>	Bdg: 254,170 k€ - Result: 249,585 k€	
	4	Net New Clients <i>vs target</i>	Target NET 62,780 - Result: NET 80,046	
	5	Net Sales of Guided Products <i>vs. budget</i>	Budget 3,518,065 k€ - Result: 3,749,061 k€	
	6	New Strategic Plan preparation <i>Qualitative assessment based on:</i> <ul style="list-style-type: none"> contribution to the preparation of the new MYE development of Proof of Concepts on the effective implementation of new technologies (e.g. Artificial intelligence, Big Data, etc.) in our domain 	The preparation and implementation of the Strategic Plan 2020-2023 is one of the focus points of the year. All areas of the Bank have been involved and the project was regularly discussed in details by the Management Committee. We also included into the new strategic plan sustainability goals. We focused on the development of new technologies that represent the major driver of Fineco's success.	
	7	Gender balance and pay gap <i>Qualitative assessment based on:</i> <ul style="list-style-type: none"> Group-wide % of women in EVP roles vs. 2019 target Y/Y delta on % of women in VP, FVP, SVP roles Y/Y delta on gender pay-gap 	Thanks to our continuous focus on increasing managers' awareness, this year we achieved good results in terms of gender pay gap: no significant gap in 2019 and a slight improvement compared to 2018. Analysis show that we need to focus on executive positions. In 2019 two women have been appointed in ESVP and EVP roles.	
	8	Tone from the top on conduct and Compliance Culture <i>Qualitative assessment based on:</i> <ul style="list-style-type: none"> Scope, kind and number of documented initiatives - the committed with EMC aimed at promoting staff integrity / customer protection / trustworthiness The overall state of integrity proceedings in place (internal or external) considering the trend, type, severity and the timely completion of the related remediation actions 	Tone from the top activities have been all well carried out and ad hoc communication on compliance culture within the Bank as well as on staff integrity and behavioral expectations. Commitment towards Compliance topics is crucial and is kept at the highest levels. Overall audit findings as at 4Q 2019 show neither critical nor major aspects.	

⁷⁰ "MEET" evaluation for ROAC/EVA goal takes into account the effect of the demerger from UniCredit Group, which determined a different methodological approach in the calculation of the economic capital for ROAC.

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2019 Financial Year main results

The results achieved by FinecoBank Group as of December 31, 2019 (2019 financial year) are of fundamental importance for its history. Numbers and facts confirm the sustainability and the quality of Fineco's business model.

In particular:

- Net profit: **€288.4 million (+19.5% y/y)**, including the fiscal benefit coming from the **Patent Box** estimated in about **€22 mln**
- Strong growth in net profit adjusted for non-recurring items: **€268.8 million (+10.0% y/y)**
- Total revenues adjusted for non-recurring items: **€657.8 million (+4.7% y/y)**
- Operating costs: **€249.6 million (+2.2% y/y** on 2018 data adjusted for non-recurring items)
- Gross operating profit adjusted for non-recurring items: **€408.2 million (+6.2% y/y)**
- Cost/income ratio down adjusted for non-recurring items: **37.9% (-0.9 p.p.)**

The greatest result ever has been achieved thanks to transparency and efficiency values, which are constantly part of Fineco identity, and to the ability of our Advisors to meet the customers' financial needs effectively, in combination with increasingly advanced investment solutions.

It is the evidence of a strong growth involving all business units.

2020 Compensation Policy

Chief Executive Officers and General Manager variable and fixed compensation data

2019 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 7 and 11, 2020.

In 2019 – also considering the excellent business results – the incidence of the short and long term variable remuneration on the fixed remuneration of the CEO and General Manager has been equal to 200%: such percentage results adding up the short term variable remuneration (up to 100% of fixed remuneration) and the annual tranche of the long term variable remuneration (2018-2020 LTI; up to 100% of fixed remuneration) incidence on the fixed remuneration.

Considering the performance assessment and the results of the KPIs in the Entry Conditions, the Board of Directors approved for the CEO and General Manager a bonus amounting to Euro 850.000⁷¹.

Here is detailed the remuneration structure of FinecoBank's CEO and General Manager for 2019⁷².



⁷¹ For the picture presenting the total remuneration package of CEO and General Manager, see the Executive Summary section.

⁷² In January 2020, 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 on pag. 10, 2019 FY main results), as well as by the need to align the fixed remuneration to the market benchmark and the increasing complexity due to the new business structure.

2020 Compensation Policy

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 2019 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 2020. In particular, these are 2014, 2015, 2016, 2017, 2018 Incentive Systems and "2014-2017 Multi-year Plan Top Management"⁷³, for which the Board of Directors approved on February 11, 2020:

- the payment of the last instalment (in shares) to the beneficiaries of 2014 Incentive System, according to the maximum amount approved by the Board of Directors with the resolution of May 15, 2014;
- the payment of the third 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 second 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 first 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 second cash instalment to the beneficiaries of 2018 Incentive System;
- the payment of the fourth shares instalment to the beneficiaries of "2014-2017 Multi-year Plan Top Management", according to the maximum amount approved by the Board of Directors with the resolution of April 15, 2014 and the amount assigned to them by Board's approval of February 7, 2017.

Following, the implementation dashboard for the aforementioned plans:

	IMPLEMENTED					PAYMENT	OUTSTANDING				
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
2014 Incentive System	CASH	CASH	CASH/ SHARES	SHARES	SHARES	SHARES					
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	
2014-2017 Multi-year Plan Top Management			SHARES	SHARES	SHARES	SHARES					

⁷³ In 2020 it will also be paid the last instalment of 2014 Incentive System with UniCredit shares, for only one identified staff (see Annex 2 for details)

2020 Compensation Policy

4.1.3 2019 Incentive System for Financial Advisors belonging to Identified Staff

2019 Incentive System PFA, approved by the Board of Directors on January 10, 2019, 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 2019 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.

2019 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, metrics⁷⁴ and thresholds for 2019 PFA Incentive System as defined within the Entry Conditions that confirm or cancel upfront and deferred payouts are⁷⁵:

Fineco Entry Conditions	
Net Operating Profit adjusted	≥0 and
Net Profit	≥0 and
Common Equity Tier 1 Ratio	> 11,1% (RAF Limit) and
Liquidity Coverage Ratio	>101% (RAF Limit)
Net Stable Funding Ratio	>101% (RAF Limit)

According to the actual results, verified and approved by the Board of Directors of FinecoBank S.p.A. on February 11, 2019, the relevant entry conditions have been achieved, confirming FinecoBank PFA bonus pool⁷⁶.

Entry Conditions	Results
Net Operating Profit adjusted ≥0	✓
Net Profit ≥0	✓
Common Equity Tier 1 Ratio > 11,1% (RAF Limit)	✓
Liquidity Coverage Ratio > 101% (RAF Limit)	✓
Net Stable Funding Ratio > 101% (RAF Limit)	✓

⁷⁴ For the KPIs definition see chapter 4.1.1

⁷⁵ As modified by the BoD on July 8, 2019, in order to eliminate the entry conditions defined at UniCredit Group Level

⁷⁶ Calculated applying the funding rate percentage to the profitability results

2020 Compensation Policy

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”⁷⁷, 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.

Evaluation and payout for Identified Staff

In line with Fineco governance, 2019 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 11, 2020, the total number of shares serving the 2019 Incentive System for Financial Advisors is 35.859 to be assigned in 2021, 2022, 2023.

On the same date, the Board of Directors also approved the implementation - in 2020 - of the Incentive Systems 2015, 2016, 2017 and 2018⁷⁸.

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 2019 allow the execution of the Incentive Systems for the Persona Financial Advisors Identified Staff, which have been approved in previous years and provide a cash and/or shares instalment in 2020. In particular, these are 2015, 2016, 2017 and 2018 PFA Incentive Systems, and “2015-2017 Plan PFA”, for which the Board of Directors approved on February 11, 2020:

- the payment of the last instalment (in *Phantom Shares*) to the beneficiaries of 2015 PFA Incentive System, in coherence with the equivalent cash amount approved by the Board of Directors with the resolution of May 22, 2015;
- the payment of the second 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 third cash instalment to the beneficiaries of 2016 PFA Incentive System;
- the payment of the first 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 second cash instalment to the beneficiaries of 2018 PFA Incentive System;
- the payment of the third shares instalment to the beneficiaries of “2015-2017 Plan PFA”, according to the maximum amount and the assignation to them, both approved by the Board of Directors with the resolution of February 6, 2018.

Following, the implementation dashboard for the aforementioned plans:

	IMPLEMENTED				ALLOCATION	OUTSTANDING		
	2016	2017	2018	2019	2020	2021	2022	2023
2015 PFA Incentive System	CASH	CASH	PHANTOM SHARES	CASH/ PHANTOM SHARES	PHANTOM SHARES			
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
2015-2017 Plan PFA			SHARES	SHARES	SHARES			

⁷⁷ The CRO Dashboard is a set of indicators selected among the Risk Appetite Framework KPIs, plus a single indicator on operational risks; the threshold values have been approved by the Board of Directors at the beginning of the year (January 2019). The assessment methodology is the one used for Employees.

⁷⁸ The data relating to the assignments are included in the information reported in chapters 4.1.4 and 5 of the Remuneration Report and in the Annexes.

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5. Dati retributivi

5.1 2019 Compensation Outcomes

Employees

Euro/ 000

Population	No.	Fix	2019 Variable				Deferred variable from previous exercises				Variable paid in 2019 from previous exercises ⁶	
			Upfront		Deferred ^{4, 5}		Vested in 2019 ⁶		Unvested		€	Shares
			€	Shares	€	Shares ^{3, 4}	€	Shares	€	Shares		
Chief Executive Officer and General Manager (CEO) ¹	1	850	170	-	204	476	85	2,446	622	1,144	255	1,843
Non-executive Directors ²	8	737	-	-	-	-	-	-	-	-	-	-
Executives with strategic responsibilities	4	1,464	370	-	425	1,008	181	4,242	1154	2,191	511	3,187
Other Identified Staff ³	10	1,760	495	-	187	507	57	236	323	613	456	158
Total	23	4,811	1,035	-	816	1,990	323	6,923	2,099	3,948	1,223	5,189

¹ 10% of the amount has been paid by UniCredit S.p.A. until May 2019.

² Including a UniCredit Group Employee, whose compensation, in light of FincoBank belonging to UniCredit Group until May 10, 2019, has been defined in compliance with the in force policy "Policy in materia di struttura, composizione e remunerazione degli Organi Sociali delle Società di Gruppo" at UniCredit Group level and which is subject to the payment criteria until termination date.

³ Including an Employee hired in Finco in June 2019 through transfer of contract from UniCredit S.p.A. The amounts are referred to annual basis.

⁴ Including the reference amount of the bonus component in financial instruments for an Employee, who is posted in Finco Asset Management DAC, in line with the applicable UCITS provisions.

⁵ 2018-2020 LTI Plan is not included since it is long-term performance and it has not been evaluated.

⁶ 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	2019 Variable				Deferred variable from previous exercises				Variable paid in 2018 from previous exercises ⁵	
			Upfront		Deferred		Vested in 2019 ⁵		Unvested		€	Shares
			€	Shares	€	Shares ^{3, 4}	€	Shares	€	Shares		
Business functions Identified Staff ¹	5	2,199	573	-	655	1,586	260	6,232	1,678	3,175	738	4,689
Support functions Identified Staff	7	1,329	267	-	160	435	63	649	369	731	318	457
Control functions Identified Staff ²	3	546	195	-	-	-	-	41	52	41	168	42
Total	15	4,074	1,035	-	816	1,990	323	6,923	2,099	3,948	1,223	5,189

¹ 10% of the amount of the CEO/GM has been paid by UniCredit S.p.A until May 2019. Included also an Executive with strategic responsibilities whose termination occurred 2018.

² Including an Employee hired in Finco in June 2019 through transfer of contract from UniCredit S.p.A. The amounts are referred to annual basis.

³ Including the reference amount of the bonus component in financial instruments for an Employee, who is posted in Finco Asset Management DAC, in line with the applicable UCITS provisions.

⁴ 2018-2020 LTI Plan is not included since it is long-term performance and it has not been evaluated.

⁵ 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 2019 as the performance conditions were achieved:

- vested cash payments refer to 2018 Group Incentive System;
- vested equity payments refer to 2014 GIS based on UCG shares, 2014, 2015, 2016, 2017 Group Incentive System and to "2014-2017 Multi-year Plan Top Management".

The unvested component refer to cash and equity awards for which the right did not matured in 2019 and for which any potential future gain has not been yet realized and remains subject to future performance:

- unvested cash payments refer to 2015, 2016, 2017 and 2018 Group Incentive System;
- unvested equity payments refer to 2015, 2016, 2017 and 2018 Group Incentive System.

The value of the shares shown as 2019 variable and deferred variable from previous exercises is calculated considering:

- for 2014, 2015, 2016, 2017, 2018 and 2019 Group Incentive System and for "2014-2017 Multi-year Plan Top Management", the arithmetic mean of the official closing prices of Finco ordinary shares from January 10 to February 10, 2020;
- for 2014 Group Incentive System based on UniCredit shares, the arithmetic mean of the official closing prices of UniCredit ordinary shares from January 24 to February 24, 2020.

Variable paid in 2019 from previous exercises includes payouts based on demonstrated multi-year performance achievements related to Group Incentive Systems plans based on FincoBank and UniCredit shares and to the "2014-2017 Multi-year Plan Top Management".

The Chief Executive Officer and General Manager and 3 Executives with strategic responsibility for 2019 have been rewarded with more than 1 mln Euro.

In the end, it is underlined that in 2018 any non-standard remuneration⁷⁹ has been paid for the Identified Staff.

⁷⁹ On this topic, see par. 3.4 Section I

2020 Compensation Policy

Financial Advisor

Euro/ 000

Population (31/12/2019)	No.	Fix ¹	2019 Variable ²				Deferred variable from previous exercises ²				Variable paid in 2018 from previous exercises ²	
			Upfront		Deferred ³		Vested in 2019		Unvested			
			€	Shares	€	Shares	€	Shares ⁴	€	Shares	€	Shares ⁴
Personal Financial Advisors belonging to Identified Staff	7	4,514	264	0	159	397	70	445	89	381	276	397

¹ Recurring remuneration (benefits and other compensations in kind included)

² Non-recurring remuneration

³ 2018-2020 LTI Plan is not included since it is long-term performance and it has not been evaluated

⁴ Equity and Phantom share

The vested component refers to cash, equity and phantom shares awards to which the right matured in 2019 as the performance conditions were achieved. In particular:

- vested cash payments refer to 2016 Group Incentive System PFA and 2018 Group Incentive System PFA for Financial Advisors and Managers of the Network Identified Staff;
- vested phantom share payments refer to 2015 Group Incentive System PFA, vested equity share payments refer to 2016 Group Incentive System PFA, 2017 Group Incentive System PFA and "2015-2017 Plan PFA" 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 2019 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 2017 Group Incentive System PFA and to 2018 Group Incentive System PFA for Financial Advisors and Managers of the Network Identified Staff;
- the unvested equity refer to 2016 Group Incentive System PFA, 2017 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 2019 variable is calculated considering the arithmetic mean of the official closing prices of FinecoBank ordinary shares from February 12 to March 12 2020.

The value of the shares/Phantom 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 10 to February 10, 2020.

Variable paid in 2019 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 and 2018 Group Incentive System PFA, and to "2015-2017 Plan PFA" for Financial Advisors and Managers of the Network Identified Staff.

2020 Compensation Policy

5.2 2019 Compensation Policy

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
<i>NON-EXECUTIVE DIRECTORS</i>		
Chairman and Vice Chairman	100%	0%
Directors	100%	0%
Statutory Auditors	100%	0%
<i>OVERALL EMPLOYEE POPULATION</i>		
Business areas	76%	24%
Support function	92%	8%
Overall Company	88%	12%

5.3 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.

