



2023 Remuneration policy and 2022 remuneration report

Side presentation

March, 2023

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**KEY PRINCIPLES
AND
GOVERNANCE**



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SYSTEMS**



2021-2023 LTI



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



Key principles and Governance

Remuneration policy and report



Key principles

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



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



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.



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



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.



Governance



REMUNERATION COMMITTEE

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

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



CORPORATE FUNCTIONS

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



INTERNAL AUDIT

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



Main contents

Remuneration policy and report



Introduction and structure

Executive summary

The document consists of an **Executive Summary** that summarizes the key elements of the 2023 remuneration approach and provides the main results for the year 2022. It also highlights variable and fixed compensation data for the CEO and General Manager, and the goals set for 2023, all in order to support the understanding of the key information of the document. Given the market practice, this year, and like every year, the summary follows the **Letter from the Chairman of the Remuneration Committee to the shareholders**.

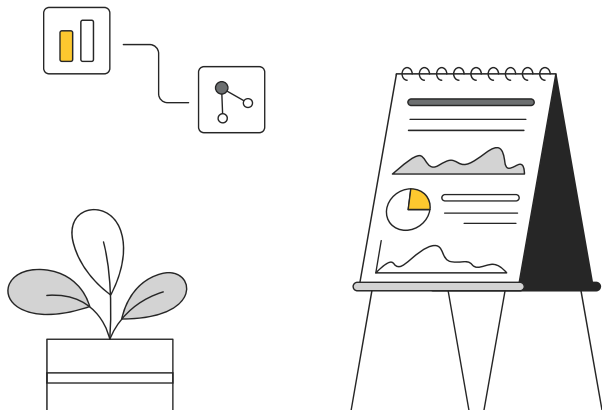
Sections I and II

Two separated sections follow as provided by art. 123-ter. A separate vote will be hold on each section:

- **Section I** - 2023 Remuneration policy (**binding vote**)
- **Section II** - 2022 Remuneration report (**advisory non-binding vote**)







Annexes

Data required pursuant to article 450 of the Regulation (EU) no. 575/2013 and in compliance with art. 114-bis TUF are contained in in the apposite Annexes to document.





Main features - 2023 (vs 2022)

| | CONFIRMED | NEW | NOTES |
|--|-----------|-----|--|
|  Maximum variable/fixed pay ratio | ✓ | | <ul style="list-style-type: none"> • Business functions and Personal Financial Advisors (PFA) Identified Staff = 2:1 • Company Control Functions Identified Staff = 1:3 • Head of Human Resources and the Manager in charge of preparing financial statements = Fix>Var |
|  Peer Group | ✓ | | <p>Full disclosure of the market peer group, used for trends analysis and benchmarking</p> |
|  Share Ownership Guidelines | | ✓ | <p>The share ownership requirements for the Chief Executive Officer and General Manager are raised from 100% to 200% of the fixed remuneration and for Executives with strategic responsibilities from 50% to 100% of the fixed remuneration</p> |
|  Short Term Incentive System | ✓ | ✓ | <ul style="list-style-type: none"> • Full description of 2023 short term Incentive Systems for Employees and PFA Identified Staff, in continuity with the 2022 • Implementation in 2023 of the 2022 and prior years' short term Incentive Systems |
|  2021-2023 LTI Plan | ✓ | | <p>Full description of 2021-2023 LTI Plan aimed at incentivizing, motivating and retaining selected employees of the Group</p> |
|  ESG Principle | ✓ | ✓ | <p>In the 2023 scorecard of the CEO/GM, the ESG ratings that are taken into account for the assessment of the maintenance or improvement of the score assigned to Fineco by the ESG rating agencies have been explained. Furthermore, the objective linked to Fineco's environmental performance was strengthened by envisaging the development of a new "green" lending product</p> |



Alignment of Remuneration Policy with ESG Strategy

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

SHORT-TERM INCENTIVE SYSTEM

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

2021-2023 LTI

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

GENDER NEUTRALITY

The FinecoBank Group is committed to ensuring that the Compensation Policy is gender neutral, thus concurring to pursue equal opportunities in terms of professional development and remuneration. For this purpose, the Board of Directors with the support of the Remuneration Committee oversees the Gender Pay Gap.



In Section II, a new section was introduced with the aim of highlighting the results of **“Gender Pay Gap”** and **“Gender Equity Pay Gap”** analysis.

EMPLOYEES' WORKING CONDITIONS



A new section was included describing **the Group's initiatives to support employees' wellbeing and work-life balance**, with a specific focus on the measures aimed at sustaining the employees' purchasing power in the actual macro-economic context.





2023 short term Incentive Systems

Remuneration policy and report



2023 short term Incentive Systems

- In continuity with 2022, **specific Incentive Systems for Employees and Financial Advisors Identified Staff** have been put in place in 2023
- The Incentive Systems follow the **Bonus Pool** logic, providing **entry and malus conditions** linked to **profitability, capital and liquidity indicators**
- The Systems provide for a **specific risk adjustment mechanism**
- Bonus is paid in **cash and FinecoBank shares**, over a multi-year period

Bonus Pool approach

Bonus Pool is defined as a % (funding rate) of the bank's PBT

PBT



→ %Funding Rate →

Bonus Pool (maximum theoretical)



Performance/Risk adjustment

Entry Conditions (profitability, liquidity, Capital) work in an on/off scheme. The Bonus Pool risk adjustment mechanism is confirmed, through the CRO Dashboard assessment. The assessment outcomes have a 'multiplier' effect on the bonus pool (see Annex).



Individual Bonus distribution

The individual bonus is awarded based on the individual performance assessment. Bonus are paid in cash and FinecoBank shares over a multi year period. In continuity with 2022, the payment of bonuses follows the deferral schemes modulated in relation to the reference population cluster and the amount of variable remuneration.





Payment scheme for Employees Identified Staff

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

- For the **CEO and GM and other roles provided by law** with a 'significant' amount of total variable remuneration (>435,000 €)*, the **2023 Incentive System is confirmed without changes from the 2022**, with the deferral of 60% of the short-term variable remuneration and a greater quota in shares rather than cash.
- For the **other roles provided by law** with no "significant" amount of total variable remuneration (≤ 435,000€), **in continuity with 2022, 50% of the bonus will be deferred with a greater quota in shares rather than cash.**
- For **other identified staff with no "significant" amount of total variable remuneration**, the deferral quota remains 40% of the bonus (60% upfront), with a 50/50 mix of shares and cash.
- A 1-year retention period still applies to both upfront and deferred shares

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

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





Payment scheme for PFA Identified Staff

- For **Identified Staff with a significant amount (>435.000 €)**, a stricter payout scheme is provided with 60% of the bonus being deferred
- For **other Identified Staff with no significant amount of total variable remuneration**, a stricter payout scheme is provided with 40% of the bonus being deferred
- A 50/50 mix of cash and shares (unchanged from 2022)

| Identified Staff with a significant amount of variable remuneration | PAYOUT | | Upfront | N+1 | N+2 | N+3 | N+4 | Total |
|--|--------|------|---------|-----|-----|-----|-----|-------|
| | | Cash | 20% | 5% | 5% | 10% | 10% | 50% |
| Shares | | 20% | 15% | 15% | | 50% | | |
| Other Identified Staff with no significant amount of variable remuneration | PAYOUT | | Upfront | N+1 | N+2 | N+3 | N+4 | Total |
| | | Cash | 30% | | | 10% | 10% | 50% |
| Shares | | 30% | 10% | 10% | | 50% | | |



2023 CEO and GM Scorecard

| WEIGHT | CATEGORY | GOAL NAME | REFERENCE TARGET |
|---|-----------------|---|--|
|  <p>QUANTITATIVE/ STRATEGIC</p> <p>70%</p> | Value Creation | ROAC | vs. budget |
| | | AUM net sales | vs. budget |
| | Risk-Based | EL stock (%) | vs. target |
| | Cost Efficiency | Cost Income | vs. budget |
| | | OPEX | vs. budget Operating costs as reported in reclassified P&I, i.e.: Staff expenses + Other Administrative Expenses (direct + indirect) - Expenses Recovery + Depreciations |
|  <p>QUALITATIVE/ SUSTAINABLE</p> <p>30%</p> | Sustainability | Stakeholder Value | Improve/maintain the scores of the main ESG ratings: S&P CSA, CDP Climate Change, Sustainalytics, MSCI, Moody's ESG Solutions, Standard Ethics. Responsible finance: y/y % of new ISIN funds with ESG rating* Delta on Gender Pay Gap and Gender Balance (Y/Y) Improve Fineco's environmental performance: maintenance of EMAS Registration, also through the achievement of the Environmental Program goals with particular reference to the development of a new green lending product. |
| | | Tone from the top on conduct and compliance culture | Promotion of initiatives aimed at fostering staff integrity, customer protection, and trustworthiness by enhancing risk & control culture; The overall status of audit, compliance and External Authorities findings considering the type, severity and the timely completion of the related remedial actions. |

* Excluding UK representing for Fineco a new opening market



2021-2023 LTI

Remuneration policy and report



Performance goals

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

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

*Excluding UK, wich represents a new market for Fineco

Focus Stakeholder Value goal



FOCUS

Stakeholder Value goal

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

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

People Engagement: it is based on the monitoring of the employees involvement with respect to business strategy and positioning, and it will be measured through the People Survey results, which reflects the engagement level and the alignment with respect to the company strategy -> In order to measure this performance indicator, the survey will be carried out twice during the performance years (2021-2023) with the purpose to elaborate a data mean that could reflect the employee experience over a long-time period.

ESG rating for all new funds: it focuses on the introduction of an ESG rating for all new funds, measuring environmental, social and governance risks from a financial point of view, compared with a peers' benchmark -> In order to measure this performance indicator, at the end of the performance years (2021-2023) it will be taken into account the percentage of new funds with ESG rating on the total number of new funds (ISIN).



Implementation of short term incentive systems

Remuneration policy and report

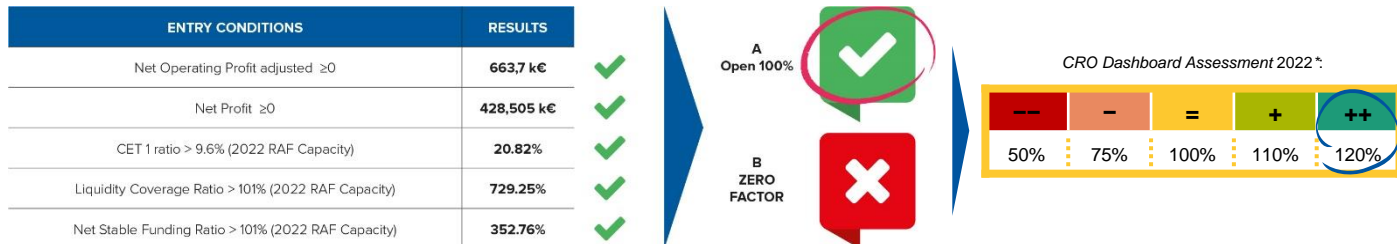


Implementation of 2022 Incentive Systems

According to the schemes provided by the 2022 Incentive System, the Bonus Pool for Employees and Financial Advisors has been defined in consideration:

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

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



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



CEO and GM 2022 performance evaluation

| WEIGHT | GOAL NAME | RISULTATI | ASSESSMENT | | | | | | |
|--|-----------|--|---|------------|-----|---------|-----------------|--|--|
| | | | Below | Almost Met | Met | Exceeds | Clearly Exceeds | | |
| <p>Quantitative/ Strategic Weight 70%</p> | 14% | ROAC vs. budget | Budget: 52.96% Results: 64.28% | | | | | | |
| | 14% | AUM net sales vs. budget | Budget: 6,000 k€ Result: 3,579 k€ | | | | | | |
| | 14% | EL stock (%) vs. target | Target: 0.21% Results: 0.12% | | | | | | |
| | 14% | OPEX vs. budget | Budget: 295,794 k€ Result: 280,816 k€ | | | | | | |
| | 14% | Cost Income vs. budget | Budget: 34.4% Results: 29.6% | | | | | | |
| <p>Qualitative/ sustainable Weight 30%</p> | 15% | Stakeholder Value vs. qualitative assessment based on several initiatives | <p>• In 2022, the independent agency Standard Ethics confirmed Fineco's rating for the third consecutive year at the 'EE+' level. In addition, there was an improvement in the scores assigned by the other major ESG rating agencies: Sustainalytics; S&P's Corporate Sustainability Assessment; MSCI; Moody's ESG Solutions (formerly Vigeo Eiris). Refinitiv confirmed the rating assigned the previous year. Finally, in December 2022 Fineco obtained its first CDP Climate Change rating equal to "B", demonstrating that it addresses the environmental impacts of its activities and ensures good environmental management.</p> <p>• In 2022, 100% of funds launched on FinecoBank platform had an ESG rating.</p> <p>• The gender analysis shows a positive Y/Y trend, without significant gaps.</p> <p>• In 2022, the Environmental Management System was verified by an independent Environmental Auditor to confirm its adherence to the EMAS Regulation, which resulted in the successful outcome of the verification without highlighting any non-conformity. Also, in September 2022 FinecoBank became the first Italian asset gatherer to obtain the EMAS Registration, Europe's most important award for excellence in environmental management. The targets set within the 2021-2024 Environmental Program proceed as planned, with (i) the increase of the coverage of funds with ESG rating, (ii) the increase of the exposure to ESG bonds as a % of the total FinecoBank portfolio, (iii) the achievement of 100% of electricity consumption from renewable sources, related to buildings in which the electric utilities are registered to Fineco and (iv) the launch of the digital debit and reloadable cards.</p> | | | | | | |
| | 15% | Tone from the top on conduct and compliance culture vs. qualitative assessment based on several initiatives | <p>• Tone from the top activities have been carried out through the promotion of the compliance and risk culture with specific policies, communications and training sessions.</p> <p>• Overall internal compliance and audit findings as at the end of 2022 show neither open critical aspects nor major/critical older than two years in overdue status.</p> <p>• All requests/evidence from external authorities have been promptly and successfully managed by involving the relevant functions of the Bank.</p> | | | | | | |



Focus on CEO and GM compensation



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

- According to the overall performance assessment showed in the previous slide (resulting in Exceeds Expectations) and of the overall business results achieved by the Company, **the Chief Executive Officer was awarded a short-term variable bonus for the performance year 2022 equal to € 860,000**, in line with the principle of Pay for Sustainable Performance.
- For the purpose of applying this ratio, it should be noted that the **Chief Executive Officer received a fixed remuneration of € 1,000,000** and that an **annual pro-quota of € 1,000,000 relating to the long-term variable remuneration (LTI 2021-2023)** is also included as variable remuneration, in line with the applicable legislation.
- The € 860,000 bonus linked to the short-term incentive system awarded for the 2022 performance** will be delivered in cash and in shares, with an upfront portion equal to 40% and a deferred portion equal to 60%, which considers the period of unavailability of the shares both upfront and deferred, as required by law

Annex

Remuneration policy and report

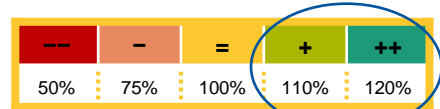
CRO Dashboard assessment mechanism - STI

- FinecoBank Incentive Systems are 'risk adjusted', in coherence with the Bank's Risk Appetite Framework.
- For the purposes of Short Term Incentive Systems, FinecoBank implements this principle through the use of the so called 'CRO Dashboard'
- The CRO dashboard (defined in coherence with Fineco Risk Appetite Framework) includes **KPIs taken from the Risk Appetite Framework**, measured with reference to the respective relevant thresholds (Risk Appetite, Risk Tolerance and Risk Capacity). Here below a sample of the content of the dashboard for 2023:

SAMPLE

| DIMENSIONE | 2023 | | | |
|------------------------------------|------------------------------------|---------------|----------------|---------------|
| | KPIs | Risk Appetite | Risk Tolerance | Risk Capacity |
| Capital | CET1 Ratio (%) | -% | --% | --% |
| | MREL-LRE (%) phase in 1Q23-3Q23 | -% | --% | --% |
| | MREL-LRE (%) phase in 4Q23 | -% | --% | --% |
| Liquidity | LCR (%) | | --% | --% |
| | NSFR (%) | | --% | --% |
| Risk & Return | ROAC (%) | -% | --% | --% |
| Credit | EL stock (%) | -% | --% | --% |
| | Coverage on Impaired (%) | -% | --% | --% |
| Interest Rate Risk on Banking Book | EV Sensitivity (%) | -% | --% | --% |
| Operational Risk | Operational Risk Losses / Revenues | -% | --% | --% |

CRO Dashboard Assessment and corresponding Bonus Pool correction ranges*:



Only with EVA >0

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

Entry Conditions and Risk adjustment - 21-23 LTI

Entry Conditions

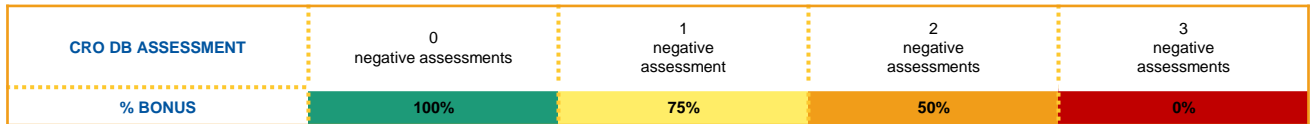
The Plan provides appropriate **Entry Conditions** that - in case they are not met – can zero or reduce the bonus.

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

Risk adjustment

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

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



GRAZIE

