REMUNERATION POLICY 2020

EQUITA GROUP S.P.A.

EXECUTIVE SUMMARY

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This is a courtesy English translation of the Italian version.
In case of any discrepancy between the English translation and the Italian version, the latter shall prevail.

(Courtesy translation)

BENEFICIARIES

Beneficiaries of the Remuneration Policy are the employees of the Equita Group ("Equita" or the "Group"). The so called "More Relevant Personnel" employees are subject to more strict provisions (e.g. limits to the ratio of Fixed Component to Variable Component[1]).

MAIN PURPOSE AND BASIC PRINCIPLES UNDERLYING THE REMUNERATION POLICY

The Remuneration Policy of Equita intends to:

i. Align interests among management, employees and shareholders;
ii. Motivate and retain professionals;
iii. Attract talents;
iv. Foster a sound management of risks;
v. Encourage sustainable behaviours.

The Remuneration Policy, in compliance with the Corporate Governance Code published by Borsa Italiana and in line with international best practices, inspires to the following principles:

i. Total compensation is combination of fairly balanced Fixed and Variable components, based on performance targets and subject to risk management controls;
ii. Fixed Component is sufficient to remunerate employees in case the performance gates and targets to assign the Variable Component are not achieved;
iii. Performance targets are predetermined, measurable and linked to both Company's results and Shareholders' value creation; these targets also include sustainability and environmental, social and governance goals;
iv. Variable Component is spread over time (e.g. deferral provisions) and could include financial instruments (e.g. performance shares, stock options) to further align interests of employees and shareholders;
v. Incentives paid are subject to *ex-post* correction mechanisms (e.g. claw-back provisions) applicable to all employees.

STRONG ALIGNMENT OF INTERESTS BETWEEN MANAGEMENT AND SHAREHOLDERS

It is important to highlight the unique shareholding structure of the Company. Management and some professionals (approximately 70 in total) own 53.8% of the Company share capital. Thus, a significant portion of their remuneration is directly linked to the results of the Company in the medium-long term (e.g. dividends paid-out by the Company and received by employees). Part of these professionals also adhered to Shareholders' Agreements that include lock-up provisions and pre-emption rights[2].

In addition to this, in order to incentivise all professionals and link part of their remuneration directly to performance (as occur today with some managers involved in the partnership of Equita since the beginning), in 2019 the Group adopted an incentive plan that introduced the possibility for all employees to receive financial instruments as part of the Variable Component subject to deferral. The Group has also proposed to the coming Shareholders' Meeting the adoption of a stock option plan aimed at further incentivising the management of the Group.

Based on the above information, it is clear that the Group continue, year after year, to promote strong alignment of interests among managers, employees and shareholders, as well as a long term attitude.

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[1] The limit of Fixed Component to Variable Component does not apply to the professionals of the subsidiary Equita Capital SGR, as provided by the Bank of Italy provisions.

[2] For further information about Shareholders' Agreements, please refer to the documentation made available to the public on the website www.equita.eu (Corporate Governance section, Shareholders' Agreements area).

CHANGES IN THE NEW REMUNERATION POLICY

No material changes occurred to the 2020 Remuneration Policy compared to 2019, except for the ones needed to incorporate into the policy some features of the new stock option plan that has been submitted for approval to the upcoming Shareholders' Meeting.

Among minor changes, the specific provision that, in case the Variable Component subject to deferral is paid (fully or in part) with financial instruments, the following will apply: i) in case of shares, these will be subject to lock-up of at least 6 months starting from the date of payment of the shares; ii) in case of stock options, these will be exercisable from the date of assignment/transfer of options and the shares acquired through the exercise of options will be subject to lock-up of at least 6 months starting from the date of the assignment of options.

Anyway, some important changes were already been introduced last year with the 2019 Remuneration Policy. Among those changes, i) the possibility to pay part of the Variable Component subject to deferral with an incentive plan based on financial instruments, to strengthen the engagement of employees in the pursuing of management objectives and further align interests between management, employees and shareholders in a medium to long term horizon; and ii) the introduction of new individual targets based on environmental, social and governance factors (ESG) like customer satisfaction, people engagement, talent management, human capital, tone from the top on compliance culture and sustainability strategy, to be included in the assessment of individual performances.

MORE RELEVANT PERSONNEL

The Group, pursuant to applicable law, has defined a policy to identify the categories of subjects whose activities have or could have a relevant impact on the risk profile of the Group ("More Relevant Personnel"), as provided by the Commission Delegated Regulation (EU) No 604/2014. Pursuant to the Corporate Governance Code, managers with strategic responsibilities are included in such category.

Remuneration Policy provides more strict rules and provisions applicable to the More Relevant Personnel, like a limit to the ratio between fixed and variable remuneration[3].

REMUNERATION POLICY AT A GLANCE

Merit is a key pillar of the Group's Remuneration Policy: assessment of individual performance is the result of both achievement of targets and behaviours involved in achieving such goals.

The remuneration of each employee is made of: i) Fixed Component as fixed salary, which includes fringe benefits and flexible benefits, and ii) Variable Component to be defined on the basis of predetermined criteria and targets met during the year, and that could result in a combination of cash, shares and stock options.

Variable Component is subject to a limit of 200% of Fixed Component for the More Relevant Personnel (such limit is reduced to 1/3 for control functions) as required by regulatory provisions of Bank of Italy. The cap of 200% is regularly subject to the Shareholders' Meeting approval. This limit does not apply to the professionals of the subsidiary Equita Capital SGR, as provided by the Bank of Italy provisions.

For all the employees, the Fixed Component includes flexible benefits. All the employees benefit from insurance policies covering professional and extra-professional injuries, life and permanent illness insurances, in addition to integrative health covers. In line with market best practices, the Company and the Group signed a Directors and Officers liability insurance covering all the employees (D&O insurance policy).

[3] *This limit does not apply to professionals of the subsidiary Equita Capital SGR, as provided by the Bank of Italy provisions.*

BONUS POOL AND VARIABLE COMPONENT

Variable remuneration of each employee is function of the Bonus Pool (the total amount of variable compensation defined by the Group for all the employees). Board of Directors, following the proposal of the CEO (having previously involved the risk management function and having obtained the favourable opinion of the Remuneration Committee), defines, on a yearly basis, a sustainable Bonus Pool that is coherent with the Group's results. The sustainability and coherence is guaranteed by economic, balance sheet and financial indicators, and balance sheet, liquidity and profitability thresholds, defined each year. For example:

Indicator	Threshold
CET 1	>= 12.5%
LCN	> €10 million
ROE	> 0 %

After the definition of the Bonus Pool consideration, the latter is distributed among employees as individual Variable Components, following an allocation to the different business lines and internal structures (taking into consideration risks involved in the day-by-day activities, quality of the business carried out and growth expectations for instance). The attribution to each employee is made on the targets achieved individually over the year. The distribution of the Bonus Pool consists in a process that guarantees a gradual access to the bonus and is aimed at avoiding risky behaviours not in line with the Company's objectives.

If not all targets and indicators are matched, exceptions could occur for retention purposes or in case of particular performances which were crucial for the sustainability of the Group's results over time. In such a case, the Chief Executive Officer of the Company makes a proposal, the Remuneration Committee assess it and the Board of Directors resolves for or against the proposal. This resolution process is always adequately documented. Such case should be considered exceptional, is subject to adequate controls (among which the formal approval of the governing bodies) and is highly transparent due to the full disclosure that must be provided to the Shareholders' Meetings each year.

INDIVIDUAL PERFORMANCE TARGETS LINKED THE VARIABLE COMPONENT

Performance targets of each employee depend on tasks and role covered within the Group and are based on quantitative and qualitative parameters (including also the ones linked to sustainability and ESG factors – Environmental, Social and Governance – like customer satisfaction, people engagement, talent management, human capital, tone from the top on compliance culture and sustainability strategy).

LIMITS TO THE VARIABLE COMPONENT AND DEFERRAL

The Variable Component is subject to a limit of 200% the Fixed Component for the More Relevant Personnel (such limit is reduced to 1/3 for control functions) as required by regulatory provisions of Bank of Italy. The cap of 200% is sustainable in the medium to long term (considering criteria and thresholds taken into consideration to determine the Bonus Pool, the quantitative and qualitative targets identified for each professional, etc.) and is key to attract talents, incentivise virtuous behaviours and reward resources[4].

[4] *This limit does not apply to the professionals of the subsidiary Equita Capital SGR, as provided by the Bank of Italy provisions.*

The Variable Component is deferred and paid in two separate tranches: the first (60%-80%) paid before 6 months after the closing of the reference period (fiscal year), the second (20%-40%) paid at least 12 months after the cash-out of the first tranche.

Key managers are subject to different deferral schemes: when the Variable Component is above Euro 430,000, the second tranche is paid at least 24 months after the cash-out of the first tranche. When the Variable Component is above Euro 500,000, the second tranche shall be at least 30% of the Variable Component (first tranche of 70% maximum) and it is paid at least 24 months after the cash-out of the first tranche.

Deferral, in accordance with the principle of proportionality, is not applied to Variable Components equal to or lower than 70% of average fixed salary of the Group (such incentives are paid entirely upfront).

Deferral schemes adopted by the Group are to be intended appropriate as remuneration of each individual represents a significant component of total remuneration (in 2019 approximately 35% of total remuneration on average).

INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS

The Remuneration Policy includes the possibility to adopt an incentive plan based on financial instruments to grant shares and/or stock options to employees as portion of the Variable Component subject to deferral. The latter can be in part or fully paid in financial instruments.

In the case of share attribution, the transfer is deferred for at least 12 months after the grant (in line with the cash portion) and is subject to a lock-up period of at least 6 months after the date of transfer.

In the case of stock options attribution, the transfer is deferred for at least 12 months after the grant and the option rights will be exercisable for 5 years starting from the date of transfer. The shares acquired through the exercise of rights are subject to a lock-up period of at least 6 months starting from the date of transfer of the stock options.

Financial instruments assigned to employees shall be considered part of the Variable Component subject to deferral, excluding particular exceptions proposed by the Remuneration Committee and approved by the Board of Directors. The incentive plan is applicable to all employees that have a Variable Component of at least Euro 20,000, threshold below which the Variable Component is not subject to deferral and thus entirely paid upfront.

CORRECTION MECHANISMS

The Variable Component is subject to *ex-post* correction mechanisms (malus and/or claw-back), applicable to all employees. Claw-back provisions are applied for a minimum period of 5 years and such period starts from the payment (also partial in the case of deferral) of the Variable Component.

EARLY TERMINATION OF DIRECTOR'S OFFICE OR EMPLOYMENT

The Company has no compensation agreements in place that regulate, neither *ex-ante* nor *ex-post*, compensation in case of early termination of director's office (e.g. so called golden parachute) or employment.

In case the Company or the companies of the Group decide to introduce such compensation agreements, the latters: i) in case of golden parachute as defined by Bank of Italy, the compensation must be in line with applicable law; ii) in case of employment termination, the compensation must take into consideration the long-term performance of the employee in terms of value creation for shareholders and must be compliant with applicable law provisions. In any case, the Shareholders' Meeting is responsible for determining the compensation to be awarded (including the limits set on compensation in terms of annual fixed salary and the maximum amount deriving from applying them).

CHIEF EXECUTIVE OFFICER

Total compensation of the Chief Executive Officer (who also covers the role of General Manager of the subsidiary Equita SIM) is represented by a Fixed Component and a Variable Component. More in details, the Chief Executive Officer is entitled to receive: i) fixed emoluments in respect of his role as member of the Board of Directors and Chief Executive Officer; ii) fixed salary, which includes fringe benefits and flexible benefits, in respect of his role as General Manager; iii) Variable Component to be defined on the basis of predetermined criteria and targets met during the year, and that could include financial instruments.

If the Chief Executive Officer misses the targets needed to access the Variable Component, the Fixed Component is in any case adequate to remunerate his performance.

The Variable Component links compensation to results – both qualitative and quantitative – taking into account all the risks involved in ordinary activities, and the performance of the Company, the Group and the Chief Executive Officer himself.

Variable Component is subject to a cap, deferral provisions and correction mechanisms (*malus*, *claw back*).

OTHER INFORMATION

The Remuneration Committee of the Company is made up of three members, all non-executives, two of which qualified as independent. Each member of the Committee has an adequate expertise.

The Chairman of the Board of Directors and the Non-Executive Directors are entitled to receive a fixed remuneration, not linked to the results of the Company. No incentive plan based on financial instruments is provided. The Board of Directors and/or the Shareholders' Meeting may assess the possibility of paying them a Variable Component representing a non-significant portion of the total remuneration (anyway representing a percentage of fixed remuneration equal to or lower than the maximum limit set for control functions).