Remuneration Policy 2019

Equita Group S.p.A.

Executive Summary

(Courtesy translation)

BENEFICIARIES

Beneficiaries of the Remuneration Policy are the employees of the Group. The so called "More Relevant Personnel" employees are subject to more strict provisions (eg. limits to the ratio of Fixed Component to Variable Component, etc).

MAIN PURPOSE AND BASIC PRINCIPLES UNDERLYING THE REMUNERATION POLICY

The Remuneration Policy intends to: i) align interests among Shareholders and management, ii) motivate and retain professionals, iii) attract talents, iv) promote a sound management of risks, and v) encourage sustainable behaviours.

The Remuneration Policy, in compliance with the Corporate Governance Code and in line with the international best practices, is inspired to the following principles: i) total remuneration is the result of Fixed and Variable components, adequately balanced and based on performance targets and risk management controls; ii) the Fixed Component is sufficient to remunerate the performance of employees if the Variable Component is not achieved; iii) performance targets are predetermined, measurable and linked to the results of the Company and the value creation for Shareholders; iv) the Variable Component is spread over time (eg. deferral provisions); v) incentives paid are subject to ex-post correction mechanisms (eg. claw-back provisions).

STRONG ALIGNMENT OF INTERESTS BETWEEN MANAGEMENT AND SHAREHOLDERS

It is important to highlight the Shareholders' structure of the Company where the management and other employees of the Group (approximately 70 in total) are shareholders with a 54.3% stake. As a result, significant portion of the remuneration is directly linked to the results of the Company (including the dividends paid-out) in a medium to long term horizon. Taking this into consideration and combining it with the shareholders' agreements signed by the management and employees (which include lock-up provisions and preemption rights – *the latters will entry into force when lock-up provisions expire* – and that necessarily determine a strong alignment of interests in the long-term between management, Company's results and shareholders), the Company did not implemented any incentive plan based on financial instruments in the past.

However, with the new remuneration policy the Company proposed to the Shareholders' Meeting the introduction of an incentive plan based on financial instruments that allows, especially newly entered professionals, to be incentivized with part of the remuneration linked directly to the Company's performance and aligned to the investors' interests, as occurs with the management today.

CHANGES INTRODUCED WITH THE NEW REMUNERATION POLICY

The new Remuneration Policy introduced the following changes: i) integration of the Variable Component with an incentive plan based on financial instruments to strengthen the engagement of employees in the pursuing of management targets and further align interests between management, employees and shareholders, in a medium to long term horizon; and ii) introduction of new indicators 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, 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. The managers with strategic responsibilities are included in such category, pursuant to the Corporate Governance Code. The Remuneration Policy of the Group applies more strict rules and provisions to the More Relevant Personnel, like cap on the ratio between fixed and variable remuneration.

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 conducted to achieve such goals.

The remuneration of each employee is represented by: 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 subject to the Shareholders' Meeting approval.

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).

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 and coherent with the Group's results Bonus Pool. The sustainability and coherence is guaranteed by economic, balance sheet and financial indicators, and by 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 supporting structures (taking into consideration risks involved in the day-by-day business, quality of the activities carried out and growth expectations for instance). Then the attribution to each individual is made on the basis of targets achieved individually over the year. The distribution of the Bonus Pool involves a process that guarantees a gradual access to the bonus and is aimed at avoding 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 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 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.

PERFORMANCE TARGETS LINKED THE VARIABLE COMPONENT

Performance targets assigned to employees depend on tasks and role of each professional and are based on quantitative and qualitative indicators (including also ESG indicators – 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% of 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, incentivize virtuous behaviours and reward resources.

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 is 30% of the Variable Component (first tranche of 70%) 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 because the variable remuneration of each individual (approximately 40% of total remuneration on average) represents a significant component of total remuneration.

INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS

The new Remuneration Policy introduces the adoption of 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 (minimum 20%) or totally 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 12 months after the date of the transfer.

In the case of stock option attribution, the transfer is deferred for at least 24 months after the grant. Stock options are exercisable for 5 years starting from the date of the transfer.

Only employees that have a Variable Component of at least Euro 20,000 are eligible for this incentive plan.

CORRECTION MECHANISMS

The Variable Component is subject to *ex-post* correction mechanisms (malus and/or claw-back) for all the 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 S.p.A.) is represented by a Fixed Component and a Variable Component. More in details, the Chief Executive Officer benefits from: 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.

If the Chief Executive Officer misses the targets needed to access the Variable Component, the Fixed Component is anyway 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 performance of the Company, the Group and the Chief Executive Officer himself. The 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 experience.

The Chairman of the Board of Directors and the Non-Executive Directors 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).