



**MONTETITOLI**

A EURONEXT COMPANY

# ***2021 Remuneration Policy***

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## **Monte Titoli S.p.A.**

## Document summary

<b>Document type</b>	Policy
<b>Purpose of the document</b>	The purpose of the Remuneration policy is to provide guidelines and internal policies related to calculation and application of the remuneration of the all employees, management, control functions and Board of Directors of Monte Titoli S.p.A., in line with shareholders' interest and business strategy
<b>Classification</b>	Internal and external
<b>Document Owner</b>	Head of Human Resources – Marina Famiglietti
<b>Reference to related documentation</b>	Remuneration Committee Terms of Reference
<b>Regulations linked to this document</b>	Regulation n. 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26EC and 2014/65/EU and Regulation (EU) n. 236/2012" (CSDR) and the "Regulatory Technical Standards under CSDR issued by the Commission Delegated Regulation (EU) 2017/392 of 11 November 2016

## Version control

This Policy will be reviewed at least once a year, for updating the necessary content related to governance and processes.

<b>Version</b>	<b>Date</b>	<b>Author</b>	<b>Approval</b>	<b>Change Description</b>
Previous	25 March 2020	Marina Famiglietti	Board of Directors	Annual review
Update	26 October 2021	Marina Famiglietti	Board of Directors	The Remuneration Policy has been revised to take into account the sale of the Borsa Italiana Group from LSEG to Euronext on the 29th April 2021.  While the previous remuneration items have been mainly maintained, specific LSEG LTIP plans were accordingly replaced by the Euronext LTI plans.

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## 1. Principles and objectives of the Remuneration Policy

Our people and remuneration strategies aim to enable Euronext and Monte Titoli S.p.A, the Italian Central Securities Depository (referred as "Monte Titoli S.p.A." or "the Company") to attract, develop and retain talent that will ensure that we maximise long term shareholder value and support the development of capital markets and the growth of the real economy. In particular, Monte Titoli S.p.A. performs pre-settlement, settlement and custody services for its member participants.

We aim to engage people over the long term by fostering diversity, providing challenging work and development opportunities, and rewarding for measurable performance. This people strategy is underpinned by our Group wide values and our overall commitment to provide sustainable growth and development for both the Company and our employees.

Our **remuneration strategy** is based on the principles of aligning remuneration arrangements with our strategic objectives, empowering employees by differentiating top performers, being economically sustainable over the time, whilst achieving simplicity and transparency in the design and communication of remuneration arrangements. The remuneration strategy and supporting policies, and how they support our overall business strategy are set out in this remuneration policy document (hereinafter "**the Remuneration Policy**") which is **applicable as of 29<sup>th</sup> April 2021**. This Remuneration Policy, in compliance with the European Central Securities Depositories Regulation (CSDR)<sup>1</sup>, establishes adequate remuneration practices and describes information about the **fixed and variable elements of the remuneration of the Management of Monte Titoli S.p.A., and employees of Monte Titoli S.p.A.**, in particular working in the **risk management, compliance and internal control, internal audit and technology functions**.

This Policy only applies to employees of Monte Titoli S.p.A. and doesn't apply to employees of other entity within the Euronext Group.

Monte Titoli S.p.A. has established an internal **Remuneration Committee** which is responsible for submitting recommendations, and also, in line with the Euronext Group processes, for the approval of the Board of Directors on the following matters, taking into consideration the preparatory work of Human Resources function and any relevant legal and regulatory requirements, provisions and recommendations:

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<sup>1</sup> Regulation (EU) 909/2014 and Regulation (EU) 2017/392, Regulatory Technical Standards under CSDR-e Commission Delegated Regulation (EU) 2017/392 of 11 November 2016

- the Monte Titoli S.p.A. Remuneration Policy in the context of the Remuneration Policy of the Euronext Group as a whole, taking into account all relevant factors;
- the annual variable compensation pool of Monte Titoli S.p.A., ensuring balance between fixed remuneration and variable remuneration and alignment with the Monte Titoli Risk Appetite framework;
- upon Board of Director's request, the fees of the Chairman of the Board and the additional fees of the directors appointed to other specific roles or to whom specific powers have been delegated, with the abstention of the involved directors;
- the remuneration of the Chief Executive Officer and the General Manager of Monte Titoli,
- the remuneration of the Head of Internal Audit, the Chief Risk Officer, the Chief Compliance Officer and the Chief Technology Officer, where they are employed by the Company, on proposal of the Monte Titoli Chief Executive Officer, ensuring that they will be remunerated in a manner that is independent from the business performance of Monte Titoli S.p.A.. This is intended to avoid that control functions are subject to any conflicts of interest. However the level of remuneration shall be adequate in terms of responsibility as well in comparison to the level of remuneration in the business area.

The distribution of the fixed and variable remuneration to the individuals, according to the level of individual performance, is under the responsibility of the Monte Titoli Chief Executive Officer aligned with the Euronext Group Compensation Review process, acting on proposals from the managers, except for the Head of Internal Audit, the Chief Risk Officer, the Chief Compliance Officer and the Chief Technology Officer. The Board is updated annually of the overall allocation.

The Compliance function periodically performs controls within the remit on the Remuneration Policy and Internal Audit checks its effectiveness.

The **Board of Directors** of Monte Titoli S.p.A. is responsible for approving the Remuneration Policy, monitoring its implementation and reviewing it at least annually. Implementation decisions will be reviewed taking into consideration recommendations from the Remuneration Committee, acting on proposal of the management as mentioned above, in line with the Euronext Group processes, supported by Human Resources functions.

The Board of Directors ensures that the remuneration and incentive frameworks are compliant with regulatory requirements and statutory provisions and with the Group and Monte Titoli Code of Conduct and promotes the adoption of consistent behaviours. The Board of Directors ensures the involvement of all competent functions in the process of preparing and monitoring remuneration policies and practices. It also ensures that remuneration is properly documented and accessible within the Company

to the Regulators and Internal Functions. Any exception to this Remuneration Policy will be approved by the Board of Directors.

## 2. Remuneration for members of the Board of Directors

Independent Non-Executive directors receive annual fees approved by the Annual Shareholders' General Meeting. Given the nature of the Board's responsibilities, their remuneration is not linked to Company business performance.

Independent Non-Executive members of Board of Directors are not eligible to participate in any benefits programmes offered by Monte Titoli S.p.A. to its employees. The Company does not provide any loans to members of the Board of Directors.

The Monte Titoli Executive Board members employed within the Euronext Group do not receive any specific remuneration related to their role of Company's director .

## 3. Remuneration for Managers and other employees

Remuneration may consist of the following components:

- 3.1. Annual Fixed Salary component ('AFS')
- 3.2. Bonus / Short Term Incentive in the form of cash reward ('STI') and profit sharing
- 3.3. Long Term Incentive in the form of equity ('LTI')
- 3.4. Pension provisions, employee share plan, and fringe benefits

The weight of the fixed and variable components is properly differentiated with respect to the various categories of personnel, in order to adequately reflect the level of impact on financial risk and performance. An appropriate portion of the package is fixed so as not to incentivize inappropriate financial risk.

The long term remuneration in equity components, when provided, introduces a deferral mechanism to the pay, in alignment with the risk exposure of the Company.

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### 3.1 Annual Fixed Salary ('AFS')

Annual Fixed Salary is based on a combination of factors, including role, accountability, experience and overall responsibilities taking into account the individual's area of responsibility, results achieved, expertise and background and will be determined on

the basis of benchmarking comparable companies in relevant markets. There is no defined maximum salary. Increases are solely at the Company discretion except where mandated by law and/or by the national contract. Typically, Annual Fixed Salary will be positioned at a competitive level against external benchmark in line with the overall job responsibilities of the individual.

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### **3.2 Bonus / Short Term Incentive in the form of cash reward ('STI') and profit sharing**

Employees may be awarded an annual Short Term Incentive, paid on a yearly basis in cash.

This Short Term Incentive is discretionary and is reassessed every year based on Company financial results, changes in the competitive landscape, personal retention objectives and individual performance and expected behaviours in relation to predetermined objectives on a full year basis.

Short Term Incentives are therefore not part of any recurring compensation, not acquired nor payable prorata temporis, and are subject to presence in the Company.

The objective of this bonus / Short Term Incentive is to ensure the achievement of operational performance targets aligned with the strategic initiatives in the shorter term.

All Monte Titoli employees, excluding those qualified as Manager (Dirigenti) under Italian Labour law, are eligible to profit sharing scheme, which is a national contractual provision with criteria linked to the profitability and productivity of the Company and negotiated with Trade Unions. No profit sharing is given in case of performance requiring significant development in the role.

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### **3.3 Long Term Incentive in the form of equity ('LTI')**

Euronext N.V. performance shares may be granted to Monte Titoli employees to reflect the importance of the Company activities for the Group as a whole in supporting Euronext N.V. ambitions to grow and transform its post-trade business, including in particular Central Securities Depositories (CSD) activities.

Employees of Monte Titoli S.p.A. are eligible to participate in the Long Term Incentive plan (LTI), which provides an incentive for longer term commitment and retention of selected employees. When granted, LTI awards will be made in the form of performance

shares of Euronext N.V. ("Performance Shares") with a 3-year cliff vesting schedule. LTI awards are granted at employer's discretion, are not part of any recurring remuneration and will be reassessed every year. The key objective of the LTI is to provide an incentive to some critical employees and secure them against the competitive environment to continue their employment relationship with the Company.

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### **3.4 Pension provisions, employee share plan and fringe benefits**

All the employees in scope will benefit from the regular benefits package of Monte Titoli S.p.A. and will have no specific rights compared to other employees in respect of pension benefits, employee share plans, insurance arrangements and usual fringe benefits.

The benefits provide local market competitive benefits. Benefits are reviewed periodically to ensure they remain affordable and competitive.

## **4. Employment conditions**

All employees in scope are subject to Italian Law and entitled to the mandatory notice period in the event of severance or termination.

The potential severance payment in case of termination of contract is based on market practice and legal rules for all employees.

Where severance payments are awarded to an employee who ceases employment, the Company undertakes to ensure that such termination payments shall be determined in such a way as to establish no reward for failure and compatibility with the financial situation of the Company and with external best practice.

## **5. Control and reporting**

Remuneration Policy and relevant decisions will be approved and annually reviewed by the Monte Titoli Board of Directors, following the submission of Remuneration Committee recommendations, in line with the Euronext Group processes, supported by Human Resources functions, and in compliance with the applicable regulatory requirements.

## 6. Disclosure

Monte Titoli S.p.A., on its website, shall make available to the public the key elements of the Remuneration Policy.

The results of the independent audits will be made available to the competent Authority.

## 7. Governance procedural aspects

### 7.1 Corporate bodies

#### **Shareholders' meeting**

Pursuant to the By-Laws of the Company, Shareholders' Meeting establishes the overall remuneration for the Board of Directors upon appointment for the duration of their office.

#### **Board of Directors remuneration**

The Board of Directors establishes the individual fee for each Director, within the overall amount established by the Shareholders' meeting and, according to the framework of delegated powers in force within the Company, determines, having consulted the Board of Statutory Auditors, the remuneration of those Directors appointed to special offices or who have been entrusted with special powers with regards to the ordinary management of the Company.

Directors might renounce to the membership or attendance fee related to the directorship or to specific offices. Executives are covered by the Director's and Officers' insurance and indemnification.

#### **Chairman of the Board of Directors remuneration**

The Chairman as non Executive Director with a specific appointment receives a chairmanship flat fee. No provision is made for incentive linked to performance or for benefit and pension schemes. If he/she is employed in a Company owned by the Euronext Group, in agreement with the guidelines of the Group, he/she is asked to renounce to the fees. The Chairman might renounce to the chairmanship fee.

### **Statutory Auditors remuneration**

The Board of Statutory Auditors advises the Board of Directors on the proposed remuneration policy and its implementation.

The Board of Statutory Auditors Chairman and members are awarded with a flat fee and no provision is made for incentives linked to performance or for benefit and pension schemes.

### **Approval process of the Remuneration Policy**

- The approval process of the Remuneration Policy requires the involvement of the internal control functions in the second and third lines of defense. In the second line of defense, the Compliance Department is responsible for ensuring the compliance of the remuneration policy to the relevant applicable regulatory requirements and for submitting a compliance report on Remuneration Policy to the Remuneration Committee and to the Board of Directors when a new version of the Remuneration Policy including significant amendments is submitted for approval or changes in the applicable regulatory requirements have occurred;
- In the third line of defense, the Internal Audit Department is responsible for verifying on annual basis the compliance of the remuneration practices to the remuneration policy and to the relevant regulation and for submitting an independent audit report to the Remuneration Committee and to the Board of Directors.

### **Other Corporate Functions involved authority**

The definition of the remuneration process requires also the involvement of other Corporate Functions which should have appropriate authority in carrying out their activities:

- The Human Resources Department is responsible for drawing up the remuneration policies, supporting the governance, putting forward recommendations to the Remuneration Committee on the remuneration practices, coordinating the inputs from the other control functions to the extent of their responsibilities, ensuring alignment among the remuneration policy and practices, the group remuneration framework and the regulatory requirements on remuneration;
- The Finance Department is responsible for ensuring alignment between the remuneration practices and the short and long term financial objectives of the company as well as the sustainability of the remuneration practices in a multi-year period.

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## 7.2 Application of the Remuneration Policy

If from the annual verification of the financial objectives achievements, there is no evidence of significant decreases, Monte Titoli S.p.A. will proceed, as usual, with the application of the Remuneration Policy.

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