

# Remuneration policy

## Overview

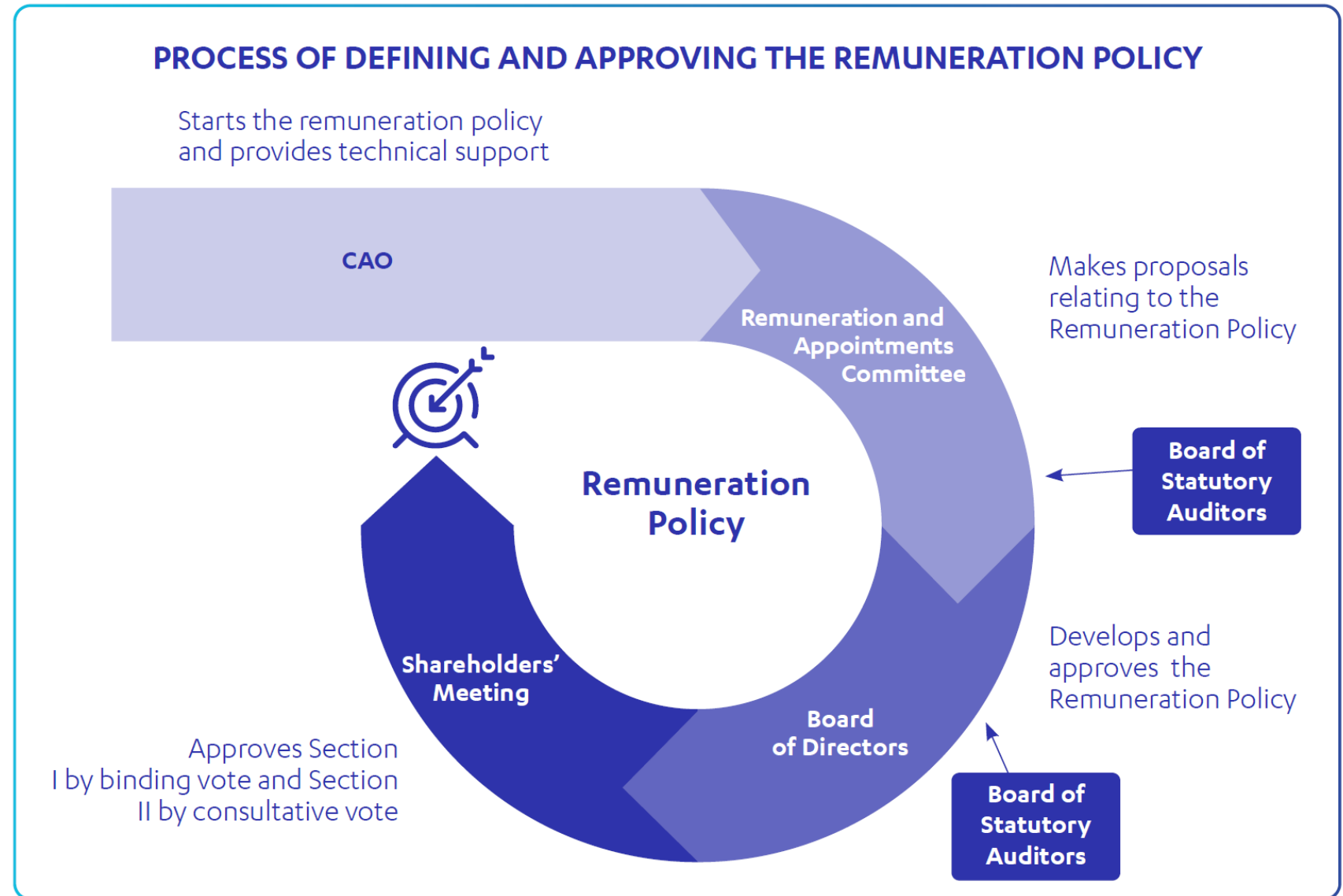
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March 2020



The Remuneration and Appointments Committee was established on 25 February 2019 with the aim of defining a new remuneration policy in continuity with the previous one, which reflects and supports Nexi's business strategy and values, in line with the guidelines of the Company's strategic plan

The process of defining and approving the remuneration policy consists of the following steps and involves the bodies and persons indicated below



... with the aim of strengthening its leadership in the management and development of resources among listed companies, with a particular focus on the hi-tech sector, to attract and retain key competencies.

## PURPOSES

- **To create lasting value for shareholders**, while also respecting the interests of our **customers** and **employees**;
- **To pursue and guarantee the sustainable growth of the organization in the medium-long term**, in line with the guidelines of the Company's strategic business plan, through a conscious management of business risks;
- **To attract, motivate and retain people** whose attitudes, passions, skills and experience are a key factor in Nexi's success; and
- **To develop a culture** of recognition of **merit**, through remuneration systems linked to the results achieved in the short and medium term, as well as to the behaviours put in place.

REMUNERATION  
POLICY

Alignment with company Values and business strategy, performance, competitiveness and transparency are the principles on which our remuneration policy is based

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### Alignment with Values and business strategy

- The approach of a **balanced remuneration package between fixed and variable remuneration** is considered a key driver for the Nexi's objectives and behaviours put in place.
- In particular, **variable incentive systems** represent a fundamental instrument in **driving performance and impact on company results**: they are structured so that the targets and measurement metrics are consistent with business objectives in the short and long term.

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### Performance

- Remuneration policies have a direct link with performance and people's contribution to **sustainable business results** according to a **meritocratic approach**, particularly rewarding top performers.
- We assess the performance of our employees according to explicit and defined criteria:
  - **WHAT**: clear and measurable qualitative and quantitative individual objectives;
  - **HOW**: behaviours put in place in line with company values.
- We expect **at least one feedback session** to facilitate alignment with the expected target and possible corrective actions.

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### Competitiveness and fairness

- The remuneration package, in all its elements, is **consistent with the role and responsibilities assigned**, at all levels of the company.
- We **weigh company roles in terms of impact and responsibility** in accordance with a codified and internationally recognised system (**banding**) to ensure a consistent and fair approach to the role held.
- We carry out **external benchmarking** - including benefits - with the relevant peer groups, both in terms of pay-mix and salary levels, with the support of an independent external consulting firm; our objective is to ensure competitive remuneration packages to attract and retain key competencies.

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### Transparency and communication

- The **criteria** for remunerating our people are **clear and transparently communicated** to:
- Shareholders
  - Employees
  - Outsiders

# The key elements of remuneration policy consist of fixed/variable components and sustainable welfare programs

Fixed component	MBO	LTI	Welfare & Benefit	Other instruments
Fixed Salary	Short term incentive	Long term incentive	Welfare & Benefit program	Severance payments, non-competition agreement, ...
<ul style="list-style-type: none"> <li>It consists of <b>Gross Base Salary</b> which represents the fixed component of the total remuneration, aimed at recognising performance even if the variable components are not paid.</li> <li>It is defined in line with the <b>responsibilities/impact of the role</b> and <b>external benchmark</b> (with the reference peer group) carried out with the support of an independent external consulting firm.</li> </ul>	<ul style="list-style-type: none"> <li>The <b>MBO</b> (<i>Management By Objectives</i>) is the plan based on the <b>results achieved in the short term</b>, over a period of 1 year against specific measurable and complementary objectives.</li> <li>The achievement of the objectives will result in the <b>granting of economic / monetary incentives</b>, paid out within the first half of the fiscal year following the relevant year.</li> </ul>	<ul style="list-style-type: none"> <li>The <b>LTI</b> is a variable incentive plan that provides for the assignment of rights to receive ordinary Nexi shares free of charge to a selected panel of employees of the Company (based on banding* and performance**) over a medium long term (three years), vesting of which is conditioned by the achievement of set objectives.</li> </ul>	<ul style="list-style-type: none"> <li><b>Benefit</b> are a relevant component of the remuneration package as a complement to the other remuneration elements, in a broader logic of <b>sustainable welfare</b>.</li> <li>They differ according to the category of beneficiaries and type; they are aligned with <b>market practices</b>, consistent with the applicable laws and regulations and with the provisions of the collective bargaining agreements in force.</li> </ul>	<ul style="list-style-type: none"> <li><b>Severance payments</b> and <b>non-competition agreement</b> are instruments designed to protect the Company from potential risks of litigation and/or competition in cases of termination of employment.</li> <li>These treatments are consistent with the remuneration received, in line with the recommendations set out in the Corporate Governance Code and consistent with the provisions of law and the applicable collective bargaining agreements.</li> <li>Directors &amp; Officers (D&amp;O) policy, is granted for selected people (BoD, CEO/GM, ESR, Statutory Board members).</li> </ul>

# Executive Summary: CEO/GM

ELEMENT	KEY FEATURES
<b>FIXED SALARY</b>	Fixed remuneration for the position of General Manager
<b>SHORT TERM INCENTIVE (MBO)</b>	<p><b>Entry gate</b> starting from which the incentive can be granted: Group EBITDA <math>\geq</math> 85% of target value. Likewise, no MBO incentives are paid out, even when the other objectives are achieved, if the individual objectives assigned to the individual beneficiary are not achieved.</p> <p>There are <b>malus and clawback</b> clauses.</p> <p>Key Performance Indicators (“<b>Key Performance Indicators</b>” or “<b>KPIs</b>”) and related weights:</p> <ul style="list-style-type: none"> <li>• Group EBITDA (40%)</li> <li>• Operating Free Cash Flow (20%)</li> <li>• Group Revenues (20%)</li> <li>• Individual objectives (20%)               <ul style="list-style-type: none"> <li>- Operational excellence: Group OPEX;</li> <li>- Customer Centricity: Net Promoter Score;</li> <li>- Transformation: IT Operational Plan;</li> <li>- Sustainability/People Value: Engagement Index People Survey</li> </ul> </li> </ul>
<b>LONG TERM INCENTIVE (LTI)</b>	<p>Assignment of rights to receive Nexi’s ordinary shares, <b>Performance Shares</b>, free of charge, based on performance criteria over a medium-long term (three years).</p> <p>There are <b>malus and clawback</b> clauses.</p> <ul style="list-style-type: none"> <li>• <b>Assignment frequency:</b> Rolling (3 allocation cycles: 2019-2021; 2020-2022; 2021-2023)</li> <li>• <b>Performance period:</b> three years.</li> <li>• <b>Entry Gate:</b> Three-year Operating Cash Flow <math>\geq</math> 80% of Target OCF</li> <li>• <b>Performance indicators:</b> <ul style="list-style-type: none"> <li>- (50%) Relative Total Shareholder Return (TSR)</li> <li>- (50%) Cumulative Operating Cash Flow</li> </ul> </li> <li>• <b>Holding Period:</b> 1 year for 50% of the shares vested.</li> </ul>
<b>BENEFIT</b>	<b>Main Types:</b> Supplementary pension; Supplementary healthcare; Insurance coverage (medical expenses, death, permanent disability); Mixed-use car
<b>OTHER INSTRUMENTS</b>	Severance payment, (D&O) Directors & Officers Policy.

Our remuneration policy is an essential element of our strategy: therefore the variable incentive plans are structured in a such way that the targets and kPIs are consistent with the business objectives

### STRATEGIC DRIVERS

### SHORT TERM - MBO

### LONG TERM - LTI

STRATEGIC DRIVERS		SHORT TERM - MBO						LONG TERM - LTI		
		EBITDA	REVENUES	OP. CASH FLOW	OPEX	CUSTOMER NPS	IT STRATEGY	PEOPLE ENG.	RELATIVE TSR	CUM. OP. FLOW
	GROWTH	●	●	●			●	●	●	●
	TECHNOLOGY			●	●	●	●	●	●	●
	EXCELLENCE	●		●	●	●	●	●	●	●
	PEOPLE						●	●	●	●
	DEVELOPMENT	●	●						●	

# CEO/GM: Short Term Incentive Plan - MBO

In line with the Company strategic drivers focused on profitable growth, innovation and technological/digital transformation, operational excellence, people and value creation, the MBO scheme sets out pre-determined, measurable and complementary economic, financial and non financial objectives

Entry Gate

**GROUP EBITDA  $\geq$  85% of target value**

Types of Objectives		KPIs	PAYOUT RANGE	PAYOUT
COMPANY OBJECTIVES	ECONOMIC AND FINANCIAL	GROUP EBITDA (40%)	90% - 105%	If the level of achievement of the objective is equal to, or lower than the minimum value, the payout (amount of the incentive paid to the target) is equal to zero; if the level of achievement of the objective is equal to the target, the payout is equal to 100% of the target incentive; if the level of achievement is equal to, or higher than the maximum value, the payout is equal to 200% of the target incentive.
		OPERATING FREE CASH FLOW (20%)	90% - 105%	
		GROUP REVENUES (20%)	90% - 105%	
INDIVIDUAL OBJECTIVES	STRATEGIC PROJECTS AND SUSTAINABILITY	OPERATIONAL EXCELLENCE: GROUP OPEX (5%)	100% - 95%	
		CUSTOMER CENTRICITY: NET PROMOTER SCORE (5%)	Weighted average of individual NPS	
		TRANSFORMATION: IT STRATEGY PLAN (5%)	from <55% to $\geq$ 65%	
		PEOPLE VALUE: EMPLOYEE PEOPLE SURVEY / ENGAGEMENT INDEX BALANCED (5%)	90% - 105%	
	80%			
	20%			



# CEO/GM: Long Term Incentive Plan - LTI

## Entry Gate

- Three-year Operating Cash Flow  $\geq 80\%$  of Target OCF

## Performance

Weight:  
**50%**

### KPI 1:

The **Relative Total Shareholder Return (Relative TSR)** is the difference between the actual TSR and the benchmark. The benchmark is constructed on the basis of the following indices, with the same percentage weight (33%), identified by sector:

- Global Digital Payments Infrastructure Index
- EURO STOXX Technology
- Index of the Italian Stock Exchange FTSE MIB.

Weight:  
**50%**

### KPI 2:

The **Cumulative Operating Cash Flow** is the sum of the OCF realized overall during the vesting period.

## Pay out

The amount Performance Shares assigned is calculated according to the following table with an achievable cap of 200%:

Relative TSR		Performance Shares	
From	To	From	To
-10%	0%	0%	100%
0%	+20%	100%	200% (cap)

The amount Performance Shares assigned is calculated according to the following table with an achievable cap of 200%:

$\Delta\%$ OCF Cumulative vs Target		Performance Shares	
From	To	From	To
-10%	0%	0%	100%
0%	+7%	100%	200% (cap)

- The **Relative Total Shareholder Return (Relative TSR)** is the difference between the actual TSR and the benchmark
- The **actual TSR**, i.e. the total return on investment for the shareholder, is an indicator that measures the creation of value for the shareholder and is calculated by adding to the change in the share price during the vesting period the effect of dividends per share paid during the same period, according to the following formula:

$$TSR = \frac{(\text{Final Price} - \text{Initial Price} + \text{Dividends})}{\text{Initial Price}}$$

- The **benchmark** is constructed on the basis of the following indices, with the same percentage weight (33%), identified by sector:
  - Global Digital Payments Infrastructure Index
  - EURO STOXX Technology
  - Index of the Italian Stock Exchange FTSE MIB.

# Executive Summary: ESR

ELEMENT	KEY FEATURES
<b>FIXED SALARY</b>	Commensurate on average with the role held and responsibilities assigned
<b>SHORT TERM INCENTIVE (MBO)</b>	<p><b>Entry gate</b> starting from which the incentive can be granted: Group EBITDA <math>\geq</math> 85% of target value. Likewise, no MBO incentives are paid out, even when the other objectives are achieved, if the individual objectives assigned to the individual beneficiary are not achieved.</p> <p>There are <b>malus and clawback</b> clauses.</p> <p>Key Performance Indicators (“<b>Key Performance Indicators</b>” or “<b>KPIs</b>”):</p> <ul style="list-style-type: none"> <li>• Group EBITDA</li> <li>• Economica, financial and non financial objectives related to the specific responsibilities of the BU/Area</li> <li>• Individual objectives including Sustainability/People Value: Engagement Index</li> </ul>
<b>LONG TERM INCENTIVE (LTI)</b>	<p>Assignment of rights to receive Nexi’s ordinary shares, <b>Performance Shares</b>, free of charge, based on performance criteria over a medium-long term (three years).</p> <p>There are <b>malus and clawback</b> clauses.</p> <ul style="list-style-type: none"> <li>• <b>Assignment frequency:</b> Rolling (3 allocation cycles: 2019-2021; 2020-2022; 2021-2023)</li> <li>• <b>Performance period:</b> three years.</li> <li>• <b>Entry Gate:</b> Three-year Operating Cash Flow <math>\geq</math> 80% of Target OCF</li> <li>• <b>Performance indicators:</b> <ul style="list-style-type: none"> <li>- (50%) Relative Total Shareholder Return (TSR)</li> <li>- (50%) Cumulative Operating Cash Flow</li> </ul> </li> <li>• <b>Holding Period:</b> 1 year for 50% of the shares vested.</li> </ul>
<b>BENEFIT</b>	<b>Main Types:</b> Supplementary pension; Supplementary healthcare; Insurance coverage (medical expenses, death, permanent disability); Mixed-use car
<b>OTHER INSTRUMENTS</b>	Severance payments, non-competition agreement, (D&O) Directors & Officers Policy.