

Remuneration Report 2016

Poste Italiane SpA

Disclaimer

This Report has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the Report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

Statement from the Chairman of the Remuneration Committee

Dear Shareholders,

As Chairman of Poste Italiane SpA's newly established Remuneration Committee, which took over from the previous Compensation Committee on 10 September 2015, I am pleased to present Poste Italiane's first annual Remuneration Report.

This document is the result of a review of the Company's remuneration and incentive policies that began in 2015 and is still in progress.

I should like to thank the two members of the previous Compensation Committee, the outgoing Chairman, Antonio Campo Dall'Orto, and the non-executive Director, Elisabetta Fabri – who is also a member of the current Remuneration Committee – for their significant efforts.

In particular, in the first half of 2015, they provided major support to the Board of Directors:

- in drawing up the *“Guidelines for BancoPosta RFC's remuneration and incentive policies”* and their application in accordance with the requirements for banks with regard to *“politiche e prassi di remunerazione e incentivazione”*, in compliance with Bank of Italy Circular 285/2013;
- in assessing achievement of the General Manager's targets for 2014 and in setting the targets for 2015, in relation to the short-term incentive plan (MBO).

The Remuneration Committee, whose members are Elisabetta Fabri and Umberto Carlo Maria Nicodano, in addition to myself, was established in September 2015 with two key objectives in mind: a) to guarantee the progressive alignment of the Company's remuneration policies with international best practices and the applicable statutory requirements, and b) to ensure that its incentive plans are increasingly aligned with the Company's strategic objectives.

One of the key elements on which the following policies are based is the need to comply with

statutory requirements and ensure the utmost transparency with regard to investors. This is particularly important for Poste Italiane, given the complexity of the Group, which includes company functions and subsidiaries subject to supervision by the Bank of Italy (including BancoPosta and Banca del Mezzogiorno - MedioCredito Centrale SpA) and the insurance regulator, IVASS (Poste Vita SpA).

Over recent months, two factors have had an impact on the definition of the Group's future remuneration and incentive policies:

- the initial public offering, which has resulted in the listing of Poste Italiane SpA's ordinary shares on the screen-based trading system (*Mercato Telematico Azionario* or *“MTA”*) operated by Borsa Italiana SpA;
- adoption of the Corporate Governance Code.

Therefore, in addition to ensuring compliance with statutory requirements, the aim has been to align the Company's remuneration and incentives with the pursuit of continued growth, ensuring that incentives are linked to our strategic objectives and to performance.

In this connection, the remuneration and incentive policies have, above all, been defined with the aim of ensuring a sound and prudent approach to the management of Poste Italiane.

In addition, we have given priority to the need to align the long-term incentive plans for key managers with creation of value for shareholders and for the Company's stakeholders in general. In this regard, we have made reference to national and international best practices relating to long-term incentives, using both the overall market and the specific sectors in which the Group is present as benchmarks.

The policies are, in fact, designed to attract and motivate people capable of outperforming in their

roles, balancing the variable and fixed components of pay.

I am certain that the Remuneration Report will provide proof of our ongoing commitment to ensuring adequate disclosure, to both you and the market, of the compensation policies adopted by Poste Italiane in order to support achievement of its strategic objectives and in keeping with the Company's values and principles.

Finally, on behalf of the Committee, I should like to thank you, the shareholders, in advance for the time you will take to read this document and for the support which, I hope, you will give for the policies it sets out to present.

FILIPPO PASSERINI
Chairman, Remuneration Committee
Poste Italiane SpA

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Annex: Guidelines for BancoPosta RFC's remuneration and incentive policies for 2016

1. Introduction

This document has been prepared by Poste Italiane SpA (“Poste Italiane”, “the Group”, “the Parent Company” or “the Company”) in accordance with Legislative Decree 58/1998 – art. 114-*bis* and 123-*ter* – and the Regulations for Issuers – art. 84-*quater*. It is divided into two sections:

- **section one**, which describes the remuneration and incentive policies for 2016, drawn up in line with the Company’s governance model and in keeping with the provisions of the Corporate Governance Code;
- **section two**, which provides information on the remuneration paid in 2015 (by name in the case of members of the Board of Directors and Board of Statutory Auditors and in aggregate form for Key Management Personnel).

As regards personnel identified as working for BancoPosta RFC and, in general, those classified as the Parent Company’s Material Risk Takers¹, details are provided in the Annex “*Guidelines for BancoPosta RFC’s remuneration and incentive policies for 2016*”, prepared in accordance with Bank of Italy Circular 285 of 17 December 2013 (as amended) and article 450 of EU Regulation 575 issued by the European Parliament and Council on 26 June 2013 (the so-called Capital Requirements Regulation, or “CRR”).

The remuneration policies described in section one apply to Poste Italiane SpA and its subsidiaries. In the case of subsidiaries subject to supervision (including Banca del Mezzogiorno - MedioCredito Centrale SpA and Poste Vita SpA), which adopt remuneration policies compliant with specific regulatory requirements, such remuneration policies are based on the same principles and guidelines described below. Each of the subsidiaries subject to supervision draws up and implements its own rules governing remuneration and incentives, in keeping with the requirements of national and international supervisory bodies and the following remuneration and incentive policies adopted by Poste Italiane SpA.

Poste Italiane’s remuneration and incentive policies are based on the statutory requirements from time to time in effect and comply with the recommendations of the Corporate Governance Code, which the Company adopted by Board of Directors’ resolution of 31 July 2015.

Poste Italiane’s remuneration and incentive policies have been drawn up in compliance with the restrictions introduced by art. 23-*bis*, paragraph 5-*quater* of Law Decree 201/2011 (converted into law by art. 1, paragraph 1 of Law 21 of 22 December 2011, as amended by art. 84-*bis*, paragraph 1 of Law Decree 69 of 21 June 2013, converted in to law by Law 98 of 9 August 2013), which imposed a reduction in the overall pay, in whatever form, of the chief executive officers and chairs of the boards of directors of companies directly or indirectly controlled by public entities, applicable only to the first re-election of the Board of Directors following the entry into effect of the legislation.

In preparing this document and the Annex, Poste Italiane SpA has engaged the services of leading international consulting firms in order to draw up its remuneration and incentive policies and present the quantitative disclosures provided in the tables, in line with the applicable statutory requirements and best market practices.

¹ The term “Material Risk Taker” or “MRT” refers to categories of staff whose activities have a material impact on the entity’s risk profile, as identified by the Company in accordance with Delegated Regulation (EU) 604 of 4 March 2014 (see Annex: “*Guidelines for BancoPosta RFC’s remuneration and incentive policies for 2016*”).

2. Summary

The remuneration policies establish the principles and guidelines to be applied in determining the compensation payable to members of the Board of Directors, with particular regard to the Chief Executive Officer and General Manager (“CEO-GM”) and the Board of Statutory Auditors, and the criteria for establishing the remuneration payable to Poste Italiane’s other Key Management Personnel, generally meaning the heads of the various functions reporting directly to the CEO and General Manager, as well as the Manager Responsible for Financial Reporting.

In line with the principles and objectives set out in the remuneration policies, the following guidelines regard the different components of pay:

COMPONENT	PURPOSE	CONDITIONS APPLICABLE TO DETERMINATION AND PAYMENT
Fixed pay	<p>Fixed pay reflects the complexity of the role, the responsibilities assigned and the expertise needed for each position.</p> <p>The adequacy of pay is assessed on the basis of considerations regarding the principle of internal equity and external competitiveness.</p>	<p>Fixed pay is generally benchmarked with comparable roles in terms of responsibility and complexity, using:</p> <ul style="list-style-type: none"> - a job evaluation framework regularly monitored by the Company and certified periodically by an independent international company that owns the evaluation methodology; - specific pay benchmarking, conducted with the support of an independent consulting firm in order to compare remuneration with market rates; - qualitative assessments of personnel, with regard to high individual performance and their strategic value. <p>Market benchmarking is generally conducted with reference to median levels of pay.</p>
Short-term incentives (MBO)	<p>Variable short-term incentives aim to strengthen the focus on the creation of value, in keeping with the Company’s strategies and the culture of efficiency, linking the payment of bonuses with actual performance in the relevant year.</p> <p>Any award is payable in cash.</p>	<p>The plan involves hurdles that trigger payment:</p> <ul style="list-style-type: none"> - the hurdle is based on Group EBIT for Key Management Personnel as a whole; - in addition, CET 1 and LCR are used for specific personnel – including the CEO-GM – subject to specific regulatory requirements. <p>Management is incentivised to achieve targets of a financial, operational and strategic nature and in relation to their role. The Internal Auditing function and BancoPosta’s control functions (Internal Auditing, Compliance, Anti-money laundering, Risk Management, HR Business Partners) are not set financial targets, but objectives of a qualitative, project-based and operational nature.</p> <p>A maximum level of over performance has been set, above which the incentive remains constant, as has a hurdle, below which the incentives do not apply (and there is therefore no payment due).</p> <p>Payment takes place in a lump sum after approval of the annual financial statements, with the exception of certain personnel – including the CEO-GM – subject to specific regulatory requirements, for whom payments in excess of €50,000 are deferred:</p> <ul style="list-style-type: none"> - these personnel receive 60% up front and 40% deferred for 3 years (pro rata). <p>Ex post risk adjustments (such as clawback provisions) may apply.</p>

<p>Long-term incentives (LTIP)</p>	<p>Variable long-term remuneration aims to focus personnel's attention on the achievement of long-term strategic objectives, linking the payment of bonuses with actual performance over a period of several years.</p>	<p>The long-term incentive plan involves the award to beneficiaries of phantom stocks granting them the right to receive stock representing the value of Poste Italiane SpA's shares at the end of a performance period of three years for each award cycle.</p> <p>This is a rolling three-year plan with three award cycles: 2016; 2017; 2018.</p> <p>Award of the incentives is linked to achievement of a predetermined hurdle for cumulative Group EBIT (the performance hurdle) over the three-year period.</p> <p>The performance indicators assessed on a three-year basis are:</p> <ul style="list-style-type: none"> - cumulative Group EBIT - Total Shareholder Return Poste Italiane compared to the FTSE MIB TSR <p>Certain personnel operating in roles subject to specific regulatory requirements also have to meet certain qualifying conditions and specific performance indicators that are aligned with the regulations.</p> <p>Payment is made at the end of the vesting period, with the exception of certain personnel – including the CEO-GM – subject to specific regulatory requirements, for whom a further one-year retention period applies.</p> <p>Ex post risk adjustments (such as clawback provisions) may apply.</p>
<p>Benefits</p>	<p>Benefits further supplement the remuneration package as a whole, making it competitive with the market.</p>	<p>Benefits are in line with market practices and are provided on the basis of the role held and the responsibilities assigned.</p>
<p>Payments due on termination of employment</p>	<p>Payments in the event of early termination of employment or office are determined within pre-established limits, in line with the remuneration received and with overall performance over the medium to long term, in terms of the creation of value for shareholders.</p>	<p>Payments in the event of early termination of employment or office are determined, in specific individual provisions/agreements, in line with external market practices for comparable roles in terms of responsibilities and complexity.</p> <p>The amount resulting from application of these provisions/agreements may not, in any event, exceed the number of monthly salary payments due under the contractual period of notice, plus up to 24 months of effective global compensation.</p> <p>Non-competition agreements (where provided for) are capped at one year's gross annual salary for each year covered by the agreement. Agreements generally have a duration of one year.</p>

3. Section one

3.1 Implementation of remuneration and incentive policies

The process of drawing up Poste Italiane's remuneration and incentive policies involves a number of different entities in line with the requirements established by law, the By-laws and the Company's organisational and governance model.

Information on the corporate governance processes applicable to the remuneration and incentive policies adopted for BancoPosta RFC is provided in the Annex "*Guidelines for BancoPosta RFC's remuneration and incentive policies for 2016*".

With regard to the subsidiaries subject to supervision by the Bank of Italy or the insurance regulator (IVASS), reference should be made to the remuneration and incentive policies drawn up and approved in keeping with the subsidiaries' own corporate governance processes.

3.1.1 General Meeting of Shareholders

With regard to remuneration, the General Meeting of Shareholders (General Meeting):

- determines the compensation payable to members of the Board of Directors and the Board of Statutory Auditors at the time of their election and throughout their term of office;
- votes on any share-based plans for Directors, employees or other staff;
- holds a non-binding vote to approve section one of Poste Italiane SpA's Remuneration Report.

3.1.2 Board of Directors

With regard to remuneration, the Board of Directors, with the support of the Remuneration Committee:

- determines the remuneration policies and levels of pay for Directors with delegated powers, in consultation with the Board of Statutory Auditors and for the Head of Internal Auditing;
- sets financial and other performance targets linked to variable remuneration for executive Directors and assesses achievement of these performance targets, and of those linked to the incentive plans for Key Management Personnel;
- approves the remuneration policies for Directors, Key Management Personnel, the Head of Internal Auditing and the Manager Responsible for Financial Reporting;
- submits any share-based plans for approval by the General Meeting of Shareholders.

3.1.3 Remuneration Committee

On 10 September 2015, Poste Italiane established a Board Committee called the Remuneration Committee, which met on five occasions during the year. This body is responsible for researching, providing advice and making recommendations regarding remuneration and incentive schemes. Its composition, term of office, powers and procedures are governed by specific terms of reference approved by the Board of Directors of Poste Italiane SpA at their meeting of 22 September 2015.

Members

In general, Poste Italiane's Remuneration Committee consists of at least three non-executive Directors, one of whom with the role of Chair. The majority of members, including the Chair, must meet the independence requirements provided for in art. 148, paragraph 3 of Legislative Decree 58 of 24 February 1998. In addition, at least one Committee member has appropriate expertise and experience in financial matters or remuneration policies and risk management.

The members of the current Remuneration Committee are non-executive Directors and all meet the independence requirements provided for in art. 148, paragraph 3 of Legislative Decree 58 of 24 February 1998 and in art. 3 of Corporate Governance Code. The Committee has the necessary number of members in possession of the above expertise and experience.

Committee meetings are attended by the Board of Statutory Auditors and, by invitation, other competent corporate bodies and functions.

The Committee, on the recommendation of the Chair, appoints a secretary who is responsible for preparing minutes of Committee meetings.

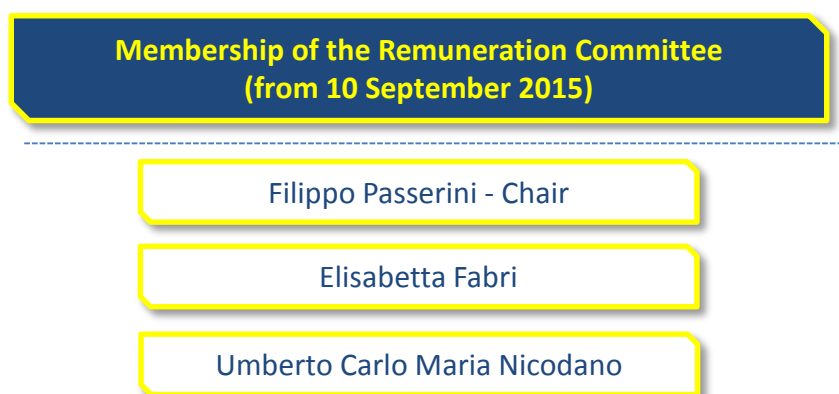


Figure 1. Remuneration Committee

Scope of activities

The Committee has been assigned the following advisory and consultative role:

- to make recommendations to the Board of Directors regarding remuneration and incentive policies for Directors and Key Management Personnel, as required by regulatory provisions, periodically assessing the adequacy, overall consistency and effective implementation of the policies adopted, using the information provided by the CEO-GM as regards implementation of the policies;
- to present recommendations and give opinions to the Board of Directors on the remuneration of the CEO-GM and on the setting of performance targets linked to the variable component of pay, monitoring implementation of the decisions taken by the Board of Directors and assessing achievement of the above targets;
- to make recommendations regarding fixed and variable remuneration for the Head of Poste Italiane SpA's Internal Auditing, in agreement with the Audit and Risk Committee;
- to make recommendations regarding remuneration for Poste Italiane SpA's Manager Responsible for Financial Reporting;
- to examine the annual remuneration report prior to its publication in readiness for the Annual General

Meeting of Shareholders called to approve the financial statements.

The Committee, through its Chair, reports to the Board of Directors on its activities, and to the General Meeting of Shareholders at least once a year, with the aim of establishing a suitable channel for communication with shareholders and investors.

The Committee has the right to access – within the limits of its assigned responsibilities – the information and corporate functions necessary in order to fulfil its role and may avail itself of independent experts in accordance with the provisions of paragraph 3.1.5 below.

Cycles of activity

The Committee meets periodically and with sufficient frequency to enable it to carry out its duties, in accordance with an annual calendar normally divided into the following cycle of activity:

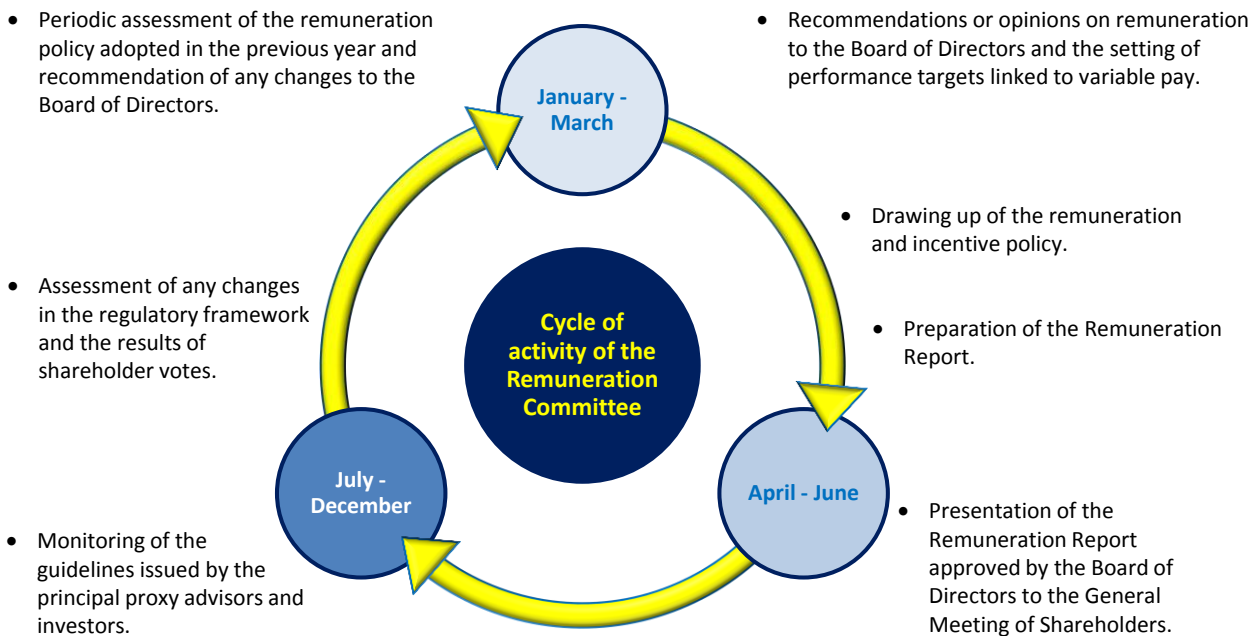


Figure 2. Cycle of activity of the Remuneration Committee

3.1.4 Board of Statutory Auditors

With regard to remuneration, the Board of Statutory Auditors attends Remuneration Committee meetings, providing the opinions required by law and, with regard to the remuneration of Directors with delegated powers in accordance with art. 2389, paragraph 3 of the Italian Civil Code, also checking consistency with the general policies adopted by the Company.

3.1.5 Independent Experts

The Remuneration Committee may avail itself - within the limits of its assigned responsibilities and in accordance with the terms established by the Board of Directors - of independent experts at the Company's expense, within the limits of the approved budget, in order to obtain expert support in matters relating to risk management, capital and liquidity. Should the Committee decide to avail itself of the services of a consulting firm in order to conduct a market benchmarking of the Company's remuneration policies, the Committee must

obtain prior assurance that the consulting firm is not in a situation that may compromise its effective independence of judgement.

Furthermore, the Human Resources, Organisation and Services function may avail itself of independent experts with regard to matters relating to remuneration, with particular regard to market benchmarking, independent external certification of the job evaluation gradings assigned to different roles, the structuring of specific incentive schemes and elements of the remuneration policies.

3.1.6 Other entities

The Human Resources, Organisation and Services function, in agreement with the CEO-GM, draws up proposed remuneration policies to submit to the Remuneration Committee in respect of its responsibilities, without prejudice to the need to comply with the specific requirements for BancoPosta RFC described in the Annex and those applicable to Group companies subject to supervision with regard to the related remuneration and incentive policies.

At the request of the Remuneration Committee, the Human Resources, Organisation and Services function also provides expert assistance in preparing the material necessary for the Committee to carry out its duties.

The Chief Financial Office contributes to the process of setting and assessing achievement of the financial indicators on which incentive schemes are based and assesses their sustainability.

With regard to BancoPosta RFC, reference should be made to the Annex *“Guidelines for BancoPosta RFC’s remuneration and incentive policies for 2016”* for information on the duties and responsibilities of the Head of BancoPosta function and the related control functions.

3.2 Purposes and general principles

Poste Italiane’s remuneration policies are designed to attract, motivate and retain high calibre professionals and management personnel capable of contributing to achievement of the primary goals of delivering sustainable results over time and creating shareholder value.

The remuneration policies play a key role in pursuit of the Company’s strategic objectives by focusing on three guiding principles:

- **reward for merit and performance**, in order to encourage conduct and behaviours in keeping with the Company’s values, the principles in its Code of Ethics and its strategic objectives;
- **external competitiveness and internal equity**, in order to align remuneration packages with best practices and ensure that they reflect the complexity and responsibilities involved in the various roles;
- **alignment with the Company’s medium- to long-term strategic objectives**, in accordance with the risk profile, in order to direct personnel towards achievement of short-, medium- and long-term objectives in line with the expectations of shareholders and stakeholders in general.

These remuneration and incentive policies, taking into account the specific characteristics of each role, are applicable to both executive and non-executive Directors of Poste Italiane SpA and the Board of Statutory Auditors and to Key Management Personnel.

3.3 Market practices

The Company regularly monitors the market environment through salary benchmarking conducted by a number of specialist international companies, in order to ensure the external competitiveness of its remuneration packages.

The benchmarking process focuses on both the job evaluation gradings assigned to different positions and the various roles. The businesses included in the samples used are major Italian and international listed and unlisted companies and the markets used are differentiated on the basis of the role being analysed, as follows:

- with regard to the CEO-GM, the companies included in the salary benchmark are Assicurazioni Generali, Autogrill, Enel, Eni, Fiat Chrysler Automobiles, Finmeccanica, Intesa Sanpaolo, Luxottica, Monte dei Paschi di Siena, Pirelli, Prysmian, Telecom Italia, UniCredit and UnipolSai;
- the benchmark for non-executive Directors refers to companies included in Borsa Italiana's FTSE MIB index, in addition to use of a benchmark consisting of companies that are direct or indirect investees of the Ministry of the Economy and Finance;
- the salary benchmarking process for Key Management Personnel is based on the "Mercato Italia" salary benchmarks conducted by the Hay Group, Towers Watson and Mercer.

3.4 Remuneration and incentive policies for 2016

In general, total remuneration breaks down into fixed and variable pay, structured in such a way as to achieve a balance between the two, and benefits.

The pay mix between fixed and variable remuneration is linked to the role held and the responsibilities assigned.

In terms of overall pay, the Company's benchmarking is conducted with reference to market medians, although other market positionings have not been excluded.

Remuneration is generally higher as the degree of management responsibility connected with the role increases.

3.4.1 Fixed remuneration

Fixed remuneration is aligned with the role held and the scope of the responsibilities assigned, reflecting the experience and skills required for each position, the degree of excellence demonstrated and the overall quality of the individual's contribution to the Company's performance.

Poste Italiane SpA uses a job evaluation framework for the various roles, certified periodically by an independent consulting firm. The evaluations reflect the scope, impact and complexity of the role. The gradings assigned to each role enable a like-for-like comparison of remuneration packages among the different roles within the Company and with the external market.

Managers' fixed pay is monitored, usually on an annual basis, and may be periodically adjusted as part of the salary review process, based on its positioning with respect to the relevant market and an overall assessment of the duties carried out. Any adjustments must take account of the available budget to ensure the sustainability of the related costs.

The salary review process provides for selective changes to fixed remuneration or one-off payments, whilst guaranteeing adequate levels of market competitiveness, internal equity and motivation for personnel. Proposed adjustments to fixed pay follow a structured process, as defined in the Remuneration Committee terms of reference, and are based on objective, non-discretionary criteria.

The remuneration of non-executive Directors and members of the Board of Statutory Auditors is restricted to a fixed component, as determined by General Meeting, and a fee established by the Board of Directors, on the recommendation of the Remuneration Committee, payable to Directors in respect of the particular position held or for membership of a Board Committee.

3.4.2 Variable remuneration

In line with the Company's policies, variable remuneration is directly linked to Company and individual performance, taking into account the risks assumed in conducting operations. The latter may result in a significant reduction in the variable pay due, potentially to zero.

The variable component of remuneration is also determined on the basis of the scope and nature of the responsibilities assigned, and with reference to market practices.

Variable pay is capped.

Variable pay is awarded on the basis of objective, transparent and verifiable criteria.

With a view to ensuring sustainability and the creation of value over the medium to long term, variable remuneration for Key Management Personnel may include a short-term (annual) and a long-term component.

As variable pay is by nature not guaranteed, but is subject to the achievement of predetermined levels of performance, the various forms of variable remuneration are subject to ex post risk adjustments, as described in greater detail in paragraph 3.7.

In exceptional circumstances, a signing bonus may be payable to newly hired personnel.

3.4.2.1 Short-term incentive plan (MBO)²

The aim of the short-term incentive (so-called MBO) plan is to link the variable component of remuneration with the Company's strategic objectives and actual performance over the annual period. The plan is also a useful way of reinforcing the focus on value creation, the culture of integration and efficiency and an objectives-based approach.

The plan takes a merit-based approach, through a structured process for defining objectives and the associated incentives. A maximum level of over performance has been set, above which the incentive remains constant, as has a hurdle, below which the incentives do not apply and there is, therefore, no payment due.

Performance Gate

The plan involves performance hurdle (so-called *Performance Gate*), represented by the Poste Italiane Group's EBIT, achievement of which enables participants to access the bonuses vesting as a result of achievement of the objectives assigned.

² In addition to the CEO-GM and Key Management Personnel, the beneficiaries of this plan include approximately 1,200 Group personnel.

The value of the hurdle is recommended annually by the Chief Financial Office, in keeping with the budget, and set by the Remuneration Committee for subsequent approval by the Board of Directors.

The bonus payable if the *performance gate* is achieved corresponds to 70% of the bonus payable. Outperformance if the target for EBIT results in payment of up to 110% of the bonus payable, as shown below:

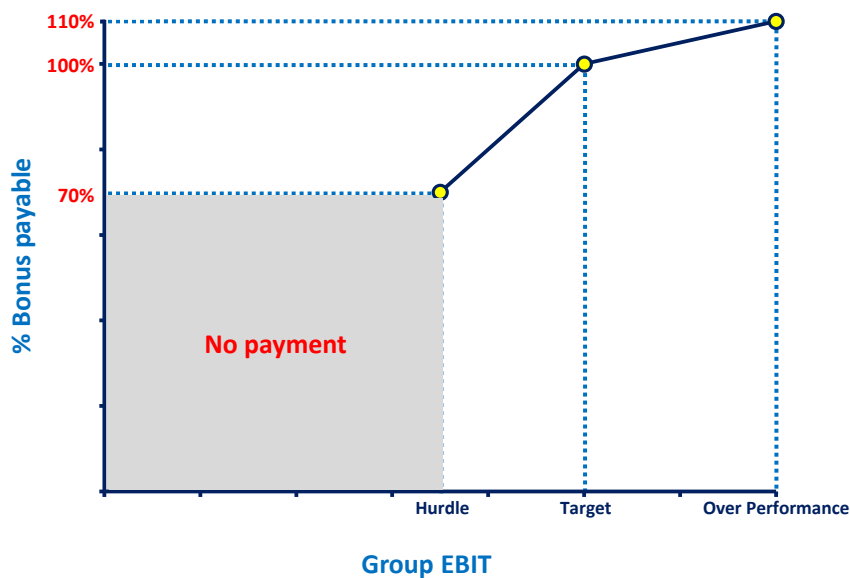


Figure 3. Performance Gate curve

Performance hurdles are structured in such a way as to ensure the financial sustainability of the short-term incentive plan.

For certain personnel, or those subject to specific regulatory requirements, the performance hurdles are aligned with the regulations in question.

Objectives

The objectives assigned to participants in the short-term incentive plan are set out in a matrix and, in line with the specific needs of the business and the nature of their role, fall within the following macro-categories:

- **Financial:** linked, for example, to revenue or cost targets or indicators of operating profit.
- **Operational:** represented by objectives relating to customer satisfaction or operating efficiency.
- **Strategic and role-related:** relating to measurable objectives for cross-functional projects or objectives linked to the role held.

When assessing achievement, the incentive is awarded if the overall percentage achievement of the objectives in the matrix is at least equal to the predetermined hurdle.

The individual bonus may also increase up to the cap in the event of outperformance.

Each participant’s performance is also measured via the Company’s annual appraisal process, based on a solid, structured process. Payment of the bonus is dependent on meeting the Company’s expectations in full; otherwise, the bonus payable is reduced (by 50%) or is not paid.

The individual bonus payable is paid in cash in a lump sum, unless otherwise provided for in the case of certain personnel subject to specific regulatory requirements, as described in the related remuneration and incentive policies.

3.4.2.2 Long-term incentive plan (LTIP)³

The long-term incentive plan, set up in line with market practices, aims to link a portion of the variable component of remuneration to the achievement of earnings targets and the creation of sustainable shareholder value.

The Poste Italiane Group has submitted a long-term incentive plan for approval by the General Meeting of Shareholders. Details of the plan are described below.

The purpose of the plan is to encourage the Group's management:

- to deliver on Poste Italiane's strategic objectives, in accordance with the risk profile;
- to create value and long-term synergies across the Group;
- to ensure alignment of the Group's overall interests with those of shareholders, over the long term;
- to develop a common identity by pursuing shared objectives.

Finally, the plan aims to ensure management continuity over the long term through retention.

Under the plan, beneficiaries are awarded "phantom stocks" granting them the right to receive stock representing the value of Poste Italiane's shares at the end of a vesting period. The number of phantom stocks awarded to beneficiaries at the end of the vesting period is linked to performance over a three-year period (the performance period for the first award cycle is 2016-2018).

The phantom stocks are awarded if the performance targets are achieved, and converted at the same time into a cash bonus based on the market value of the shares in the thirty stock exchange trading days prior to the grant date for the phantom stocks.

The price of Poste Italiane's shares has a material impact on the value of the bonus, in that the more the share price rises, the greater the cash value of the phantom stocks awarded to beneficiaries.

³ The plan is for a total of up to 100 beneficiaries; these include the CEO-GM and may include Key Management Personnel.

This plan includes three award cycles: the financial years 2016, 2017 and 2018. Phantom stocks are thus awarded annually, as the following chart shows:

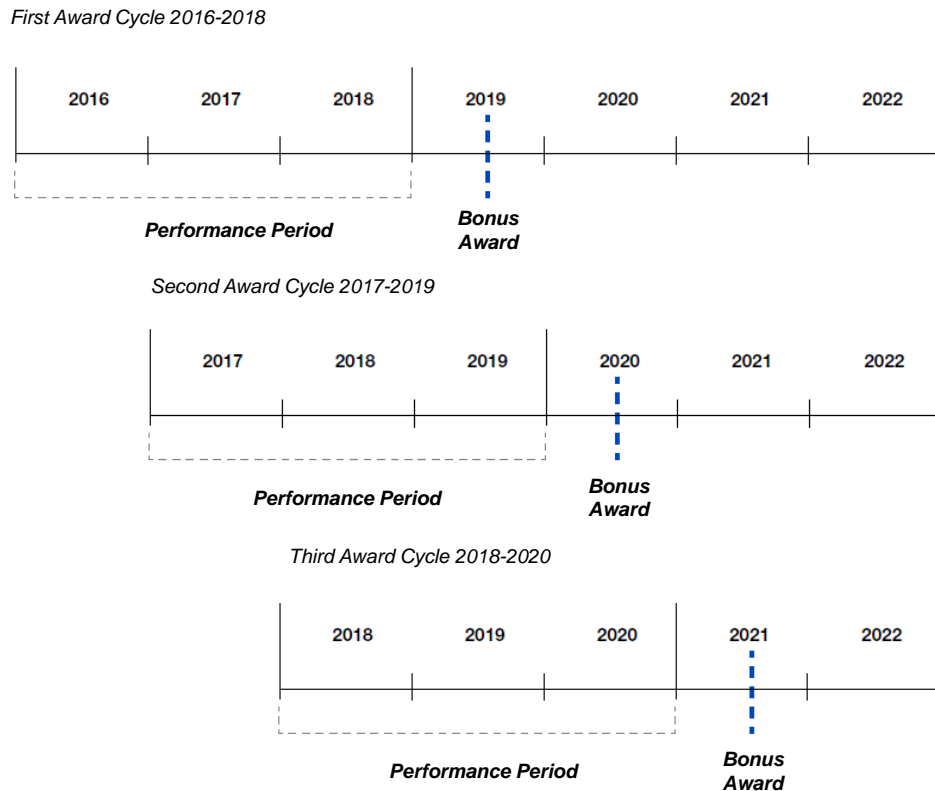


Figure 4. LTIP award cycles

The potential maximum individual bonus reflects, for each cycle, the complexity and responsibilities involved in the beneficiary’s role and their strategic value.

The plan will expire on approval of Poste Italiane’s financial statements for 2020 and awards can take place until 2022 (after the end of any one-year retention period for personnel subject to specific regulatory requirements).

Hurdle

The plan includes a hurdle provision (represented by the Poste Italiane Group’s cumulative EBIT over a three-year period), with awards under the LTIP dependent on achievement of the hurdle.

The value of the hurdle is recommended by the Chief Financial Office, in keeping with the budget, and set by the Remuneration Committee for subsequent approval by the Board of Directors.

Objectives

The objectives for the LTIP for 2016-2018 may be summarised as follows:

Table 1. LTIP Performance Indicators and Weights

<i>Indicator of earnings</i>	<i>Indicator of shareholders value creation</i>
<i>Cumulative Group EBIT over 3 –year period</i>	<i>Total Shareholder Return (TSR)</i>
Cumulative Group EBIT over a 3-year period is used to account for the continuity and sustainability of earnings over the long term.	TSR is used to measure performance based on the value created for Poste Italiane’s shareholders compared with other FTSE MIB-listed companies.
WEIGHTING <i>60% of the stocks awarded (at target)</i>	WEIGHTING <i>40% of the stocks awarded (at target)</i>

The choice of performance indicator is aligned with beneficiaries’ responsibilities.

The indicator of earnings measures the effective contribution of personnel to achieving the overall objectives over a predetermined period.

The incentive curve, as regards cumulative Group EBIT over a three-year period, provides for the following links between the performance delivered and the number of phantom stocks awarded:

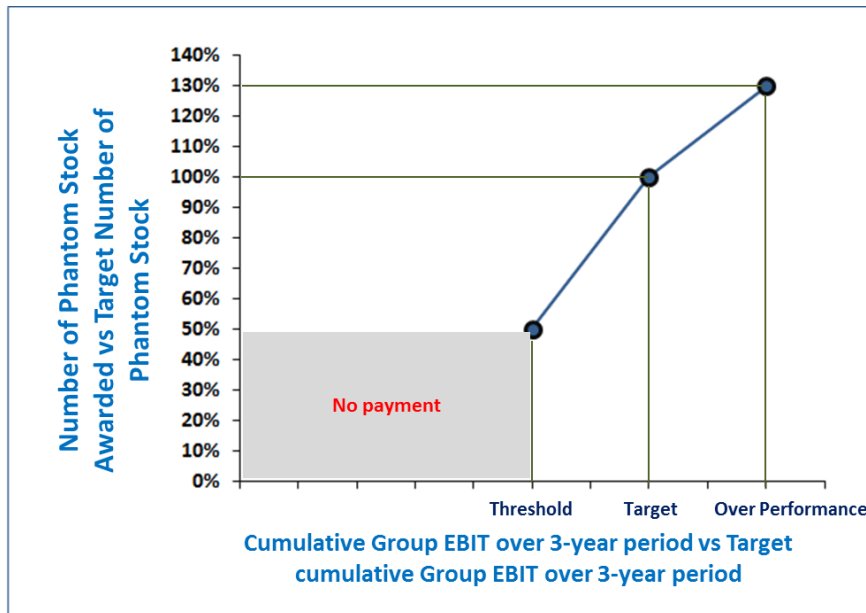


Figure 5. Incentive curve based on cumulative Group EBIT over a three-year period

TSR measures the effective shareholder return. It serves to develop a common identity across the Group and motivate personnel to work together as a team in order to increase the overall value of the Company.

Poste Italiane's Total Shareholder Return (TSR) is compared with the TSR for the FTSE MIB index; only if the value of Poste Italiane's TSR is equal to or higher than the TSR for the FTSE MIB index will the target be considered to have been achieved.

Certain personnel operating in roles subject to specific regulatory requirements also have to meet certain qualifying conditions in addition to the performance hurdle and specific performance indicators, whilst their incentive plans are aligned with the regulations, as described in the relevant remuneration and incentive policies.

3.4.3 Payments due on termination of employment

In the case of executive Directors and Key Management Personnel, it is possible to stipulate provisions/agreements, subject to appropriate quantitative limits, governing *ex-ante* the financial aspects of the early termination of employment in line with the Company's strategies, values and long-term interests.

These provisions/agreements establish the applicable financial terms, based on the situations and reasons that have led to the termination of employment, with particular reference to the organisational role held, the risks assumed and the duties carried out.

The amount resulting from application of these provisions/agreements may not, in any event, exceed the number of monthly salary payments due under the contractual period of notice, plus up to 24 months of effective global compensation, including gross annual salary, the average of the amount received in variable pay for the last three years (or for the period of employment, if shorter) and the value of any benefits awarded.

In the event of termination due to dismissal, the legislation from time to time in effect and the national collective labour agreement apply.

In the case of managers in key roles, whose termination may expose the Company to certain risks, the Company reserves the right to enter into, on a case-by-case basis, non-competition agreements that provide for payment of a sum in respect of the duration and scope of the restrictions resulting from the agreement.

Payments for non-competition agreements are capped at the gross annual salary for each year covered by the agreement. Agreements generally have a duration of one year.

3.4.4 Benefits

The final component of the remuneration package are additional benefits in line with market practices and in accordance with the applicable statutory requirements.

Benefits are subject to specific guidelines, which require the application of common criteria based on both the complexity of the role held and the specific category of employee.

3.5 Remuneration of Directors, Statutory Auditors and Key Management Personnel

3.5.1 Chairwoman of the Board of Directors

The remuneration of the Chairwoman of the Board of Directors is €60,000 gross per annum, representing fixed remuneration approved by the General Meeting of Shareholders of 2 May 2014, in accordance with art. 2389, paragraph 1 of the Italian Civil Code, for the full term of office.

In addition to the above, on 22 July 2014 the Board of Directors, on the recommendation of the then Compensation Committee and in consultation with the Board of Statutory Auditors, voted to pay the Chairwoman – in view of the non-executive powers assigned to her – further fixed remuneration of €178,000 gross per annum, in line, moreover, with the related recommendations made by the above General Meeting of 2 May 2014.

The Chairwoman of the Board of Directors is also reimbursed for any out-of-pocket expenses incurred in carrying out the duties strictly related to her role, within the limits established by the Board of Directors.

No attendance fees are payable for participation in Board of Directors’ meetings.

3.5.2 Non-executive Directors

Non-executive Directors are paid €40,000 gross per annum as a basic fixed remuneration. This remuneration was approved by the General Meeting of Shareholders of 2 May 2014 for the full term of office. There are no forms of variable remuneration linked to performance.

In December 2015, the Board of Directors, on the recommendation of the Remuneration Committee, approved additional fees⁴ for Directors’ who are members of Board Committees, as set out below:

Table 2. Fees payable to members of Board Committees

	Audit and Risk Committee	Remuneration Committee	Nominations Committee
Chairwoman	€30,000	€20,000	€20,000
Member	€20,000	€15,000	€15,000

The remuneration paid to non-executive Directors was set on the basis of specific market benchmarking conducted by a number of specialist international consulting firms.

Non-executive Directors are also reimbursed for any out-of-pocket expenses incurred in carrying out the duties strictly related to their role, within the limits established by the Board of Directors.

No attendance fees are payable for participation in Board of Directors’ or Board Committee meetings.

3.5.3 Board of Statutory Auditors

The Statutory Auditors’ remuneration is in no way linked to Poste Italiane’s performance. The fees paid to Statutory Auditors consist solely of a fixed component, determined on the basis of the commitment required in order to carry out their duties.

On electing the Board of Statutory Auditors, the General Meeting of Shareholders approved fees – for each year in office – of €52,000 gross per annum for the Chair, and €41,500 gross per annum for each standing Auditor.

No attendance fees are payable for participation in meetings.

⁴ Gross remuneration per annum.

3.5.4 Chief Executive Officer and General Manager

The CEO-GM's remuneration package, for the financial years 2014, 2015 and 2016, was approved by the Board of Directors – on the recommendation of the then Compensation Committee and in consultation with the Board of Statutory Auditors – on 17 November 2014. On this occasion, the restrictions introduced by art. 23-bis, paragraph 5-*quater* of Law Decree 201/2011 (converted into law by art. 1, paragraph 1 of Law 21 of 22 December 2011, as amended by art. 84-bis, paragraph 1 of Law Decree 69 of 21 June 2013, converted in to law by Law 98 of 9 August 2013), which imposed a reduction in the overall pay, in whatever form, of the chief executive officers and chairs of the boards of directors of companies directly or indirectly controlled by public entities, applicable only to the first re-election of the Board of Directors following the entry into effect of the legislation.

The fixed remuneration consists of a component relating to the position of Director (fees as defined by paragraphs 1 and 3 of art. 2389 of the Italian Civil Code) and one relating to his position as a manager of the Company in his role as General Manager.

As a member of the Board of Directors, the Chief Executive Officer is also reimbursed for any out-of-pocket expenses incurred in carrying out the duties strictly related to his role, within the limits established by the Board of Directors.

No attendance fees are payable for participation in Board of Directors' meetings.

In the event of termination of his position and/or the withdrawal of the powers assigned prior to the expiry of his term of office for reasons other than just cause, or due to behaviour amounting to gross misconduct, or in the event of dismissal from the position of Chief Executive Officer for just cause, the Company must pay a sum equal to the total all-inclusive remuneration for the position of Chief Executive Officer payable through to the expiry of his term of office.

In relation to his position as a manager of the Company, in his role as Poste Italiane's General Manager, the CEO-GM participates in the variable components of remuneration described below.

These components are subject to ex post risk adjustments (malus and clawback provisions) that, based on individual performance or conduct, may result, on the one hand, in a significant reduction in the amount payable (potentially to zero), and, on the other, under certain conditions, in the application of a clawback provision (see paragraph 3.7).

The incentive payable is capped at a ratio of 1:1 between variable and fixed pay, in compliance with the supervisory standards for banks.

Short-term incentive plan (MBO)

In relation to his position as a manager of the Company in his role as Poste Italiane's General Manager, the CEO-GM participates in a short-term variable incentive plan (MBO) linked to targets approved annually by the Board of Directors on the recommendation of the Remuneration Committee, in keeping with Poste Italiane's Business Plan and budget.

40% of the short-term variable component is subject to deferral for a period of not less than 3 years (pro rata), to ensure that the remuneration takes into account the evolution of the risks assumed by the Company over time, as shown below:

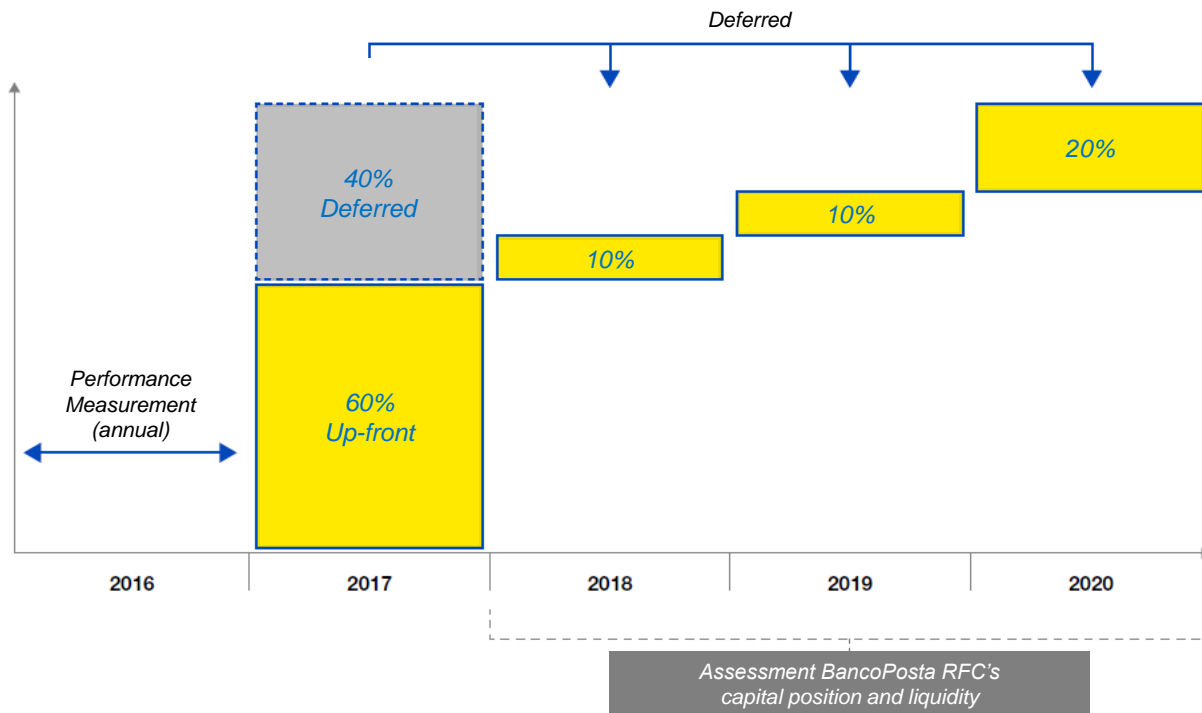


Figure 6. Chart showing deferral of the short-term incentive plan for the CEO-GM

Payment of the deferred portion will take place each year, provided that determinate indicators of BancoPosta RFC's capital position and liquidity, as defined in the guidelines for remuneration and incentive policies from time to time in effect, have been complied with.

In line with the applicable regulatory requirements, the CEO-GM has to meet the following conditions to qualify for the short-term incentive plan for 2016 (MBO), which must all be assessed at the same time:

Table 3. Qualifying conditions for the short-term incentive (MBO) plan for the CEO-GM

QUALIFYING CONDITIONS
Group EBIT
BancoPosta RFC's CET 1
BancoPosta RFC's LCR

The performance indicators for the CEO-GM in respect of the short-term incentive plan for 2016 (MBO) are as follows:

Table 4. Performance indicators for the short-term incentive (MBO) plan for the CEO-GM

PERFORMANCE INDICATORS	WEIGHTINGS
Group EBIT:	25%
Total net deposits	25%
Net funds/debt	25%
BancoPosta RFC's RORAC	25%

Long-term incentive plan (LTIP)

In common with the other beneficiaries, the **long-term incentive plan (LTIP)** for the CEO-GM, in his role as Poste Italiane’s General Manager, involves the award of phantom stocks granting him the right to receive stock representing the value of Poste Italiane’s shares at the end of a vesting period. The number of phantom stocks awarded at the end of the vesting period is linked to performance over a three-year period.

The phantom stocks are awarded at the end of the performance period and converted into a cash bonus based on the market value of the shares in the thirty stock exchange trading days prior to the grant date for the phantom stocks. The award takes place after a one-year retention period, which is in addition to the three-year performance period, in line with the applicable regulatory requirements. Phantom stocks are thus awarded annually, as the following chart shows:

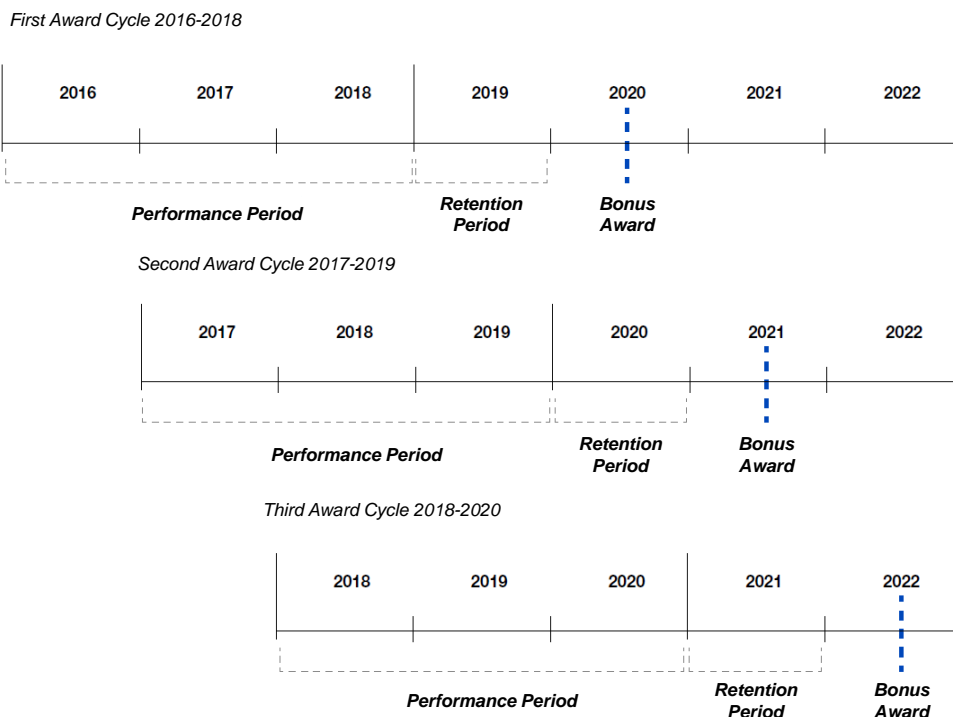


Figure 7. Timing of awards for the CEO-GM under the LTIP

In line with the applicable regulatory requirements, the CEO-GM has to meet the Group performance hurdle and the conditions specific to BancoPosta RFC to qualify for the long-term incentive plan (LTIP), which must all be assessed at the same time:

Table 5. Performance hurdle and qualifying conditions for the LTIP for the CEO-GM

HURDLE & QUALIFYING CONDITIONS
Group earnings: cumulative Group EBIT over 3-year period
Capital adequacy: CET 1 at end of period
Short-term liquidity: LCR at end of period

CET 1 and LCR are determined on the basis of BancoPosta RFC’s “Risk Appetite Framework” (“RAF”), which is in turn determined in line with the strategic objectives, and represent the conditions to be met under the supervisory standards for banks in order to qualify for award of the bonus.

The Qualifying Conditions are in line with the indicators used by the Risk Management function (so-called *ex-ante* risk adjustments). Assessment of whether or not the Qualifying Conditions have been met also takes place at the end of each retention period.

The performance indicators for the CEO-GM in respect of the long-term incentive plan (LTIP) are the same as shown in Table 1 in paragraph 3.4.2.2, being:

Table 6. Performance indicators and weightings for the LTIP for the CEO-GM

Indicator of earnings	Indicator of shareholders value creation
Cumulative Group EBIT over 3 –year period	Total Shareholder Return (TSR)
WEIGHTING	WEIGHTING
60% of the stocks awarded (at target)	40% of the stocks awarded (at target)

The final component of the remuneration package are additional benefits in line with market practices and in accordance with the applicable statutory requirements.

3.5.5 Key Management Personnel

As previously described in paragraph 2, the term Key Management Personnel, within the context of the Company, refers to the heads of the various functions reporting directly to the CEO-GM, as well as the Manager Responsible for Financial Reporting.

The remuneration package for these personnel may consist of fixed and variable remuneration, involving participation in the short-term incentive plan (MBO) and the long-term incentive plan (LTIP) described in this document, unless otherwise provided for in the case of certain personnel subject to specific regulatory requirements, as described in the related remuneration and incentive policies.

The objectives assigned in relation to the **short-term** incentive plan (MBO 2016) are in part common to all Key Management Personnel, subject to compliance with specific regulatory requirements, whilst the remaining objectives have been defined in line with the responsibilities assigned to personnel, as shown below:

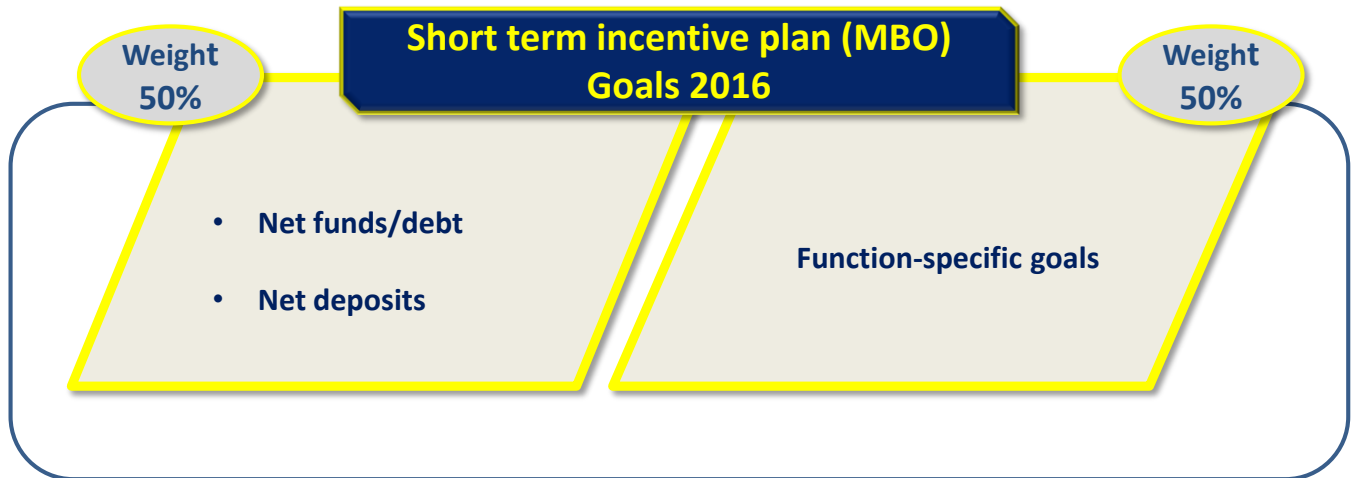


Figure 8. Summary of short-term incentive (MBO) plan objectives for 2016 for Key Management Personnel

The **long-term** incentive plan (LTIP) is subject to the same conditions, objectives and targets for all beneficiaries, as shown above in paragraph 3.4.2.2.

Certain personnel subject to specific regulatory requirements must meet predetermined qualifying conditions in addition to the hurdle, performance targets and specific conditions aligned with the regulations in question, as described in the relevant remuneration and incentive policies.

The final component of the remuneration package are additional benefits in line with market practices and in accordance with the applicable statutory requirements.

3.6 Pay mix

As described above, the remuneration and incentive policies for 2016 are based on the pay mix shown in the chart below. The mix is determined assuming over-achievement of all the performance targets set in respect of the short- and long-term incentive plans.

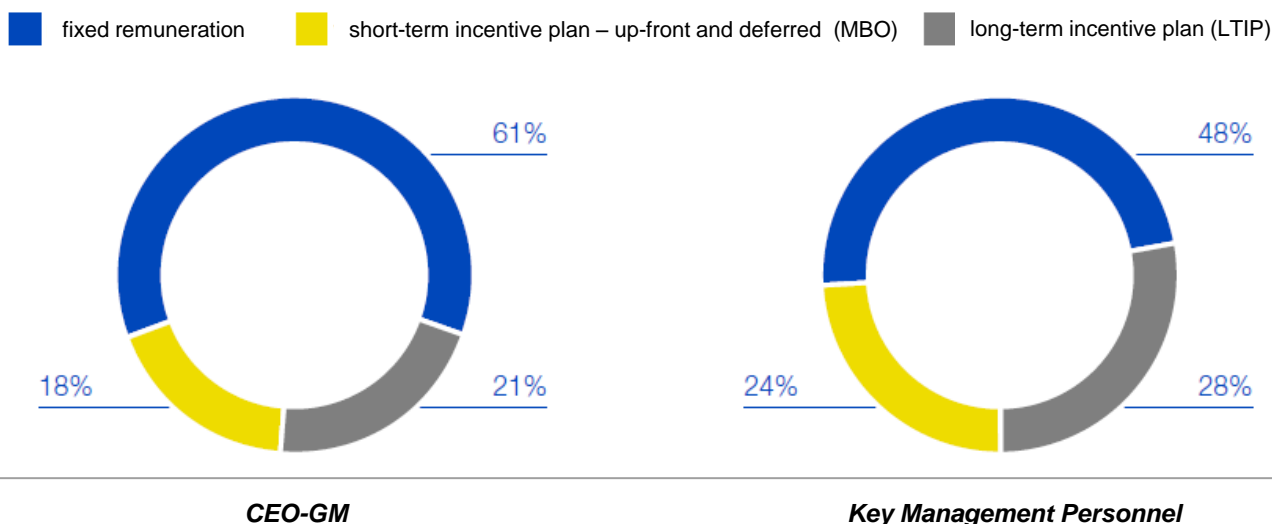


Figure 9. Pay mix for the CEO-GM and median Key Management Personnel based on over-achievement of all performance targets

The chart shows the pay mix constituting the remuneration packages of the CEO-GM and Key Management Personnel and the percentage weightings assigned to each component of pay compared with the total.

The pay mix ensures an appropriate mix between fixed and variable (short- and long-term) pay, in keeping with the Company’s strategic objectives, market practices and the business environment, and is aligned with the Group’s interests.

The weighting assigned to the variable component for the CEO-GM is determined taking into account the above restrictions introduced by art. 23-bis, paragraph 5-*quater* of Law Decree 201/2011 (see paragraph 3.5.4) and the fact that any incentives payable are capped at a ratio of 1:1 between variable and fixed pay, in compliance with the supervisory standards for banks.

The cap on the ratio between variable and fixed pay also applies to Key Management Personnel subject to specific regulatory requirements.

3.7 Ex post risk adjustments

In line with best market practices and applicable statutory requirements, variable remuneration is subject to malus and clawback provisions.

Given that variable pay is not guaranteed, but is subject to the achievement of predetermined performance targets linked to the Company’s risk profile, there are a number of specific circumstances, described below, in which ex post risk adjustments to variable pay are applicable. Such provisions apply to the beneficiaries of variable incentive plans.

In compliance with statutory requirements, clawback provisions may apply, also taking into account the related legal, social security and tax considerations.

In particular, personnel may be required to return up to the entire incentive payable within a period of up to 3 years from the date of termination of employment.

Without prejudice to the right to claim for any further damages, following disbursement of the bonus payable, regardless of whether or not employment is ongoing or has been terminated, the Company may request repayment of any amounts disbursed in the event of:

- fraud or gross misconduct on the part of the beneficiary to the detriment of the Company or another Group company;
- violation of the obligations set out in article 26 or, where applicable, article 53, paragraphs 4 *et seq.* of the Consolidated Law on Banking or of the obligations in respect of remuneration and incentives;
- conduct, including conduct that does not constitute criminal behaviour, gross misconduct or fraud, that has resulted in a significant deterioration in the financial position or reputation of the Company or another Group company;
- payment of the bonus on the basis of information that was subsequently revealed to be inaccurate and/or misleading.

Occurrence of one or more of the above circumstances may also result in the application of malus provisions to any deferred portions of incentives yet to be paid.

These malus provisions may result in the reduction of any deferred portion of incentives, potentially to zero. Malus provisions linked to specific criteria also apply to personnel subject to specific regulatory requirements.

In addition, the bonus payable in respect of achievement of the assigned objectives may be reduced, potentially to zero, based on the adequacy of overall individual performance – as measured during the annual performance appraisal process – which also takes into account qualitative and conduct-related aspects.

No variable component is paid to employees whose conduct, during the performance period, has breached Poste Italiane's Code of Ethics.

4. Definitions

The following definitions apply to Poste Italiane for the purposes of this document:

<p>Board Committees: committees whose members are also members of the Board of Directors, in accordance with articles 4-7 of the Corporate Governance Code and, given the specific nature of the Company, Bank of Italy Circular 285 of 17 December 2013, as amended. The Committees' members must be independent Directors or, alternatively, 3 non-executive Directors, with a majority of them being independent, in which case the Chair must be independent. The specific Committees are the Remuneration Committee, the Nominations Committee and the Audit and Risk Committee.</p>
<p>Board of Directors: the collective body assigned responsibility for management of the Company. It is, among other things, the body with responsibility for approving the remuneration policies recommended by the Remuneration Committee, to be submitted for final approval by the General Meeting.</p>
<p>Board of Statutory Auditors: the Company's oversight body, which has the role of overseeing compliance with the law, the Company's By-laws and with correct corporate governance principles, also verifying the adequacy of the organisational structure and administrative and accounting systems adopted by the Company and their functionality.</p>
<p>Consolidated Law on Finance (CLF): the "Consolidated Law on Finance" or Legislative Decree 58 of 24 February 1998 (as amended).</p>
<p>Corporate Governance Code: as defined by Borsa Italiana in December 2011, and as amended in July 2015, the "Corporate Governance Code for listed companies". The document contains a series of recommendations on best practices for the organisation and governance of listed Italian companies.</p>
<p>Deferral: any form of deferral, for an established period, of payment of a part of the variable component for a determinate annual reporting period.</p>
<p>Directors with delegated powers: Directors who play a particular role within the Board of Directors, specifically the Chairwoman and the Chief Executive Officer and General Manager.</p>
<p>Executive Directors: members of the Board of Directors with executive powers, specifically the Chief Executive Officer.</p>
<p>Fixed pay: pay as defined by articles 2389, paragraph 1 and 3, and the Gross Annual Salary, meaning the gross fixed annual component of remuneration for employees, consisting of monthly pay plus any other remuneration deemed to be fixed, in accordance with national collective labour agreements and any supplementary agreements.</p>
<p>General Meeting of Shareholders: a gathering at which the shareholders discuss and vote on matters relating to the Company. All the holders of voting rights can attend the meetings, either in person or via a proxy. The meeting has all the powers attributed to it by law and the By-laws. In accordance with art. 123-ter of Legislative Decree 58 of 24 February 1998 (the "Consolidated Law on Finance" or "CLF"), the General Meeting holds a non-binding vote, within the context of the Company's remuneration policies, to approve Section I of the Remuneration Report.</p>
<p>Key Management Personnel: in accordance with the CONSOB Regulations for Related Party Transactions, these managers have the direct or indirect authority and responsibility for planning, managing and overseeing the Company's operations. As a rule, this category includes all first-line managers reporting to the CEO-GM and the Manager Responsible for Financial Reporting.</p>
<p>Manager Responsible for Financial Reporting: this role was introduced by savings protection legislation (Law 262 of 28 December 2005, as amended by Legislative Decree 303 of 29 December 2006, which introduced the new article 154bis) into the Consolidated Law on Finance.</p>
<p>Material Risk Takers ("MRTs"): categories of staff whose activities have a material impact on the entity's risk profile, as identified by the Company in accordance with Delegated Regulation (EU) 604 of 4 March 2014 (see Annex: "Guidelines for BancoPosta RFC's remuneration and incentive policies for 2016").</p>
<p>Non-executive Directors: Directors who do not have executive powers, specifically all the Directors except for the Chief Executive Officer.</p>
<p>Pay mix: the mix of the various components of pay (fixed, variable short-term and variable long-term) that make up the total remuneration.</p>
<p>Regulations for Issuers: the CONSOB Regulations for Issuers (Regulation 11971 of 14 May 1999 (as amended), containing regulations for entities that issue financial instruments.</p>
<p>Salary review: an annual process by which salaries are assessed and revised, resulting in increases in fixed pay or one-off payments, ensuring competitive levels of pay with respect to the market, internal equity and the motivation of personnel.</p>
<p>Variable pay: any form of pay or benefit of a variable amount payable to personnel, depending on the achievement of certain results after taking into account the risks assumed.</p>

5. Section two

This section aims to describe the compensation paid in 2015 and to present quantitative disclosures in the form of tables in accordance with Annex 3A to the Regulations for Issuers, Forms 7 *bis* and 7 *ter*.

It provides an appropriate description of each component of remuneration, including any severance indemnity payable at the end of a term of office or on termination of employment, and a list of the shareholdings of members of the Board of Directors and Board of Statutory Auditors, General Managers and Key Management Personnel.

The remuneration paid to the Chairwoman of the Board of Directors, non-executive Directors, the Chief Executive Officer and General Manager and Key Management Personnel in 2015 is thus described below. The disclosures relate to the period in which they were in office (the variable pay shown in the tables is based on an estimate of the amount payable at the time of preparing this document, whilst awaiting approval of the Company's financial statements).

In 2015, the Company did not implement any form of variable remuneration based on stock options or financial instruments (tables 2 and 3A are not, therefore, included).

5.1 Remuneration paid in 2015

With regard to pay in 2015, the remuneration paid to Directors was subject to specific market benchmarking conducted by a number of specialist international consulting firms. This showed that the pay of the Company's Directors was below the median for the sample used.

Chairwoman of the Board of Directors

Fixed pay

The Chairwoman, Luisa Todini, elected on 2 May 2014, was paid the fixed remuneration determined, on the basis of her role and the powers assigned, by the General Meeting of 2 May 2014 and by the Board of Directors on 22 July 2014.

Benefits

The Chairwoman was also provided with personal accident insurance.

Non-executive Directors

Fixed pay

Non-executive Directors received pro rata payment of the exclusively fixed pay determined by the General Meeting of 2 May 2014. Additional fees were also paid for membership of Board Committees. This compensation was revised on the basis of the resolution passed by the Board of Directors at its meeting of 11 December 2015, with effect from the date on which the Committees were established.

Benefits

Non-executive Directors were also provided with personal accident insurance.

Chief Executive Officer and General Manager

Fixed pay

The Chief Executive Officer and General Manager, Francesco Caio, elected on 7 May 2014, received remuneration for his role as a member of the Board of Directors, as determined on 2 May 2014, and fixed pay as Chief Executive Officer and General Manager, as determined by the Board of Directors on 17 November 2014.

Short-term incentive plan (MBO)

The tables show amounts for the short-term bonuses paid up front to the CEO-GM for the 2015 performance period and amounts for the deferred portion of such bonuses payable over a three-year period.

The objectives set by the Board of Directors for 2015 focused on financial targets and implementation of key strategic projects balanced with the interests of Poste Italiane's various stakeholders.

IPO bonus

In 2015, the Company implemented a plan designed to reward exceptional contributions from specific Group personnel within the scope of the IPO process, which resulted in the listing of the Company's shares on the screen-based trading system (*Mercato Telematico Azionario* or "MTA") organised and managed by Borsa Italiana SpA, as approved at meetings of the Remuneration Committee and the Board of Directors.

In December 2015, the General Manager was paid 50% of the overall bonus up front. The remaining portion is deferred over three years and is subject to assessment of the achievement of specific performance hurdles (EPS Relative Growth, operating cash flow, continuous improvements to Corporate Governance).

In addition, in line with the applicable regulatory requirements, payment of the deferred portion will take place provided that determinate indicators of BancoPosta RFC's capital position and liquidity are adequate with respect to existing regulatory requirements and in keeping with the Risk Appetite Framework established by the Board of Directors.

Benefits

The CEO-GM received additional benefits in line with market practices for similar roles and in compliance with the applicable statutory requirements.

Key Management Personnel

Fixed pay

During the salary review conducted in 2015, the fixed remuneration payable to existing Key Management Personnel was subject to a limited number of adjustments, reflecting promotions and the need to align pay with the market.

Short-term incentive plan (MBO)

The tables show amounts for the short-term bonuses paid to Key Management Personnel for the 2015 performance period. The objectives set for 2015 were divided into financial, strategic and role-related targets balanced with the interests of Poste Italiane's various stakeholders.

The methods of payment and the structure of incentive plans for certain personnel occupying roles subject to specific regulatory requirements are aligned with the provisions of the related remuneration and incentive policies.

IPO bonus

All Key Management Personnel in office at the date of award of the IPO bonus, received the above bonus. The first portion of the bonus was paid in December 2015 (50% of the overall bonus). Payment of the deferred portion is subject to assessment of the achievement of specific performance hurdles (EPS Relative Growth, operating cash flow, continuous improvements to Corporate Governance).

The methods of payment applicable to personnel subject to specific regulatory requirements are described in the relevant remuneration policies.

Benefits

Key Management Personnel received additional benefits in line with market practices for similar roles.

5.2 Tables – CONSOB Form 7-bis⁵

Table 1: Remuneration paid to members of the Board of Directors and Board of Statutory Auditors, General Managers and other Key Management Personnel

Surname and name or category	Position	Period in office	Expiry of term of office (approval of financial statements for)	Fixed pay	Fee for Board Committees membership	Variable non-equity payments		Benefits in kind	Other remuneration	Total	Fair Value of equity-based payments	Severance indemnity payable at end of term of office or on termination of employment
						Bonuses and other incentives	Profit sharing					
(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
1 Todini Luisa	Chairwoman	1 Jan 2015- 31 Dec 2015	2016									
(I) Remuneration from the company preparing the financial statements				€ 238.000				€ 469		€ 238.469		
(II) Remuneration from subsidiaries and associates												
(III) Total				€ 238.000				€ 469		€ 238.469		
2 Caio Francesco	Chief Executive Officer and General Manager	1 Jan 2015- 31 Dec 2015	2016									
(I) Remuneration from the company preparing the financial statements				€ 1.104.896		€ 328.834		€ 14.238		€ 1.447.968		
(II) Remuneration from subsidiaries and associates												
(III) Total				€ 1.104.896		€ 328.834		€ 14.238		€ 1.447.968		
3 Campo Dall'Orto Antonio	Director	1 Jan 2015 - 7 Aug 2015										
(I) Remuneration from the company preparing the financial statements				€ 24.100	€ 7.230					€ 31.330		
(II) Remuneration from subsidiaries and associates												
(III) Total				€ 24.100	€ 7.230					€ 31.330		
4 Passerini Filippo	Director	10 Sept 2015 - 31 Dec 2015	2016									
(I) Remuneration from the company preparing the financial statements				€ 12.333	€ 10.792					€ 23.125		
(II) Remuneration from subsidiaries and associates												
(III) Total				€ 12.333	€ 10.792					€ 23.125		
5 Rao Roberto	Director	1 Jan 2015- 31 Dec 2015	2016									
(I) Remuneration from the company preparing the financial statements				€ 40.000	€ 12.333			€ 469		€ 52.802		
(II) Remuneration from subsidiaries and associates												
(III) Total				€ 40.000	€ 12.333			€ 469		€ 52.802		

⁵ The amounts included in the tables are computed on an accruals basis in respect of fixed pay and the short-term incentive plan (MBO). The variable pay shown in the tables is based on an estimate of the amount payable at the time of preparing this document, whilst awaiting approval of the Company's financial statements.

Surname and name or category	Position	Period in office	Expiry of term of office (approval of financial statements for)	Fixed pay	Fee for Board Committees membership	Variable non-equity payments		Benefits in kind	Other remuneration	Total	Fair Value of equity-based payments	Severance indemnity payable at end of term of office or on termination of employment
						Bonuses and other incentives	Profit sharing					
(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
6 Fabri Elisabetta	Director	1 Jan 2015 - 31 Dec 2015	2016									
(I) Remuneration from the company preparing the financial statements				€ 40.000	€ 11.542			€ 469		€ 52.011		
(II) Remuneration from subsidiaries and associates												
(III) Total				€ 40.000	€ 11.542			€ 469		€ 52.011		
7 Palmieri Chiara	Director	31 July 2015 - 31 Dec 2015	2016									
(I) Remuneration from the company preparing the financial statements				€ 16.774	€ 10.792					€ 27.566		
(II) Remuneration from subsidiaries and associates												
(III) Total				€ 16.774	€ 10.792					€ 27.566		
8 Nicodano Umberto Carlo Maria	Director	31 July 2015 - 31 Dec 2015	2016									
(I) Remuneration from the company preparing the financial statements				€ 16.877	€ 13.932					€ 30.809		
(II) Remuneration from subsidiaries and associates												
(III) Total				€ 16.877	€ 13.932					€ 30.809		
Key Management Personnel (22 personnel ⁽¹⁾)												
(I) Remuneration from the company preparing the financial statements				€ 6.424.719		€ 4.499.048		€ 165.519		€ 11.089.286		
(II) Remuneration from subsidiaries and associates					⁽²⁾		⁽³⁾					
(III) Total				€ 6.424.719		€ 4.499.048		€ 165.519		€ 11.089.286		
<i>Notes:</i>												
<i>(1) There is no requirement, under existing regulations, for disclosure on an individual basis, given that, in 2015, none of the Key Management Personnel received total compensation in excess of the highest amount of total compensation paid to Board of Directors and Board of Statutory Auditors or general managers. As a result, the information is provided in aggregate form for 22 Key Management Personnel, including 4 who held their position for only a fraction of the year in 2015. There were 18 EKey Management Personnel at 31 December 2015.</i>												
<i>(2) Remuneration paid for directorship and specific positions at Group companies (subsidiaries and associates), as defined by paragraphs 1 and 3 of art. 2389 of the Italian Civil Code, amounting to a total of €863.439 are paid entirely to Poste Italiane SpA.</i>												
<i>(3) Remuneration paid for specific positions at Group companies, as defined by paragraph 3 of art. 2389 of the Italian Civil Code, amounting to €46.371 is paid entirely to Poste Italiane SpA.</i>												

Surname and name or category	Position	Period in office	Expiry of term of office (approval of financial statements for)	Fixed pay	Fee for Board Committees membership	Variable non-equity payments		Benefits in kind	Other remuneration	Total	Fair Value of equity-based payments	Severance indemnity payable at end of term of office or on termination of employment
						Bonuses and other incentives	Profit sharing					
(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Navarra Benedetta	Chairwoman of the Board of Statutory Auditors	23 Sept - 31 Dec 2015	2015									
1	(I) Remuneration from the company preparing the financial statements			€ 14.104						€ 14.104		
	(II) Remuneration from subsidiaries and associates											
	(III) Total			€ 14.104						€ 14.104		
Navarra Benedetta	Statutory Auditor	1 Jan - 23 Sept 2015										
1	(I) Remuneration from the company preparing the financial statements			€ 30.244						€ 30.244		
	(II) Remuneration from subsidiaries and associates											
	(III) Total			€ 30.244						€ 30.244		
Fontana Nadia	Statutory Auditor	1 Jan - 31 Dec 2015	2015									
2	(I) Remuneration from the company preparing the financial statements			€ 41.500						€ 41.500		
	(II) Remuneration from subsidiaries and associates											
	(III) Total			€ 41.500						€ 41.500		
Bastoni Maurizio	Statutory Auditor	23 Sept - 31 Dec 2015	2015									
3	(I) Remuneration from the company preparing the financial statements			€ 11.256						€ 11.256		
	(II) Remuneration from subsidiaries and associates											
	(III) Total			€ 11.256						€ 11.256		
Mazzotta Biagio	Chairman of the Board of Statutory Auditors	1 Jan - 23 Sept 2015										
4	(I) Remuneration from the company preparing the financial statements			€ 37.896						€ 37.896		
	(II) Remuneration from subsidiaries and associates											
	(III) Total			€ 37.896						€ 37.896		

Table 3B: Cash incentive plans for members of the Board of Directors, General Managers and other Key Management Personnel

A	B	(1)	(2)			(3)			(4)
Surname and Name or category	Position	Plan	Bonus of the year			Bonus for previous years			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/Paid	Deferred	Deferral period	No longer payable	Payable/Paid	Still deferred	
Caio Francesco	General Manager (employment contract)								
(I) Remuneration from the company preparing the financial statements		MBO 2015	€ 143.770	€ 95.847	3 years				
(I) Remuneration from the company preparing the financial statements		IPO Bonus 2015	€ 185.064	€ 185.064	3 years				
(III) Total			€ 328.834	€ 280.911					

Key Management Personnel									
(I) Remuneration from the company preparing the financial statements		IPO Bonus 2015	€ 1.098.860	€ 991.060	from 1 to 3 years				
(I) Remuneration from the company preparing the financial statements		MBO 2015	€ 2.919.313	€ 146.501	3 years				
(I) Remuneration from the company preparing the financial statements		MBO 2014					€ 11.505	€ 23.010	
(I) Remuneration from the company preparing the financial statements		MBO 2013					€ 8.690	€ 8.690	
(I) Remuneration from the company preparing the financial statements		MBO 2012					€ 7.230		
(I) Remuneration from the company preparing the financial statements		Signing bonus for 2014					€ 100.000		
(I) Remuneration from the company preparing the financial statements		Signing bonus for 2015	€ 120.000						
(III) Total			€ 4.138.173	€ 1.137.561			€ 127.425	€ 31.700	€ 233.450

5.3 Tables – CONSOB Form 7-ter

Table 1: Interests held by members of the Board of Directors and Board of Statutory Auditors and General Managers

Surname and Name	Position	Company invested in	No. of shares held at end of 2014	No. of shares purchased in 2015	No. of shares sold in 2015	No. of shares held at end of 2015	Title
Todini Luisa	Chairwoman of the Board of Directors	POSTE ITALIANE SPA	0	6.000	4.000	2.000	Ownership
Francesco Caio	Chief Executive Officer and General Manager	POSTE ITALIANE SPA	0	5.000	0	5.000	Ownership
Elisabetta Fabri	Director	POSTE ITALIANE SPA	0	10.000	0	10.000	Ownership
Filippo Passerini	Director	POSTE ITALIANE SPA	0	3.691 ⁽¹⁾	0	3.691 ⁽¹⁾	Ownership

Notes:
⁽¹⁾ Shares held through spouse.

Table 2: Interests held by Key Management Personnel

No. of Key Management Personnel	Position	Company invested in	No. of shares held at end of 2014	No. of shares purchased in 2015	No. of shares sold in 2015	No. of shares held at end of 2015	Title
19 ⁽¹⁾	Key Management Personnel	POSTE ITALIANE SPA	0	61.300 ⁽²⁾	0	61.300 ⁽²⁾	Ownership

Note:

(1) The information is provided in aggregate form and only with respect to Key Management Personnel in office at the time of the IPO, which resulted in the listing of Poste Italiane SpA's ordinary shares on the screen-based trading system (Mercato Telematico Azionario or "MTA") organised and managed by Borsa Italiana SpA or subsequent to the IPO and before 31 December 2015.

(2) Including 58,200 held personally and 3,100 held by the spouses of three Key Management Personnel.

Annex: Guidelines for BancoPosta RFC's remuneration and incentive policies for 2016

Disclaimer

This Report has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the Report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

Introduction

This document - in line with the first section of the Remuneration Report published by Poste Italiane SpA ("Poste Italiane", "the Group", "the Parent Company" or "the Company") – describes the remuneration and incentives for the Company's personnel who work for *Patrimonio Destinato BancoPosta* ("BancoPosta Ring-fenced Capital" or "BancoPosta RFC") and who therefore fall within the scope of application described in greater detail below. The above remuneration and incentives are aligned with: (i) BancoPosta RFC's organisational and management model; (ii) the existing organisational structure; and (iii) the Company's By-laws and the BancoPosta RFC Regulation. Part IV, Chapter 1 "BancoPosta" of Bank of Italy Circular 285 of 17 December 2013 requires application of the regulations for banks in respect of "*remuneration and incentive policies and practices*", as contained in the same Bank of Italy Circular 285/2013 (Part I, Section IV, Chapter 2) and in the European Banking Authority (EBA) guidelines and EBA Regulatory Technical Standards (RTS) from time to time in effect, to personnel falling within the above scope. In this context, the Guidelines set out in this document are in keeping with such regulations; these policies are subject to revision within 2017, also on the basis of discussions with the Bank of Italy.

In this regard, existing statutory requirements state that the General Meeting of Shareholders (General Meeting) must be annually provided with "*a clear and full description of the remuneration and incentive policies and practices to be adopted, with the aim of explaining: the rationale, purposes and procedures for implementing the remuneration policies, the relevant controls, the nature of the pay structure, the policies' consistency with the established guidelines and objectives, their compliance with the applicable statutory requirements, any changes with respect to previously approved policies, developments with regard to pay, including in relation to industry trends*". The General Meeting of Shareholders must also be provided, on at least an annual basis, with a report on the procedures by which the remuneration policies have been implemented.

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1 Objectives and scope of application

1.1 Introduction - Aim of this document

This document, in keeping with statutory requirements and the relevant regulatory framework in effect and with section one of Poste Italiane's Remuneration Report, describes the remuneration and incentives for BancoPosta RFC personnel, as defined below, in accordance with the Company's long-term strategies, strategic objectives and performance. In this regard, the following provisions require, above all, that the variable component of remuneration is sustainable in respect of BancoPosta RFC's financial position and does not limit its ability to maintain and achieve adequate levels of capital and liquidity.

1.2 Statutory and regulatory framework

Poste Italiane SpA conducts BancoPosta's operations – as governed by Presidential Decree 144 of 14 March 2001, as amended – through an entity with ring-fenced capital, called BancoPosta RFC, created by the General Meeting of Shareholders held on 14 April 2011, in implementation of art. 2, paragraphs 17-*octies et seq.* of Law Decree 225 of 29 December 2010, converted with amendments into Law 10 of 26 February 2011. The same General Meeting also approved the BancoPosta RFC Regulation, containing the rules governing its organisation, management and control. BancoPosta RFC, which has been separated from Poste Italiane's capital outside the ring-fence, constitutes a collection of assets and contractual rights to be used exclusively to meet obligations arising as a result of the operations of BancoPosta RFC and representing the scope of application for the Bank of Italy's relevant prudential supervisory standards.

On 27 May 2014, the Bank of Italy issued specific Supervisory Standards for BancoPosta RFC (Part IV, Chapter I, "BancoPosta" including in Circular 285 of 17 December 2013 "Prudential supervisory standards for banks") which, in taking into account BancoPosta RFC's specific organisational and operational aspects and those of Poste Italiane SpA, has extended application of the prudential standards for banks to include BancoPosta, including those relating to the corporate governance of banks (Part I, Section IV, Chapter I "Corporate governance" of the above Circular 285).

The regulatory requirements for banks in relation to remuneration and incentives has undergone far-reaching changes over the last decade, at both national and international level, after it was recognised that there was a need to significantly strengthen supervision. In particular, the financial crisis showed how a remuneration and incentive system that failed to take into account the risks being assumed, or to link performance with those risks, represented a threat to a bank's stability, with repercussions for the entire financial system.

In recent years, the Bank of Italy has strengthened its oversight of compliance with the regulations governing pay, through both recommendations aimed at the industry as a whole (see the Bank of Italy communications of 2 March 2012 and 13 March 2013) and through initiatives targeting individual banks. Proof of the major importance given to remuneration at regulatory and supervisory level is provided by the many initiatives adopted, at both European and international level, with the aim of overseeing the implementation of rules governing remuneration¹.

¹ These include: EBA, "Survey on the implementation of the CEBS Guidelines on Remuneration Policies and Practices", April 2012; EBA "Guidelines on sound remuneration policies", December 2015; Financial Stability Board (FSB), "Implementing the FSB Principles for Sound Compensation Practices and their Implementation Standards. Progress report", June 2012, August 2013.

Based on its assessment of implementation, in December 2013, the Bank of Italy published an amended version of the measures issued on 30 March 2011 for public consultation. This led to the issue, on 18 November 2014, of new supervisory standards for “remuneration and incentive policies and practices” for banks and banking groups. The new regulations, inserted into Circular 285 of 17 December 2013 (“Circular 285/2013”), apply the provisions of EU Directive 2013/36/EU (“CRD IV”) and international guidelines (EBA and FSB).

All the above regulations should be viewed as an integral part of the rules governing organisational arrangements and corporate governance, forming part of a much broader regulatory framework that also includes specific regulations for listed companies and investment services and activities².

In order to apply the changes introduced by CRD IV, which revised the overall regulatory framework for banks and investment companies, the Bank of Italy, in turn, revised the regulations of 2011, making a number of important changes. This has resulted in:

- (I) the introduction of a cap on the ratio of variable to fixed pay of 1:1, with the aim of avoiding the possibility that variable pay is excessively high and out of balance with respect to the fixed component, which could lead to the improper assumption of risk and not comply with sound and prudent remuneration and incentive policies and practices;
- (II) the General Meeting of Shareholders being given the power to increase the ratio referred to above, in compliance with the conditions and within the limits set by the previously mentioned directive;
- (III) a strengthening of ex post adjustment provisions (malus and clawback), adding qualitative indicators to the quantitative indicators already provided for, on the assumption that considerations of a qualitative nature can play an important role in ensuring a sound and prudent approach to remuneration;
- (IV) the imposition of limits on variable remuneration at banks that do not comply with specific capital requirements (the regulations clearly set out a general principle to be applied in setting levels of pay, making capital strength an indispensable condition of any incentives payment);
- (V) the EBA being given the power to draw up Regulatory Technical Standards (“RTSs”) governing the qualitative and quantitative criteria to be applied in identifying Material Risk Takers and the nature of the financial instruments to use in relation to variable remuneration.

Application of CRD IV has also provided an occasion to coordinate the regulations relating to remuneration and incentives with other measures issued by the Bank of Italy (for example, the new regulations governing internal controls, the communication issued jointly with the CONSOB on 29 January 2014, implementing the ESMA guidelines on remuneration policies and practices), with the introduction of a Single Supervisory Mechanism and publication of the new EBA guidelines on 21 December 2015.

² On 25 July 2012, the joint regulations issued by the Bank of Italy and the CONSOB in October 2007 were amended and application of the Bank of Italy's regulations governing remuneration and incentive policies and practices was extended to all securities houses and all entities that carry out investment services and activities.

1.3 Definitions

The following definitions apply to BancoPosta RFC for the purposes of this document:

- **BancoPosta personnel:** the Chief Executive Officer and General Manager in his latter role, the Head of the BancoPosta function, BancoPosta's internal controls and personnel with responsibility for the Company's cost centres, in relation to the BancoPosta function. This definition excludes Company personnel, employed under the Operating Guidelines required by the Supervisory Standards, entered into by Poste Italiane and BancoPosta RFC.
- **Board Committees:** committees whose members are also members of the Board of Directors, in accordance with articles 4-7 of the Corporate Governance Code and, given the specific nature of the Company, Bank of Italy Circular 285 of 17 December 2013, as amended. The Committees' members must be independent Directors or, alternatively, 3 non-executive Directors, with a majority of them being independent, in which case the Chair must be independent. The specific Committees are the Remuneration Committee, the Nominations Committee and the Audit and Risk Committee.
- **Board of Directors:** the collective body assigned responsibility for management of the Company. It is, among other things, the body with responsibility for approving the remuneration policies recommended by the Remuneration Committee, to be submitted for final approval by the General Meeting.
- **Board of Statutory Auditors:** the Company's oversight body, which has the role of overseeing compliance with the law, the Company's By-laws and with correct corporate governance principles, also verifying the adequacy of the organisational structure and administrative and accounting systems adopted by the Company and their functionality.
- **Company:** Poste Italiane SpA.
- **Control functions:** BancoPosta RFC's Compliance, Anti-money Laundering, Internal Auditing, Risk Management and, solely with regard to the policies described in this document, BancoPosta's HR Business Partners.
- **Deferral:** any form of deferral, for an established period, of payment of a part of the variable component for a determinate annual reporting period.
- **Directors with delegated powers:** Directors who play a particular role within the Board of Directors, specifically the Chairwoman and the Chief Executive Officer.
- **Executive Directors:** members of the Board of Directors with executive powers, specifically the Chief Executive Officer.
- **Fixed pay:** pay as defined by paragraphs 1 and 3 of art. 2389 of the Italian Civil Code, and the Gross Annual Salary, meaning the gross fixed annual component of remuneration for employees, consisting of monthly pay plus any other remuneration deemed to be fixed, in accordance with national collective labour agreements and any supplementary agreements.
- **General Meeting of Shareholders:** a gathering at which the shareholders discuss and vote on matters relating to the Company. All the holders of voting rights can attend the meetings, either in person or via a proxy. The meeting has all the powers attributed to it by law and the By-laws. In accordance with Bank of Italy Circular 285/2013 (as amended) the Meeting approves the remuneration and incentive policies for members of the management and oversight bodies and all other personnel.

- **Manager Responsible for Financial Reporting:** this role was introduced by savings protection legislation (Law 262 of 28 December 2005, as amended by Legislative Decree 303 of 29 December 2006, which introduced the new article 154*bis*) into the Consolidated Law on Finance).
- **Material Risk Takers (“MRTs”):** categories of staff whose activities have a material impact on the entity's risk profile, as identified by the Company in accordance with Delegated Regulation (EU) 604 of 4 March 2014.
- **Non-executive Directors:** Directors who do not have executive powers, specifically all the Directors except for the Chief Executive Officer.
- **Operating Guidelines:** documents governing the contracting out of BancoPosta's corporate functions to Poste Italiane, in accordance with the “General Guidelines governing the process of contracting out BancoPosta's corporate functions to Poste Italiane”, as required by the new Supervisory Standards for BancoPosta issued by the Bank of Italy on 27 May 2014.
- **Personnel falling within the scope of application of BancoPosta's remuneration and incentive policies:** members of the Board of Directors (the Chairwoman, Chief Executive Officer and General Manager, and Directors), the Board of Statutory Auditors, Poste Italiane's Manager Responsible for Financial Reporting, the Head of the BancoPosta function, BancoPosta's internal auditors and personnel with responsibility for the Company's cost centres, in relation to the BancoPosta function. This definition excludes Company personnel, employed under the Operating Guidelines required by the Supervisory Standards, entered into by Poste Italiane and BancoPosta RFC.
- **Supervisory Standards:** the standards issued by the Bank of Italy for application by BancoPosta RFC.
- **Variable pay:** any form of pay or benefit of a variable amount payable to personnel, depending on the achievement of certain results after taking into account the risks assumed.

1.4 Principles and objectives of the remuneration and incentive policies

BancoPosta's remuneration and incentive policies – which must be aligned with those of the Company - play a key role in pursuit of the strategic objectives and are designed:

- (I) to form a part of the rewards for merit and performance;
- (II) to create value and direct personnel towards achievement of short-, medium- and long-term objectives within a set of rules established to ensure appropriate management of the related risks;
- (III) to attract, motivate and retain high calibre professionals;
- (IV) to ensure that pay is equitable through a continuous process of market benchmarking, conducted with the support of specialist consulting firms who provide the related benchmarks;
- (V) to ensure that the remuneration and incentive policies are sustainable in terms of BancoPosta RFC's operating performance and financial position.

In pursuing the objectives of profitability and financial stability over the medium to long term, BancoPosta RFC is committed to adopting remuneration policies based on the principles of transparency and the sound and prudent management of risk, effectively managing any potential conflicts of interest and its capital and liquidity positions.

Incentive schemes are also closely linked to the Company's annual performance appraisal process.

1.5 Scope of application

In view of BancoPosta RFC's peculiar characteristics and its relations with Poste Italiane functions, the remuneration and incentive policies described in this document apply to the following entities, insofar as their activities relate to BancoPosta RFC:

- Poste Italiane's Board of Directors (the Chairwoman, the Chief Executive Officer and General Manager and Directors);
- Poste Italiane's Board of Statutory Auditors;
- Poste Italiane's Manager Responsible for Financial Reporting;
- the Head of the BancoPosta function;
- BancoPosta's internal control function personnel;
- other Material Risk Takers;
- other BancoPosta personnel not identified as Material Risk Takers.

2 Implementation and oversight of remuneration and incentive policies

The process of drawing up BancoPosta RFC's remuneration and incentive policies involves a number of different entities, as follows:

- the General Meeting of Poste Italiane's shareholders;
- Poste Italiane's Chief Executive Officer and General Manager (CEO-GM);
- Poste Italiane's Board of Directors;
- Poste Italiane's Remuneration Committee;
- the Head of the BancoPosta function;
- BancoPosta's control function personnel.

2.1 Role of the General Meeting of Shareholders

The Ordinary General Meeting, with regard to BancoPosta RFC, in keeping with what has been determined by Poste Italiane, approves:

- the remuneration and incentive policies, having the power to raise the ratio of individual variable to fixed remuneration to above 1:1 on the recommendation of the Board of Directors and in compliance with the conditions established by Circular 285/2013;
- financial instruments based plan;
- the criteria for determining the severance payments in the event of early termination of employment or office, including the limits on such payments in terms of the number of years of fixed remuneration payable and the maximum amount resulting from their application.

2.2 Role of the Board of Directors and the Chief Executive Officer

Poste Italiane's Board of Directors, with regard to BancoPosta RFC, on the recommendation of the CEO-GM and the Remuneration Committee:

- draws up the remuneration and incentive policies to submit, at least annually, to the General Meeting for Shareholders' approval;
- determines the remuneration and incentives for the Material Risk Takers identified by the Company, based on the Supervisory Standards.

The Board of Directors, on the recommendation of the Remuneration Committee, determines the remuneration payable to the Head of the BancoPosta function.

2.3 Role of the Remuneration Committee

The membership, duties, powers and related procedures of the Committee in question are governed by specific regulations, in keeping with the requirements contained in the Supervisory Standards.

In keeping with these requirements, Poste Italiane's Board of Directors has established a **Remuneration Committee** with responsibility for researching, providing advice and making recommendations regarding remuneration and incentive schemes.

In addition to its responsibilities in respect of Poste Italiane, with regard to those relating to BancoPosta RFC, the Committee:

- is responsible for making recommendations to the Board of Directors regarding remuneration and incentive schemes for the Company's senior managers, based on the requirements in the Supervisory Standards, and the compensation payable to the Head of the BancoPosta function;
- advises the Board of Directors on matters relating to determination of the criteria to be used in determining the remuneration of all Material Risk Takers, identified as such in accordance with the Supervisory Standards;
- directly oversees the correct application of the rules governing the remuneration of the heads of BancoPosta's control functions, in close consultation with the Board of Statutory Auditors;
- prepared the documentation to be submitted to the Board of Directors for the related decisions;
- cooperates with the Audit and Risk Committee and the Nominations Committee, established by the Board of Directors;
- ensures the involvement of the relevant corporate functions in the process of determining and overseeing remuneration policies and practices;
- expresses an opinion, based also on information received from the relevant corporate functions, on achievement of the performance targets to which the incentive plans are linked on satisfaction of the other conditions to which the payment of compensation is subject;
- reports on its activities to the various corporate bodies, including the General Meeting of Shareholders.

The Committee, through its Chair, reports to the Board of Directors on its activities and to the General Meeting of Shareholders at least once a year, with the aim of establishing a suitable channel for communication with shareholders and investors.

The Committee has the right to access – within the limits of its assigned responsibilities – the information and corporate functions necessary in order to fulfil its role, in accordance with the provisions of paragraph 2.5 and may avail itself of independent experts, within the limits of its assigned responsibilities, on the terms established by the Board of Directors and in accordance with the limits of the approved budget.

2.4 Duties and responsibilities of the other functions involved

In accordance with their respective responsibilities, the BancoPosta's control functions contribute, when requested, to the process of determining the remuneration and incentive policies. They are, in any event, tasked with ensuring ongoing compliance with the related regulatory requirements and the correct functioning of the policies and practices adopted.

In keeping with the guidelines issued by Poste Italiane, the **Head of the BancoPosta function** establishes, if necessary with the support of other internal functions and the HR Business Partners, the guidance to be applied in determining the remuneration and incentive policies for BancoPosta personnel, in keeping with those applied by the Company, which are presented to the CEO-GM and the Remuneration Committee.

The **Head of the BancoPosta function** also ensures implementation and oversight of the *“Guidelines for BancoPosta RFC's remuneration and incentive policies”*, in keeping with those of the Company, via the following support.

The **HR Business Partners** are responsible for recommending *“Guidelines for BancoPosta RFC's remuneration and incentive policies”* and ensuring their alignment with the Company's remuneration and incentive policies.

The **Compliance** function checks the consistency and suitability of the *“Guidelines for BancoPosta RFC's remuneration and incentive policies”* and of the objectives assigned in respect of the relevant regulatory requirements and the BancoPosta RFC Regulation.

The **Risk Management** function, with the support of BancoPosta's Administration, Planning and Control, determines the financial indicators to which incentive plans are linked, in line with BancoPosta RFC's capital and liquidity position, the risks assumed as part of its operations and the resulting levels of performance achieved.

The **Internal Auditing** function assesses, at least once a year, the conformity of remuneration practices with the Company's policies, the policies approved and the relevant regulatory requirements. It is responsible for reporting any critical issues to the corporate bodies and the competent functions, so as to enable the necessary corrective action to be taken. The results of the assessment conducted are annually presented to the General Meeting of Shareholders.

2.5 Process for determination and oversight of remuneration policies: summary

The decision-making process involved in determining the remuneration and incentive policies for BancoPosta personnel takes the following form:

1. The Head of the BancoPosta function, in keeping with the Company's policies, with the support of the HR Business Partners, establishes the guidance to be applied in determining the remuneration and incentive policies. This guidance, which is validated by Compliance and Risk Management in order to ensure its compliance with the relevant regulatory requirements and risk policies, is then, with the agreement of the Chief Executive Officer and General Manager, submitted to the Remuneration Committee.
2. The Remuneration Committee provides its opinion to the Board of Directors regarding the remuneration and incentive policies.
3. The Board of Directors submits the remuneration and incentive policies for BancoPosta personnel to the General Meeting and reviews them at least once a year (with particular reference to the provisions relating to “Material Risk Takers”), and is responsible for their correct implementation. It may take into account the opinions of the above functions and of the Remuneration Committee, provided that compliance with the Company's policies and BancoPosta RFC's overall approach, in terms of risk appetite, strategies, long-term objectives, corporate governance model and internal controls.
4. At the end of the above process, the General Meeting of Shareholders approves the remuneration and incentive policies.
5. Once a year, the Internal Auditing function assesses the conformity of remuneration practices with the policies approved, following the procedure *“sub 4”* and the relevant regulatory requirements. The results of the assessment are brought to the attention of the corporate bodies and the competent functions, so as to enable the necessary corrective action to be taken.

3 Guidelines for remuneration and incentives

3.1 Identification of Material Risk Takers

For the purposes of these policies, within the above-defined scope of application, certain persons have been identified as **Material Risk Takers ("MRTs")**, whose activities have or may have a material impact on BancoPosta RFC's risk profile.

The process of identifying MRTs is based on an exact assessment of the position held by each individual within the organisation (responsibilities, management grade, the activities carried out, etc.), key elements in assessing the importance of each person in terms of the assumption of risk.

Identification of BancoPosta RFC's MRTs is coordinated by the Head of the BancoPosta function, with the aid of the control functions.

Identification follows a structured assessment process, based on qualitative and quantitative criteria, in line with the regulatory requirements introduced by the EBA's Regulatory Technical Standards (RTS).

Combined application of the qualitative and quantitative requirements of Delegated Regulation (EU) 604/2014 has led to the identification of 87 MRTs.

3.2 Components of Material Risk Takers' remuneration

Total remuneration is determined in order to reflect the effective degree of responsibility, commitment – linked to the role held – and performance, in the certainty that correct remuneration and incentive policies generally have a positive impact on the conduct of personnel and align individual goals with strategic objectives and priorities. Rewarding merit is one of the key objectives to be met in determining Poste Italiane's remuneration and incentive policies and hence those of BancoPosta RFC.

Total remuneration may briefly be broken down into the following three components: fixed and variable pay and benefits.

BancoPosta personnel identified as MRTs, in accordance with the Supervisory Standards issued by the Bank of Italy, are required not to take out personal insurance, income protection or any other form of cover that may modify or affect the impact of risk alignment in variable pay plans.

The above is confirmed via specific agreements with BancoPosta personnel.

3.2.1 Fixed remuneration

In line with the Company's policies, **fixed pay** is aligned with the role held and the scope of the responsibilities assigned, reflecting the experience and skills required for each position, the degree of excellence demonstrated and the overall quality of the individual's contribution to BancoPosta RFC's performance. The adequacy of fixed pay is also assessed with reference to relevant market benchmarks.

Given that BancoPosta RFC's remuneration and incentive policies are approved by the General Meeting of Poste Italiane's shareholders, fixed remuneration is determined as follows:

- for members of the Board of Directors and the Board of Statutory Auditors, by the General Meeting of Poste Italiane's shareholders;
- for the Chairwoman of the Board of Directors, by the Board of Directors on the recommendation of Remuneration Committee;
- for the Chief Executive Officer and General Manager, by the Board of Directors on the recommendation of Remuneration Committee;
- for the Manager Responsible for Financial Reporting, by the Board of Directors on the recommendation of the Remuneration Committee;
- for the Head of the BancoPosta function, by Poste Italiane's Board of Directors on the recommendation of the Remuneration Committee.

3.2.2 Variable remuneration

In line with the Group's policies, **variable pay** is directly linked to Company and individual performance, taking into account the risks assumed in conducting operations (it may, therefore, be significantly reduced, potentially to zero): variable remuneration is awarded or disbursed provided that the Company has not failed to meet its capital adequacy requirements after the cost of the variable remuneration itself.

The following forms of variable remuneration are used:

- **short-term incentive plan (MBO)**, which, in respect of BancoPosta RFC, applies to the following persons:
 - the Chief Executive Officer and General Manager in his latter role;
 - the Head of the BancoPosta function;
 - the Manager responsible for financial reporting;
 - other managers.

The aim of the MBO plan is to link the variable component of remuneration with the Company's results and those of the various functions and individuals. In addition, the plan is closely linked to performance, including with regard to required standards of conduct. The plan adopts a merit-based approach, through a structured process for defining objectives and the associated incentives.

A maximum level of over performance has been set, above which the incentive remains constant, as has a hurdle, below which the incentives do not apply and there is, therefore, no payment due.

- **long-term incentive plan (LTIP)**, which, in respect of BancoPosta RFC, applies to the following persons:
 - the Chief Executive Officer and General Manager;
 - the Head of the BancoPosta function;
 - a limited number of other managers falling within the scope of application of the *"Guidelines for BancoPosta RFC's remuneration and incentive policies for 2016"*.

Long-term remuneration aims to focus personnel's attention on the achievement of long-term strategic objectives, linking the payment of bonuses with actual performance over a period of several years.

The purpose of the plan is to encourage the Group's management:

- to deliver on Poste Italiane's strategic objectives, in accordance with the risk profile;
- to create value and long-term synergies across the Group;

- to ensure alignment of the Group's overall interests with those of shareholders, over the long term;
- to develop a common identity by pursuing shared objectives.

Finally, the plan aims to ensure management continuity over the long term through retention.

Under the plan, beneficiaries are awarded "phantom stocks" granting them the right to receive stock representing the value of Poste Italiane's shares at the end of a three-year performance period and a retention period of one year for each award cycle.

The Poste Italiane Group has submitted its long-term incentive plan (LTIP) for approval by the General Meeting of Shareholders.

- **signing bonuses** payable, in exceptional circumstances, to newly hired personnel; the bonus is not payable more than once to the same person, it may be deferred and is included when determining the cap on the ratio of variable to fixed remuneration for the first year of hiring.

3.2.3 Benefits

The final component of remuneration for BancoPosta RFC personnel consists of additional benefits in line with the Company's policies.

Benefits are subject to specific guidelines, which require the application of common criteria based on both the complexity of the role held and the specific category of employee.

3.3 Ex post risk adjustments (malus and clawback provisions)

In line with best market practices and applicable statutory requirements, variable remuneration is subject to malus and clawback provisions.

Given that variable pay is not guaranteed, but is subject to the achievement of predetermined performance targets linked to BancoPosta RFC's risk profile, there are a number of specific circumstances, described below, in which ex post risk adjustments to variable pay are applicable. Such provisions apply to the beneficiaries of variable incentive plans.

Clawback provisions may apply, also taking into account the related legal, social security and tax considerations.

In particular, personnel may be required to return up to the entire incentive payable within a period of up to 3 years from the date of termination of employment.

Without prejudice to the right to claim for any further damages, following disbursement of the bonus payable, regardless of whether or not employment is ongoing or has been terminated, the Company may request repayment of any amounts disbursed in the event of:

- fraud or gross misconduct on the part of the beneficiary to the detriment of the Company or another Group company;
- violation of the obligations set out in article 26 or, where applicable, article 53, paragraphs 4 *et seq.* of the Consolidated Law on Banking or of the obligations in respect of remuneration and incentives;
- conduct, including conduct that does not constitute criminal behaviour, gross misconduct or fraud, that has resulted in a significant deterioration in the financial position or reputation of the Company or another Group company;

- payment of the bonus on the basis of information that was subsequently revealed to be inaccurate and/or misleading.

Occurrence of one or more of the above circumstances may also result in the application of malus provisions to any deferred portions of incentives yet to be paid.

The malus provisions may result in the reduction of any deferred portion of incentives, potentially to zero, including in the event of failure to meet the capital adequacy and liquidity requirements determined in compliance with BancoPosta RFC's Risk Appetite Framework ("RAF") from time to time in effect.

In addition, the bonus payable in respect of achievement of the assigned objectives may be reduced, potentially to zero, based on the adequacy of overall individual performance – as measured during the annual performance appraisal process – which also takes into account qualitative and conduct-related aspects.

No variable component is paid to employees whose conduct, during the performance period, has breached Poste Italiane's Code of Ethics.

4 BancoPosta RFC's remuneration and incentive policies

The following remuneration and incentive policies for the Chairwoman of the Board of Directors, non-executive Directors, the Board of Statutory Auditors and the Chief Executive Officer and General Manager, coincide with those described in Poste Italiane's Remuneration Report for 2016, of which this document, "Guidelines for BancoPosta RFC's remuneration and incentive policies for 2016", is an Annex. The above bodies are responsible for the management, strategic oversight and control of BancoPosta RFC, without receiving any further remuneration in addition to that received as Directors or Statutory Auditors of Poste Italiane SpA.

4.1 Chairwoman of the Board of Directors

The remuneration of the Chairwoman of the Board of Directors is €60,000 gross per annum, representing fixed remuneration approved by the General Meeting of Shareholders of 2 May 2014, in accordance with art. 2389, paragraph 1 of the Italian Civil Code, for the full term of office.

In addition to the above, on 22 July 2014 the Board of Directors, on the recommendation of the then Compensation Committee and in consultation with the Board of Statutory Auditors, voted to pay the Chairwoman – in view of the non-executive powers assigned to her – further fixed remuneration of €178,000 gross per annum, in line, moreover, with the related recommendations made by the above General Meeting of 2 May 2014.

The Chairwoman of the Board of Directors is also reimbursed for any out-of-pocket expenses incurred in carrying out the duties strictly related to her role, within the limits established by the Board of Directors.

No attendance fees are payable for participation in Board of Directors' meetings.

4.2 Non-executive Directors

Non-executive Directors are paid €40,000 gross per annum as basic fixed remuneration. This remuneration was approved by the General Meeting of Shareholders of 2 May 2014 for the full term of office. There are no forms of variable remuneration linked to performance.

In December 2015, the Board of Directors, on the recommendation of the Remuneration Committee, approved additional fees³ for Directors' who are members of Board Committees, as set out below:

Table 1. Fees payable to members of Board Committees

	Audit and Risk Committee	Remuneration Committee	Nominations Committee
Chairwoman	€30,000	€20,000	€20,000
Member	€20,000	€15,000	€15,000

³ Gross remuneration per annum.

The remuneration paid to non-executive Directors was set on the basis of specific market benchmarking conducted by a number of specialist international consulting firms.

Non-executive Directors are also reimbursed for any out-of-pocket expenses incurred in carrying out the duties strictly related to their role, within the limits established by the Board of Directors.

No attendance fees are payable for participation in Board of Directors' or Board Committee meetings.

4.3 Board of Statutory Auditors

The Statutory Auditors' remuneration is in no way linked to Poste Italiane's performance. The fees paid to Statutory Auditors consist solely of a fixed component, determined on the basis of the commitment required in order to carry out their duties.

On electing the Board of Statutory Auditors, the General Meeting of Shareholders approved fees – for each year in office – of €52,000 gross per annum for the Chair, and €41,500 gross per annum for each standing Auditor.

No attendance fees are payable for participation in meetings.

4.4 Chief Executive Officer and General Manager

The CEO-GM's remuneration package, for the financial years 2014, 2015 and 2016, was approved by the Board of Directors – on the recommendation of the then Compensation Committee and in consultation with the Board of Statutory Auditors – on 17 November 2014. On this occasion, the restrictions introduced by art. 23-*bis*, paragraph 5-*quater* of Law Decree 201/2011 (converted into law by art. 1, paragraph 1 of Law 21 of 22 December 2011, as amended by art. 84-*bis*, paragraph 1 of Law Decree 69 of 21 June 2013, converted in to law by Law 98 of 9 August 2013), which imposed a reduction in the overall pay, in whatever form, of the chief executive officers and chairs of the boards of directors of companies directly or indirectly controlled by public entities, applicable only to the first re-election of the Board of Directors following the entry into effect of the legislation.

The fixed remuneration consists of a component relating to the position of Director (pay as defined by paragraphs 1 and 3 of art. 2389 of the Italian Civil Code) and one relating to his position as a manager of the Company in his role as General Manager.

As a member of the Board of Directors, the Chief Executive Officer is also reimbursed for any out-of-pocket expenses incurred in carrying out the duties strictly related to his role, within the limits established by the Board of Directors.

No attendance fees are payable for participation in Board of Directors' meetings.

In the event of termination of his position and/or the withdrawal of the powers assigned prior to the expiry of his term of office for reasons other than just cause, or due to behaviour amounting to gross misconduct, or in the event of dismissal from the position of Chief Executive Officer for just cause, the Company must pay a sum equal to the total all-inclusive remuneration for the position of Chief Executive Officer payable through to the expiry of his term of office.

In relation to his position as a manager of the Company, in his role as Poste Italiane's General Manager, the CEO-GM participates in a short-term variable incentive plan (MBO) and a long-term incentive plan (LTIP).

The Poste Italiane Group's CEO-GM falls within the scope of application of BancoPosta RFC's remuneration and incentive policies and is subject to the existing supervisory standards for banks. The short- and long-term incentives for the CEO-GM have been determined taking into account both the principles set out in Bank of Italy Circular 285/2013 and the fact that the Poste Italiane Group's businesses are not limited to the provision of financial services, but also include the offer of integrated delivery, logistics and parcels services, eCommerce, insurance, mobile telecommunications and digital communication throughout Italy.

The short- and long-term incentive plans for the CEO-GM comply with the following principles:

- the incentive payable is capped at a ratio of 1:1 between variable and fixed pay;
- the variable component is subject to ex post risk adjustments (malus and clawback provisions) that, based on individual performance or conduct, may, on the one hand, result in a significant reduction in the amount payable (potentially to zero), and, on the other, under certain conditions the return of amounts already paid (see paragraph 3.3);
- the variable component is linked to performance indicators measured after adjusting for risk and in line with the indicators used by the Risk Management function (so-called *ex-ante* risk adjustments);
- the variable component is deferred so as to ensure that the remuneration takes into account the evolution of the risks assumed by BancoPosta RFC over time (malus provisions);
- limits are placed on variable remuneration if BancoPosta RFC does not meet specific capital and liquidity requirements;
- the variable component is linked to performance indicators that reflect the individual's decision-making power.

In keeping with the above, a summary of the key aspects of the short- and long-term incentive plans for the CEO-GM is provided below.

Short-term incentive plan (MBO)

In relation to his position as a manager of the Company, in his role as Poste Italiane's General Manager, the CEO-GM participates in a short-term variable incentive plan (MBO) linked to targets, approved annually by the Board of Directors on the recommendation of the Remuneration Committee, in keeping with Poste Italiane's Business Plan and budget.

40% of the short-term variable component is subject to deferral for a period of not less than 3 years (pro rata), to ensure that the remuneration takes into account the evolution of the risks assumed by the Company over time, as shown below:

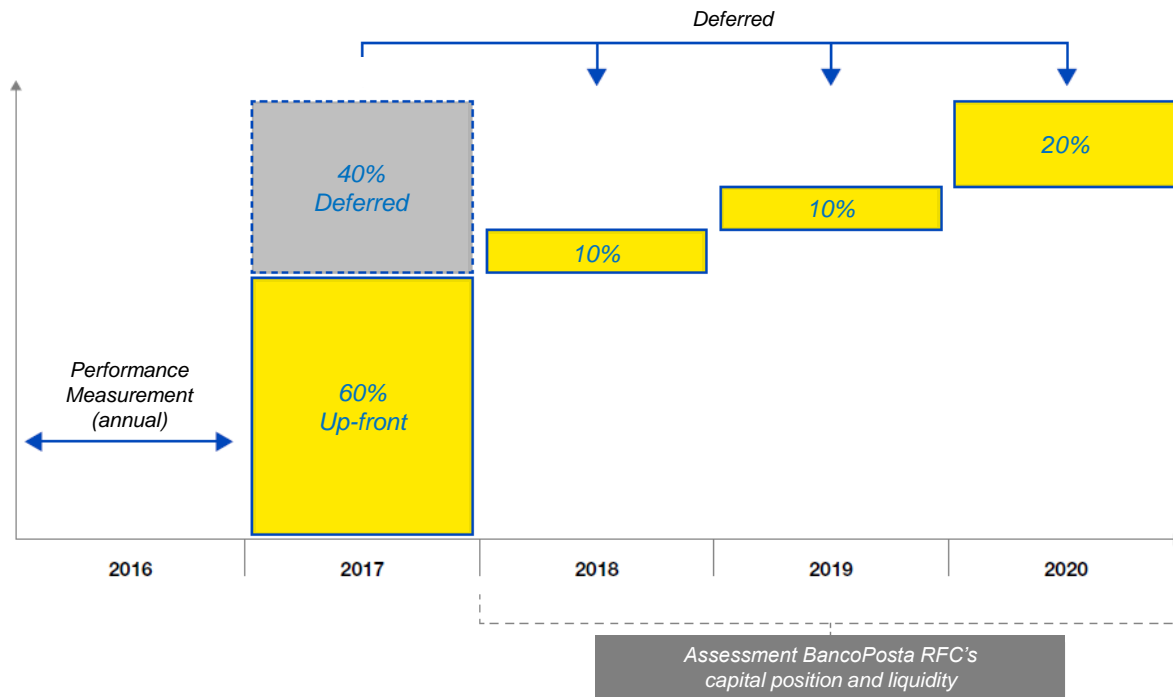


Figure 1. Chart showing deferral of the short-term incentive plan for the CEO-GM and other Material Risk Takers

Payment of the deferred portion will take place each year, provided that determinate indicators of BancoPosta RFC's capital position and liquidity, as defined in the guidelines for remuneration and incentive policies from time to time in effect, have been complied with.

In line with the applicable regulatory requirements, the CEO-GM has to meet the following conditions to qualify for the short-term incentive plan for 2016 (MBO), which must all be assessed at the same time:

Table 2. Qualifying conditions for the MBO plan for the CEO-GM and other Material Risk Takers

QUALIFYING CONDITIONS
Group EBIT
BancoPosta RFC's CET 1
BancoPosta RFC's LCR

The performance indicators for the CEO-GM in respect of the short-term incentive plan for 2016 (MBO) are as follows:

Table 3. Performance indicators for the short-term incentive plan (MBO) for the CEO-GM

PERFORMANCE INDICATORS	WEIGHTINGS
Group EBIT	25%
Total net deposits	25%
Net funds/debt	25%
BancoPosta RFC's RORAC	25%

Long-term incentive plan (LTIP)

In relation to his position as a manager of the Company, in his role as Poste Italiane's General Manager, *as well* as the short-term incentive plan, the CEO-GM also participates in the long-term incentive plan and this also complies with the principles forming the basis of the supervisory standards for banks.

The **long-term incentive plan (LTIP)** for the CEO-GM involves the award of phantom stocks, granting him the right to receive stock representing the value of Poste Italiane's shares at the end of a vesting period. The number of phantom stocks awarded at the end of the vesting period is linked to performance over a three-year period.

The phantom stocks are awarded at the end of the performance period and converted into a cash bonus based on the market value of the shares in the thirty stock exchange trading days prior to the grant date for the phantom stocks. The award takes place after a one-year retention period, which is in addition to the three-year performance period, in line with the applicable regulatory requirements. Phantom stocks are thus awarded annually, as the following chart shows:

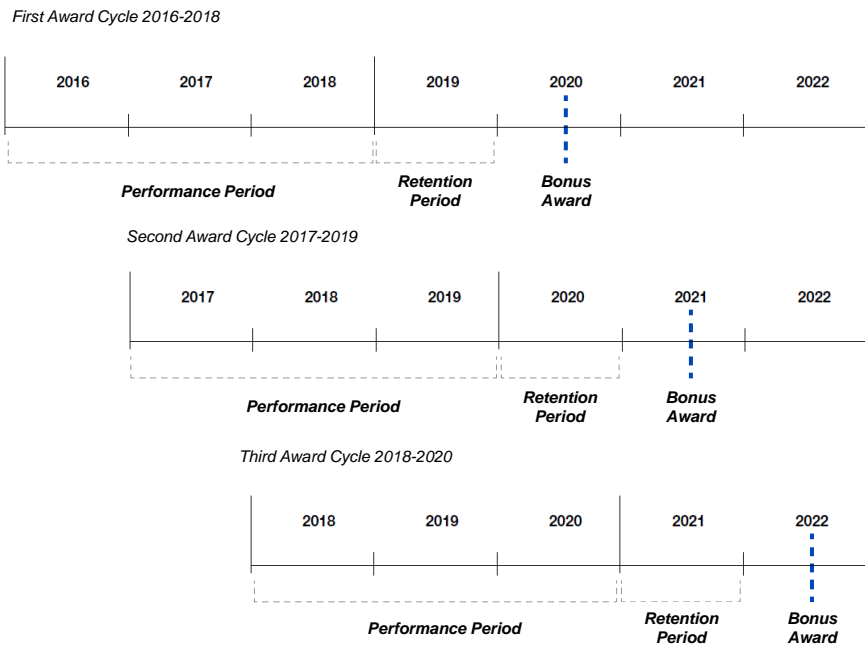


Figure 2. Timing of awards for the CEO-GM and other BancoPosta RFC beneficiaries under the LTIP

In line with the applicable regulatory requirements, the CEO-GM has to meet the Group performance hurdle and the conditions specific to BancoPosta RFC to qualify for the long-term incentive plan (LTIP), which must all be assessed at the same time:

Table 4. Performance hurdle and qualifying conditions for the LTIP for the CEO-GM and other BancoPosta RFC beneficiaries

HURDLE & QUALIFYING CONDITIONS
Group earnings: cumulative Group EBIT over 3-year period
Capital adequacy: CET 1 at end of period
Short-term liquidity: LCR at end of period

CET 1 and LCR are determined on the basis of BancoPosta RFC’s Risk Appetite Framework (“RAF”), which is in turn determined in line with the strategic objectives, and represent the conditions to be met under the supervisory standards for banks in order to qualify for award of the bonus. The Qualifying Conditions are in line with the indicators used by the Risk Management function (so-called *ex-ante* risk adjustments).

Assessment of whether or not the Qualifying Conditions have been met also takes place at the end of each retention period.

It should be noted that, in line with the other personnel falling within the definition of Material Risk Takers, variable remuneration (both short- and long-term) may be awarded or paid to the CEO-GM provided that the Company has not failed to meet its capital adequacy requirements after the cost of the variable remuneration itself (limited to personnel covered by these “Guidelines for BancoPosta RFC’s remuneration and incentive policies”).

The plan is also subject to a Hurdle linked to cumulative Group EBIT over a three-year period, achievement of which grants the effective right to qualify for the long-term incentive, whilst guaranteeing its sustainability.

The **performance indicators for the CEO-GM** in respect of the long-term incentive plan (LTIP) are as follows:

Table 5. Performance indicators and weightings for the LTIP for the CEO-GM

<i>Indicator of earnings</i>	<i>Indicator of shareholders value creation</i>
<i>Cumulative Group EBIT over 3 –year period</i>	<i>Total Shareholder Return (TSR)</i>
Cumulative Group EBIT over a 3-year period is used to account for the continuity and sustainability of earnings over the long term.	TSR is used to measure performance based on the value created for Poste Italiane’s shareholders compared with other FTSE MIB-listed companies.
WEIGHTING	WEIGHTING
<i>60% of the stocks awarded (at target)</i>	<i>40% of the stocks awarded (at target)</i>

The choice of performance indicator is aligned with the responsibilities assigned to the Poste Italiane Group’s CEO-GM and is in line with the basic principles on which the long-term incentive plan is based.

The final component of the remuneration package is represented by additional benefits in line with market practices and in accordance with the applicable statutory requirements.

4.5 The Company’s control functions

In line with the Company’s policies, Material Risk Takers in the control functions are paid:

- (I) fixed remuneration of an amount that is adequate to reflect the significant responsibilities and commitment connected with their role;
- (II) incentive schemes that reflect the duties assigned – qualitative objectives – and not linked to BancoPosta RFC’s performance (except for application of the qualifying conditions);
- (III) variable pay that accounts for a lower proportion of total remuneration than the proportion generally applied in the case of Material Risk Takers. The variable component of the remuneration paid to the Company’s control personnel may not, therefore, exceed one third of the fixed component.

The Company’s control personnel are included among the beneficiaries of the short-term incentive plan (MBO), which, for these personnel, involves the use of performance indicators that reflect the responsibilities assigned and are not linked to the operating performance and financial position of the Group or BancoPosta RFC. In keeping with regulatory requirements, these incentives are subject to the same qualifying conditions as apply to other Material Risk Takers in order to guarantee the Company’s sustainability. These personnel are subject to the same provisions, regarding deferral and the balance of short-term variable remuneration, as apply to other Material Risk Takers and described below in this document.

The Company’s control personnel do not participate in the long-term incentive plan (LTIP), as the relevant performance indicators, determined in line with market practices, are only of a financial nature. The nature of the plan is, therefore, not compatible with the need to determined incentive schemes in keeping with the

responsibilities assigned and not linked to the Company's operating performance and financial position. In addition, the need to ensure that the variable component of remuneration does not exceed one third of the fixed component represents a very tight restriction, given that these personnel are included among the beneficiaries of the short-term incentive plan (MBO).

4.6 Material Risk Takers

In compliance with existing statutory requirements and the Company's policies, the variable component has the following characteristics:

- (I) it is determined using performance indicators measured taking into account the level of risk assumed and must be in keeping with the Risk Appetite Framework ("RAF") and the risk governance and management policies adopted;
- (II) it is subject to ex post risk adjustments (malus and clawback provisions), that, based on individual performance or conduct, may result in a significant reduction in the amount payable, potentially to zero.

The variable component awarded to Material Risk Takers may not exceed a ratio of 1:1 with the fixed component (0.33:1 for control functions).

In addition to fixed pay and benefits, BancoPosta RFC's Material Risk Takers also participate in the short-term incentive plan (MBO). In addition, a limited number of managers classed as Material Risk Takers may be included among the beneficiaries of the long-term incentive plan (LTIP), accounting for a minimal proportion of the total number of the Poste Italiane Group's LTIP beneficiaries⁴.

Both plans, described in detail below, are subject to ex post risk adjustments, such as malus and clawback provisions (see paragraph 3.3).

4.6.1 Short-term incentive plan (MBO)

Links to performance

In keeping with the Company's policies, short-term variable remuneration for BancoPosta personnel is based on objective, transparent and verifiable criteria. The objectives pursued when deciding on remuneration policies, with particular regard to the determination of variable pay, are as follows:

- (I) to determine simple and readily assessed performance targets;
- (II) to ensure, in determining the above targets, convergence between personal and business objectives;
- (III) to put merit first.

These criteria aim to provide the maximum in customer satisfaction.

The variable component of remuneration is linked to indicators that enable performance to be measured on a number of bases, both quantitative (earnings, growth, productivity, cost of risk/sustainability) and qualitative (conduct, strategic projects).

⁴ Further details are provided in paragraph 3.4.2.2 in Poste Italiane's Remuneration Report for 2016, which specifies that the maximum number of beneficiaries for the Group as a whole and for each cycle is 100.

The objectives assigned to participants in the short-term incentive plan are set out in a matrix and, in line with the specific needs of the business and the nature of their role, fall within the following macro-categories:

- **Financial:** linked, for example, to indicators of operating profit risk-adjusted.
- **Operational:** represented by objectives relating to customer satisfaction or operating efficiency.
- **Strategic and role-related:** relating to measurable objectives for cross-functional projects or objectives linked to the role held.

The following **qualifying conditions** apply to the above incentives:

- (I) **Company hurdle:** participation in management incentive plans is tied to the achievement of specific financial targets determined annually.
- (II) **“Regulatory conditions”:** the conditions set by existing regulatory requirements are based on the financial sustainability of the variable component of remuneration and take the form, therefore, of an assessment of the “quality” of the risk adjusted measures of profitability achieved and of compliance with the capital adequacy and liquidity requirements established within the context of the Risk Appetite Framework (“RAF”). Details are shown below:

Table 6. “Regulatory Conditions”

<p>Capital adequacy <i>Common Equity Tier 1</i></p>	<p>Minimum requirement approved by Poste Italiane’s Board of Directors for inclusion in BancoPosta RFC’s <i>Risk Appetite Framework (RAF)</i>.</p>
<p>Operational liquidity <i>Liquidity Coverage Ratio</i></p>	<p>Minimum requirement approved by Poste Italiane’s Board of Directors for inclusion in BancoPosta RFC’s <i>Risk Appetite Framework (RAF)</i>.</p>

- (III) **Individual objectives:** having met the two previous conditions, payment of the individual bonus is linked to the degree to which the assigned performance targets have been achieved and, in any event, is subject to the absence of any conduct in breach of Poste Italiane’s Code of Ethics. On assessment, the incentive is awarded if the overall percentage achievement of the objectives in the MBO matrix is at least equal to the hurdle.

The individual bonus may also increase up to the cap in the event of outperformance.

This arrangement ensures a strong link between the performances of Poste Italiane and BancoPosta RFC and the payment of variable remuneration based on those performances.

Each participant’s performance is also measured via the Company’s annual appraisal process, based on a solid, structured process. Payment of the bonus is dependent on meeting the Company’s expectations in full; otherwise, the bonus payable is reduced (by 50%) or is not paid.

Balance between the cash and equity-based components of the short-term incentive plan

The regulations require personnel classed as Material Risk Takers to be paid 50% of their variable remuneration in the form of financial instruments that adequately reflect the value of the Company.

The same regulations indicate that this percentage should be applied, in the same proportion, to both the deferred and the up-front components of variable remuneration. The financial instruments awarded must be subject to a specific retention period, equal to 2 years for those awarded up-front and 1 year for the deferred portion.

This regulation is also difficult to apply in the specific case of BancoPosta RFC, as the entity has not currently issued financial instruments that meet the description in the regulation. Even after Poste Italiane's Initial Public Offering, the available listed shares do not solely reflect the economic value of BancoPosta RFC, but also that of the postal, communication, logistics and insurance services offered by the Group.

In view of the above, and given the small number of potential beneficiaries, it has been decided to put off considering application of the regulation to a later date.

Deferral of the short-term variable portion

40% of the variable component payable to personnel classed as Material Risk Takers is subject to deferral for a period of not less than 3 years, to ensure that the remuneration takes into account the evolution of the risks assumed by the Company over time. The variable component of remuneration is paid on the basis of the same timing applicable to the CEO-GM, as indicated in Figure 1 in paragraph 4.4:

Payment of the deferred portion will take place each year, provided that:

- payment of the deferred portion is sustainable in respect of BancoPosta RFC's financial position, without limiting its ability to maintain or achieve adequate levels of capital and liquidity in relation to the risks assumed;
- the beneficiary continues to be an employee of the Company at the time of payment and is not serving a period of notice;
- there is no reason to apply the *malus* or *clawback provisions*.

The deferral provisions apply to vested variable remuneration in excess of € 50,000.

4.6.2 Long-term incentive plan (LTIP)

The long-term incentive plan, set up in line with market practices, aims to link a portion of the variable component of remuneration to the achievement of earnings targets and the creation of sustainable shareholder value.

Under the plan, beneficiaries are awarded "phantom stocks" granting them the right to receive stock representing the value of Poste Italiane's shares at the end of a vesting period. The number of phantom stocks awarded to beneficiaries at the end of the vesting period is linked to performance over a three-year period (the performance period for the first award cycle is 2016-2018).

The phantom stocks are awarded at the end of the performance period and converted into a cash bonus based on the market value of the shares in the thirty stock exchange trading days prior to the grant date for the phantom stocks. The award takes place after a one-year retention period, which is in addition to the three-year performance period, in line with the applicable regulatory requirements.

This plan includes three award cycles: the financial years 2016, 2017 and 2018. Options are thus awarded annually, as shown in the chart for the CEO-GM and represented in Figure 2 in paragraph 4.4.

The potential maximum individual bonus reflects, for each cycle, the complexity and responsibilities involved in the beneficiary’s role and their strategic value.

The plan will expire on approval of Poste Italiane’s financial statements for 2020 and awards can take place until 2022, after the end of the one-year retention period and following approval of the financial statements for 2021.

Hurdle and Qualifying Conditions

Implementation of the plan is closely linked to meeting the specific qualifying conditions for BancoPosta RFC, designed to ensure the stability of BancoPosta RFC’s capital and liquidity position.

The plan also includes a hurdle provision for the Poste Italiane Group as a whole. Achievement of the hurdle effectively grants participants the right to benefit from the long-term incentive plan, provided that it is, as a whole, sustainable. The Hurdle and Qualifying Conditions are described in paragraph 4.4 and shown in Table 4.

Objectives

The objectives for the LTIP for 2016-2018 are as follows:

Table 7. LTIP Performance Indicators for beneficiaries among BancoPosta personnel

<i>Indicator of risk-adjusted profitability</i>	<i>Indicator of shareholders value creation</i>
<i>BancoPosta RFC’s RORAC</i>	<i>Total Shareholder Return (TSR)</i>
The three-year RORAC is used for the LTIP with the aim of taking into account the continuity and sustainability of the long-term performance after appropriately adjusting for risk.	TSR is used to measure performance based on the value created for Poste Italiane’s shareholders compared with other FTSE MIB-listed companies.
WEIGHTING	WEIGHTING
<i>60% of the stocks awarded (at target)</i>	<i>40% of the stocks awarded (at target)</i>

The choice of performance indicator is aligned with the responsibilities of the personnel falling within the scope of BancoPosta RFC.

Risk-adjusted profitability measures the contribution of the capital invested to achieving the overall objectives over a predetermined period.

The incentive curve, as regards BancoPosta RFC’s average three-year RORAC, provides for the following links between the performance delivered and the number of phantom stocks awarded:

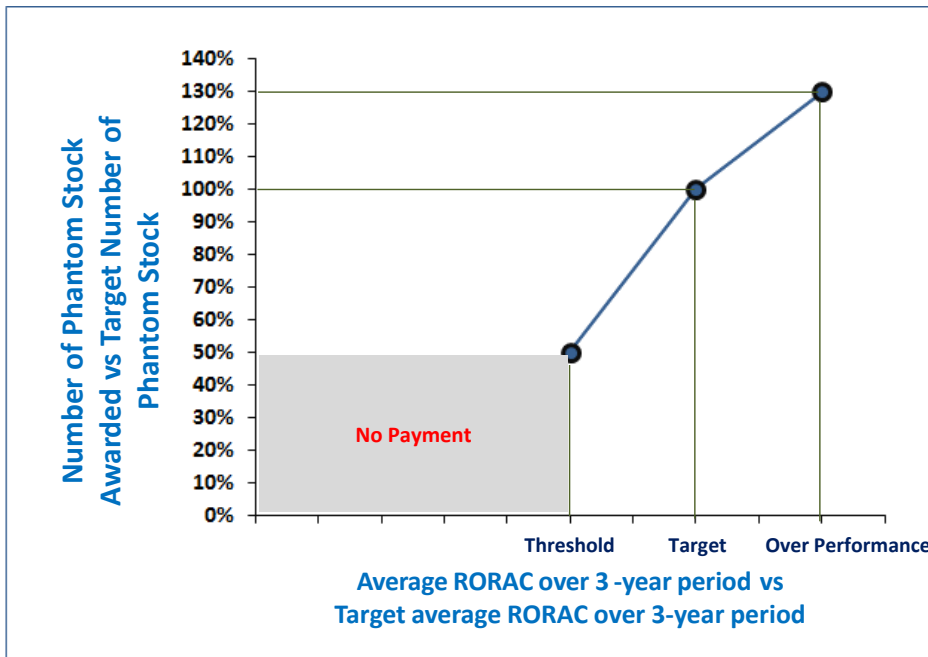


Figure 3. Incentive curve based on BancoPosta RFC’s average three-year RORAC

Poste Italiane’s Total Shareholder Return (TSR) is compared with the TSR for the FTSE MIB index; only if the value of Poste Italiane’s TSR is equal to or higher than the TSR for the FTSE MIB index will the target be considered to have been achieved.

TSR measures the effective shareholder return. It serves to develop a common identity across the Group and motivate personnel to work together as a team in order to increase the overall value of the Company.

Finally, BancoPosta RFC’s control personnel took part in drawing up the incentive schemes and the Head of Risk Management also participating in Remuneration Committee meetings to ensure that the schemes were suitably adjusted to take into account the risks assumed by BancoPosta RFC, using methods in line with those adopted by the same function for the measurement and presentation of risk.

4.7 Remuneration of other BancoPosta personnel

In line with the Company’s policies, **fixed pay** is aligned with the role held and the scope of the responsibilities assigned, reflecting the experience and skills required for each position, the degree of excellence demonstrated and the overall quality of the individual’s contribution to BancoPosta RFC’s performance. The adequacy of fixed pay is also assessed with reference to relevant market benchmarks.

In line with the Group’s policies, **variable pay** is directly linked to Company and individual performance, taking into account the risks assumed in conducting operations (it may, therefore, be significantly reduced, potentially to zero). The following forms of variable pay are used:

- **one-off payments:** these are determined, within the scope of the Company’s remuneration policies, in keeping with the budget and market practices, in order to ensure equity, the sustainability of costs and alignment with market benchmarks for remuneration. Such payments are intended to reward contributions based on individual performance and the conduct observed. Given the qualitative nature of the system,

one-off payments linked to remuneration policies are considered for the purposes of computing overall variable pay;

- **performance-related bonus:** the national collective labour agreement leaves matters relating to performance-related bonuses to be dealt with in supplementary agreements. The bonus is paid on the basis of the overall performance in terms of increases in productivity;
- **signing bonus:** in exceptional circumstances, such a bonus may be payable to newly hired personnel;
- finally, specific incentive plans may also be payable based on the fulfilment of objectives and the payment of bonuses designed to reward the performances of managers or personnel in certain positions based on qualitative and quantitative measures.

4.8 Termination of employment

In line with the Company's policies, it is possible to stipulate provisions/agreements, subject to appropriate quantitative limits, governing *ex-ante* the financial aspects of the early termination of employment in line with the Company's strategies, values and long-term interests.

These provisions/agreements establish the applicable financial terms, based on the situations and reasons that have led to the termination of employment, with particular reference to the organisational role held, the risks assumed and the duties carried out.

The amount resulting from application of these provisions/agreements may not, in any event, exceed the number of monthly salary payments due under the contractual period of notice, plus up to 24 months of effective global compensation, including gross annual salary, the average of the amount received in variable pay for the last three years (or for the period of employment, if shorter) and the value of any benefits awarded.

In the event of termination due to dismissal, the legislation from time to time in effect and the national collective labour agreement apply.

In the case of managers in key roles, whose termination may expose the Company to certain risks, the Company reserves the right to enter into, on a case-by-case basis, non-competition agreements that provide for payment of a sum in respect of the duration and scope of the restrictions resulting from the agreement.

Payments for non-competition agreements are capped at the gross annual salary for each year covered by the agreement. Agreements generally have a duration of one year.

In application of the Supervisory Standards relating to remuneration, any compensation payable to an individual on termination of employment, as described above, is capped at €4.5 million, based on the highest level of the pay scale.

No amount is payable under the circumstances provided for in paragraph 3.3.

In particular, personnel may be required to return up to the entire amount payable within a period of up to 3 years from the termination of employment.

5 Remuneration paid in 2015

A description of the remuneration paid to the Chairwoman and members of the Board of Directors, the Chief Executive Officer and General Manager, the control functions and other Material Risk Takers in 2015 is provided below (the variable pay shown in the tables is based on an estimate of the amount payable at the time of preparing this document, whilst awaiting approval of the Company's financial statements). In addition, quantitative disclosures of the remuneration paid to personnel falling within the scope of application of BancoPosta's remuneration and incentive policies are provided on a role by role basis.

In 2015, the Company did not implement any form of variable remuneration plan based on the award of instruments reflecting the economic value of the Company. Such plans are currently under consideration.

The checks conducted on the procedures used in implementing the practices applicable to personnel falling within the scope of application of BancoPosta RFC's remuneration and incentive policies for 2015 revealed that they were generally adequate, also in view of changes to the guidelines described in this Annex.

5.1 Ex post tables

In accordance with the remuneration disclosure requirements in Circular 285 of 17 December 2013, VII, as amended on 18 November 2014, and art. 450 of Regulation 575 of 26 June 2013 (the so-called CRR), the following tables have been provided.

Table A (as per art. 450, paragraph 1, letter g): Aggregate quantitative disclosure of remuneration by role

Role	Number of beneficiaries	Total remuneration for year ended 31 December 2015
Members of supervisory board	7	€ 454.704
Members of management board	1	€ 1.714.640
Marketing functions	149	€ 8.865.279
Company functions	1541	€ 48.762.186
Control functions	176	€ 8.481.853
Other	8	€ 433.343

Notes to Table A:

Total remuneration indicates the sum of:

- **Fixed remuneration** (for Directors, pay as defined by paragraphs 1 and 3 of art. 2389 of the Italian Civil Code, and for employees, the gross annual salary for the year ended 31 December 2015);
- **Variable remuneration** (estimated short-term MBO incentive plan – up-front and deferred –, IPO bonus – up-front and deferred –, Performance-Related Bonus and one-off payments).

Amounts for “**Members of the supervisory board**” have been included on an accruals basis.

In terms of **roles**:

- **Members of the supervisory board:** Non-executive Directors of Poste Italiane SpA;
- **Members of the management board :** Executive Directors of Poste Italiane SpA;
- **Marketing function:** these are the functions responsible for developing and managing BancoPosta RFC's product and service offering and growing the related customer base;
- **Company functions:** these are the other BancoPosta RFC functions with cross-departmental responsibilities or who are responsible for back-office activities, customer care and complaints about BancoPosta products and services.

Table B (as per art 450, paragraph 1, letter h, I-II): Aggregate quantitative disclosure of remuneration for senior management and personnel whose activities have a material impact on the entity's risk profile: fixed pay and variable pay

Category	Number of beneficiaries	Fixed pay	Variable pay	Forms of variable component divided into			
				Cash	Shares	Equity-based instruments	Other instruments
Executive Directors	1	€ 1.104.896	€ 609.745	€ 609.745			
Non-executive Directors	7	€ 454.704					
Senior management	11	€ 1.953.491	€ 783.950	€ 783.950			
Control functions	21	€ 2.088.797	€ 477.019	€ 477.019			
Other Material Risk Takers	44	€ 4.241.017	€ 617.276	€ 617.276			

Notes to Table B:

Fixed and Variable Remuneration: see the notes to Table A.

The category “**Senior management**” includes the Head of the BancoPosta function, the Manager responsible for financial reporting and the managers reporting directly to the Head of BancoPosta at 31 December 2015, whilst the heads of the “**Control functions**” are included in the specific category together with their control teams.

Table C (as per art 450, paragraph 1, letter h, III-IV): Aggregate quantitative disclosure of remuneration for senior management and personnel whose activities have a material impact on the entity's risk profile: total deferred remuneration

Category	Total deferred remuneration	Of which		Deferred remuneration awarded during the year
		Vested	Unvested	Paid and reduced through performance conditions
Executive Directors	€ 280.911		€ 280.911	
Non-executive Directors				
Senior management	€ 128.844		€ 128.844	
Control functions				
Other Material Risk Takers				

Notes to Table C:

“Total Deferred Remuneration” means all components of deferred variable remuneration, including amounts for previous years.

“Unvested” means the portion deferred in 2015 so that the deferral period has yet to expire.

Table D (as per art 450, paragraph 1, letter h, V-VI): Aggregate quantitative disclosure of remuneration for senior management and personnel whose activities have a material impact on the entity's risk profile: signing bonus and severance payment

Category	Signing bonus		Severance payments				
	Number of beneficiaries	New payments made during the year	New payments made during the year		Payments awarded during the year		
			Number of beneficiaries	Amount	Number of beneficiaries	Amount	Largest amount awarded per person
Executive Directors							
Non-executive Directors							
Senior management	2	€ 120.000					
Control functions							
Other Material Risk Takers							

Notes to Table D:

“Signing bonus” means the signing bonus paid during the year.

Table E (as per art 450, paragraph 1, letter i): Number of people paid a determinate amount

Number of beneficiaries	Total remuneration
1	≥ €1 million per annum;
	Between €1 and 5 million divided into tranches of €500 thousand
	Between €1 and €1.5 million
1	Between €1.5 and €2 million
	Between €2 and €2.5 million
0	≥ €5 million divided into tranches of €1 million

Notes to Table E:

“**Total remuneration**” (“Total”) is described in the notes to Table A.

This refers to the CEO-GM, whose total remuneration is more than €1 million and, in particular, is between €1.5 and €2 million, as shown in Table F.

Table F (as per art 450, paragraph 1, letter j): Disclosure of total remuneration

Category	No.	Total remuneration		
		Fixed component	Variable component	Total
Chair of supervisory board	1	€ 238.000		€ 238.000
Each member of management board:				
Chief Executive Officer and General Manager	1	€ 1.104.896	€ 609.745	€ 1.714.640
General Manager				
Joint General Managers				
Deputy General Managers				

Notes to Table F:

“**Total remuneration**” (“Total”) is described in the notes to Table A.