

# Remuneration Report 2018

## Poste Italiane SpA

Remuneration Report 2018

Poste Italiane SpA

*This document has been translated into English solely for the convenience of the international reader. In the event of 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.*

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## Statement from the Chairman of the Remuneration



Dear Shareholders,

Together with the Directors, Giovanni Azzone and Roberto Rossi, whom I would like to thank for their invaluable contribution, I am pleased to present Poste Italiane SpA's Remuneration Report for 2018, my first as Chairman of the Company's Remuneration Committee.

In view of the positive results achieved last year, the Remuneration Committee, thanks to the excellent work of our predecessors, Filippo Passerini, Elisabetta Fabri and Mimi Kung, to whom we should like to express our sincere gratitude, has focused on consolidating and further improving Poste Italiane's remuneration and incentive policies, in accordance with the related statutory requirements and in line with market practices.

In particular, the Remuneration Committee, after careful consideration, decided to introduce new elements into the remuneration policy, to support the Company's response to the many challenges facing Poste Italiane over the medium to long term.

During the "Capital Markets Day" event, the Company presented its new five-year Strategic Plan, "Deliver 2022", to analysts and investors. The Plan marks the start of the Poste Italiane Group's transformation, with the aim of anticipating and meeting the needs of its customers, whilst at the same time maximising the potential offered by Italy's largest distribution network across all its lines of Business.

On this basis, the Remuneration Committee has worked hard to ensure that the remuneration

policy is fit for purpose with respect to the Company's strategy and the specific nature of the Group.

The aim of this reshaping of the reward strategy was to recognise the performance and professionalism of personnel in successfully pursuing the Poste Italiane Group's strategic and business objectives. The cornerstones of the remuneration strategy are designed to ensure that the Company's interests are aligned with those of its shareholders and that personnel are engaged in achieving the Strategic Plan objectives and focused on the creation of sustainable value.

From this starting point, the Remuneration Committee worked towards the proposed introduction of a new long-term variable incentive scheme, the "Deliver 2022 LTIP". The Plan is open to a large number of beneficiaries and the performance period is aligned with the strategic guidelines in the "Deliver 2022" Plan. The resulting bonus will be paid in cash, but is convertible. The Board of Directors, in consultation with the Remuneration Committee, has given itself the possibility to ask the General Meeting of Shareholders for the authority to convert the full amount of the bonus, or a part thereof, into Poste Italiane's ordinary shares.

In order to more closely engage management in efforts to achieve the challenging objectives set out in the Strategic Plan, short- and medium/long-term incentive schemes have thresholds matching the targets announced during the "Capital Markets Day". This means

that the various incentive schemes will be funded by the resulting over-performance.

The revised short-term MBO incentive scheme is designed to support the achievement of targets relating to financial performance, quality of service and the customer experience, in part thanks to the simpler structure of the scheme itself, and in line with best market practices. The other changes to the short-term incentive MBO scheme regard the impact on the bonus awarded of the new “180° appraisal process”, which also involves colleagues at the same level in the Company, acting as internal customers.

In addition, in response to suggestions from shareholders, with the dual aim of making the Report easier to read and providing a rapid overview of its key elements, its structure has been simplified, a large number of graphics have been added and an **executive summary** has been included, in line with best market practices.

Finally, the Remuneration Committee has increased the level of market disclosure,

providing greater information on the KPIs linked to short- and medium/long-term variable incentives.

On behalf of all the Remuneration Committee, I wish to thank all stakeholders for their willingness to engage in dialogue, making an invaluable contribution to the continuous improvement of the remuneration policies.

In 2018, Poste Italiane will continue its commitment to implementing remuneration and incentive systems designed to support the business strategy, attract, develop and reward our “people”, further improve the focus on our “customers” and, in so doing, respond to “your” highest expectations.

Best regards,

Carlo Cerami

Chairman of the Remuneration Committee

Poste Italiane SpA

## Introduction

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

- **“Section I”**, which describes the remuneration and incentive policies for 2018, drawn up in line with the Company’s governance model and in keeping with the provisions of the Corporate Governance Code for listed companies (“Corporate Governance Code”) as defined by Borsa Italiana;
- **“Section II”**, which provides information on the remuneration paid in 2017 (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), in accordance with the provisions of the Regulations for Issuers.

The two sections begin with a summary of the main information, prepared in order to provide the market and investors with an immediate overview of the key elements of the remuneration and incentive policies for 2018 and the initiatives adopted in order to drive achievement of the objectives set out in the “Deliver 2022” Strategic Plan.

As regards personnel identified as working for Patrimonio BancoPosta (“BancoPosta Ring-Fenced Capital” or “BancoPosta RFC” ) and, in particular, those classified as Material Risk Takers, details are provided in the Annex, “*Guidelines for BancoPosta RFC’s remuneration and incentive policies for 2018*”, 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”).

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.

The policies described apply to Poste Italiane SpA and its subsidiaries (“the Group” or “Poste Italiane Group”). The policies are to be used as guidance in the case of subsidiaries subject to specific regulatory requirements (such as, for example, Poste Vita SpA) that adopt remuneration policies compliant with those regulatory requirements.

In preparing this document and the Annex, Poste Italiane was supported by the consulting firm, Willis Towers Watson.

On 19 April 2018, Poste Italiane’s Board of Directors, on the recommendation of the Remuneration Committee, decided to submit “Section I” of the Remuneration Report 2018 to a non-binding vote by the Annual General Meeting of shareholders, called to approve the financial statements for the year ended 31 December 2017. At the same meeting, Poste Italiane’s Board of Directors, on the recommendation of the Remuneration Committee, decided to submit the “Guidelines for BancoPosta

RFC's remuneration and incentive policies for 2018" to a binding vote by the Annual General Meeting of shareholders, called to approve the financial statements for the year ended 31 December 2017.

The text of this Report will be made available for inspection at the Company's registered office, and in the Remuneration section of the Company's website at [www.posteitaliane.it](http://www.posteitaliane.it), at least twenty-one days prior to the Annual General Meeting of shareholders, called to approve the financial statements for the year ended 31 December 2017, in line with statutory requirements.

The information circulars regarding equity-based incentive plans can be found in the same section of the Company's website at <https://www.posteitaliane.it/en/remuneration.html>

## KEY CHANGES FOR 2018

The principal changes for 2018 regard:

- the design of the **cornerstones of the Reward Strategy** in line with the objectives set out in the "Deliver 2022" Strategic Plan;
- the introduction of the "**Deliver 2022 LTI Plan**" with five-year objectives, to supplement the existing short-term **MBO 2018** incentive plans and the medium- to long-term **Phantom Stock LTI Plan for 2018-2020**;
- **greater market transparency** by:
  - highlighting the link between pay and performance in the **Pay-for-Performance** analysis;
  - presentation of the **pay-mix** for the Chief Executive Officer and General Manager ("CEO-GM") and Key Management Personnel (KMP);
  - disclosure of the objectives for the short- and medium- to long-term incentive plans.

# Executive Summary 2018

## “Deliver 2022”: our strategic plan

A five-year strategic vision...

€ bn unless otherwise stated

	2017	2018	2020	2022	CAGR 17-22
REVENUE	10.6	10.7	10.9	11.2	+1%
EBIT	1.1	1.4	1.6	1.8	+10%
EBIT MARGIN %	11%	13%	15%	16%	
NET PROFIT	0.7	1.0	1.1	1.2	+13%
ROE % <sup>1</sup>	10%	13%	13%	13%	



### MAIL & PARCEL

Execute Mail & Parcel turnaround based on Union agreed joint delivery model

Capitalize on e-commerce and B2C growth



### PAYMENTS, MOBILE & DIGITAL

Accelerate convergence of payments & mobile offer

Drive group-wide digital vision



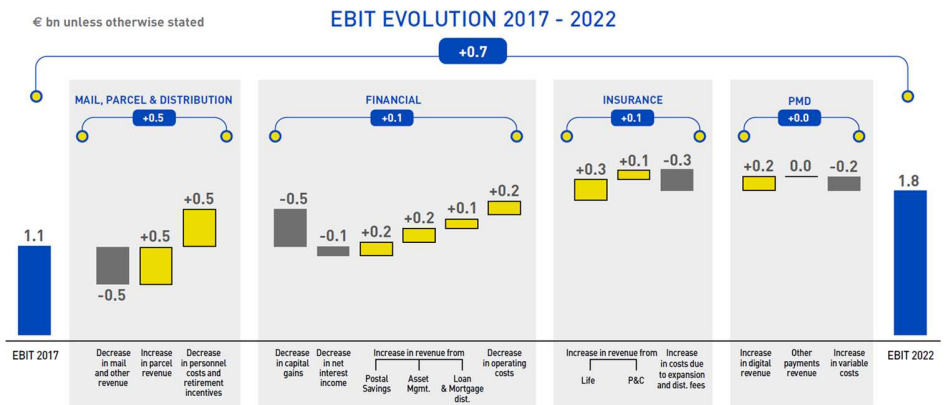
### FINANCIAL & INSURANCE

Expand financial offer with focus on wealth management and product distribution

Consolidate life insurance leadership and develop P&C offer

.... including the strategy for developing our key competencies

.... and the contribution of each operating segment to the Group’s results



Source: Capital Markets Day Presentation – 27 February 2018



Our vision: to be Italy’s most effective and trusted distribution network.



## The cornerstones of the remuneration policy

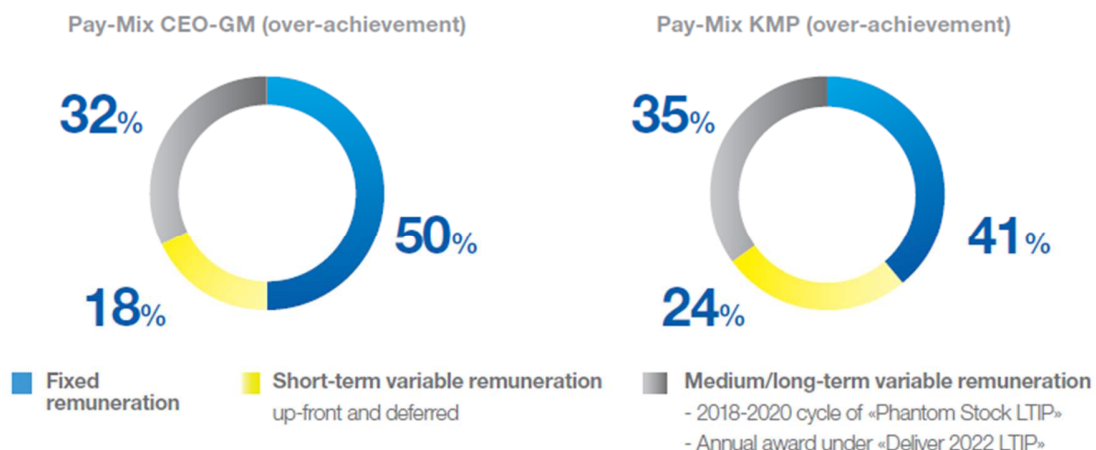
During the presentation of the new “Deliver 2022” Strategic Plan to analysts and investors, which took place during the Capital Markets Day on 27 February 2018, the Chief Executive Officer and General Manager (CEO-GM), Matteo Del Fante, announced changes to the remuneration strategy in order to support delivery of the Plan.

The cornerstones on which all the remuneration and incentive schemes are based as follows:



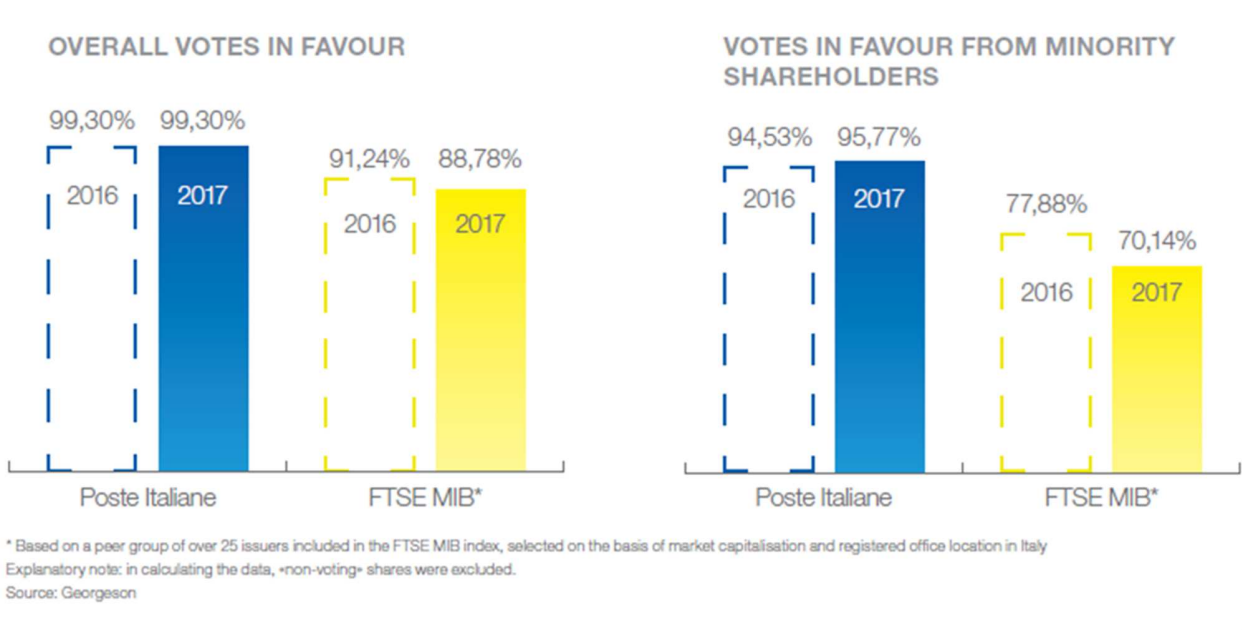
## Pay-mix for CEO-GM and Key Management Personnel

The representation of the pay-mix for the CEO-GM and Key Management Personnel (KMP) describes the way in which the management team’s interests are aligned with those of shareholders:

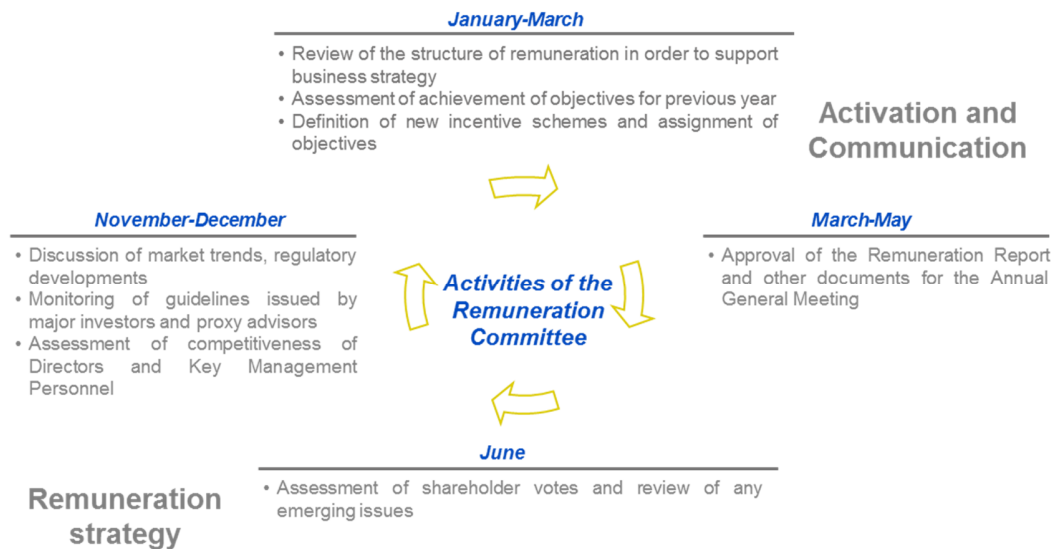


## Activities of the Remuneration Committee and outcome of shareholder votes

The Annual General Meeting of 27 April 2017 confirmed the positive result achieved in 2016:



The Remuneration Committee ensures continuous oversight over the Company’s remuneration and incentive schemes:

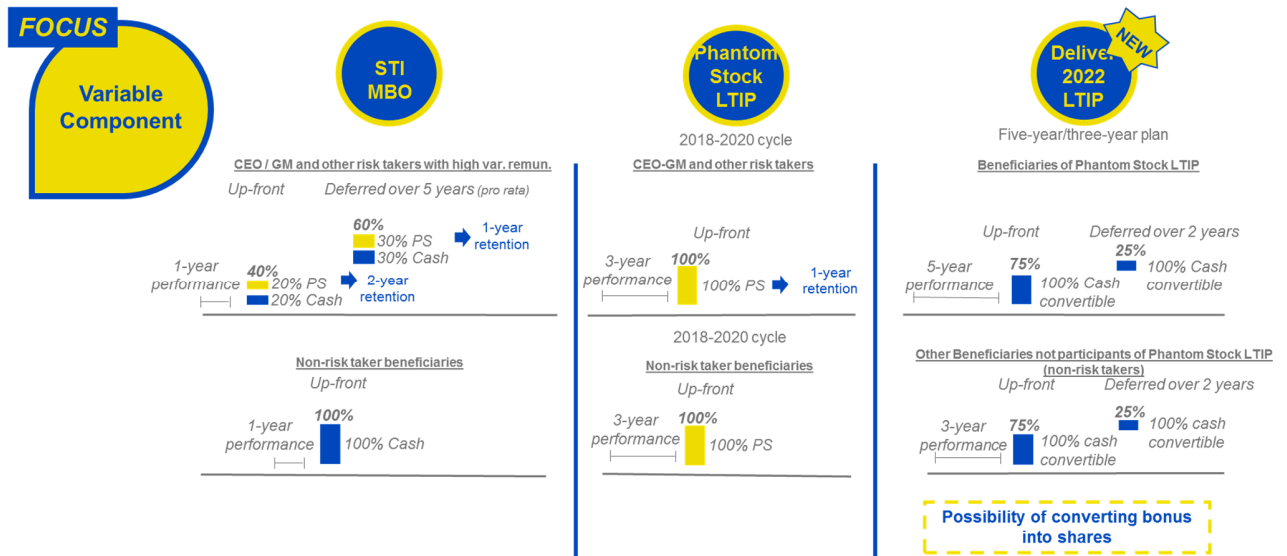


## The components of remuneration

In line with the policy cornerstones, remuneration consists of:



The variable component represents a balance between annual schemes and long-term incentive plans. The following chart shows a summary of the key incentive schemes for the CEO-GM, KMP and BancoPosta RFC's material risk takers:

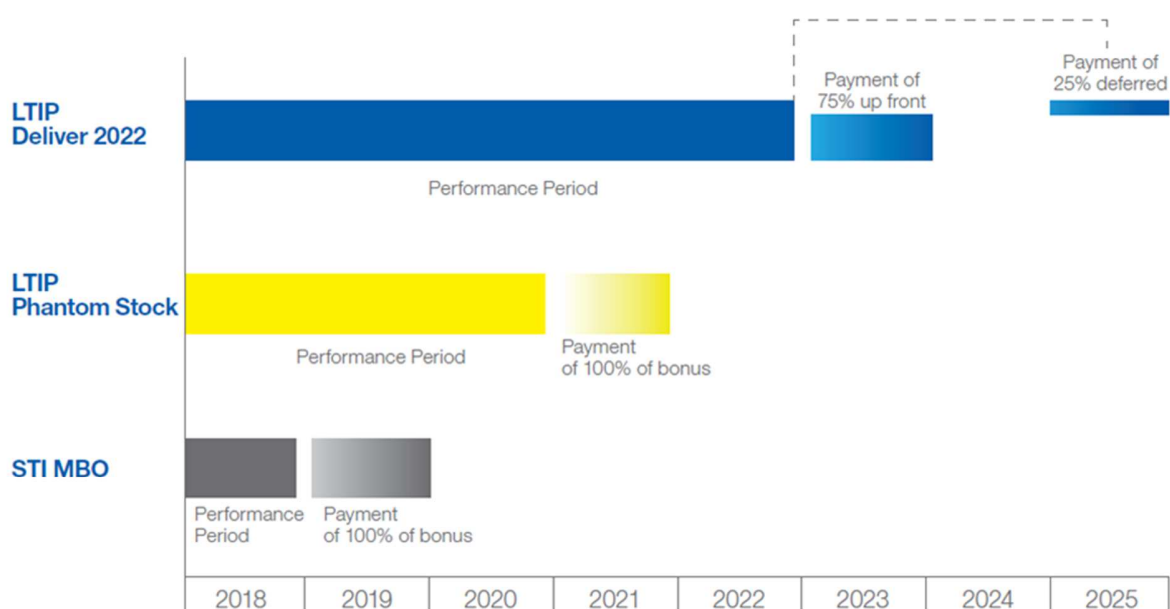


## Alignment of remuneration with short, medium and long-term objectives

The overall remuneration strategy aims to reward short-, medium- and long-term performance.

In addition, the combination of the performance hurdle (below which the incentives are not payable) linked to the targets set out in the Strategic Plan (presented during the “Capital Markets Day”), and the pay-out curve means that the cost of incentive schemes is covered by the resulting improvements in operating performance.

The following chart shows the alignment for KMP not included among BancoPosta personnel:

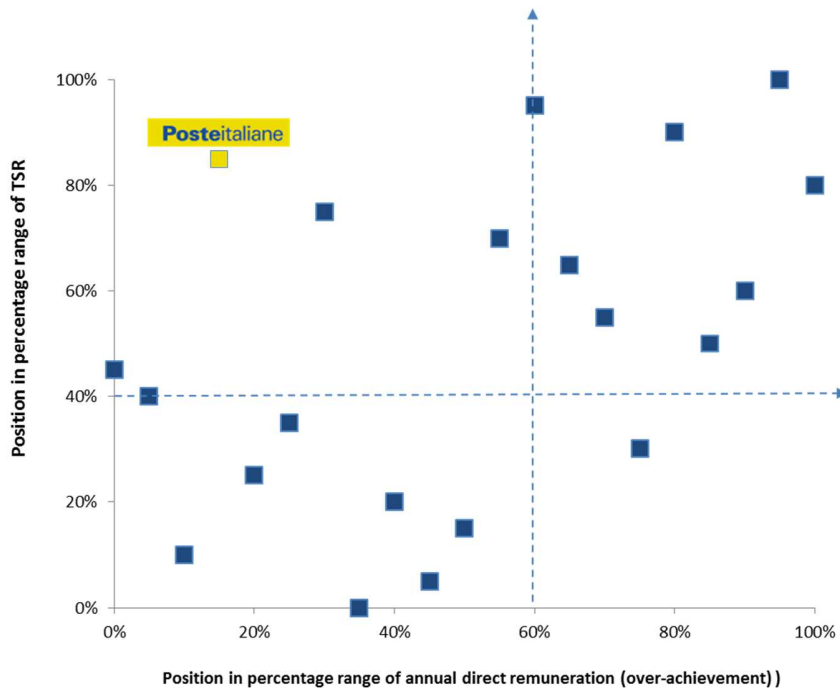


**CLAWBACK PROVISIONS APPLY TO ALL INCENTIVE SCHEMES**

## Pay-for-Performance

Pay-for-performance links the annual direct remuneration of the CEO-GM with the Company’s performance in terms of Total Shareholder Return, starting from Poste Italiane’s IPO (27 October 2015), through to the latest available data prior to preparation of this Report (17 April 2018).

As the following chart shows, Poste Italiane is positioned at the top towards the left, having recorded a positive Total Shareholder Return and above the 75th percentile, compared with annual direct remuneration of the CEO-GM around the 25th percentile, with respect to the peer group used.



Peer group:

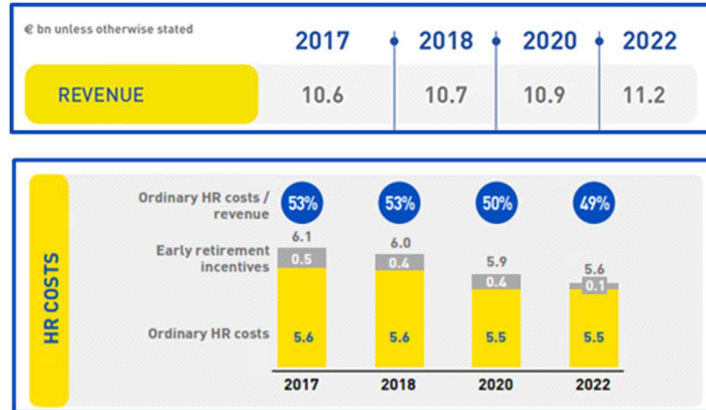
Allianz, AXA, Banco BPM, Bpost, CTT - Correios de Portugal, Deutsche Post, Enel, Eni, Generali Assicurazioni, Intesa Sanpaolo, Leonardo, Mediaset, PostNL, Saipem, Snam, Terna, TIM, Ubi Banca, Unicredit, Unipol.

Based on data from info providers Bloomberg and Willis Towers Watson. The Total Shareholder Return (TSR) refers to the period from 27 October 2015 to 17 April 2018. Annual direct remuneration: latest available figure.

## Deliver 2022 LTIP

The “Deliver 2022 LTIP” is based on the strategic goals and KPIs described in the Strategic Plan:

### “Deliver 2022” Strategic Plan



The “Deliver 2022 LTIP”, presented during the Capital Markets Day, has the following characteristics:

<b>ELIGIBILITY</b>	Engage up to 200+ strategic employees on Deliver 2022 targets
<b>VESTING PERIOD</b>	3 and 5 years of performance period & 2 years deferral period
<b>PERFORMANCE MEASURES</b>	Achievement of 5 years Deliver 2022 targets (EBIT as a threshold): → Revenues (weight 60%) → Cost Reduction (weight 40%)
<b>PLAN IMPLEMENTATION</b>	→ 75% at the end of performance period and 25% after deferral period → “Cash convertible”: AGM to decide cash to be converted into shares <sup>1</sup> → Clawback clause

<sup>1</sup> The BoD, by the end of the vesting period, may submit to the AGM, to convert – for all beneficiaries – the entire amount of the awards or part of them into Poste Italiane’s shares.

Please note: for regulated business (eg. BancoPosta) above rules will be adjusted to regulatory provisions

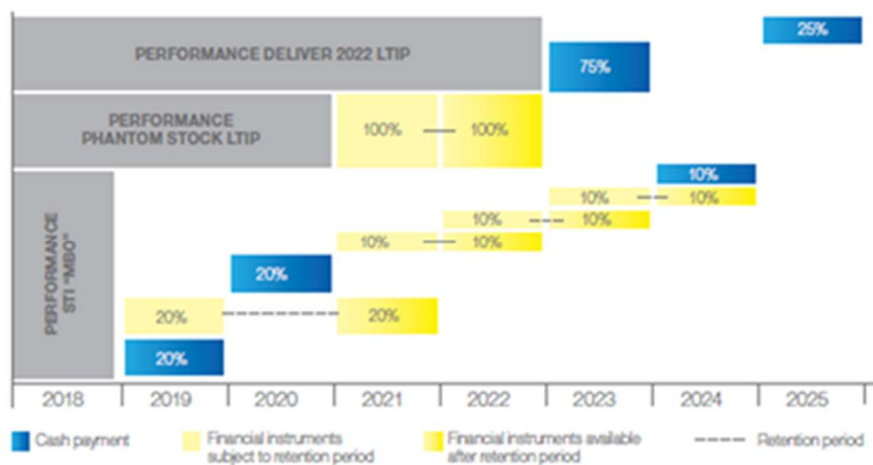
Source: Capital Markets Day Presentation – 27 February 2018

The “Deliver 2022 LTIP” is aimed at a larger number of beneficiaries than the 2018-2020 cycle of the “Phantom Stock LTIP”: key players in achievement of the Plan Strategic goals.

## Focus on incentive schemes for the Chief Executive Officer and General Manager

The objectives assigned to the CEO-GM reflect the above strategy. The structure of pay-outs is designed to be fully aligned with progressive consolidation of the results expected from implementation of the “Deliver 2022” Strategic Plan:

	KPI	WEIGHTING	LEVELS
2018	Threshold = Minimum		
	Levels	25%	Budget
	Bianco Posta RORAC	25%	Risk Tolerance
	MPD quality	15%	Improvement on 2017
	Group operating costs	15%	Budget
	Customer Experience	10%	Improvement on 2017
2020	Poste Vita Insurance Group RORAC	10%	Risk Tolerance
	“PHANTOM STOCK” LTIP 2018-2020		
2020	Group EBIT	60%	TSR Poste Italiane > TSR FTSE MIB
	TSR	40%	TSR Postelitaliane > TSR FTSE MIB
2022	“DELIVER 2022” LTIP 2018-2022		
	Revenue	60%	Strategic Plan
	HR Costs	40%	Piano Strategico



In addition, during the “Capital Markets Day”, the CEO-GM gave a **commitment to the market that, to the extent compatible with existing statutory requirements, he will reinvest all the variable cash remuneration received over his term of office through to 2019 in the Poste Italiane’s shares.**



Aligning management team with shareholder interests

# Section I



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## 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.

With regard to Poste Italiane's Board of Directors, the related remuneration policy is defined:

- by the General Meeting of shareholders, which determines the compensation payable to members of the Board of Directors at the time of their election and throughout their term of office;
- by the Board of Directors, which determines the compensation payable to Directors with delegated powers, in consultation with the Board of Statutory Auditors.

In line with the recommendations of the Corporate Governance Code, in making decisions about matters relating to remuneration, the Board of Directors is supported by the Remuneration Committee, whose members are non-executive Directors (most of them, including the Chair, independent), and which provides advice and makes recommendations regarding such matters.

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 2018*".

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.

### 1.1 General Meeting of Shareholders

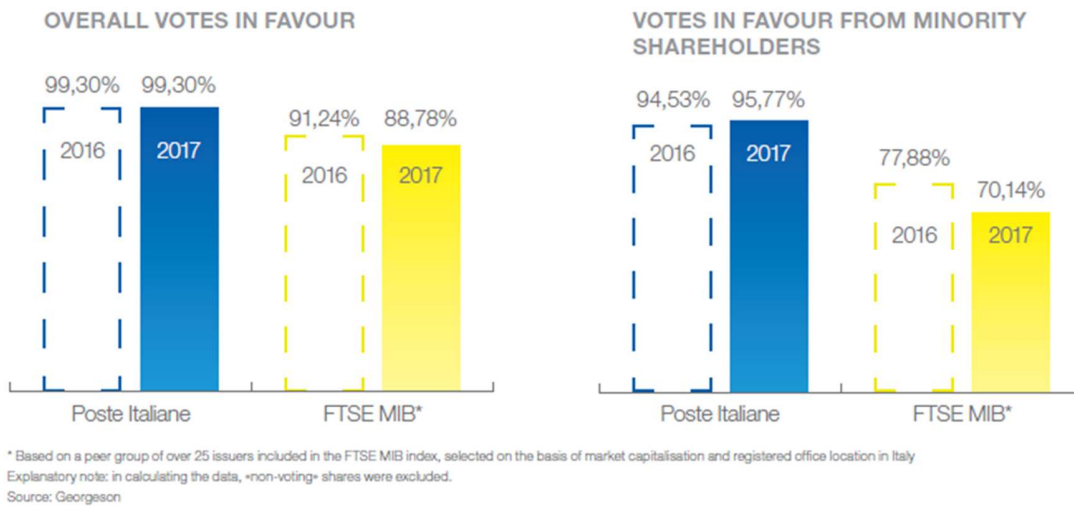
With regard to remuneration, the General Meeting of Shareholders ("General Meeting"):

- 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, in accordance with art. 2389, paragraph 1 of the Italian Civil Code;
- votes on any equity-based plans for Directors, employees or other staff, in accordance with art. 114-*bis* of Legislative Decree 58/1998;
- holds a non-binding vote to approve Section I of Poste Italiane SpA's Remuneration Report, in accordance with art. 123-*ter* of Legislative Decree 58/1998.

The second Annual General Meeting, following the listing of Poste Italiane SpA's ordinary shares on Italy's screen-based trading system (*Mercato Telematico Azionario* or "*MTA*"), was held on 27 April 2017. Section I of the Remuneration report was again approved by a significant majority, as happened in 2016 (including the shares held by Cassa depositi e prestiti and the Ministry of Economy and Finance), with the number of votes in favour well above the average for the FTSE MIB panel group. The number of minority shareholders who voted in favour was up on the previous year.

The following graphs show the related results:

FIGURE 1. AGM VOTE ON SECTION I OF THE REMUNERATION REPORT FOR 2016 AND 2017



## 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, the Head of the BancoPosta function and the Manager Responsible for Financial Reporting;
- 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. As required by law, Directors with delegated powers must abstain during votes regarding decisions on their remuneration and not take part in discussions on this matter;
- approves the remuneration policies for Directors and Key Management Personnel and submits them for approval by the General Meeting of Shareholders;
- approves any equity-based plans and submits them for the vote by the General Meeting of Shareholders.

Matters relating to the implementation of remuneration policies were dealt with in 8 Board of Directors' meetings in 2017. In particular, at the meeting of 15 March 2017, the Board was called on to approve the Remuneration Report for 2017 (including the Annex "*Guidelines for BancoPosta RFC's remuneration and incentive policies for 2017*"), and the Information Circular prepared in accordance with Art. 84-bis of the Regulations for Issuers regarding the equity-based plan for BancoPosta RFC personnel. Finally, on 22 June 2017, the structure of the remuneration of the Chief Executive Officer and General Manager was approved, on the recommendation of the Remuneration Committee. As required by law, the CEO-GM

abstains during votes regarding decisions on his remuneration and does not take part in discussions on this matter.

## 1.3 Remuneration Committee

The Remuneration Committee is responsible for 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, and then amended at the meeting of 19 February 2018.

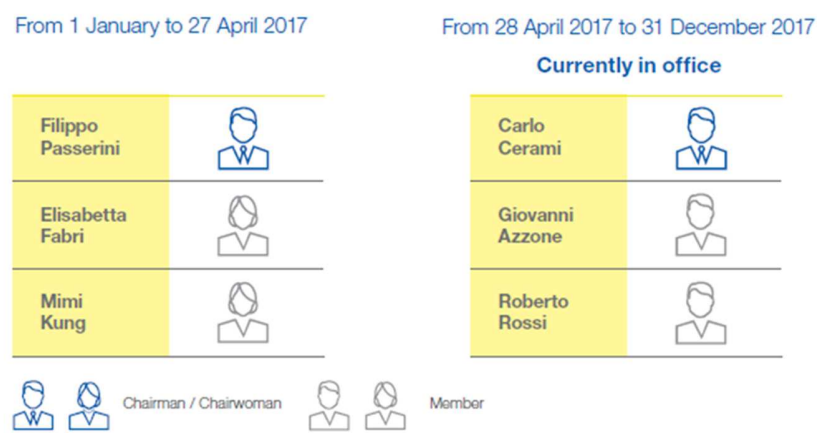
### Members

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 and art. 3 of the Corporate Governance Code. In addition, at least one Committee member must have appropriate expertise and experience in financial matters or remuneration policies and risk, capital and treasury management. This is assessed by the Board of Directors at the time of appointment to the Committee.

Committee meetings are attended by the Board of Statutory Auditors and, by invitation, other competent corporate bodies and functions. As a rule, meetings are also attended by the Head of BancoPosta’s *Risk Management* function when the Committee is to discuss matters relating to BancoPosta’s activities.

The following figure shows changes in membership of the Committee in 2017:

FIGURE 2. MEMBERS OF THE REMUNERATION COMMITTEE IN 2017



In terms of the current composition, all the Directors are non-executive and meet the related independence requirements. This composition ensures that the Committee has the right number of members in possession of the specific expertise and experience required by both supervisory regulations and the Corporate Governance Code. It should be noted that two of the three members of the Remuneration Committee were elected from the slate submitted by minority shareholders.

### Scope of activities

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

- to make proposals to the Board of Directors regarding policy for the remuneration of the Directors and of executives with strategic responsibilities in accordance with the regulations in force, periodically assessing the appropriateness, the overall consistency, and the concrete application of the policy adopted, and availing itself of the information provided by the Chief Executive Officer as far as the implementation of such policy is concerned;
- to present proposals or express opinions to the Board of Directors on the remuneration of the Chief Executive Officer-General Manager, as well as on the establishment of performance targets regarding the variable component of such remuneration, monitoring the application of the decisions adopted by the Board, and checking if the aforesaid targets have been achieved;
- to make proposals regarding the remuneration, including the variable component, of the Head of Poste Italiane's Internal Control Function, in agreement with the Control, Risk and Sustainability Committee;
- to make proposals regarding the remuneration of the Executive in Charge of preparing Poste Italiane's accounting documents<sup>1</sup>;
- to examine in advance the annual report on remuneration that will be made available to the public in view of the annual Shareholders' Meeting called to approve the financial statements;
- to perform any additional tasks assigned it by the Board of Directors.

The Committee, through its Chair, reports to the Board of Directors on the Committee's meetings at least once a year, and whenever he or she deems it necessary or appropriate.

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 external consultants or independent experts at the Company's expense, within the limits of the overall budget approved by the Board of Directors for all Board Committees. In 2017, the Committee was advised by the consulting firm, Mercer.

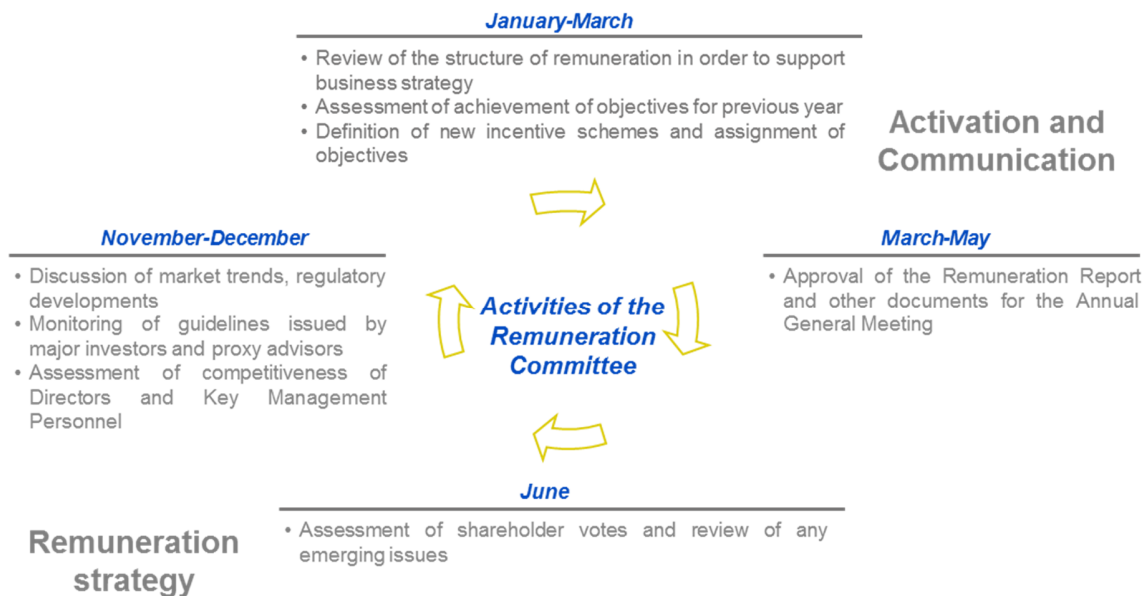
### Cycle of activity

The Committee meets periodically and with sufficient frequency to enable it to carry out its duties, in accordance with an annual calendar that normally follows the cycle of activity shown below:

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<sup>1</sup> Also called *Manager Responsible for Financial Reporting*.

FIGURE 3. THE REMUNERATION COMMITTEE'S CYCLE OF ACTIVITY



## 1.4 Board of Statutory Auditors

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.

## 1.5 Other entities

Among the duties and responsibilities assigned, the Human Resources and Organisation function draws up proposed remuneration policies to submit to the Remuneration Committee, without prejudice to the need to comply with the specific requirements for BancoPosta RFC 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, Human Resources and Organisation 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.

Corporate Affairs function ensures compliance with Corporate Governance processes. The Head of "Affari Societari" function (within Corporate Affairs) is also the Secretary to the Remuneration

Committee, with responsibility for assisting the Chair and the Committee in carrying out their roles and for minuting Committee meetings.

When required by internal regulations and corporate governance processes, specific issues relating to remuneration and incentives are discussed by the Audit, Risk and Sustainability Committee and/or the Related and Connected Parties Committee in order to provide an opinion. The committees may, if necessary, avail themselves of the relevant internal functions.

With regard to BancoPosta RFC, reference should be made to the Annex "***Guidelines for BancoPosta RFC's remuneration and incentive policies for 2018***" for information on the duties and responsibilities of the Head of BancoPosta RFC and the related control functions.

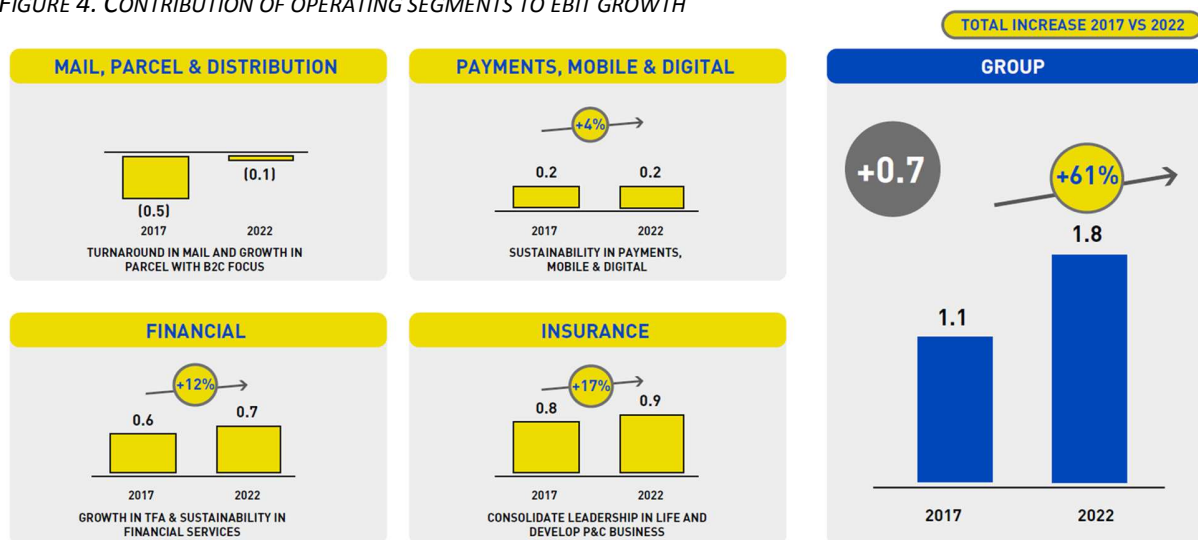
## 2 Remuneration and incentive policies: purposes and general principles

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 value for stakeholders.

During the Capital Markets Day held on 27 February 2018, the CEO-GM presented the new "Deliver 2022" Strategic Plan and the key business objectives for the period 2018-2022.

The Group's expected growth over the next 5 years depends on the contribution from each business area and on exploitation the related synergies:

FIGURE 4. CONTRIBUTION OF OPERATING SEGMENTS TO EBIT GROWTH



Source: Capital Markets Day Presentation – 27 February 2018

The Strategic Plan sets out the basis on which to create sustainable value to be shared with all stakeholders:

- shareholders and investors, through close alignment with their interests;
- customers, by confirming the focus on the quality of service provided;
- Poste Italiane's people, who have a key role in delivering the Strategic Plan;
- the supplier-customer chain of which Poste Italiane is a part;
- the community within which Poste Italiane operates.

The Plan also reflects the growing importance given to overall, financial and social sustainability in Poste Italiane's strategy (to cite just one example, the health plan for employees approved at the time of



renewing the National Collective Labour Agreement, providing a tangible indication of the importance that Poste Italiane gives to the wellbeing of its personnel<sup>2</sup>).

In the light of these strategic guidelines and in order to drive achievement of the Company's medium- to long-term objectives, the remuneration strategy is based on the following cornerstones:

- alignment - the remuneration policy is a key tool in aligning the interests of management with those of shareholders and investors;
- commitment – the structure of remuneration must ensure that the management team as a whole is fully committed to achieving the Strategic Plan targets;
- sustainability – the creation of lasting value is an essential driver of performance-based incentives;
- engagement – all employees are engaged in the transformation process.

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

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<sup>2</sup> Poste Italiane employs a total of 138,000 people at 31 December 2017.

### 3 Market practices

The Company regularly monitors the market environment through salary benchmarking conducted by major international players and industry peers, with the aim of ensuring the competitiveness of its remuneration packages.

The peer group 2018, used to benchmark the remuneration of the Chief Executive Officer and General Manager, is as follows:

FIGURE 5. PEER GROUP



The above peer group has been selected from a larger sample of Italian and European companies comparable to Poste Italiane in nature.

In particular, with regard to “Size”, the process took into account capitalisation, revenue and the number of employees. In terms of “Business & Complexity”, the different sectors in which the Poste Italiane Group operates were considered (with a focus on the Italian banking sector, given that the CEO-GM is subject to banking regulations), in addition to the complexity of operations. Finally, with regard to “Governance”, the peer group includes a number of companies who are investees of the Ministry of Economy and Finance and Cassa depositi e prestiti or who are regulated by AGCOM (the Italian Communications Authority).

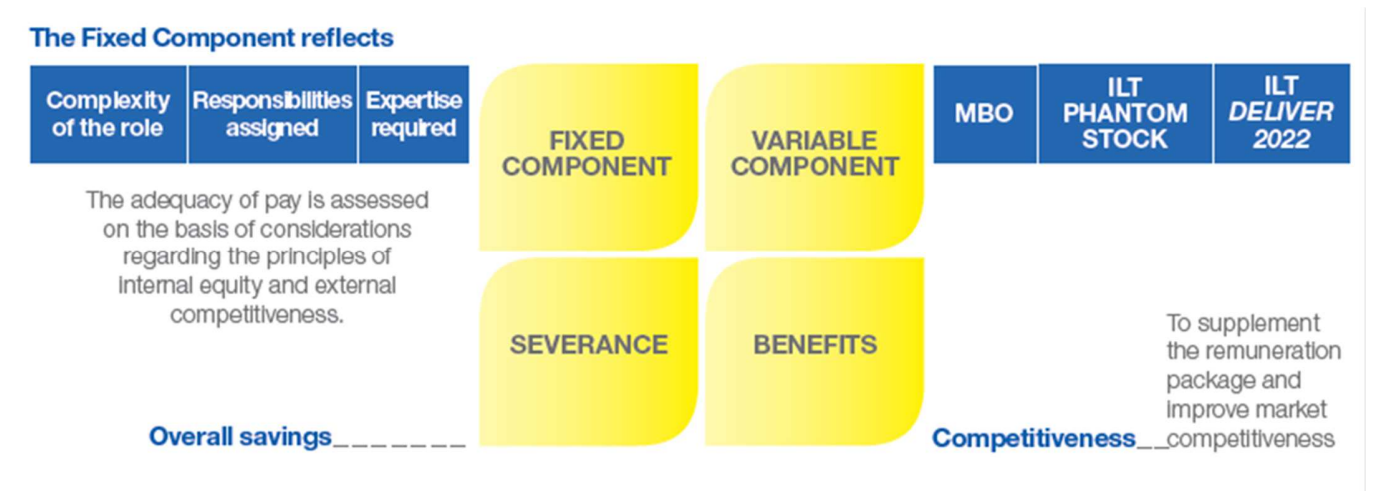
The benchmarks for non-executive Directors, which are periodically revised, refers to different peer groups: companies included in Borsa Italiana’s FTSE MIB index and direct or indirect investees of the Ministry of Economy and Finance.

Finally, the salary benchmarking process for Key Management Personnel is based on a group of companies operating in various sectors; where deemed significant, reference may be made to industry groupings (for example, for roles in financial services).

## 4 Remuneration and incentive policies for 2018

In general, total remuneration breaks down into fixed and variable pay, structured in such a way as to achieve a balance between the two, in addition to benefits and severance pay on termination of employment. The following chart summarises the various components of remuneration:

FIGURE 6. COMPONENTS OF THE REMUNERATION POLICY



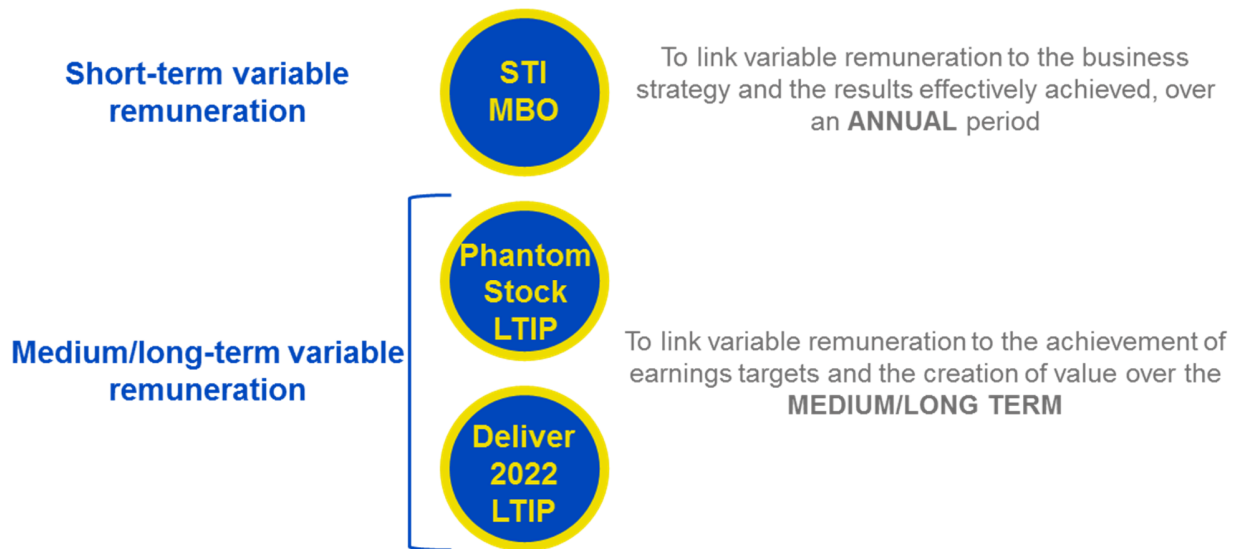
In terms of fixed remuneration, the Company’s benchmarking is conducted with reference to market median relating to the specific role and/or the complexity of the responsibilities assigned.

The pay-mix between fixed and variable remuneration is linked to the role held and the responsibilities assigned. In this regard, Poste Italiane uses a job evaluation framework for the various roles, certified periodically by an independent consulting firm.

Proposed adjustments to fixed remuneration follow a structured process, based on objective, non-discretionary criteria.

Variable remuneration is directly linked to Company and individual performance, and is based on objective, transparent and verifiable criteria. Variable pay is capped depending on the category of beneficiary. With a view to ensuring sustainability and the creation of value over the short-, medium- and long-term, variable pay consist of the following components:

FIGURE 7. COMPONENTS OF VARIABLE REMUNERATION



All the incentive schemes are linked to the achievement of predetermined levels of performance and are subject to clawback provisions, as described in greater detail below. In exceptional circumstances, newly hired personnel may receive specific awards, including a signing bonus.

Beneficiaries of the “**Deliver 2022 LTIP**” include approximately 200 personnel selected from among the Poste Italiane Group’s senior and middle managers. The annual value of awards for achieving assigned targets is between **15% and 30%** of fixed remuneration. Section II of the Remuneration Report for 2019 will show the total amount awarded following approval of this document by the Annual General Meeting of shareholders.

In accordance with the Company’s policies, it is possible to stipulate provisions/agreements governing aspects of termination of employment in line with the Company’s strategies, values and long-term interests.

The final component of the remuneration package consists of additional benefits provided in accordance with the applicable statutory requirements and in line with market practices. Benefits<sup>3</sup> are subject to specific guidelines, which require the application of common criteria depending on the uniform category of employee concerned.

<sup>3</sup> Managers are not provided with insurance cover or pension schemes other than those envisaged in the National Collective Labour Agreement for the management personnel of companies producing goods and services (the “NCLA”). The General Manager and KMP are provided with supplementary health cover in addition to that provided under the NCLA. Directors are provided with personal health insurance and D&O cover.

## 4.1 Board of Directors

The remuneration policy for members of the Board of Directors is differentiated as follows:















- Directors without delegated powers;
- Chair of the Board of Directors;
- Chief Executive Officer and General Manager (CEO-GM).

On a general basis and for all the members of the Board of Directors, the Annual General Meeting of shareholder held on 27 April 2017 determined the compensation payable to members of the Board of Directors in office in the period 2017-2019, as defined by art. 2389, paragraph 1 of the Italian Civil Code. No attendance fees are currently payable for participation in Board of Directors' meetings or the meetings of Board Committees.



On 10 May 2017, the Board of Directors, on the recommendation of the Remuneration Committee, introduced additional pay for Directors' participation in Board Committees, depending on the role assigned.

The following table shows the roles held by members of the Board of Directors at the date of approval of this Report:

FIGURE 8. COMPOSITION OF THE BOARD OF DIRECTORS

Role	Name and surname	Remuneration Committee	Nominations and Corporate Governance Committee	Audit, Risk and Sustainability Committee	Related and Connected Parties Committee
Director	<b>Giovanni Azzone</b> <sup>(1) (2)</sup>				
Director	<b>Carlo Cerami</b> <sup>(1) (2)</sup>				
Director	<b>Antonella Guglielmetti</b> <sup>(1) (2)</sup>				
Director	<b>Francesca Isgro</b> <sup>(1) (2)</sup>				
Director	<b>Mimi Kung</b> <sup>(1) (2)</sup>				
Director	<b>Roberto Rao</b> <sup>(1) (2)</sup>				
Director	<b>Roberto Rossi</b> <sup>(1) (2)</sup>				
<b>Directors with delegated powers</b>					
Chairwoman	<b>Maria Bianca Farina</b> <sup>(1)</sup>				
Chief executive Officer and General Manager	<b>Matteo Del Fante</b>				

(1) Non-executive Director  
(2) Independent Director as defined by the combined provisions of articles 147ter, paragraphs 4 and 148, paragraph 3 of the CLF and pursuant to article 3 of the Corporate Governance Code

 Chairman / Chairwoman     Member

#### 4.1.1. Directors without delegated powers

The remuneration of Directors without delegated powers consist of a fixed component, determined by the Annual General Meeting of Shareholders and applicable for the full term of office. The Annual General Meeting of Shareholders held on 27 April 2017, with regard to the term of office 2017-2019, determined the compensation payable pursuant to art. 2389, paragraph 1 of the Italian Civil Code as €40,000.00 per annum. There are no forms of variable remuneration.

Directors are reimbursed for any out-of-pocket expenses incurred in carrying out the duties, within the limits established by the Board of Directors.

The additional pay for Directors' participation in Board Committees, approved by the Board of Directors, in consultation with the Board of Statutory Auditors and the Remuneration Committee, is as follows:

FIGURE 9. COMPENSATION FOR PARTICIPATION IN BOARD COMMITTEES

		Compenso
Remuneration Committee	Chairman	€ 25.000
	Member	€ 17.500
Nominations and Corporate Governance Committee	Chairman	€ 25.000
	Member	€ 17.500
Audit, Risk and Sustainability Committee	Chairman	€ 35.000
	Member	€ 25.000
Related and Connected Parties Committee	Chairman	€ 25.000
	Member	€ 17.500

#### 4.1.2. Chairwoman of the Board of Directors

The remuneration of the Chairwoman of the Board of Directors consists of a fixed component, approved by the General Meeting of Shareholders in accordance with art. 2389, paragraph 1 of the Italian Civil Code and equal to €60,000.00 per annum.

In addition to the above, on 13 December 2017, the Board of Directors, on the recommendation of the Remuneration Committee and in consultation with the Board of Statutory Auditors, awarded further compensation to the Chairwoman of the Board of Directors (pursuant to art. 2389, paragraph 3 of the Italian Civil Code), in view of the non-executive powers assigned to her. This additional compensation amounts to €420,000.00 per annum. There are no forms of variable remuneration.

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

As required by law, the Chairwoman abstains during votes regarding decisions on her remuneration and does not take part in discussions on this matter.

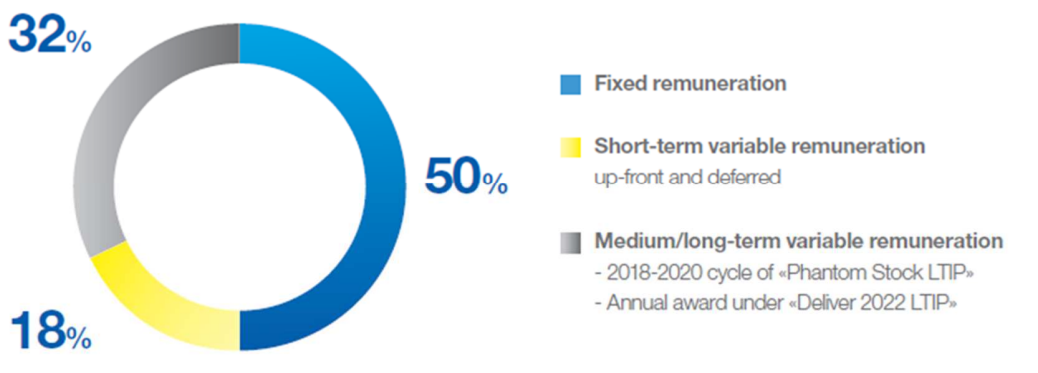
The final component of the remuneration package consists of additional benefits provided in accordance with the applicable statutory requirements and in line with market practices.

#### 4.1.3. Chief Executive Officer and General Manager (CEO-GM)

The CEO-GM’s remuneration package includes a fixed component, a short-term variable component and a medium/long-term variable component (2018-2020 cycle of the “Phantom Stock LTIP” and the “Deliver 2022 LTIP”).

In the light of these elements, the following chart shows the CEO-GM’s pay-mix for 2018 in the event of over-achievement (“Pay-mix CEO-GM over-achievement”):

FIGURE 10. PAY-MIX CEO-GM OVER-ACHIEVEMENT



This pay-mix has been calculated on the basis of awards under the short- and medium- to long-term incentive schemes in the event of over-achievement and considering the annual award under the “Deliver 2022 LTIP”.

The weighting assigned to the variable component for the CEO-GM is capped at a ratio of 1:1 between variable (both short- and medium/long-term) and fixed pay, in keeping with the “Guidelines for BancoPosta RFC’s remuneration and incentive policies”, taking into account the regulatory framework for banks.

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

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.

### Fixed pay

The CEO-GM’s fixed pay consists of a component relating to the position of Director and one relating to his position as a manager of the Company in his role as General Manager<sup>4</sup>.

The CEO-GM receives a fixed pay of €1,255,000.00 per annum.

### Variable remuneration

The variable remuneration, paid in relation to his position as a manager in his role as Poste Italiane’s General Manager, consists of the short-term variable incentive scheme (STI “MBO”), the “Phantom Stock LTIP” and “Deliver 2022 LTIP”.

The STI “MBO” schemes rewards the achievement of targets on an annual basis, the “Phantom Stock LTIP” over three years and the “Deliver 2022 LTIP” over five years.

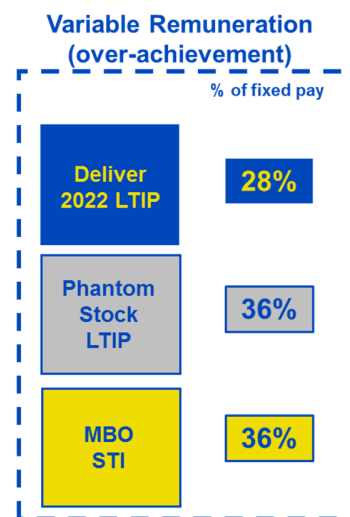
The link between variable remuneration and medium/long-term performance has been further strengthened through the introduction of a long-term incentive plan called the “Deliver 2022 LTIP”, linked to the objectives in the new “Deliver 2022” Strategic Plan.

All the management incentive schemes also include a hurdle related to Group’s EBIT, designed to measure financial sustainability, with any bonuses awardable in relation to the assigned targets dependent on achievement of the targets set.

Variable remuneration 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), and, under certain conditions, in the application of a clawback provision.

As a risk taker, within the scope of application of the “Guidelines for BancoPosta RFC’s remuneration and incentive policies for 2018”, the structure of the CEO-GM’s remuneration envisages, among other things, the deferral of 60% of short-term variable pay (“MBO”) and the payment of 50% in cash and 50% in phantom stocks, in addition to a cap on total variable remuneration based on a ratio of 1:1 between variable (both short- and medium/long-term) and fixed pay (as described in greater detail below).

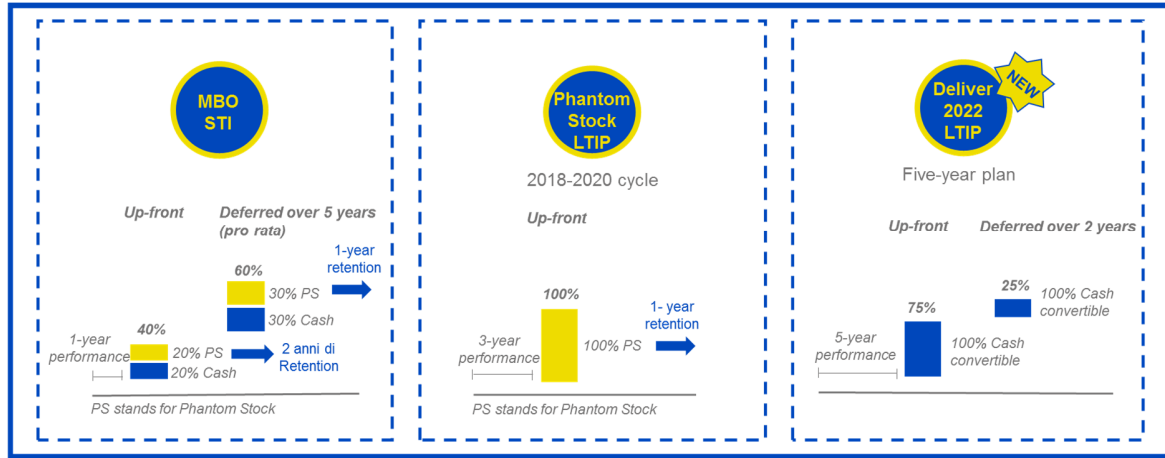
FIGURE 11. COMPONENTS OF VARIABLE REMUNERATION



<sup>4</sup> The CEO-GM’s position as General Manager is governed by the provisions of the National Collective Labour Agreement for the management personnel of companies producing goods and services (the “NCLA”).



FIGURE 12. CEO-GM'S VARIABLE REMUNERATION



As mentioned above, the Board of Directors, on the recommendation of the Remuneration Committee, sets the performance targets linked to variable remuneration for the CEO-GM and assesses achievement of the performance targets, with the CEO-GM abstaining in any votes on the matter.

### Short-term incentive scheme (STI “MBO”)

Short-term variable remuneration aims to strengthen the focus on the creation of value for stakeholders by linking the payment of annual bonuses with actual performance in the same period. The nature of the STI “MBO” scheme for the CEO-GM has been defined also in the light of the applicable statutory requirements.

The plan is based on a structured process for defining incentives and the associated objectives and is characterised by:

- a hurdle and certain qualifying conditions;
- performance targets, each assigned a specific weighting.

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.

### Hurdle and qualifying conditions

The STI “MBO” scheme envisages a hurdle represented by the Poste Italiane Group’s target EBIT, achievement of which enables the CEO-GM to access the bonus linked to achievement of the objectives assigned. Moreover, in order to ensure the long-term sustainability of the businesses of BancoPosta RFC and the Poste Vita Insurance Group, the qualifying conditions for the STI “MBO” scheme also include the following provisions:

TABLE 1. HURDLE AND QUALIFYING CONDITIONS FOR THE CEO-GM'S MBO SCHEME

Hurdle	Qualifying conditions
Group EBIT	BancoPosta's capital adequacy: <b>CET 1</b>
	BancoPosta's short-term liquidity: <b>LCR</b>
	<b>Solvency ratio for Poste Vita Insurance Group</b>

The qualifying conditions are in keeping with the thresholds established in the Risk Appetite Framework ("RAF") adopted by BancoPosta RFC and the Poste Vita Insurance Group.

### Performance targets

The performance targets for 2018 are linked to the objectives in the new "Deliver 2022" Strategic Plan:

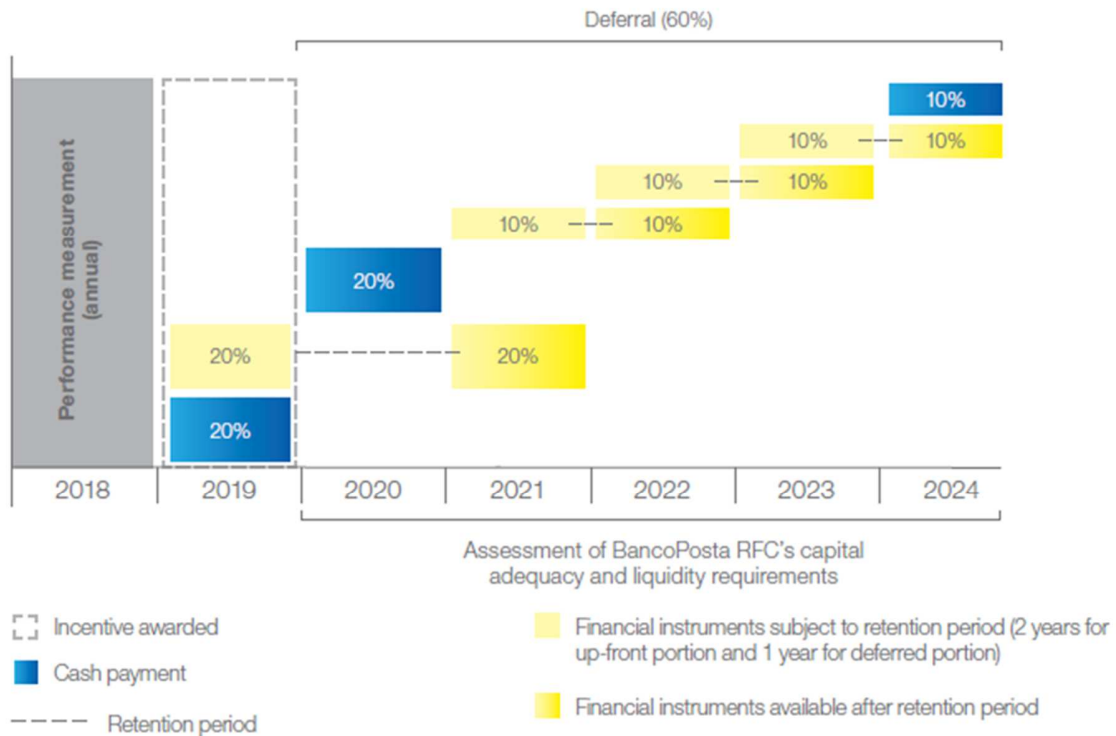
FIGURE 13. MBO SCHEME PERFORMANCE TARGETS FOR THE CEO-GM in 2018



### Award

Award of the incentive relating to the STI "MBO" scheme is linked to the achievement of actual, lasting results and involves deferral of 60% of the variable component over a period of 5 years (pro rata) and the payment of 50% in cash and 50% in phantom stocks, for both the up-front and the deferred portions, as shown below:

FIGURE 14. METHOD OF PAYMENT UNDER MBO SCHEME FOR THE CEO-GM



Payment of the deferred portions is subject to compliance with predetermined thresholds for BancoPosta RFC's capital adequacy and liquidity.

The Phantom Stocks awarded are subject to retention periods of two years (for the up-front portion) or one year (for the deferred portions). At the end of the retention period, having verified compliance with BancoPosta RFC's capital and liquidity thresholds, the phantom stocks will be converted into a sum determined on the basis of the arithmetic average of the market value of Poste Italiane's shares in the thirty stock exchange trading days prior to the date of conversion.

It should be noted that, in view of the use of equity-based payments, the Company will ask the Annual General Meeting of Shareholders to be held on 29 May 2018 to approve the "Short-term equity-based incentive plan for material risk takers employed by BancoPosta RFC", in accordance with art. 114-bis of Legislative Decree 58 of 24 February 1998, as amended.

### Medium/long-term incentive schemes (LTIPs)

Medium/long-term incentive schemes (LTIPs) aim to strengthen the focus on the creation of value for stakeholders, in keeping with the Strategic Plan by linking the incentives awarded with long-term

objectives (over 3-5 years) and effective performance over the same period. The nature of the following LTIPs has been defined also in the light of the applicable statutory requirements.

The CEO-GM is a beneficiary of the following medium/long-term incentive schemes:

- the “Phantom Stock LTIP” (2018-2020 cycle);
- the “Deliver 2022 LTIP”.

The choice of performance indicator for the two plans is aligned with the responsibilities assigned to Poste Italiane’s CEO-GM and is in line with the basic principles on which the medium/long-term incentive plans are based. The two plans are fully integrated and complement to each other in terms of duration and objectives, strengthening the performance-based variable component of remuneration, in addition to being aligned with the drivers of the new “Deliver 2022” Strategic Plan:

- the “Phantom Stock LTIP” focuses on earnings targets and shareholder return over a three-year period;
- the “Deliver 2022 LTIP” ensures, in addition to earnings, a continuous long-term focus on revenue growth and the containment of HR Costs.

### “Phantom Stock LTIP”

The 2018-2020 cycle of the “Phantom Stock LTIP” involves the award of phantom stocks granting the right to receive stock representing the value of Poste Italiane’s shares at the end of a three-year vesting period. It is understood that the price of Poste Italiane’s shares will have a significant impact on the value of the award, in that the more the share price rises, the greater the cash value of the phantom stocks awarded.

### Hurdle and qualifying conditions

The “Phantom Stock LTIP” envisages a hurdle condition represented by the Poste Italiane Group’s cumulative EBIT over a three-year period, with awards under the LTIP dependent on achievement of the gate.

In line with the statutory requirements applicable to BancoPosta RFC’s business, in addition to the above hurdle condition, the CEO-GM must meet all the following qualifying conditions at the same time in order to qualify for the incentive:

TABLE 2. QUALIFYING CONDITIONS FOR THE “PHANTOM STOCK LTIP” FOR THE CEO-GM

Qualifying conditions
BancoPosta’s capital adequacy: <b>CET 1</b>
BancoPosta’s short-term liquidity: <b>LCR</b>
BancoPosta’s RORAC: <b>RORAC</b>

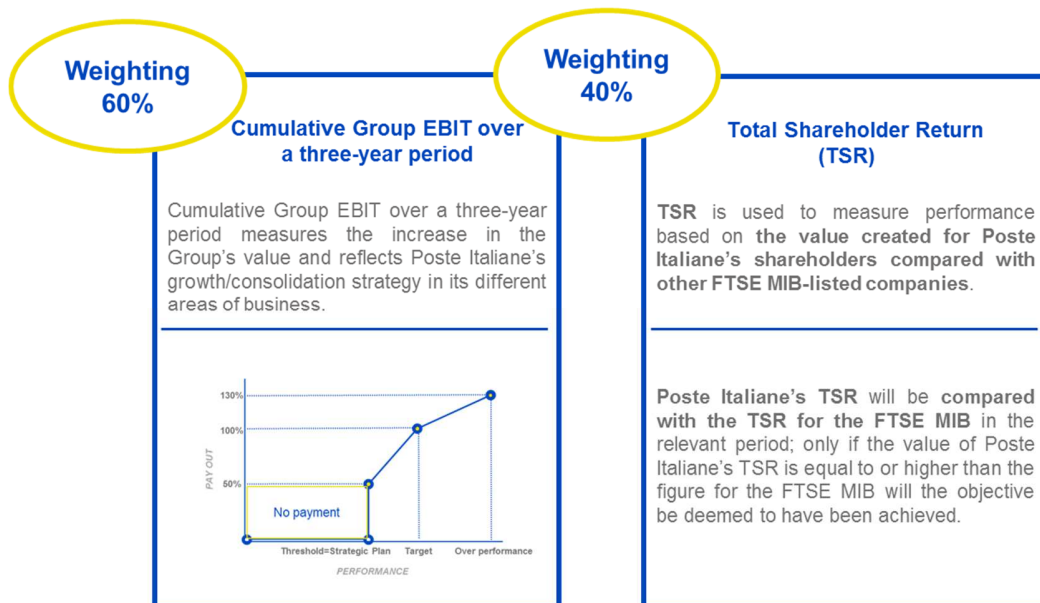
CET 1, LCR and RORAC are in keeping with the threshold established in the Risk Appetite Framework (“RAF”) adopted by BancoPosta RFC in accordance with the related regulatory requirements.

It should also be noted that, assessment of whether or not the risk tolerance level for the qualifying conditions, linked to BancoPosta RFC’s capital adequacy and liquidity, have been met also takes place at the end of each retention period.

### Performance targets

The performance targets for the 2018-2020 cycle of the “Phantom Stock LTIP” are as follows:

FIGURE 15. PERFORMANCE INDICATORS AND WEIGHTINGS FOR THE “PHANTOM STOCK LTIP” FOR THE CEO-GM

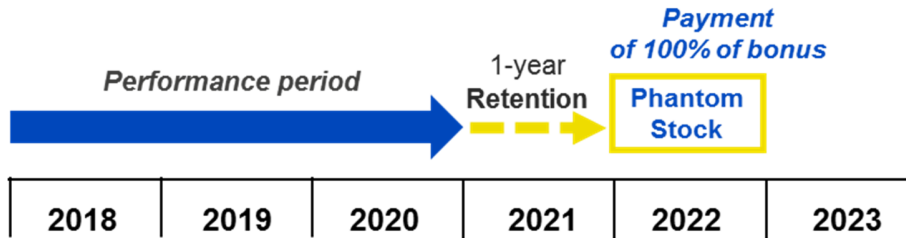


A maximum level of over performance has been set, above which the incentive remains constant, as has a threshold, below which the incentives do not apply and there is, therefore, no payment due.

### Award and payment for the “Phantom Stock LTIP” (2018-2020 cycle)

The number of phantom stocks is quantified at the end of the three-year performance period within the cap to be determined at the time of the award, once achievement of the related objectives has been confirmed. The phantom stocks will be awarded at the end of a one-year retention period and will thus be converted into a sum, determined through the arithmetic average of the market value of the shares in the thirty stock exchange trading days prior to the date of conversion of the phantom stocks.

Figure 16. Method of award and payment for the “Phantom Stock LTIP” for the CEO-GM



### “Deliver 2022 LTIP”

The new long-term incentive plan, named the “Deliver 2022 LTIP”, envisages a single award and, on achievement of the related performance targets over a five-year period (2018-2022), the payment of a convertible cash sum (75% up-front and the remaining 25% deferred for two years). The Plan offers the Board of Directors, in consultation with the Remuneration Committee, and before the end of the performance period, the possibility to ask the General Meeting of shareholders to approve conversion of the full amount of the bonus, or a part thereof, into Poste Italiane’s ordinary shares.

### Hurdle and qualifying conditions

The “Deliver 2022 LTIP” envisages a hurdle condition, represented by EBIT over a five-year period, and qualifying conditions, based on CET 1 and LCR in 2022 (defined in keeping with the “Phantom Stock LTIP”) as well as BancoPosta’s RORAC in 2022, defined with reference to the *risk appetite*. The hurdle and the qualifying conditions must be met at the same time in order to qualify for the incentive.

### Performance targets

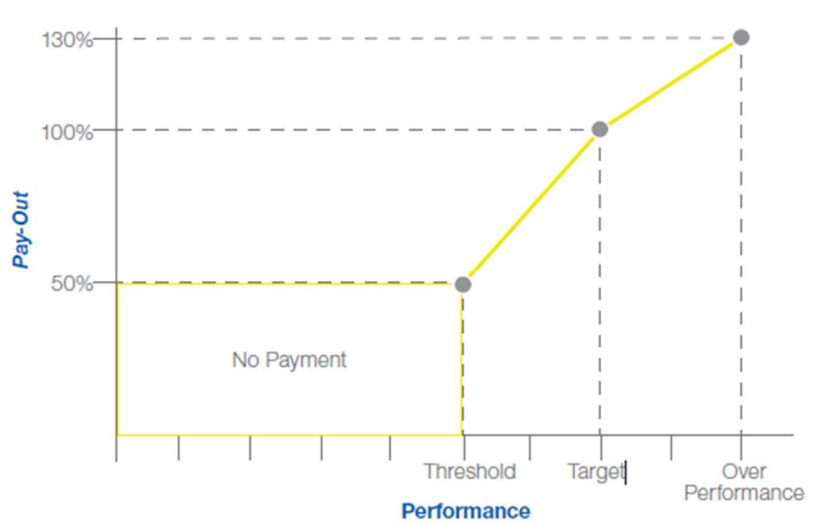
The performance targets for the “Deliver 2022 LTIP” are as follows:

FIGURE 17. PERFORMANCE INDICATORS AND WEIGHTINGS FOR THE “DELIVER 2022 LTIP” FOR THE CEO-GM



The above performance targets are assessed in the following way:

FIGURE 18. PAY-OUT CURVE DELIVER 2022



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.

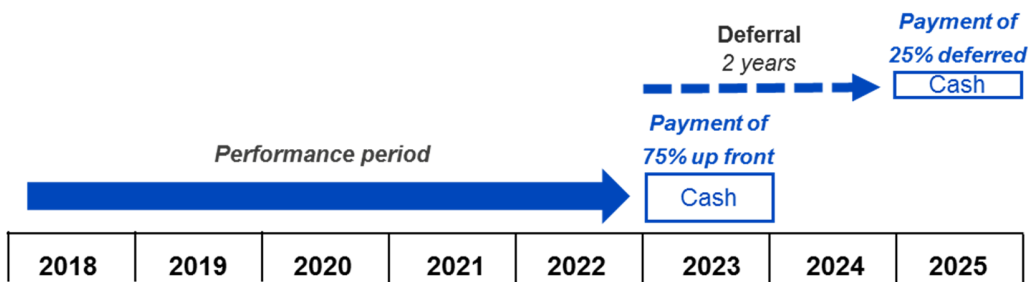
The combination of the performance hurdle linked to the targets set out in the Strategic Plan (presented during the “Capital Markets Day”), and the pay-out curve means that the cost of the “Deliver 2022 LTIP” is covered by the resulting improvements in operating performance.

The “Deliver 2022 LTIP” will, therefore, be funded from the resources deriving from over-achievement of the challenging Strategic Plan objectives and the related efficiencies.

### Award and payment for the “Deliver 2022 LTIP”

The “Deliver 2022 LTIP” follows the method of award and payment shown in the figure below:

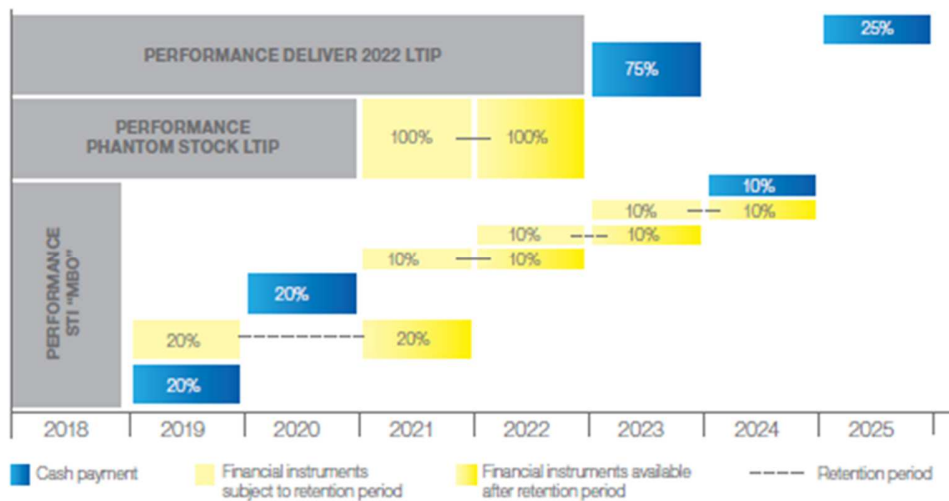
FIGURE 19. AWARD AND PAYMENT FOR THE “DELIVER 2022 LTIP” FOR THE CEO-GM



75% of the incentive payable at the end of the five-year performance period is paid up-front, with the remaining 25% deferred for 2 years. Payment of the deferred portion is subject to Poste Italiane’s inclusion in internationally recognised sustainability indices, in addition to confirmation that BancoPosta RFC’s capital adequacy and liquidity thresholds have been met.

### Summary of short-term and medium/long-term incentive schemes

FIGURE 20. PAY-OUT IN FORM OF VARIABLE REMUNERATION FOR THE CEO-GM



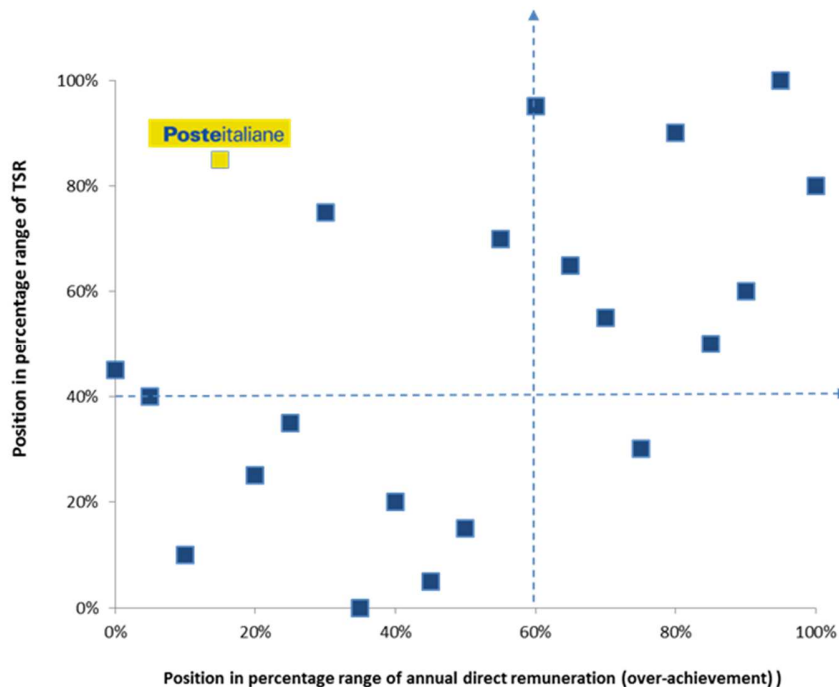
The structure of the pay-out over time involves the award of variable remuneration over a total period of 7 years, including performance, deferral and retention periods. In return for the performances achieved, about 10% of variable remuneration for 2018 will be effectively paid out in 2019, following approval of the financial statements for 2018, whilst the remaining portion is spread out over time.

In 2018, has been added a representation of pay-for-performance, which links the annual direct remuneration of the CEO-GM with the Company’s performance in terms of Total Shareholder Return, starting from Poste Italiane’s IPO (27 October 2015), through to the latest available data prior to preparation of this Report (17 April 2018).

As the following chart shows, Poste Italiane is positioned at the top towards the left, having recorded a positive Total Shareholder Return and above the 75th percentile, compared with annual direct remuneration around the 25th percentile, with respect to the peer group used. This position is primarily due to the performance of the Total Shareholder Return registered through to the first quarter of 2018.



FIGURE 21. PAY-FOR-PERFORMANCE



Peer group:

Allianz SE, AXA SA, Banco BPM, Bpost, SA CTT - Correios de Portugal, Deutsche Post, Enel ,Eni, Generali Assicurazioni , Intesa Sanpaolo, Leonardo, Mediaset, PostNL, Saipem,Snam ,Terna, TIM, Ubi Banca, Unicredit, Unipol.

Based on data from info providers Bloomberg and Willis Towers Watson. The Total Shareholder Return (TSR) refers to the period from 27 October 2015 to 17 April 2018. Annual direct remuneration: latest available figure.

## Severance payments on termination of employment

In line with standard market practice, considering that the executive employment relationship is strictly connected to the office as CEO, in the event of early termination of the employment or in case of termination of the office as CEO, other than for just cause, a payment consisting of two years’ annual global compensation and of an amount equal to the fixed pay due until the end of the office, would be payable to the CEO-GM within the context of a final settlement, in addition to the contractual period of notice.

The above does not affect the mandatory payments due in case of termination of employment under the Italian law or the applicable collective bargaining agreement.

In the light of the regulations governing payments, in the event of early termination of employment or in case of termination of the office as a CEO, the CEO-GM will be paid as follows:

- 40% of any payment due on termination of employment is payable as follows: 50% in cash and the remaining 50% in the form of an equity-based payment (phantom stocks, representing the value of Poste Italiane’s shares), subject to a two-year retention period; this amount is subject to verification of BancoPosta RFC’s capital and liquidity thresholds;
- 60% of any remuneration payable on termination of employment is to be deferred over a period of 5 years pro-rata, in accordance with the following plan:

- after the first year of deferral, an amount equal to one third will be paid in cash;
- in the second, third and fourth year three payments equal to one-sixth will be made in phantom stock;
- the final portion, equal to one sixth of the amount payable, is paid in cash in the fifth and final year of the deferral period;
- 50% in cash and the remaining 50% in the form of a financial instruments-based payment (phantom stocks); the deferred portions are subject to assessment of compliance with BancoPosta RFC's capital and liquidity thresholds whilst the equity-based component is subject to a one-year retention period;
- at the end of the retention period (two years for the up-front portions and one year for the deferred portions), having verified compliance with BancoPosta RFC's capital and liquidity thresholds, the phantom stocks will be converted into a sum determined through the arithmetic average of the market value of the shares of Poste Italiane, in the thirty stock exchange trading days prior to the date of conversion of the phantom stocks;
- the total amount payable is subject to malus and clawback provisions, applicable up to the entire amount paid within the time limit set by the related statute of limitations and under the circumstances defined in the guidelines for remuneration and incentive policies from time to time in effect.

## 4.2 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.

The Board of Statutory Auditors was re-elected by the Annual General Meeting called to approve the Annual Report for 2015 and will remain in office for three years (2016-2018). When electing the Board of Statutory Auditors, the General Meeting of 24 May 2016 approved fees – for each year in office – for the Chair, amounting to €80,000.00, and for each standing Auditor, amounting to €70,000.00.

No attendance fees are payable for participation in meetings.

Statutory Auditors have the right to be reimbursed for any duly documented travel expenses incurred in carrying out their duties.

## 4.3 Key Management Personnel (KMP)

The term Key Management Personnel (KMP), 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 policy for KMP generally consists of the following components:

- fixed remuneration;
- a short-term incentive scheme (STI “MBO”);
- a medium/long-term incentive scheme (the “Phantom Stock LTIP”);
- a long-term incentive scheme (the “Deliver 2022 LTIP”).

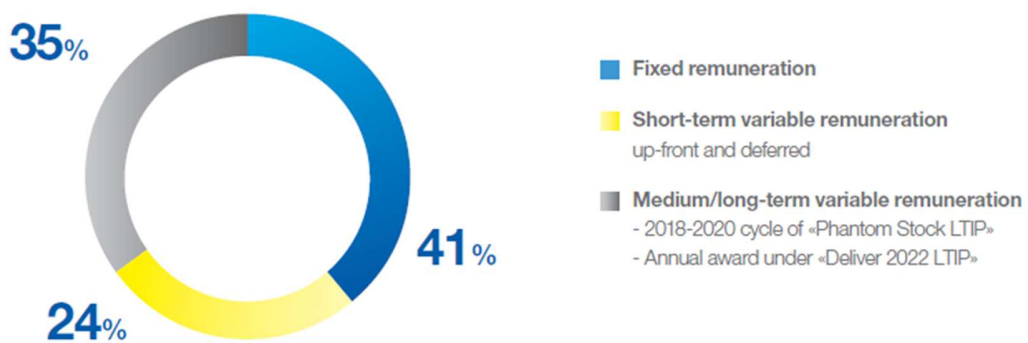
KMP with particular responsibilities benefit from remuneration policies in keeping with the related statutory requirements and the Group’s corporate governance processes.

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

### Pay-mix

The following pay-mix for Key Management Personnel is calculated on the basis of the median for both fixed remuneration and the two variable components (short- and medium/long-term), assuming over-achievement of all the performance targets set (with reference to the “Deliver 2022 LTIP”, the annual amount of the award is taken into account):

FIGURE 22. MEDIAN PAY-MIX FOR KMP ON OVER-ACHIEVEMENT



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

### Fixed remuneration

Fixed remuneration for Key Management Personnel consists of a gross annual salary and, in keeping with the role held, the scope of the responsibilities assigned, 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.

## Variable remuneration

The variable component for KMP usually involves participation in the short-term “MBO” plan, the “Phantom Stock LTIP” and the “Deliver 2022 LTIP”.

### Short-term incentive scheme ( STI “MBO”)

The STI “MBO” scheme includes:

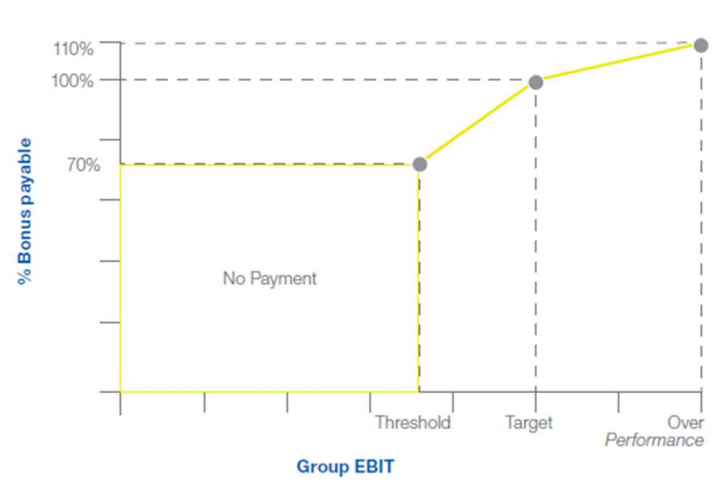
- performance gate;
- performance targets, each with a specific weighting.

The plan is based on 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 performance gate is represented by the Poste Italiane Group’s target EBIT, achievement of which enables access to the bonus linked to achievement of the objectives assigned. 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 23. PERFORMANCE GATE

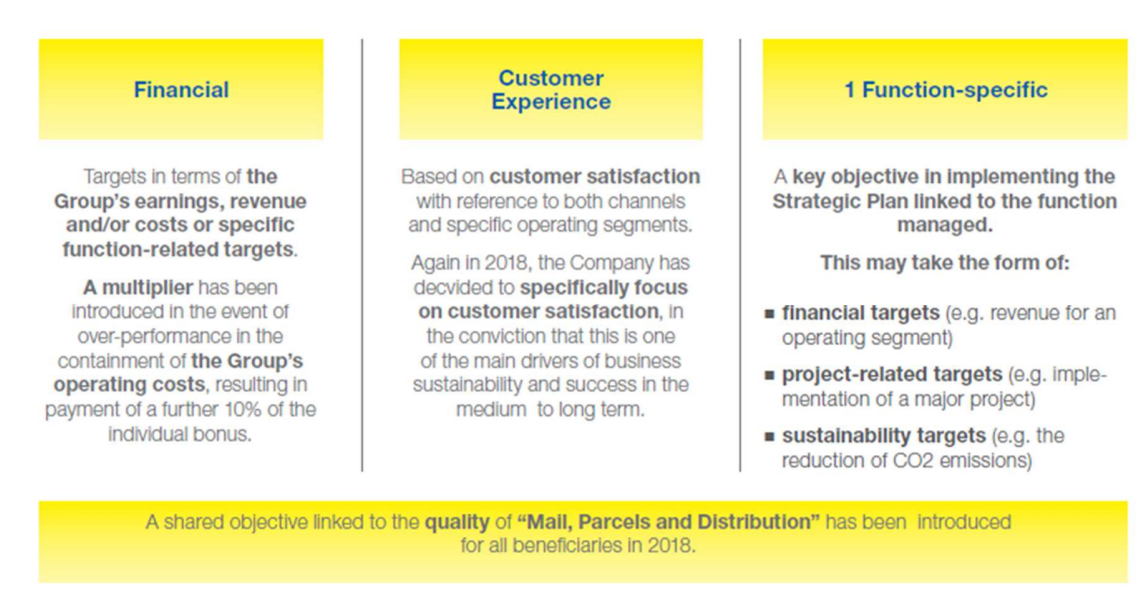


For personnel subject to specific regulatory requirements, the qualifying conditions are aligned with the regulations in question.

## Performance targets

The objectives assigned to KMP participating in the MBO plan are specifically defined and fall within the following macro-categories:

FIGURE 24. SUMMARY OF THE MBO SCHEME OBJECTIVES FOR KMP IN 2018



The theoretical bonus payable on achievement of the objectives assigned may be reduced (potentially to zero) if the overall individual performance, assessed using a 180° appraisal process, is deemed to be inadequate.

No variable component is paid to employees whose conduct, during the performance period, has breached Poste Italiane's Code of Ethics, amended and approved by the Board of Directors on 19 April 2018.

The targets assigned to KMP within the framework of the STI "MBO" scheme generally relate to the above areas, subject to compliance with specific regulatory requirements and the requirements of the remuneration and incentive policies and in the Group's corporate governance processes.

## Payment

The individual bonus payable under the STI "MBO" scheme is paid according to different procedures in line with the related statutory requirements. Specifically:

- in the case of KMP subject to specific regulatory requirements, the bonus may be deferred for between 3 and 5 years;
- for the remaining KMP, the bonus is paid up-front.

Variable remuneration is in any event subject to clawback provisions.

## Medium/long-term incentive schemes

KMP are usually beneficiaries of:

- the 2018-2020 cycle of the “Phantom Stock LTIP”;
- the “Deliver 2022 LTIP”.

These incentive schemes, unless otherwise stated below, are aligned, in terms of purpose, objectives and principal characteristics, with those described above in relation to the CEO-GM.

### “Phantom Stock LTIP”

In line with the information provided in relation to the CEO-GM, the “Phantom Stock LTIP” involves the award of phantom stocks granting the right to receive stock representing the value of Poste Italiane’s shares at the end of a three-year vesting period. The maximum number of phantom stocks reflects the complexity and responsibilities involved in the beneficiary’s role and their strategic importance.

### Hurdle condition

The hurdle for the 2018-2020 cycle for KMP, as with the CEO-GM, is represented by the Poste Italiane Group’s cumulative EBIT over a three-year period, with awards under the “Phantom Stock LTIP” dependent on achievement of the hurdle.

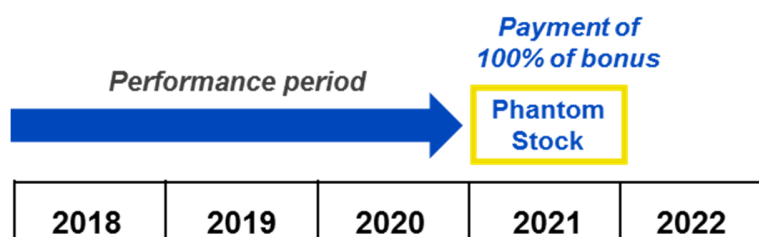
### Performance targets

The performance targets for KMP under the 2018-2020 cycle of the “Phantom Stock LTIP” are the same as those assigned to the CEO-GM.

### Award and payment for the “Phantom Stock LTIP” (2018-2020 cycle)

The 2018-2020 cycle for KMP follows the following method for award and payment:

FIGURE 25. AWARD AND PAYMENT FOR THE “PHANTOM STOCK LTIP” FOR KMP



The number of phantom stocks is quantified at the end of the three-year performance period within the cap to be determined at the time of the award. The phantom stocks will be awarded at the end of the three-year performance period and will be converted into a sum determined through the arithmetic average of the market value of the shares of Poste Italiane, in the thirty stock exchange trading days prior to the date of conversion of the phantom stocks.

KMP operating in roles subject to specific regulatory requirements also have to meet certain qualifying conditions, in addition to the performance gate, specific performance indicators and forms of payment required by the regulations, as described in the relevant remuneration and incentive policies (by way of example, the “*Guidelines for BancoPosta RFC’s remuneration and incentive policies for 2018*”).

### “Deliver 2022 LTIP”

The new long-term incentive plan, named the “Deliver 2022 LTIP”, envisages a single award and, on achievement of the related performance targets over a five-year period<sup>5</sup> (2018-2022), the payment of a convertible cash sum (75% up-front and the remaining 25% deferred for two years).

In line with the information provided in relation to the CEO-GM, the Plan offers the Board of Directors, before the end of the performance period, the possibility to ask the General Meeting of Shareholders to approve conversion of the full amount of the bonus, or a part thereof, into Poste Italiane’s ordinary shares.

### Hurdle condition

In line with the gate applicable to the CEO-GM, the “Deliver 2022 LTIP” envisages a gate represented by the Poste Italiane Group’s EBIT, achievement of which enables access to the incentive linked to the incentive scheme in question.

<sup>5</sup> For who are not beneficiaries of the “Phantom Stock LTIP” (2018-2020 cycle), the “Deliver LTIP” is related to a three-year performance period, with 25% of the award deferred for another two years. The performance targets are designed to drive the achievement of Group EBIT (a weighting of 60%) and the containment of HR Costs (a weighting of 40%).

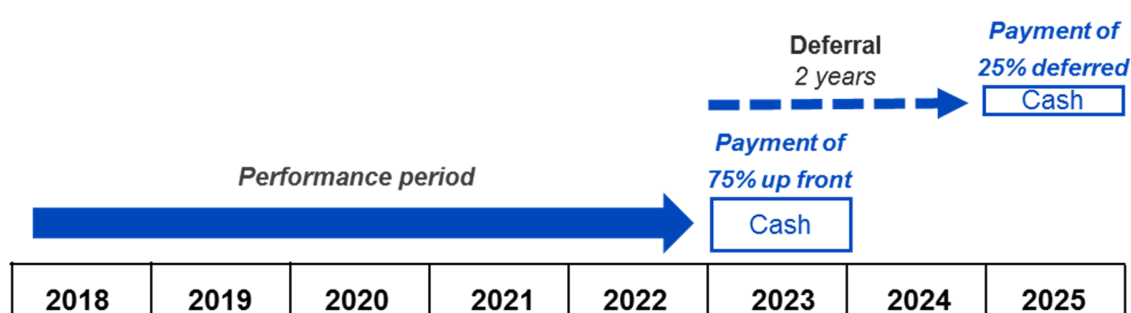
## Performance targets

The performance targets for the “Deliver 2022 LTIP” for KMP are the same as those for the CEO-GM.

## Award and payment for the “Deliver 2022 LTIP”

The “Deliver 2022 LTIP” for KMP follows the same method of award and payment as applies to the CEO-GM:

FIGURE 26. AWARD AND PAYMENT FOR THE “DELIVER 2022 LTIP” FOR KMP



The “Deliver 2022 LTIP” involves a five-year performance period, in line with the period covered by the “Deliver 2022” Strategic Plan, namely 2018-2022.

75% of the incentive payable at the end of the five-year performance period is paid up-front, with the remaining 25% deferred for 2 years. Payment of the deferred portion is subject to Poste Italiane’s inclusion in internationally recognised sustainability indices.

KMP operating in roles subject to specific regulatory requirements also have to meet certain qualifying conditions, in addition to the hurdle.

## Severance payments on termination of employment

In accordance with the Company’s policies, it is possible to stipulate provisions/agreements governing *ex-ante* the 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 individual situations and the 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. These agreements also take into account all the applicable statutory requirements, collective or individual contracts and market practices in the form of final settlement.



The above does not affect the mandatory payments due in case of termination of employment under the Italian law or the applicable collective bargaining agreement.

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 usually 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.

The Company does not, as a rule, enter into non-competition agreements. 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.

The above principles apply on termination of employment even if there have been no specific *ex ante* agreements.

In the case of certain personnel operating in roles subject to specific regulatory requirements, use is made of specific forms of payment required by the regulations, as described in the relevant remuneration and incentive policies. As described in the Annex to this Remuneration Report, 40% or 60% of remuneration payable to certain categories of BancoPosta RFC personnel on termination of employment must be deferred for a period of 3 or 5 years, with 50% of the amount due to be paid in the form of an equity-based payment subject to retention provisions. Such payments are also covered by clawback provisions.

## 4.4 Clawback provisions

In line with best market practices and applicable statutory requirements, variable remuneration is subject to clawback provisions on the occurrence of certain events.

Variable remuneration is subject to the achievement of predetermined performance targets linked to the Company's risk profile and is not, therefore, guaranteed.

On occurrence of the following situations, variable remuneration is subject to ex post risk adjustments that may entail a request for return of all or a part of the variable remuneration paid. Such provision applies to the beneficiaries of both short- and medium/long-term variable incentive plans.

The process of applying clawback provisions is carried out in accordance with the related internal procedure adopted by the Company. This procedure involves the interdisciplinary participation of multiple functions with different skills involved in the different stages of the process that are: activation,

assessment, finalization of the information report, closure of the procedure and mandatory requirements. The bodies or functions responsible for the decision to proceed with the clawback of all or a part of the variable pay already disbursed vary according to the profile of the individual involved in the procedure. Any decision regarding the CEO-GM or Key Management Personnel is taken by the Board of Directors on the recommendation of the Remuneration Committee.

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

Without prejudice to the right to claim for any further damages, following disbursement of the bonus payable, and within the time limit set by the related statute of limitations, the Company may request repayment of any amounts disbursed, up to the entire amount paid. This applies, regardless of whether or not employment is ongoing or has been terminated, 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 Legislative Degree 385 of 1 September 1998 (Consolidated Law on Banking) or of the obligations in respect of remuneration and incentives;
- conduct 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.

## 4.5 Specific arrangements for regulated sectors

The remuneration and incentive schemes described are designed to meet the specific requirements of the sectors in which the Poste Italiane Group operates.

In particular, the specific requirements applicable to personnel who work within BancoPosta RFC, and who are, therefore, subject to the banking sector regulations issued by the Bank of Italy, are set out in the *“Guidelines for BancoPosta RFC’s remuneration and incentive policies for 2018”*, annexed to this document.

The specific requirements of the insurance sector (the Poste Vita Insurance Group), which is thus subject to the regulations issued by IVASS (the insurance regulator), are, in terms of solvency requirements and risk management policies, reflected in the remuneration and incentive policies drawn up and approved in accordance with the corporate governance processes of the relevant subsidiaries.

The specific nature of the asset management sector (BancoPosta Fondi SGR SpA) is taken into account in the remuneration and incentive policy drawn up and approved in accordance with the corporate governance processes of BancoPosta Fondi SGR SpA. This reflects the statutory and regulatory requirements established jointly by the Bank of Italy and the CONSOB, designed to ensure that the

remuneration and incentive schemes adopted are consistent with the operating results and financial position of the manager and the UCITS managed.

## 5 Definitions

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

**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 and Corporate Governance Committee, the Audit, Risk and Sustainability Committee and the Related and Connected Parties 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 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.

**Consolidated Law on Finance (CLF):** the "Consolidated Law on Finance" or Legislative Decree 58 of 24 February 1998 (as amended).

**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, subject to the "comply or explain" principle, meaning that Poste Italiane, having adopted the Code, must inform the market of its degree of compliance with the Code.

**Deferral:** any form of postponement, over a predetermined period, of the payment of a portion of variable remuneration for a certain financial year.

**Directors with delegated powers:** Directors who play a particular role within the Board of Directors (for example, the Chairwoman of the Board of Directors).

**Executive Directors:** members of the Board of Directors with executive powers (for example, the Chief Executive Officer).

**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.

**Key Management Personnel (KMP):** 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.

**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.

**Material Risk Takers (MRTs):** staff, including personnel falling within the scope of application of BancoPosta's remuneration and incentive policies, 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 2018").

**Non-executive Directors:** Directors who do not have executive powers.

**Pay-mix:** the mix of the various components of pay (fixed, short-term variable and long-term variable) that make up the total remuneration.

**Regulations for Issuers:** the CONSOB Regulations for Issuers (Regulation 11971 of 14 May 1999 (as amended), containing regulations for entities that issue financial instruments.

# Section II

## Introduction

This section describes the compensation paid in 2017 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.

In particular, the remuneration paid to the Chairwoman of the Board of Directors, Directors without delegated powers, the CEO-GM and, on an aggregate basis, Key Management Personnel in 2017 is described below. The disclosures relate to the period in which they were in office (the variable short-term 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).

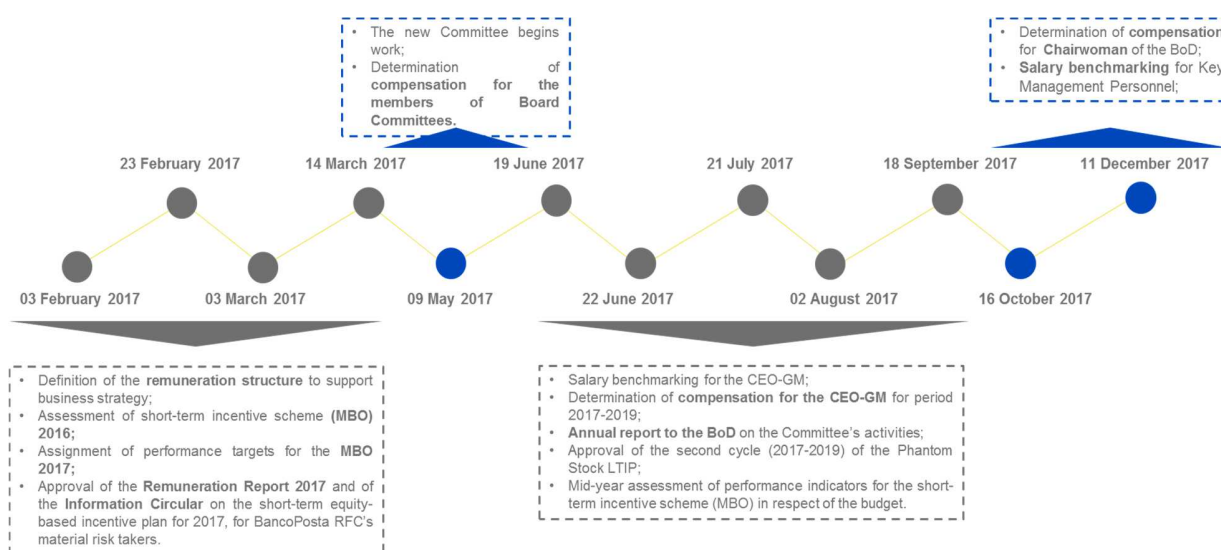
It provides a description of each component of remuneration, including any severance indemnity payable at the end of a term of office or on termination of employment, and a list of the shareholdings of members of the Board of Directors and Board of Statutory Auditors and Key Management Personnel.

Given that the Board of Directors was re-elected at the Annual General Meeting of Shareholders held on 27 April 2017, the remuneration paid to Directors in office throughout or for a part of the year is shown on a pro-rata basis.

The compensation described is in line with the Section I of the Remuneration report 2017 submitted to the vote of the Annual General Meeting of Shareholders held on 27 April 2017, in accordance with art. 123-ter, paragraph 6 of the CLF, which voted in favour of the policy. In this regard, during 2017 the Company implemented the 2017-2019 cycle of the medium/long-term incentive scheme called the "Phantom Stock LTIP".

The Remuneration Committee met on 12 occasions in 2017 and dealt with the following matters:

FIGURE 1. MATTERS DEALT WITH BY THE REMUNERATION COMMITTEE IN 2017



## 6 Remuneration paid in 2017

### 6.1 Chairwoman of the Board of Directors

The Chairwoman of the Board of Directors, who was in office from 27 April 2017, was paid €324,166.67 gross (on a pro-rata basis), representing fixed remuneration approved by the Annual General Meeting of Shareholders of 27 April 2017, in accordance with art. 2389, paragraph 1 of the Italian Civil Code, and the remuneration payable in accordance with art. 2389, paragraph 3 of the Italian Civil Code, determined on the recommendation of the Remuneration Committee and in consultation with the Board of Statutory Auditors, dated 13 December 2017.

With regard to the 2014-2016 term of office, the Chairwoman of the Board of Directors was paid €77,350.00 for 2017 (on a pro-rata basis), representing the sum of remuneration determined by the Annual General Meeting of Shareholders of 2 May 2014, in accordance with art. 2389, paragraph 1 of the Italian Civil Code, and the remuneration payable in accordance with art. 2389, paragraph 3 of the Italian Civil Code approved by the Board of Directors on 22 July 2014.

### 6.2 Directors without delegated powers

Directors without delegated powers in office from 27 April 2017 received pro-rata payment of the remuneration determined by the Annual General Meeting of Shareholders in accordance with art. 2389, paragraph 1 of the Italian Civil Code, amounting to €40,000.00 gross per annum. Additional fees were also paid on a pro rata basis in return for membership of Board Committees.

With regard to the 2014-2016 term of office, the Directors received pro-rata payment of the remuneration determined by the Annual General Meeting of Shareholders of 2 May 2014, in accordance with art. 2389, paragraph 1 of the Italian Civil Code, amounting to €40,000.00 gross per annum and the additional fees payable on a pro rata basis in return for membership of Board Committees, as decided by the Board of Directors' meetings of 11 December 2015 and 11 October 2016.

### 6.3 Board of Statutory Auditors

The Board of Statutory Auditors in office was elected by the Annual General Meeting of Shareholders of 24 May 2016, which also determined the related remuneration for the full term of office, that is until approval of the financial statements for 2018. The Chairman was paid remuneration of €80,000 gross per annum, with each of the standing Auditors receiving €70,000 gross per annum.

### 6.4 Chief Executive Officer and General Manager

#### Fixed pay

The CEO-GM, who was in office from 27 April 2017, was paid €845,387.76 gross (on a pro-rata basis). Details of annual pay are provided in Section I of this Report.

With regard to the 2014-2016 term of office, the Chief Executive Officer and General Manager received pro-rata payment of fixed annual remuneration of €358,860.03 gross for 2017.

### Variable incentives for 2017

The CEO-GM currently in office, participated in the following variable incentive schemes in 2017:

- Short-term incentive scheme (STI “MBO”);
- Second 2017-2019 cycle of the “Phantom Stock LTIP”.

In terms of the short-term incentive plan (STI “MBO”) for the 2017 performance period, the level of achievement of the objectives set by the Board of Directors is shown below.

In particular, the hurdle and the qualifying conditions for the short-term incentive scheme (STI “MBO”) in 2017 were met, thereby triggering the payment in full of the incentives payable under the Plan (Table 1).

TABLE 1. HURDLE AND QUALIFYING CONDITIONS FOR THE MBO SCHEME FOR 2017

Condition	Achievement
Group EBIT	✓
Capital adequacy: Capital Ratio (CET 1)	✓
Short-term liquidity (LCR)	✓

✓ Achieved | ✗ Not achieved

The following table, on the other hand, shows the level of achievement of each objective assigned with regard to the short-term incentive scheme STI “MBO” for 2017.

TABLE 2. ASSESSMENT OF MBO OBJECTIVES FOR 2017

Objective	Weighting	Level of achievement of objective
Group EBIT	25%	>
BancoPosta RFC's RORAC	25%	>
Total Net Retail Deposits	20%	>
Controllable Group costs	20%	>
Customer Experience	10%	<

< Below target | = On target | > Above target

With regard to the long-term incentive scheme, the Phantom Stock LTIP, in accordance with the Information Circular approved by the Annual General Meeting of Shareholder of 24 May 2016, at



meetings held on 22 June 2017 and 30 September 2017, the Board of Directors, on the recommendation of the Remuneration Committee, decided on the awards for the second cycle of the scheme in favour of the CEO-GM. The award conditions and the related objectives are described in the above information circular and refer to the performance period 2017 - 2019.

### **Benefits**

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

### **Severance pay on termination of employment and severance indemnities**

Following the termination of employment of Francesco Caio, the Chief Executive Officer and General Manager for the period 2014-2016, on 2 August 2017, the Board of Directors approved payment of an indemnity of €1,578,638.77, and other severance pay, in addition to the sum of €425,958.23 in relation to a non-competition pact and €80,000.00 as compensation for specific rights waived connected with the termination of employment.

The aforementioned pay-outs are made within the limits of the law and in line with the supervisory banking regulation on deferred remuneration and payments in the form of financial instruments, and in compliance with the Company Remuneration Report. This policy is described in the "Remuneration Report" prepared in accordance with art. 123-ter of the CLF, approved by the Board of Directors on 15 March 2017 and by the Annual General Meeting of Shareholders held on 27 April 2017.

A portion of this compensation was paid up-front, with the remaining deferred portion payable as follows:

- 40% payable as follows: 50% in cash and the remaining 50% in the form of an equity-based payment, subject to a two-year retention period;
- 60% deferred over a period of 5 years pro-rata, with 50% payable in cash and the remaining 50% in the form of an equity-based payment, subject to a one-year retention period.

## **6.5 Key Management Personnel**

### **Fixed remuneration**

The fixed remuneration payable to existing Key Management Personnel was subject to selective adjustments in 2017, above all with regard to certain personnel, whose pay was below market medians, taking into account the strategic nature and complexity of their roles.

### **Variable incentives for 2017**

The tables (Form 7-*bis* Table 1, Table 3A and Table 3B) show amounts for the short-term bonuses paid to Key Management Personnel for the 2017 performance period. As noted in last year's Remuneration Report and without prejudice to compliance with the existing statutory requirements, the MBO plan

envisages a number of objectives that are common to all KMP: “Total net retail deposits”, “Controllable Group costs” and “Customer Experience”. These objectives, as noted previously, were also assigned to the CEO-GM and, therefore, reference should be made to Table 2 for an assessment of their achievement.

The stocks relating to the second cycle (2017-2019) of the “Phantom Stock LTIP” were awarded to Key Management Personnel in 2017, in accordance with the provisions of the Information Circular approved by the Annual General Meeting of Shareholders of 24 May 2016.

The following tables show the fair value of the phantom stocks awarded for 2017, relating to the two cycles (2016-2018 and 2017-2019) of the Phantom Stock LTIP, as required by international accounting standards.

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

### **Benefits**

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

## Tables – CONSOB Form 7-bis<sup>6</sup>

### TABLE 1: REMUNERATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL

Name and surname or category	Position	Period in office	Expiry of term of office (approval of financial statements for)	Fixed pay	Fee for Board Committee 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)
<b>1</b> Maria Bianca Farina	Chairwoman	27/04/2017 - 31/12/2017	2019									
(I) Remuneration from the company preparing the financial statements				€ 324.167				€ 1.586		€ 325.752		
(II) Remuneration from subsidiaries and associates				(1)								
<b>(III) Total</b>				<b>€ 324.167</b>				<b>€ 1.586</b>		<b>€ 325.752</b>		
Notes:												
<sup>(1)</sup> Remuneration payable for the role of Director and specific positions held in Group companies, approved in accordance with art. 2389 of the Italian Civil Code, amounting to a total of €50.964 and paid entirely to Poste Italiane SpA.												
<b>2</b> Luisa Todini	Chairwoman	01/01/2017 - 27/04/2017	2016									
(I) Remuneration from the company preparing the financial statements				€ 77.350				€ 371		€ 77.721		
(II) Remuneration from subsidiaries and associates												
<b>(III) Total</b>				<b>€ 77.350</b>				<b>€ 371</b>		<b>€ 77.721</b>		
<b>3</b> Matteo Del Fante	Chief Executive Officer and General Manager	27/04/2017 - 31/12/2017	2019									
(I) Remuneration from the company preparing the financial statements				€ 845.388		€ 55.036		€ 4.825		€ 905.248	€ 137.556	
(II) Remuneration from subsidiaries and associates				(1)								
<b>(III) Total</b>				<b>€ 845.388</b>		<b>€ 55.036</b>		<b>€ 4.825</b>		<b>€ 905.248</b>	<b>€ 137.556</b>	
Notes:												
<sup>(1)</sup> Remuneration payable for the role of Director and specific positions held in Group companies, approved in accordance with art. 2389 of the Italian Civil Code, amounting to a total of €13,068 and paid entirely to Poste Italiane SpA.												
<b>4</b> Francesco Caio	Chief Executive Officer and General Manager	01/01/2017 - 27/04/2017	2016									
(I) Remuneration from the company preparing the financial statements				€ 358.860		€ 82.535		€ 5.534		€ 446.928	€ 67.996	€ 2.084.597
(II) Remuneration from subsidiaries and associates												
<b>(III) Total</b>				<b>€ 358.860</b>		<b>€ 82.535</b>		<b>€ 5.534</b>		<b>€ 446.928</b>	<b>€ 67.996</b>	
<b>5</b> Giovanni Azzone	Director	01/01/2017 - 31/12/2017	2019									
(I) Remuneration from the company preparing the financial statements				€ 40.000	€ 40.062			€ 455		€ 80.518		
(II) Remuneration from subsidiaries and associates												
<b>(III) Total</b>				<b>€ 40.000</b>	<b>€ 40.062</b>			<b>€ 455</b>		<b>€ 80.518</b>		
<b>6</b> Carlo Cerami	Director	27/04/2017 - 31/12/2017	2019									
(I) Remuneration from the company preparing the financial statements				€ 27.111	€ 28.687			€ 309		€ 56.107		
(II) Remuneration from subsidiaries and associates												
<b>(III) Total</b>				<b>€ 27.111</b>	<b>€ 28.687</b>			<b>€ 309</b>		<b>€ 56.107</b>		

<sup>6</sup> The amounts included in the tables are computed on an accruals basis in respect of fixed remuneration 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.

Name and surname or category	Position	Period in office	Expiry of term of office (approval of financial statements for)	Fixed pay	Fee for Board Committee 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)
<b>7 Antonella Guglielmetti</b>	<b>Director</b>	<b>27/04/2017 - 31/12/2017</b>	<b>2019</b>									
(I) Remuneration from the company preparing the financial statements				€ 27.178	€ 35.527					€ 62.705		
(II) Remuneration from subsidiaries and associates												
(III) Total				€ 27.178	€ 35.527			€ -		€ 62.705		
<b>8 Francesca Isgro</b>	<b>Director</b>	<b>27/04/2017 - 31/12/2017</b>	<b>2019</b>									
(I) Remuneration from the company preparing the financial statements				€ 27.178	€ 33.835					€ 61.013		
(II) Remuneration from subsidiaries and associates												
(III) Total				€ 27.178	€ 33.835			€ -		€ 61.013		
<b>9 Mimi Kung</b>	<b>Director</b>	<b>01/01/2017 - 31/12/2017</b>	<b>2019</b>									
(I) Remuneration from the company preparing the financial statements				€ 40.000	€ 33.375			€ 455		€ 73.830		
(II) Remuneration from subsidiaries and associates												
(III) Total				€ 40.000	€ 33.375			€ 455		€ 73.830		
<b>10 Roberto Rao</b>	<b>Director</b>	<b>01/01/2017 - 31/12/2017</b>	<b>2019</b>									
(I) Remuneration from the company preparing the financial statements				€ 40.000	€ 46.562			€ 455		€ 87.018		
(II) Remuneration from subsidiaries and associates												
(III) Total				€ 40.000	€ 46.562			€ 455		€ 87.018		
<b>11 Roberto Rossi</b>	<b>Director</b>	<b>27/04/2017 - 31/12/2017</b>	<b>2019</b>									
(I) Remuneration from the company preparing the financial statements				€ 27.178	€ 28.760					€ 55.938		
(II) Remuneration from subsidiaries and associates												
(III) Total				€ 27.178	€ 28.760			€ -		€ 55.938		
<b>12 Elisabetta Fabri</b>	<b>Director</b>	<b>01/01/2017 - 27/04/2017</b>	<b>2016</b>									
(I) Remuneration from the company preparing the financial statements				€ 13.000	€ 4.875			€ 148		€ 18.023		
(II) Remuneration from subsidiaries and associates												
(III) Total				€ 13.000	€ 4.875			€ 148		€ 18.023		

Name and surname or category	Position	Period in office	Expiry of term of office (approval of financial statements for)	Fixed pay	Fee for Board Committee 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)
<b>13 Umberto Carlo Maria Nicodano</b>	<b>Director</b>	<b>01/01/2017 - 27/04/2017</b>	<b>2016</b>									
(I) Remuneration from the company preparing the financial statements				€ 12.282	€ 9.614					€ 21.896		
(II) Remuneration from subsidiaries and associates												
<b>(III) Total</b>				<b>€ 12.282</b>	<b>€ 9.614</b>			€ -		<b>€ 21.896</b>		
<b>14 Chiara Palmieri</b>	<b>Director</b>	<b>01/01/2017 - 27/04/2017</b>	<b>2016</b>									
(I) Remuneration from the company preparing the financial statements				€ 13.000	€ 11.375			€ 148		€ 24.523		
(II) Remuneration from subsidiaries and associates												
<b>(III) Total</b>				<b>€ 13.000</b>	<b>€ 11.375</b>			<b>€ 148</b>		<b>€ 24.523</b>		
<b>15 Filippo Passerini</b>	<b>Director</b>	<b>01/01/2017 - 27/04/2017</b>	<b>2016</b>									
(I) Remuneration from the company preparing the financial statements				€ 13.000	€ 13.000			€ 148		€ 26.148		
(II) Remuneration from subsidiaries and associates												
<b>(III) Total</b>				<b>€ 13.000</b>	<b>€ 13.000</b>			<b>€ 148</b>		<b>€ 26.148</b>		
<b>Key Management Personnel (23 people <sup>(1)</sup>)</b>												
(I) Remuneration from the company preparing the financial statements				€ 4.512.151		€ 1.632.629		€ 89.977		€ 6.234.757	€ 536.097	€ 6.231.096
(II) Remuneration from subsidiaries and associates <sup>(2)</sup>				€ 9.493						€ 9.493		
<b>(III) Total</b>				<b>€ 4.521.644</b>		<b>€ 1.632.629</b>		<b>€ 89.977</b>		<b>€ 6.244.251</b>	<b>€ 536.097</b>	<b>€ 6.231.096</b>
Notes:												
<sup>(1)</sup> There is no requirement, under existing regulations, for disclosure on an individual basis, given that, in 2017, none of the Key Management Personnel received total compensation in excess of the highest amount of total compensation paid to members of management and oversight bodies or general managers. There were 14 Key Management Personnel at 31 December 2017.												
<sup>(2)</sup> Compensation paid for directorships and specific positions at Group companies, as defined by art. 2389 of the Italian Civil Code, amounting to a total of €337.385, is paid entirely to Poste Italiane SpA.												

Name and surname or category	Position	Period in office	Expiry of term of office (approval of financial statements for)	Fixed pay	Fee for Board Committee 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
						Bonuses and other incentives	Profit sharing					
(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
<b>Mauro Lonardo</b>	<b>Chairman of the Board of Statutory Auditors</b>	01/01/2017 - 31/12/2017	2018									
1	(I) Remuneration from the company preparing the financial statements			€ 80.000						€ 80.000		
	(II) Remuneration from subsidiaries and associates											
	(III) Total			€ 80.000						€ 80.000		
<b>Alessia Bastiani</b>	<b>Standing Auditor</b>	01/01/2017 - 31/12/2017	2018									
2	(I) Remuneration from the company preparing the financial statements			€ 70.000						€ 70.000		
	(II) Remuneration from subsidiaries and associates											
	(III) Total			€ 70.000						€ 70.000		
<b>Maurizio Bastoni</b>	<b>Standing Auditor</b>	01/01/2017 - 31/12/2017	2018									
3	(I) Remuneration from the company preparing the financial statements			€ 70.000						€ 70.000		
	(II) Remuneration from subsidiaries and associates											
	(III) Total			€ 70.000						€ 70.000		

**TABLE 3A: SHARE-BASED INCENTIVE PLANS, OTHER THAN STOCK OPTIONS, FOR MEMBERS OF THE BOARD OF DIRECTORS, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL**

Name and surname	Position	Plan	Financial instruments awarded in previous years that did not vest during the year		Financial instruments awarded during the year					Financial instruments vesting during the year and not awarded	Financial instruments vesting during the year and awardable		Financial instruments attributable to the year
			Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at grant date	Vesting period	Grant date	Market price on grant date	Number and type of financial instruments	Number and type of financial instruments	Value at grant date	Fair value
(A)	(B)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>Matteo Del Fante</b>	<b>General Manager (employment contract)</b>												
(I) Remuneration from the company preparing the financial statements		Short-term incentive "MBO" 2017 for BancoPosta RFC's Material Risk Takers Shareholder resolution of 27 April 2017	18.542 Phantom Stock		(1) € 137.589	5 years	19/04/2018	€ 7,4203	(2)		(3) 7.417	€ 55.036	€ 55.036
(II) Remuneration from the company preparing the financial statements		Phantom Stock LTIP second 2017 - 2019 cycle Shareholder resolution of 24 May 2016	62.201 Phantom Stock		(1) € 381.356	3 years	20/09/2017	€ 6,1310	(2)				€ 82.520
(III) Remuneration from subsidiaries and associates													
<b>(III) Total</b>					<b>€ 518.945</b>						<b>€ 55.036</b>	<b>€ 137.556</b>	
<b>Notes:</b>													
<sup>(1)</sup> Corresponds to the value of the Phantom Stocks at the grant date;													
<sup>(2)</sup> Amount calculated by convention, based on the arithmetic average of the market value of Poste Italiane's shares in the thirty stock exchange trading days prior to the grant date;													
<sup>(3)</sup> Financial instruments subject to a 2-year retention period.													

<b>Francesco Calo</b>	<b>General Manager (employment contract)</b>												
(I) Remuneration from the company preparing the financial statements		Short-term incentive "MBO" 2017 for BancoPosta RFC's Material Risk Takers Shareholder resolution of 27 April 2017	10.980 Phantom Stock		(1) € 66.560	5 years	31/07/2017	€ 6,0625	(2)		(3) 4.392	€ 26.627	€ 23.768
(II) Remuneration from the company preparing the financial statements		Phantom Stock LTIP first 2016 - 2018 cycle Shareholder resolution of 24 May 2016	(4) 31.001 Phantom Stock	3 years									€ 44.228
(III) Remuneration from subsidiaries and associates													
<b>(III) Total</b>					<b>€ 66.560</b>						<b>€ 26.627</b>	<b>€ 67.996</b>	
<b>Notes:</b>													
<sup>(1)</sup> Corresponds to the value of the Phantom Stocks at the grant date;													
<sup>(2)</sup> Amount calculated by convention, based on the arithmetic average of the market value of Poste Italiane's shares in the thirty stock exchange trading days prior to the grant date;													
<sup>(3)</sup> Financial instruments subject to a 2-year retention period;													
<sup>(4)</sup> Award on a pro-rata basis, without prejudice to assessment of achievement of the performance gate, qualifying conditions and the level of achievement of the performance targets assigned.													

Name and surname	Position	Plan	Financial instruments awarded in previous years that did not vest during the year		Financial instruments awarded during the year					Financial instruments vesting during the year and not awarded	Financial instruments vesting during the year and awardable		Financial instruments attributable to the year
			Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at grant date	Vesting period	Grant date	Market price on grant date	Number and type of financial instruments	Number and type of financial instruments	Value at grant date	Fair value
(A)	(B)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>Key Management Personnel</b>													
(I) Remuneration from the company preparing the financial statements		Short-term incentive "MBO" 2017 for BancoPosta RFC's Material Risk Takers Shareholder resolution of 27 April 2017			31.400 Phantom Stock	€ 222.919 <sup>(1)</sup>	3 / 5 years	19/04/2018	€ 7,4203 <sup>(2)</sup>		13.333 <sup>(3)</sup>	€ 94.906	€ 92.972
(I) Remuneration from the company preparing the financial statements		Phantom Stock LTIP second 2017 - 2019 cycle Shareholder resolution of 24 May 2016			192.373 Phantom Stock	€ 1.179.440 <sup>(1)</sup>	3 years	20/09/2017	€ 6,1310 <sup>(2)</sup>				€ 266.005
(I) Remuneration from the company preparing the financial statements		Phantom Stock LTIP first 2016 - 2018 cycle Shareholder resolution of 24 May 2016	117.412 Phantom Stock	3 years									€ 177.119
(II) Remuneration from subsidiaries and associates													
<b>(III) Total</b>						€ 1.402.359						€ 94.906	€ 536.097
<b>Notes:</b>													
<sup>(1)</sup> Corresponds to the value of the Phantom Stocks at the grant date;													
<sup>(2)</sup> Amount calculated by convention, based on the arithmetic average of the market value of Poste Italiane's shares in the thirty stock exchange trading days prior to the grant date;													
<sup>(3)</sup> Financial instruments subject to a 2-year retention period.													



**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)
Name and surname and 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	
<b>Matteo Del Fante</b>	<b>General Manager (employment contract)</b>								
(I) Remuneration from the company preparing the financial statements		MBO 2017	€ 55.036	€ 82.553	5 years				
(II) Remuneration from subsidiaries and associates									
<b>(III) Total</b>			<b>€ 55.036</b>	<b>€ 82.553</b>			<b>€ -</b>	<b>€ -</b>	
<b>Francesco Caio</b>	<b>General Manager (employment contract)</b>								
(I) Remuneration from the company preparing the financial statements		MBO 2017	€ 26.624	€ 39.936	5 years				
(I) Remuneration from the company preparing the financial statements		MBO 2016				€ 31.949	€ 95.847		
(I) Remuneration from the company preparing the financial statements		MBO 2015				€ 23.962	€ 23.962		
(I) Remuneration from the company preparing the financial statements		IPO Bonus 2015				€ 74.026			
(II) Remuneration from subsidiaries and associates									
<b>(III) Total</b>			<b>€ 26.624</b>	<b>€ 39.936</b>		<b>€ 74.026</b>	<b>€ 55.911</b>	<b>€ 119.809</b>	
<b>Key Management Personnel</b>									
(I) Remuneration from the company preparing the financial statements		MBO 2017	€ 1.493.533	€ 128.013	3 / 5 years				
(I) Remuneration from the company preparing the financial statements		MBO 2016				€ 97.466	€ 29.585	€ 88.755	
(I) Remuneration from the company preparing the financial statements		MBO 2015				€ 48.154	€ 18.711	€ 18.711	
(I) Remuneration from the company preparing the financial statements		IPO Bonus 2015					€ 10.800	€ 10.800	
(I) Remuneration from the company preparing the financial statements		MBO 2014				€ 11.505			
(II) Remuneration from subsidiaries and associates									
<b>(III) Total</b>			<b>€ 1.493.533</b>	<b>€ 128.013</b>		<b>€ 157.125</b>	<b>€ 59.096</b>	<b>€ 118.266</b>	<b>€ 80.000</b>

## TABLES – CONSOB FORM 7-TER

### TABLE 1: INTERESTS HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS AND GENERAL MANAGERS

Name and surname	Position	Company invested in	No. of shares held at end of 2016	No. of shares purchased in 2017	No. of shares sold in 2017	No. of shares held at end of 2017	Title
Maria Bianca Farina	Chairwoman of the Board of Directors	POSTE ITALIANE SPA	5.255	0	0	5.255	Ownership
<b>DIRECTORS WITH REGARD TO THE TERM OF OFFICE</b>							
Luisa Todini	Chairwoman of the Board of Directors	POSTE ITALIANE SPA	2.100	0 <sup>(1)</sup>	0 <sup>(1)</sup>	2.100 <sup>(1)</sup>	Ownership
Francesco Caio	Chief Executive Officer and General Manager	POSTE ITALIANE SPA	5.255	0 <sup>(1)</sup>	0 <sup>(1)</sup>	5.255 <sup>(1)</sup>	Ownership
Elisabetta Fabri	Director	POSTE ITALIANE SPA	10.000	0 <sup>(1)</sup>	0 <sup>(1)</sup>	10.000 <sup>(1)</sup>	Ownership
Filippo Passerini	Director	POSTE ITALIANE SPA	3.691 <sup>(2)</sup>	0 <sup>(1)</sup>	0 <sup>(1)</sup>	3.691 <sup>(1)(2)</sup>	Ownership
<p><i>Notes:</i></p> <p><sup>(1)</sup> Figure at 27 April 2017, as the person in question was terminated on that date.</p> <p><sup>(2)</sup> Shares held through a spouse, following their purchase by an asset management company, without any instruction from the interested party.</p>							

### TABLE 2: INTERESTS HELD BY KEY MANAGEMENT PERSONNEL

No. of Key Management Personnel	Position	Company invested in	No. of shares held at end of 2016	No. of shares purchased in 2017	No. of shares sold in 2017	No. of shares held at end of 2017	Title
14	Key Management Personnel	POSTE ITALIANE SPA	33.535	0	6.205	27.330	Ownership

## Annex required by art. 84-bis of the CONSOB's Regulations for Issuers

### Phantom Stock LTIP - second 2017 - 2019 cycle

Name and surname or category	Position	CHART 1						
		Financial instruments other than stock options						
		<u>Section 1</u>						
		Instruments relating to outstanding plans approved on the basis of previous shareholder resolutions						
		Date of shareholder resolution	Type of financial instrument	Number of financial instruments	Grant date	Eventual purchase price of instruments	Market price at grant date	Vesting period
Matteo Del Fante	General Manager (employment contract)	24/05/2016	Phantom Stock	62.201	20/09/2017		€ 6,1310 <sup>(1)</sup>	3 years
Key Management Personnel (10)		24/05/2016	Phantom Stock	192.373	20/09/2017		€ 6,1310 <sup>(1)</sup>	3 years
Other senior management within the Group (44 <sup>(2)</sup> )		24/05/2016	Phantom Stock	354.917	20/09/2017		€ 6,1310 <sup>(1)</sup>	3 years
<p><b>Notes:</b></p> <p><sup>(1)</sup> Amount calculated by convention, based on the arithmetic average of the market value of Poste Italiane's shares in the thirty stock exchange trading days prior to the grant date.</p> <p><sup>(2)</sup> Including 3 senior managers at Poste Vita SpA.</p>								

### Short-term incentive scheme for 2017 ("MBO"):

Name and surname or category	Position	CHART 1						
		Financial instruments other than stock options						
		Section 1						
		Instruments relating to outstanding plans approved on the basis of previous shareholder resolutions						
		Date of shareholder resolution	Type of financial instrument	Number of financial instruments	Grant date	Eventual purchase price of instruments	Market price at grant date	Vesting period
Matteo Del Fante	General Manager (employment contract)	27/04/2017	Phantom Stock	18.542	19/04/2018		€ 7,4203 <sup>(1)</sup>	5 years
Francesco Caio	General Manager (employment contract)	27/04/2017	Phantom Stock	10.980	31/07/2017		€ 6,0625 <sup>(1)</sup>	5 years
Key Management Personnel (4)		27/04/2017	Phantom Stock	31.400	19/04/2018		€ 7,4203 <sup>(1)</sup>	3 / 5 years
Other senior management within the Group (9)		27/04/2017	Phantom Stock	37.188	19/04/2018		€ 7,4203 <sup>(1)</sup>	3 / 5 years
<p><b>Notes:</b></p> <p><sup>(1)</sup> Amount calculated by convention, based on the arithmetic average of the market value of Poste Italiane's shares in the thirty stock exchange trading days prior to the grant date.</p>								

# Annex: Guidelines for BancoPosta RFC's remuneration and incentive policies for 2018

## Guidelines for BancoPosta RFC's remuneration and incentive policies for 2018

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## Introduction

This document - in line with the first section of the Remuneration Report published by Poste Italiane SpA ("Poste Italiane", "the Parent Company" or "the Company") – describes the remuneration and incentives for the Company's personnel who work for *Patrimonio 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, Title IV, Chapter 2) and in the EBA guidelines and EBA Regulatory Technical Standard (RTS) from time to time in effect, to personnel falling within the above scope.

In keeping with the Poste Italiane Group's remuneration policy for 2018, changes to which are described in Section I of the Remuneration Report for 2018, and taking into account the applicable regulatory requirements, a new long-term incentive plan, "Deliver 2022 LTIP", was introduced in 2018 and a number of changes were made with a view to continually ensuring a sound and prudent approach to the management of risk and the achievement of sustainable growth.

Existing statutory requirements<sup>1</sup> 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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<sup>1</sup> Bank of Italy Circular 285 of 17 December 2013, Title IV, Chapter 2, Section II.

# 1 Statutory and regulatory framework and scope of application

## 1.1 Preamble – Aim of this document

This document, in keeping with statutory requirements and the relevant regulatory framework in effect and with Section I 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. This includes the standards relating to the corporate governance of banks (Part I, Section IV, Chapter I “Corporate governance” in the above Circular 285) and matters relating to remuneration and incentive policies (Part I, Section IV, Chapter 2 “Remuneration and incentive policies and practices” in the above Circular 285).

The remuneration and incentive policy has, therefore, been drawn up in keeping with supervisory standards governing “remuneration and incentive policies and practices” for banks and banking groups set out in Circular 285 of 17 December 2013 (“Circular 285/2013”), revised by the Bank of Italy on 18 November 2014 in order to apply the provisions of EU Directive 2013/36/EU (“CRD IV”) and the international guidelines issued from time to time by the EBA and FSB. With regard to the latter, Delegated Regulation (EU) 604/2014 contains new Regulatory Technical Standards (RTS), setting out revised qualitative and quantitative criteria for identifying categories of personnel whose activities have a material impact on the entity’s risk profile (so-called “Material Risk Takers”) and Regulation (EU) 575/2013 of the European Parliament and Council of Europe, setting out prudential requirements and specific disclosure rules for reporting on the implementation of remuneration policies.

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 activities.



In drawing up this policy, BancoPosta has also taken into account the EBA's "Guidelines on sound remuneration policies", effective from January 2017, and in response to which, on 14 March 2018, the Bank of Italy published a consultation document containing proposed changes to the supervisory standards governing "remuneration and incentive policies and practices" in order to cover aspects that have not so far been fully addressed. The proposed amendment, among other aspects, makes reference to the "Guidelines on remuneration policies and practices related to the provision and sale of retail banking products and services" (ABE/GL/2016/06), issued by the EBA on 13 December 2016, and the "Supplementary Guidance to the FSB Principles and Standards on sound compensation practices" in relation to "misconduct" published on 9 March 2018. The adoption of these standards will take place in line with the final versions of the regulations and the related implementation guidelines.

### 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 people assigned to BancoPosta'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 the Corporate Governance Code and, given the specific nature of the Company, Bank of Italy Circular 285/2013, as amended. The Committees' members must be independent Directors or, alternatively, non-executive Directors, with a majority of them being independent, in which case the Chair must be independent.
- **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 with respect to BancoPosta RFC.
- **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.
- **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 RFC's HR Business Partner function.
- **Directors with delegated powers:** Directors who play a particular role within the Board of Directors, specifically the Chairwoman and the Chief Executive Officer.
- **Financial instruments:** equity or equity-linked instruments, whose value reflects the Company's economic value.
- **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):** staff, including personnel falling within the scope of application of BancoPosta's remuneration and incentive policies, 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.
- **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 the "Guidelines for BancoPosta RFC'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 people assigned to BancoPosta's cost centres. 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.

### 1.4 Scope of application

In view of the particular nature of BancoPosta RFC 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 without delegated powers);
- 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 Board of Directors;
- Poste Italiane's Remuneration Committee;
- Poste Italiane's Chief Executive Officer and General Manager ("CEO-GM");
- the Head of the BancoPosta function, the Heads of BancoPosta RFC's HR Business Partner, Risk Management, Compliance and Internal Auditing functions.

### 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 with reference to 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;
- equity-based plans;
- 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

Poste Italiane's Board of Directors, with regard to BancoPosta RFC, on the recommendation of 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 and in accordance with the Committee's terms of reference, determines the remuneration payable to the CEO-GM, the Head of the BancoPosta function and the Manager Responsible for Financial Reporting.

### 2.3 Role of the Remuneration Committee

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

Poste Italiane's Remuneration Committee currently consists of three non-executive Directors, all of whom meet the independence requirements provided for in article 148 and paragraph 3 of the CLF and article 3 of the

Corporate Governance Code. In addition, the Committee has the required number of members with appropriate expertise and experience in financial matters or remuneration policies and risk, capital and treasury management. This is assessed by the Board of Directors at the time of appointment to the Committee.

Committee meetings are attended by the Board of Statutory Auditors and, as a rule, also by the Head of BancoPosta's Risk Management function when the Committee is to discuss matters relating to BancoPosta's activities.

By invitation of the Chair, meetings may also be attended by other members of the Board of Directors, the Head of BancoPosta and external parties, where their presence is designed to enable the Committee to carry out its role in the best possible manner.

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

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

- has the task of making proposals to the Board of Directors regarding the remuneration and incentive systems for the top positions as identified by the Company, in accordance with the provisions of the Supervisory Regulations, as well as the compensation of the Head of Bancoposta;
- performs advisory tasks for the Board of Directors regarding the determination of the criteria for the remuneration of all the "most significant" personnel, identified as such on the basis of the provisions of the Supervisory Regulations;
- oversees directly the correct application of the rules regarding the remuneration of the heads of BancoPosta's control functions, in close cooperation with the Board of Statutory Auditors;
- prepares the documentation to submit to the Board of Directors for the related decisions;
- collaborates with the Control, Risk and Sustainability Committee and the Nominations and Corporate Governance Committee instituted within the Board of Directors;
- ensures the involvement of the relevant corporate functions in the process of establishing and checking remuneration policies and practices;
- pronounces, availing itself of information received from the relevant corporate functions, on the achievement of the performance targets to which the incentive plans are linked, as well as on the materialization of the other conditions for payment of the compensation;
- provides appropriate reports on the activity it carries out to the corporate bodies, including Shareholders' Meetings;
- performs any additional tasks assigned it by the Board of Directors.

The Committee, through its Chair, reports to the Board of Directors on the Committee's meetings at least once a year, and whenever he or she deems it necessary or appropriate, 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 external consultants or independent experts at the Company's expense, within the limits of the overall budget approved by the Board of Directors for all Board Committees.

## 2.4 Duties and responsibilities of the other functions involved

In accordance with their respective responsibilities, the following BancoPosta RFC functions contribute to the process of determining the remuneration and incentive policies and to the process of identifying Material Risk Takers. They are 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**, with the agreement of the CEO-GM, establishes, if necessary with the support of the HR Business Partner function and other internal functions, the guidance to be applied in determining the remuneration and incentive policies for BancoPosta personnel, which are then presented to the Remuneration Committee.

This does not affect the role of the Board of Directors in determining, on the recommendation of the Remuneration Committee and in accordance with the Committee's terms of reference, the remuneration payable to the CEO-GM, the Head of the BancoPosta function and the Manager Responsible for Financial Reporting.

The **Head of the BancoPosta function** also ensures oversight and implementation 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 Partner function** is responsible for recommending the *"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, contributes to determining the risk-adjusted 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 Risk Management function also, therefore, provides the Remuneration Committee with the information that the Committee deems necessary in order to ensure consistency with BancoPosta RFC's Risk Appetite Framework (RAF). The Head of the Risk Management function is thus invited to Remuneration Committee meetings when matters having an impact on BancoPosta RFC's risk management and capital and liquidity position are dealt with.

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 must be reported on, at least once a year, 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:

- 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.
- The **Remuneration Committee** has the role of making recommendations to the Board of Directors regarding BancoPosta RFC's remuneration and incentive policies, availing itself of the support of BancoPosta RFC's HR Business Partner, Compliance and Risk Management functions and of external consultants, where deemed necessary.
- The **Audit, Risk and Sustainability Committee** checks that the incentives underlying BancoPosta RFC's remuneration and incentives are consistent with BancoPosta RFC's Risk Appetite Framework, partly on the basis of information received from the Head of the **Risk Management** function. The Related and Connected Parties Committee, in line with the provisions of the "*Guidelines for the management of transactions with Related Parties and Connected Persons*" adopted by Poste Italiane, may be requested to provide an opinion on matters relating to remuneration solely when there are concerns of an exceptional nature, such that there is a lack of consistency with the guidelines BancoPosta RFC's remuneration and incentive from time to time in effect.
- 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, the Remuneration Committee and the Audit, Risk and Sustainability 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. Directors with delegated powers must abstain during votes regarding decisions on their remuneration and not take part in discussions on this matter.
- At the end of the above process, the **General Meeting of Shareholders** approves the remuneration and incentive policies.
- At least once a year, the **Internal Auditing function** assesses the conformity of remuneration practices with the policies approved, as defined in section 2.4 "Duties and responsibilities of the other functions involved" 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 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 objectives contained in the Strategic Plan.

In order to drive achievement of the Company's medium- to long-term objectives, the remuneration strategy is based on the following cornerstones:

- **alignment** - the remuneration policy is a key tool in aligning the interests of management with those of shareholders and investors;
- **commitment** – the structure of remuneration must ensure that the management team as a whole is fully committed to achieving the Strategic Plan targets;
- **sustainability** – the creation of lasting value is an essential driver of performance-based incentives;
- **engagement** – all employees are engaged in the transformation process.

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.

### 3.2 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, used to assess the importance of each person in terms of the assumption of risk. 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).

Identification of BancoPosta RFC's MRTs is coordinated by the Head of the BancoPosta function, with the assistance of the HR Business Partner, Risk Management and Compliance functions.

Combined application of the qualitative and quantitative requirements of Delegated Regulation (EU) 604/2014, as part of the process introduced for 2018, has led to the identification of 66 MRTs, which include the following:

- members of Poste Italiane's Board of Directors;
- the Chief Executive Officer and General Manager;
- the Manager Responsible for Poste Italiane's Financial Reporting;
- the Head of the BancoPosta function;
- the Heads of BancoPosta's control functions (Risk Management, Compliance, Anti-money Laundering, Internal Auditing) and, for the purposes of the remuneration policies, the BancoPosta's HR Business Partner function and the managers reporting directly to them;
- senior management, as a rule, the managers reporting directly to the Head of the BancoPosta function;

- other personnel have a material impact on the entity's operational risks.

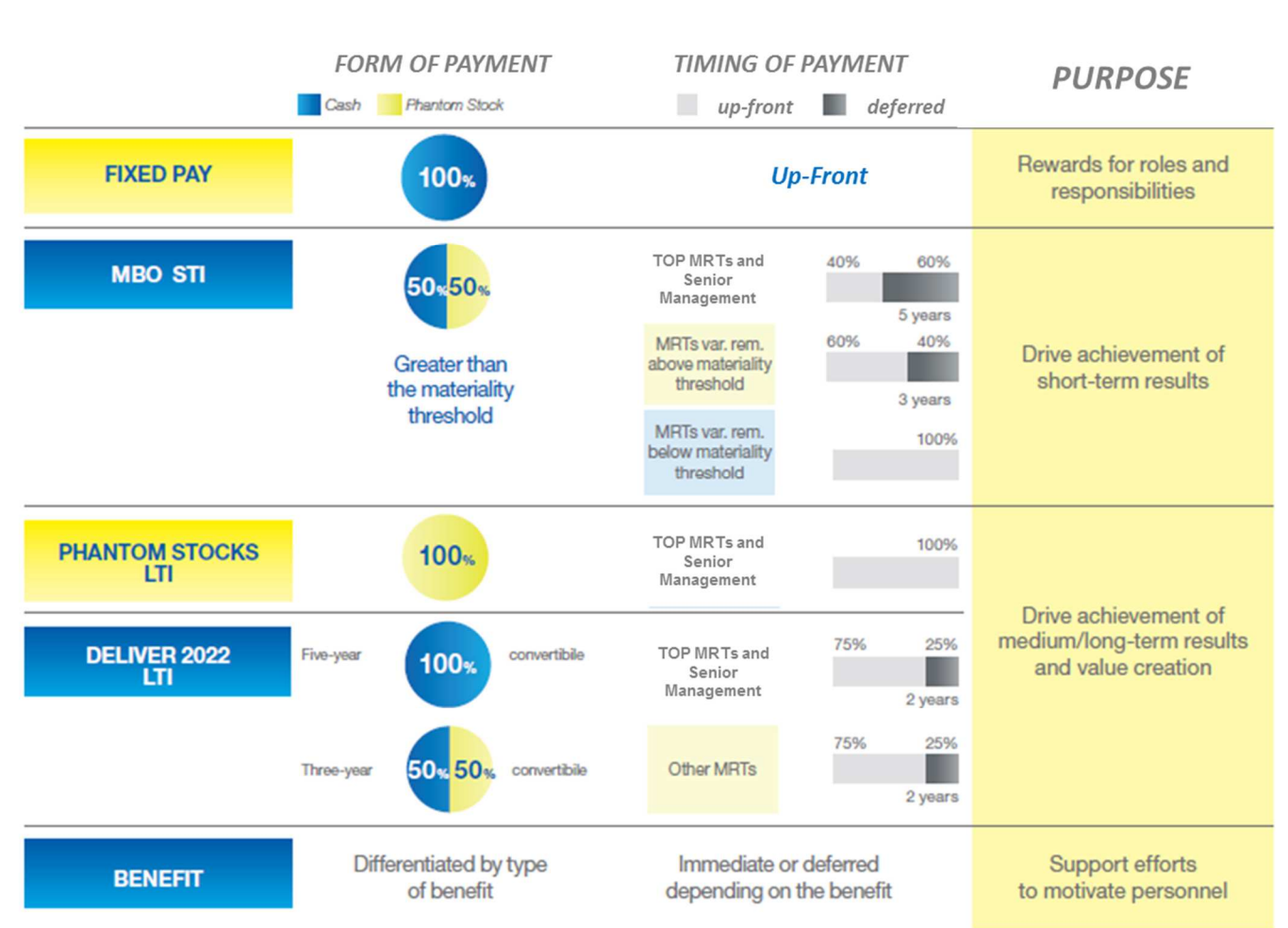
The results of the identification process may be reviewed during the year, in line with the EBA guidelines, in order to ensure that the list includes anyone whose role has a material impact on BancoPosta RFC's risks over a period of at least three months.

### 3.3 Components of Material Risk Takers' remuneration

Total remuneration is determined in order to reflect the effective degree of responsibility 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 and risk management objectives.

The following chart summarises the key components of Material Risk Takers' remuneration.

FIGURE 1. CHART SHOWING COMPONENTS OF MATERIAL RISK TAKERS' REMUNERATION



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.

Specific provisions are described in section "4. BancoPosta RFC's remuneration and incentive schemes" for the various persons identified in each paragraph.

### 3.3.1. 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, as defined by art. 2389, paragraph 1 of the Italian Civil Code, by the General Meeting of Poste Italiane's shareholders;
- for members of the Board of Statutory Auditors, by the General Meeting of Poste Italiane's shareholders;
- for the Chairwoman, 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.
- for the remaining staff in BancoPosta's HR Business Partner function, in consultation with the Head of the BancoPosta function and in accordance with the guidelines established by Poste Italiane's Human Resources and Organisation function.

### 3.3.2. 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 and liquidity requirements after the cost of the variable remuneration itself.

The forms of variable remuneration used are described below.

Short-term incentive scheme ("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 executives and middle managers with formal roles within the organisation.

The aim of the MBO plan is to link the variable component of remuneration with the Company's short-term 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 is based on a structured process for defining incentives and the associated objectives. The theoretical bonus payable on achievement of the objectives

assigned may be reduced (potentially to zero) if the overall individual performance, assessed using a 180° appraisal process, is deemed to be inadequate.

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.

Where the incentive is greater than the materiality threshold (€50,000), the short-term MBO scheme envisages award of 50% of the incentive in the form of phantom stocks representing the value of Poste Italiane's shares. 60% of the award is deferred for a 5-year period on a pro-rata basis (in line with the prudential approach that distinguishes BancoPosta RFC's remuneration and incentive policies, in the case of Material Risk Takers who are beneficiaries of both the short-term incentive scheme ("MBO") and the third cycle 2018-2020 of the "Phantom Stock LTIP", with regard to maximum percentages under the "MBO" plan, stricter deferral criteria are applied) or 40% of the award is deferred for a 3-year period on a pro-rata basis (for the remaining Material Risk Takers). Components that take the form of *phantom stocks* are subject to a two-year retention period with regard to the up-front components and a one-year retention period in the case of deferred components.

Retention periods are defined in accordance with the related regulatory framework, based on the most stringent approaches applied by major intermediaries.

Except for application of the good leaver / bad leaver clauses defined in the terms and conditions of the incentive scheme, the accrued bonus will be normally paid on condition that employment is ongoing at the time of actual payment of the bonus and the contractual period of notice is not being served.

It should be noted that, in view of the use of equity-based payments, the Company will ask the Annual General Meeting of Shareholders to be held on 29 May 2018 to approve the "Short-term equity-based incentive plan for material risk takers employed by BancoPosta RFC", in accordance with art. 114-*bis* of Legislative Decree 58 of 24 February 1998, as amended.

Long-term incentive scheme, the Phantom Stock LTIP, based solely on equity-based payments, which, in respect of BancoPosta RFC, applies to the following persons:

- the Chief Executive Officer and General Manager;
- the Head of the BancoPosta function;
- beneficiaries that may include a limited number of other managers falling within the scope of application of the "*Guidelines for BancoPosta RFC's remuneration and incentive policies*".

The purpose of the scheme 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.

Long-term incentive scheme, the Deliver 2022 LTIP, which, in respect of BancoPosta RFC, applies to the following persons:

- the Chief Executive Officer and General Manager;
- other managers with a key role in achieving the objectives set out in the "Deliver 2022" Strategic Plan and falling within the scope of application of the "*Guidelines for BancoPosta RFC's remuneration and incentive policies*".

The purpose of the scheme is to strengthen incentives for the Group's management to deliver the long-term strategy, with particular regard to the objectives set out in the "Deliver 2022" Strategic Plan. The Plan sets the following objectives:

- to ensure that top and key managers are fully committed to the drivers in the new Strategic Plan;
- to engage all the owners of strategic projects;
- to encourage the spread of a shared culture of value creation.

The nature of the scheme reflects the specific regulatory requirements to which BancoPosta RFC's variable remuneration schemes are subject, including the qualifying conditions, defined in line with the risk-adjusted earnings, liquidity and capital indicators contained in the Risk Appetite Framework, and in keeping with the cap on variable remuneration based on a ratio of 1:1 between variable and fixed pay for personnel falling within the scope of application of the *"Guidelines for BancoPosta RFC's remuneration and incentive policies"*.

The scheme involves the award – following confirmation of the achievement of objectives over a 5-year period (in the case of top and key managers who are beneficiaries of the 2018-2020 cycle of the Phantom Stock LTIP) and a 3-year period (with regard to the other owners of strategic projects) – of a convertible cash sum, 75% up-front and the remaining 25% deferred for two years, and subject to additional malus provisions. During the performance period, the Board of Directors has the possibility to ask the General Meeting of Shareholders to approve conversion of the full amount of the bonus, or a part thereof, payable to all beneficiaries into Poste Italiane's ordinary shares.

In view of the relevant regulatory requirements, the three-year "Deliver 2022 LTIP" envisages payment of 50% in cash (convertible) and 50% in phantom stocks (convertible), with the latter subject to a retention period.

Short- and medium/long-term variable remuneration is, in any event, subject to clawback provisions, as described in greater detail in paragraph 3.5.

Signing bonuses are payable, in exceptional circumstances, to newly hired personnel in line with best market practices; 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.

One-off payments, permitted in exceptional cases and limited solely to specific situations, such as the management of major projects, the achievement of extraordinary results or the need to retain key personnel. No such payments are made to Directors or Key Management Personnel. These payments must comply with the statutory requirements in effect (for example, but not limited to, the pay-mix) and the guidelines for remuneration and incentives.

### **3.3.3. 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.

## **3.4 Severance payments on termination of employment**

In accordance with the Company's policies, it is possible to stipulate provisions/agreements governing *ex-ante* the 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 individual situations (for example, seniority and individual performance) and the 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. These agreements also take into account all the applicable statutory requirements, collective or individual contracts and market practices in the form of final settlement.

The above does not affect the mandatory payments due in case of termination of employment under the Italian law or the applicable collective bargaining agreement.

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.

The Company does not, as a rule, enter into non-competition agreements. 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.

All payments linked to the early termination of employment are made in accordance with the procedures for short-term variable remuneration with regards to deferral, equity-based payments and assessment of compliance with BancoPosta RFC's capital and liquidity thresholds.

In the case of Material Risk Takers with a high level of variable remuneration, being personnel who are beneficiaries of both the short-term incentive scheme ("MBO) and the third cycle 2018—2020 of the "Phantom Stock LTIP" plan, taking into account the caps with regard to maximum percentages under the STI "MBO" plan, the following conditions apply:

- 40% of the payment due on termination of employment is payable as follows: 50% in cash and the remaining 50% in the form of equity - based payments (phantom stocks, representing the value of Poste Italiane's shares), subject to a two-year retention period; this proportion is subject to verification of the capital and liquidity thresholds for BancoPosta RFC;
- 60% of any remuneration payable on termination of employment is to be deferred over a period of 5 years (pro-rata) and is payable as follows: 50% in cash and the remaining 50% in the form of equity-based payments (phantom stocks); the deferred portions are subject to assessment of compliance with BancoPosta RFC's capital and liquidity thresholds;
- the pro-rata deferred payment over 5 years is structured as follows:
  - after the first year of deferral, a portion equal to one third of the amount payable is paid in cash;
  - one sixth of the amount payable is paid in phantom stocks in the second, third and fourth years;
  - the final portion, equal to one sixth of the amount payable, is paid in cash in the fifth and final year;
- deferred portions paid in the form of equity-based payments are subject to a one-year retention period;
- at the end of the retention period, having verified compliance with BancoPosta RFC's capital and liquidity thresholds, the phantom stocks will be converted into a sum determined through the arithmetic average of the market value of the shares of Poste Italiane, in the thirty stock exchange trading days prior to the date of conversion of the phantom stocks;
- the total amount payable is subject to clawback provisions, applicable up to the entire amount paid within the time limit set by the related statute of limitations and under the circumstances defined in the guidelines for remuneration and incentive policies from time to time in effect.

Severance payments to other Material Risk Takers, not included among the recipients of high variable remuneration, on termination of employment follow the 3-year deferred payment procedure used for the MBO incentive plan, including the use of equity-based payments for 50% of the amount payable.

In application of the Supervisory Standards relating to remuneration, regarding determination of severance payments linked to the early termination of employment of Material Risk Takers, 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<sup>2</sup>. This payment is calculated on the basis of the maximum pay for personnel falling within the scope of application of these guidelines, applying the maximum amount due for all the possible components of remuneration payable in the event of early termination.

The process of determining the amounts payable on termination of employment is structured in such a way as to ensure the economic sustainability of a contemporaneous early termination of a number of individuals "in key roles".

The amount resulting from application of the above principles may lead to payments linked to the overall remuneration paid to the person concerned in proportion to the role held and the scope of the responsibilities assigned, reflecting the experience and skills required for each position, the individual's performance and the overall quality of their contribution to the Company's performance.

Severance payments payable on early termination of the CEO-GM, the Head of the BancoPosta function and the Manager Responsible for Financial Reporting is reviewed by the Board of Directors, on the recommendation of the Remuneration Committee.

Severance payments to other Material Risk Takers on early termination of employment are reviewed by the CEO-GM and the Head of the BancoPosta function in accordance with the policies agreed with the Remuneration Committee.

Both the Board of Directors, on the one hand, and the CEO-GM, on the other, in agreement with the Head of the BancoPosta function, within the cap determined by the General Meeting of Shareholders, evaluate the above in view of the individual's performance in the various roles held over time and having particular regard to BancoPosta RFC's capital and liquidity position.

No amount is payable under one or more of the circumstances provided for in paragraph 3.5 with regard to ex post adjustments. In particular, the Company may request return of the entire amount paid within the time limit set by the existing statute of limitations.

The above principles apply on termination of employment even if there have been no specific *ex ante* agreements.

### 3.5 Ex post adjustments (malus and clawback provisions)

In line with best market practices and applicable statutory requirements, variable remuneration is not guaranteed, but is subject to the achievement of predetermined performance targets linked to BancoPosta RFC's

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<sup>2</sup> The following example is described only to comply with the regulatory requirement introduced by the Bank of Italy in its VII revision of Circular 285. The Circular requires banks to set a cap for severance payment, also in terms of the number of years of fixed compensation as well as an absolute amount. In this case, BancoPosta RFC applies the maximum 1:1 ratio between variable and fixed remuneration. In the theoretical event that a person, in the three years prior to termination, has always received an amount of variable pay equal to 100% of his or her fixed remuneration, and that, all the provisions of this policy regarding severance are applied to this person to the maximum, they might receive severance pay equal to the theoretical maximum of 5.5 years of annual fixed component. The value of the severance payment, thus determined, will not in any case exceed €4.5 million, as specified above.

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 both the short- and long-term incentive plans ("MBO" and LTIPs) and also, where applicable, to personnel not included among Material Risk Takers.

### **Clawback**

In line with best market practices and applicable statutory requirements, variable remuneration is subject to clawback provisions on the occurrence of certain events.

The process of applying clawback provisions is carried out in accordance with the related internal procedure adopted by the Company. This procedure involves the interdisciplinary participation of multiple functions with different skills involved in the different stages of the process that are: activation, assessment, finalization of the information report, closure of the procedure and mandatory requirements. The functions responsible for the decision are differentiated according to the profile of the individual involved in the procedure.

Clawback provisions are applied taking into account the related legal, social security and tax considerations.

Without prejudice to the right to claim for any further damages, following disbursement of the bonus payable, and within the time limit set by the related statute of limitations, the Company may request repayment of any amounts disbursed, up to the entire amount paid. This applies, regardless of whether or not employment is ongoing or has been terminated, in the event of:

- fraud or gross misconduct on the part of the beneficiary to the detriment of the Company, including BancoPosta RFC, or another Group company;
- violation of the obligations set out in article 26 or, where applicable, article 53, paragraphs 4 *et seq.* of the Legislative Degree 385 of 1 September 1998 (Consolidated Law on Banking) or of the obligations in respect of remuneration and incentives;
- conduct that has resulted in a significant deterioration in the financial position or reputation of the Company, including BancoPosta RFC, or another Group company;
- payment of the bonus on the basis of information that was subsequently revealed to be inaccurate and/or misleading.

### **Malus**

Occurrence of one or more of the above circumstances also results in the application of malus provisions to any deferred portions of incentives yet to be paid. This applies to both cash and equity-based payments.

The malus provisions 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.

### **Other adjustment provisions**

Occurrence of one or more of the above four circumstances (fraud or gross misconduct on the part of the beneficiary to the detriment of, the Company, including BancoPosta RFC or another Group company, etc.), results in non-payment of the portions subject to retention periods. The theoretical bonus payable on achievement of the objectives assigned may be reduced (potentially to zero) if the overall individual performance, assessed using a 180° appraisal process, is deemed to be inadequate.

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 schemes

The following remuneration and incentive policies for Directors without delegated powers, the Chairwoman of the Board of Directors, the Chief Executive Officer and General Manager and the Board of Statutory Auditors coincide with those described in Poste Italiane's Remuneration Report, of which this document, "*Guidelines for BancoPosta RFC's remuneration and incentive policies*", 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.

The General Meeting of Shareholders continues to have the power to determine the remuneration, as defined by art. 2389, paragraph 1 of the Italian Civil Code, payable to members of the Board of Directors on their election. The Company's By-laws also grant the Board of Directors responsibility for determining a remuneration package for executive Directors, as defined by art. 2389, paragraph 3 of the Italian Civil Code, on the recommendation of the Remuneration Committee and in consultation with the Board of Statutory Auditors.

As required by law, Directors with delegated powers must abstain during votes regarding decisions on their remuneration and not take part in discussions on this matter.

It is the sole responsibility of the Ordinary General Meeting of Shareholders to approve the "*Guidelines for BancoPosta RFC's remuneration and incentive policies for 2018*" or any changes thereto.

### 4.1 Board of Directors

The remuneration policy for members of the Board of Directors is differentiated as follows:


- Directors without delegated powers;
- Chair of the Board of Directors;
- Chief Executive Officer and General Manager (CEO-GM).

On a general basis and for all the members of the Board of Directors, the Annual General Meeting of shareholder held on 27 April 2017 determined the compensation payable to members of the Board of Directors in office in the period 2017-2019, as defined by art. 2389, paragraph 1 of the Italian Civil Code. No attendance fees are currently payable for participation in Board of Directors' meetings or the meetings of Board Committees.


On 10 May 2017, the Board of Directors, on the recommendation of the Remuneration Committee, introduced additional pay for Directors' participation in Board Committees, depending on the role assigned.

The following table shows the roles held by member of the Board of Directors at the date of approval of this Report:

FIGURE 2. COMPOSITION OF THE BOARD OF DIRECTORS

Role	Name and surname	Remuneration Committee	Nominations and Corporate Governance Committee	Audit, Risk and Sustainability Committee	Related and Connected Parties Committee
Director	<b>Giovanni Azzone</b> (1) (2)				
Director	<b>Carlo Cerami</b> (1) (2)				
Director	<b>Antonella Guglielmetti</b> (1) (2)				
Director	<b>Francesca Isgrò</b> (1) (2)				
Director	<b>Mimi Kung</b> (1) (2)				
Director	<b>Roberto Rao</b> (1) (2)				
Director	<b>Roberto Rossi</b> (1) (2)				
<b>Directors with delegated powers</b>					
Chairwoman	<b>Maria Bianca Farina</b> (1)				
Chief executive Officer and General Manager	<b>Matteo Del Fante</b>				

(1) Non-executive Director  
(2) Independent Director as defined by the combined provisions of articles 147ter, paragraphs 4 and 148, paragraph 3 of the CLF and pursuant to article 3 of the Corporate Governance Code

 Chairman / Chairwoman     Member

#### 4.1.1 Directors without delegated powers

The remuneration of Directors without delegated powers consists of a fixed component, determined by the Annual General Meeting of Shareholders and applicable for the full term of office. The Annual General Meeting of Shareholders held on 27 April 2017, with regard to the term of office 2017-2019, determined the compensation payable pursuant to art. 2389, paragraph 1 of the Italian Civil Code as €40,000.00 per annum. There are no forms of variable remuneration.

Directors are reimbursed for any out-of-pocket expenses incurred in carrying out the duties, within the limits established by the Board of Directors.

The additional pay for Directors' participation in Board Committees, approved by the Board of Directors, in consultation with the Board of Statutory Auditors and the Remuneration Committee, is as follows:



FIGURE 3. COMPENSATION FOR PARTICIPATION IN BOARD COMMITTEES

		Compenso
Remuneration Committee	Chairman	€ 25.000
	Member	€ 17.500
Nominations and Corporate Governance Committee	Chairman	€ 25.000
	Member	€ 17.500
Audit, Risk and Sustainability Committee	Chairman	€ 35.000
	Member	€ 25.000
Related and Connected Parties Committee	Chairman	€ 25.000
	Member	€ 17.500

#### 4.1.2 Chairwoman of the Board of Directors

The remuneration of the Chairwoman of the Board of Directors consists of a fixed component, approved by the General Meeting of Shareholders in accordance with art. 2389, paragraph 1 of the Italian Civil Code and equal to €60,000.00 per annum.

In addition to the above, on 13 December 2017, the Board of Directors, on the recommendation of the Remuneration Committee and in consultation with the Board of Statutory Auditors, awarded further compensation to the Chairwoman of the Board of Directors (pursuant to art. 2389, paragraph 3 of the Italian Civil Code), in view of the non-executive powers assigned to her. This additional compensation amounts to €420,000.00 per annum. There are no forms of variable remuneration.

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

As required by law, the Chairwoman abstains during votes regarding decisions on her remuneration and does not take part in discussions on this matter.

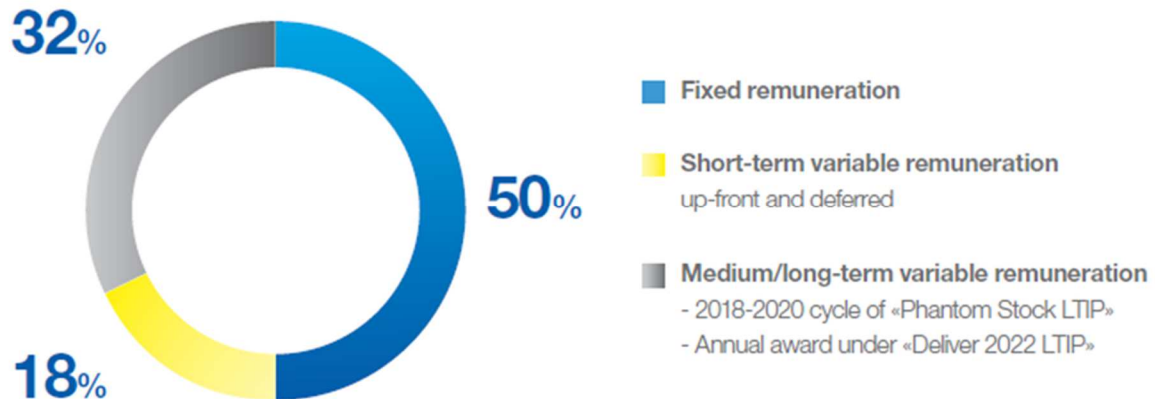
The final component of the remuneration package consists of additional benefits provided in accordance with the applicable statutory requirements and in line with market practices.

#### 4.1.3 Chief Executive Officer and General Manager (CEO-GM)

The CEO-GM's remuneration package includes a fixed component, a short-term variable component and a medium/long-term variable component (2018-2020 cycle of the "Phantom Stock LTIP" and the "Deliver 2022 LTIP").

In the light of these elements, the following chart shows the CEO-GM's pay-mix for 2018 in the event of over-achievement ("Pay-mix CEO-GM over-achievement").

FIGURE 4. PAY-MIX CEO-GM OVER-ACHIEVEMENT



This pay-mix has been calculated on the basis of awards under the short- and medium- to long-term incentive schemes in the event of over-achievement and considering the annual award under the "Deliver 2022 LTIP".

The weighting assigned to the variable component for the CEO-GM is capped at a ratio of 1:1 between variable (both short- and medium/long-term) and fixed pay, in keeping with the "Guidelines for BancoPosta RFC's remuneration and incentive policies", taking into account the regulatory framework for banks.

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

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.

### Fixed pay

The CEO-GM's fixed pay consists of a component relating to the position of Director and one relating to his position as a manager of the Company in his role as General Manager<sup>3</sup>.

The CEO-GM receives a fixed pay of €1,255,000.00 per annum.

<sup>3</sup> The CEO-GM's position as General Manager is governed by the provisions of the National Collective Labour Agreement for the management personnel of companies producing goods and services (the "NCLA").

## Variable remuneration

The variable remuneration, paid in relation to his position as a manager in his role as Poste Italiane's General Manager, consists of the short-term variable incentive scheme (STI "MBO") and the "Phantom Stock LTIP" and "Deliver 2022 LTIP".

The STI "MBO" schemes rewards the achievement of targets on an annual basis, the "Phantom Stock LTIP" over three years and the "Deliver 2022 LTIP" over five years.

The link between variable remuneration and medium/long-term performance has been further strengthened through the introduction of a long-term incentive plan called the "Deliver 2022 LTIP", linked to the objectives in the new "Deliver 2022" Strategic Plan.

All the management incentive schemes also include a hurdle related to Group's EBIT, designed to measure financial sustainability, with any bonuses awardable in relation to the assigned targets dependent on achievement of the targets set.

Variable remuneration 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), and, under certain conditions, in the application of a clawback provision.

As a risk taker, within the scope of application of the "Guidelines for BancoPosta RFC's remuneration and incentive policies for 2018" the structure of the CEO-GM's remuneration envisages, among other things, the deferral of 60% of short-term variable pay ("MBO") and the payment of 50% in cash and 50% in phantom stocks, in addition to a cap on total variable remuneration based on a ratio of 1:1 between variable (both short- and medium/long-term) and fixed pay (as described in greater detail below).

FIGURE 4. COMPONENTS OF VARIABLE REMUNERATION

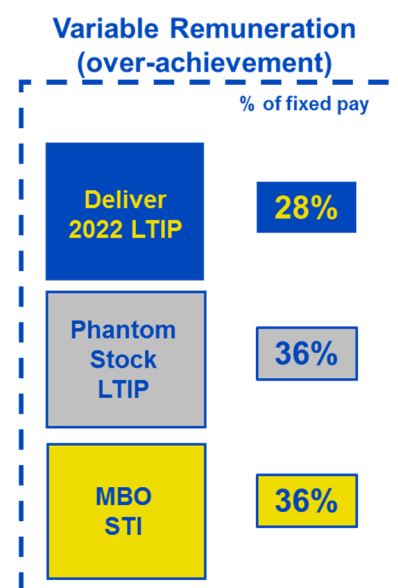
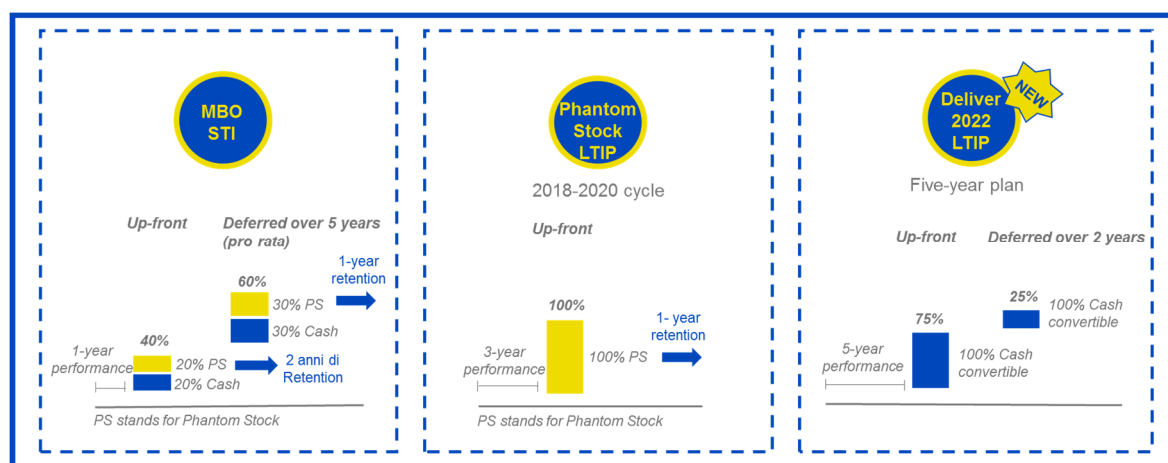


FIGURE 5. CEO-GM'S VARIABLE REMUNERATION



As mentioned above, the Board of Directors, on the recommendation of the Remuneration Committee, sets the performance targets linked to variable remuneration for the CEO-GM and assesses achievement of the performance targets, with the CEO-GM abstaining in any votes on the matter.

#### 4.1.3.1 Short-term incentive scheme (STI “MBO”)

Short-term variable remuneration aims to strengthen the focus on the creation of value for stakeholders by linking the payment of annual bonuses with actual performance in the same period. The nature of the “MBO” scheme for the CEO-GM has been defined also in the light of the applicable statutory requirements.

The plan is based on a structured process for defining incentives and the associated objectives and is characterised by:

- a hurdle and certain qualifying conditions;
- performance targets, each assigned a specific weighting.

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.

#### Hurdle and qualifying conditions

The STI “MBO” scheme envisages a hurdle represented by the Poste Italiane Group's target EBIT, achievement of which enables the CEO-GM to access the bonus linked to achievement of the objectives assigned. Moreover, in order to ensure the long-term sustainability of the businesses of BancoPosta RFC and the Poste Vita Insurance Group, the qualifying conditions for the MBO scheme also include the following provisions:

TABLE 1. HURDLE AND QUALIFYING CONDITIONS FOR THE CEO-GM'S MBO SCHEME

Hurdle	Qualifying conditions
Group EBIT	BancoPosta's capital adequacy: <b>CET 1</b>
	BancoPosta's short-term liquidity: <b>LCR</b>
	<b>Solvency ratio for Poste Vita Insurance Group</b>

The qualifying conditions are in keeping with the thresholds established in the Risk Appetite Framework (“RAF”) adopted by BancoPosta RFC and the Poste Vita Insurance Group.

#### Performance targets

The performance targets for 2018 are linked to the objectives in the new “Deliver 2022” Strategic Plan:

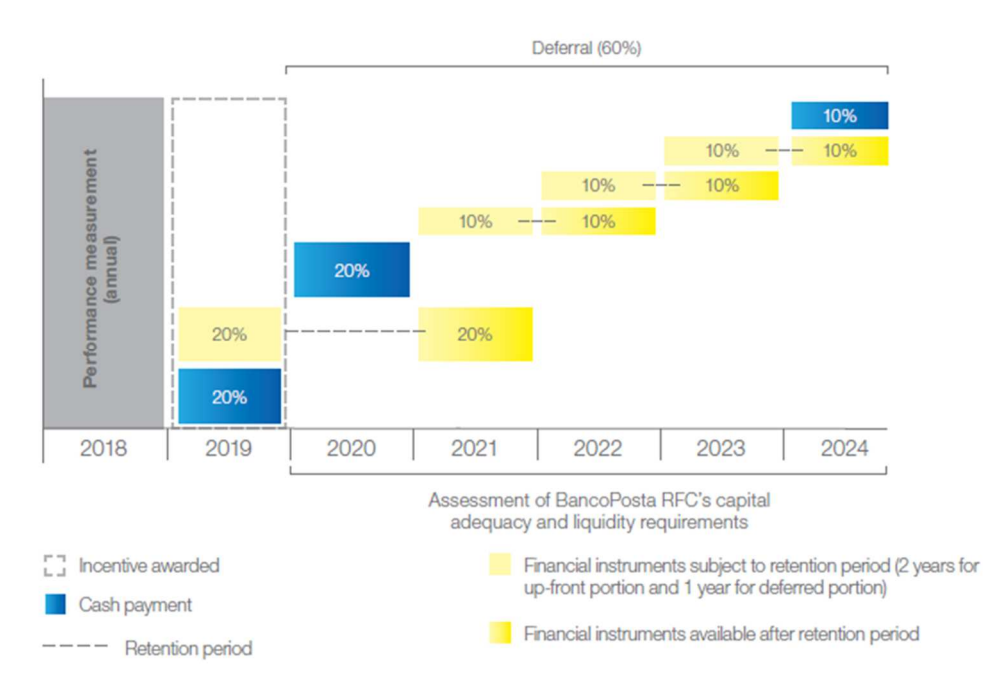
FIGURE 7. MBO SCHEME PERFORMANCE TARGETS FOR THE CEO-GM IN 2018



### Award

Award of the incentive relating to the “MBO” scheme is linked to the achievement of actual, lasting results and involves deferral of 60% of the variable component over a for a period of 5 years (pro rata) and the payment of 50% in cash and 50% in phantom stocks for both the up-front and the deferred portions, as shown below:

FIGURE 8. METHOD OF PAYMENT UNDER MBO SCHEME FOR THE CEO-GM



Payment of the deferred portions is subject to compliance with predetermined thresholds for BancoPosta RFC's capital adequacy and liquidity.

The Phantom Stocks awarded are subject to retention periods of two years (for the up-front portion) or one year (for the deferred portions). At the end of the retention period, having verified compliance with BancoPosta RFC's capital and liquidity thresholds, the phantom stocks will be converted into a sum determined on the basis of the arithmetic average of the market value of Poste Italiane's shares in the thirty stock exchange trading days prior to the date of conversion.

It should be noted that, in view of the use of equity-based payments, the Company will ask the Annual General Meeting of Shareholders to be held on 29 May 2018 to approve the *"Short-term equity-based incentive plan for material risk takers employed by BancoPosta RFC"*, in accordance with art. 114-bis of Legislative Decree 58 of 24 February 1998, as amended.

### 4.1.3.2 Medium/long-term incentive schemes (LTIPs)

Medium/long-term incentive schemes (LTIPs) aim to strengthen the focus on the creation of value for stakeholders, in keeping with the Strategic Plan by linking the incentives awarded with long-term objectives (over 3-5 years) and effective performance over the same period. The nature of the following LTIPs has been defined also in the light of the applicable statutory requirements.

The CEO-GM is a beneficiary of the following medium/long-term incentive schemes:

- the "Phantom Stock LTIP" (2018-2020 cycle);
- the "Deliver 2022 LTIP".

The choice of performance indicator for the two plans is aligned with the responsibilities assigned to Poste Italiane's CEO-GM and is in line with the basic principles on which the medium/long-term incentive plans are based. The two plans are fully integrated and complement each other in terms of duration and objectives, strengthening the performance-based variable component of remuneration, in addition to being aligned with the drivers of the new "Deliver 2022" Strategic Plan:

- the "Phantom Stock LTIP" focuses on earnings targets and shareholder return over a three-year period;
- the "Deliver 2022 LTIP" ensures, in addition to earnings, a continuous long-term focus on revenue growth and the containment of HR Costs.

#### "Phantom Stock LTIP"

The 2018-2020 cycle of the "Phantom Stock LTIP" involves the award of phantom stocks granting the right to receive stock representing the value of Poste Italiane's shares at the end of a three-year vesting period. It is understood that the price of Poste Italiane's shares will have a significant impact on the value of the award, in that the more the share price rises, the greater the cash value of the phantom stocks awarded.

#### Hurdle and qualifying conditions

The "Phantom Stock LTIP" envisages a hurdle 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.

In line with the statutory requirements applicable to BancoPosta RFC’s business, in addition to the above hurdle, the CEO-GM must meet all the following qualifying conditions at the same time in order to qualify for the incentive:

TABLE 2. QUALIFYING CONDITIONS FOR THE “PHANTOM STOCK LTIP” FOR THE CEO-GM

Qualifying conditions
BancoPosta’s capital adequacy: <b>CET 1</b>
BancoPosta’s short-term liquidity: <b>LCR</b>
BancoPosta’s RORAC: <b>RORAC</b>

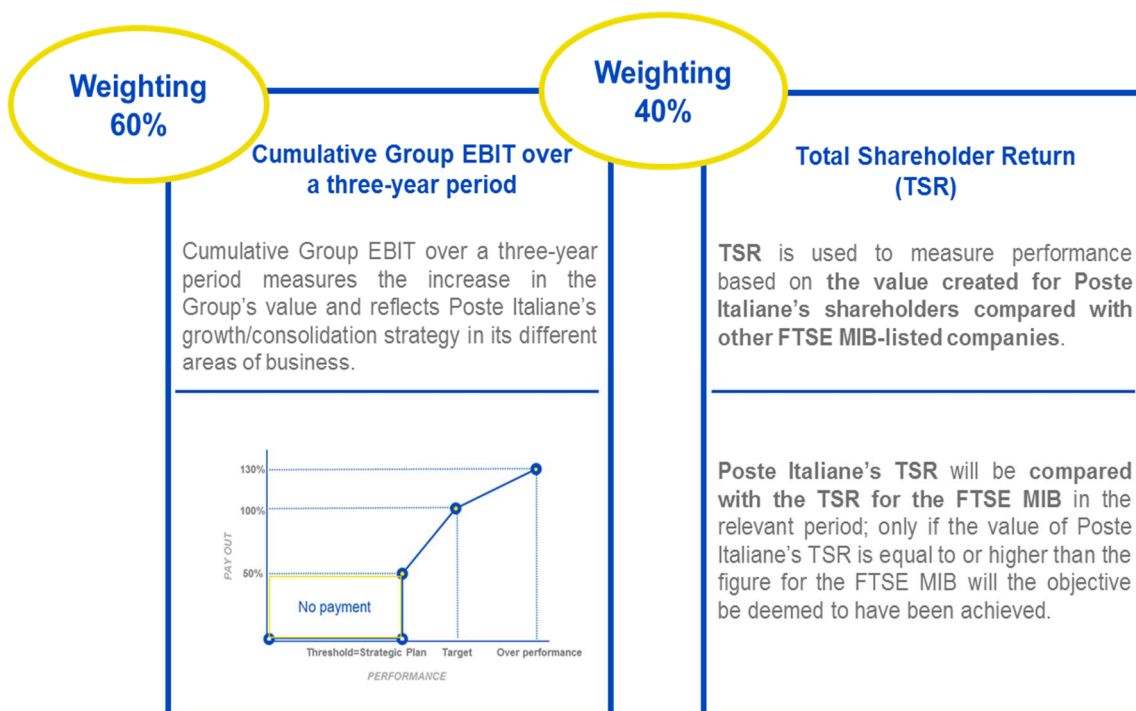
CET 1, LCR and RORAC are in keeping with the thresholds established in the Risk Appetite Framework (“RAF”) adopted by BancoPosta RFC in accordance with the related regulatory requirements.

It should also be noted that, assessment of whether or not the risk tolerance level for the qualifying conditions, linked to BancoPosta RFC’s capital adequacy and liquidity, have been met also takes place at the end of each retention period.

### Performance targets

The performance targets for the 2018-2020 cycle of the “Phantom Stock LTIP” are as follows:

FIGURE 6. PERFORMANCE INDICATORS AND WEIGHTINGS FOR THE “PHANTOM STOCK LTIP” FOR THE CEO-GM

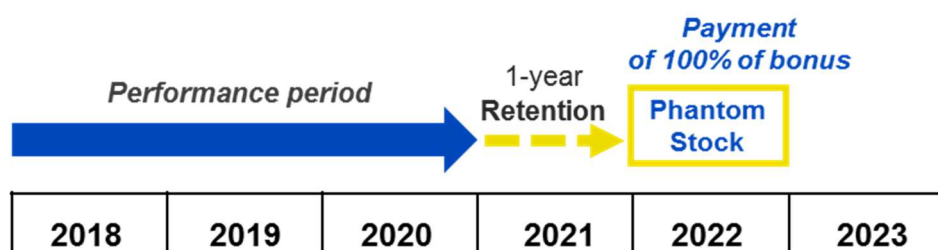


A maximum level of over performance has been set, above which the incentive remains constant, as has a hurdle, below which the incentives do not apply and there is, therefore, no payment due.

### Award and payment for the “Phantom Stock LTIP” (2018-2020 cycle)

The number of phantom stocks is quantified at the end of the three-year performance period within the cap to be determined at the time of the award, once achievement of the related objectives has been confirmed. The phantom stocks will be awarded at the end of a one-year retention period and will thus be converted into a sum determined through the arithmetic average of the market value of the shares of Poste Italiane in the thirty stock exchange trading days prior to the date of conversion of the phantom stocks.

FIGURE 7. AWARD AND PAYMENT FOR THE “PHANTOM STOCK LTIP” FOR THE CEO-GM



### “Deliver 2022 LTIP”

The new long-term incentive plan, named the “Deliver 2022 LTIP”, envisages a single award and, on achievement of the related performance targets over a five-year period (2018-2022), the payment of a convertible cash sum (75% up-front and the remaining 25% deferred for two years). The Plan offers the Board of Directors, in consultation with the Remuneration Committee, and before the end of the performance period, the possibility to ask the General Meeting of Shareholders to approve conversion of the full amount of the bonus, or a part thereof, into Poste Italiane’s ordinary shares.

### Hurdle and qualifying conditions

The “Deliver 2022 LTIP” envisages a hurdle, represented by EBIT over a five-year period, and qualifying conditions, based on CET 1 and LCR in 2022 (defined in keeping with the “Phantom Stock LTIP”) as well as BancoPosta’s RORAC in 2022, defined with reference to the *risk appetite*. The hurdle and the qualifying conditions must be met at the same time in order to qualify for the incentive.

### Performance targets

The performance targets for the “Deliver 2022 LTIP” are as follows:

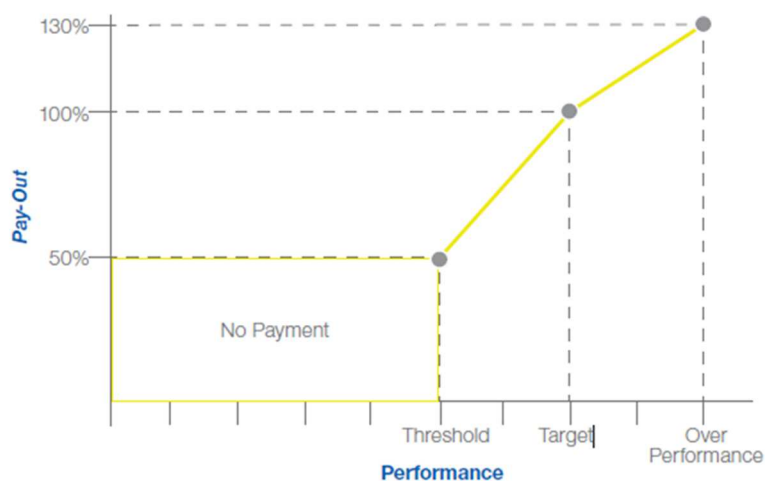


FIGURE 8. PERFORMANCE INDICATORS AND WEIGHTINGS FOR THE “DELIVER 2022 LTIP” FOR THE CEO-GM



The above performance targets are assessed in the following way:

FIGURE 13. PAY-OUT CURVE FOR DELIVER 2022



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.

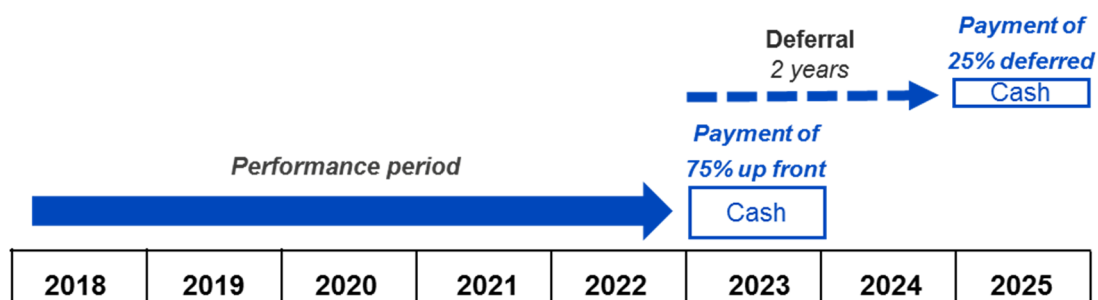
The combination of the performance hurdle linked to the targets set out in the Strategic Plan (presented during the “Capital Markets Day”), and the pay-out curve means that the cost of the “Deliver 2022 LTIP” is covered by the resulting improvements in operating performance.

The “Deliver 2022 LTIP” will, therefore, be funded from the resources deriving from over-achievement of the challenging Strategic Plan objectives and the related efficiencies.

### Award and payment for the “Deliver 2022 LTIP”

The “Deliver 2022 LTIP” follows the method of award and payment shown in the figure below:

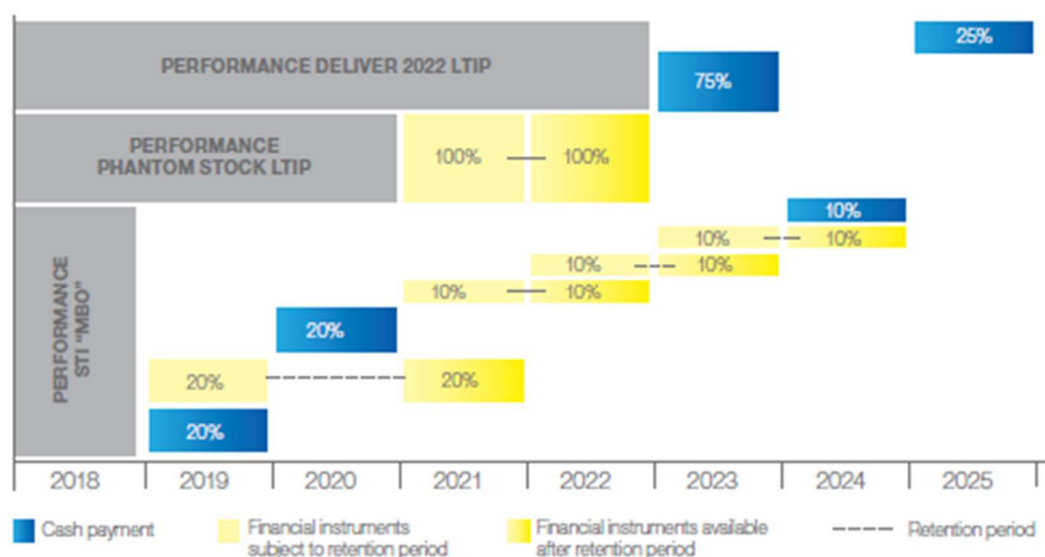
FIGURE 14. AWARD AND PAYMENT FOR THE "DELIVER 2022 LTIP" FOR THE CEO-GM



75% of the incentive payable at the end of the five-year performance period is paid up-front, with the remaining 25% deferred for 2 years. Payment of the deferred portion is subject to Poste Italiane's inclusion in internationally recognised sustainability indices, in addition to confirmation that BancoPosta RFC's capital adequacy and liquidity thresholds have been met.

### Summary of short-term and medium/long-term incentive schemes

FIGURE 15. PAY-OUT IN FORM OF VARIABLE REMUNERATION FOR THE CEO-GM



The structure of the pay-out over time involves the award of variable remuneration over a total period of 7 years, including performance, deferral and retention periods. In return for the performances achieved, about 10% of variable remuneration for 2018 will be effectively paid out in 2019, following approval of the financial statements for 2018, whilst the remaining portion is spread out over time.

## Severance payments on termination of employment

In line with standard market practice, considering that the executive employment relationship is strictly connected to the office as CEO, in the event of early termination of the employment or in case of termination of the office as CEO, other than for just cause, a payment consisting of two years' annual global compensation and of an amount equal to the fixed pay due until the end of the office, would be payable to the CEO-GM within the context of a final settlement, in addition to the contractual period of notice.

The above does not affect the mandatory payments due in case of termination of employment under the Italian law or the applicable collective bargaining agreement.

In the light of the regulations governing payments, in the event of early termination of employment or in case of termination of the office as a CEO, the CEO-GM will be paid as follows:

- 40% of any payment due on termination of employment is payable as follows: 50% in cash and the remaining 50% in the form of an equity-based payment (phantom stocks, representing the value of Poste Italiane's shares), subject to a two-year retention period; this amount is subject to verification of BancoPosta RFC's capital and liquidity thresholds;
- 60% of any remuneration payable on termination of employment is to be deferred over a period of 5 years pro-rata, in accordance with the following plan:
  - after the first year of deferral, an amount equal to one third will be paid in cash;
  - in the second, third and fourth year three payments equal to one-sixth will be made in phantom stock;
  - the final portion, equal to one sixth of the amount payable, is paid in cash in the fifth and final year of the deferral period;
- 50% in cash and the remaining 50% in the form of a financial instruments-based payment (phantom stocks); the deferred portions are subject to assessment of compliance with BancoPosta RFC's capital and liquidity thresholds, whilst the equity-based component is subject to a one-year retention period;
- at the end of the retention period (two years for the up-front portions and one year for the deferred portions), having verified compliance with BancoPosta RFC's capital and liquidity thresholds, the phantom stocks will be converted into a sum determined through the arithmetic average of the market value of the shares of Poste Italiane, in the thirty stock exchange trading days prior to the date of conversion of the phantom stocks;
- the total amount payable is subject to malus and clawback provisions, applicable up to the entire amount paid within the time limit set by the related statute of limitations and under the circumstances defined in the guidelines for remuneration and incentive policies from time to time in effect.

## 4.2 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.

The Board of Statutory Auditors was re-elected by the Annual General Meeting called to approve the Annual Report for 2015 and will remain in office for three years (2016-2018). When electing the Board of Statutory Auditors, the General

Meeting of 24 May 2016 approved fees – for each year in office – for the Chair, amounting to €80,000.00, and for each standing Auditor, amounting to €70,000.00.

No attendance fees are payable for participation in meetings.

Statutory Auditors have the right to be reimbursed for any duly documented travel expenses incurred in carrying out their duties.

### 4.3 Material Risk Takers

In addition to fixed pay and benefits, BancoPosta RFC's Material Risk Takers also participate in the short-term incentive plan ("MBO").

A number of managers classed as Material Risk Takers may be included among the beneficiaries of the medium/long-term incentive schemes, the "Phantom Stock LTIP" and/or the "Deliver 2022 LTIP".

In compliance with existing statutory requirements and the Company's policies, the variable component for Material Risk Takers 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 as variable remuneration, potentially to zero, or the return of any amount already paid.

The variable component awarded to Material Risk Takers may not exceed a ratio of 1:1 with the fixed component (0.33:1 for the Company's control functions), as described in the relevant paragraph).

#### 4.3.1 Short-term incentive scheme ("MBO")

##### The link to performance

In keeping with the Company's policies, short-term variable remuneration for Material Risk Takers 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 also aim to provide the maximum in customer satisfaction.

Below, the qualifying conditions applied:

- (I) **Performance gate:** participation in management incentive schemes is tied to the achievement of specific financial targets determined annually at Group level and follows the same mechanism described in Section I of Poste Italiane's Remuneration Report.

- (II) **Compliance with the risk appetite framework:** 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 3. "COMPLIANCE WITH THE RISK APPETITE FRAMEWORK"

<p><b>Capital adequacy</b> <i>Common Equity Tier 1</i></p>	<p>Risk tolerance level approved by Poste Italiane's Board of Directors for inclusion in BancoPosta RFC's RAF</p>
<p><b>Operational liquidity</b> <i>Liquidity Coverage Ratio</i></p>	<p>Risk tolerance level approved by Poste Italiane's Board of Directors for inclusion in BancoPosta RFC's RAF</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 paid if the overall percentage achievement of the objectives assigned is at least equal to the hurdle.

The individual bonus may also increase up to the cap in the event of over-achievement.

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.

The theoretical bonus payable on achievement of the objectives assigned may be reduced (potentially to zero) if the overall individual performance, assessed using a 180° appraisal process, is deemed to be inadequate.

Calculation of the bonus is usually adjusted to reflect the effective period of time in which the role to which the incentive relates has been held.

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

50% of both up-front and deferred payments are equity-based. The chosen instruments are phantom stocks, with each stock representing the value of a Poste Italiane SpA share. The phantom stocks awarded are subject to retention periods of two years (for the up-front portion) or one year (for the deferred portions). At the end of the retention period, having verified compliance with BancoPosta RFC's capital and liquidity thresholds the phantom stocks will be converted into a sum determined through the arithmetic average of the market value of the shares of Poste Italiane, in the thirty stock exchange trading days prior to the date of conversion.

It should be noted that, in view of the use of equity-based payments, the Company will ask the Annual General Meeting of Shareholders to be held on 29 May 2018 to approve the "Short-term equity-based incentive plan for material risk takers employed by BancoPosta RFC", in accordance with art. 114-bis of Legislative Decree 58 of 24 February 1998, as amended.

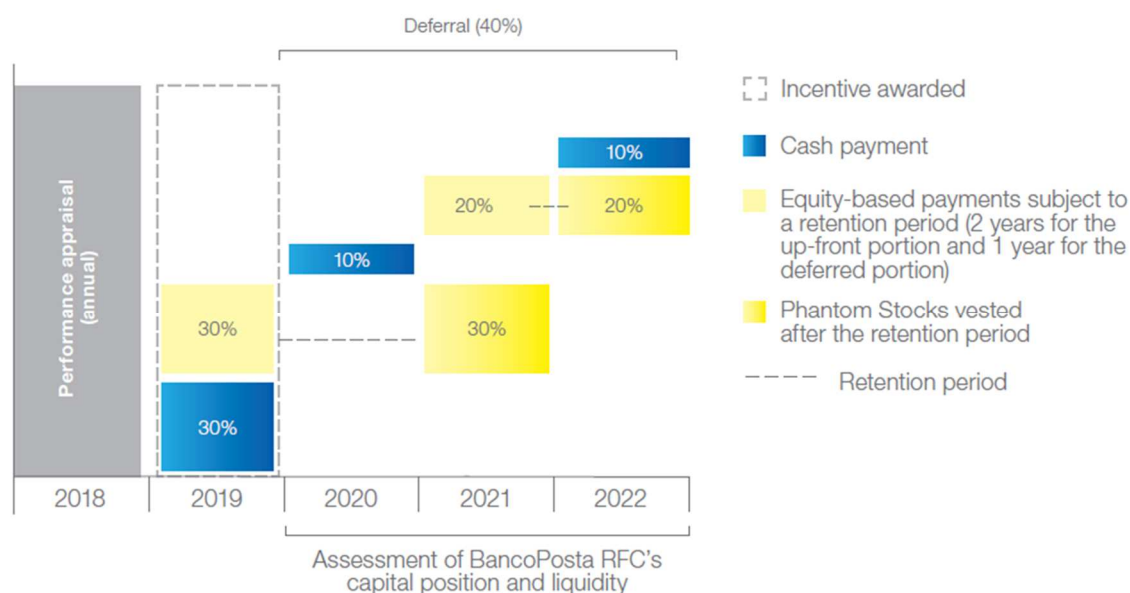
### Deferral of the short-term variable portion

There are two alternative forms of deferral for Material Risk Takers.

60% of the short-term variable component is deferred for a 5-year period in the case of Material Risk Takers with a high level of variable remuneration, being personnel who are beneficiaries of both the short- and medium/long-term third (2018-2020) cycle of the "Phantom Stock LTIP", incentive plans, taking into account the caps with regard to maximum percentages under the "MBO" plan. This is done to take into account the evolution of the risks assumed by the Company over time. The variable portion of remuneration is thus subject to the same form of deferral as applied to the CEO-GM (see figure 8 in this annex).

In the case of the remaining Material Risk Takers, where the incentive is above the materiality threshold, 40% of the award is deferred for a 3-year period, so as to take into account the evolution of the risks assumed by the Company over time. The following chart shows the timing of deferrals:

FIGURE16. CHART SHOWING DEFERRAL OF THE MBO PLAN FOR THE REMAINING MATERIAL RISK TAKERS<sup>4</sup>



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 the capital and liquidity thresholds in relation to the risks assumed; moreover the deferred portion is paid if there is no reason to apply the malus provisions.

The same conditions are necessary for the payment of portions subject to retention.

The deferral provisions and equity-based payments will be applied for variable pay in excess of €50,000 (otherwise referred to as the "materiality threshold").

<sup>4</sup> This refers to Material Risk Takers who are beneficiaries of the "MBO" plan and not included among the beneficiaries of the Phantom Stock LTIP (2018-2020). The selection process takes into account the caps with regard to maximum percentages under the "MBO" plan.

### 4.3.2 Medium/long-term incentive schemes (LTIPs) <sup>5</sup>

The medium/long-term incentive plans, set up in line with market practices, aim to link a portion of the variable component of remuneration to the achievement of earnings targets, structural cost savings, risk-adjusted earnings and the creation of sustainable value for shareholders.

The medium/long-term incentive schemes are:

- the “Phantom Stock LTIP” (2018-2020 cycle);
- the “Deliver 2022 LTIP”.

#### “Phantom Stock LTIP”

The beneficiaries of the plan are a small number of senior managers at BancoPosta RFC. 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 is determined at the time of the award (when, that is, the beneficiary is included in the long-term incentive plan) and is linked to performance indicators over a three-year period (2018-2020).

The number of phantom stocks will be quantified at the end of the performance period within the cap to be determined at the time of the award. The phantom stocks will be awarded at the end of a one-year retention period, which is in addition to the three-year performance period, in line with the applicable regulatory requirements. They will be converted into a sum defined through the arithmetic average of the market value of the shares of Poste Italiane, in the thirty stock exchange trading days prior to the date of conversion of the phantom stocks.

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

#### 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, in compliance with the limits in the RAF.

The plan also includes a hurdle 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 summarised in the following table:

TABLE 4. HURDLE AND QUALIFYING CONDITIONS FOR THE “PHANTOM STOCK LTIP” FOR MATERIAL RISK TAKERS

HURDLE AND QUALIFYING CONDITIONS
BancoPosta’s capital adequacy: <b>CET 1</b>
BancoPosta’s short-term liquidity: <b>LCR</b>
BancoPosta’s RORAC: <b>RORAC</b>

<sup>5</sup> Personnel belonging to the Company’s control functions are not included among the beneficiaries of the medium/long-term incentive plans.

Performance targets

The performance targets for the “Phantom Stock LTIP” are as follows:

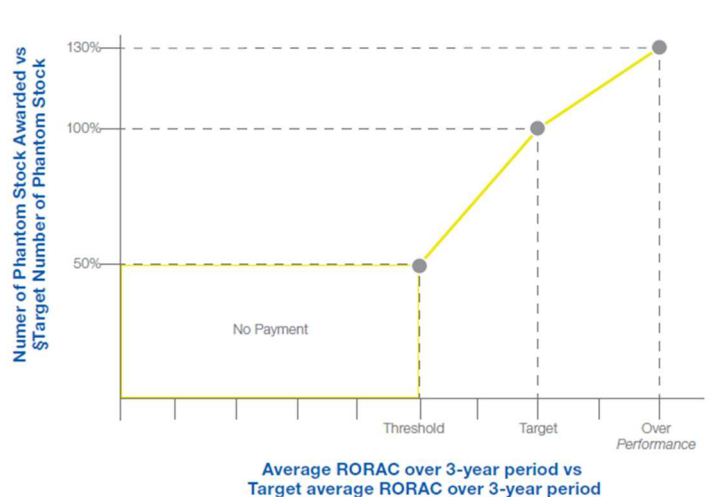
TABLE 5. PERFORMANCE INDICATORS FOR THE “PHANTOM STOCK LTIP”

Earnings Indicator	Indicatore creazione di valore per gli azionisti
<b>BancoPosta RFC’s RORAC</b>	<b>Total Shareholder Return (TSR)</b>
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	
60% of the stocks awarded (at target)	40% of the stocks awarded (at target)

The choice of performance indicator is aligned with the responsibilities of the personnel falling within the scope of BancoPosta RFC. The risk-adjusted earnings indicator reflects the contribution of capital to the achievement of overall objectives over a determinate 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 16. INCENTIVE CURVE BASED ON BANCOPOSTA RFC’S AVERAGE RORAC OVER A THREE-YEAR PERIOD



Poste Italiane’s Total Shareholder Return (TSR) will be compared with the TSR for the FTSE MIB index over the relevant period; 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.



## “Deliver 2022 LTIP”

The “Deliver 2022 LTIP” for personnel who are already beneficiaries of the “Phantom Stock LTIP” (2018-2020 cycle) is a five-year plan with the same characteristics as apply to the CEO-GM.

For Material Risk Takers who are not beneficiaries of the “Phantom Stock LTIP” (2018-2020 cycle), the “Deliver 2022 LTIP” relates to a three-year performance period, with the aim of incentivising personnel to achieve medium-term targets, and providing for deferral of a portion for another two years.

The “Deliver 2022 LTIP”, with a five- or a three-year performance period, is subject to the same hurdle and qualifying conditions as apply to the CEO-GM:

TABLE 6. HURDLE AND QUALIFYING CONDITIONS FOR THE DELIVER 2022 LTIP

Hurdle	Qualifying conditions
Poste Italiane Group EBIT	BancoPosta’s capital adequacy: <b>CET 1</b>
	BancoPosta’s short-term liquidity: <b>LCR</b>
	BancoPosta’s RORAC: <b>RORAC</b>

The qualifying conditions for CET 1 and LCR are based on the thresholds at the end of the period. Risk-adjusted earnings (“BancoPosta’s RORAC”) is based on the risk appetite at the end of the period.

With regard to the performance targets, the five-year “Deliver 2022 LTIP” envisages the same indicators as apply to the CEO-GM; for beneficiaries of the three-year “Deliver 2022 LTIP”, on the other hand, the performance targets are as follows:

TABLE 7. PERFORMANCE TARGETS FOR THE THREE-YEAR DELIVER 2022 LTIP

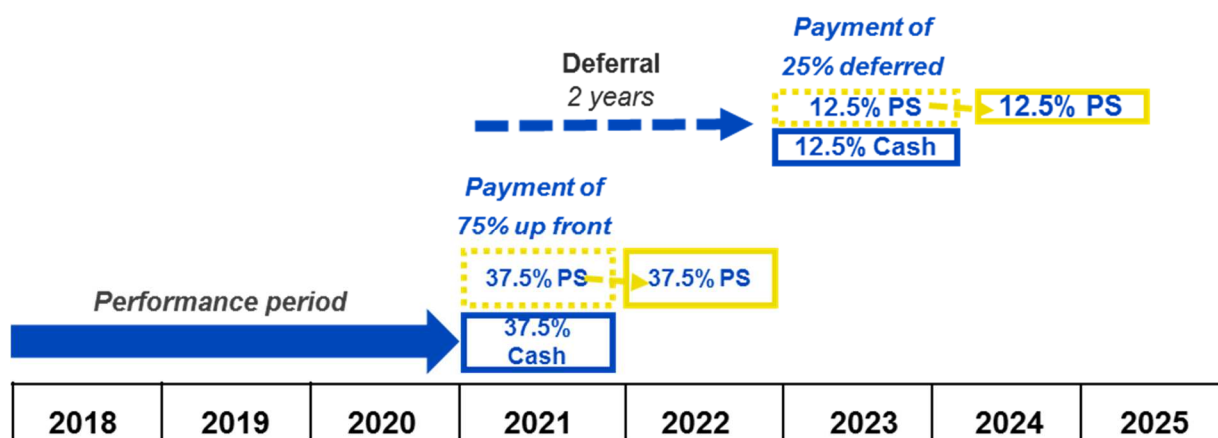
Target	Weighting
Group EBIT	<b>60%</b>
HR Costs	<b>40%</b>

The method of payment for the five-year “Deliver 2022 LTIP” is the same as applies to the CEO-GM.

On achievement of the targets assigned for the three-year “Deliver 2022 LTIP”, 50% of the award is paid “convertible” cash form and the remaining 50% in “convertible” phantom stock. At the end of the three-year performance period, 75% is paid up-front and 25% is deferred for two years. Both the up-front and deferred portions paid in phantom stock are subject to a retention period.

The method of payment for the three-year “Deliver 2022 LTIP” for BancoPosta RFC’s Material Risk Takers is shown below.

FIGURE 17. METHOD OF SETTLEMENT OF THE THREE-YEAR DELIVER 2022 LTIP FOR MATERIAL RISK TAKERS



Settlement of the deferred portion will take place, 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; moreover the deferred portion is paid if there is no reason to apply the malus provisions. As for the Group's other beneficiaries, payment of the deferred portion is subject to Poste Italiane's inclusion in internationally recognised sustainability indices.

Confirmation that BancoPosta RFC's capital adequacy and liquidity requirements have been met also takes place prior to the payment of portions subject to retention.

BancoPosta RFC will ask the Annual General Meeting of Shareholders to be held on 29 May 2018 to approve the "Equity-based incentive plan for material risk takers employed by BancoPosta RFC", in accordance with art. 114-bis of Legislative Decree 58 of 24 February 1998, as amended.

The annual award under the "Deliver 2022 LTIP" contributes to definition of the materiality threshold (€50,000.00).

#### 4.4 The company's control functions

In line with the Company's policies, Material Risk Takers in the control functions have:

- (I) fixed remuneration of an amount that is adequate to reflect the significant responsibilities and commitment connected with their role;
- (II) short-term incentive schemes that reflect the duties assigned, defining for them qualitative objectives that are not linked to the Company's and BancoPosta RFC's performances (except for application of the qualifying conditions); constant support in developing a strong, sustainable compliance and risk management culture and in delivering on projects in their areas of responsibility are the key objectives assigned to personnel belonging to the control functions within the scope of the short-term incentive plan ("MBO");
- (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

personnel belonging to the Company's control functions may not, therefore, exceed one third of the fixed component.

Personnel belonging to the Company's control functions do not participate in the long-term incentive plans ("Phantom Stock" and "Deliver 2022" LTIPs). The nature of the plans is not compatible with the need to determine incentive schemes in keeping with the responsibilities assigned and not linked to BancoPosta RFC'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").

### 4.5 Remuneration for other BancoPosta personnel (non-Risk Takers)

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:

- short-term incentive plan ("MBO"): this is in line with certain characteristics of the plan for Material Risk Takers described above, involving the same qualifying conditions (performance gates, compliance with the RAF and individual Qualifying Conditions). There are no equity-based payments or deferrals of any bonuses awarded<sup>6</sup>. Beneficiaries consist of a small number of heads of department (not included among Material Risk Takers);
- 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;
- 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 internal 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. They are included in the computation of overall variable pay;
- signing bonus: in exceptional circumstances, such a bonus may be payable to newly hired personnel.

None of the Directors or Key Management Personnel is included in BancoPosta's non-Risk Takers

Specific incentive plans may also apply to non-Risk Takers, among professionals, based on the fulfilment of objectives and the payment of bonuses with the aim of helping to retain personnel and to reward outperformance by personnel in certain positions based on qualitative and quantitative measures.

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<sup>6</sup> In 2018, no potential beneficiary included among BancoPosta's non-Risk Takers, has access to maximum potential incentives above the materiality threshold established.

## 5 Implementation of the remuneration policy for 2017

This section provides a description of the methods adopted in implementing the remuneration and incentive policy for 2017 during 2017, including the decision-making process involving the various corporate functions and bodies, and the compensation paid in 2017 to the Chairwoman and members of the supervisory board, the Chief Executive Officer and General Manager, the Company's control functions and the remaining Material Risk Takers (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.

### 5.1 Governance of the remuneration process

The "*Guidelines for BancoPosta RFC's remuneration and incentive policies for 2017*" were defined at the Board of Directors' meeting of 15 March 2017, in consultation with the Remuneration Committee, and approved by the Annual General Meeting of Shareholders on 27 April 2017.

The Guidelines are available on the Company's website at [www.posteitaliane.it](http://www.posteitaliane.it) (in the section, Governance – Remuneration).

Assessments of the method of the implementing remuneration and incentive policies and practices for BancoPosta RFC personnel in 2017 have revealed a general level of adequacy.

The Compliance and Risk Management functions conducted a prior assessment of the "*Guidelines for BancoPosta RFC's remuneration and incentive policies for 2017*", respectively confirming their compliance with the related internal and external requirements and risk policies.

In particular, the Compliance function conducted appropriate checks to ensure the consistency and suitability of the "*Guidelines for BancoPosta RFC's remuneration and incentive policies for 2017*" and of the objectives assigned in respect of the relevant regulatory requirements and the BancoPosta RFC Regulation.

With the support of BancoPosta's Administration, Planning and Control, the Risk Management function contributed to determining the risk-adjusted financial indicators to which the incentive plans were 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 Risk Management function also, therefore, provided the Remuneration Committee with the information that the Committee required in order to ensure consistency with BancoPosta RFC's Risk Appetite Framework (RAF). The Head of the Risk Management function was invited to Remuneration Committee meetings when matters having an impact on BancoPosta RFC's risk management and capital and liquidity position were dealt with.

The Compliance and Risk Management functions also contributed, insofar as they are responsible, to the process of identifying Material Risk Takers, coordinated by the HR Business Partner in support of the Head of the BancoPosta function. The number of Material Risk Takers during 2017 (at 31 December 2017) was established as 83.

The Internal Auditing function also assessed the conformity of remuneration practices with BancoPosta's policies and the relevant regulatory requirements.

## 5.2 Ex post disclosures

In accordance with the disclosure requirements regarding the method by which the remuneration and incentive guidelines for 2017 were applied and the requirements of 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), key data regarding the incentive schemes implemented in 2017 and the relevant tables are provided below.

In particular, in accordance with the guidelines, in addition to the second (2017-2019) cycle of the Phantom Stock LTIP, the variable remuneration schemes implemented were as follows:

- short-term incentive plan ("MBO"): this is in line with certain characteristics of the plan for Material Risk Takers described above, involving the same qualifying conditions (performance gates, compliance with the RAF and individual Qualifying Conditions);
- 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;
- 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 internal 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. They are included in the computation of overall variable pay and are made following confirmation of compliance with the RAF in terms of the total amount paid;
- signing bonus: in exceptional circumstances, such a bonus may be payable to newly hired personnel.

Neither the CEO-GM nor Key Management Personnel are included among the beneficiaries of the performance-related bonus, one-off payments or signing bonuses.

The performance gates and qualifying conditions for the MBO scheme were all met and the related incentives were thus implemented.

The aggregated amounts shown in the following tables reflect BancoPosta RFC's organisational structure at 31 December 2017.

**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 2017
Members of supervisory board	13	€ 967.117
Members of management board	2	€ 1.612.546
Marketing functions	182	€ 10.748.777
Company functions	1288	€ 41.516.134
Control functions	219	€ 11.012.218
Other	7	€ 696.933

*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 membership of Committees; for employees, the gross annual salary for the year ended 31 December 2017);
- **Variable remuneration** (estimated short-term "MBO" incentive plan – up-front and deferred –, the Performance-Related Bonus, One-Off Payment and signing bonus).

The Annual General Meeting of Shareholders held on 27 April 2017 re-elected the Company's Board of Directors. As a result, amounts relating to "**Members of the supervisory board**" and "**Members of the management board**" have been included on a pro-rata basis for all Directors in office throughout or for a part of the financial year.

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 functions:** 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 and the handling of 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**

Category	Number of beneficiaries	Fixed pay	Variable pay	Forms of variable component divided into			
				Cash	Shares	Equity-based instruments	Other instruments
Executive Directors	2	€ 1.204.248	€ 408.298	€ 204.149		€ 204.149	
Non-executive Directors	13	€ 967.117					
Senior management	10	€ 2.002.263	€ 574.262	€ 332.343		€ 241.919	
Control functions	26	€ 2.732.624	€ 614.099	€ 549.329		€ 64.770	
Other Material Risk Takers	38	€ 3.770.755	€ 822.871	€ 797.369		€ 25.502	

**Notes to Table B:**

Details of **fixed** and **variable remuneration** are provided in the notes to Table A. Above all, in keeping with the "Guidelines for BancoPosta RFC's remuneration and incentive policies for 2017" and the information circular on the "Short-term equity-based incentive plan for 2017 material risk takers employed by BancoPosta RFC" approved by the Annual General Meeting of Shareholders on 27 April 2017, regarding the method of payment for the short-term incentive scheme ("MBO"), the item, "Equity-based instruments" shows the best estimate, at the time of preparation of this document whilst awaiting approval of the Company's financial statements, of the face value of the phantom stocks linked to the MBO scheme for 2017.

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 2016, whilst the heads of the "**Control functions**" are included in the specific category together with their control teams.

The beneficiaries of the "Phantom Stock LTIP" (2017-2019 cycle) include the CEO-GM and 5 senior managers. The rights attaching to the phantom stocks have yet to vest. To provide full disclosure, the fair value of the portion recognised in the financial statements for 2017 for the CEO-GM amounts to €82,520, whilst the amount for beneficiaries in the senior management team is €47,789.

**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**

Category	Total deferred remuneration	Of which		Deferred remuneration awarded during the year	
		Vested	Unvested	Target	Paid and reduced through performance conditions *
Executive Directors	€ 494.723	€ 55.911	€ 438.813	€ 55.911	€ 55.911
Non-executive Directors					
Senior management	€ 400.471	€ 37.540	€ 362.930	€ 37.540	€ 37.540
Control functions	€ 106.494	€ 13.669	€ 92.824	€ 13.669	€ 13.669
Other Material Risk Takers	€ 40.877	€ 5.119	€ 35.758	€ 5.119	€ 5.119

Notes to Table C:

\*The performance conditions were verified in previous periods. Compliance with BancoPosta RFC's capital adequacy and liquidity requirements was assessed during the year.

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

**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**

Category	Signing bonus		Severance indemnities				
	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					1	€ 2.084.597	€ 2.084.597
Non-executive Directors							
Senior management							
Control functions							
Other Material Risk Takers							

Notes to Table D:

“**Signing bonus**” means the signing bonuses paid during the year, including any deferred portions.

“**Severance pay**” means the payments awarded on termination paid during the year linked to severance.

Following the termination of employment of Francesco Caio, the Chief Executive Officer and General Manager for the period 2014-2016, on 2 August 2017, the Board of Directors approved payment of an indemnity of €1,578,638.77, and other severance pay, in addition to the sum of €425,958.23 in relation to a non-competition pact and €80,000.00 as compensation for specific rights waived connected with the termination of employment,.

The aforementioned pay-outs are made within the limits of the law and in line with the supervisory banking regulation on deferred remuneration and payments in the form of financial instruments, and in compliance with the Company Remuneration Report. This policy is described in the “Remuneration Report” prepared in accordance with art. 123-ter of the CLF, approved by the Board of Directors on 15 March 2017 and by the Annual General Meeting of Shareholders held on 27 April 2017.

A portion of this compensation was paid up front, with the remaining deferred portion payable as follows:

- 40% payable as follows: 50% in cash and the remaining 50% in the form of an equity-based payment, subject to a two-year retention period;



- 60% deferred over a period of 5 years pro-rata, with 50% payable in cash and the remaining 50% in the form of an equity-based payment, subject to a one-year retention period.

**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	
1	Between €1 and €1.5 million
	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, Matteo Del Fante, whose total remuneration is in excess of €1 million and, in particular, is between €1 and 1.5 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 - <b>Maria Bianca Farina</b> from 27/04/2017 to 31/12/2017	1	€ 324.167		€ 324.167
Chair of supervisory board - <b>Luisa Todini</b> from 01/01/2017 to 27/04/2017	1	€ 77.350		€ 77.350
Each member of management board:				
Chief Executive Officer and General Manager - <b>Matteo Del Fante</b> from 27/04/2017 to 31/12/2017	1	€ 845.388	€ 275.178	€ 1.120.566
Chief Executive Officer and General Manager - <b>Francesco Caio</b> dal 01/01/2017 al 27/04/2017	1	€ 358.860	€ 133.120	€ 491.980
General Manager				
Joint General Managers				
Deputy General Managers				

*Notes to Table F:*

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

