One Bank, One UniCredit.

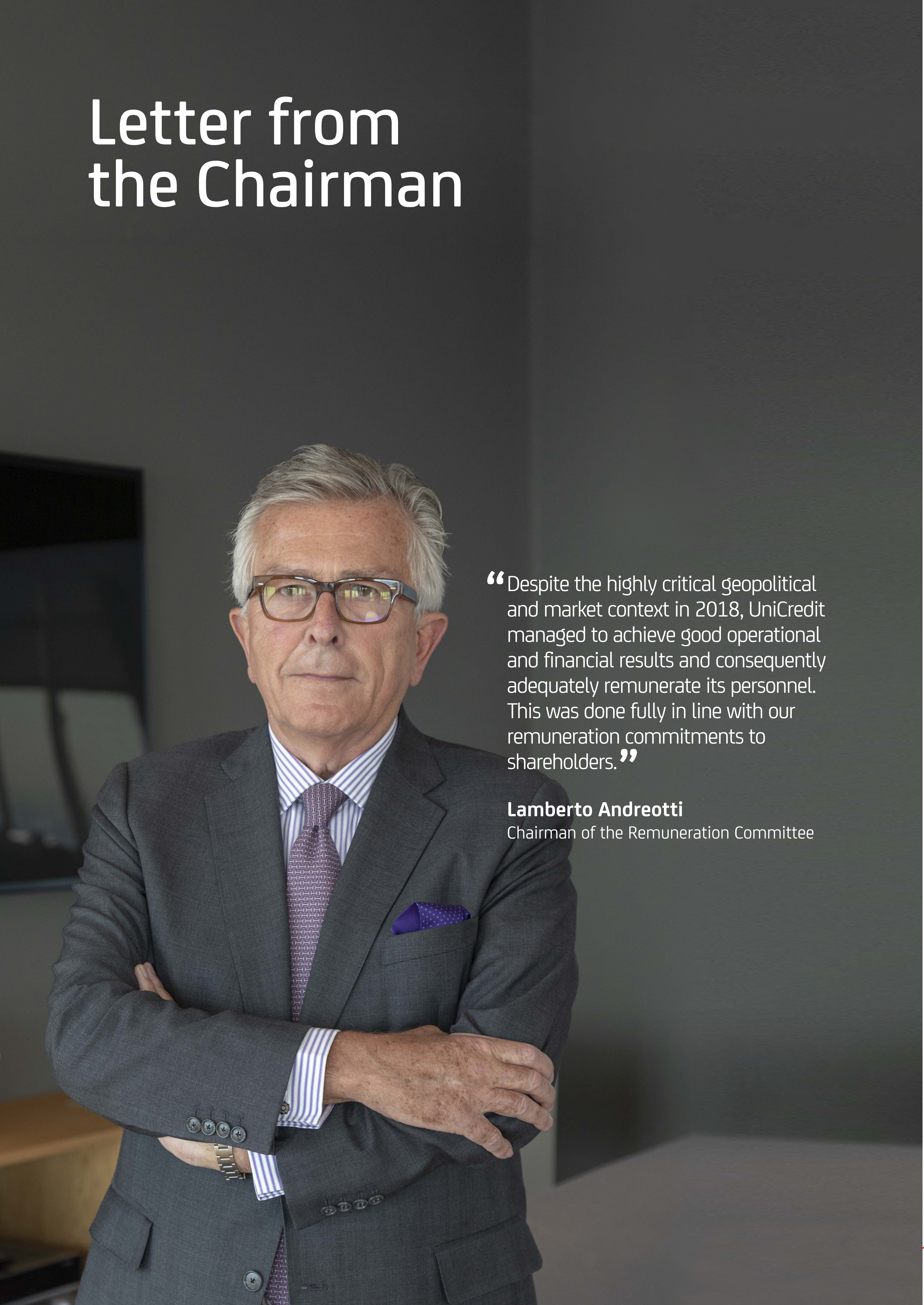
2019

Group Compensation Policy

Banking that matters. UniCredit

Contents

Letter from the Chairman



"Despite the highly critical geopolitical and market context in 2018, UniCredit managed to achieve good operational and financial results and consequently adequately remunerate its personnel. This was done fully in line with our remuneration commitments to shareholders."

Lamberto Andreotti
Chairman of the Remuneration Committee

Dear Shareholders,

It is with great pleasure that I write to you as the Chairman of the Remuneration Committee.

UniCredit remuneration policies are an integral part of the Group's strategy. Its remuneration practices are designed to properly incentivize the achievement of the strategic and operational objectives, while ensuring an adequate risk management in accordance with national and international regulatory requirements.

Our management has an ongoing commitment to defining remuneration systems that guarantee sustainable performance at both an individual and Group level. It is also continually committed to setting adequate remuneration levels to attract and retain the best people.

Since the end of 2016, the entire Group has fully focused on the implementation of our 2017-2019 Strategic Plan *Transform 2019*, which continues to be well ahead of schedule and is delivering tangible results, underpinned by strong commercial performance. Our *Transform 2019* plan ensures that UniCredit remains a Pan-European winner.

Despite the highly critical geopolitical and market context in 2018, UniCredit managed to achieve good operational and financial results and consequently adequately remunerate its personnel. This was done fully in line with our remuneration commitments to shareholders.

Bank of Italy's newly published requirements for remuneration and incentive policies and practices were carefully analyzed at the end of the year, and will be implemented in 2019.

I would like to take the opportunity to thank you, our shareholders, for your engagement in constructive discussions with the Group, aimed at understanding and addressing our mutual needs. We recognize the ongoing importance of an effective and clear communication with you and we will continue to provide you with comprehensive information on our remuneration practices through the use of different media. We also continue to make available to you an interactive presentation of the main points of our policy on the UniCredit website.

I would also like to thank the other members of the Remuneration Committee for their collaboration and contribution to our activities during the first year of work together, as well as the personnel in Human Capital who have openly and constructively cooperated with us.

Sincerely,

Lamberto Andreotti
Chairman of the
Remuneration Committee

Section I

Executive Summary

1. Our Compensation Policy

The implementation of the principles set in our Group Compensation Policy provide the framework for the design of the reward programs across the group.

Policy standards ensure that compensation is aligned to business objectives, market conditions and shareholders' long term interests.

UniCredit's compensation approach has been consolidated over time under our group governance, to be compliant with the most recent national and international regulatory requirements. Our approach is connected to performance, market awareness, and to be aligned with business strategy and shareholders' interests.

The key pillars of our Group Compensation Policy (Section II) reflect the most recent regulations in terms of remuneration and incentive policies and practices, in order to build year after year, in the interest of all stakeholders, remuneration systems aligned with long-term strategies and goals. These are linked with company results and adequately adjusted in order to take into account for all risks, consistent with capital and liquidity levels needed to support all activities and avoid distorted incentives that could lead to breach of law or excessive risk taking.

Our Group Compensation Policy is an integral part of our strategy. In December 2016, the CEO Jean Pierre Mustier announced the review of the compensation strategy and the main elements of the new framework in connection to the 2016-2019 Strategic Plan *Transform 2019* (in the following also "Strategic Plan *Transform 2019*" or "*Transform 2019*").
Based on 2018 results, *Transform 2019* continues to be well ahead of schedule and is delivering tangible results. A specific description is reported in the Annual Compensation Report.

Focus Transform 2019
See Section III for more information »

2019 Group Compensation Policy fully encompasses the changes requested by Circular 285 from Bank of Italy (25th update of October 23, 2018) on remuneration and incentive matters.

1.1 Key Pillars

Clear and transparent governance.

Compliance with regulatory requirements and principles of good business conduct.

Continuous monitoring of market trends and practices.

Sustainable pay for sustainable performance.

Motivation and retention of all employees, with particular focus on talents and mission-critical resources.

Details
Section II-Chapter 1 »

The key pillars of our Group Compensation Policy ensure a correct definition of competitive compensation levels, internal equity and transparency.

Group Compensation Policy is aligned to the latest national and international regulatory requirements[1].

Full compliance with compensation policies and processes is assured through the involvement of Corporate Control Functions, such as Compliance, Internal Audit and Risk Management that also guarantee the coherence with the Risk Appetite Framework, in line with sector regulations.

1. i.e. Capital Requirement Directive IV (CRD IV); EBA Regulatory Technical Standards (RTS); Bank of Italy "Disposizioni di vigilanza per le Banche", Circular n. 285 of December 17, 2013, 25th update of October 23, 2018.

1.2 Compensation benchmarking and policy target

Confirmation of the peer group for compensation benchmarking, performed by an external advisor.

Definition of specific peer group at country/division level to assure competitive alignment with the market of reference.

Details
Section III-Chapter 3 »

With specific reference to the group Executive population, the Remuneration Committee, supported by an independent external advisor, confirmed the list of selected competitors that represent our group-level peers for compensation benchmarking (disclosed on chapter 3, Compensation Report). Compensation benchmarking analysis is performed in comparison to this peer group. As a policy target, the fixed compensation of Identified Staff (Material Risk Takers) is set on the market median as reference, with individual positioning being defined on the basis of specific performance, potential and people strategy decisions, individual total compensation as well as UniCredit's performance over time.

1.3 Identified Staff (Material Risk Takers) definition

Application of qualitative and quantitative criteria, which are common at European level, as defined by EBA RTS.

Details
Section III-Paragraph 5.1 »

The Identified Staff population has been updated ensuring full compliance with current regulations. The identification followed a structured evaluation process both at group and local level, based on the application of qualitative and quantitative criteria common at European level. The result of the evaluation process for the definition of Identified Staff has led to the identification of ca. 1,000 resources for 2019.

1.4 Ratio between variable and fixed compensation

In compliance with the regulatory requirements, the 2:1 ratio represents the maximum limit between variable and fixed components of remuneration for all employees belonging to business functions, including Identified Staff.

Details
Section II-Paragraph 3.1 »

In compliance with applicable regulations, it has not changed - for the personnel belonging to the business functions - the adoption of a maximum ratio between variable and fixed remuneration of 2:1 as approved by the Annual General Meeting of May 13, 2014.

Positions entitled to a variable to fixed ratio of potentially a maximum of 2:1 are:

- Group Chief Executive Officer;
- Group Heads and Deputies of Commercial Banking, Corporate and Investment Banking, Chief Operating Office function, Finance & Controls function;
- CEO and General Managers of Group Legal Entities;
- Personnel belonging to Business Divisions (e.g. Commercial Banking, Corporate and Investment Banking), excluding control or support roles.

Assumptions upon which the increase, type of personnel and limit itself were based have not changed (e.g. UniCredit business model kept stable since 2014, the compensation strategy is competitive at international level and basically in line with the one in 2014).
On the basis of the ECB Recommendation on dividend distribution policies issued in January 2019, UniCredit capital ratios satisfy the regulatory capital requirements which allow the Group to be classified within the first category of institutions, with the highest level of capital ratios, and therefore with the lowest limitations on dividend distributions.
In addition UniCredit sets its variable remuneration policy in order to respect in a forward looking perspective the most updated regulatory capital recommendations on variable remuneration[2].

In 2019, Identified Staff belonging to this category are about 500 resources of which, based on the target variable remuneration level and including in the calculation the pro-temporis quota of 2017-2019 LTI Plan, for only 150 positions is estimated an overall variable remuneration that may exceed the 1:1 limit.
The estimated portion of the 2019 Incentive System that could be awarded to those roles in excess to the 1:1 ratio is less than 10% of the overall estimated pool (approx. € 15 million, of which € 8 million in UniCredit shares), with a potential impact on UniCredit share capital of approximately 0.06%, assuming that all free shares for employees are distributed. This amount of capital (i.e. €15 million) is equivalent to ca. 0.4 bps of Unicredit Group CET1 ratio.
In light of this information, it is set that the decision to maintain a maximum level of variable remuneration of 2:1 of the fixed remuneration for the personnel belonging to the business functions (as approved by the Annual General Meeting on 2014) would not affect the Group maintenance of a sound capital base.

Therefore, the adoption of a ratio of 2:1 between variable and fixed compensation does not have any implications on the bank's capability to continue to respect all prudential rules, in particular capital requirements.

This approach allows UniCredit to maintain a strong link between pay and performance, as well as competitiveness in the market. Our main peers have also taken the same approach in order to limit the effects of the un-even playing field in market where the cap is not present, to avoid the rigidity of the cost structure derived from a possible increase of fixed costs and to guarantee the alignment with multi-year performance, through deferring a relevant component of the variable compensation.

For the rest of the staff a maximum ratio between the components of remuneration equal to 1:1 is usually adopted, except for the staff of the Corporate Control Functions, for Human Resources and Manager in Charge of Drafting the Company Financial Reports for which it is expected that fixed remuneration is a predominant component of total remuneration. For these Functions is also foreseen that incentive mechanisms are consistent with the assigned tasks, as well as being independent of results from areas under their control.
For these Corporate Control Functions, in particular, the maximum weight of the variable component will take into account the differences between national rules and regulations in application of Directive 2013/36/ EU in the various countries in which the group operates[3], in order to ensure equal operating conditions in the market and the ability to attract and retain individuals with professional skills and capabilities adequate to meet the needs of the group.

1.5 Compliance breach, Malus and Claw-back

The group reserves the right to activate malus and claw-back mechanisms, namely the reduction/cancelation and the return respectively of any form of variable compensation.

Details
Section II-Paragraph 3.2 »

According to Bank of Italy and EBA requirements[4] and to further strengthen the governance framework, the key rules of compliance breaches management, as well as their related impact on remuneration components through the application of both malus and claw-back clauses, are reported in the Group Compensation Policy.

2. ECB letter - Variable remuneration policy of UniCredit S.p.A., as of January 2019.
3. In particular, for the Identified Staff of Corporate Control Functions in Italy, the ratio between the variable and the fixed components of remuneration cannot exceed the limit of one third, as per BankIt provision (Circular n. 285 of December 17, 2013, 25th update of October 23, 2018).
4. Bank of Italy Circular 285 on "Policies and practices on remuneration and incentive" updated as of October 23, 2018 and EBA guidelines.

1.6 Incentive system linked to the annual performance

The Group Incentive System 2019, that confirms the "bonus pool" approach introduced in 2014, provides for a strong link between remuneration, risk and sustainable profitability.

Such a system provides for an overall performance assessment both at individual level and at group/country/division level.

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Section III-Paragraph 5.3 »

9 bonus pools whose size is linked to the profitability of each country/division.

Entry Conditions: a mechanism that determines the possible application of the malus clause (Zero Factor), on the basis of performance indicators in terms of profitability, capital and liquidity defined at both group and country/division level.

Adjustments to the bonus pools driven by the evaluation of the risk and sustainability for each country/division (alignment to Cost of Capital and Risk Appetite Framework).

Bonus allocation: the incentive is allocated managerially, taking into consideration the available bonus pool, the individual performance evaluation based on risk-adjusted indicators and specific reference value for each position.

Payout: individual bonus is composed by more than 50% in shares for Senior Management[5] and of 50% cash and 50% shares for the remaining Identified Staff; paid out over a period up to 6 years, ensuring alignment with shareholders' interests and malus and claw-back conditions as legally enforceable.

1.7 Performance measurement

Review of the "KPI Bluebook" that supports manager and incumbent to define the Scorecard referring to the annual Incentive System for the Identified Staff.

Details
Section III-Paragraph 5.4 »

The KPI Bluebook supports the definition of Scorecards providing a set of performance indicators and guidelines. The categories of the main economic and non economic group indicators, annually defined within the KPI Bluebook, are certified with the involvement of Human Capital, Finance, Risk Management, Compliance, Group Sustainability, Group Stakeholder Insight and Internal Audit functions, which reflect the group's core operating profitability and risk profile. The KPI Bluebook includes KPIs defined within the scope of the Strategic Plan *Transform 2019*.

5. EVP and above banding and other apical roles foreseen by Bank of Italy Circular 285.

1.8 2017-2019 Long Term Incentive System

A Long Term Incentive Plan has been introduced in 2017 with the aim to further align Senior Management[6] interests to long term value creation for the shareholders, share price and group performance appreciation, as well as sustaining sound and prudent risk management.

Details
Section III-Paragraph 5.5 »

The Plan provides for the allocation of incentives based on shares, subject to the achievement of specific performance indicators aligned to the Strategic Plan *Transform 2019*.

The Plan is structured around a 3-year performance period, consistent with the UniCredit Strategic Plan, and provides for the allocation of the possible award after the end of 2019.

The award is subject to a 3-year deferral period, after the performance period, and to the application of a cumulative Zero Factor condition, providing for the respect of minimum conditions of profitability, liquidity and capital position.

In line with regulatory requirements additional holding periods are applied at the end of the deferral period.

1.9 Share ownership guidelines

Share ownership guidelines set minimum levels for company share ownership by relevant Executives[7], by ensuring appropriate levels of personal investment in UniCredit shares over time. As part of our total compensation approach, we offer equity incentives which provide for opportunities of share ownership, in full alignment with the applicable regulation requirements.

Details
Section II-Paragraph 3.5 »

At the end of 2011, the Board of Directors approved the share ownership guidelines applied to the Chief Executive Officer, General Manager and Deputy General Manager roles, if any.

On March 2017 the Board of Directors of UniCredit approved an update of the above mentioned share ownership guidelines, extending their application to Senior Executive Vice President and Executive Vice President positions, taking into consideration the roles that are currently covered, with the aim of aligning managerial interests to those of shareholders' for the execution of the Strategic Plan *Transform 2019*.

The established levels should be reached, as a rule, within 5 years from the appointment in the above indicated Executives categories within the scope of the guidelines and should be maintained until the role is held. The achievement of the share ownership levels should be accomplished through a pro rata approach over a 5-year period, granting a minimum amount of shares each year.

6. The Identified Staff of Corporate Control Functions are not included in the Plan.
7. Considering the application, from 2016, of the new ratio between the variable and the fixed components of remuneration (which cannot exceed the limit of one third for the Identified Staff within Italian Control Functions, while fixed remuneration is expected to be the predominant component for the Control Functions of other geographies), share ownership guidelines are not applied to the Executives who are part of Corporate Control Functions. Considering the 25th update of Circular n° 285 of October 23, 2018, the whole HR function is not considered any longer as a Corporate Control Function and therefore subject to the Share Ownership Guidelines, starting from 2019.

1.10 Severance payments

Continuous alignment with regulations/contractual frameworks from time to time in force.

Severance payouts take into consideration long-term performance, in terms of shareholders' added-value. They do not reward failures or abuses and shall not exceed in general 24 months of total compensation, including notice (in case of lack of law/ National Labour agreement provisions as locally applicable).

Details
Section II-Paragraph 3.3 »

An update of the policy on payments to be agreed in case of early termination of a contract (so called "severance payments"), already largely approved by the Annual General Meeting on April 20, 2017, it is submitted to the Ordinary Meeting on April 11, 2019 with the goal to include some changes introduced on October 23, 2018 by Bank of Italy with the 25th update of the Circular n. 285 of December 17, 2013. The amendments are mainly related to the introduction of the predefined formula for the calculation of the "severance" for the settlement of a current or potential dispute related to employment termination and to better specify some details, while not considering changes on the main criteria and limits.

1.11 2018 results and compensation decisions

› 2018 Results

On December 12, 2016 the Board of Directors of UniCredit S.p.A. approved the 2016-2019 Strategic Plan, *Transform 2019*, which, on the day after, was presented to analysts and investors.

The Plan *Transform 2019* was produced with the aim of maintaining a level of profitability that is sustainable over time, using the leverage of a simple commercial bank business model, strengthening cross-selling activities (i.e. commercial synergies) and offering customers access to an extensive network of branches.

Based on 2018 results, *Transform 2019* is well ahead of schedule and continues to deliver sustainable results, underpinned by strong commercial performance:

- **Strengthen and optimise capital**: fully loaded CET1 ratio of 12.07 per cent in 4Q18, including -23 bps of regulatory headwinds, with an MDA buffer of 201 bps[8]. A 0.2 p.p. positive impact on CET1 ratio from real estate disposals is expected mainly in 2019. TLAC subordination ratio was 17.42 per cent[9] at the end of December 2018, fully compliant with a TLAC subordination requirement of above 17.1 per cent and pro-forma of 18.13 per cent[10] with a buffer of 107 bps[11];

- **Improve asset quality**: the Group balance sheet de-risking continued during the fourth quarter with gross NPEs further down to €38.2 bn in 4Q18 from €40.8 bn in 3Q18. Group gross NPE ratio significantly improved 265 bps Y/Y to 7.7 per cent in 4Q18, with a solid coverage ratio of 61.0 per cent. Group gross NPE disposals contributed €1.8 bn in 4Q18 and €4.4 bn in FY18. Group Core gross NPEs dropped to €19.6 bn while gross NPE ratio improved 99 bps Y/Y to 4.1 per cent in 4Q18, close to the EBA average[12]. The coverage ratio improved to 57.8 per cent in 4Q18. Accelerated Non Core rundown by 2021 is proceeding according to plan. At the end of December 2018, Non Core division became a closed NPE portfolio as all performing exposures had been reduced to zero. Non Core gross NPEs were down to €18.6 bn, better than the target of €19 bn, down €7.5 bn Y/Y. There were €1.2 bn of Non Core disposals in 4Q18 and €2.1 bn in FY18.

- **Transform operating model**: the transformation of the operating model is well ahead of schedule. Since December 2015:
  - 881 branches have been closed in Western Europe (of which 50 closed in 4Q18), corresponding to 93 per cent of the 944 planned closures by 2019;
  - FTEs have been reduced by approximately 14,000 (of which 1,087 FTEs in 4Q18), corresponding to 100 per cent of the planned reductions by 2019.

8. MDA buffer vs. fully loaded requirement as at 1 January 2019.
9. Managerial figures under current regulatory assumptions.
10. Managerial figures under current regulatory assumptions, including USD3 bn of senior non-preferred issuance in January 2019.
11. Managerial figures under current regulatory assumptions, including USD3 bn of senior non-preferred issuance in January 2019.
12. Weighted average "NPL" ratio of EBA sample banks is 3.4 per cent. Source: EBA risk dashboard (data as at 3Q18). UniCredit's definition of "NPE" ratio is more conservative than EBA.

- **Maximise commercial bank value**: commercial initiatives are in place across the whole Group, delivering tangible results. During the fourth quarter of 2018:
  - the mobile user penetration[13] in CEE improved by 2.3 p.p. Q/Q to 40.5 per cent;
  - a new partnership with Google Pay was launched in Italy, offering seven million cardholders an additional fast and easy way to pay via mobile;
  - after the successful roll-out in Italy, UniCredit has launched a partnership with Apple Pay in Germany among the first in the country to do so;
  - a new insurance product called "MyCare Family" was released in Italy in November 2018, with more than 50k contracts underwritten at the end of 2018;
  - a new fully digitalised onboarding and retail account opening process was launched in Germany.

In FY18, UniCredit confirmed its top position in debt financing, by ranking:

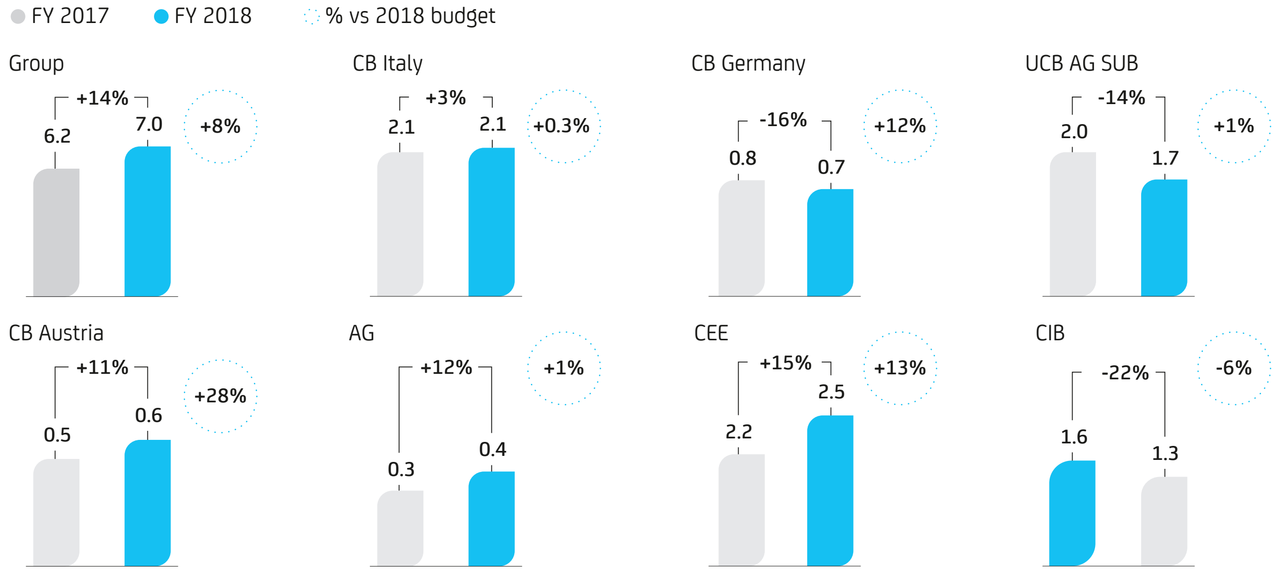
- #1 in "All Bonds in EUR" by number of deals since 2012, "All Bonds in EUR" (Italy and Germany), "All Covered Bonds", "All Syndicated Loans" (Italy, Germany, CEE and Austria), "Leveraged Loans" (Italy, Germany, CEE and Austria) and in "Third Party EMTN";
- #2 in "All Syndicated Loans in EUR" and "SSA Bonds in EUR";
- #3 in "All Bonds in EUR", "Corporate Hybrid Bonds" and "Leveraged Loans in EUR".

  Moreover, the strength of the fully plugged-in CIB platform and the strong mid-corporate footprint were further underlined by ranking #1 in "Corporate Finance Advisory" by number of deals in Italy and CEE, and #1 in "Project Finance" in Italy and Austria[14].

  In addition, CIB won a number of prestigious awards across many products and geographies, including: Best Global Trade Finance Provider in five categories and eleven European countries according to the Euromoney Trade Finance Survey 2019.

- **Adopt a lean but steering Group Corporate Centre (GCC)**: the ratio of GCC costs to total costs was down -0.8 p.p. FY/FY to 3.4 per cent in FY18 (compared to 5.3 per cent as of December 2015). The 2019 target of 3.8 per cent is confirmed.

Bonus pool performance metrics (pre bonus)



Data in bn.
Bonus pool performance metrics pre bonus: Net Operating Profit (Commercial Banking Italy, Commercial Banking Germany, UCB AG SUB, Commercial Banking Austria, CEE); Net Operating Profit Group; Profit Before Taxes (AG); GOP-EL-CoC (CIB).
% vs. 2018 budget calculated neutralizing exchange rate effects.

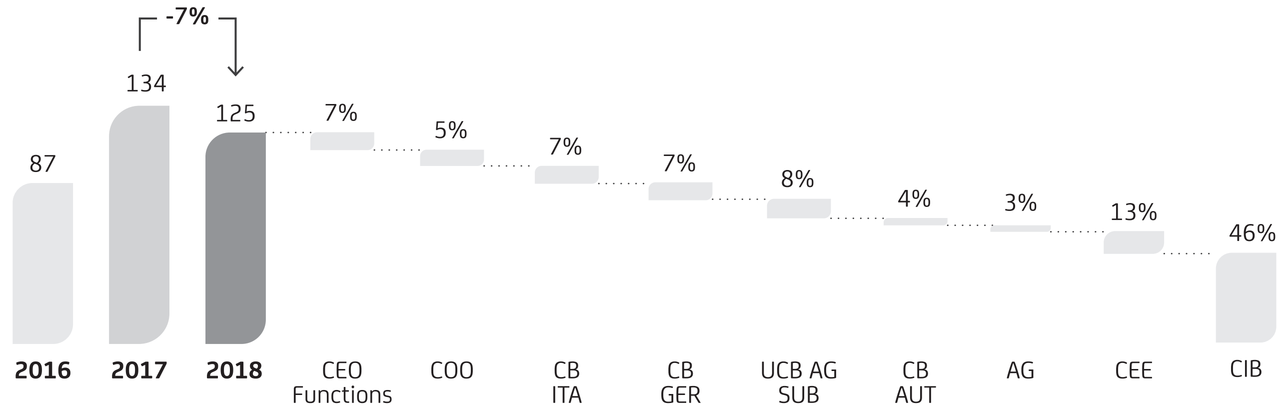
13. Including Yapi at 100 per cent. Ratio defined as number of retail mobile users as percentage of active customers.
14. All league tables are based on Dealogic data as of 2 January 2019. Period: 1 Jan. – 31 Dec. 2018. Rankings by volume unless otherwise stated.

› Compensation decisions

With reference to 2018, the UniCredit Board of Directors considered the proposals of the Remuneration Committee and the guidelines of the regulatory authorities on variable remuneration.
The evaluation regarding compensation decisions, as done before in the previous years, was supported by a rigorous group governance process in order to guarantee coherence and transparency for all the participants involved.

For 2018, no annual bonus is envisaged for the CEO and the former General Manager, as, until 2019, their variable compensation is entirely covered by the LTI Plan 2017-2019, tied to the Strategic Plan *Transform 2019* targets. In line with group governance, assessment and payment for the other Executives with strategic responsibilities perimeter have been reviewed by the Remuneration Committee and approved by the Board of Directors, heard the Statutory Auditors and Internal Controls and Risks Committee as relevant.

The Board of Directors approved the following distribution of the bonus for the Identified Staff population (ca. 1,100 resources), defined on the basis of the application of the 2018 Group Incentive System rules approved by the Shareholders' Meeting:



Data in mln Euro. 2018 not including 2017-2019 LTI pro-rata grant (not awarded) equal to 25 mln Euro.

› Our Compensation Disclosure

The Annual Compensation Report (Section III) provides the description of our compensation practices and the implementation outcomes of Group Incentive Systems, as well as remuneration data with a focus on non-executive Directors and Identified Staff, defined in line with regulatory requirements.

Full disclosure on compensation payout amounts, deferrals and the ratio between variable and fixed components of remuneration for Identified Staff is provided in the Annual Compensation Report (paragraph 6.1, 2018 Remuneration Outcomes), including data regarding Directors, General Managers and other Executives with strategic responsibilities categories.

Data pursuant sect. 84-quarter Consob Issuers Regulation Nr. 11971, Compensation Report-Section II, as well as the information on incentive systems under 114-bis of legislative decree 58/1998 ("Testo Unico della Finanza" - "TUF") are included in the attachments to the 2019 Group Compensation Policy, published on UniCredit's website, in the section dedicated to 2019 Shareholders' Meeting.

Details
Section III-Paragraph 5.2 »

1.12 Chief Executive Officer and former General Manager variable and fixed compensation data

As per the request by the CEO Jean Pierre Mustier to the Board of Directors in 2016, to set the right tone from the top, as well as to fully align his interests with all stakeholders, specific conditions are applied to his remuneration effective January 1, 2017.
In particular, his fixed remuneration was reduced by 40%. With reference to 2018, the Chief Executive Officer received a total fixed remuneration of € 1.2 million, including director's remuneration.

The former General Manager received in 2018 a total fixed remuneration of € 1.2 million.
Neither the CEO nor the former General Manager received any annual bonus for 2018.

As already announced in 2016 during the Strategic Plan presentation to analysts and investors, until 2019 their variable pay is entirely based on the 2017-2019 Long Term Incentive Plan, tied to *Transform 2019* targets.

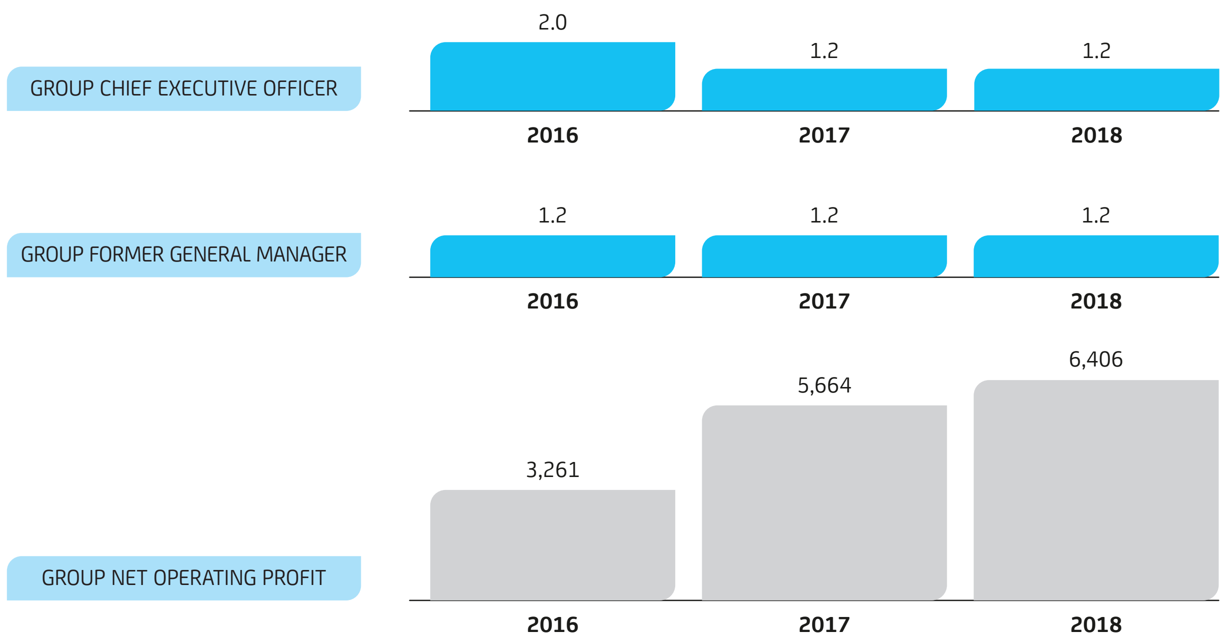
In the following picture, the remuneration of the CEO and the former General Manager is represented in connection to the performance of UniCredit over the past three years.

Details
Section III-Paragraph 5.2 »

Link between pay and performance

Fixed remuneration

It has to be noticed that the Group CEO and the former GM, although they are not assigned the annual bonus, participate in the 2017-2019 LTI Plan for maximum 521,134 shares each. The award of the shares, total or partial, will be evaluated after the end of 2019. Considering the exit of the former General Manager from the Company on May 31, 2019, his rights related to the LTI Plan will be re-proportioned for the months of duration of his service, please see the dedicated focus section for more details. The award of shares, total or partial, will anyhow depend on the achievement of the performance targets, evaluated after the end of 2019.



Data in mln.
2016 group Net Operating Profit adjusted excluding ~ € -8.3 bn one offs respectively referred to additional LLP (~-8.0 bn), Operating Costs one-offs, mainly IT related (~-0,6 bn) and Revenues one offs (~+0,3 bn), mainly related to Visa Europe gain.

1.13 Ex ante disclosure of 2017-2019 goals for Chief Executive Officer and former General Manager

For the whole time horizon of the Strategic Plan *Transform 2019*, the variable remuneration for the Group Chief Executive Officer and the former General Manager is covered by the 2017-2019 Long Term Incentive Plan, tied to Strategic Plan targets and overall aligned to the Risk Appetite Framework.

The related performance scorecard is shown below:

	KPI	Perimeter	Weight	Target *Transform 2019*	Assessment criteria Threshold	Payout
Value creation	ROAC	Group	50%	9%	≥ 9%	100%
					8% - 9%	0% - 100%[B]
					< 8%	0%
Industrial sustainability	Cost/ Income ratio	Group	25%	52%	≤ 52%	100%
					55% - 52%	0% - 100%[B]
					> 55%	0%
Risk	NET NPE[A]	Group	25%	20.2 bn	≤ 20.2 bn	100%
					22 - 20.2 bn	0% - 100%[B]
					> 22 bn	0%

A. Net Non Performing Exposure (after provisions).
B. Linear progression (eg. 50% payout for ROAC at 8.5%).

An update on the LTI Plan progress status was provided to the Remuneration Committee on February 5, 2019. All the entry conditions (gateways&risk adjustment) were met in 2017 and in 2018, while the Company results referred to the LTI Plan KPIs are fully on track towards 2019 targets achievement.

Only to contextualize the progress status, and with no impact on 2019 assessment, 2018 results on the LTI KPIs are:

- ROAC 8.7% (2018 target 7.6%)[15];
- Cost/Income ratio 54.0% (2018 target 54.8%);
- Net NPE € 14.9 bn (2018 target € 21.8 bn).

The actual evaluation of the overall LTI Plan, including the appraisal of performance targets, will be carried out at the end of the three years performance period (i.e. at the end of 2019 on end-of-Plan targets).

Details
Section III-Paragraph 5.5 »

15. ROAC at 12.5% CET1 ratio target (allocated capital based on CET1 ratio target constant at 2019 level).

Section II

Group Compensation Policy

1. Introduction

Our set of values is based on integrity as a sustainable condition to transform profit into value for our stakeholders.

By upholding the standards of sustainable behaviors and values which drive our group mission, the compensation strategy represents a key enabler to enhance and protect our reputation and to create long-term value for all group stakeholders.

Through appropriate compensation mechanisms, we aim to create a work environment which is comprehensive in its diversity, fostering and unlocking individual potential in order to attract, retain and motivate a highly qualified global workforce capable of creating a competitive advantage. We also aim to reward those who reflect our standards of ethical behavior in the conducting business in a sustainable way.

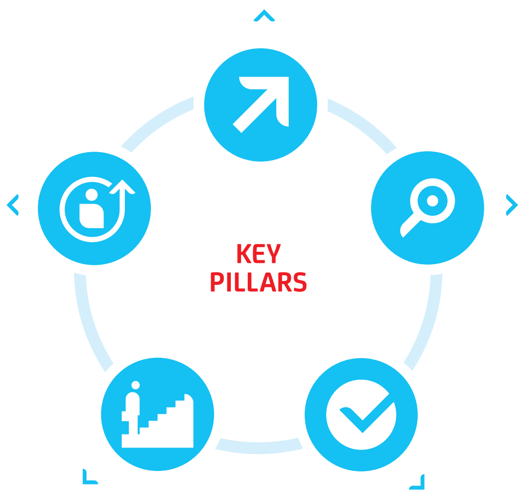
Relying on our governance model, our Group Compensation Policy sets the framework for a coherent and consistent design, implementation and monitoring of compensation practices across the entire group.

Within this common policy framework, guidelines are defined to implement compensation programs and plans that reinforce sound risk management policies and our long-term strategy. In doing so, we effectively meet the specific and evolving needs of our different businesses, market contexts and employee populations while ensuring that business and people strategies are always appropriately aligned with our remuneration approach.

To ensure the competitiveness and effectiveness of remuneration as well as transparency and internal equity, the principles of sustainable conduct and performance define the key pillars of our Group Compensation Policy.

Clear and transparent governance, through efficient corporate and organizational governance structures, as well as clear and rigorous governance and rules.

Sustainable pay for sustainable performance, by maintaining consistency between remuneration and performance, and between rewards and long-term stakeholder value creation, as well as enhancing both the actual result achieved and the means by which they are achieved.



Continuous monitoring of market trends and practices and awareness of international practices, aimed at sound formulation of competitive compensation as well as at transparency and internal equity.

Motivation and retention of all employees, with particular focus on talents and mission-critical resources, with the aim to attract, motivate and retain the best resources capable of achieving our company mission in adherence to our group values.

Compliance with regulatory requirements and principles of good business conduct, by protecting and enhancing our company reputation, as well as avoiding or managing conflicts of interest between roles within the group or vis-à-vis customers.

2. Governance

Our compensation governance model aims to assure clarity and reliability of remuneration decisional processes by controlling group - wide remuneration practices and ensuring that decisions are made in an independent, informed and timely manner at appropriate levels, avoiding conflicts of interest and guaranteeing appropriate disclosure in full respect of the general principles defined by regulators.

2.1 Role of the Remuneration Committee

In order to foster an efficient information and advisory system to enable the Board to better assess the topics for which it is responsible, pursuant to the Supervisory Authority provisions on corporate governance and with the ones of the Corporate Governance Code of Listed Companies ("Corporate Governance Code"), the Remuneration Committee has been established by the Board, vested with research, advisory and proposal-making powers.

In particular, the Remuneration Committee is entrusted with the role of providing advice, opinions and proposals submitted to the Board of Directors with regard to the Group remuneration strategy. The Remuneration Committee relies on the support of internal corporate functions and, in particular, of Group Risk Management and Group Compliance functions, respectively for the topics under their scope. Moreover, the Committee may avail itself of advisors, even external, to ensure that remuneration and incentive systems are consistent with the Bank's risk, capital and liquidity profiles (e.g. regarding the remuneration policy for corporate officers) as well as constantly updated on the market evolution, remuneration dynamics and regulatory framework.

The Chairman of the Remuneration Committee in the first following meeting informs the Board of Directors about the activities carried out in the meetings by the Committee itself.

The Remuneration Committee shares at the end of its meetings the discussed documentation with the Board of Statutory Auditors.

The Remuneration Committee was instituted in 2000. With the renewal of the whole administrative body in 2018, the Company reviewed its composition. The members of the Remuneration Committee, which was instituted based on Bank of Italy supervisory arrangements and also in line with the Code's provisions, are all non-executive and the majority of them independents according to the Articles of Association.

2.2 Market Benchmark

At group level, we analyze the overall compensation trends of the market through a continuous benchmarking activity, in order to make informed decisions and adopt competitive reward structures for effective retention and motivation of our critical resources.

With specific reference to the group Executive population, an independent external advisor supports the Remuneration Committee in the definition of our direct competitors that represent our international group-level peers (peer group) with regards to whom compensation benchmarking analysis is performed on market trends, practices and compensation levels.

The peer group is defined by the Remuneration Committee considering our main European competitors in terms of market capitalization, total assets, business scope and dimension.

At country/division level and as appropriate throughout the organization, benchmarking and trends analysis may be conducted considering relevant peer groups to assure competitive alignment with the market of reference.

2.3 Definition of the Group Compensation Policy

On an annual basis, the Group Compensation Policy, as proposed by the Remuneration Committee, is defined by the Board of Directors, and then presented to the shareholders' Annual General Meeting for approval, in line with regulatory requirements.

In particular, the Group Compensation Policy is drawn up by the Group Human Capital function with the involvement of the Group Risk Management functions and is validated by the Group Compliance function for all compliance-related aspects, before being submitted to the Remuneration Committee. Once approved at the UniCredit Annual General Meeting, the Policy is formally adopted by competent bodies in the relevant Legal Entities across the group in accordance with applicable local legal and regulatory requirements.

The principles of the Group Compensation Policy apply across the entire organization and shall be reflected in all remuneration practices applying to all employee categories across all businesses, including staff belonging to external distribution networks, considering their remuneration specifics.

With specific reference to Identified Staff, the Group Human Capital function establishes guidelines and coordinates a centralized and consistent management of compensation and incentive systems. Regarding other employees, as relevant and appropriate for each category, division, competence line and country are accountable for compliance to the Group Policy.

2.4 Role of the Compliance Function

The Compliance function operates in close co-ordination with the Human Capital function, in order to support the design and the definition of compensation policy and processes and to evaluate them for the profiles in scope.

In particular, Compliance function, through its structures, evaluates, in coherence with the goal to be compliant to regulations, the Group Compensation Policy and, referring to local Regulations, the incentive systems for group personnel as drawn up by Human Capital function. It provides input, as far as it is concerned, for the design - by Human Capital functions - of compliant incentive systems.

The Group Incentive System for Identified Staff is defined by Group Human Capital function, with the involvement and collaboration of Group Risk Management and Finance functions, for the overall qualitative assessment of economic sustainability and of risk, and Compliance function. This is to ensure consistency with the goal of complying with regulations, articles of association and any other code of ethics or other standards of conduct applicable to the bank, so that legal and reputational risks mostly embedded in the relationship with customers are duly contained (ref. Bank of Italy).

Compliance function is also involved in the assessment process for the definition of the group's Identified Staff population, for all compliance-related aspects.

In accordance with the regulatory framework and our governance, the guidelines for the definition of the incentive systems for non-Identified Staff population are arranged by Group Human Capital function, in collaboration with Group Compliance function. At local level, the Human Capital structures define the detailed features of incentive systems and submit them to the reference Compliance structures.

2.5 Role of the Risk Management Function

UniCredit ensures the alignment between remuneration and risk through policies that support risk management, rigorous governance processes based on informed decisions taken by corporate bodies and the definition of compensation plans that include the strategic risk appetite defined by the Risk Appetite Framework, the time horizon and individual behaviors.

The Risk Management function is constantly involved in the definition of the remuneration policy, incentive system and compensation processes, in the identification of objectives, for the performance appraisal as well as for the assessment process to define the group's Identified Staff population. This involvement implies explicit link between the group incentive mechanisms, selected metrics of the Risk Appetite Framework, the validation of performance and pay, so that the assumption of risk is properly bound to incentives related to risk management.

2.6 Role of the Internal Audit Function

As part of the remuneration system governance process, the Internal Audit function annually assesses the implementation of remuneration policies and practices, performing checks on data and internal procedures. The function assesses compensation practices, providing recommendations aimed at improving the overall process and bringing to the attention of the relevant bodies any potential weakness, for the adoption of appropriate corrective measures.

2.7 Identified Staff identification process

Identified Staff population (i.e. those categories of staff whose professional activities have a material impact on an institution's risk profile) is yearly defined on the basis of a structured and formalized assessment process both at group and local level, according to the regulatory requirements defined by CRD IV and the application of qualitative and quantitative criteria set by Regulatory Technical Standards issued by EBA. This process is internally defined through specific guidelines issued by Group Human Capital function, with the involvement of Group Risk Management and Group Compliance, in order to guarantee a common standard approach at group level.

3. Fundamentals

3.1 Ratio between variable and fixed compensation

In compliance with applicable regulations, it has not changed - for the personnel belonging to the business functions - the adoption of a maximum ratio between variable and fixed remuneration of 2:1 as approved by the Annual General Meeting of May 13, 2014.

Positions entitled to a variable to fixed ratio of potentially a maximum of 2:1 are:

- Group Chief Executive Officer;
- Group Heads and Deputies of Commercial Banking, Corporate and Investment Banking, Chief Operating Office function, Finance & Controls function;
- CEO and General Managers of Group Legal Entities;
- Personnel belonging to Business Divisions (e.g. Commercial Banking, Corporate and Investment Banking), excluding control or support roles.

Assumptions upon which the increase, type of personnel and limit itself were based have not changed (e.g. UniCredit business model kept stable since 2014, the compensation strategy is competitive at international level and basically in line with the one in 2014).
On the basis of the ECB Recommendation on dividend distribution policies issued in January 2019, UniCredit capital ratios satisfy the regulatory capital requirements which allow the Group to be classified within the first category of institutions, with the highest level of capital ratios, and therefore with the lowest limitations on dividend distributions.
In addition UniCredit sets its variable remuneration policy in order to respect in a forward looking perspective the most updated regulatory capital recommendations on variable remuneration[1].

In 2019, Identified Staff belonging to this category are about 500 resources of which, based on the target variable remuneration level and including in the calculation the pro-temporis quota of 2017-2019 LTI Plan, for only 150 positions is estimated an overall variable remuneration that may exceed the 1:1 limit.
The estimated portion of the 2019 Incentive System that could be awarded to those roles in excess to the 1:1 ratio is less than 10% of the overall estimated pool (approx. € 15 million, of which € 8 million in UniCredit shares), with a potential impact on UniCredit share capital of approximately 0.06%, assuming that all free shares for employees are distributed. This amount of capital (i.e. €15 million) is equivalent to ca. 0.4 bps of Unicredit Group CET1 ratio.
In light of this information, it is set that the decision to maintain a maximum level of variable remuneration of 2:1 of the fixed remuneration for the personnel belonging to the business functions (as approved by the Annual General Meeting on 2014) would not affect the Group maintenance of a sound capital base.

Therefore, the adoption of a ratio of 2:1 between variable and fixed compensation does not have any implications on the bank's capability to continue to respect all prudential rules, in particular capital requirements.

This approach allows UniCredit to maintain a strong link between pay and performance, as well as competitiveness in the market. Our main peers have also taken the same approach in order to limit the effects of the un-even playing field in market where the cap is not present, to avoid the rigidity of the cost structure derived from a possible increase of fixed costs and to guarantee the alignment with multi-year performance, through deferring a relevant component of the variable compensation.

For the rest of the staff a maximum ratio between the components of remuneration equal to 1:1 is usually adopted, except for the staff of the Corporate Control Functions, for Human Resources and Manager in Charge of Drafting the Company Financial Reports for which it is expected that fixed remuneration is a predominant component of total remuneration. For these Functions is also foreseen that incentive mechanisms are consistent with the assigned tasks, as well as being independent of results from areas under their control.
For these Corporate Control Functions, in particular, the maximum weight of the variable component will take into account the differences between national rules and regulations in application of Directive 2013/36/ EU in the various countries in which the group operates[2], in order to ensure equal operating conditions in the market and the ability to attract and retain individuals with professional skills and capabilities adequate to meet the needs of the group.

1. ECB letter - Variable remuneration policy of UniCredit S.p.A., as of January 2019.
2. In particular, for the Identified Staff of Corporate Control Functions in Italy, the ratio between the variable and the fixed components of remuneration cannot exceed the limit of one third, as per BankIt provision (Circular n. 285 of December 17th, 2013, 25th update of October 23rd, 2018).

3.2 Sustainability of the variable compensation

Performance is evaluated in terms of risk-adjusted profitability and risk-weighted systems and mechanisms are provided.

Incentive systems must not in any way induce risk-taking behaviors in excess of the group's strategic risk appetite; in particular they should be coherent to the Risk Appetite Framework ("RAF").

3.2.1 Definition of performance targets

- Consider the customer as the central focus of our mission, placing customer satisfaction in the forefront of all incentive systems, at all levels, both internally and externally;
- design forward-looking incentive plans which balance internal key value driver achievement with external measures of value creation relative to the market;
- use both absolute and relative performance achievement metrics as appropriate and relevant, where relative performance measures are based on comparison of achieved results to those of market peers;
- consider performance on the basis of annual achievements and their impact over time;
- include reflection of the impact of individual's/business units' return on the overall value of related business groups and organization as a whole;
- maintain an adequate mix of economic goals with non-economic (quantitative and qualitative) objectives, considering also other performance measures as appropriate, for example risk management, adherence to group values or other behaviors;
- it is crucial to avoid measures linked to economic results for Corporate Control Functions (Internal Audit, Risk Management[3] and Compliance) for Human Resources Functions and Manager in Charge of Drafting the Company Financial Reports;
- the approach for Corporate Control Functions is also recommended where possible conflicts may arise due to the function's activities. In particular, this is the case of functions (if any) performing only control activities pursuant to internal/external regulations such as some structures in Accounting/Tax structures[4];
- assure independence between front and back office functions in order to guarantee the effectiveness of cross-checks and avoid conflict of interest, with a particular focus on trading activities, as well as ensuring the appropriate independence levels for the functions performing control activities;
- an appropriate mix between short and long-term variable compensation is set, as applicable, and relevant on the basis of market and business specifics and line of sight, and in line with group long term interests.

3.2.2 Performance appraisal

- Base performance evaluation upon profitability, financial solidity and sustainability, and other drivers of sustainable business practice with particular reference to risk, cost of capital and efficiency;
- design flexible incentive systems such as to manage payout levels in consideration of overall group, country/division performance results and individual achievements, adopting a meritocratic approach to selective performance-based reward;
- design incentive systems to set minimum performance thresholds below which zero bonus will be paid. In order to maintain the adequate independence levels for Corporate Control Functions for Human Resources and Manager in Charge of Drafting the Company Financial Reports provide a maximum threshold for the progressive reduction of the bonus pool, which can be phased out to zero only in presence of exceptionally negative situations with an approval process including a governance step in the Board of Directors;
- guarantee that evaluations and appraisals linked to compensation are, as far as possible, available for the scrutiny of independent checks and controls;
- evaluate all incentive systems, programs and plans taking into consideration how they enhance our overall company reputation.

3.2.3 Payment of the variable compensation

- As foreseen by regulatory requirements, defer performance-based incentive payout to coincide with the risk timeframe of such performance by subjecting the payout of any deferred component until actual sustainable performance has been demonstrated and maintained over the deferral timeframe, so that the variable remuneration takes into account the time trend of the risks assumed by the bank (i.e. malus mechanisms);
- consider claw-back actions as legally enforceable on any performance-based incentive paid out on the basis of a pretext subsequently proven to be erroneous;

3. Where CRO roles cover both Underwriting and Risk Management functions, goals assigned must not represent a source of conflict of interest between Risk Management and Underwriting activities.
4. Where CFO roles cover also Financial Statements preparation, possible economic measures have to be chosen in a conflict - avoidance perspective.

- include clauses for zero bonus in circumstances of non-compliant behavior or qualified disciplinary action, subjecting payout to the absence of any proceeding undertaken by the company for irregular activities or misconduct of the employee with particular reference to risk underwriting, sales processes of banking and financial products and services, internal code of conduct or values breach;
- envisage for bonus eligibility:
    - the compliance of mandatory trainings completion related to Compliance matters, within a pre-defined threshold, for all employees;
    - the completion of customer due diligence periodic review ("Know Your Customer"), with a pre-defined threshold, for impacted roles;
- employees are required to undertake not to use personal hedging strategies or remuneration and liability - related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. With the goal to respect this provision, Corporate Control Functions and Human Capital perform sample checks on custody and administration internal accounts for Material Risk Takers and require them to communicate the existence towards other intermediaries of custody and administration accounts and their performed transactions and financial investments, if any.

3.3 Severance

According to the regulatory requirements included in the Bank of Italy Circular n. 285, a specific Policy on payments to be agreed in case of early termination of a contract (so called Severance Policy) was firstly submitted for approval to the 2015 Annual General Meeting.

An update of that policy, with more restrictive provisions compared to the previous one, was then approved by the 2017 Annual General Meeting.

On October 23, 2018, Bank of Italy published the 25th update of the Circular 285 that, inter alia, ruled that all amounts defined upon or in view of the early termination of the employment – with the exception of the notice due by law and the statutory deferred pay (Trattamento Fine Rapporto) – are variable remuneration and are included in the calculation of the cap to the variable remuneration for the material risk takers, with the exception of:

- the consideration for non-competition covenants that do not exceed one annual fixed remuneration for each year of duration of the undertaking;
- the amounts for the settlement of an existing or potential dispute related to the resolution of the employment, as long as calculated on the basis of a predefined formula contained in the Policy.

As a consequence, it is submitted for approval to the Annual General Meeting of April 11, 2019, a further update of the Severance Policy that, without changing the main criteria and limits, incorporates the new regulatory requirements, foreseeing – inter alia – a predefined formula for the calculation of severance payments that, used for the settlement of a current or potential dispute related to employment termination, allows not to count them within the cap for the variable remuneration.

For details on criteria, limits and authorization processes, please refer to the above mentioned Policy.

Generally speaking, the calculation of any severance payment takes into consideration the long-term performance in terms of shareholder added-value, as well as any local legal requirements, collective/individual contractual provisions, and any individual circumstances, including the reason for termination.

According to the Severance Policy provisions, as approved by the 2017 Annual General Meeting, and confirmed in the proposal for 2019, severance payments, inclusive of notice, do not exceed 24 months of total compensation (including the base salary and the average amount of the incentives actually received during the last three years prior to the termination, after the application of malus and claw-back, if any. Further elements - such as the value of fringe benefits possibly granted to the employee - may be included in the computation of the above mentioned basis if this is required or foreseen by regulations, laws, contracts or common practices locally applicable). It is also foreseen that the amount of the payments additional to notice cannot exceed 18 months of compensation. In any case, the termination payments, which consider also the duration of the employment, do not exceed the limits foreseen by the laws and collective labor agreements locally applicable in case of lay-off.

As a rule, discretionary pension benefits are not granted and, in any case, even if they might be provided in the context of local practices and/or, exceptionally, within individual agreements, they would be paid consistently with the specific and applicable laws and regulations.

Individual contracts should not contain clauses envisaging the payment of indemnities, or the right to keep post-retirement benefits, in the event of resignations or dismissal/revocation without just cause or if the employment relationship is terminated following a public purchase offer. In case of early termination of the mandate, the ordinary law provisions would therefore apply.

FOCUS
Compliance breach, Malus and Claw-back

The group reserves the right to activate malus and claw-back mechanisms, namely the reduction/cancelation and the return respectively of any form of variable compensation.
Malus mechanism (the reduction/cancelation of all or part of the variable remuneration) can be activated to the variable remuneration to be awarded or that has already been awarded and has not yet been paid out, for the year in which the breach occurred. If the affected variable remuneration is not sufficiently large to ensure an appropriate malus mechanism, the reduction may be applied also to other variable remuneration components.
Claw-back mechanism (the return of all or part of the variable remuneration) can be activated on the overall variable remuneration already paid, awarded for the time period during which the breach occurred, unless different provisions by local regulations or more restrictive provisions are in force.
The claw-back mechanisms can be activated up to a period of at least 5 years after the payment of each installment, also after the employee's contract termination and/or the end of the appointment and take into account legal, social contributions and fiscal profiles and the time limits prescribed by local regulations and applicable practices.
Malus and claw-back mechanisms may apply in the case of verification of behaviors adopted in the reference period (performance period), for which the employee[5]:

- contributed with fraudulent behavior or gross negligence to the group incurring significant financial losses, or by his/her conduct had a negative impact on the risk profile or on other regulatory requirements at group or country/division level;
- engaged in misconduct and/or fails to take expected actions which contributed to significant reputational harm to the group or to the country/division, or which were subject to disciplinary measures by the Authority;
- is the subject of disciplinary measures and initiatives envisaged in respect of fraudulent behavior or characterized by gross negligence during the reference period;
- infringed the requirements set out by articles 26 TUB and 53 TUB, where applicable, or the obligations regarding the remuneration and incentive system.

Malus mechanisms are also applied to take into account the performance net of the risks actually assumed or achieved, the performance related to the balance sheet and liquidity situation.

According to the EBA guidelines[6] and to further strengthen the governance framework, the key rules of compliance breaches management, as well as, their related impact on remuneration components, through the application of both malus and claw-back clauses, are reported in the followings.

Specific guidelines about the application of the Compliance Breach procedure to be adopted throughout the group were formalized and provided by the Holding Company to the Legal Entities that apply local adaptations consistent with the overall group approach and with regulations in the various countries in which the group operates.
The process is specifically applicable to the Identified Staff population, as per regulatory provisions, while general principles are applicable to all individuals within the group[5] who are beneficiaries of variable remuneration.
The main elements of the Compliance Breach procedure are the followings:

- breaches identification, based on the roles and responsibilities of the functions involved according to their ordinary activities. The identification is based both on internal and external sources (e.g special investigation, disciplinary sanctions, regulatory sanctions, etc.);
- breaches evaluation, based on the assessment of the breach materiality following a scoring system, from lowest to highest value. The drivers of materiality assessment are:
    - gravity of the individual conduct, including the circumstances of a law violation;
    - nature (fraud or gross negligence) of the trigger event;
    - repetitiveness of the breach;
    - impact on financials;
    - seniority of the individual;
    - organizational role;
    - impact on the group external reputation;
    - other circumstances aggravating or mitigating the reported breach;
- in coherence with the score assigned and the reference period of the breach, the impact on the variable remuneration is defined according to two elements:
    - perimeter of the variable remuneration (upfront quote, current deferred quotes, future deferred quotes) that can be reduced/ cancelled based on predefined scenarios, according to the breach materiality. In case of heavy breaches, fulfilling certain pre-conditions, the claw-back (return) of already paid variable remuneration may be activated;
    - percentage of the variable remuneration that can be reduced/ returned back;
- breaches evaluation and final proposal for measures to be adopted are defined by a dedicated "Compliance Breach Committee" composed by representatives of Compliance, Human Capital and Internal Audit functions and, upon request, other UniCredit or other Group Legal Entities' personnel;
- decision making process and relevant measure adoption are defined according to internal delegated powers scheme.

For Executive Directors and Executives with strategic responsibilities specific contractual provisions are envisaged, that allow the Company to ask to return, partially or totally, of the variable remuneration components already paid (or retain deferred amounts), defined according to data proved to be wrong at a later time.

5. Employees and independent contractors, including personal financial advisors.
6. "Guidelines on sound remuneration policies", published on June 27, 2016.

3.4 Non-standard compensation

Non-standard compensation are those compensation elements considered as exceptions (e.g. welcome bonus, guaranteed bonus, special award, retention bonus, role-based allowance).

Such awards are limited only to specific situations, as appropriate, to hiring phases, launch of special projects, achievement of extraordinary results, high risk of leaving for group Executives and mission critical roles and positions covered in specific corporate functions.

Moreover, awards must in any case be in accordance with regulations in force from time to time (e.g. cap on the ratio between variable and fixed remuneration; clear identification of fixed and variable components, in line with relevant regulation, technical features fixed by regulation for bonus payout, if applicable) and subject to UniCredit governance processes, periodically monitored and disclosed for regulatory requirements, as well as subject to malus conditions and claw-back actions, as legally enforceable.

3.5 Share ownership guidelines

Share ownership guidelines set minimum levels for company share ownership by relevant Executives[7], aiming to align managerial interests to those of shareholders by assuring appropriate levels of personal investment in UniCredit shares over time.

As part of our total compensation approach, we offer equity incentives that provide for opportunities of share ownership, in fully alignment with the applicable regulation requirements.

The ownership of UniCredit shares by our group leaders is a meaningful and visible way to show our investors, the clients and our people that we believe in our Company.

The Board approved at the end of 2011 the share ownership guidelines applied to the Chief Executive Officer, to General Manager and Deputy General Manager roles, if any.

On March 2017 the Board of Directors of UniCredit approved an update of the above mentioned share ownership guidelines, as reported in the following table, extending their application to Senior Executive Vice President and Executive Vice President positions, taking into consideration the roles that are currently covered. This has the aim of aligning managerial interests to those of shareholders' for the achievement of the 2016-2019 Strategic Plan *Transform 2019* objectives, as presented to the market during a *Capital Markets Day* on December 13, 2016.

The established levels should be reached, as a rule, within 5 years from the appointment to the above indicated Executives categories within the scope of the guidelines and should be maintained until the role is held.

The achievement of the share ownership levels should be accomplished through a pro-rata approach over a 5-year period, granting the minimum amount of shares each year, taking into consideration potential vested plans.

Involved Executives are also expected to refrain from entering into schemes or arrangements that specifically protect the unvested value of equity granted under incentive plans (so called "hedging"). Such clauses are contained in all relevant incentive plan rules and apply to all beneficiaries, since involvement in such schemes undermines the purpose of limiting the risk.

Any form of violation of share ownership guidelines as well as any form of hedging transaction shall be considered in breach of group compliance policies with such consequences as provided for under enforceable rules, provisions and procedures.

Local adaptations based on specific regulations and/or business shall be envisaged consistently with our global approach at group level.

Share ownership guidelines

2 X	annual base salary	Chief Executive Officer
1 X	annual base salary	Senior Executive Vice President
0.5 X	annual base salary	Executive Vice President

7. Considering the application, from 2016, of the new ratio between the variable and the fixed components of remuneration (which cannot exceed the limit of one third for the Identified Staff within Italian Control Functions, while fixed remuneration is expected to be the predominant component for the Control Functions of other geographies), share ownership guidelines are not applied to Executives who are part of Corporate Control Functions. Considering the 25th update of Circular n°285 of October 23, 2018, the whole HR function is not considered any longer as a Corporate Control Function and therefore subject to the Share Ownership Guidelines, starting from 2019.

3.6 Compliance drivers

To support the design of remuneration and incentive systems, with particular reference to network roles and Governance Functions, the following "compliance drivers" have been defined:

- maintenance of an adequate ratio between economic and non-economic goals (depending on the role, but in general at least one goal should be non-economic);
- qualitative measures must be accompanied by an ex ante indication of objective parameters to be considered in the evaluation, the descriptions of expected performance and the person in charge for the evaluation;
- non-economic quantitative measures should be related to an area for which the employee perceives a direct link between her/his performance and the trend of the indicator;
- among the non-economic goals (quantitative and qualitative), include, where relevant, goals related to Risk as well as to Compliance (e.g. credit quality, operational risks, application of MiFID principles, products sales quality, respect of the customer, Anti Money Laundering requirements fulfillment);
- set and communicate ex-ante clear and pre-defined parameters as drivers of individual performance;
- avoidance of incentives with excessively short timeframes (e.g. less than three months);
- promotion of a customer-centric approach which places customer needs and satisfaction at the forefront and which will not constitute an incentive to sell unsuitable products to clients;
- take into account, even in remuneration systems of the external networks (financial advisors), the principles of fairness in relation with customers, management of legal and reputational risks, protection and loyalty of customers, compliance with the provisions of law, regulatory requirements, and applicable self-regulations;
- create incentives that are appropriate in avoiding potential conflicts of interest with customers, considering fairness in dealing with customers and the endorsement of appropriate business conduct;
- economic goals must be avoided for Corporate Control Functions[8], for Human Resources and Manager in Charge of Drafting the Company Financial Reports and individual goals set for employees in these functions shall reflect primarily the performance of their own function and be independent of results of monitored areas, in order to avoid conflict of interest;
- define incentives that are not only based on financial parameters for personnel providing investment services and activities, taking into account the qualitative aspects of the performance; this in order to avoid potential conflicts of interest in the relationship with customers[9];
- the approach for control functions is also recommended where possible conflicts may arise due to function's activities. This is the case in particular of functions of the Company (if any) performing only control activities pursuant to internal/external regulations[10];
- avoidance of incentives on a single product/financial instrument or specific categories of financial instruments, as well as single banking/insurance product;
- for Commercial Network Roles, goals shall be defined including drivers on quality/riskiness/sustainability of the products sold, in line with client risk profile. Particular attention shall be paid to the provision of non-economic goals for customer facing roles selling products covered by MiFID. For these employees, incentives must be set in order to avoid potential conflict of interest with customers;
- all rewarding system communication and reporting phases shall clearly indicate that the final evaluation of the employee achievements will also rely, according to local requirements on qualitative criteria such as the adherence to:
  - the obligations arising from the provisions and regulations pertinent to all relevant laws, rules and UniCredit policies and instructions;
  - core values;
  - employees mandatory trainings and, for impacted roles, customer due diligence periodic review;
  - principles of the Code of Conduct;
- maintenance of adequate balance of fixed and variable compensation elements also with due regard to the role and the nature of the business performed. The fixed portion is maintained sufficiently high in order to allow the variable part to decrease, and in some extreme cases to drop down to zero;
- the entire evaluation process must be conveniently put in writing and documented;

8. Meaning Internal Audit, Risk Management and Compliance functions, pursuant to Bank of Italy Circular n. 285 of December 17, 2013, 25th update of October 23, 2018. Where CRO roles cover both Underwriting and Risk Management functions, goals assigned must not represent a source of conflict of interest between Risk Management and Underwriting activities.
9. As for example: ESMA requirements, with reference to MIFID remuneration policies and practices; Technical Advice ESMA on MiFid II (Final Report 2014/1569); MiFiD II specific articles egarding remuneration/incentives for relevant subjects.
10. E.g. Accounting/Tax structures. Where CFO roles cover also Financial Statements preparation, possible economic measures have to be chosen in a conflict - avoidance perspective.

- in cases where individual performance evaluation systems are fully or partially focused on a managerial discretional approach, the evaluation parameters should be defined ex-ante. These parameters should be clear and documented to the manager in due time for the evaluation period. Such parameters should reflect all applicable regulation requirements[11] (including the balance between quantitative and qualitative parameters). The results of managerial discretional evaluation should be formalized for the adequate and predefined monitoring process by the proper functions and an appropriate repository should be created and maintained (e.g. inspections/request from the Authorities).

Commercial Campaigns

Within network roles incentive systems, particular attention is paid to 'Commercial Campaigns'.

Such Campaigns may be organized after the evaluation and authorization of the competent Product Committee. They represent business actions aimed at providing guidance to the sales network towards the achievement of the period's commercial targets (also intermediate, for instance on a half-year basis) and with a direct impact on the budget and related incentive systems.

Among the distinctive features of commercial campaigns, there is the expectation of the award - in cash or non - monetary reward. Commercial campaigns can also help the function to accelerate the achievement of certain objectives of the incentive system. The grant of awards related to a Campaign must be subordinated to behaviours compliant with the external and internal regulations.

Under no circumstances may the system of remuneration and evaluation of the sales network employees constitute an incentive to sell products unsuitable to the financial needs of the clients.
In particular, the following "compliance drivers" have been defined:

- setting-up of the incentive mechanisms using criteria which are consistent with the best interest of the client, and which avoid in any case conditions of potential conflicts of interest with customers, and coherently with relevant regulatory provisions (e.g. MiFID, EBA Guidelines on the sale of banking products and services);
- ensuring consistency between a Campaign's objectives with the objectives set when defining the budget and when assigning targets to the sales network;
- avoidance of Commercial campaigns on a single financial or banking product/financial instrument;
- inclusion of clauses for zero bonus payment in case of relevant non-compliant behavior or qualified disciplinary actions;
- avoidance of campaigns which - not being grounded on objective and customer interests related basis - may directly or indirectly lead to breaching the rules of conduct regarding clients;
- avoidance of campaigns lacking a clear indication of the targets and of the maximum level of incentive to be granted for achieving those targets;
- avoidance, in general, of campaigns that link incentives not only to the targets assigned to specific roles/structures (e.g. advisors, agencies) but also to higher hierarchical levels or to the budget of the higher territorial structure.

11. Also in line with the regulation references reported in the previous notes.

4. Compensation structure

Within the framework provided by the "Group Compensation Policy", UniCredit is committed to ensuring fair treatment in terms of compensation and benefits regardless of age, race, culture, gender, disability, sexual orientation, religion, political belief and marital status.

Our total compensation approach provides for a balanced package of fixed and variable, monetary and non-monetary elements, each designed to impact, in a specific manner the motivation and retention of employees.

In line with the applicable regulations, particular attention is paid to avoid incentive elements in variable compensation which may induce behaviors not aligned with the company's sustainable business results and risk appetite.

As policy target, Identified Staff fixed compensation is set on the market median as reference, with individual positioning being defined on the basis of specific performance, potential and people strategy decisions, individual total compensation, as well as UniCredit performance over time.

With particular reference to the group Executive population, the Board of Directors, on the basis of the proposal of Remuneration Committee, establishes the compensation structure for top positions, defining the mix of fixed and variable compensation elements, consistent with market trends and internal analysis performed.

Moreover, the Board of Directors annually approves the criteria and features of the incentive plans for Identified Staff, ensuring the appropriate balance of variable reward opportunities within the pay-mix structure.

For non-executive Directors and members of the auditing bodies, in line with the regulatory provisions, any incentive mechanism based on stock options or, generally, based on financial instruments is avoided. The remuneration for these Directors and members is represented only by a fixed component, determined on the basis of the importance of the role, of any additional assignments and commitment required to perform the tasks. Remuneration is not linked to the economic results achieved at group and/or country/ division level.

As required by the "*Disposizioni di Vigilanza*", the level of remuneration for the Chairman does not exceed the fixed component of the one received by the Chief Executive Officer.

The remuneration policy for members of corporate bodies of the group Legal Entities is based on the same principles, consistently with the local regulatory requirements.

4.1 Fixed compensation

› Definition

Fixed remuneration is the part of remuneration that is stable and irrevocable, determined and given based on the pre-defined criteria and not discretional, such as, in particular, the professional experience and responsibility level, that do not create an incentive to risk assumption and do not depend on the bank's performance.

› Objective

Base salary is appropriate in the specific market for the business in which an individual works and for the skills and competencies that the individual brings to the group.
The relevance of fixed compensation weight is sufficient to reward the activity rendered even if the variable part of the remuneration package were not paid due to non-achievement of performance goals such as to reduce the risk of excessively risk - oriented behaviors, to discourage initiatives focused on short - term results and to allow a flexible bonus approach.

› Features

Specific pay-mix guidelines for the weight of fixed versus variable compensation are defined with respect to each target employee population. With particular reference to the group Executive population, the UniCredit Remuneration Committee establishes:

- the criteria and guidelines to perform market benchmarking analysis for each position in terms of compensation levels and pay-mix structure, including the definition of specific peer groups at group, country/divisional level and the list of preferred external "executive compensation providers";
- the positioning of compensation, in line with relevant market's competitive levels, defining operational guidelines to perform single compensation reviews as necessary.

FOCUS
Role-Based Allowance

UniCredit is introducing Role-Based Allowances (RBA) for Corporate Control Functions in Italy. RBAs are considered fixed components of the remuneration, in line with regulatory provisions and market practices.

This compensation item aims to:

- ensure competitiveness on international level in terms of total compensation, avoiding excessive increases in the base salary in consideration of restrictive variable to fixed ratio for Corporate Control Functions in Italy;
- allow and facilitate the rotation between business and control functions roles within the Group;
- provide a sign of attention to the professional figures who hold relevant roles for the Group.

RBA in UniCredit has the following features:

- it is targeted at specific roles, covering Corporate Control Functions' positions in Italy with Senior Vice President and above banding (ca. 40 executives);
- it is a pre-defined amount (depending on banding and not at individual level); this amount (yearly gross) equals to 20,000 Euro for SVP, 40,000 Euro for EVP and 60,000 Euro for SEVP; it can be re-evaluated every three years based on changes in the cost of living;
- it cannot be reduced, suspended or cancelled discretionally as long as the employee is in a specific role granting the allowance within a given banding level;
- is not linked to performance and therefore do not favor risk-taking attitude.

As a general rule, RBAs are first introduced in 2019 and individually assigned to the employee at the date of the appointment to a control function role, and removed in case of moves in positions not eligible to a RBA.

4.2 Variable compensation

› Definition

Variable compensation includes any payments that depend on performance, independently from how it is measured (profitability/revenues/other goals) or on other parameters (e.g. length of service). It includes discretionary pension benefits and mutually agreed payments between the bank and its personnel in case of early termination of the employment relationship or office (excluding the statutory deferred payments and the indemnity in lieu of notice), and the carried interests. Additionally, it is any other form of remuneration that does not specifically qualify as fixed remuneration.

› Objective

Variable compensation aims to remunerate achievements by directly linking pay to performance outcomes in the short, medium and long term. This is then risk adjusted. To strengthen the alignment of shareholders' interest and the interests of management and employees, performance measurement reflects the actual results of the Company overall, the business unit of reference and the individual. As such, variable compensation constitutes a mechanism of meritocratic differentiation and selectivity.

› Features

Adequate range and managerial flexibility in performance-based payouts are an inherent characteristic of well-managed, accountable and sustainable variable compensation, which may be awarded via mechanisms differing by time horizon and typology of reward.

Incentives remunerate the achievement of performance objectives, both quantitative and qualitative, by providing for a variable bonus payment. An appropriately balanced performance-based compensation element is encouraged for all employee categories as a key driver of motivation and alignment with organizational goals, and is set as a policy requirement for all business roles.
The design features, including performance measures and pay mechanisms, must avoid an excessive short-term focus by reflecting the principles of the policy, focusing on parameters linked to profitability and sound risk management, in order to guarantee sustainable performance in the medium and long term. In alignment with the overall mission, the characteristics of incentive systems also reflect the requirements of specialized businesses.

More details on the design of remuneration and incentive systems, with particular reference to network roles and company governance functions, are reported in the section "Compliance Drivers".

With particular reference to trading roles and activities, organizational governance and processes as well as risk-management practices provide the structure for a compliant and sound approach, whereby levels of risk assumed are defined (using specific indicators, for example Value at Risk) and monitored centrally by the relevant group functions. This structure reinforces the consistent remuneration approach which adopts performance measures based on profitability rather than revenues, and risk-adjusted rather than absolute indicators.

4.2.1 Short Term Incentive Systems (STI)

Short term incentive systems aim to attract, motivate and retain strategic resources and maintain full alignment with the latest national and international regulatory requirements and with best market practices.

Payout is based on a bonus pool approach providing for a comprehensive performance measurement at individual and at group/country/division level. Reward is directly linked to performance, which is evaluated on the basis of results achieved and on the alignment with our leadership model and values.

FOCUS

Group common guidelines on the key elements of Executive contracts ensure alignment with regulatory requirements and also with the Internal Audit recommendations, in particular regarding contract elements with specific regulatory provisions, such as variable compensation and severance provisions.

Group guidelines provided for the eligibility to variable compensation have to be mentioned in the Executive contracts. Amounts related to variable pay and any technical details of payments (vehicles used, payment structure, and time schedule) are included in separate communication and managed in strict adherence to governance and delegation of authority rules.

The Executive Development Plan (EDP) is the group-wide framework for Identified Staff performance management and ensures fair and coherent appraisal process across the organization.

For Identified Staff, the payout is phased to coincide with an appropriate risk time horizon. The design features of incentive plans for Identified Staff are aligned with shareholder interests and long-term, firm-wide profitability, providing for an appropriate allocation of a performance related incentives in cash and in shares, upfront and deferred.

Each year, detailed information about our compensation governance, key figures and the features of group incentive systems is fully disclosed in the Annual Compensation Report.

4.2.2 Long Term Incentive Systems (LTI)

Long Term Incentive Plans aim to strengthen the link between variable compensation and Company results and further align the interests of senior management and shareholders.

The Plan provides for:

- the allocation - subject to the achievement of specific performance conditions - for future incentives based on shares or other instruments reflecting the trend of the share;
- a performance period aligned with UniCredit strategic targets;
- performance conditions based on a comprehensive scorecard including, for example, financial and sustainability targets plus an overarching board assessment;
- multi-year deferral with the application of a cumulated Zero factor condition, which provides for minimum requirements related to profitability, liquidity and capital;
- the application of an holding period of the actual awards after the deferral period;
- awards subject to individual malus and claw-back conditions, as legally enforceable.

4.3 Benefits

› Definition

Benefits include welfare benefits that are supplementary to social security plans, healthcare and work-life balance benefits and are intended to provide substantial guarantees for the well-being of staff and their family members during their active career as well as their retirement.
In addition, special terms and conditions of access to various banking products and other services may be offered to employees in order to support them during different stages of their lives.

› Objective

From a total compensation perspective, benefits aim to reflect internal equity and overall coherence of the remuneration systems, meeting the needs of different categories as appropriate and relevant.

› Features

In coherence with the governance framework and Global Job Model, benefits are aligned by applying general common criteria for each employee category, while benefits plans are established on the basis of local regulations and practices.

UniCredit affirms the value of share ownership as a valuable tool for enabling the engagement, affiliation and alignment of interests among shareholders, management and the overall employee population. The possibility is therefore considered, from time to time and as appropriate in light of local legal and tax requirements, to offer employees the opportunity to invest and participate in the future achievements of the group through share-based plans whereby employees can purchase UniCredit shares at favorable conditions.

Section III

Annual Compensation Report

1. Introduction

The Annual Compensation Report discloses all relevant group compensation-related information and methodologies with the aim of increasing stakeholders' awareness of our compensation policies, practices and outcomes, demonstrating their coherence with business strategy and performance, responsible remuneration and sound risk management.

The report provides ex post information on 2018 outcomes, as well as ex ante disclosure for the 2019 approach, covering both our Identified Staff population and corporate bodies' members. Remuneration solutions implemented in 2018 provided for:

- compliance of incentive structures with all relevant regulations, including deferred and equity incentives based on financial instruments;
- comprehensive performance measurement to foster sound behaviours aligned with different types of risk.

Over the years we constantly remained abreast of ongoing changes in national and international regulations, both in Italy and in other countries where the group operates. Among most recent innovations in the regulatory framework, the following is a highlight: on January 1, 2014 the Capital Requirements Directive (CRD IV) was implemented, providing a cap on variable remuneration for Identified Staff and requesting local regulators to issue regulations for local implementation; the European Banking Authority ("EBA") published on March 4th, 2014 the Regulatory Technical Standards, qualitative and quantitative criteria which are common at European level to define Identified Staff population. To introduce CRD IV requisites, Bank of Italy issued on November 18, 2014 the final regulations which replace the "Disposizioni in materia di politiche e prassi di remunerazione e incentivazione nelle banche e nei gruppi bancari" issued in 2011. Moreover it should be noted that on June 27, 2016 EBA published the document "Guidelines on sound remuneration policies"[1]. Such guidelines are applied starting from January 1, 2017. Finally, to adopt EBA Guidelines, on 23rd October 2018 Bank of Italy published an update to Circular n° 285 on remuneration and incentive matters.

In 2018 we participated in the European Banking Authority's remuneration benchmarking exercise and data collection of high earners, reporting, through Bank of Italy, information regarding remuneration for 2017 of all staff and Identified Staff, including the number of individuals in pay brackets of at least 1 million Euro.

In 2018 and in the first months of 2019 we continued our annual structured dialogue with international investors and proxy advisors, receiving valuable feedback on our compensation approach and specific inputs for an effective compensation disclosure, considering Italian and international standards.

Furthermore, in December 2016, the CEO Jean Pierre Mustier explained the review of the compensation framework and his personal undertakings in connection with the 2016-2019 Strategic Plan *Transform 2019* (for details see Focus "2016-2019 Strategic Plan *Transform 2019*").

Based on 2018 results, *Transform 2019* continues to be well ahead of schedule and is delivering tangible results.

The Annual Report, a document providing complete and comprehensive information on compensation, includes also this year details referring to Members of Administrative and Auditing bodies, General Managers and Executives with strategic responsibilities. In particular, data pursuant sect. 84-quarter Consob Issuers Regulation Nr. 11971, Compensation Report-Section II, as well as the information on incentive systems under 114-bis[2] are included in the attachments to the 2019 Group Compensation Policy, published on UniCredit website, in the section dedicated to the Shareholders' Meeting.

1. Guidelines on sound remuneration policies under Article 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013.
2. Legislative decree no. 58 of February 24, 1998 as well as to the provisions of the issuer "Regulations" adopted by CONSOB with resolution no. 11971 of May 14, 1999 regarding the information to be disclosed to the market in relation to the granting of awarding plans based on financial instruments.

2016-2019 Strategic Plan *Transform 2019*

One Bank, UniCredit: a simple successful Pan European Commercial Bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to its extensive client franchise.

Transform 2019 fully on track yielding tangible results underpinned by group - wide business momentum.

On December 12, 2016, the Board of Directors of UniCredit S.p.A. approved the 2016-2019 Strategic Plan, *Transform 2019*, which, on the day after, was presented to analysts and investors.

The strategic review, launched in July 2016 and led by the new CEO Jean Pierre Mustier, encompassed all major areas of the Bank with specific focus on how to reinforce and optimize the group's capital position, reduce balance sheet risk profile, improve profitability, ensure continuous transformation of operations to allow additional cost reduction and cross selling across group entities, whilst maintaining flexibility to seize value creating opportunities, as well as further improved risk discipline.

The *Transform 2019* Plan targets rest on five well-defined strategic pillars:

- **Strengthen and optimize capital**, to align capital ratios with the best in class G-SIFIs;
- **Improve the asset quality**, decisive actions to address the Italian legacies via a proactive balance sheet de-risking, an increase of the NPE coverage, and by tightening risk management policies to further improve the quality of new loans origination;
- **Transform the operating model**, increase client focus whilst simplifying and streamlining products and services to reduce the cost to serve customers;
- **Maximize commercial bank value**, capitalize on Retail client relationship potential and the "go to" bank status for Corporate clients in Western Europe, further strengthen the leadership position in Central and Eastern Europe and enhance cross selling across business lines and countries;
- **Adopt a lean but strong steering group Corporate Center**, consistent group-wide KPIs to drive performance, ensure accountability, leaner support functions and transparent cost allocation.

Transform 2019 continues to be well ahead of schedule and is delivering tangible results, underpinned by strong commercial performance.

The key targets for 2019:

- Group revenues are expected to be at €19.8 bn, total operating expenses at €10.4 bn and CoR at 55 bps;
- Group net profit confirmed at €4.7 bn, RoTE above 9 per cent for the Group and above 10 per cent for Group Core;
- Non Core gross NPEs confirmed at €14.9 bn and the accelerated 2021 rundown fully on track;
- Tangible equity is expected to grow throughout FY19;
- Year-end fully loaded CET1 ratio guidance confirmed at 12.0 and 12.5 per cent, with an MDA buffer target of 200-250 bps. TLAC ratio buffer target of 50-100 bps.

Our compensation framework, introduced in 2016 in parallel with the Strategic Plan launch, supports, in line with regulatory prescriptions, the achievement of the targets set by the Plan, aligning senior management interests to those of shareholders, both in the long term view and in the day to day execution.

The key elements of UniCredit's compensation framework are the following:

- the compensation policy target related to fixed remuneration is set on the market median as reference for the Identified Staff;
- the senior management long term incentives structure is aligned to group long term value creation, through the LTI Plan. The bonus pool approach is adopted for the annual incentive. Furthermore, variable remuneration is tightly linked with the *Transform 2019* 's Key Performance Indicators;
- share ownership guidelines are extended to the top ~90 group senior managers, to align individual portfolios with investors' interests;
- the new Termination Policy, approved in 2017, envisages severance limits reduced to 24 months (including notice period) in order to balance investors' expectations and the labor market's legal and contractual standards.

Moreover, effective January 1, 2017, as per the request by the CEO Jean Pierre Mustier to the Board of Directors, to set the right tone from the top, as well as to fully align his interests with all stakeholders, specific conditions are applied to his remuneration:

- 40% reduction of fixed remuneration up to € 1.2 million;
- no annual bonus. Until 2019 variable remuneration is covered by the LTI Plan based on Strategic Plan targets;
- zero severance arrangement in case of separation from the bank.

On March 14, 2017, the CEO executed a personal investment in UniCredit shares equal to € 2 million, together with additional purchase of UniCredit bonds equal to € 2 million nominal value.

Further to UniCredit's 3Q18 results presentation, on November 9, 2018 Mr. Jean Pierre Mustier made a personal investment for an equal amount of € 600 thousand in shares and € 600 thousand in Additional Tier 1 instruments, equivalent to his annual gross salary.

After UniCredit's FY18 results presentation, on February 8, 2019 Mr. Jean Pierre Mustier made an additional personal investment for an equal amount of € 3.6 million in shares and € 3.6 million in Additional Tier 1 instruments, equivalent to the amount of his LTI Plan.

CEO commits to keep the securities for at least the same lock up period as the UniCredit senior management long term incentive plan.

Details

For more information on the in-depth review of our compensation policies, please refer to the paragraph "2016-2019 Strategic Plan Transform 2019" reported in the 2017 Group Compensation Policy (Section III Annual Compensation Report, Chapter 1, Introduction) approved by the 2017 Shareholding's Meeting www.unicreditgroup.eu > Governance > Shareholders meeting > Archive > 2017 > 20 April 2017 Ordinary and Extraordinary Shareholders' Meeting »

2. Governance and Compliance

2.1 Remuneration Committee

Role and composition of the Remuneration Committee

The Remuneration Committee performs a fundamental role in supporting the Board for the oversight of Group Compensation Policy and for the design of incentive plans. As established in the Corporate Bodies and Committees Regulations, the Committee consists of 3 non-executive members. The activities are coordinated by the Chairman, chosen among them.

At the date of approval of this document, the Remuneration Committee is composed of members Mr. Lamberto Andreotti (Chairman), Mrs. Elena Carletti and Mrs. Elena Zambon.

All members of the Committee in its current composition are independent according to the article 148, paragraph 3 of the Legislative Decree n. 58/98 ('Testo Unico della Finanza' 'TUF') and meet the requirements of independence described in the Corporate Governance Code, which coincide with the ones given in the Articles of Association.

All members meet the requirements of professionalism, in accordance with current normative and regulatory dispositions. Some members have specific technical know-how and experience on financial matters and remuneration policies.

The connection with risk issues is ensured by the presence, in the Remuneration Committee, of one member of the Internal Controls & Risk Committee.

In the table of next page, details on the independence of the members of the Committee are provided, in accordance with the Corporate Governance Code and the Articles of Association, as well as with the art. 148, par. 3, of the 'TUF'.

The Remuneration Committee shares at the end of their meetings the discussed documentation with the Board of Statutory Auditors, whose members may also attend the meetings of the Remuneration Committee.

Along 2018, the members of the group's senior management team, and among them - as per Bank of Italy request - the Heads of the Corporate Control Functions in Group Risk Management (Group Chief Risk Officer-CRO) and Internal Audit functions, attended Committee meetings with regard to specific issues reported in the dedicated table. Moreover, the Head of Group Human Capital or, in case of unavailability, a delegate of him always attended the meetings as guest.

The Remuneration Committee had access to all the information and corporate functions as required for performing its duties, and for this purpose relies on the support of the corporate head office structures.

In 2018 the Remuneration Committee has availed itself until the October 8, 2018 with the services of PricewaterhouseCoopers (PwC) and afterwards those of Willis Towers Watson (WTW), external independent advisors, who provide advice on compensation practices and trends, as well as up-to-date remuneration benchmarking studies. It has been evaluated in advance that such advisors are not in any position which might impair their independence.

PwC has collaborated with the Committee since the end of 2015. During their mandates, PwC and then WTW representatives of these advisors were regularly invited to attend meetings to discuss specific items on the Committee's agenda.

During the year, the spending requirements of the Committee are met by a specific budget, which may be supplemented to meet specific needs. In particular in 2018, by means of this budget, the Remuneration Committee was able to get the advice of independent advisors to gather the updated information needed for the decisional processes.

The following table summarizes the composition of the Committee in 2018 and, in addition to the information on the independence of the members, provides details regarding their attendance to the meetings that have been called during the year. Further details are reported in the Corporate Governance Report published on the UniCredit website.

Remuneration committee (year 01/01/2018 - 31/12/2018)

	Independency according to Articles of Association and Code	Not executive	Office covered C= Chairman M= Member	Nr. of meetings attended	% of participation
Andreotti Lamberto **Chairman**	✓	✓	C [A]	5	100%
Carletti Elena **Director**	✓	✓	M [B]	-	-
Zambon Elena **Director**	✓	✓	M [A]	5	100%
Caltagirone Alessandro **Chairman**	✓	✓	C [C]	3	100%
Vita Giuseppe **Chairman of the BoD**		✓	M [C]	3	100%
Bochniarz Henryka **Director**	✓	✓	M [C]	2	66.7%
Sironi Andrea **Director**	✓	✓	M [D]	4	80%
Wolfgring Alexander **Director**	✓	✓	M [C]	3	100%
Wyand Anthony **Director**		✓	M [C]	3	100%

A. Office held since April 13, 2018.
B. Office held since February 7, 2019.
C. Office held until April 12, 2018.
D. Office held since April 13, 2018 until February 6, 2019.

Activities of the Committee 2018

In 2018 the Remuneration Committee met 8 times. The meetings had an average duration of about one and an half hour. From January 2019 to March 4th 2019, 3 meetings of the Committee have been held and for 2019 it is expected that the Committee will meet 9 times in total.

Each meeting of the Remuneration Committee is placed on record by the Secretary designated by Committee itself.

During 2018 the key activities of the Remuneration Committee included:

BoD Submitted to the BoD AGM Submitted to the AGM AUDIT CRO Participation of other group functions

	Topics	January	February	March	May	June	October (2 meetings)	December
Strategy, Policy and Governance	**Group Short Term Incentive System**	• 2018 Group Incentive System BoD AGM						
	Long Term Incentive Plan		• 2017-2019 LTI status progress and individual allocation					
	Group Policies - new / update			• 2018 Group Compensation Policy AUDIT BoD AGM				
	Local adaptations						• Local adaptations to the Group compensation policies and to incentive plan rules in execution of local regulatory requirements, authority requests or managerial decisions	
Annual Compensation review and decisions	**Annual compensation decisions**		• 2017 Group Incentive System - distribution of max bonus pool for each segment • Capital increase approval for previous incentive pans • 2017 Group Incentive System - evaluation and payout for CEO, GM and Heads of Control Functions • Execution of previous year plans for for CEO, GM and Heads of Control Functions BoD	• 2017 GIS payout BoD • Determination of the remuneration of Directors BoD AGM				• Discussion on 2018 bonus pool distribution
	Identification of Group Identified Staff					• 2018 Group Identified Staff - assessment methodology and outcomes BoD		
	Compensation for Executives						• 2017 Bonus Payout and 2018 Group Salary review final update	• Compensation packages for CEO, GM, "Dirigente Preposto" and Heads of Control Functions BoD
	Goal setting						• Goal Setting 2019 for CEO, GM, "Dirigente Preposto" and Heads of Control Functions BoD	
	Severance payments	• Report on 2017 severance payments						
Benchmarks provided by the external independent advisor	**Market trends**						• Emerging trends in market compensation practices	
	Compensation for the Top Management						• Competitive assessment of the total compensation package for the Top Management	
Risk and regulations	**Other**				• Appointment of the RemCo Secretary • Induction session for the new RemCo • Start of tender process for the new RemCo Advisor	• Distribution of Board of Directors' remuneration and resolution pursuant to Art.2389 of the Civil Code BoD	• Tender for Remuneration Committee Advisor	• Overview on the update of the Circular 285 on "Policies and practices on Remuneration and Incentive"

FOCUS

Within the scope of its responsibilities, the Remuneration Committee:

- puts proposals to the Board on remuneration and the performance goals associated with its variable portion, for the members of the Board of Directors, the General Manager, Deputy General Managers, Heads of the corporate control functions and personnel whose remuneration and incentive systems are decided upon by the Board;
- exercises oversight on the criteria for remunerating the most significant employees, as identified pursuant to the relevant Bank of Italy provisions, as well as on the outcomes of the application of such criteria;
- issues opinions to the Board of Directors on the remuneration policy for Senior Executive Vice Presidents, the Group Management Team (Executive Vice Presidents) and the Leadership Team (Senior Vice Presidents);
- issues opinions to the Board of Directors on the group incentive schemes based on financial instruments;
- issues opinions to the Board of Directors on the remuneration policy for corporate officers (members of Boards of Directors, Boards of Statutory Auditors and Supervisory Board) at Group companies;
- coordinates the process for identifying material risk takers on an on-going basis;
- directly oversees the correct application of rules regarding the remuneration of the Heads of corporate control functions, working closely with the Board of Statutory Auditors;
- works with the other committees, particularly the Internal Controls & Risks Committee, to verify that the incentives included in compensation and incentive schemes are consistent with the Risk Appetite Framework (RAF), ensuring the involvement of the corporate functions responsible for drafting and monitoring remuneration and incentive policies and practices;
- provides appropriate feedback on its operations to the Board of Directors, Board of Statutory Auditors and the Shareholders' Meeting;
- where necessary drawing on information received from relevant corporate functions, expresses its opinion on the achievement of the performance targets associated with incentive schemes, and on the other conditions laid down for bonus payments;.

Committee members regarding whom the Committee is called upon to express its opinion on their remuneration as a result of their specific assignments shall not attend meetings at which the proposals for such remuneration is calculated.

2.2 The Role of Company Control Functions: Compliance, Risk Management and Internal Audit

Group Compliance function's key contributions in 2018 included:

- evaluation of the 2018 Group Compensation Policy submitted to the Board of Directors for subsequent approval at the Annual General Meeting on April 12, 2018;
- evaluation of the 2018 Group Incentive System for Identified Staff;
- preparation - in collaboration with Human Capital function - and distribution of group guidelines for the development and management of 2018 incentive systems for below Executive population;
- participation in specific initiatives of Human Capital function (e.g.: review of KPI Bluebook; review of definition of Identified Staff for the application of Group Incentive System);
- analysis of specific non-standard compensation within the 2018 cycle.

In 2019, the Compliance function will continue to operate in close co-ordination with the Human Capital function to support in the validation and in the design and definition of compensation policy and processes and perform the validation for profiles in scope.

The link between compensation and risk has been maintained also in 2018 with the involvement of the Group Risk Management function in compensation design and the definition of an explicit framework to base remuneration within an overarching Group Risk Appetite Framework, so that incentives to take risk are appropriately constrained by incentives to manage risk.
In particular, the Board of Directors and Remuneration Committee draw upon the input of involved functions to define the link between profitability, risk and reward within group incentive systems.

Internal Audit report on the 2018 Remuneration policies and practices

Group Audit Department performed the annual audit on the Group remuneration policies and practices, requested by Bank of Italy[3], aimed at verifying the design and implementation of the remuneration process, as well as its compliance with relevant regulatory requirements and Group internal rules.

The Internal Audit satisfactory evaluation was based on the overall correct application of the Group Incentive System, including execution of decisions taken by UniCredit Remuneration Committee and Board of Directors.

Internal Audit verified the overall correct implementation of 2018 Group Compensation Policy and the application of Group Incentive System rules to Group Material Risk Takers, supported by an IT tool ensuring adequate access management and data traceability.

The substantial adequacy of specific aspects of the remuneration process, such as Group Material Risk Takers identification, goal setting, bonus pool calculation and distribution, procedures to respect the caps of the ratio between variable and fixed components of remuneration, as well as payment and deferral phase of previous year incentive system were positively assessed by Internal Audit.

Severances paid in 2018 resulted in line with the Termination Payments Group Policy and related guidelines.

Main audit results were presented to the Remuneration Committee on March 4, 2019.

3. Circular n. 285 December 17, 2013, 25th update of October 23, 2018

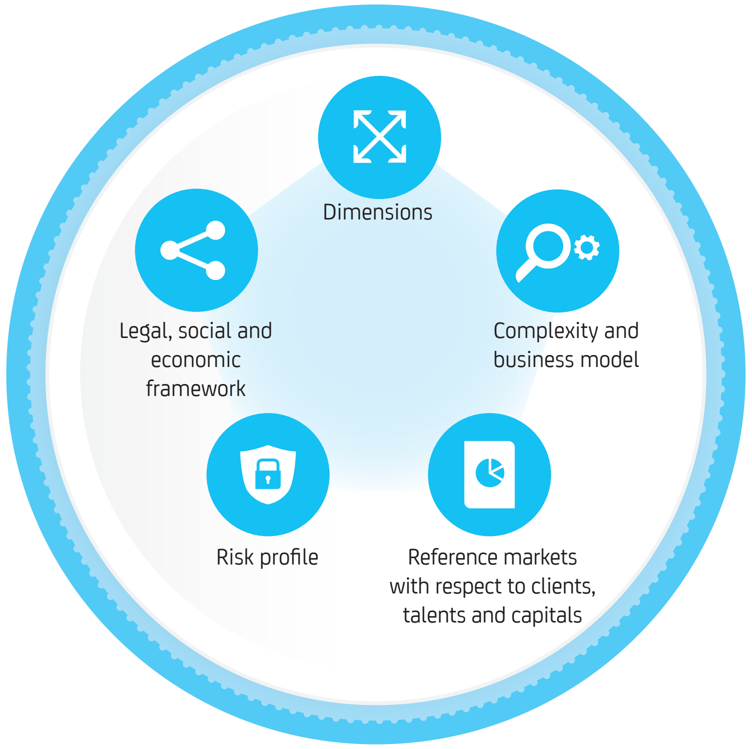
3. Continuous Monitoring of Market Trends and Practices

Key highlights of total compensation policy, defined this year with the support of continuing external benchmarking and trends analysis provided by the independent external advisor to the Remuneration Committee, include:

- the recommendations on remuneration based on specific benchmarking analysis versus our defined peer group to inform any decision;
- the analysis on emerging trends in market compensation practices.

The peer group is subject to annual review to assure its continuing relevance.

In 2018, the European peer group was confirmed, defined on grounds of similarity (additional to the market capitalization) in terms of: dimensions, complexity and business model, reference markets with respect to clients, talents and capitals, risk profile and legal, social and economic framework.



2018 UniCredit peer group
Banco Santander
Banque Populaire CE
Barclays
Banco Bilbao Vizcaya Argentaria
BNP Paribas
Commerzbank
Credit Agricole
Deutsche Bank
ING
Intesa Sanpaolo
Nordea Bank
Royal Bank of Scotland
Société Générale
UBS

4. Compensation to Directors, Statutory Auditors and Executives with Strategic Responsibilities

The remuneration for members of the administrative and auditing bodies of UniCredit is represented only by a fixed component, determined on the basis of the importance of the position and the time required for the performance of the tasks assigned. This policy applies to non-Executive Directors as well as Statutory Auditors. The compensation paid to non-Executive Directors and Statutory Auditors is not linked to the economic results achieved by UniCredit and they do not take part in any incentive plans based on stock options or, generally, based on financial instruments.

On November 8, 2017, the Board of Directors unanimously elected to co-opt Mr. Fabrizio Saccomanni as a non-executive Director with a mandate until the Annual General Meeting of 2018 to approve the 2017 financial statements, at which time Mr. Fabrizio Saccomanni and the full board will stand for election.

Mr. Fabrizio Saccomanni was chosen by the Board of Directors based on the "Process for selecting candidates for the post of Chief Executive Officer, Chairman and Board member" that was approved by the Board itself on July 6, 2017 and published on the Company's website.

Considering Mr. Fabrizio Saccomanni's professional background and status, the previous Board of Directors has concluded that he would have been the best candidate for the position as Chairman of UniCredit for the next Board of Director's term (for the period 2018-2021).
On this regard, Mr. Fabrizio Saccomanni also took an active role in defining the list of potential members of the current UniCredit board, which has been put forward by the previous Board of Directors for election at the Annual General Meeting in 2018.

The Ordinary Shareholders' Meeting held on April 12, 2018 appointed UniCredit new Board of Directors for the financial years 2018-2020. Its mandate shall expire upon approval of the 2020 financial statements.

The same Shareholders' Meeting approved the proposal, made by the outgoing Board, to grant to the members of the new Board and its Committees an overall annual compensation of Euro 1,760,000, of which Euro 1,125,000 aimed at remunerating the members of the Board and Euro 635,000 at the remuneration of the members of the Board's Committees.

It was also approved the granting of an attendance fee for the participation to each Board and Committee meeting, differentiated as below reported:

- Board of Directors and Internal Control & Risks Committee: Euro 1,000 in case of physical presence of the Director, Euro 400 if the participation occurs through remote communication means;
- Other Board Committees: Euro 800 in case of physical presence of the Director, Euro 400 if the participation occurs through remote communication means.

The proposal related to the new compensation has been formulated taking into consideration, inter alia, the following elements:

- the reduction of the number of the Directors from 17 to 15 and the related foreseen decrease of the members of the Board Committees (from previous 5-9 members to 3-5 members);
- the market reference data (benchmark) related to the remuneration of the members of the administrative body and board committees of the major companies of FTSE MIB and UniCredit's peer group. Such data show, inter alia, that the positioning of the compensation proposed for the members of the Board falls under the median of the peer group;
- the different commitment requested in relation to the activities of the single Committees, in terms both of time commitment (average length of the meetings) and span of the activities falling within their area of competence;
- the incentive to a physical participation to the meetings to facilitate the Board discussions, in line also with the recommendations of the Regulators;
- an opportune alignment to the drivers, among which the moderation of the costs, also with reference to compensation matters, of the *Transform 2019* Strategic Plan.

Section III
Annual Compensation Report - 4. Compensation to Directors, Statutory Auditors and Executives with Strategic Responsibilities

The above overall compensation has therefore been split by the new Board, that – in compliance with clause 26 of the Articles of Association – has also exercised the option to define the remuneration of Directors vested with particular offices pursuant art. 2389, 3rd paragraph, of the Civil Code.

In this context, it has been allocated a compensation of:
- Euro 75,000 for each Board member;
- Euro 50,000 for each member of the Internal Controls and Risks Committee;
- Euro 35,000 for each member of the Remuneration, Corporate Governance Nomination and Sustainability and Related-Party Committees.

Moreover, heard the opinion of the Board of Statutory Auditors, the Board has defined the following special remuneration ex art. 2389, 3rd paragraph of the Civil Code:
- Euro 775,000 for the Chairman of the Board, besides the provision of housing in Milan and the confirmation of health insurance and for non-occupational accidents;
- Euro 402,000 for the Chief Executive Officer;
- Euro 100,000 for the Chairman of Internal Controls and Risks Committee;
- Euro 10,000 for the Chairmen of the other Committees.

In light of the above, the new compensation by the Board of Directors envisages a reduction of 34% versus the annual compensation resolved by the 2015 Annual General Meeting. Furthermore, such compensation – even net of the effect of the reduction in the number of Directors (from 17 to 15) and Committee members (from 9-5 to 5-3) and considering the shift of the additional remuneration for the Committees' chairpersons from "amount defined by the Shareholders' Meeting" to "compensation pursuant art. 2389 of the Civil Code" – entails a contraction by approx. 10% in the annual compensation defined by the Annual General Meeting in 2015.

It has to be noted that the overall remuneration of the Chief Executive Officer, including the remuneration from dependent employment as General Manager and net of the attendance fees for the participation to Committee meetings, is reduced from Euro 1,200,000 to Euro 1,185,000.

The Board of Directors also identifies with own resolution the perimeter of the "Executives with strategic responsibilities", for the application of all related corporate and regulatory laws.
At the end of 2018, this aggregate keeps stable compared to previous year (Group CEO, Group General Manager, Group Chief Risk Officer, Chief Lending Officer, Head of Group Human Capital, Group Compliance Officer, Head of Group Legal, Co-Chief Operating Officers and Head of Internal Audit) with the exception of the entrance from October 1, 2018 of the Group Chief Transformation Officer, new role directly reporting to the Chief Executive Officer.

Beneficiaries	Remuneration component	Approved by	Amount	Remarks
Non-Executive Directors	Only fixed compensation	Shareholders' Meeting of April 12, 2018.	• € 1,760,000, of which € 1,125,000 aimed at remunerating the members of the Board and € 635,000 as remuneration of the members of the Board's Committees. • Attendance fee for participating to each meeting[A]: • Board of Directors and Internal Controls & Risks Committee: € 1,000 in case of physical presence of the Director, € 400 if the participation occurs through remote communication means; • other Board Committees: € 800 in case of physical presence of the Director, € 400 if the participation occurs through remote communication means.	The compensation is determined on the basis of the importance of the position and the time required for the performance of the tasks assigned. The remuneration is not linked to the economic results achieved by UniCredit, non-executive directors and statutory auditors do not take part in any incentive plans based on stock options or, generally, based on financial instruments.
		Board of Directors of June 13, 2018, pursuant to sect. 2389 of the Civil Code par. 3 and Articles of Association, heard the opinion of Statutory Auditors.	• € 1,307,000 for each year of activity, split between: • BoD Chairman; • Chief Executive Officer (executive); • Chairmen of Board's Committees.	
Statutory Auditors	Only fixed compensation	Shareholders' Meeting of April 14, 2016.	• Compensation for each year of activity[B]: • for the Chairman of Board of Statutory Auditors: € 140,000; • for each Standing Auditor: € 100,000; • € 400 attendance fee for participating to each meeting of the Statutory Auditors, of the BoD and of the Board Committees.	
Executives with strategic responsibilities	Fixed and variable compensation	Board of Directors.	2018 compensation level: • for the CEO: € 1,185,000 fixed[C]; • for the General Manager: € 1,200,000 fixed; • for the other 9 Executives with strategic responsibilities: • € 6.296.736 fixed; • € 2.980.000 variable.	For 2018, the maximum ratio between variable and fixed compensation is: • 200% for the CEO, the GM and for the Executive with strategic responsibilities, responsible for business lines; • 33% for the Executives with strategic responsibilities, responsible for Corporate Control Functions; • 100% for the other Executives with strategic responsibilities;

A. Even if meetings are held in the same day.
B. Alternate Auditors do not receive any compensation .
C. Including the compensation paid for the director relationship (excluding attendance fee).

› Further details on Executives with strategic responsibilities

For 2018, according to Group Compensation Policy, in line with regulatory provisions, the maximum ratio between variable and fixed compensation has been defined ex ante for the Group CEO (the sole executive director sitting on the Board of Directors and employee of the Company) and the other Executives with strategic responsibilities.

The balance between variable and fixed components has been defined considering also the company's strategic goals, risk management policies and other elements influencing the business of the company.

With reference to the table at the previous page, for Executives with strategic responsibilities it is specified that:

- the fixed component is defined taking into consideration market information and in such a way to be sufficient to reward the activity rendered even if the variable part of the remuneration package were not paid due to non-achievement of performance goals;
- in line with the latest regulatory requirements, the Chief Executive Officer as well as the other Executives with strategic responsibilities have a balanced part of their remuneration linked to the economic results of UniCredit, taking into consideration the overall profitability, weighted by risk and cost of capital, as well as sustainability goals (based on capital and liquidity ratios).

On this point, with reference to the variable component and the weight of short-term and long-term components, the last one represented by the 2017-2019 LTI Plan tied to the Strategic Plan *Transform 2019*, the compensation pay-mix for Executives with strategic responsibilities revised in 2017, is confirmed also for 2019.

In particular, for the CEO and the former General Manager[4] the variable remuneration is entirely covered by the 2017-2019 LTI Plan, while for the other Executive with strategic responsibilities, the variable remuneration includes both a short term (annual) and a long term component, excluding those who belong to Corporate Control Functions who participate only in the annual system.

Annual incentive takes into consideration the achievement of specific goals which were previously approved by the Board upon proposal of the Remuneration Committee and the opinion of the Board of Statutory Auditors and the Internal Controls & Risks Committee, as appropriate.

In particular, metrics defined ex ante that reflect categories of our Group Risk Appetite Framework align Executives' remuneration to sustainable performance and value creation for the shareholders in a medium/long term perspective.

Such coherence is annually verified by the Internal Controls & Risks Committee. Specific individual goals are set out taking into consideration the market practices and the role assigned within the group, through the systematic use of specific indicators aimed at strengthening the sustainability of business, such as the satisfaction of both external and internal customers, risk and financial sustainability indicators and capital measures.

Details
Further details regarding our performance management and evaluation are provided further in paragraph 5.4 »

It is foreseen the deferral/holding of 75% of the incentive in 5 years, in cash and shares, with payout subject to the achievement of future performance conditions over the following financial years.

All the installments are subject to the application of malus and claw-back conditions, as legally enforceable.

Approximately 55% of the overall incentive is paid in UniCredit shares, whose number to be allocated in the respective installments shall be defined in 2020, on the basis of the arithmetic mean of the official market price of UniCredit ordinary shares during the month preceding the Board to which the 2019 bonuses are submitted, after having evaluated performance achievements.

The measure and duration of the deferral are aligned with the provisions set by regulators and are consistent with the characteristics of the business and with the company's risk profiles.

For the Heads of the Corporate Control Functions, pursuant to the provisions of Bank of Italy, the goals are established by the Board of Directors in line with the tasks assigned to them and avoiding, unless valid reasons exist, goals linked to Bank's performance. In the decision making process related to Corporate Control Functions, the Board of Statutory Auditors and the Internal Controls and Risks Committee are also involved as far as they are respectively concerned.

In particular, for 2018, the individual goals of the Heads of the Internal Audit, Compliance functions and Risk Management (CRO) are not connected to the Company's performance. For the Manager in charge of preparing the company's financial reports, the Board of Directors has verified the existence of valid reasons to insert goals linked to the performance results of UniCredit only in a very limited measure and such as not to lead to potential conflicts of interests.

As explained above, neither the Group CEO nor the former General Manager received an annual bonus for 2018.

In line with group governance, 2018 assessment and payment for the other Executives with strategic responsibilities perimeter have been reviewed by the Remuneration Committee and approved by the Board of Directors, heard the Statutory Auditors and Internal Controls and Risks Committee as relevant.

4. Considering the exit of the former General Manager from the Company on May 31, 2019, his rights related to the LTI Plan will be re-proportioned for the months of duration of his service

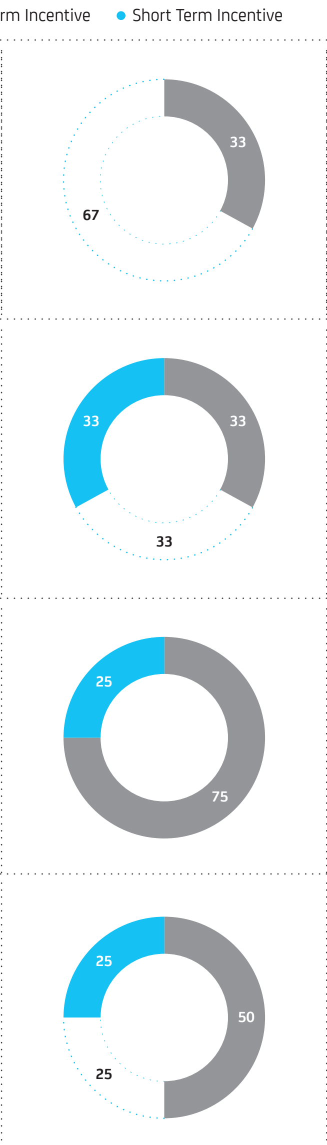
For further information on individual allocation related to the 2018 Group Incentive System, refer to the 2018 Group Compensation Policy, Section III, paragraph 5.3

Details

Further information regarding the 2018 incentive plans implementation and outcomes is provided in paragraph 5.2 »

For the CEO, former General Manager and for other Executives with strategic responsibilities, share ownership guidelines are in place, further details in Section II, paragraph 3.5.
For them and for all the other Executives[5] to whom the guidelines apply, share ownership levels have been verified at October 2018. For ~90% of the Executives the levels are already in line with the guidelines requirements.

		Max ratio between variable and fixed remuneration	2019 Theoretical pay mix
Chief Executive Officer and former General Manager[A]		200%	
Executives with Strategic Responsabilities	Business functions	200%	
	Company Control functions	33%	
	Others[B]	100%	



A. Considering the exit of the former General Manager from the Company on May 31, 2019, his rights related to the LTI Plan will be re-proportioned for the months of duration of his service.
B. For Human Resources function the variable compensation is narrower than the fixed one.

5. Considering the application, from 2016, of the new ratio between the variable and the fixed components of remuneration for Company Control Functions (which could not exceed the limit of one third for the Identified Staff within Italian Control Functions, while fixed remuneration is expected to be the predominant component for the Control Functions of other geographies), share ownership guidelines are not applied to Executives who are part of Company Control Functions.

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Board of Directors	BoD	Internal Controls & Risks Committee	Remuneration Committee	Corporate Governance, Nomination and Sustainability Committee	Related-Parties Committee	Total fixed comp.**	Variable non-equity compensation bonuses and other incentives	Non monetary benefits	Other remuneration	Total	Fair value of equity comp.***	Severance indemnity for end of office or termination of employment
Fabrizio Saccomanni	C[A] M[D]	M[D]		M[D]		677.173		10.687		687.860		
Cesare Bisoni	DC[A] M[D]	M[D]		M[A]	C[B]	194.586				194.586		
Jean Pierre Mustier - CEO	M[B]					1.202.391		13.900	1.243	1.217.535	1.039.054	
Mohamed Hamad Al Mehairi	M[B]					89.592				89.592		
Lamberto Andreotti	M[C]		C[A]			96.866				96.866		
Sergio Balbinot	M[B]					89.592				89.592		
Martha Boeckenfeld	M[B]	M[A]				134.419				134.419		
Vincenzo Cariello	M[C]				M[A]	96.260		5.501		101.762		
Isabelle de Wismes	M[C]	M				107.468				107.468		
Stefano Micossi	M[C]			C[A]	M[A]	134.885				134.885		
Maria Pierdicchi	M[C]	M[A]				108.068				108.068		
Andrea Sironi*	M[C]	M[A]	M[A]			133.487				133.487		
Francesca Tondi	M[C]			M[A]		92.060				92.060		
Alexander Wolfgring	M[B]	C[B]	M[D]	M[A]		295.989		7.527		303.516		
Elena Zambon	M[B]		M[A]	M[B]		161.408				161.408		
Members that left off during the Period (until April 12, 2018)												
Giuseppe Vita	C	M	M	M		266.343		4.732	3.957	275.032		
Vincenzo Calandra Buonaura	DC	M		M		54.707		2.026		56.733		
Henryka Bochniarz	M		M			40.729				40.729		
Alessandro Caltagirone	M		C	M		55.102				55.102		
Luca Cordero di Montezemolo	M			C		43.524				43.524		
Lucrezia Reichlin	M	M			M	54.707				54.707		
Clara Streit	M	M		M		53.507				53.507		
Paola Vezzani	M	M			M	55.107				55.107		
Anthony Wyand	M	M	M			53.507				53.507		
Total Board of Directors						4.291.478		44.373	5.200	4.341.051	1.039.054	

C Chairman DC Deputy Chairman M Member

A. Office held since April 13, 2018.
B. Office held since January 1, 2018.
C. Office held since April 12, 2018.
D. Office held until April 12, 2018.
* Member of the Board of Directors until February 6, 2019; Carletti Elena stands in for him, effective since February 7, 2019.
** Included compensation for committee participation and attendance tokens.
*** The "Fair value of equity compensation" does not represent a value actually paid to/gained by the beneficiaries of equity plans, being instead the cost that the Company is booking - on an accrual basis and during the vesting period - in consideration of the provision of the incentives based on financial instruments.

Board of Statutory auditors	Role	Total fixed comp.*	Variable non-equity compensation - bonuses and other incentives	Non monetary benefits	Other remuneration	Total	Fair value of equity comp.**	Severance indemnity for end of office or termination of employment
Pierpaolo Singer	Chairman	167.200		7.690		174.890		
Antonella Bientesi	Standing auditor	123.200		7.690		130.890		
Angelo Rocco Bonissoni	Standing auditor	123.200		7.690		130.890		
Benedetta Navarra	Standing auditor	123.200		7.690		130.890		
Guido Paolucci	Standing auditor	123.600		7.690		131.290		
Total Statutory Auditors		660.400		38.450		698.850		

Executives with strategic responsibilities	Total fixed comp.	Variable non-equity compensation - bonuses and other incentives	Non monetary benefits	Other remuneration	Total	Fair value of equity comp.**	Severance indemnity for end of office or termination of employment
Gianni Franco Papa (General Manager)	1.200.000		272.654	122.240	1.594.894	1.563.766	
Other Executives with strategic responsibilities (Total 8,25 FTE on yearly basis)	5.809.237	1.392.150	281.502	212.271	7.695.161	3.513.216	

* Included compensation for committee participation and attendance tokens.
** The "Fair value of equity compensation" does not represent a value actually paid to/gained by the beneficiaries of equity plans, being instead the cost that the Company is booking - on an accrual basis and during the vesting period - in consideration of the provision of the incentives based on financial instruments.

Details

For further details, refer to the document attached to the 2019 Group Compensation Policy, published on the UniCredit website, in the section dedicated to the Shareholders' Meeting. »

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Indemnities to Directors in the event of resignations, dismissal or termination of employment following a public purchase offer (as per Sect. 123/bis, paragraph 1, letter i), of TUF):

None of the Directors have contracts containing clauses envisaging the payment of indemnities, or the right to keep post-retirement benefits, in the event of resignations or dismissal/revocation without just cause or if the employment relationship is terminated following a public purchase offer. In case of early termination of the mandate, the ordinary law provisions would therefore apply.

The individual employment, as Executive, of the Chief Executive Officer, Mr. Jean Pierre Mustier, is today governed - also with regards to the event of resignations, dismissal/revocation or termination - by the ordinary provisions of the law and National Labor Agreement for Banking Industry Executives dated July 13, 2015.

In this context, as announced during a *Capital Markets Day* held in London on December 13, 2016 for the presentation of the 2016-2019 Strategic Plan *Transform 2019* to analysts and investors, the Chief Executive Officer, Jean Pierre Mustier, declared that he will renounce to any severance or notice payment, for any reason of separation from the bank.

Non-executive Directors do not receive, within incentive plans, UniCredit subscription rights. For the Chief Executive Officer no specific provisions are provided with reference to the right to keep, in case of termination, the options possibly received and the eventual plans' provisions would therefore apply.

For Directors currently in office, provisions do not exist regarding the establishment of advisory contracts for a term following the termination of the directorship, nor the right to keep post retirement perks. No agreements exist either providing compensation for non-competition undertakings.

FOCUS

On February 6, 2019, the UniCredit Board of Directors approved a reorganization project which aims to continue the streamlining process initiated with *Transform 2019*. This project involves an evolution of the management structure of the Group, to ensure that the management team who will deliver the next 2020-23 plan will have full ownership of the new strategy from the very outset. As part of this process, in agreement with the Bank, Dr. Gianni Franco Papa has decided to step down from UniCredit Group effective May 31, 2019.

Dr. Papa's contractual exit package has been approved by the Board in compliance with the governance process envisaged and in accordance with (i) the Bank's internal regulations (including the Remuneration Policy and the Policy relating to Severance Payments, approved by the Shareholders' Meeting), (ii) the applicable external regulations (including the National Collective Labour Agreement for Banking Executives) and (iii) the individual employment contract.

The exit conditions are as follows:

- leaving the company on May 31, 2019;
- granting of a total package for the termination of the employment relationship of ca. € 3.658 million, equivalent to circa 21 months of total remuneration, composed as follows:
  - an indemnity equal to the cost of the notice for the part not worked of ca. € 1.826 million (approx. 9 months), paid in monetary form upon termination of employment;
  - a severance payment of ca. € 1.811 million, equivalent to 12 months' total remuneration (paid at 20% upon termination of the employment relationship and the remaining 80% deferred over a further 5 years, in cash and shares);
  - a consideration for the waivers expressed of € 20,000.

The above will be provided under the conditions and according to the rules defined in the above mentioned regulatory framework (including the provision on so-called "malus" and "clawback" clauses applicable to severance).

The agreement also provides for the maintenance, as "good leaver", of the rights to bonuses and incentives under the terms and conditions provided for in the existing plans.

In particular, with regard to the long-term incentive plan LTI 2017 / 2019, the participation is provided pro-rata temporis in relation to the period worked (29 months out of 36), subject to the assessment of the level of achievement of the KPIs of the plan scorecard (to be carried out on the basis of the results of 2019) and the normal vesting conditions provided for in the relevant Regulation.

5. Group Compensation Systems

5.1 Target population

Starting in 2010, UniCredit - in line with regulatory requirements - has conducted a self-evaluation annually to define the Group's Material Risk Takers population to whom, according to internal/external regulations, specific criteria for remuneration and incentive aspects are adopted.

Since 2014, UniCredit Group has a Material Risk Takers identification process following European Banking Authority's Regulatory Technical Standards (EBA RTS)[6]. Since 2019, as foreseen by Bank of Italy Circular n° 285, Material Risk Takers identification process is an integral part of the Group Compensation Policy.

The EBA RTS set regulatory technical standards concerning qualitative (15) and quantitative (5) criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile (so called Identified Staff). In particular criteria are distinguished in:

- qualitative criteria: linked to the job role, the decision making process, the material impact on the Group's risk profile and to the responsibilities within the Group's organization, in material business units, in corporate control and staff functions;
- quantitative criteria: defined by the total compensation received in the previous year.

UniCredit identifies additional criteria for defining Material Risk Takers, among which the inclusion of all Group personnel with "Senior Vice President" & above banding as defined in the Global Job Model (the role clustering system adopted by the Group).

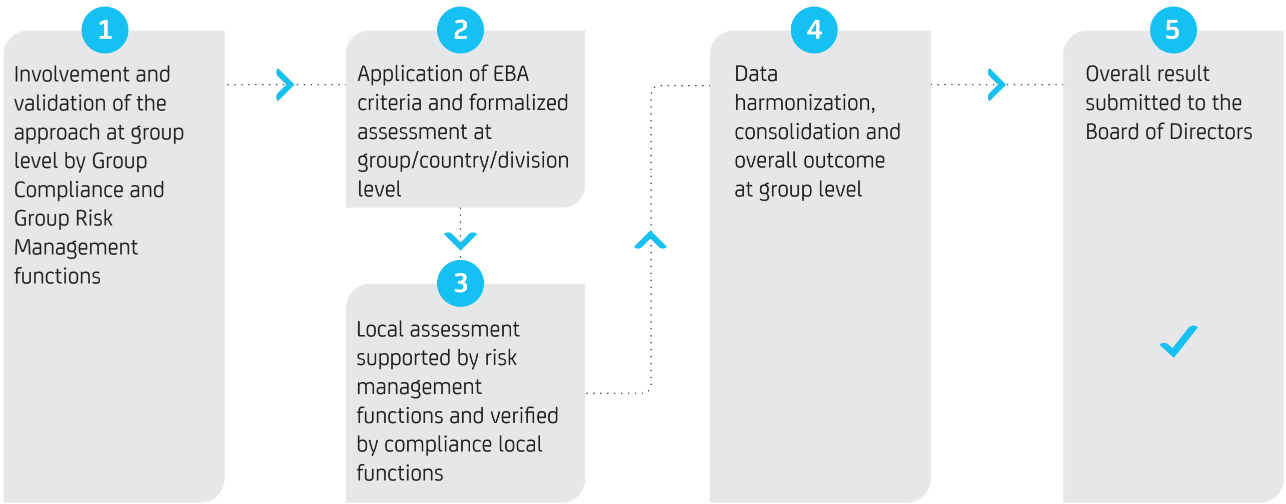
For 2018 the self-evaluation process, regularly reported in 2018 Group Compensation Policy, led to the identification of about 1,000 people. During 2018 the Group Material Risk Takers list has been constantly updated, taking into account resources turnover and banding and organizational changes review process bringing the amount of Identified Staff to about 1,100 by the end of the year.

The Material Risk Takers identification process is performed annually at both local and Group level.
Group Legal Entities actively participate to the identification process of Material Risk Takers performed by UniCredit S.p.A., send to the Holding all necessary information and follow the received indications.
The Holding Company, considering the outcomes of the evaluation performed by the various entities, consolidates results with the goal to identify Group Material Risk Takers, ensuring overall coherence of the identification process.

The Policy regulating the Material Risk Takers identification process defines roles and responsibilities of involved functions. In particular:

- Human Capital leads the identification process defining a consistent approach at Group level through specific guidelines
- Risk Management leads the identification process of positions with material impact on an institution's risk profile of a material business unit.

Process to define group's Identified Staff population



6. EBA Guidelines on how to identify staff members whose activities have a material impact on the Group's risk profile, under Articles 92, 93 and 94 of 2013/36/EU Directive.

- Compliance verifies the proper application of what envisaged by Regulatory Technical Standards, Group Material Risk Takers Guidelines and specific regulation.

The identification of employees whose activities have a material impact on the Group's risk profile considers the job role, the decision making process and, in addition, the total remuneration level.

Subsequently Group Human Capital, after data consolidation and harmonization, presents results to Group Internal Controls and Risks Committee and to Remuneration Committee for discussion and finally submits for approval to Group Board of Directors:

- the methodology and evaluation process for "Material Risk Taker" both at Group and local level;
- the outcomes of first cycle evaluation process;
- the possible exclusion of «high earners» from Group "Material Risk Takers".

Indeed, at the end of the evaluation process, if UniCredit determines that, according to Article 4, paragraph 1, Delegated Regulation (EU) n. 604/2014, some identified personnel could not be considered as Material Risk Takers, activates the process for exclusion. In particular UniCredit:

- transmit timey, and in any case within six months of the closing of previous financial year, to European Central Bank or Bank of Italy the notification of exclusions that refer to personnel with total remuneration amount equal or higher than EUR 500,000 and lower than 750,000 Euro;
- transmit timey, and in any case within six months of the closing of previous financial year, to European Central Bank or Bank of Italy the request for authorization for personnel with total remuneration amount equal or higher than 750,000 Euro.

The identified personnel within the Material Risk Takers perimeter are informed through individual written notice.

In the second half of the year, Human Capital, Risk Management, Compliance replicates the process of evaluation with the goal to update the list of Material Risk Takers based on specific events occurred during the year (e.g. appointment, hiring, organizational changes and any other relevant event), ensuring the process is performed continuously and that the re-evaluation of the Material Risk Takers perimeter is submitted to the Group Board of Directors, after being discussed in Group Internal Controls and Risks Committee and Group Remuneration Committee.

The 2019 Identified Staff population has been updated in January 2019 ensuring full compliance with regulatory provisions.
In January 2019 the assessment process for the definition of Identified Staff population brought to the identification of a total number of approximately 1,000 resources (50 of which new compared to last year and 43 resources identified for the first time), resulting in about a 100 resources less than the Identified Staff at the end of 2018. Approximately 500 resources amongst the total of Material Risk Takers belong to the Business Functions, for whom the adoption of a maximum ratio between variable and fixed remuneration of 2:1 can be applied. It is highlighted that the expected number of Identified Staff with variable remuneration exceeding the 1:1 ratio is less than 150 beneficiaries. Moreover, 28 resources are also defined as Identified Staff exclusively because of total remuneration levels.

Target population represents approximately ca. 1.1% of the Group employee population, with this outcome being in line with the results of 2018 process.

The process did not bring to the exclusion of any staff to be notified or submitted for approval to the competent authority.

The identification process has also considered Agents involved in financial activities, Insurance Agents and Financial Advisors. Regarding these particular categories of people who, because of their nature, do not directly fall within EBA RTS criteria, UniCredit Group defined an additional criteria to select those belonging to Identified Staff, on the basis of their impact on business risk (represented by the risk that the Bank's profitability decreases consequently to the exit of Agents or Financial Advisors from the Network and the related loss of customers and assets), the only type of risk that the Bank considers attributable to them, due to the absence of power of attorney they have to assume any other kind of risks. The above criteria:

- has been applied identifying a total remuneration of the Agent or Financial Advisor equal or higher than 750,000 Euro;
- for categories who have a managerial role, the roles that coordinate other Agents or Financial Advisors with a total asset equal or higher than 5% of the total asset of the Network are identified.

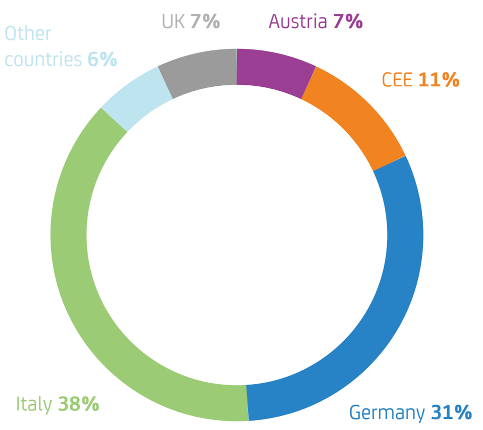
At the beginning of 2019, there have been no Agents and Financial Advisors defined as Identified Staff[7].

As a result of the analysis and as approved by the Board of Directors, upon Remuneration Committee proposal and in compliance with Delegated Regulation (EU) n. 604/2014 issued by the European Commission, in addition to the Group Chief Executive Officer, the following categories of employees have been defined for 2019 as Identified Staff: Group Managers with strategic responsibilities, executive positions in Corporate Control Functions (Audit, Risk Management, Compliance), Finance and HR Functions, since they are responsible for the Group's decision which may have a relevant impact on the Ban's risk profile (Senior Vice President, Executive Vice President e Senior Executive Vice President positions). Moreover, Board Members, Senior Management population and other specific roles of the legal entity have been defined as Identified Staff according to regulatory provisions.

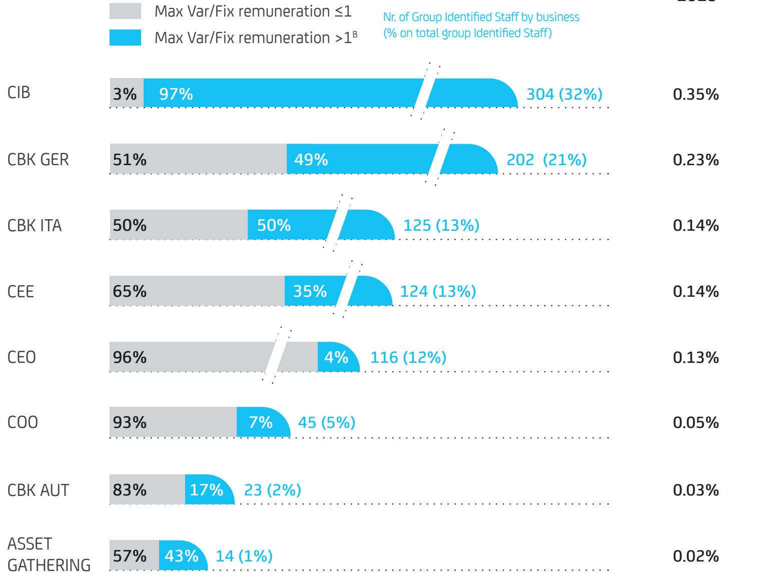
7. The assessment conducted by FinecoBank led to the identification of 8 Financial Advisors as Identified Staff only at a local level, as detailed in the related compensation policy.

Compensation data and vehicles used for the target population in 2018 are disclosed in chapter 6 of this Report.

Geographical distribution of Identified Staff



Breakdown by business[A]



TOTAL NUMBER OF IDENTIFIED STAFF: **~ 1,000**

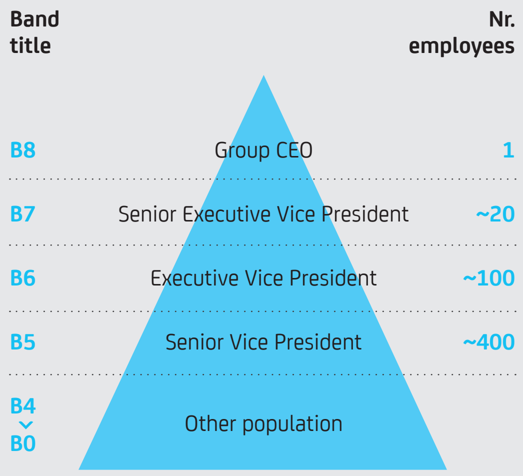
Identified Staff data refer to the population as per January 2019 providing for an ex-ante definition in line with Regulatory requirements.
A. All absolute figures are rounded up/down to nearest tenth.
B. Percentage of GMRT with Max Var/Fix > 1 on the total staff is equal to 0.6%.

FOCUS
Global Job Model

The Global Job Model is a state-of-the-art organizational system that describes, standardizes and calibrates all jobs within UniCredit. Moreover, it supports the management of people and processes at global level in a simple, easy to understand and consistent way. Based on market practice, it is aligned with our business needs. Global Job Model consists of two key elements: Global Job Catalogue and Global Banding Structure. The latter is made of 9 global bands, the three highest bands - from 6 to 8 - identifying Group Senior Management:

- Band 8: Group Chief Executive Officer;
- Band 7: Senior Executive Vice Presidents (SEVP), having responsibility for determining the group business strategy and a strong influence on it. Determining or strongly influencing decisions that will impact on the entire organization and having direct responsibility for a core part of the group. As a general rule, the SEVPs are first or second reporting lines to the CEO;
- Band 6: Executive Vice Presidents (EVP), having significant influence on defining the strategy of a division/competence line/department or having a strong impact on the results of large/medium large legal entities or businesses. As a general rule, the EVPs are first reporting lines to the SEVPs.

The framework described above is consistent with point (9) of Article 3(1) of Directive 2013/36/EU8, according to which "Senior Management" means those natural persons who exercise executive functions within an institution and who are responsible, and accountable to the management body, for the day-to-day management of the institution.



OVERALL GROUP POPULATION
~ 86,800 FTEs AT DECEMBER 2018

5.2 2018 Incentive System implementation and outcomes

The 2018 System, approved by UniCredit Board of Directors on January 9, 2018, provides for a 'bonus pool' approach that directly links bonuses with company results at group and country/division level and ensure a strong connection between profitability, risk and reward.

Such a system, implemented within the framework of our policy and governance, provides for the allocation of a performance related bonus in cash and/or free ordinary shares up to 6 years.

Bonus pool sizing

The bonus pools dimension for each of the 9 clusters is related to the actual profitability measures multiplied for the bonus pool funding rate defined in the budgeting phase. This calculation determines the so called "theoretical bonus pool" for each cluster that is adjusted accordingly to the actual trend of performance of the respective segment.

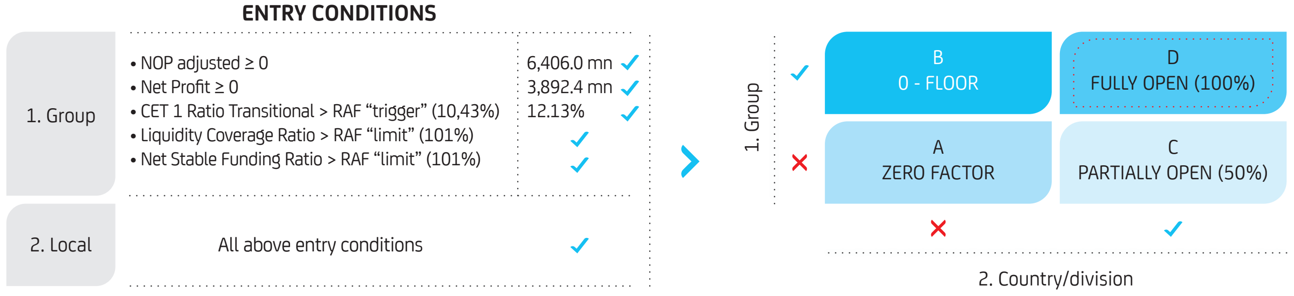
2018 Entry Conditions at group and local level

In order to align to regulatory requirements, specific indicators measuring annual profitability, solidity and liquidity results had been set at both local and group level as *Entry Conditions*. In particular, risk metrics and thresholds for the 2018 Group Incentive System as defined within the Entry Conditions - that confirms, reduces or cancels upfront and deferred payouts - include:

- **NOP adjusted** to measure profitability, Net Operating Profit adjusted excluding income from buy-back of own debt and from the fair value accounting of own liabilities;
- **Net Profit** to measure profitability, considering the results stated in the balance sheet excluding any extraordinary item as considered appropriate by the Board of Directors upon the Remuneration Committee's proposal;
- **Common Equity Tier 1 ratio transitional** that ensures to maintain a buffer equal to 0.25% on top of the 10% threshold set as the outcome of the SREP process (Supervisory Review and Evaluation Process) coordinated by the European Central Bank. The level of 10% includes, in addition to Pillar 1 and Pillar 2 minimum, the combined buffer requirement applicable for 2017 and the Pillar 2 guidance. The Pillar 2 guidance has been set additional risks under stress conditions, and a failure to meet this threshold does not automatically trigger actions by Authorities;
- **Liquidity Coverage Ratio** that ensures that bank maintains an adequate level of unencumbered "High Quality Liquid Assets" in a sufficient quantity to cover the overall 'Net Cash Outflows', over a period of thirty days, under gravely stressed conditions specified by Supervisors;
- **Net Stable Funding Ratio** that is defined as the amount of available stable funding relative to the amount of required stable funding and measures, under a long term perspective, the sustainability terms of maturities between asset and liabilities.

According to the actual results, approved by the Board of Directors on February 6, 2019, the relevant *Entry Conditions* have been achieved both at group level and local level as reported in the picture below.

ENTRY CONDITIONS



2018 Group Incentive System rules application

As a consequence of *Entry Conditions* positive assessment both at group and local level, all the 9 bonus pools are in the fully open (100%) scenario.

2018 Group Incentive System rules therefore have been applied. For each segment, the theoretical bonus pool value has been calculated applying the funding rate percentage to the actual profitability results.

Such theoretical values have been adjusted, based on the risk and sustainability assessment performed by the Group Risk Management (hereafter also CRO) through the dashboards. In particular, the evaluation of the CRO, in line with Risk Appetite Framework guidelines and *Transform 2019* targets, resulted in a positive assessment on economic and risk sustainability for all pools, implying adjustments of theoretical values with multipliers going from min 110% to max 120%.

Adjusted theoretical values have been submitted to the Remuneration Committee review, as per relevant governance processes.

In this context, the Remuneration Committee resolved to submit to the Board of Directors' approval bonus pool amounts mainly grounded on performance results, incorporating only in few cases the upside deriving from multipliers. In particular, the proposal submitted to the Board emerged in total bonus pool amount ~ 11% lower than the total theoretical value, mostly as a result of balancing per-capita bonus levels and performances within each country/division.

The Board of Directors approved the bonus pool amounts as per Remuneration Committee proposal.

Bonus pool distribution by segments

The results of the above mentioned steps brought to the distribution of the bonus pool for the Identified Staff population (ca. 1,100 resources in 2018), as reported below.

For 2018, UniCredit Board of Directors took into consideration the Remuneration Committee's proposals and regulatory guidelines regarding variable remuneration.

The assessment related to remuneration decisions, similar to past years, has been supported by a strict group governance process in order to guarantee consistency and transparency from all parties involved in the decision-making process.
The total amount of variable compensation for Identified Staff, detailed in paragraph 6.1, is sustainable given the bank's financial position and does not limit bank's ability to hold an adequate level of capital and liquidity.
Upon the assessment of achievement level for goals defined for 2018 and subsequent governance step in the Board of March 5, 2019 the allocation of ca. 5 million UniCredit ordinary shares was promised to ca. 580 Identified Staff to be distributed in 2021, 2022, 2023 and 2024.
The actual allocation of the last three installments is subject to the application of Zero Factor for 2021, 2022 and 2023 respectively. Therefore, the 2018 Group Incentive System would entail an expected impact on UniCredit share capital of approximately 0.22%, assuming the achievement of group performance thresholds based on Zero Factor.

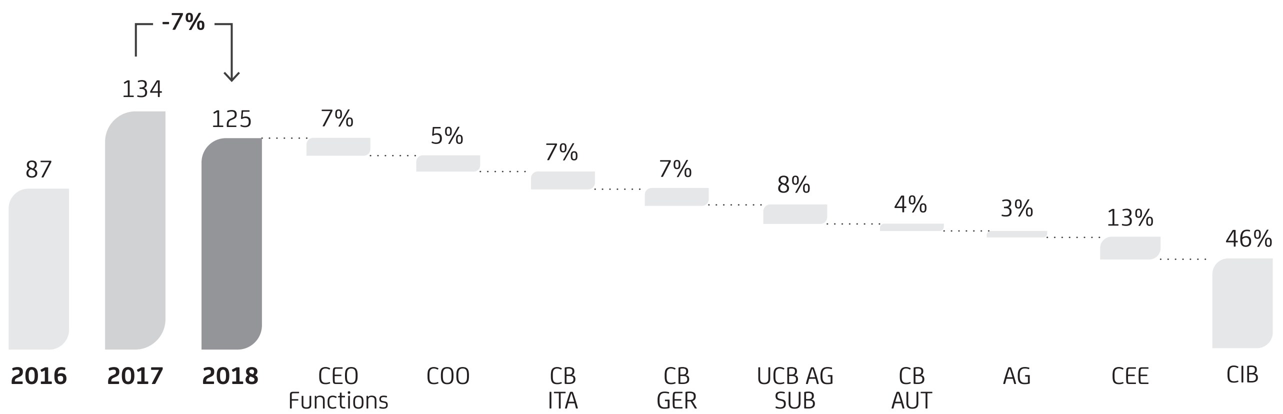
With reference to previous years Plans, the Board of Directors resolved to proceed with the payments of the outstanding deferrals due in 2019 (deferred from 2014, 2015 and 2016 Plans and from severance payments related to 2015, 2016 and 2017 Plans).

Evaluation and payout for Chief Executive Officer and former General Manager

Neither the CEO nor the former General Manager received any annual bonus for 2018.

As already announced in 2016 during the Strategic Plan presentation to analysts and investors, until 2019 their variable is entirely based on the 2017-2019 Long Term Incentive Plan, tied to *Transform 2019* targets.

In line with group governance, 2018 assessment and payment for the other Executives with strategic responsibilities perimeter have been reviewed by the Remuneration Committee and approved by the Board of Directors, heard the Statutory Auditors and Internal Controls and Risks Committee as relevant.



Data in mln Euro. 2018 not including 2017-2019 LTI pro-rata grant (not awarded) equal to 25 mln Euro.

Details

For further details on the execution of the 2018 Group Incentive System and the deferrals of previous years' Plans, refer to Chapter 6 and to the attachment to 2019 Group Compensation Policy, published on the UniCredit website, in the section dedicated to 2019 Shareholder's Meeting. »

2018 variable and fixed compensation for Chief Executive Officer and former General Manager

Considering that until 2019 no annual bonus pay out is envisaged for the CEO and the former General Manager, their 2018 remuneration is composed by fixed component only.

As per the request by the CEO Jean Pierre Mustier to the Board of Directors in 2016, to set the right tone from the top, as well as to fully align his interests with all stakeholders, specific conditions are applied to his remuneration effective January 1, 2017.

In particular, his fixed remuneration was reduced by 40%. With reference to 2018, the Chief Executive Officer received a total fixed remuneration of € 1.2 million, including director's remuneration. The former General Manager received in 2018 a total fixed remuneration of € 1.2 million.

Local coordination and specific programs

The elements of the Group Incentive System are fully applied across the entire Identified Staff population, with local adaptations based on specific regulations and/or business specifics, consistent with the overall Group approach.

Being fully compliant with the principles of the incentive plans, local adaptations allow the achievement of the same results if the implementation of the group plan should have some adverse effects (legal, tax or other) for the group companies and/or beneficiaries residing in countries where the group is present.
Implementation approach of group incentive plans for Identified Staff fully complies with Bank of Italy requirements and European guidelines, and at the same time considers:

- local needs to adopt alternative solutions as necessary according to local regulators;
- annual Audit, in each jurisdiction, on the implementation of the incentive systems;
- further needs to introduce corrective measures to address local specificities, with focus on the reconciliation of local differences and home/host regulatory roles.

In this regard, a specific authorization had been granted to the Chairman, the Chief Executive Officer and the Head of Group Human Capital to make appropriate changes for the implementation of the Plan, that do not alter the substance of the resolution of the Board of Directors and the Shareholders' Meeting.

The main adjustments authorized by the shareholders regarding the implementation of the Group System concerned the use of financial instruments different than the UniCredit shares, for Zagrebacka Banka in Croatia, and FinecoBank in Italy. These changes were implemented considering specific requests formulated by local regulators or by other relevant stakeholders.

In addition, consistency with the exercise of the powers granted to the Chairman, the Chief Executive Officer and the Head of Group Human Capital, these changes were subsequently authorized and adjustments which primarily impact threshold limits for deferral and the percentage of payments distribution were made, these are in any case more restrictive than those of the group, the use of local instruments and performance indicators rather than those of the group, in line with specific recommendations received from the local Authorities.

Moreover, some adaptations are envisaged regarding the ratio between variable and fixed remuneration, "compliance breach" procedure, malus and claw-back in alignment with local regulatory provisions.

For the general employee population, specific systems are implemented, considering market local practices.

Severance Payments - Calibrations and exceptions

As provided by the Termination Payments Group Policy (Severance Policy)[8], starting from its approval by 2017 Annual General Meeting, some calibrations, submitted to the Holding by non-Italian group Legal Entities, were approved.

Most of the calibrations aim at ensuring the compliance with regulatory requirements, laws and practices of the local markets and, additionally to formal amendments, were related to the:

- exclusion from the Severance Policy field of applicability of some categories/typologies of payments, being not discretionarily defined by laws and labor contracts;
- possibility not to apply deferral mechanisms and/or malus and claw-back clauses if not envisaged by local regulations or inconsistent with local labor laws.

8. For more details please refer to the document approved by the Shareholders Meeting on April 20, 2017.

With reference to Austria, in connection to the so called "protected" contracts ("*Definitivum*"), which cannot be unilaterally terminated by the Company before retirement, as provided by the Severance Policy paragraph 4.1.2, the maximum limit for severance payments has been raised from 24 to 36 months of total compensation.

For Germany, which is characterized by a particularly protective legislation with regard also to Executives, a calibration proposal was approved in compliance with paragraph 4.1.1 of the Severance Policy, allowing for the notice to be paid on top to the general limit of 24 months and - in exceptional cases and with particular governance - to also increase the maximum number of months to 36 or 48, depending on the circumstances.

In 2018, all severance payments were managed in line with the approved governance. No exceptions related to Executives[9] occurred that deemed necessary the activation of the relevant escalation process to higher managerial levels, with prior opinion of the Compliance function.

For other details on severance payments defined in 2018 for Identified Staff refer to paragraph 6.1.

9. In this context, Executives are the employees with global band title equal to Senior Vice President or higher. For further information on the Global Job Model, refer to paragraph 5.1.

5.3 2019 Group Incentive System

In line with past years, the 2019 Group Incentive System, as approved by UniCredit Board of Directors on January 10, 2019, is based on a bonus pool approach which is compliant with the most recent national and international regulatory requirements and links bonuses with company results at group and country/division level, ensuring a strong connection between profitability, risk and reward. In particular, the system provides for:

- the definition of 9 bonus pools for each country/division, whose size depends on actual profitability;
- allocation of a variable incentive defined on the basis of the determined bonus pool, individual performance evaluation, internal benchmark for specific roles/markets and maximum ratio between variable and fixed compensation as approved by the Annual General Meeting;
- a malus condition (Zero Factor) which applies in case specific thresholds of profitability, capital and liquidity are not met at both group and country/division level;
- risk adjusted metrics in order to guarantee long term sustainability, regarding company financial position and to ensure compliance with regulations;
- definition of a balanced structure of upfront (following the moment of performance evaluation) and deferred payments, in cash and/or shares for Identified Staff;
- distribution of share payments which take into account the applicable regulatory requirements regarding the application of share retention periods.

2019 Bonus pool clusters	
Asset Gathering	Commercial Banking Austria
CEE	Commercial Banking Germany
CEO Functions	Commercial Banking Italy
COO Area	UniCredit Bank AG Subgroup
CIB	

The 2019 Incentive System is based on the following methodology:

BONUS POOL LEVEL

Bonus pool definition

1. Bonus pool funding ×

- 9 Pools reflecting the UniCredit Organization model
- Size is based on actual operational profitability (no extraordinary items)
- Risk-adjusted (e.g. Value Creation) or risk related metrics (eg. Net Operating Profit) are used for funding

2. Entry conditions ×

- Access to each bonus pool linked to the achievement of capital, liquidity and profitability both at Group and local level

3. Risk/sustainability adjustment and Cascading ›

- Bonus pools revised up/downwards depending on the "quality of performance"
- Adjustment based on yearly Risk Appetite Framework (RAF) and cost of capital (i.e. Economic Value Added)
- Bonus Pools cascaded down within each Perimeter / Division using risk-adjusted / related metrics, whether applicable

INDIVIDUAL LEVEL

4. Individual allocation ›

- Individual payout based on 5 / 8 goals scorecards
- Specific guidelines / rules defined involving CRO / CFO ("*KPI Bluebook*"):
  - Goals both qualitative/ quantitative aligned with MYP
  - Min 1 risk[A] and 50% sustainability goals KPI BB required

5. Payout

- Payout in cash / shares on 3/5 year deferral horizon
- Bonus payout subject to malus & claw-back
- Additional "gates" to bonus entitlement (i.e. mandatory training, "*Know Your Customer*" questionnaire for selected roles)

A. Risk adjusted or Risk related.

1. Bonus Pool Funding

The bonus pools are initially proposed during the budgeting phase for every cluster as a percentage of their respective Funding KPI (e.g. Net Operating Profit). In such a definition the following elements are considered: business context and perspectives, previous years amount and forecasts of profitability. The budget is submitted to the approval of UniCredit Board of Directors.
The bonus pools set for each cluster are adjusted accordingly to the intra-annual trend of the respective funding KPI, with 1st, 2nd and 3rd quarter forecast being affected by performance trends.
Bonus pools are based on the risk weighted results of each country/division, in line with overall group performance, considering the assessment of both group and country risk sustainability.

2. Entry Conditions

Specific "Entry Conditions" are set at both group and country/division level.

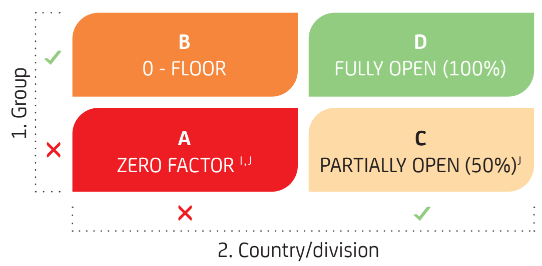
The combined evaluation of the Entry Conditions at group and local level define 4 possible scenarios that allows the confirmation to increase, reduce or cancel the bonus pool for each cluster.

The malus condition (Zero Factor) will apply in case the specific metrics on profitability, capital and liquidity are not achieved both at group and local level (box A of the matrix included in the scheme "Entry Conditions definition"). Specifically, the Zero Factor is applied to the Identified Staff population[10], whereas for the non-Identified Staff population, a significant reduction will be applied.

ENTRY CONDITIONS DEFINITION

1. Group	2. Local[G,H]
• NOP adjusted[A] ≥ 0 • Net Profit[B] ≥ 0 • CET1 Ratio Fully Loaded[C,D] ≥ 11.1% • Liquidity Coverage Ratio[C,E] > 2019 RAF "limit" (101%) • Net Stable Funding Ratio[C,F] > 2019 RAF "limit" (101%)	• NOP adjusted[A] ≥ 0 • Net Profit[B] ≥ 0

ENTRY CONDITIONS ASSESSMENT



A In case the Entry Conditions are not met at both Group and local levels, the malus condition is activated, triggering the application of *Zero Factor*[I,J] on both current year bonus and previous years deferrals. For the other employees, a significant reduction will be applied.

B In case the Entry Conditions are not met only at Country/Division level, a *floor* might be defined for retention purposes and in order to maintain the minimum pay levels needed to play in the market.

C In case the Entry Conditions are not met only at Group level, the gate is "partially open", with the possibility to payout a reduced Bonus Pool[J].

D In case the Entry Conditions are met both at Group and Country/Division level, the gate is "fully open", meaning the Bonus Pools may be fully confirmed.

A. NOP excluding income from buy-back of own debt and from the fair value accounting of own liabilities
B. Net Profit stated in the Balance Sheet, excluding any extraordinary items as considered appropriate by the Board of Directors upon Remuneration Committee proposal
C. In case of issues with capital and/or liquidity requirements at Legal Entity (LE) level, the related Bonus Pool size could be impacted, even if the Entry Conditions at Group level are fully satisfied.
D. CET1 capital ratio is the CET1 capital of the institution expressed as a percentage of the total risk exposure amount (RWA). CET1 requirement recommended by ECB in its letter on variable remuneration policy issued on January 2019. For the next years, in case Authorities recommendations change the threshold will be updated accordingly. In case Authorities recommendations are not applicable, RAF Trigger will be applied. The CET1 ratio requirement envisaged by the ECB letter on variable remunerations, is increased from 10.4% to 11.1% mainly according to the "linear path" towards the "fully loaded" requirement completed on January 1st 2019. 2018 SREP capital demand (i.e. the sum of Pillar 2 requirement and Pillar 2 Guidance) to be applied to the Group in 2019, are confirmed at the levels in place last year.
E. Liquidity Coverage Ratio: it aims to ensure that the bank maintains an adequate level of not restricted "High Quality Liquid Assets" in a sufficient quantity to cover the overall 'Net Cash Outflows', over a period of thirty days, under gravely stressed conditions specified by Supervisors .
F. Net Stable Funding Ratio: is defined as the amount of available stable funding relative to the amount of required stable funding and measures, under a long term perspective, the sustainability terms of maturities between asset and liabilities.
G. "Local" refers to the Bonus Pool segment (eg. CEE, CBK Italy, etc.). In case of Legal Entity belonging to a Bonus Pool it might be appropriate to include additional Entry Conditions measured at LE level
H. In case a Bonus Pool segment has a budget lower than 0, the local entry conditions would refer to this value, provided that all regulatory requirements (included requirements at LE level) are respected.
I. For Executive & Identified Staff population. In any case, the Board of Directors can provide the CEO the possibility to allocate a separate and discretional pool for retention purposes only, subject to local relevant governance bodies' decision, eventually including a positive feedback from ECB, if required (e.g. in a scenario of CET1r < threshold, in a context of a capital contingency plan defined with ECB). For the other employees, a significant reduction will be applied.
J. In case Entry Conditions are not met at group Level, no bonus pay out is envisaged for the Group CEO and General Manager and all the Senior Executive Vice Presidents, irrespective of Country or area of activity.

10. The bonus pool of 2019 will be zeroed (for Identified Staff), while an ex-post correction mechanism is foreseen that determines a reduction of deferrals of previous year systems from 50% to 100% of their value, based on the entity of loss both at group & local level and CRO assessment based on positioning vs. Risk Appetite Framework (next paragraph - Adjustments based on Sustainability and Risk).

In case the Entry Conditions are not met at country/division level, but at group level they are met (box B of the matrix included in the scheme "Entry Conditions definition"), a floor might be defined for retention purposes and in order to maintain the minimum pay levels needed to play in the market.

In case Entry Conditions are not met at group Level, no bonus pay out is envisaged for the Group CEO and all the Senior Executive Vice Presidents, irrespective of country or area of activity.

3. Adjustments based on sustainability and risk

In order to ensure consistency with the Group Risk Appetite Framework and the economic sustainability of the group's and country/division results over time, the bonus pool may be revised up/downwards, on the basis of the overall "quality of performance".

The methodology envisages the assessment performed by Group CRO based on specific dashboards at group and local level. In addition, the Group CFO will present to the Remuneration Committee a specific relation to provide comments on group and segments results.

The CRO dashboards include indicators covering all relevant risks, such as credit, market and liquidity and the risk position assumed, the adherence to regulatory requirements and the relationship between risk and profitability. The specific metrics are measured with reference to the respective relevant thresholds (limit, trigger and target), established in line to the Group Risk Appetite Framework. By way of example, the standard structures of Risk dashboard are shown in the following picture.

The Group CRO can either confirm or override the outcome. Group CRO may exercise the right to override taking into considerations events with a qualitative nature or extraordinary events which are out of the ordinary business of the bank (e.g. significant asset disposals in addition to normal distressed asset management activities, mergers and acquisitions or business restructuring, business dismissals, capital increases, sanctions, goodwill impairment).

For each bonus pool cluster, the Group CRO function provides an overall assessment on the dashboards and the evaluation brings to the definition of a 'multiplier' in order to define the adjustment to each bonus pool, which could fall in the range of 50%-120%. In case of positive CRO "multipliers" (i.e. 110%-120%) the possibility to grant a further growth in the bonus pool is confirmed only in case of positive EVA (profit[11] higher than cost of capital) or EVA greater than budget value, if the latter is negative.

The dashboards, used to evaluate the quality of performance from a risk perspective, are monitored on a quarterly basis.

The application of a further discretional range up to +20% in the faculty of Board of Directors is foreseen with respect to the theoretical value, while there is no limit to a downward discretionary adjustment of the bonus pool.

11. In terms of Net Operating Profit After Taxes (NOPAT).

CRO Dashboard

ILLUSTRATIVE

Indicators covering all relevant risks set in alignment with Group Risk Appetite Framework

Dimension		Metric	Assessment 1Q.	2Q.	3Q.	4Q.
Pillar 1 KPIs	Capital	CET1r (%)				
		Leverage Ratio (%)				
	Liquidity	LCR (%)				
		NSFR (%)				
Managerial KPIs		Funding GAP				
	Return & Risk	RAOC (%)				
	Credit	EL Stock %				
		EL New Bus. %				
		Abs. NPE Exp.				
		Coverage on Imp. (%)				
Specific Risk KPIs	Market Risk	Max.Dom.Sov.Exp.				
		Max RWA Mkt. Risk (%)				
	IRRBB	EV sen. (%)				
	Operational	ELOR (%)				
		ICT Risk (%)				

Better than target
Worse than target but better than Trigger
Worse than Trigger but better than limit
Worse than limit

APPRAISAL

– = +

OVERALL APPRAISAL AND ADJUSTMENT DIRECTION

The evaluation of Risk sustainability brings to the application of 5 possible multipliers for the adjustment of the theoretical bonus pool for each country/division

– –	–	=	+	++
50%	75%	100%	110%	120%
			EVA > 0 or EVA > budget, if negative	

\+ Up to 20% of BoD discretion (*no limits to downward discretion*)

In particular, based on Entry Conditions achievement, in case the CRO assessment reports the maximum positive result, accessibility has been confirmed from positive EVA values and the Board of Directors exercises the maximum discretion, the following scenarios may occur:

- if the Entry Conditions are not met only at group level, the gate is "partially open", with the possibility to payout a reduced bonus pool with a minimum reduction of 28%[12] of the theoretical value, excepting for the Group CEO and all the Senior Executive Vice Presidents, irrespective of country or area of activity;
- if the Entry Conditions are met both at group and country/division level, the gate is "fully open", meaning the bonus pools may be fully confirmed or even increased up to max 144%[13].

In any case, as requested by Bank of Italy regulations, the final evaluation of group sustainable performance parameters and the alignment between risk and remuneration will be assessed by the Remuneration Committee and defined under the governance and accountability of the Board of Directors.

The Board of Directors has the possibility not to take into account, when deciding bonus, balance sheet extraordinary items which do not impact operational performance, regulatory capital and liquidity (e.g. goodwill impairment).

Once the bonus pools are approved by the Board of Directors, the breakdown process to cascade the pools within each perimeter/division, where applicable according to business features (e.g. not for service factories), takes into account risk adjusted/related indicators that are assessed both on a quarterly basis and at year end. The year-end assessment takes into consideration the weighted average scoring of the single indicators.

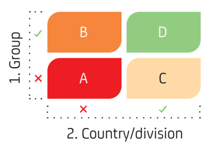
Moreover, following potential changes in current regulations and/or in relation to potential extraordinary and/or unpredictable contingencies which can impact the group, the company or the market in which it operates, the Board of Directors, having heard the opinion of the Remuneration Committee, maintains the right to amend the system and relevant rules, consistently with the overall setup approved by the Annual General Meeting.

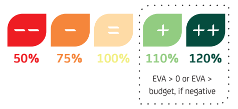
Example of bonus pool definition

ILLUSTRATIVE

BONUS POOL LEVEL

1. Bonus pool funding	×	2. Entry conditions	×	3. Risk/Sustainab. adjustment	=	Theoretical bonus pool	+	Possible board discretion of +20% (No limit to downward discretion)
€ 1 m funding KPI × 10% funding rate	×	100%	×	110%	=	€ 110 K	+	0 - € 132 K
• Bonus pool proposed in budget phase as a percentage of the funding KPI		• Entry Conditions achieved both at group and local country/division level		• Positive evaluation on risk sustainability done by CRO (+)		• Final decision on bonus pool amount, including the possible application of an upward discretion of the Board (+20%) or downward (till zeroing the bonus pool)		





12. Maximum scenario achievable in case of positive CRO assessment and using all the Board of Directors' discretion to approve a bonus pool max +20% of the theoretical one (50%*120%CROdashboard+ 20%Bod discretion).
13. Maximum scenario achievable in case of positive CRO assessment and using all the Board of Directors' discretion to approve a bonus pool max +20% of the Theoretical one 20%CROdashboard+ 20%Bod discretion).

4. Individual Allocation

For each position of Identified Staff population a specific "Reference Value" is defined which considers the internal and/or external benchmarking analysis on similar roles, the seniority, the maximum ratio between variable and fixed compensation as approved by Annual General Meeting. Such value is adjusted according the actual available bonus pool and represents the starting point for the individual bonus allocation.

Individual bonus will be allocated managerially, considering the individual performance appraisal and the above mentioned Reference Value.

At individual level it will be also considered the respect of provisions of law, group's compliance rules, Company policies or integrity values, Code of Conduct and the application of claw-back clauses, as legally enforceable.

Moreover, each participant has to complete Compliance mandatory trainings courses and, for impacted roles, the periodic customer due diligence, within a pre-defined threshold in order to be entitled to the bonus.

Individual performance appraisal is based on 2019 Scorecard: minimum 5 individual goals (suggested maximum 8) assigned during the performance year, selected from our catalogue of main key performance indicators (KPI Bluebook) and based on our "Five Fundamentals"[14].

In particular, it is possible to include from 4 to 6 goals from the catalogue and based on priorities and annual strategies of group/business/division (overall weight 70%, within this section each goal has the same weight) and from 1 to 2 goals possibly customized by business/division (overall weight 30%, within this section each goal has the same weight).

Competencies and behaviors considered as relevant are taken into account by the manager for the overall performance appraisal. Further details are reported in paragraph 5.4.

The goals appraisal system is based on a 1-5 rating scale with a descriptive outcome.

ILLUSTRATIVE

Scorecard 2019

	Perimeter	Target	Link to our Five Fundamentals
Goal 1 ✓ RISK ADJUSTED	Group	vs. Qualitative Assessment	Customers First
Goal 2	Group	vs. Budget	People Development
Goal 3	Group	vs. Qualitative Assessment	Cooperation & Synergies
Goal 4	Group	vs. Risk Appetite Framework Parameter	Risk Management
Goal 5 ✓ RISK ADJUSTED	Group	vs. Budget	Execution & Discipline

Appraisal 2019

BELOW EXPECTATIONS
ALMOST MEETS
MEETS
EXCEEDS
GREATLY EXCEEDS

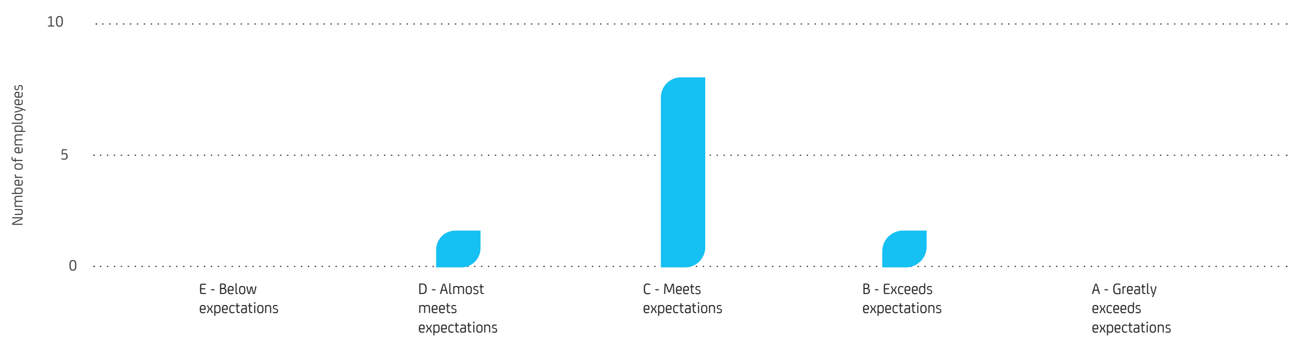
Individual bonus allocated managerially considering also the individual actual performance and merit[A]

A. Final decision on bonus stays not deterministic and based on available pool, on Reference Value and on guidelines on bonus payout related to performance evaluation.

14. Our "Five Fundamentals" are the main pillars of our "One bank, One UniCredit" culture and are at the basis of the UniCredit Competency Model that describes those behaviors that are expected from all UniCredit people and through which all employees are assessed in performance management processes. Our "Five Fundamentals" are: Customers First, People Development, Cooperation & Synergies, Risk Management, Execution & Discipline.

Particular attention is dedicated to the level of correlation between bonus proposed and actual performance both at the bonus proposal step and consolidation phase:

Performance distribution ILLUSTRATIVE



Variable pay/Performance matrix ILLUSTRATTIVE

PERFORMANCE RATING

Bonus vs Position Reference	E - Below expectations	D - Almost meets expectations	C - Meets expectations	B - Exceeds expectations	A - Greatly exceeds expectations
> 130%					
110% - 130%				1	
80% - 110%			8	1	
0% - 80%		2			
0%					

5. Payout

As approved by the Board of Directors on January 10, 2019, with reference to payout structure, the Identified Staff population will be differentiated into four clusters, using a combined approach of position and compensation:

- for Senior Management[15] 5-year deferral schemes are applied, consisting in a payout structure of 6 years in total; an higher deferral percentage is applied in case of High Earners (variable remuneration > 430,000 Euro[16]);
- for other Identified Staff 3-year deferral schemes are applied, consisting in a payout structure of 4 years in total; an higher deferral percentage is applied in case of High Earners (variable remuneration > 430,000 Euro).

The payout of incentives will be done through upfront and deferred installments, in cash or in UniCredit ordinary shares, up to a multi-year period:

- in 2020 the first installment of the total incentive will be paid in cash and/or free UniCredit ordinary shares in absence of any individual values/compliance breach[17];
- the remaining part of the overall incentive will be paid in cash and/or free UniCredit ordinary shares:
  - 2021-2025 for Senior Management;
  - 2021-2023 for other Identified Staff.

	2019	2020	2021	2022	2023	2024	2025
Senior Management[A] with variable remuneration > € 430,000	performance year	20% upfront cash	20% upfront shares	12% deferred cash	12% deferred shares	12% deferred shares	12% deferred cash 12% deferred shares
Senior Management[A] with variable remuneration ≤ € 430,000	performance year	25% upfront cash	25% upfront shares	10% deferred cash	10% deferred shares	10% deferred shares	10% deferred cash 10% deferred shares
Other Identified Staff with variable remuneration > € 430,000	performance year	20% upfront cash	5% deferred cash 20% upfront shares	5% deferred cash 15% deferred shares	20% deferred cash 15% deferred shares		
Other Identified Staff with variable remuneration ≤ € 430,000	performance year	30% upfront cash	30% upfront shares	10% deferred shares	20% deferred cash 10% deferred shares		

Payout view, also including retention period applied to upfront and deferred shares.
A. EVP and above banding and other apical roles foreseen by Bank of Italy Circular 285.

Each further tranche will be subject to the application of the Zero Factor for the year of reference and in absence of any individual/values compliance breach[17].
Additional retention period will be applied, 1 year for both upfront and deferred shares.

All the installments are subject to the application of claw-back conditions, as legally enforceable.

The number of shares to be allocated in the respective installments shall be defined in 2020, on the basis of the arithmetic mean of the official market price of UniCredit ordinary shares during the month preceding the Board to which the 2019 bonuses are submitted, after having evaluated performance achievements.

The Board of Directors could establish to assign free UniCredit ordinary shares that will be freely transferable at the end of the

15. EVP and above banding and other apical roles foreseen by Bank of Italy Circular 28.
16. 430.000 Euro is the lower amount between 10 times the average Bank total compensation (ca. 520.000 Euro) and the 25% of total compensation of Italian High Earner as reported by EBA. This is the reason why it is smaller compared to previous threshold (500.000 Euro).
17. Considering also the gravity of any internal/external findings (i.e. Audit, Bank of Italy, Consob and/or analogous local authorities).

retention period, or in the year of the assignment, but subject to restrictions during the defined retention period (1 year retention period for both upfront and deferred shares).

In line with national market practices, a minimum threshold will be introduced, below which no deferral mechanisms will be applied, accordingly with relevant regulatory indications.

The maximum value of the 2019 Group Incentive System for the Identified Staff receiving UniCredit ordinary shares is approximately € 170 million, with an expected impact on UniCredit share capital of approximately 0.72%, assuming that all free shares for employees are distributed. Out of this amount, the estimated portion that could be awarded to business functions roles, exceeding the 1:1 ratio between variable and fixed remuneration, is less than 10% of the overall estimated pool (approx. € 15 million distributed on less than 150 beneficiaries), with a potential impact on UniCredit share capital of approximately less than 0.06%, assuming that all free shares for employees are distributed.

The overall dilution for all other current outstanding group equity-based plans, including the 2017-2019 LTI Plan, equals 1.7%.

The beneficiaries cannot activate programs or agreements that specifically protect the value of unavailable financial instruments assigned within the incentive plans. Any form of coverage will be considered a violation of compliance rules and imply the consequences set out in the regulations, rules and procedures.

At local level, Group Entities may perform calibrations on the length of the deferral schemes and/or the use of financial instruments to be aligned with more restrictive local regulations.

FOCUS
Regulatory requirements introduced in 2019 GIS

The payment structure of 2019 incentive system has been defined in line with the provisions included in the “Disposizioni” of Bank of Italy issued on October 2018:

- the variable component is balanced, for an equal quota to at least 50%, among shares, instruments linked to them and other equity instruments;
- at least 50% of the total variable component in financial instruments is applied to both the deferred and upfront variable component. If the quota of financial instruments is higher than 50% of the total variable remuneration, the financial instruments part to defer is higher than the upfront part payable in financial instruments;
- retention period is no less than 1 year on both upfront and deferred shares;
- the variable component is subkect, for a quota of at least 40%, to deferred payment systems for a period of time not less than 3-5 years. If the variable component represents a significantly high amount[18]. For significantly high variable amount, the percentage to defer is not lower than 60%;
- In the large-size and high operational complexity banks, at least for the “Senior Management” with variable remuneration that is significantly high:
    - the length of the deferral period is not lower than 5 years;
    - more than 50% of the deferred part is composed of financial instruments.

18. For significantly high variable amount is meant the lower between: i) 25% of Italian High Earners total compensation, as shown in the latest EBA published report; ii) 10 times the average total compensation of bank employees.

5.4 Comprehensive Performance Management

The Group Incentive System, described in the paragraph 5.3, is supported by an annual performance measurement framework assuring coherence, consistency and clarity of performance objectives with business strategy, while encouraging and rewarding desired behaviours and risk orientation.
Our performance management process ensures all Identified Staff know what is expected of them and includes a rigorous monitoring of their goals achievements.

Starting from 2010, a specific process is performed annually with the involvement of key relevant functions (Human Capital, Finance, Risk Management, Compliance, Group Sustainability, Audit, Group Stakeholder Insight) to review the so-called KPI Bluebook.
The KPI Bluebook serves as the performance measurement and evaluation framework within the Group Incentive System.

The KPI Bluebook provides specific guidelines related to:

- the selection of goals based on annual priorities and goals possibly customized by business/division;
- the indication of measurable goals, both qualitative and quantitative. In case of customized goals, clear and pre-defined parameter for future evaluation performance shall be set and made transparent;
- the use of risk-adjusted/related goals (e.g. at least one KPI);
- the use of sustainability objectives for value creation over time (e.g. at least half of the goals - among those based on priorities and annual strategies of group/business/division - shall be related to sustainability);
- balanced use of economic and non-economic goals, taking into account the single role’s specificities;
- the use of goals related to conduct an compliance culture (i.e. KPI “Tone from the Top on compliance culture” mandatory for all Identified Staff);
- the selection of goals for the Company Control Functions, in order to ensure their independence (e.g. avoid KPIs linked to economic measure, use KPIs independent of results of monitored areas to avoid conflict of interests);
- the selection of goals for Commercial/Network roles, set in a perspective of avoidance of conflicts of interest with customers.

The KPI Bluebook includes certified KPIs (KPI Dashboard):

Main core drivers categories	Examples of KPIs for each category
Value creation	• ROAC (Return On Allocated Capital) • RACE (Risk Adjusted Capital Efficiency) • Revenues on new business • EVA • ...
Risk and capital governance	• CET1 ratio fully loaded • New business EL % • Performing Stock EL % • Gross NPE • ...
Clients	• Net New Clients • Churn rate • Internal Service Quality (ISQ) • Reputation Index • External Customer Satisfaction index • ...
Industrial levers	• Operating costs • Cross- selling excellence (CSE) • ...
Human capital	• Gender balance and pay gap • HR Processes Execution • Sustain Value through People • ...
Compliance culture	• Tone from the top on compliance culture • Regulatory requirements and policy implementation • ...
...	• Sustainability Governance/Culture • Audit effectiveness • ...

The different categories represent economic and non economic goals and are mapped into clusters of business, as shown in the picture below, to help identifying the most relevant standardized KPIs (all certified by relevant functions), with specific focus on risk-adjusted, sustainability-driven metrics and economic measures. Sustainability KPIs (see next page) are the goals that meet current needs without compromising the ability of the Company to generate profit in the future and which have an impact on the creation of medium/long-term value for one or more stakeholders.

KPI Bluebook library

ASSET GATHERING	CIB	CEE	GROUP/ CEO FUNCTIONS
COO AREA	COMMERCIAL BANKING ITALY	GERMANY	AUSTRIA

› Stakeholder Value and KPI

The KPI Bluebook includes also sustainability indicators aiming at measuring client satisfaction, employees' engagement level, and Succession Planning Index (further details are included in the Integrated Report published on UniCredit website).

Customer first benchmarking

- Definition: analysis of competitive positioning of UniCredit on the topic of strategic KPIs, such as reputation and customer satisfaction. Assessing the level of service provided, as well as image, both by Customers and Prospects
- Listening Methodology: the assessment is conducted on the main countries where the group operates, through an investigation that involves both Individual and Corporate segments. Respondents are customers of the banks of UniCredit and of the local competitors
- Used indexes: Customer First Index, as a combination of satisfaction and preference. Additional supporting behaviors will be measured, such as recommendation, share of wallet, propensity to buy, attrition risk, etc.
- Supplier: Kantar TNS

Internal service quality

- Definition: analysis of satisfaction perceived by the Internal Customer, evaluating the Department which is providing the service. Purpose is to simplify the process and improve its effectiveness. In addition, specific employee experiences may be measured, evaluated by the employee quickly after the experience took place
- Listening Methodology: the assessment is conducted on the major group perimeters, through a periodic web survey, on employees who have taken advantage of the services concerned
- Used indexes: Overall Satisfaction, Effort Score for employees
- Supplier: Kantar TNS

People engagement

- Definition: analysis of the company "climate" and of the "People engagement" (i.e. for the stakeholder employee), in order to identify the drivers of motivation and satisfaction vis-à-vis the Company
- Listening methodology: the research is run for group employees, trough a recurring web survey
- Used indexes: Engagement Index, by a methodology in line with international best in class standards
- Supplier of the technical platform is an external provider*, while the survey is managed internally by the People Insight function

Succession planning index

- Definition: The succession planning coverage ratio allowing to calculate the percentage of about 500 senior management group positions for which a successor pipeline has been identified. The aim is to assure a sustainable leadership pipeline
- Methodology: The succession plan analysis follows a structured process based on Executive Development Plan EDP outcomes
- Provider: Internal. The Coverage Ratio is yearly shared with the Board of Directors at the end of the process

With reference to 2018, as shared with the Board of Directors, 92% of the strategic positions has a formalized succession plan

EDP AT A GLANCE
EDP is the group Management Review process which allows to plan, manage and develop the group Leadership pipeline:

- ~ 3,600 Executives involved during the EDP session across the group
- Local EDP sessions to discuss all the position in EDP
- The Top Management positions subject to the discussion with the Group Chief Executive Officer

* Under definition in 2019.

› Goal Setting Framework

With the reshaping of the group compensation approach, the Goal Setting process is impacted, especially for senior management whose variable remuneration, from 2017, has been more aligned to the group long term value creation and results.

Since the 2017-2019 Long Term Incentive Plan is launched, the Scorecard for the Group CEO and the former General Manager is not reported in this paragraph, as the LTI Plan for them substitutes entirely the short term incentives. The LTIP scorecard is reported at paragraph 5.5.

For the other senior managers for whom the 2017-2019 LTI Plan covers partially the total variable remuneration, annual Scorecards reflects mainly the targets related to the Strategic Plan *Transform 2019* (in particular for business Roles) and aligned with the Risk Appetite Framework, with differences given by the perimeter of reference and the relevant activities.

Moreover, a specific KPI "Tone from the top on compliance culture" is envisaged, related to integrity towards conduct principles and spread of compliance and risk culture, to enhance overall organization awareness on these topics within the more general risk management framework.

In 2018, UniCredit has signed the UK's HM Treasury Women in Finance Charter to pledge its full support to helping improve gender diversity in the financial services sector worldwide. Under this circumstance, UniCredit decided to set up a target of 20% women in Senior Leadership roles (Executive Vice President and above) by 2022.

To support this undertaking, from 2019 in addition to gender pay gap/ balance and gender diversity goals, UniCredit introduced targets for Top Management (assigned also to lower levels in order to generate a sustainable pipeline) in terms of percentage of women in Senior Leadership roles.

The goal setting framework described above is the starting point for goal cascading to group Executives and lower levels, where applicable. In the picture below is reported an illustrative example of goal cascading.

ILLUSTRATIVE

Identified Staff	KPIs							
SEVP	ROAC / EVA	Execution of Strategic Plan	EL (New Bus, Perf Stock)	Operating Costs	Revenue sharing	Net new clients	Gender balance and pay gap	Tone from the Top on Compliance Culture
1st reporting line	ROAC	Key Business Goal (Loans, Net Sales, Customer Satisfaction)	EL (New Bus, Perf Stock)	Net Operating Profit	Revenue sharing	Net new clients	Gender balance and pay gap	Tone from the Top on Compliance Culture
2nd reporting line	Revenues (Hard Cash)	Key Business Goal (Loans, Net Sales, Customer Satisfaction)	EL (New Bus, Perf Stock)	Net Operating Profit	Revenue sharing	Net new clients	Gender balance and pay gap	Tone from the Top on Compliance Culture
Other reporting lines	Gross Operating Margin	Key Business Goal (Loans, Net Sales, Customer Satisfaction)	EL (New Bus, Perf Stock)	Net Operating Profit	Revenue sharing	Net new clients	Gender balance and pay gap	Tone from the Top on Compliance Culture

Section III
Annual Compensation Report - 5. Group Compensation Systems

5.5 Group Long Term Incentive Plan (2017-2019 LTI Plan)

The Group Long Term Incentive Plan (2017-2019 LTI Plan), approved by the Board of Directors on January 10, 2017, is aimed at aligning senior management interests to the long term value creation for the shareholders, to share price and group performance appreciation and sustaining a sound and prudent risk management, orienting the performance management measurement on a multi-year horizon.

The Plan has also the characteristic to be qualified as a "retention" tool in order to retain key group resources for the achievement of the mid-long term group strategy.

The 2017-2019 LTI Plan provides for an incentive in UniCredit free ordinary shares to employees who hold key roles within UniCredit in several installments and over a multi-year period, subject to the achievement of specific performance targets linked to the Strategic Plan *Transform 2019*.

The potential beneficiaries of the LTI Plan are:

- UniCredit Chief Executive Officer
- Former UniCredit General Manager
- Senior Executive Vice Presidents of UniCredit
- Executive Vice Presidents of UniCredit and of the Legal Entities of the group
- Other Key roles ~ 200 beneficiaries, including selected Talents not belonging to the aforementioned clusters

The personnel belonging to Company Control Functions is not included in the Plan.

2017-2019 LTI Plan: main features

Amount at stake[A]	• 100% of total max variable remuneration for CEO and former GM[B] • 50% of variable remuneration for SEVPs of UniCredit • 30% of variable remuneration for EVPs of UniCredit and of the Legal Entities of the group • Smaller amount for Key Players (~ 200)
Performance period	• 3 years (aligned to UniCredit Strategic Plan *Transform 2019*)
Deferral period	• 3 years deferral (Regulatory) subject to "malus" conditions[C] • Additional compulsory holding years (after which the shares become free to sell, only if the share ownership guidelines are respected)
Performance awards	One award based on: • Gateway conditions on profitability, liquidity, capital and risk position • Achievement of a set of performance conditions focused on group targets, aligned to the Strategic Plan *Transform 2019*
Vehicles and vesting	• 100% UniCredit Shares • Cliff vesting of the award for CEO; ratable vesting for GM, SEVPs, EVPs and other Key Players[D] • Claw-back clause foreseen for 5 years[E] after shares vesting

A. Defined upfront on the basis of 3 years of compensation.
B. Considering the exit of the former General Manager from the Company on May 31, 2019, his rights related to the LTI Plan will be re-proportioned for the months of duration of his service.
C. Malus conditions that reduce the payable amount based on profitability, liquidity, capital position.
D. 100% upfront for Key Players not Identified Staff.
E. Claw-back rules extended from 4 to 5 years in alignment with new Bank of Italy requirements.

The different percentages of payments in shares, starting from 2020, are defined considering beneficiary categories, as described in the table below.

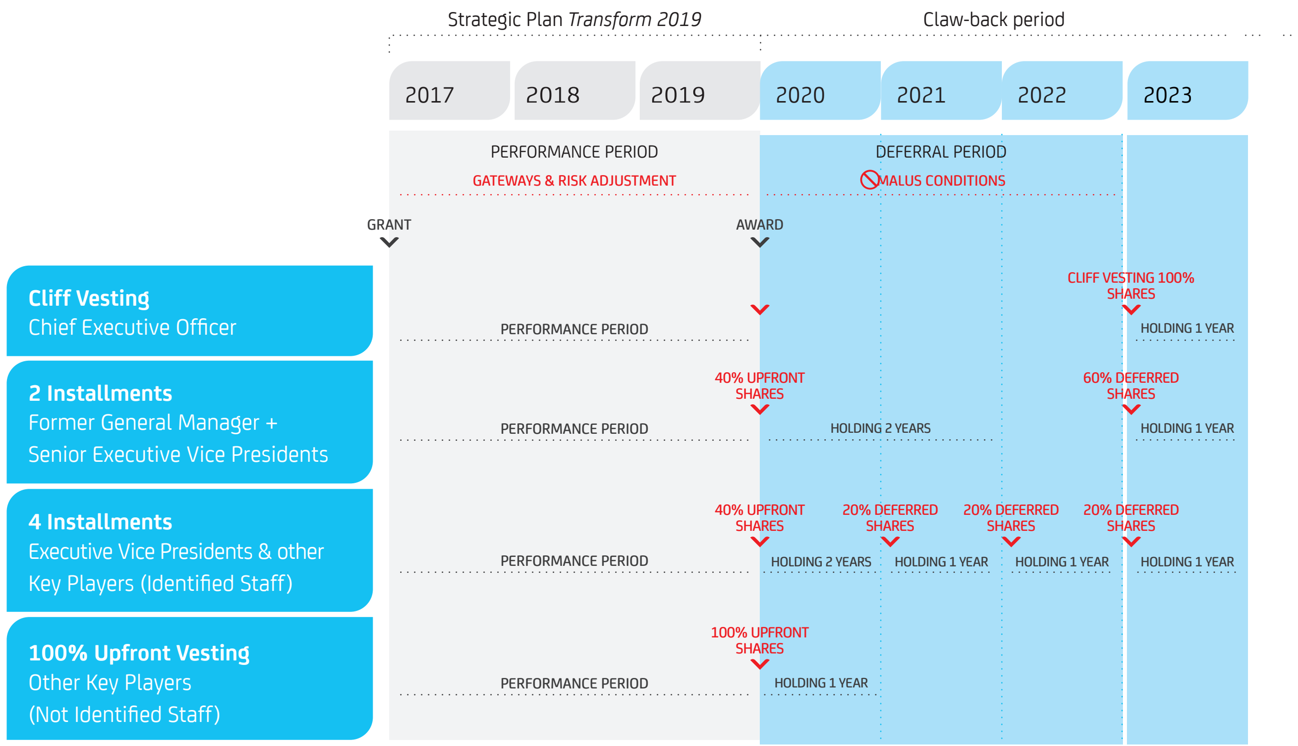
The assigned shares will be subject to a three-year deferral period from the date of approval of the LTI Plan, as required by law.

The overall final amount will be defined on the basis of the achievement of specific performance conditions linked to the Strategic Plan *Transform 2019*, subject to continuous employment at each date of payment.
Moreover, the shares will be assigned only on the basis of the respect of the minimum conditions of Company assets, capital and liquidity ("malus condition"), as well as in terms of the conduct of compliance with respect to the law, Company and group compliance rules, Company policies and to the integrity values mentioned in the Code of Conduct (including malus and claw-back clauses).
With reference to the performance period, if the threshold for the cumulative conditions is not reached, the award will be zeroed; on the other hand, the failure to reach the threshold for the conditions to be assessed at the end of each year implies the pro rata reduction of the incentive.

With reference to the deferral period, if the threshold for the cumulative conditions is not reached, the award will be reduced from 50% to 100%, based on the assessment of the general context in which the result has been reported; on the other side, the failure to reach the threshold for the conditions to be assessed at the end of each year implies the pro rata reduction of the incentive.

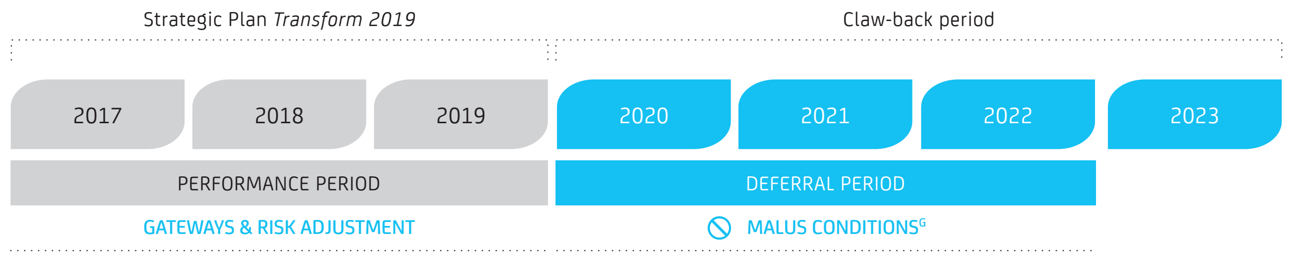
The claw-back rules are applied for the next 5 years to all payments regardless of the specific scenario (cliff or rateable vesting).

LTI Plan 2017-2019



Allocation view

Gateways, Malus Conditions and Claw-back



- Σ 2017-19 NOP Adjusted[A] > 0
- Σ 2017-19 Net Profit[B] > 0
- CET1r fully loaded[C,D] ≥ 11.1%
- Liquidity Coverage Ratio[C,E] > 100%
- Net Stable Funding Ratio[C,F] > 100%
- No significant breach of RAF across the period

- Σ 2020-22 NOP Adjusted[A] > 0
- Σ 2020-22 Net Profit[B] > 0
- CET1r fully loaded[C,D] ≥ 11.1%
- Liquidity Coverage Ratio[C,E] > 100%
- Net Stable Funding Ratio[C,F] > 100%

Evidence of misconduct or gross negligence by the beneficiary during the performance, deferral period and claw-back period (e.g. breach of code of conduct and other internal rules, especially concerning risks) will trigger malus & claw-back conditions.

A. NOP excluding income from buy-back of own debt and from the fair value accounting of own liabilities.
B. Net Profit stated in the Balance Sheet, excluding any extraordinary items as considered appropriate by the Board of Directors upon Remuneration Committee proposal
C. Measured every year at Dec 31st.
D. CET1 capital ratio is the CET1 capital of the institution expressed as a percentage of the total risk exposure amount (RWA). CET1 requirement recommended by ECB in its letter on variable remuneration policy issued on January 2019. For the next years, in case Authorities recommendations change the threshold will be updated accordingly. In case Authorities recommendations are not applicable, RAF Trigger will be applied. The CET1 ratio requirement envisaged by the ECB letter on variable remunerations, is increased from 10.4% to 11.1% mainly according to the "linear path" towards the "fully loaded" requirement completed on January 1, 2019. 2018 SREP capital demand (i.e. the sum of Pillar 2 requirement and Pillar 2 Guidance) to be applied to the Group in 2019, are confirmed at the levels in place last year.
E. The >100% threshold is defined as limit in the 2017 RAF. This threshold is higher than the Minimum Regulatory Target for 2017 (80%). For the next years, in case of change in the Minimum Regulatory Target as more restrictive than the threshold currently used, the same will be updated accordingly.
F. The >100% threshold is defined as limit in the 2017 RAF, in absence of a Minimum Regulatory requirement for 2017 but foreseen for the 2018 (100%). For the next years, in case of change in the Minimum Regulatory Target as more restrictive than the threshold currently used, the same will be updated accordingly
G. Malus conditions are measured on a yearly basis before the payment of the deferred installments.

It is expected a correlation mechanism with risk, based on a qualitative assessment of the Risk Appetite Framework and carried out through the annual risk dashboard (more details in the paragraph 5.3) during the Plan time horizon. Based on this assessment, a progressive reduction of the incentive can be envisaged until zeroing, in case of material breaches of RAF across the period.

It is foreseen also a qualitative assessment by the Remuneration Committee and the Board of Directors on the basis of non-purely formulistic elements, to keep into consideration the value creation for shareholders (i.e. Total Shareholder Return) in absolute and relative terms, the achievement of further managerial KPIs included in the Plan *Transform 2019* (i.e. cross selling, funding gap, etc.), the market context, the internal remuneration trends, etc., that could reduce down to "zero" or increase up to maximum 20% the payments of the Plan (no upward discretion for CEO). However, the overall final value of the assignments of the LTI Plan could not exceed the 100% of the original assignment.

Once the achievement of the performance indicators has been checked, the Board of Directors will grant the assignments of the shares, on the basis of the percentages of payments and the installments foreseen for the different beneficiary categories.

For the purpose of determining the number of shares to be allocated, the performance indicators specified in the LTI Plan and evaluated at the end of the period of the Plan, consistent with Plan *Transform 2019* targets, are the following ones for all beneficiaries[19].

	KPI	Perimeter	Weight	Target *Transform 2019*	Assessment criteria Threshold	Payout
Value creation	ROAC	Group	50%	9%	≥ 9%	100%
					8% - 9%	0% - 100%[B]
					< 8%	0%
Industrial sustainability	Cost/ Income ratio	Group	25%	52%	≤ 52%	100%
					55% - 52%	0% - 100%[B]
					> 55%	0%
Risk	NET NPE[A]	Group	25%	20.2 bn	≤ 20.2 bn	100%
					22 - 20.2 bn	0% - 100%[B]
					> 22 bn	0%

A. Net Non Performing Exposure (after provisions).
B. Linear progression (eg. 50% payout for ROAC at 8.5%).

For the selection of performance indicators, a limited number of specific indicators has been included, taking into consideration the trade-off between the clarity and immediacy of the evaluation, versus the inclusion of a greater number of KPIs, which would offer a broader coverage but less incisiveness on the final evaluation.

In addition, target referred to the group perimeter have been defined for all participants, in order to ensure alignment to Plan *Transform 2019*, as announced to the market.

As required by law, distribution of share payments foresees share retention periods (a retention period of 2 years for upfront shares and of 1 year for deferred shares).

Share conversion price was defined on the basis of the average price of shares during the 30 days prior the Board of Directors of January 10, 2017 that approved the Plan. The price, in line with the decision taken during the same session of the Board of Directors, has been then adjusted following the reverse stock split and by applying the AIAF adjustment factor ("K Factor") to neutralize the dilutive effect of the Share Capital increase for cash[20]. The final price resuming from these adjustments is equal to € 13.816.

Following the finalization of the individual allocation process, the maximum number of UniCredit shares to be allocated under the Plan is equal to 5,320,443. The CEO and the former General Manager[21] are allocated a maximum number of 521,134 shares each.
The 2017-2019 LTI Plan envisages an expected impact on UniCredit share capital of approximately 0.24%[22], assuming that all the free shares will be assigned to employees. The total dilution for all share plans currently in place, including 2019 Group Incentive System, equals to 1.7%.

The Board of Directors could establish to assign free UniCredit ordinary shares that will be freely transferable at the end of the shares retention period, or in the year of the assignment, but subject to restrictions on the transfer for the share retention period (2 years for upfront payments and 1 year for deferred payments).

During the implementation phase, potential changes can be made to the LTI Plan, in order to ensure compliance with the laws and regulations from time to time in force in the countries where the group Legal Entities are established. Such amendments shall be adopted in accordance with the provisions applicable and in particular with the "Disposizioni di Vigilanza per le Banche in materia di politiche e prassi di remunerazione e incentivazione" (Circular n. 285 of December 17, 2013, 25th update of October 23, 2018).

2018 progress status

An update on the LTI Plan progress status was provided to the Remuneration Committee on February 5, 2019.
All the entry conditions (gateways & risk adjustment) were met in 2017 and 2018.

The Company 2018 results referred to the LTI Plan KPIs are fully on track towards 2019 targets achievement.
Only to contextualize the progress status, and with no impact on 2019 assessment, 2018 results on the LTI KPIs are:

- ROAC 8.7% (2018 target 7.6%)[23];
- Cost/Income ratio 54.0% (2018 target 54.8%);
- Net NPE € 14.9 bn (2018 target € 21.8 bn).

The actual evaluation of the overall LTI Plan, including the appraisal of performance targets, will be carried out at the end of the three years performance period (i.e. at the end of 2019 on end-of-Plan targets).

19. As specified in the par. 5.4, for the Group Chief Executive Officer and for the General Manager, the LTI Plan substitutes entirely the short term incentives.
20. Share Capital increase and reverse stock split approved by the General Shareholders' Meeting on January 12, 2017.
21. Considering the exit of the former General Manager from the Company on May 31, 2019, his rights related to the LTI Plan will be re-proportioned for the months of duration of his service.
22. Fully loaded in the first year.
23. ROAC at 12.5% CET1 ratio target (allocated capital based on CET1 ratio target constant at 2019 level).

6. Compensation Data

6.1 2018 Remuneration Outcomes

The vested component from previous years refers to cash and equity awards to which the right has been matured as the performance conditions have been achieved:

- the vested components in cash refer to Group Incentive System 2015 and 2017 and, if present, to other forms of variable remuneration;
- the vested components in shares refer to Group Incentive Systems 2014, 2015 and 2016 and, if present, to other forms of variable remuneration.

The unvested component from previous years refers to cash and equity awards to which the right has not yet matured and for which any potential future gain has not been yet realized and remains subject to future performance:

- the unvested components in cash refer to Group Incentive Systems 2015, 2016 and 2017 and, if present, to other forms of variable remuneration;
- the unvested components in shares refer to Group Incentive Systems 2014, 2015, 2016 and 2017 and, if present, to other forms of variable remuneration.

The value of the shares shown as unvested equity is calculated considering the arithmetic mean of the official market closing price of UniCredit ordinary shares during the period January 22 - February 22, 2019.

Variable remuneration paid with reference to 2018 from previous years includes payouts based on demonstrated multi-year performance achievements related to Group Incentive Systems plans and, if present, to other forms of variable remuneration.

All stock options granted under existing group LTI plans represent zero gain for the beneficiaries as long as the *Entry Conditions* will not allow the exercise.

Population (as at Dec 31, 2018)	Num.	Fixed[A]	Variable 2018				Deferred Variable from previous exercises				Variable paid in 2018 from previous exercises	
			Upfront		Deferred		Vested in 2018		Un-Vested			
			€	Shares	€	Shares[B]	€	Shares	€	Shares	€	Shares
CEO	1	1,200	0	0	0	0	0	0	0	0	0	0
Other executive Directors	0	0	0	0	0	0	0	0	0	0	0	0
Non executive Directors	23	3,089	0	0	0	0	0	0	0	0	0	0
General Manager	1	1,200	0	0	0	0	0	113	200	175	0	359
Deputy General Manager & SEVP	19	13,596	2,348	0	2,508	4,285	801	2,613	4,991	6,530	2,226	3,873
EVP	96	35,276	6,358	152	6,308	11,107	2,334	5,382	10,529	14,718	5,889	8,706
SVP	414	90,317	17,662	232	10,868	24,368	6,194	9,182	17,328	26,225	19,915	15,942
Other relevant staff	549	91,891	18,010	11	6,647	16,433	6,249	9,063	6,939	18,185	19,269	12,667

'000, Euro.
A. 2018 full year gross fixed remuneration, except for Non Executive Directors, whose fees are those actually paid for 2018 and calculated pro rata on the basis of the methodology provided by Article 84-quater of Consob Issuers Regulation no. 11971.
B. 2017-2019 LTI Plan not included since it is long-term performance and it has not been evaluated.

During 2018, 24 beneficiaries were awarded a total remuneration equal to or greater than € 1 million. In particular:

Total Compensation (TC)	N° Identified Staff
1 ≤ TC < 1,5 mln	20
1,5 ≤ TC < 2 mln	4
2 ≤ TC < 2,5 mln	0
2,5 ≤ TC < 3 mln	0
3 ≤ TC < 3,5 mln	0
3,5 ≤ TC < 4 mln	0
4 ≤ TC < 4,5 mln	0
4,5 ≤ TC < 5 mln	0
TC ≥ 5 mln	0

Sign-on payments defined in 2018 to 4 Identified Staff amount to 2,620,000 Euro (of which 650,000 Euro for 1 member of Top Management) while severance payments to 64 Identified Staff[24] (no Top Management) amounting to 27,328,260 Euro. The highest severance payment paid to a single beneficiary was equal to 2,340,550 Euro.

The payments were determined in line with Group Policy guidelines and relevant legal and contractual framework.

For other details on severance payments, in particular local calibrations applied in 2018, refer to paragraph 5.2.

The total compensation costs at group level amounted at € 6,423 million in 2018, out of which the variable compensation pool amounted to € 478 million.

24. Data related to severance payments include payments to individuals who - having left the group during the first quarter of the year - were not mapped as Identified Staff for the year but were considered as such in 2017.

Section III
Annual Compensation Report - 6. Compensation Data

6.2 2019 Remuneration Policy

Total compensation policy for non-Executive Directors, group Identified Staff and for the overall group employee population demonstrates in particular how:

- remuneration of the non-Executive Directors, as approved by the AGM, does not include variable performance-related pay;
- variable remuneration for group Identified Staff is in line with their strategic role, regulatory requirements and our pay for performance culture;
- the general employee population is offered a balanced pay-mix in line with the role, scope and business or market context of reference.

In line with Capital Requirements Directive (CRD IV) a specific limit to the ratio of the variable and fix component of the compensation has been established.

	Compensation Pay-Mix	
Group employee population	Fixed and other non-performance related Pay	Variable performance-related Pay
Non-Executive Directors		
Chairman and Vice-Chairman	100%	0%
Directors	100%	0%
Statutory Auditors	100%	0%
Group employee population		
Business Areas[A]	92%	8%
Corporate center/Support functions[B]	93%	7%
Overall group Total	93%	7%

A. Commercial Banking Italy (excluding the local Corporate Centre), Commercial Banking Germany (excluding the local Corporate Centre), Commercial Banking Austria (excluding the local Corporate Centre), Corporate & Investment Banking (excluding the governance functions), Asset Gathering, CEE, Non-Core.
B. Corporate Center Global, COO Services, the governance functions in CIB and the local Corporate Centres in Italy, Germany and Austria.

6.3 2018 Benefits Data

Our employees enjoy welfare, healthcare and life balance benefits that supplement social security plans with minimum contractual requirements. These benefits are intended to provide substantial guarantees for the well-being of staff and their family members during their active careers as well as in retirement.

In Italy, among the complementary pension plans, there are defined benefit plans and defined contribution plans. In most cases, benefits are paid out once the retirement requirements are satisfied. In defined benefit plans the benefit's calculation is known in advance, while in defined contribution plans the benefit depends on allocated asset management results.

Complementary pension plans of UniCredit Group in Italy are external pension funds, legally autonomous from the Group. These plans are closed and do not allow new subscriptions, the only exception is represented by the defined contribution plan section of the "Fondo Pensione per il Personale delle Aziende del Gruppo UniCredit" (which was composed by approximately 34,600 enrolled active employees, as reported in the 2017 Pension Fund Annual Report).

Within this section subscribers can distribute contribution depending on their own risk appetite - among various investment lines (one in the Insurance sector, three in the Finance sector - corresponding to Short, Medium and Long Term options), characterized by different risk/yield ratios. In addition, the enrolled employees may open complementary pension plan positions in favor of their family members dependent for tax purposes.

Moreover, in most countries where UniCredit is present, complementary pension plans are available for Group employees. More details and information can be found in our Integrated Report and the relevant Supplement.