Report on remuneration

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Intesa Sanpaolo S.p.A. Registered office: Piazza S. Carlo, 156 10121 Torino Italy Secondary registered office: Via Monte di Pietà, 8 20121 Milano Italy Share capital Euro 9,085,534,363.36 Torino Company Register and Fiscal Code No. 00799960158 “Intesa Sanpaolo” VAT Group representative Vat Code No. 11991500015 (IT11991500015) Included in the National Register of Banks No. 5361 ABI Code 3069.2 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund and Parent Company of the banking group “Intesa Sanpaolo” included in the National Register of Banking Groups.

This is an English translation of the original Italian document. In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails.

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19 March 2019

Introduction

The issue of remuneration of listed companies and financial intermediaries has been gaining growing attention by international bodies and regulators, aiming to guide issuers and intermediaries towards the adoption of remuneration systems that are consistent with the principles - strengthened following the economic and financial crisis - governing the process for drawing up and approving the Group Remuneration and Incentive policies, their remuneration structure and their transparency.

In particular, according to these principles, remuneration systems must take into account current and future risks and the level of capital strength of each intermediary, and guarantee remuneration based on results actually achieved and sustainable over time.

In accordance with European Community regulations and with effect from 2011, the Italian Authorities defined a set of key rules on these matters.

The Bank of Italy, with regulation dated 30 March 2011, defined balanced rules for banks' remuneration policies, systems and practices with reference to their design and control, to compensation structures and disclosure obligations. The Supervisory Authority further intensified the monitoring of this last issue, including remuneration systems and practices among the information to be disclosed under Pillar 3, pursuant to Circular no. 285 of 17 December 2013.

Moreover, ISVAP (now IVASS), with Regulation no. 39 of 9 June 2011, dictated the principles regarding the decision-making processes, structure and disclosure obligations of the remuneration policies of insurance companies. Regulation No 39 was subsequently replaced by the IVASS Regulation No 38 of 3 July 2018 on corporate governance of companies and insurance groups, implementing Directive 2009/138/EU (so-called Solvency II), the guidelines adopted by European Insurance and Occupational Pensions Authority- EIOPA - on the corporate governance system and incorporates the forecasts of the ISVAP Regulation No. 39 of 9 June 2011 concerning remuneration policies.

Furthermore, with reference to the asset management sector, the new provisions of the Joint Bank of Italy/Consob Regulation[1] issued on 27 April 2017 incorporated into the Italian system the rules on remuneration and incentive policies and practices set out in Directive 2014/91/EU (so-called "UCITS V Directive") and are also applicable to banking group managers to varying degrees according to whether or not the asset management company (*Società di Gestione del Risparmio*) is classed as significant (net assets managed in excess of 5 billion euro).

In its resolution no. 18049 of 23 December 2011, Consob regulated implementation of the provisions contained in Article 123-ter of the Consolidated Law on Finance, which require issuers to draw up and publicly disclose a report on remuneration.

Important updates have been introduced on self-governance level as well. After being initially modified (March 2010) in the remuneration part, the Corporate Governance Code has been subject to a complete review that resulted in a new edition published on December 2011.

The Bank of Italy subsequently revisited the topic of remuneration policies with two communications dated 2 March 2012 and 13 March 2013, highlighting in general the opportunity for banks to define a strategy that is consistent with the objective of preserving, with a view to the future, the balance of the company's position, as well as maintaining the conditions of capital adequacy and prudent management of liquidity risk.

In 2014, the European Commission issued Delegated Regulation (EU) No. 604/2014 containing new Regulatory Technical Standards (RTS) relating to suitable qualitative and quantitative criteria for the identification of categories of personnel whose professional activities have a material impact on the

[1] Issued pursuant to Article 6, paragraph 2-bis of Legislative Decree no. 58 of 25 February 1998 (Consolidated Law on Finance - CLF).

institution’s risk profile (so-called “Risk Takers”) intended to supplement Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (CRD IV), effective from June 2014.

Subsequently, the Bank of Italy updated and published the “Provisions regarding remuneration and incentive policies”, Title IV – Chapter 2, Circular 285 of 17 December 2013 in the Official Gazette of the Italian Republic on 2 December 2014.

In December 2015, the EBA, based on the provisions contained in CRD IV, published the update of the "Guidelines on sound remuneration policies", drawn up by its predecessor CEBS, defining in detail the rules relating to the remuneration structure, remuneration policies and the related governance and implementation processes.

Lastly, on 12 November 2018 the Bank of Italy published in the Official journal the 25th update of Circular 285, which transposes in that title IV – Chapter 2, the indications of the "Guidelines on sound remuneration policies" issued by the EBA in 2015.

Art. 123-ter (1), CLF

This Report has been prepared in accordance with the aforementioned Article 123-ter of the Consolidated Law on Finance, and also takes into account the obligations of disclosure to the shareholders’ meeting, in accordance with the supervisory provisions issued by the Bank of Italy.

Moreover, Intesa Sanpaolo has always extensively focused its attention on remuneration matters, on relative regulation compliance and on maximum transparency to the market. The Report gathers into a single, well-organised and structured document all the qualitative and quantitative information, until 2011 separately disclosed by topic in the Report on Corporate Governance and Ownership Structures, in the Supervisory Board report submitted to the Meeting - pursuant to Article 153 of the Consolidated Law on Finance - and in the financial statements.

Art. 123-ter (2), CLF

This Report, available in the “Governance” section of the website group.intesasanpaolo.com, is divided into two Sections. The first regards the remuneration and incentive policies adopted by the Bank with respect to its corporate bodies, the corporate bodies of its subsidiaries and the employees and other staff of the Group - with a particular focus on the General Manager, Key Managers (i.e. Top Risk Takers) and other Risk Takers of the Group - and the procedures for adoption and implementation of these policies. The second section, subdivided into four parts, provides quantitative, analytical and aggregate information.

6.C.8.

With a view to disclosing information in accordance with the regulatory obligations, the document illustrates the levels of compliance with the remuneration provisions envisaged by Article 6 of the Corporate Governance Code. In this respect, for more immediate interpretation, specific margin notes citing the relevant Principles and Criteria have been provided alongside the text, together with the indications provided in Articles 123-bis and 123-ter of the Consolidated Law on Finance.

The Appendix to this document contains specific check lists that indicate, on one side, the Principles and Criteria of the Code applied and the provisions of Articles 123-bis and 123-ter and, on the other side, the relative implementation (with any amendments), with reference also to the page of this Report in which the matter is discussed.
These check lists should be read together with the clarifying notes and details provided in the Report as regards application of the individual provisions.

Information contained in this Report, unless otherwise stated, refers to the position as at 19 March 2019, the date of its approval by the Board of Directors.

Art. 123-ter (6), CLF

This Report shall be subject to the binding resolution of the Shareholders’ Meeting, called up pursuant to Article 2364-bis, second paragraph, of the Civil Code, as expressly laid down by the Bank of Italy in Circular 285/2013, First Part, Title IV - “Remuneration and incentive policies and practices”.

Section I – Proposal for adoption of the 2019 Group Remuneration and Incentive Policies

1. Procedures for adoption and implementation of the Group Remuneration and Incentive policies

Art. 123-ter (3), (a) and (b) CLF

1.1 The role of corporate bodies

1.1.a Shareholders' Meeting

The Shareholders' Meeting, on proposal of the Board of Directors, approves:

- the Remuneration and Incentive Policies for the members of the Board of Directors and the remaining personnel of the Group (employees and staff not bound by an employment agreement) that include in addition the Rules for identifying staff whose professional activities have a material impact on the risk profile of the Intesa Sanpaolo Group and the Banks that do not have their own remuneration policies[2];
- the remuneration plans based on financial instruments;
- the criteria for the determination of any amounts to be granted in the event of early termination of the employment agreement or early termination of office, including the limits established for said amounts in terms of fixed annual remuneration and the maximum amount arising from the application of such limits;
- approves, if required, with qualified majorities as defined by the regulation in force, a variable-to-fixed remuneration cap higher than 100%, though not exceeding the maximum cap provided by the regulation;
- approves, if required, solely regarding the Group's key staff included in the Asset Management Companies (SGRs), SICAVs and SICAFs and work exclusively for those companies, a variable-to-fixed remuneration cap exceeding 200%.

1.1.b Board of Directors

The Board of Directors, in addition to the fixed remuneration determined by the Shareholders' Meeting:

- may determine the remuneration of the Board Members to whom the Board itself assigns further special duties in compliance with the Articles of Association, including the office of Managing Director;
- is responsible for determining the remuneration of the General Manager and of the Manager responsible for preparing the Company's financial reports, pursuant to Article 154-bis of Legislative Decree 58 of 24 February 1998, as well as of all other Group Top Risk Takers and the higher-level Executives of Company Control Functions, in accordance with the provisions of the legislation currently in force; 6.P.4.
- is responsible for the drafting of the remuneration and incentive policies of the Group to be submitted to the Shareholders' Meeting and the definition of the remuneration and incentive systems for persons for whom the supervisory regulations require that this task be performed by the body with strategic supervision functions, including the identification of parameters used to evaluate performance objectives and the definition of the variable remuneration deriving from the application of said systems.

1.1.c Remuneration Committee

The Remuneration Committee was set up by the Board of Directors in order to support with all activities concerning remuneration. In particular, the Committee:

- supports the Board of Directors in preparing proposals to submit to the Shareholders' Meeting;
- formulates proposals on the remuneration for the Managing Director and CEO and for the members of the Board of Directors who have been assigned further special duties in compliance with the Articles of Association;
- proposes the remuneration systems for Group Top Risk Takers and the higher-level Executives of Company Control Functions, taking into account the proposal of the Risks Committee and the Management Control Committee insofar as within its competence;

[2] Specifically, the scope includes the non-listed subsidiary Banks of the Intesa Sanpaolo Group that do not draw up their own document on remuneration and incentive Policies.

- expresses an opinion on the achievement of the performance targets to which the incentive plans are linked and on the determination of the other requirements for the payment of the remuneration.

Focus: Composition of the Remuneration Committee

In line with the recommendations of the Corporate Governance Code, the Remuneration Committee is composed of non-executive directors, of whom at least the majority are independent. Always in line with the code of conduct, at least one member of the Committee has adequate knowledge and experience in financial matters or remuneration policies, assessed by the Board at the time of appointment and recognised.

1.1.d Risks Committee

Without prejudicing the responsibilities of the Remuneration Committee, the Risks Committee supports the Board of Directors analysing the Remuneration and Incentive Policies in order to verify their link with current and prospective risks, the capital strength and levels of liquidity of the Group, with specific regard to the performance targets (KPIs) assigned by the incentive system to the Top Risk Takers who do not belong to Company Control Functions and similar roles.

In order to strengthen the independence of the Company Control Functions, the Risks Committee, also after the examination in a joint meeting with the Management Control Committee, expresses its opinion on the incentive system for the Chief Risk Officer and the Head of the Internal Validation and Controls Head Office Department. In particular, said opinion is expressed in relation to the performance targets, the evaluation of the results achieved for each KPI and the annual incentive bonus.

1.1.e Management Control Committee

In order to strengthen the independence of the Company Control Functions, the Management Control Committee expresses its opinion on the incentive systems for the Top Risk Takers belonging to the Company Control Functions, higher-level Executives [3] and similar roles[4].
Said opinion is expressed in a joint meeting with the Risks Committee with regard to the incentive system for the Chief Risk Officer and the Head of the Internal Validation and Controls Head Office Department.

1.2 Chief Operating Officer Governance Area

As mentioned above, the Shareholders' Meeting is responsible for approving remuneration and incentive Policies of the Group upon proposal of the Board of Directors and with the involvement of the Remuneration Committee.
The Chief Operating Officer Governance Area is responsible for drawing up the aforementioned Policies, that undergo the relative approval procedure, involving the following, to the extent of their responsibilities, as envisaged by the Regulations:

- the Planning and Control Head Office Department (see paragraph 1.3);
- the Chief Risk Officer Governance Area (see paragraph 1.4);
- the Chief Compliance Officer Governance Area (see paragraph 1.5).

The Chief Operating Officer Governance Area is also responsible for implementing incentive systems, plans and initiatives.

1.3 Planning and Control Head Office Department

The Planning and Control Head Office Department is involved in defining the remuneration and incentive Policies of the Group, in order to ensure their consistency and that of the resulting incentive systems with:

- the strategic short-and medium-long term objectives of the Companies and of the Group;
- the capital strength and the liquidity level of the Companies and of the Group. In that context, together with the Chief Compliance Officer Governance Area and the Chief Risk Officer Governance Area, it supports the Chief Operating Officer Governance Area in identifying the parameters used to evaluate performance targets, on which to base and link the granting of incentives to the Group Risk Takers;

[3] Heads and higher-level Executives of the Company Control Functions refer to the Head of the Internal Validation and Controls Head Office Department and the Head of the Anti-Money Laundering Head Office Department.
[4] In this paragraph, similar roles for the purposes of the Remuneration Discipline are the Manager responsible for preparing the Company's financial reports and the Head of the Safety and Protection Head Office Department in the role of Data Protection Officer.

Moreover, the Planning and Control Head Office Department supports the Chief Operating Officer Governance Area in the periodic monitoring of the parameters defined to evaluate the achievement of the performance targets assigned to the Risk Takers.

1.4 Chief Risk Officer Governance Area

The Chief Risk Officer Governance Area:

- verifies, ex ante, the consistency of the Group remuneration and incentive Policies and of the resulting incentive systems with the Group's Risk Appetite Framework (RAF);
- supports the Chief Operating Officer Governance Area in preparing the list of Risk Takers, providing - insofar as within its competence - additional information.

1.5 Chief Compliance Officer Governance Area

The Chief Compliance Officer Governance Area:

- conducts ex ante verification of compliance with the rules, the Articles of Association, the Code of Ethics of the Group and any additional standards of conduct applicable;
- verifies that the list of Risk Takers is consistent with the reasons described in the remuneration and incentive Policies of the Group and the regulatory provisions in force from time to time.

1.6 Chief Audit Officer

On an annual basis, the Chief Audit Officer, in accordance with the guidelines of the Supervisory Authority, verifies the compliance of the remuneration implementation procedures to the relevant Policies and, in that context, it also checks the correct implementation of the process for identifying Group Risk Takers, informing the Board of Directors and the Shareholders' Meeting on the results of the verifications conducted.

2. Remuneration of the members of the Board of Directors

2.1 Remuneration of Board Members

The Bank's Articles of Association envisage that the members of the Board of Directors be entitled, in addition to the reimbursement of expenses incurred due to their office, to a fixed remuneration for the services rendered, which is determined for the entire period of their office by the Shareholders' Meeting at the time of their appointment.
The Shareholders' Meeting also determines the additional remuneration for the office of Chairman and Deputy Chairperson.

6.C.4. The Shareholders' Meeting is therefore called upon to determine the fixed annual gross remuneration of the members of the Board of Directors as well as the additional remuneration of the office of Chairman and Deputy Chairperson, upon the appointment thereof at the start of the mandate.

An insurance policy for civil liability is signed in favour of the members of the Board of Directors according to the terms illustrated below.

In addition, it is noted that, as laid down in the Supervisory Provisions on remuneration, the amount of the remuneration paid to the Chairman is coherent with the key role assigned and must not be higher than the fixed remuneration paid to the Managing Director and CEO.

2.2 Remuneration of Management Control Committee members

Pursuant to the Articles of Association, the Shareholders' Meeting has the duty to determine, at the time of the appointment of the Management Control Committee and for the entire term of office, specific remuneration for the Board Members of said Committee, consisting exclusively of a fixed and equal amount for each Member, but with a special addition for the Chairman.
The Shareholders' Meeting is therefore invited to determine said remuneration.

2.3 Remuneration of members of the Board Committees

In terms of the activities that the Board Members are called upon to carry out as members of the additional Committees established within the Board, the Articles of Association assign to the Board of Directors, on a proposal of the Remuneration Committee, the task of determining, in addition to the remuneration set by the Shareholders' Meeting, the remuneration for these Members, in line with the remuneration policies approved by the Shareholders' Meeting.

This remuneration is determined on a fixed and annual basis for the Chairmen of the Committees, in the form of attendance fees as long as each member attends the meetings of these Committees.

2.4 Remuneration of the Managing Director and CEO

Pursuant to the Articles of Association, the Managing Director also acts as the General Manager of Intesa Sanpaolo.
In this perspective, in addition to the fixed remuneration relating to the offices of member of the Board of Directors and Managing Director, the Managing Director and General Manager is entitled to receive a fixed and variable remuneration determined by the Board of Directors in line with the remuneration policies approved by the Shareholders' Meeting.

2.5 Insurance policy for Board Members and General Managers

In line with the best practice on international financial markets and taking into account the nature, size and operational complexity of the Bank and the Group, following the resolution passed by the Shareholders' Meeting on 3 May 2007, it was decided to take out - and subsequently to renew within the limits set by the above resolution and in line with the best market standards - an insurance policy to cover the administrative liability of the Bank's Board Members as well as all board members and general managers in the subsidiaries and associates (D&O – Directors' and Officers' Liability Insurance).

The terms of the D&O policy for 2018 were as follows:

- Effective date: from 31 December 2017 until 31 December 2018
- Limit: 200,000,000.00 euro, for each loss at annual aggregate level
- 2018 premium on an annual basis: approximately 1,650,000.00 euro
- Exclusion from insurance coverage in case of wilful misconduct or gross negligence.

The maintenance of such insurance cover is deemed to serve the Bank and the Group's best interests and to represent a necessary component of the remuneration policies.

2.6 Termination of office; employment termination indemnities

The Members of the Board of Directors, with the exception of the Managing Director who is also General Manager, are not Bank employees.

No agreements exist obliging the Bank to pay Board Members an indemnity in the event of their resignation or termination of their office following a public takeover bid.

Art. 123-bis (1), (i) CLF

The criteria and maximum limits for determining the indemnities payable under the provisions of the personnel remuneration policies shall apply to the Managing Director and General Manager, in the event of early termination of the employment agreement or early termination of office (see paragraph 4.9).

3. Remuneration policy for the corporate bodies of subsidiaries

Remuneration for members of the corporate bodies of Group companies is defined by Intesa Sanpaolo in its capacity as majority shareholder and entity responsible for management and coordination activities, pursuant to the relative statutory and banking regulations.

The remuneration policy for corporate bodies, therefore, complies with the following principles, applied uniformly at Group level, in accordance with the regulatory context of the various countries in which Intesa Sanpaolo operates through its subsidiaries.

Members of the management and supervisory boards of companies of the Intesa Sanpaolo Group receive remuneration according to their assigned duties and responsibilities.

To ensure uniformity in accordance with Group standards, specific determination of the remuneration of directors is carried out by considering parameters such as the capital and economic size and organisational complexity of the company in question, as well as other objective and qualitative elements, such as the nature of the business carried out by the subsidiary and its operating risk profile.

Similar criteria apply to the determination of remuneration of directors appointed to special offices, pursuant to Article 2389 of the Italian Civil Code and similar provisions in force in foreign countries.

Variable remuneration amounts, bonuses linked to results, profit-sharing clauses or options to buy shares at predetermined prices are not normally envisaged. Exemptions from this principle are envisaged only on an exceptional and justified basis, in accordance with the Group remuneration Policies and the relative supervisory regulations in force.

In general, there are no differences in the remuneration of directors who are Group employees, professionals, independent, etc. The remuneration of Group employees who are appointed as directors in subsidiaries is paid through the company with which an employment agreement is in place.

Remuneration of members of the board of statutory auditors of Italian subsidiaries is determined upon appointment for the entire term of office, pursuant to Article 2402 of the Italian Civil Code, with a fixed yearly amount.

The amount paid to statutory auditors is determined through a uniform calculation method at Group level that takes into account objective parameters, namely capital and revenues of the company, in order to identify a specific remuneration amount.

Members of the corporate bodies normally have the right to reimbursement of the expenses incurred as a result of their office.

Finally, an insurance policy is signed for board members and general managers of subsidiaries (so-called “D&O policy”).

4. Group remuneration and incentive Policies

The present chapter describes Principles, remuneration and incentive Systems and Instruments (Section A) and Rules for identifying staff whose professional activities have a material impact on the risk profile of the Intesa Sanpaolo Group and the Banks that do not have their own remuneration policies (Section B); the mentioned Sections, jointly, represent the Group overall remuneration and incentive Policies.

Art. 123-ter (3), (a) CLF

Section A – Principles, remuneration and incentive Systems and Instruments

This Section describes Principles, remuneration and incentive Systems and Instruments defined for 2019 and addressed to all personnel of the Group and those special categories governed by the agency contract.

4.1 Purposes and principles of the remuneration and incentive Policies

6.P.2.
6.P.1.

The Remuneration and incentive policies of the Intesa Sanpaolo Group aim to align the management's and personnel's behaviour with the interests of all Stakeholders, guiding their action towards the achievement of sustainable medium-long term objectives within the framework of a prudent assumption of current and prospective risks, as well as contribute to making the Group an "Employer of choice" for its ability to attract, motivate and retain top resources.
In particular, the Policies of the Intesa Sanpaolo Group are based on the following principles:

STAKEHOLDERS' INTEREST

Alignment of management and personnel conduct with the interests of all **Stakeholders**, with a focus on value creation for **Shareholders,** as well as social impact on **Communities**

CORRELATION BETWEEN REMUNERATION AND RISK TAKING

- guidance of Management and Personnel behaviors towards the achievement of objectives within a **regulatory framework** of risk prevention
- remuneration and Incentive Systems compliant with **financial and non-financial risk** management policies (included legal and reputational risks), in a prudential approach as provided by the Risk Appetite Framework of the Group
- definition of a fixed remuneration high enough to allow the variable component to be reduced significantly, even down to zero, upon occurrence of specific conditions

ALIGNMENT WITH MEDIUM AND LONG-TERM OBJECTIVES in accordance with Group Risk Tolerance

- definition of a set of Incentive Systems in order to drive performances over a **multi-year accrual** period and to share medium and long-term results following the Business Plan realisation

MERIT

- **remuneration flexibility**: variable components are linked to the results achieved and the risks taken
- **competitiveness**: focus on key staff members with high managerial skills, to whom competitive salary brackets, compared with the reference market, are reserved
- best performers **recogntion** through above-average bonuses

EQUITY

- **correlation** between fixed remuneration and level of responsibility, measured through the Global Banding System or the Seniority/professional role
- **differentiation** of salary brackets and the ratio of the variable component to the total remuneration according to professional categories and /or geographical market, within the same Band or seniority/professional role
- attention to **gender pay-gap**

SUSTAINABILITY: expenses reduction deriving from policies application to values compatible with medium and long-term strategies and annual targets

- selective reviews of fixed remuneration based on rigorous **market benchmarking**
- mechanisms of **allocations adjustment** to the overall incentive provisions according to the Group profitability and the results achieved
- determination of **appropriate caps** both on total incentives and the amount of individual bonuses

REGULATORY COMPLIANCE

- compliance with **legislative and regulatory requirements**, **conduct codes and other self-regulatory provisions** with a focus on Group Risk Takers (including Key Managers, i.e. Top Risk Takers), on Legal Entities Risk Takers and Corporate Control Functions
- **fairness in customer relations**

4.2 Segmentation of personnel

The remuneration and incentive Policies of the Intesa Sanpaolo Group are based on personnel segmentation logics that allow the operational adaptation of the principles of merit and fairness in order to suitably differentiate the total remuneration and arrange mechanisms of payment that are specific for the various personnel cluster, with a particular focus also on those of a regulatory importance for which more stringent requirements are set.

When applying these logics, three macro segments are identified:

- Risk Takers;
- Middle Managers;
- Professionals.

Focus: Risk Takers

The Intesa Sanpaolo Group identifies the personnel whose professional activities have a material impact on the institution's risk profile (so-called "Risk Takers") based on the "Rules for identifying staff whose professional activities have a material impact on the risk profile of the Intesa Sanpaolo Group and the Banks that do not have their own remuneration policies", reported in Section B, which form an integral part of the remuneration and incentive Policies.

These Rules were defined on the basis of the Regulatory Technical Standards (RTS) issued for the implementation of CRD IV by the European Commission during 2014 and supplemented by additional criteria that reflect the specific risks assumed by the Group based on the business model and the organisational structure adopted and set out in line with the Global Banding System adopted by Intesa Sanpaolo (see focus below).

Three segments of Risk Takers are identified:

- Top Risk Takers;
- Group Risk Takers;
- Legal Entity Risk Takers.

6.C.3. In particular, the Top Risk Takers segment consists of:

- Managing Director and CEO;
- Heads of the Business Divisions;
- Chief Operating Officer, Chief IT, Digital & Innovation Officer, Chief Cost Management Officer, Chief Financial Officer, Chief Lending Officer, Chief Governance Officer, Chief Risk Officer, Chief Compliance Officer, Chief Institutional Affairs & External Communication Officer and Chief Audit Officer;
- the Heads of the Head Office Departments that report directly to the Managing Director;
- Head of the Administration and Tax Head Office Department as the Manager responsible for preparing the Company's financial reports.

This segment coincides with the so-called Key Managers identified as defined by CONSOB Regulations No. 17221 of 12 March 2010 containing provisions relating to transactions with related parties.

With reference to 2018, a total of 408 Group Risk Takers were identified, with an increase of 72 people compared to the number of Risk Takers identified in 2017. In addition, against the application of the exclusion criteria set by the above-mentioned Rules, 65 people were not included in the scope of the Group Risk Takers while, in 2017, 51 people had been excluded.

Focus: Global Banding System

The Global Banding System adopted by the Intesa Sanpaolo Group is based on the grouping in homogeneous categories of managerial positions that are similar by levels of complexity/responsibility managed, measured using the international IPE (International Position Evaluation) methodology.

Focus: Global Banding System

In correlation to Global Banding, Intesa Sanpaolo also adopted a job titling system that clearly identifies the responsibilities and the contribution of the roles, overcoming the purely hierarchical-organisational logics.

In particular the following are identified with the title of:

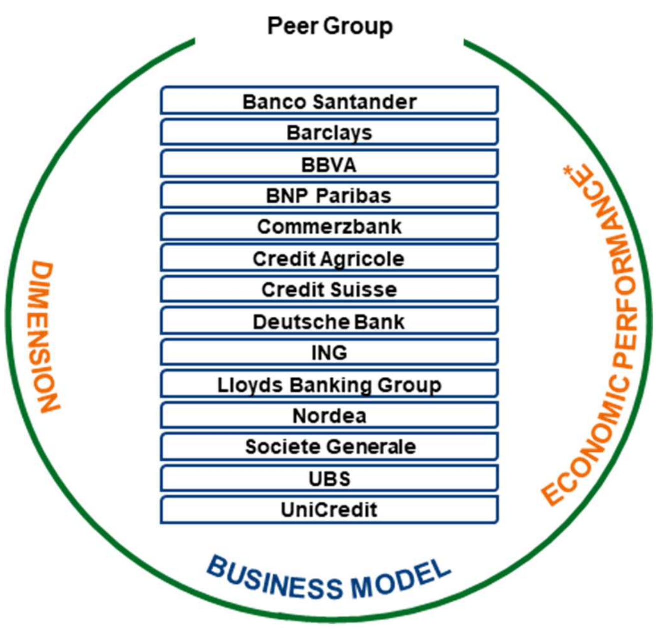
- Chief, the roles that define and/or highly influence the medium-long term strategy of the Group or define the reference Division/Governance Area strategy, with an impact on the results of the Group in the medium-long term;
- Executive Director, the roles that define and/or highly influence the business/function/country strategy, in line with the Division/Group strategies, and ensure their creation;
- Senior Director, the roles that define business/function/country policies and plans and ensure their implementation, through the managerial responsibility of human and economic resources;
- Director, the roles that define and/or contribute to defining policies and plans for their organisational structure and ensure their implementation, through the managerial responsibility of human and economic resources;
- Senior Manager, the roles that contribute to defining plans and programmes and ensure their implementation, through the management of human and economic resources;
- Manager, the roles that ensure the implementation of operational plans and programmes and the achievement of the results of the relevant structure, in line with the methods, timing and quality standards defined, through the application of specialist knowledge and the coordination of teams/projects.

6.P.1.

Focus: External competitiveness of remuneration

As part of defining the total remuneration, Intesa Sanpaolo continuously focuses on external competitiveness in order to attract and retain the best resources.
In relation to market data and practices, the Intesa Sanpaolo Group aims to align the overall remuneration with median values, notwithstanding the possibility to make the appropriate differentiations for particularly critical positions and/or resources with high management skills.

Furthermore, the adequacy of the amounts is further verified in comparison to market data, with ongoing participation in national and international remuneration surveys; for management roles and other particular business positions, the comparison is based on specific peer groups, in order to evaluate the competitive alignment with the most appropriate reference market.



* Economic results in terms of Net Income, TSR, ROE, Cost/Income and EPS

4.3 Remuneration components

Employee remuneration is broken down into the following:

a) fixed component;
b) variable component.

Focus: Remuneration components received by Financial Advisors other than employees

The remuneration received by Financial Advisors, due to the very nature of their employment as freelancers operating under agency contracts, is entirely variable and is composed primarily of commissions. Pursuant to the provisions laid down by the Supervisory Provisions, commissions are broken down into:

a) a "recurring" component, representing the most stable and ordinary portion of remuneration. This component is equivalent to the fixed remuneration;
b) a "non-recurring" component that has an incentive value, specifying that the commission does not in itself have any incentive value. This component is equivalent to the variable remuneration.

With particular reference to the remuneration of the employee with mixed contract[5], in the capacity of part-time employee, this consists of both a fixed portion and a variable portion and, in the capacity of freelancer, both a recurring and non-recurring component.

4.3.1 Fixed and/or recurring remuneration

Fixed remuneration

The fixed component is the component of the remuneration that is stable and irrevocable in nature and determined on the basis of pre-established and non-discretionary criteria such as: the contractual framework, the role held, the responsibilities assigned, the particular experience and the expertise acquired by the employee.

The following are considered fixed components of remuneration:

- the **gross annual remuneration** which reflects the level of professional experience and seniority of the personnel;
- the **allowances** assigned in a non-discretionary manner and not tied to any kind of performance indicator. This type of fixed remuneration is assigned to the following categories of personnel:
  - to the Risk Takers and Middle Managers belonging to the Company Control Functions (within Italy) and for the heads of commercial roles within the scope of the Banca dei Territori Division local network and are connected to the role held;
  - to expatriate personnel in order to cover for any differences in cost, quality of life and/or remuneration levels of the target reference market;
- allowances and/or **remunerations deriving from offices held in corporate bodies**, provided that these are not reversed to the companies to which they belong;
- any **benefits** designed to increase employee motivation and loyalty of the resources and assigned on a non-discretionary basis. These may be of a contractual nature (e.g., supplementary pension, health benefits, etc.) or the result of remuneration policy decisions (e.g., company car) and, therefore, have different treatment with respect to different categories of personnel.

As regards the allowances envisaged for Risk Takers and Middle Managers belonging to the Company Control Functions (Italy scope), the rationale behind their introduction lies in the need to ensure that this role is provided with an adequate level in terms of total remuneration with respect to the responsibilities managed, against a limit to the ratio between variable remuneration and fixed remuneration established

[5] The Intesa Sanpaolo Group has introduced the flexible work employment contract ("lavoro misto"), i.e. an innovative method to carry out work that allows the same person to activate, at the same time, a part-time employment contract and a contractor employment contract as a financial advisor to carry out the "out-of-branch services", separately, concurrently and in parallel with respect to the employment agreement.
This flexible mixed employment agreement is envisaged for the personnel belonging to the Network of the Banca dei Territori Division and, during 2019, it will also be proposed to new hires at the Private Banking Division.

by the Bank of Italy[6] at 33%, a limit which is not found in similar regulations issued by other European Union countries[7].

Concerning the definition of the amount, the Group's Global Banding system graduates the overall remuneration levels by diversifying by title the amount of the allowances to acknowledge the complexity of the responsibilities managed, based on the weight of the role determined with the Mercer International Position Evaluation (IPE).

Please note that allowances are also paid to roles similar to the Company Control Functions as part of the Supervisory provisions on remuneration (Italy scope) since, although regulations do not set a specific cap for these roles, they require the variable component, if present, to be limited. In light of this provision, Intesa Sanpaolo has set, also for the Heads of the Human Resources function of the Group and the Manager responsible for preparing the Company's financial reports, a ratio between variable remuneration and fixed remuneration limited to 33%, requiring the concurrent payment of the above-mentioned role allowance, defined in line with the methodology adopted for the Company Control Functions, based on the positioning inside the Group's Global Banding System.

In addition, the Intesa Sanpaolo Group integrates the express requirements of the Supervisory provisions by assimilating to the Company Control Functions also the Head of the Safety and Protection Head Office Department in its capacity as Group Data Protection Officer, recognising their nature of compliance monitoring.

Therefore, within the framework of these Remuneration and incentive policies, similar roles are the Heads of the Human Resources Function of the Group, the Manager responsible for preparing the Company's financial reports and the Head of the Safety and Protection Head Office Department.

As regards the heads of Network commercial roles, their allowance is defined in order to allow the provision of adequate remuneration commensurate with the responsibilities attributed to them under the current service model of the Banca dei Territori Division, while maintaining the remuneration flexibility which has become necessary in view of the turnover rates of the employees called upon to hold these roles.

The allowances paid to expatriate personnel are aimed at ensuring the equity of the net remuneration treatment between the amount received in the country of origin and in the target country, so as to cover for any differences in cost, quality of life and/or remuneration levels of the target reference market.

Recurring remuneration

For the Financial Advisors, the "recurring" component consists of commissions which represent the most stable and ordinary portion of remuneration.

In particular, for the Financial Advisors of Fideuram and Sanpaolo Invest, the commissions of a recurring nature are preset percentages of the gross revenues of the Company (recurring and up front, so-called PayOut) deriving from the fees received on products placed/services rendered to customers in the portfolio (so-called PayIn); these percentages are different depending on the type of products or services subscribed and are governed in the agency contract.

These commissions allow to:

- remunerate the Financial Advisors responsible for placement, customer assistance and management;
- refund the expenses incurred individually by these Financial Advisors to perform their activity, including the fulfilment of the contribution obligations required by law.

The "recurring" remuneration of the Financial Advisors with an accessory contract (i.e. Advisors with the responsibility of commercial coordination and supervision of specific activities and/or groups of Financial Advisors) also consists of:

- supervision commission (so-called "over maintenance") for the activity of coordination and supervision of a group of Financial Advisors that operate in the related area, determined on the basis of the role

[6] Bank of Italy Circular 285/2013.

[7] Unlike what occurs in Italy, the application of the 33% limit to the ratio between variable remuneration and fixed remuneration to personnel belonging to the Company Control Functions operating in international subsidiary banks of the Intesa Sanpaolo Group does not usually represent a critical issue with respect to the safeguarding of adequate levels of total remuneration of such personnel, since the variable remuneration practices in place in those countries constitute remuneration levels below the limit established by the Bank of Italy, with the exception of Egypt, Slovakia and Croatia, for which the introduction of role allowances for the Risk Takers and Middle Managers belonging to the Company Control Functions is scheduled for 2019.

carried out, according to specific PayOut rates applied to the commissions accrued by the supervised Financial Advisors;

- development commission (so-called "over development") for the development and growth of the group of Financial Advisors, determined on the basis of the role carried out, according to specific PayOut rates applied to the accumulated net funding of the Financial Advisors hired and entered in the supervised structure.

Focus: Fixed and recurring remuneration of employees with mixed contract

The "fixed" remuneration of employees with a mixed contract is represented by the portion of the gross annual remuneration received as a part-time employee. Instead the "recurring" remuneration consists of commissions of a more stable and ordinary nature.

4.3.2 Variable and/or non-recurring remuneration

Variable remuneration

The variable component is linked to the employee's performance and aligned to the results actually achieved and the risks prudentially assumed, and consists of:

- short-term variable component, paid through:
    - the annual incentive systems (see paragraph 4.5);
    - the Broad-based Short-Term Plan - PVR (see paragraph 4.7);
- long-term variable component, paid through:
    - the Performance-based Option Plan (POP) addressed to Top Risk Takers, the remaining Risk Takers and Key Managers[8] (see paragraph 4.8.1);
    - the LECOIP 2.0 Plan addressed to Middle Managers (not included in the POP) and the Remaining Personnel (see paragraph 4.8.2);
- any variable short- and long-term components, tied to the period of employment in the company (stability, non-competition, one-off retention and similar agreements) or extraordinary agreements (entry bonus);
- any discretionary benefits.

The distinction of the variable remuneration component into a short-term portion and a long-term portion encourages the attraction and retention of staff, allowing the performance to be directed on a more than annual accrual period and the medium-long term results deriving from the implementation of the Business Plan to be shared.

Focus: Guaranteed bonuses

NO granting of guaranteed bonuses is foreseen.

Focus: Entry Bonus

To attract new personnel, a one-off welcome bonus may be paid upon hiring, without prejudice to the accurate assessment and analysis of market practices. According to the Supervisory provisions, this type of bonus is not subject to any requirement applicable to variable remuneration, including variable remuneration cap and pay-out schemes, if recognized in a single instalment (c.d. **welcome bonus**). It should be noted that the mentioned bonus can be assigned only once to the same single staff member at Group level.

Focus: One-off retention

Any retention bonuses tied to the period of employment of the personnel:

- are paid for a certain period of time or until a given event;
- are recognised not before the end of this period or upon the occurrence of the event;
- contribute to the calculation of the cap between the variable and fixed component of remuneration.

[8] Strategic Managers means those among the Executive Directors who are not Risk Takers.

Focus: Discretionary pension benefits

Should discretionary pension benefits be introduced – which are currently NOT envisaged – these will be assigned to beneficiaries in accordance with the regulations in force, according to which they are similar to variable remuneration, and, therefore:

- in the case of resources who are not entitled to receive a pension, shall be invested in Intesa Sanpaolo shares or other related instruments, held by the bank for a period of at least five years and subject to ex-post adjustment mechanisms related to the Group's performance net of risk;
- in the case of resources entitled to a pension, shall be invested in Intesa Sanpaolo shares or other related instruments and held by the bank for a period of at least five years;
- contribute to the calculation of the cap between the variable and fixed component of remuneration.

Non-recurring remuneration

For the Financial Advisors, the "non-recurring" component is represented by the commissions paid as annual incentives, with the aim of guiding the sales activity to reach specific targets, taking into account both the long-term corporate strategies and objectives of the Networks they belong to and the correctness of customer relations.

In addition, for the Fideuram and SPI Networks Financial Advisors, following an on-going discussion with the Supervisory Authority, a multiannual incentive system is currently being finalised with the purpose of directing the performance of the Financial Advisors in order to reach the 2021 net fee and commission income targets set in the Business Plan.

It is anticipated from now that, in order to guarantee the full consistency of this System with the present Remuneration and Incentive Policies:

- the activation conditions and mechanisms used for determining the bonus pool amount serving the System (including the alignment between the quantum accrued and the non-financial risks taken) will be set in coherence with those described in paragraph 4.5.1 and 4.5.2, except for the adjustments due to the multi-year duration of the performance accrual period;
- the set of KPIs identified for individual performance measurement and used for determining the incentive to be assign to each Financial Advisor will respect the principles established in paragraph 4.5.4 with reference to the Financial Advisors' Annual Incentive System;
- the pay-out schemes for the bonus granted are the same described in paragraph 4.6, as well as the malus, claw back and individual access conditions (except, for the latter, the possible adjustments to due to the multi-year duration of the performance accrual period) will respect the provisions reported in paragraphs 4.5.5, 4.5.6, 4.5.7.

Focus: Variable and recurring remuneration of employees with a mixed contract

With regard to the variable remuneration of employees with a mixed contract, this consists of the portion of Broad-based Short-Term Plan (see paragraph 4.7) while the non-recurring one is represented by the welcome commissions, reward for behaviour and reward for sales.

4.4 The remuneration pay mix

4.4.1 General criteria

6.C.1.a) The term "pay mix" refers to the weight of the fixed (or recurring) and variable (or non-recurring) components expressed as a percentage of total remuneration, as described above.

In accordance with the regulatory guidelines, the Intesa Sanpaolo Group traditionally adopts a pay mix that is appropriately balanced, in order to:

6.C.1.c)
- allow flexible management of labour costs, as the variable portion may significantly decline, even down to zero, depending on the performance actually achieved during the year in question or when the Group were not able to maintain or restore a solid capital base;
- discourage behaviour focused on the achievement of short-term results, particularly if these involve taking on greater risk.

4.4.2 Ratio between variable remuneration and fixed remuneration

In order to achieve the above objectives, it is standard Group practice to establish ex ante limitations in terms of balanced maximums for variable remuneration for all the Group personnel clusters, through the definition of specific caps on the increase of bonuses in relation to any over-performance. 6.C.1.b)

This cap to the variable remuneration was determined in general in 100% of the fixed remuneration with the exception of the roles belonging to the Company Control Functions and those similar to them which a cap of 33% of the fixed remuneration is assigned to.

Personnel for whom the variable-to-fixed remuneration cap is increased up to 200% is required

As approved in 2018 by the Shareholders' Meeting with qualified majority, the variable remuneration cap set in the general criteria was increased up to 200%[9] of the fixed remuneration for:

- the Group Risk Takers not belonging to the Company Control Functions and similar roles;
- specific and limited high-profitability professional sectors and business segments; this increase was made in line with the principle of external competitiveness (investment manager chains of Insurance and Private Banking, Heads of Financial Institutions Department, Investment Banking, Group Treasury and Finance, commercial chain of the Asset Management Division dedicated to the non captive market, Heads managing and developing products of the Insurance Division, Private Bankers).

The total number of Group resources to whom the cap increase is applied stands at approximately 2,100, of which 318[10] are Group Risk Takers[11].

The reasons for the increase for the Risk Takers not belonging to Company Control Functions and similar roles and the related impacts on the Group's capital base remain unchanged with respect to those in 2018 which were the subject of previous shareholders' meeting resolutions.

In general, in a business scenario where the Intesa Sanpaolo Group has increased its income results by keeping its capital position high, to support these results over time, it was appropriate to offer those who have a major direct involvement in the Bank's management the opportunity to gain competitive bonuses, in line with the level of performance achieved.

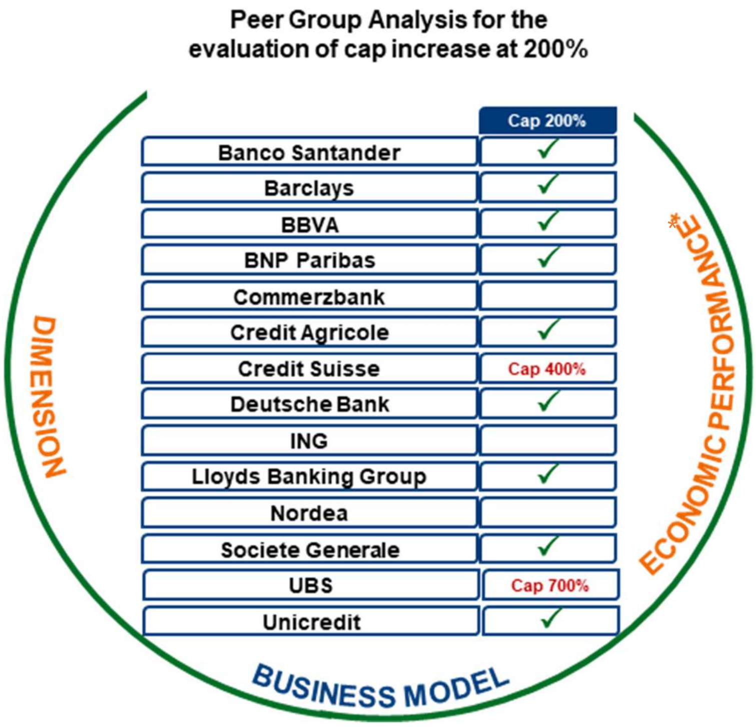
[9] In accordance with the right granted by CRD IV and the Bank of Italy.

[10] Figures updated as at 31 December 2018

[11] From the overall number of Group Risk Takers identified for 2018, the following are excluded: (i) the roles belonging to the Company Control Functions and similar roles; (ii) the non-executive members of the Board of Directors of Intesa Sanpaolo; (iii) the Risk Takers operating in Slovakia, Slovenia, Moldova and Romania since the regulations of the country do not allow the cap to be raised beyond 100%.

Focus: Competitiveness analysis with respect to the introduction of the 200% cap

As illustrated in the image to the right, most of the players with which Intesa Sanpaolo compares itself have increased the cap up to 200% or, where allowed by local legislation (FINMA), the cap was also set above this threshold



2018 Remuneration practices

* Economic results in terms of Net Income, TSR, ROE, Cost/Income and EPS

Focus: Compliance with the prudential regulations (see paragraph 4.5)

The increase in the maximum limit of the variable remuneration ensures, in any event, compliance with prudential standards given that:

- it does not lead to a proportional increase in the resources allocated to the annual incentive systems, since the ex-ante funding mechanism of these Systems correlates the resources top-down allocated to the overall bonus pool to a specific Group indicator, currently identified in Gross Income;
- having checked the gateway conditions required by the Regulator and individual access conditions:
  - the bonus allocation is precluded to at least 10% of the entire category of Group Risk Takers in the event whereby the funding condition envisaged at Group level exceeds the Access Threshold but is below the set target;
  - the incentive system is not activated for Top Risk Takers if the funding condition envisaged at Group level is below the Access Threshold;
  - if the Access Threshold is not reached by the Group and/or the Division, the Incentive System precludes the payment of the bonus for certain population clusters depending on the level reached of the Gross Income of the Group and the Division;
- the strong correlation between bonus pay out and prudential requirements in terms of capital and liquidity is guaranteed at multiple levels through the links between the Incentive Systems and the Risk Appetite Framework (RAF) in terms of gate, malus and target setting of the economic-financial performance KPIs.

Personnel for whom the variable-to-fixed remuneration cap increase up to 400% is required

With particular reference to the personnel of the "Investment" chain of the Group's Asset Management Companies that carry out their activities exclusively for the same Manager, in compliance with the right granted by the recent update of the Supervisory Provisions[12], there is the intention to increase of ratio between variable and fixed remuneration to above 2:1 and up to a **maximum of 4:1**.

The resources of the Group's Asset Management Companies to which this exception would apply are about **240**, of which **5 Group Risk Takers** and 29 subjects identified as key personnel for the individual Companies[13]. It is also highlighted that this increase in the cap would not regard the Top Risk Takers of the Asset Management Division.

For this category of personnel, the increase in this ratio is justified by the following rationale:

- enabling the **international expansion** of the wealth management, in line with the objectives expressly stated in the 2018-2021 Business Plan, also through transactions with players in foreign countries where there is no remuneration cap to be set for personnel who operates in SGR entities;
- **attraction and retention** of key resources in the **countries where the ISP Group is already present (Luxembourg, Ireland, UK, Slovakia, Hungary)**, where they operate as independent players which do not have constraints, and managers belonging to the local Banking Groups that are exempted from setting the cap in the subsidiaries belonging to the asset management sector (SGR);
- **attraction and retention** of key resources in the **domestic Italian market**, given the increase in competitive pressure (demonstrated by the **acceleration of turnover rates** in the last 3 years) and the **intention shown** by at least **two of the leading Banking Groups** to be **exempted from the cap** as provided for the recent regulatory development.

It is underlined that this increase of the cap up to 4:1 does not imply any impact on the capital of the Intesa Sanpaolo Group since the payment in financial instruments (requested by sector regulations) of the portions of remuneration exceeding the "materiality threshold" for the key personnel of the SGR entity, or greater than both the "materiality threshold" and 100% of the fixed remuneration for the remaining personnel, will take place in UCITS, as envisaged by the joint Bank of Italy and CONSOB Regulation.

Finally, concerning the economic impact of this increase in the cap up to 4:1, it should be noted that:

- mechanisms are envisaged which ensure economic-financial sustainability since the bonus pool assigned to the SGR entities is defined top-down as a percentage of the one accrued at Group level, for which, in case of bottom-up requirement exceeding the availability of the above-mentioned bonus pool, the individual bonuses are reduced proportionally;
- the performance measurement mechanisms adopted as incentive drivers for Investment Management personnel are deterministic and extremely selective with the effect that, historically, even over years of booming markets, only a limited number of employees exceed performance targets;
- in any event, within the remuneration policies adopted by SGR entities, it will be evaluated a specific additional reinforcement in bonus calculation mechanisms and the relevant pay-out schemes.

4.5 Annual incentive systems for Group personnel

The Annual incentive systems adopted by the Intesa Sanpaolo Group are directed at reaching the medium and long-term objectives included in the Business Plan, taking into account the Group's Risk Appetite and Risk Tolerance - as expressed in the RAF - and aim to encourage objectives of value creation for the current year, in a framework of sustainability, given that the bonuses paid are related to the financial resources available.

Reported below is a summary of the operating mechanisms and the main characteristics of the Annual incentive systems. Further details are provided in the following paragraphs.

[12] Latest update of 26 October 2018 of Bank of Italy Circular 285/2013.
[13] Figures updated as at 31 December 2018.

STEP	OBJECTIVE		MECHANISM
BONUS POOL	Solidity and sustainability in a prudential approach	Gate and Funding	• **The bonus pool is activated** only if main capital and liquidity requirements are satisfied, namely the minimum regulatory conditions of solidity at Group level, together with the economic and financial sustainability condition (see par. 4.5.1) • **The funding of the bonus pool** at Group level (quantum) is based on the available resources resulting from economic and financial results achieved, adjusted for the non-financial risks incurred (see par. 4.5.2)
BONUS ALLOCATION	Alignment of behaviors and managerial conduct with medium and long-term objectives of the Business Plan within a framework of risk prevention	Group Incentive Systems	**INCENTIVE SYSTEMS FOR SPECIFIC CLUSTERS** Incentive Systems for Risk Takers and Group Middle Managers (see par. 4.5.3) Specific incentive initiatives (see par. 4.5.4): • Non-Performing Loans • Team system- Insurance • Complaints management **INCENTIVE SYSTEMS FOR SPECIFIC BUSINESS CATEGORIES (see par. 4.5.4)** P&C Insurance Excellence System | Private Banking Network | Financial Advisors | Investment Management (Middle Managers and Professionals) | International Subsidiary Banks Network
BONUS PAY- OUT	Adjustment based on conduct/ monitoring the impact of managerial conduct over time	Individual access conditions	Failure to satisfy individual access conditions precludes any bonus payout and the settlement of deferred portions to be paid during the year (see par. 4.5.5)
		Malus conditions	Failure to satisfy malus conditions (which mirror those provided for the gate) leads to the reduction, even down to zero, of the deferral portions of bonus to be paid during the year (see par. 4.5.6)
		Claw-back	Return of bonuses already paid as a result of disciplinary measures due to personnel fraudulent behavior or serious misconduct (see par. 4.5.7)

4.5.1 Activation conditions for annual Incentive Systems (Gate)

All the Annual incentive systems for the Group personnel are subject to the minimum activation conditions requested by the Regulator and non-achievement of even only one of those conditions shall result in non-activation of the annual Incentive Systems for the Group personnel. 6.C.1.c)

These conditions are based, on a priority basis, on the principles envisaged by the prudential regulations concerning **sound capital base** and **liquidity,** represented by the consistency with the limits set as part of the RAF as well as the principles of **financial sustainability** of the variable component that consist in checking the availability of sufficient economic-financial resources to meeting the expenditure requirement. 6.C.1. a)

In the Intesa Sanpaolo Group these conditions are as follows:

Capital Adequacy condition	Common Equity Tier 1 (CET1) Ratio	≥	Limits set by the RAF at Group level
Liquidity condition	Net Stable Funding Ratio (NSFR)	≥	
Sustainability condition	No loss and positive Gross Income	>	∅

In particular, the Gross Income (condition of sustainability) is measured net of:
- profits from the buyback of the Bank's own liabilities;
- fair value of the Bank's own liabilities;
- income components arising from accounting policies following changes to the internal model on core deposits.

Focus: Gate set for the Top Risk Takers

The Group Top Risk Takers are subject to a further gateway condition:

It is specified that for those Legal Entities which calculate their limits of sound capital base (CET1 or, in the case of insurance companies, Solvency Ratio) and liquidity (NSFR), failure to respect these limits constitutes non-activation condition for all the Incentive Systems the resources operating in the Legal Entity are the beneficiaries of, also when those of the Group may be positive.

4.5.2 Group's Bonus Funding and configuration by Division / Governance Area

Calculating the bonus pool

All the annual Incentive Systems for Group personnel are funded by a structured bonus pool mechanism that, in order to ensure sustainability, is indexed to the level of achieving a measure of profitability represented by Intesa Sanpaolo's Gross Income at Consolidated Financial Statements level.

In particular, funding the bonus pool at Group level is:
- defined with a **top-down** approach;
- calculated **according to the level of Gross Income;**
- allocated to **finance all the annual Incentive Systems** of the Group and the PVR.

Focus: Funding the Incentive System of the Financial Advisors who are not employees

The Incentive System of the Financial Advisors is the only one not financed by the Group bonus pool. This System is actually self-funded since this category of personnel consists of freelance professionals operating under agency contracts whose non-recurring remuneration is represented by commissions defined as a percentage of the gross revenues generated by the Company they belong to.

The portion of Gross Income allocated to funding the Group's target bonus pool is determined in advance, on an annual basis, according to an historical analysis and budget forecasts as well as the payout ratio objective set for the dividend distribution.

Focus: Bonus pool sizing mechanism 6.C.1. a) 6.C.1. b) 6.C.1. d)

Having checked the activation conditions required by the Regulator, the bonus pool increases progressively starting from exceeding the so-called Access Threshold (i.e. the minimum Gross Income target which, though lower than the budget, is deemed acceptable) up to a predefined cap.

In contrast, failure to reach the Access Threshold implies a significant reduction in the resources to service the annual Incentive Systems in both absolute and relative terms, and requires the payment of the bonuses accrued only from certain population clusters.
In particular, in the case of:
- a positive Gross Income, though lower than the access Threshold, a portion of the bonus pool called "Buffer 1" is made available, even though the payment of the bonuses to the Top Risk Takers is in any case precluded, regardless of the performance evaluation achieved;

Focus: Bonus pool sizing mechanism

- A negative Gross income, a portion of the bonus pool called “Buffer 2” of a significantly smaller size than “Buffer 1” is made available, even though the payment of the bonuses is precluded - other than to the Top Risk Takers - also to the other Risk Takers and Middle Managers (i.e. only the bonuses of the Professional best performers are paid).

In any case, the bonus pool calculated according to the rules described, is subject to another correction mechanism in order to strengthen the consistency of the Incentive systems with the Group’s Risk Tolerance. This mechanism requires a possible reduction of the bonus pool accrued in case of failing to respect the limits connected to the non-financial risks defined in the RAF.

Focus: Connection between bonus pool and non-financial risks

The Group’s Risk Appetite Framework sets specific limits both for the financial and non-financial risks; as part of the latter, hard or soft limits are set according to the level of severity that implies the possible breach of one of these limits.
For this reason, the impact in terms of bonus pool deduction of the limits connected to non-financial risks varies according to the nature of the limit and is 10% for hard limits and 5% for the soft limit.

Configuration of the bonus pool by Division / Governance Area

The Group’s bonus pool is allocated, ex ante in primis, to the various Incentive Systems funded by the Group and, in the case of Incentive systems that involve transversal population clusters (e.g. the annual Incentive System for the Risk Takers and Middle Managers), it is subsequently configured at individual Division / Governance Area level.

In line with the principle of financial sustainability, the actual figure (ex post) of the bonus pool initially attributed to each Division is “modulated” depending on the level of the Gross Income reached by each Division.
This implies that only the Divisions which exceed their access Threshold receive the full pool attributed at the beginning of the year (once the Group gate is activated); whereas, the portion of bonus pool of the Business Unit that does not exceed the access Threshold may be reallocated among the other Divisions / Governance Areas that have exceeded the Threshold[14] (“additional” bonus pool).

Similarly, to the Group’s bonus pool, also the portion of bonus pool allocated to each Division is subject to an additional correction mechanism that requires a possible reduction in the accrued bonus pool in case of failure to respect the hard and/or soft limits set for the non-financial risks found specifically on each Division (i.e. Risk linked to the Operational Losses and Integrated risk assessment).

Furthermore, there are limits to the population clusters eligible for the annual Incentive Systems in particular cases where, having positively verified the conditions relating to the CET1 and NSFR referred to in the previous paragraph, the Division’s Gross Income does not exceed the access Threshold.
In particular, similarly to what happens at Group level, in the case where:

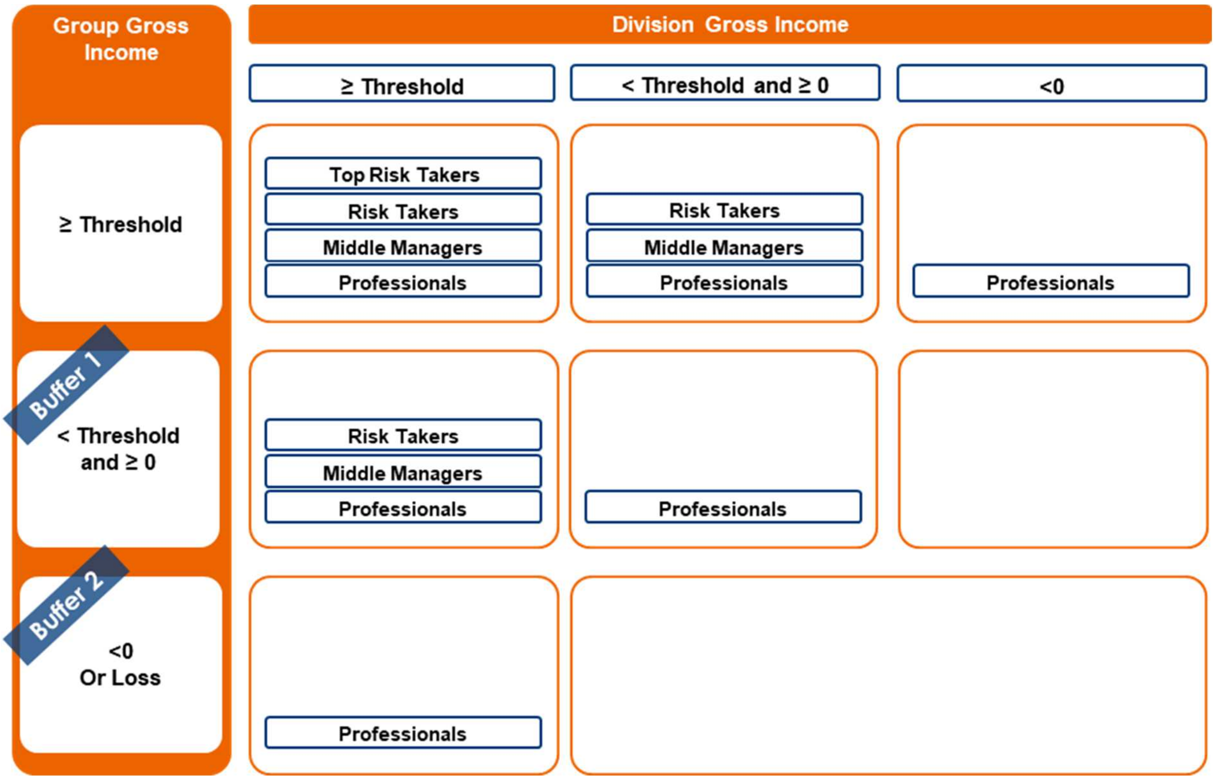
- the Group’s Gross Income exceeds the access Threshold and:

[14] For the Governance Areas, the access Threshold coincides with that of the Group.

- o at Division level, the Gross Income is positive though lower than the Threshold, the payment of the bonus is precluded to the Top Risk Taker of the Division regardless of the performance evaluation achieved;
  - o at Division level, the Gross Income is negative, the payment of the bonus is precluded - other than to the Top Risk Taker - also to the Risk Takers and Middle Managers of the Division;
- the Group's Gross income is positive though lower than the Access Threshold ("Buffer 1"), and:
  - o at Division level, the Gross Income is positive though lower than the Threshold, the payment of the bonuses is precluded to the Top Risk Taker, the other Risk Takers and the Middle Managers of the Division (i.e. only the Professional best performers are eligible).

In the remaining cases: (i) the Group's Gross Income is positive though lower than the access Threshold and the Gross Income of the Division is negative; (ii) the Group's Gross Income is negative and the Gross Income of the Division is lower than the Threshold, the Incentive Systems are not activated for any of the population clusters.

Below is a summary representation of the **clusters of employees eligible for the Incentive Systems** according to results of the Group and the Division.



4.5.3 The annual Incentive System for Risk Takers and Middle Managers

The Incentive System for the Risk Takers and Middle Managers[15] aims to guide the behaviour and managerial actions towards reaching the objectives set in the Business plan and reward the best annual performance assessed with a view to optimise the risk/return ratio.
This System is formalised through Performance Scorecards.

[15] In particular, reference is made to the Executive Directors, Senior Directors and Directors identified according to the Global Banding method adopted by the Group.

Performance Scorecards include both KPIs of an economic-financial nature and non-financial KPIs.

KPIs		
Economic-Financial KPIs gathered in 4 drivers coherent with the Business Plan		
Growth	Expressed according to a risk/return approach through: • direct correlation between each objective (and the relative target) with risks taken • balance among the different objectives	
Profitability		
Productivity	Not directly related to risks but somehow linked to the sustainability of results over time	
Cost of Risk/ Sustainability	Aimed at risks reduction and/or mitigation as defined by the RAF	
Non-financial KPIs		
• quantitative or qualitative • are linked with strategic actions or projects that represent the enabling factors for the achievement of financial KPIs or that contribute to the achievement of the Business Plan objectives • promote or encourage virtuous behaviors (good conduct) especially in reference to those businesses and areas that require direct relationship with costumers		

Identification of KPIs, on which incentives granting is based, is carried out by the competent functions, considering most significant economic and financial indicators for achievement of the budget objectives, periodically monitored through internal reporting tools and available at the consolidated level as well as at division and/or business unit.
The process used to identify the above-mentioned KPIs involves Governance Areas' Chief Risk Officer and Chief Compliance Officer, in order to ensure respectively the consistency of the KPIs with the limits set in the Group's RAF as well as their compliance with the regulatory provisions in force from time to time.

This allows the selection of a complex mix of qualitative and quantitative parameters – anyway transparent, objective and measurable – allowing a 360-degree evaluation of company's performances in terms of profitability and risks prudently taken.

Focus: Examples of qualitative and quantitative KPIs contained in the Performance Scorecards

KPIs	
Economic-Financial KPIs	
Growth	Net inflows, Gross banking product (Loans + Direct Deposits + Indirect Deposits), Income from Insurance business
Profitability	Operating Income/RWA, Revenues/Assets
Productivity	Cost/Income, Operating Costs reduction, Full Combined ratio
Cost of Risk/ Sustainability	Gross NPL ratio, Concentration Risk, Operating Loss/Operating Income, LCR at target level
Non-financial KPIs	
Management Skills	Diversity and Inclusion, raising consciousness on «emerging» risks (for Corporate Control Functions)
Stratetegic Actions/ Projects	International growth in Private Banking Project and Retail clients digitalization Project

The Performance Scorecards have a three-fold structure:

- **Group section**, containing at least one quantitative KPI measured on the Group scope and common to all the Scorecards, except those intended to the Company Control Functions and similar roles. For 2019, in line with the previous year, the Net Income was assigned as Group KPI and, for the Governance structures, in addition to this KPI, the KPI of minimising Cost/Income was also set;
- **structure section**, containing KPIs that are consistent with the strategic drivers of the Group and the levers used by the Risk Taker/Middle Managers. The reporting boundary is the Division/Governance Area or, in any case, the area of responsibility;
- **qualitative section**: containing KPIs relating to the taking of actions envisaged by the Business Plan or the measurement of managerial skills (possibly also individual), whose reporting is usually objectified by identifying project milestones and/or subject to evaluation by the Head based on supporting drivers defined ex-ante. For 2019, the Group transversal KPI "Diversity & Inclusion" was identified among the managerial qualities, in line with 2018. Furthermore, for the Company Control Functions, for 2019 a transversal KPI was identified that lies in the objective of "Promoting awareness at all levels of the organisation with respect to the *emerging* risks, with a particular focus on those connected to technological innovation, through information, awareness and training actions".

Each KPI is assigned a weight equal to at least 10% to ensure the relevance of the objective.

Focus: The structure of the Performance Scorecard

The sum of the weights assigned to the KPIs of each section is equivalent to the overall weight of the section; this weight varies according to the macro-area pertaining to the Risk Takers and Middle Managers.

Below is a summary of the Performance Scorecard for each cluster:

Risk Takers and Middle Managers of the Business and Governance functions:

	Strategic Driver/KPI	*Weight range on Performance Scorecard*	
		BUSINESS	**GOVERNANCE**
Structure-related objectives economic and financial	**Growth** **Profitability** **Productivity** **Cost of Risk/Sustainability**	*50% - 70%*	*40% - 50%*
Group objectives– (cross-functional)	**Net income** **Cost/Income** (for Governance structures)	*10%*	*20%*
Qualitative evaluation	**Diversity & Inclusion**	*10%*	*10%*
	Other managerial skills (if any) **Strategic actions/projects –** Consistent with the Business Plan and measured either through quantitative parameters or on the basis of strategic drivers	*30% - 10%*	*30% - 20%*

Focus: The structure of the Performance Scorecard

Risk Takers and Middle Managers of the Company Control Functions

	Strategic Driver / KPI	*Weight range on Performance Scorecard* – *CORPORATE CONTROL FUNCTIONS*
Non-financial – quantitative objectives	**Productivity**	*60% - 80%*
	Cost of Risk/Sustainability	
Group objectives – cross-functional	Profitability	Economic and financial Group objective not envisaged
Non-financial – qualitative objectives	**Diversity & Inclusion**	*10%*
	Promoting awareness at all levels of the organisation with respect to the "emerging" risks with a particular focus on those connected to technological innovation, through information, awareness and training actions	*10%*
	Other managerial skills (if any)	*20% - 0%*
	Strategic actions/projects – Consistent with the Business Plan and measured either through quantitative parameters or on the basis of strategic drivers	

Focus: The 2019 Incentive System for the Managing Director and CEO

Reported below is the Performance Scorecard of the Managing Director and CEO, indicating, for each quantitative KPI, the reference target level and, for the qualitative KPIs, the ex-ante evaluation drivers.

	OBJECTIVES			
	Strategic Driver	**KPI**	**Weight (%)**	**Target level**
GROUP OBJECTIVES	**Profitability**	Net Income (mld)	20%	Budget
		Operating Income / RWA	10%	Budget
	Productivity	Cost / Income	20%	Budget
	Cost of risk	Gross NPL ratio	20%	Budget
QUALITATIVE EVALUATION (at Group level)	**Managerial skills**	Diversity & Inclusion	10%	Evaluation based on the following drivers: • improvement of the ranking of Intesa Sanpaolo in at least one of the Gender Equality Indexes compared to 2018 (Equileap Gender Equality Global Ranking and Bloomberg Gender-Equality Index); • ranking in the audit survey conducted by an Italian consulting company specialized in Diversity & Inclusion Management Audits.
	Strategic Actions from Business Plan 2018 - 2021	Digitalization	10%	Evaluation based on the following drivers: • Digitalization of the offer to retail clients • Percentage of digitalized activities • HR Digital Transformation • Partnership FinTech
		Internationalization	10%	Evaluation based on the year-on-year growth of the Net Operating Income from international businesses

The total amount due is attributed annually based on the evaluation of the results of the individual Performance Scorecard and is defined with different calculation methods depending on the population cluster.
In particular, this calculation is deterministic for the Top Risk Takers, is ranking-based for the other Risk Takers and is connected to the evaluation of the results for Middle Managers. 6.C.1. a) 6.C.1. b)

Finally, the accrued bonus is subject to an additional corrective mechanism that measures the residual structure risk level (Q-Factor) and that acts as a possible de-multiplier of the bonus achieved which is reduced by:

- 20% in case of a “very high” Q-Factor;
- 10% in case of a “high” Q-Factor.

The Q-Factor is based on factors relating to the control system and also considers other elements that are useful for the evaluation (Operational Losses, Findings of the Supervisory Authorities, Trends and weights of the critical issues in the Tableau de Bord of the Audit). The evaluation is based on a quantitative scale to which the residual risk judgement corresponds: Very High, High, Medium, Low.

Incentive System for Risk Takers of Banks at a “non-contingent” loss

Within the framework of the annual incentive systems, a specific and selective annual Incentive System is envisaged for the Risk Takers belonging to the Group Banks at a "non-contingent" loss.
The System is targeted at Risk Takers specifically appointed to recover/contain the loss from the first year of appointment (and up to a maximum of three consecutive years) and, starting from the second year, in case of improved results, it may be extended to the other Risk Takers, possibly operating in the Bank.
For the purposes of determining the incentive due, the performance of the Bank at a loss is measured in terms of year-on-year improvement.
With reference to any other Risk Takers the System is extended to starting from the second year, the maximum incentive to be accrued does not exceed 50% of the bonus theoretically due against the outcome of the performance evaluation.

4.5.4 Specific incentive initiatives by personnel category and business segments

The Intesa Sanpaolo Group develops incentive initiatives dedicated to either specific population clusters or highly profitable and relevant business segments inside the strategy defined at Business Plan level.

In general, the Incentive Systems dedicated to specific population clusters aim to support the cooperation and teamwork towards reaching the common objectives measured at team level.

In contrast, the Incentive Systems dedicated to specific business segments require the recognition of individual bonuses differentiated by role and measured on individual Performance Scorecards with the exception of the retail business (Italy and abroad) for which Branch Performance Scorecards are generally required. The simultaneous presence of economic-financial and non-financial KPIs is normal and, as part of the latter, if the beneficiaries of Incentive Systems is a sales network in direct contact with customers, KPIs regarding customer satisfaction and correctness of customer relations are always envisaged.

In any case, each KPI is assigned a weight equal to at least 10% to ensure the relevance of the objective.

Below is a summary of the main incentive initiatives present in the Group:

Incentive System by population cluster	Beneficiaries	Main characteristics
Non-Performing Loans	NPL Plan Team, Chief Lending Officer Governance Area and Credit Functions of Regional Governance Centres of the Banca dei Territori Division	Purpose: Support the achievement of the challenging objectives of structural reduction of the NPL stock set out in the 2017-2019 Plan requested by the Authority to the Group with no charges for the Shareholders. Mechanism to calculate the bonus: Individual bonuses differentiated by role and type of contribution to the Plan. Performance conditions: The KPIs of an **economic-financial** nature require the **reduction of the NPL stock** while maintaining a target level of the **cost of credit** at Group and Division level and the level of individual areas of responsibility.
Team system - Insurance	• Intesa Sanpaolo Vita: Operations and Organisation Area (Technical Management and Information Systems), Securities Portfolio Management and Treasury • Intesa Sanpaolo Assicura: Accidents and Litigation and Operations • Fideuram Vita: Commercial, Actuarial and Portfolio Area (Portfolio, Customer Operations, and Technical Evaluation Control) Administration, Governance and Support Area (Information Systems, O/S IT Control, Financial statements and securities portfolio)	Purpose: Support the achievement of the challenging objectives envisaged in the Business Plan for the Insurance Division by guiding the behaviour of the individuals belonging to different organisational units towards team results. Mechanism to calculate the bonus: Team bonuses not differentiated by role. Performance conditions: The **KPIs** identified at individual Team level may be of an **economic-financial** (e.g. Operational losses/Cash Flow) or of a **non-financial** (e.g. compliance with settlement SLAs, complaints received/policies, cyber security) nature.

Incentive System by business segment	Beneficiaries	Main characteristics
P&C Insurance Excellence System	Sales network of the Banca dei Territori Division	<u>Purpose:</u> Support the aim to develop the No Motor Non-Life business envisaged by the 2018-2021 Business Plan. <u>Performance conditions:</u> The **economic-financial** KPIs must reflect the drivers of **growth** (e.g. No Motor Non-Life vs Motor policy premiums) and **profitability** (e.g. revenues from non-life policies) included in the Business Plan for the Non-Life business. The **non-financial** KPIs must be in line with the **service quality** drivers (e.g. contractual documentation validity, non-life policy complaints, IVASS training).
Private Banking Network	Italian Network of Intesa Sanpaolo Private Banking	<u>Purpose:</u> Support the achievement of the Bank's sales and economic-financial targets, taking into account the actual needs of customers and in line with their risk profile. <u>Performance conditions:</u> The **economic-financial** KPIs must reflect the typical revenues of the relevant business (e.g. improvement in operating income) and the increase in assets (e.g. flows of financial assets). The **non-financial** KPIs must guide behaviour towards customer loyalty, controlling the operational risks, customer satisfaction and the quality of the service rendered.
Financial Advisors	Sales network of Fideuram Intesa Sanpaolo Private Banking and Sanpaolo Invest	<u>Purpose:</u> Support the achievement of the Bank's sales and economic-financial targets, taking into account the actual needs of customers and in line with their risk profile. <u>Performance conditions:</u> The **economic-financial** KPIs must reflect the volumes, profitability and stability of the Net Inflows. The **non-financial** KPIs must include measures to guide behaviour towards customer satisfaction, compliance with the principles of correctness in relation with customers and reduction in operational risks.
Investment Management (Middle Managers and Professionals)	Professional sectors of managers in asset management	<u>Purpose:</u> Support the achievement of the performance objectives for the products managed in the interest of the customers while generating suitable profitability for the SGR entity. <u>Performance conditions:</u> The **economic-financial** KPIs must mainly relate to the performance adjusted for the risks assumed of the managed products.

Incentive System by business segment	Beneficiaries	Main characteristics
		The **non-financial** KPIs focus on managerial or professional skills.
Network of International Subsidiary Banks	Middle Managers and Professionals of the International Subsidiary Banks	Purpose: Support the achievement of the growth, profitability, credit quality and customer service targets of the Network of International Subsidiary Banks, avoiding the emergence of potential conflicts of interest while reducing the operational risks. Performance conditions: Both **economic-financial** and **non-financial** KPIs are set at Branch and/or individual level, which are differentiated depending on the business specificities, market practises and the regulations in force in the countries where the Group works.

In addition, on 5 December 2018, following the publication by the Bank of Italy of the document "Transparency of the banking and financial transactions and services – correctness of the relations between intermediaries and customers", a specific Incentive System is being studied that focuses on optimising the management of complaints, whose launch is expected during 2019.

All the Incentive Systems are subject to specific formalisation and approval processes.

4.5.5 Individual access conditions

The payment of the individual bonus is, in any case, subject to the verification of the absence of the so-called individual compliance breaches i.e.: 6.C.1. a) 6.C.1. c) 6.C.1. d)

- disciplinary measures involving suspension from service and pay for a period equal to or greater than one day, including as a result of serious findings received from the Bank's control functions;
- in case of breaches specifically sanctioned by the Supervisory Authorities of the obligations as per Article 26 of the Consolidated Law on Banking regarding the requirements of professionalism, integrity and independence or Article 53, paragraph 4, of the Consolidated Law on Banking and following on the matter of transactions with related parties and of the obligations regarding remuneration and incentives referred to in CRD IV, if involving a penalty of an amount equal to or greater than 30,000 euro;
- behaviors that do not comply with the provisions of the law, the regulations, the Articles of Association or any other ethical or conduct codes defined ex ante by the Group and which produced a "significant loss" for the Bank or for customers.

Focus: Individual access conditions for Financial Advisors other than employees

All the Financial Advisors subject to a suspension measure are excluded from the Incentive System, except for those cases that will be suitably justified by the Disciplinary Committee at the time of taking such measure.

In particular, failure to verify the individual access conditions implies both the non-payment of the bonus accrued in the same year of the compliance breach is committed and the deletion of the deferred portions of the accrual conditions referred to the same year.

4.5.6 Malus Conditions

In case of deferral (see paragraph 4.6), each portion is subject to an ex-post adjustment mechanism - the so-called malus conditions - according to which the relative amount recognised and the number of financial instruments assigned, if any, may be reduced, even to zero, in the year in which the deferred portion is paid, in relation to the level of achievement of the minimum conditions set by the Regulator regarding the **sound capital base** and **liquidity**, represented by the consistency with the respective limits set as part of the RAF, as well as the condition of **financial sustainability**. 6.P.2. 6.C.1. c) 6.C.1. d) 6.C.2.

In case one of the conditions of sound capital base or of liquidity does not occur individually, the deferred portion is brought down to zero; if the condition of sustainability is not met, the deferred portion is reduced by 50%. 6.C.1. c)

Focus: Malus set for the Top Risk Takers

For Top Risk Takers, in line with the provisions for activation of the Incentive System, a fourth condition – in addition to the three mentioned above – is also envisaged:

For this population, if the condition of liquidity is not met, the deferred portion is reduced by 50%.

4.5.7 Clawback mechanisms

The company reserves the right to activate clawback mechanisms, namely the return of bonuses already paid as required by regulations, as part of: 6.C.1. f)

- disciplinary initiatives and provisions envisaged for fraudulent behaviour or gross negligence by personnel, also taking into account the relative legal, contribution and fiscal profiles;
- behaviour non-compliant with the legal and regulatory provisions, Articles of Association or any codes of ethics and conduct established ex ante by the Group and from which a “significant loss” derived for the Bank or the customer.

These mechanisms may be applied in the 5 years following the payment of the individual portion (up-front or deferred) of variable remuneration.

4.6 Payment methods of the short-term variable remuneration

The remuneration payment methods are governed by specific instructions in the Supervisory Provisions concerning remuneration with particular reference to the deferral obligations, the type of payment instruments and the retention period envisaged for the possible portion paid as financial instruments.

6.C.1. e) Illustrated below are the methods for the payment of the variable remuneration adopted by the Intesa Sanpaolo Group.

Deferral

Deferred amount

1. **60%** of variable remuneration is deferred for a period of **5 years** in case of:
   - remuneration awarded to **Top Risk Takers**
   - **«particularly high» amount** of variable remuneration, for each cluster of staff
2. **60%** of variable remuneration is deferred for a period of **3 years** in case of remuneration awarded to:
   - other **Group Risk Takers**, if the amount exceeds both the **materiality threshold** defined at Group level and **100% of fixed remuneration**
3. **40%** of variable remuneration is deferred for a period of **3 years** in case of remuneration awarded to:
   - other **Group Risk Takers**, if the amount exceeds the **materiality threshold** defined at Group level and is **equal to or lower than 100% of fixed remuneration**
   - **Middle Management** and **Professionals**, if the amount exceeds both the **materiality threshold** defined at Group level and **100% of fixed remuneration**
4. **40%** of variable remuneration is deferred for a period of **2 years** in case of remuneration awarded to:
   - **Middle Management** and **Professionals**, if the amount exceeds the **materiality threshold** defined by the Group and is **equal to or lower than 100% of fixed remuneration,** or if it is **equal to or lower than the materiality threshold** and **exceeds 100% of fixed remuneration**

Up-front amount

The remaining part of the variable remuneration is paid out up-front.

For each cluster of staff the variable remuneration is entirely paid out up-front, if the amount is **equal to or lower than both the materiality threshold** defined by the Group and **100% of fixed remuneration**

Focus: «Particularly high» amount of variable remuneration

As required by the Provisions of the Bank of Italy, at least every three years Intesa Sanpaolo is obliged to define the «particularly high» amount of variable remuneration, as the lower between:

i) 25% of the average overall remuneration of the Italian high earners, resulting from the most recent report published by the EBA.
This value equals, according to the report published by the EBA with reference to the date of December 2017, 424,809 euro;

ii) 10 times the average overall remuneration of the employees of the Intesa Sanpaolo Group. Intesa Sanpaolo calculated this amount as the average remuneration paid to employees in the last three years (2016, 2017 and 2018), equal to 420,333 euro.

For greater prudence, the latter amount is rounded down and, as a consequence, the variable remuneration exceeding 400,000 euro for the three-year period 2019-2021 is considered particularly high.

Focus: Materiality Threshold defined by the Intesa Sanpaolo Group

The Intesa Sanpaolo Group has defined its materiality threshold, equal to 80,000 euro, beyond which the variable remuneration is considered “significant”.

6.C.2.

Payment instruments

Financial instruments

1. **60%** of variable remuneration is paid out in **financial instruments** for:
   - **Top Risk Takers**, if the amount exceeds 100% of fixed remuneration
   - those receiving a **«particularly high» amount** of variable remuneration which **exceeds 100% of fixed remuneration**, for each cluster of staff
2. **55%** of variable remuneration is paid out in **financial instruments** for:
   - **Top Risk Takers**, if the amount is **equal to or lower than 100% of fixed remuneration**
   - those receiving a **«particularly high» amount** of variable remuneration which is **equal to or lower than 100% of fixed remuneration**, for each cluster of staff
3. **50%** of variable remuneration is paid out in **financial instruments** for:
   - other **Group Risk Takers**
   - **Middle Management and Professionals,** if the amount exceeds both **the materiality threshold** defined by the Group and **100% of fixed remuneration**

Cash

The remaining part of the variable remuneration is paid out in cash

For each cluster of staff the variable remuneration is paid out in cash, if the amount is **equal to or lower than both the materiality threshold** and **100% of fixed remuneration**

In compliance with the Supervisory Provisions, the financial instruments used by the Intesa Sanpaolo Group to pay the variable remuneration are Intesa Sanpaolo shares.

There are exceptions to this general rule:
- the Risk Takers of VUB Banka having a local contract, since the portion in shares is replaced by the assignment of units of Certificates of the subsidiary in compliance with local regulations;
- the Risk Takers of PBZ and its Subsidiaries, since the portion in Intesa Sanpaolo shares is replaced by the assignment of shares issued by PBZ;
- the Risk Takers belonging to significant SRG entities[17], since the portion in Intesa Sanpaolo shares is replaced by the allocation of units of the funds managed, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation).

6.C.2.

Focus: Financial Instruments assigned to the Risk Takers of the SGR entities

The Joint Regulation[16] concerning the Risk Takers belonging to significant SGR entities requires the allocation of units or shares of UCITS or AIFs managed as a liquidation instrument for a portion of the annual variable remuneration.
In compliance with such provision:
- the UCITS basket is defined representing the UCITS managed by the company to be allocated to the Top Risk Taker, Head of the Asset Management Division, to the Risk Takers not involved in the activities of Asset Management and, to a lesser extent, to the Risk Takers involved in the activities of Asset Management;
- the principles of selection of additional UCITS to be allocated to the Risk Takers involved in the activities of Asset Management are identified in terms of representation of the activity performed by each of them.

Retention period

1. The **up-front** and **deferred** components of variable remuneration assigned in financial instruments is subject to a retention period of **1 year**

In accordance with the indications above, the Intesa Sanpaolo Group has defined the following accrual and settlement layouts depending on the category of personnel (Top Risk Takers, other Risk Takers, Middle Managers and Professionals), the amount of the variable remuneration (higher or lower than the particularly high amount or the materiality threshold) and the weight of the variable remuneration compared to the fixed remuneration (greater than or equal to/lower than 100%).

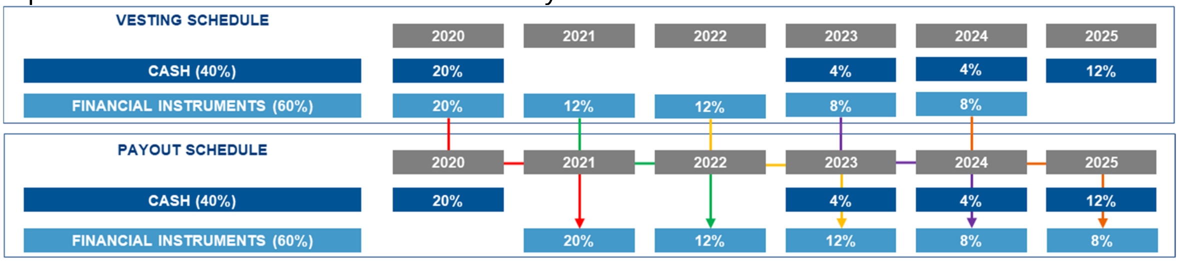
[16] Bank of Italy - Consob: second supplement to the Joint Regulation (27 April 2017).
[17] It should be noted that no Group Risk Takers have been identified at non-significant SGR entities level.

In particular, for the **Top Risk Takers** and **all those who**, regardless of the macro-segment they belong to, **accrue a «particularly high» amount of variable remuneration**, the following two schedules are envisaged, depending on the weight of the variable remuneration compared to the fixed remuneration:

6.C.1. e)
6. C. 2.

1. Layout 1: if the variable remuneration **exceeds 100% of the fixed remuneration,** 40% of the payment will be up-front (of which 20% in cash and 20% in financial instruments) and 60% (of which 20% in cash and 40% in financial instruments) on a deferral time horizon of 5 years.

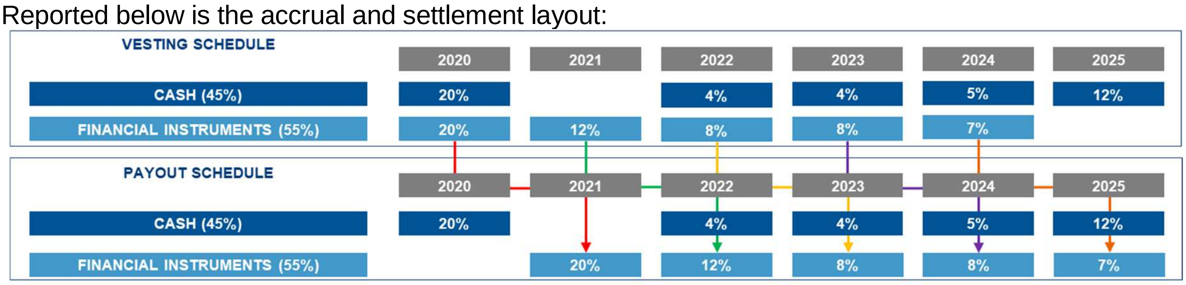
   Reported below is the accrual and settlement layout:



6.C.1. e)
6. C. 2.

2. Layout 2: if the variable remuneration is **equal to or lower than 100% of the fixed remuneration,** 40% of the payment will be up-front (of which 20% in cash and 20% in financial instruments) and 60% (of which 25% in cash and 35% in financial instruments) on a deferral time horizon of 5 years.

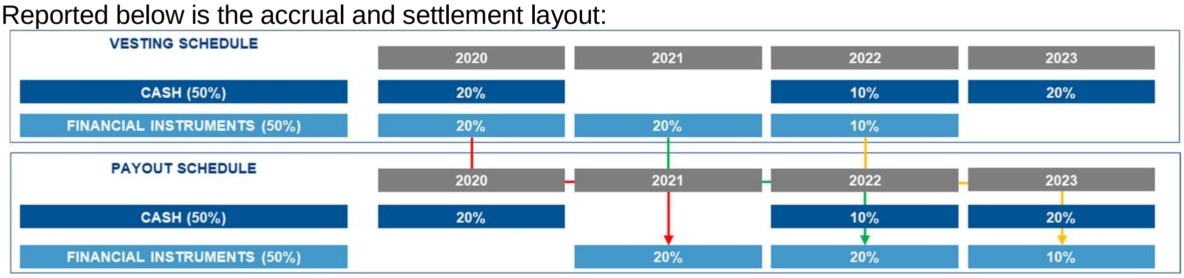
   Reported below is the accrual and settlement layout:



For the remaining segments of personnel that **do not accrue a «particularly high» amount of variable remuneration**, the following three schedules are envisaged, based on the pertinent segment and the weight of the variable remuneration compared to the fixed remuneration:

6.C.1. e)
6. C. 2.

3. Layout 3: for the **other Risk Takers** who accrue a variable remuneration **exceeding 100% of the fixed remuneration and higher than 80,000 euro**, 40% of the payment will be up-front (of which 20% in cash and 20% in financial instruments) and 60% (of which 30% in cash and 30% in financial instruments) on a deferral time horizon of 3 years.
   Reported below is the accrual and settlement layout:



6.C.1. e)
6. C. 2.

4. Layout 4: for the **other Risk Takers** who accrue a variable remuneration **equal to or lower than 100% of the fixed remuneration and higher than 80,000 euro** and for **Middle Managers and Professionals** who accrue a variable remuneration **exceeding 100% of the fixed remuneration** and **higher than 80,000 euro,** 60% of the payment will be up-front (of which 30% in cash and 30% in financial instruments) and 40% (of which 20% in cash and 20% in financial instruments) on a deferral time horizon of 3 years.

Reported below is the accrual and settlement layout:

VESTING SCHEDULE	2020	2021	2022	2023
CASH (50%)	30%		7%	13%
FINANCIAL INSTRUMENTS (50%)	30%	13%	7%	

PAYOUT SCHEDULE	2020	2021	2022	2023
CASH (50%)	30%		7%	13%
FINANCIAL INSTRUMENTS (50%)		30%	13%	7%

5. Layout 5: for **the other Risk Takers** who accrue a variable remuneration **exceeding 100% of the fixed remuneration** but **equal to or lower than 80,000 euro and** for **Middle Managers and Professionals** who accrue a variable remuneration **equal to or lower than 100% of the fixed remuneration** but **higher than 80,000 euro** or **exceeding 100% of the fixed remuneration** but **equal to or lower than 80,000 euro,** all of the payment will be in cash of which 60% up-front and 40% on a deferral time horizon of 2 years. 6.C.1. e)

Reported below is the accrual and settlement layout:

VESTING SCHEDULE	2019	2020	2021
CASH (100%)	60%		40%

PAYOUT SCHEDULE	2019	2020	2021
CASH (100%)	60%		40%

Focus: Principle of proportionality applied to the Group Banks

In accordance with the principle of proportionality, Intesa Sanpaolo has classified the Group Banks as:

- Banks of greater size or operational complexity, including the listed banks;
- Intermediate banks;
- Banks of smaller size or operational complexity.

This classification was made by adopting the criteria set by the Provisions of the Bank of Italy, which require the characteristics, sizes, level of risk and complexity of the activity carried out as well as the pertinence to the Group to be taken into account.

6.C.1. e)
6. C. 2.

Focus: Payment method of the variable remuneration for the Legal Entity Risk Takers

With reference to the methods of payment of the variable remuneration for the Risk Takers identified exclusively by the Legal Entities, the principle of proportionality is applied, i.e., to those operating in the:

- Banks of greater size or operational complexity, including the listed banks, the vesting and payout schedule set for the Group Risk Takers are applied;
- Intermediate banks, the vesting and payout schedule set for the Group Risk Takers are applied, though in compliance with the Provisions of the Bank of Italy, with percentages, deferral and retention period that are at least equal to half of those set for the latter;

  In particular, the pay-out of a variable remuneration exceeding 80,000 euro will be 60% up-front (of which 45% in cash and 15% in financial instruments) and 40% (of which 25% in cash and 15% in financial instruments) on a deferral time horizon of 2 years[18].

[18] It should also be noted that in none of the Intermediate banks are there professional sectors for which the increase of the limit to the ratio between the variable and fixed remuneration beyond the 1:1 cap is envisaged.

Focus: Payment method of the variable remuneration for the Legal Entity Risk Takers

Layout 6:

VESTING SCHEDULE	2020	2021	2022
CASH (70%)	45%	5%	20%
FINANCIAL INSTRUMENTS (30%)	15%	15%	

PAYOUT SCHEDULE	2020	2021	2022
CASH (70%)	45%	5%	20%
FINANCIAL INSTRUMENTS(30%)		15%	15%

- To banks of smaller size or operational complexity, the accrual and settlement layouts for the Group Middle Managers and Professionals are applied.

4.7 Broad-based Short-Term Plan – PVR (“Premio Variabile di Risultato”)

Within the framework of the Intesa Sanpaolo Group II level National Bargaining Agreement, a Broad-based Short-Term Plan (hereinafter, PVR), addressed to Professionals belonging to all the Governance and Control Areas, as well as those operating in the business retail segment, was introduced.
The Broad-based Short-Term Plan[19] is considered as a productivity bonus envisaged by the National Collective Bargaining Agreement for the Credit Sector and negotiated with the Trade Unions.
The Broad-based Short-Term Plan has both a distribution-ownership purpose, as it is aimed at rewarding employees for the contribution provided collectively upon reaching the results for the year, and an incentive purpose, given that, limited to the so-called excellence portion, it intends to reward in a distinctive manner the team’s merit and performance.

Reported below is a summary of the operating mechanisms and the main characteristics of the PVR.

STEP	PURPOSE	MECHANISM	
POOL	Solidity and sustainability in a prudential approach	Gate and Funding	• **the PVR pool is activated** only if main capital and liquidity requirements are satisfied, namely the minimum regulatory solidity conditions at Group level. These conditions **differ from** those provided by the annual Incentive Systems (see par. 4.7.1) • the PVR is financed by the **Group bonus pool** through a mechanism that provides for a **gradual increase** of financial resources serving the PVR up to a maximum amount (cap) if Group Gross Income exceeds the entry threshold (see par. 4.7.2)
ALLOCATION	Distributional	BASE BONUS	• **independent from contractual agreement and professional role/seniority** • aimed at rewarding all Group employees for their contribution to the overall annual Results as well as at supporting the lower remuneration levels, also for internal equity purposes
	Participatory	ADDITIONAL BONUS	• **differentiated by professional role or seniority and professional category cluster** • accrued in order to enhance the specific contribution to Group results considering the **professional role**
	Incentive	EXCELLENCE BONUS	The bonus accrual is based on the **performance level achieved** and: • for **all employees**, is assigned at the Direct Head's discretion, with priority given to the highest levels of professional evaluation, within the limits of the bonus pool allocated and in line with the internal equity principles • for professional roles of the Branches of the **Banca dei Territori** Network, is assigned on the basis of the evaluation achieved within the Branch Performance Scorecard
PAY- OUT	Adjustment based on conduct/ monitoring of commercial activities impact over time	Individual access conditions	Failure to satisfy individual access conditions precludes any bonus accrual and payout (see par. 4.7.4)
		Claw-back	Return of bonuses already paid as a result of disciplinary measures due to personnel fraudulent behavior or serious misconduct (see par. 4.7.5)

In order to provide a dimension of the economic value of the PVR, please note that, with reference to 2018, the average of the base and additional bonuses disbursed is less than 1,000 euro.

4.7.1 Activation conditions

The PVR is subject to the minimum activation conditions requested by the Regulator and non-achievement of even only one of those conditions shall result in non-activation of this system.

These conditions are based, on a priority basis, on the principles envisaged by the prudential regulations 6.C.1. a) 6.C.1. d)
concerning **sound capital base** and **liquidity,** represented by the consistency with the limits set as part of the SREP as well as the principles of **financial sustainability** of the variable component that consist in checking the availability of sufficient economic-financial resources to meeting the expenditure requirement.

[19] As defined by Article 52 of the national collective bargaining agreement applied to middle managers and for personnel belonging to professional areas employed by credit, financial and instrumental companies.

These conditions are as follows:

Capital Adequacy condition	Common Equity Tier 1 (CET1) Ratio	≥	Limits set by the SREP at Group level
Liquidity condition	Net Stable Funding Ratio (NSFR)	≥	100%
Sustainability condition	No loss and positive Gross Income	>	Ø

Focus: Activation conditions for the PVR

The adoption of the SREP limits for the PVR is given to its nature of bonus agreed with the Trade Unions, which require to monitor and to be made aware of the level of achievement of these activation conditions. It should be noted that the data contained in the SREP is public while the data included in the RAF is not.

4.7.2 Funding

The Broad-based Short-Term Plan is funded by a Group bonus pool that is indexed to the level of achievement of a level of profitability given by Intesa Sanpaolo's Gross Income at Consolidated Financial Statements level.

The portion of the Group bonus pool servicing the PVR has a three-fold structure, insofar as it is intended to specifically fund the three bonus components that make up the PVR. This portion of the Group bonus pool is increased progressively starting from exceeding the so-called access Threshold (i.e. the Group's minimum Gross Income target which, although lower than the budget, is deemed acceptable) up to a predefined cap.

Whereas, if the Group's Gross Income is positive though lower than the Access Threshold, only the portion of the bonus pool allocated to fund the base bonus is made available.

4.7.3 Incentive function of the Excellence Bonus

The Excellence Bonus is intended to reward individual merit and distinctive contribution made to the team's results, with different modalities for general employees and the professional roles of the Branches of the Banca dei Territori Network.

Regardless of the methods to attribute the bonus, only the resources with an evaluation that is at least equal to "in line with the role's expectations" are eligible for the Excellence component.

Focus: The Performance Scorecard of the Banca dei Territori Network

The Performance Scorecards for the professional roles of the Branches of the Banca dei Territori Network intend to reward the performance of the best Branches and enhance distinctive behaviour, with a focus on achieving sustainable performance over time in terms, among others, of profitability, credit quality, growth, quality of service, customer satisfaction and controlling the operational risks.
In particular, also **KPIs of a non-financial nature** must be included, among which at least:

1. The Operational Excellence KPI, which aims to measure synthetically compliance with the relevant rules on the exercise of banking and intermediation activities, management of conflicts of interest, transparency towards customers and regulations for consumer protection;
2. The Service Excellence and Net Promoter Score KPI, with the aim of measuring synthetically the quality of the service provided in terms of efficiency.

Within the limit of the reference bonus pool, the Excellence Bonus is intended to reward a portion defined ex ante of the best branches for each sales region. With reference to calculating the bonus, the

Focus: The Performance Scorecard of the Banca dei Territori Network

Excellence component accrued is defined depending on the score assigned to the Performance Scorecard starting from the minimum score threshold defined each year.

It is also specified that, among the non-financial KPIs, at least the Operational Excellence KPI also has the nature of "**activation condition**" (gate) for the Excellence Bonus since failure to reach the minimum score set for this indicator precludes its payment.

4.7.4 Individual access conditions

The payment of one or more PVR portions (base bonus, additional bonus and excellence bonus) is, in any event, subject to verification for the relevant year of absence of the so-called individual compliance breach, i.e. the absence of disciplinary measures involving suspension from service and pay for a period equal to or greater than one day, including as a result of serious findings received from the Bank's control functions.

4.8 Long-Term Incentive Plans

The Intesa Sanpaolo Group is always seeking innovative ways to motivate and retain its resources, the involvement and development of which constitute key and enabling factors in the achievement of results at all levels of the organisation.

In line with the principles of inclusiveness and cohesion, the Group believes that employee share ownership encourages identification and alignment with the medium/long-term objectives and constitutes a desirable form of sharing the value created over time.

This took on particular importance during the launch of the 2018-2021 Business Plan, whose implementation requires the commitment and activation of the energy of all individuals working in the Intesa Sanpaolo Group.

It was considered appropriate to clearly differentiate targets, objectives and hence long-term incentive instruments aimed respectively at:

- Top Management, Risk Takers and so-called Key Managers[20];
- Middle Managers (not Risk Takers) and the remaining personnel.

With reference to the Top Risk Takers, other Risk Takers and Key Managers, which have a direct impact on the Group's results, it was decided to adopt an instrument specifically linked to the achievement of the Business Plan targets and has an adequate risk/return profile in respect of the role held and the levels of ambition and challenge of the new Business Plan. On the basis of these rationales, a Long-term Incentive Plan based on performance conditions was formulated using an option vehicle called POP (Performance-based Option Plan).

On the other hand, the Group believed that a Retention Plan in substantial continuity with the 2014-2017 LECOIP is suitable to support the motivation of Middle Managers and the remaining personnel, with the aim of continuing the work of strengthening identity and a sense of belonging, consistently with the Group's inclusive organisational culture. In light of these considerations, a Retention Plan was set up for Middle Managers (not included in the POP Plan) and for the remaining personnel called "LECOIP 2.0", which leverages the current market conditions and enhances the experience gained.

[20] Key Managers means those among the Executive Directors who are not Risk Takers.

4.8.1 The POP Plan

Launched in 2018, the POP Plan is aimed at:

- enhancing the alignment with the long-term objectives of the 2018-2021 Business Plan;
- guaranteeing a close link between the Bank's performance over time and the long-term variable remuneration of Top Management, Risk Takers and Key Managers;
- rewarding Top Management, Risk Takers and Key Managers only in case of value creation for shareholders.

Key Features of the POP Plan	
Topic	**Features**
Beneficiaries	Top Management, Risk Takers and Key Managers in Italy (approximately 350 people)
Financial Instrument	Performance Call Option (POP Options)
POP Plan Operating Model	On 11 July 2018, Intesa Sanpaolo (ISP) granted a certain number of call options with underlying ISP ordinary shares. On the due date, physical delivery of the underlying will take place if the option is in the money, gateway conditions are met and performance objectives are reached
Methodology for the calculation of value at grant	Fair value at grant defined in accordance with the Group's Risk Management Policies
Initial Grant	Differentiated according to the organizational level Up to 200% of Fixed Remuneration for the entire period (50% of the Fixed Remuneration on an annual basis) for staff not belonging to the Company Control Functions
Gateway conditions 2018 – 2021	1. Group-level gates: • CET1 ≥ SREP • NSFR ≥ 100% • No Loss or Positive Gross Income • Only for Top Management LCR ≥ 100% 2. Individual Compliance breaches
Link with Performance Conditions	• 2021 NPL (Non-Performing Loans) Ratio: 6% • 2021 OI/RWA (Operating Income / Risk Weighted Assets): 6.77% Staff belonging to the Company Control Functions has specific performance conditions
Performance Accrual Period	In line with the 2018-2021 Business Plan time horizon
Strike Price	Average market price of the month preceding grant equal to € 2.5416
Exercise Price	Average price of the last 2018-2021 Business Plan year. If this average is higher than the strike price, the POP Option is "in the money"
Exercise Day	"Automatic" exercise on a pre-set date: if the option is in the money on the date set as Exercise Day, each right is automatically valued, without any decision or intervention on the employee's side, therefore excluding any possibility of arbitrage
Payout Schedule	Settlement is in ISP shares. Shares are delivered starting from 2022 in 5 years for the Top Management not belonging to the Company Control Functions and in 3 years for Top Management belonging to the Company Control Functions, other Risk Takers and Key Managers
Malus conditions	Malus conditions may reduce accrued deferred shares not yet vested up to complete forfeiture of the deferrals. They are symmetrical to the Gateway Conditions
Individual Compliance Breach and Clawback	In line with the provisions of the Group's Remuneration Policies.
The POP in Case of Extraordinary Events	• Eligibility to participate to the POP Plan is lost in case of resignation, termination for cause, consensual termination of the employment relationship and similar situations • In case the beneficiary reaches the retirement age, signs up to the pre-retirement solidarity fund "Fondo di Solidarietà" or in case of death a prorated payment will take place at the natural end of the Plan • In case of change of control, depending on the change of control being considered hostile or not by the Board of Directors:

Key Features of the POP Plan	
Topic	**Features**
	• Accelerated pro-rata cash settlement in case of a successful hostile takeover • Settlement at the original end of the Plan in shares of the new entity in case of a change of control considered non-hostile
Settlement	The Plan is settled physically on the Exercise Day (physical delivery) with delivery of shares for a value equal to the net balance of the value of the POP Options. In order to fulfil settlement obligation, the Group transferred to a Counterparty (a leading Financial Institution) the obligation to deliver the shares underlying the POP options to beneficiaries by stipulating a novation agreement under the Italian Civil Law (the "Accollo liberatorio").
Dilution	No impact
Cost	Overall 130 million euro for the 2018-2021 period

4.8.2 The LECOIP 2.0 Plan

The LECOIP 2.0 Plan, launched in 2018, in coherence with the Bank’s principles of inclusivity and cohesion, is aimed at:

- enhancing the alignment of all employees with the long-term objectives of the 2018-2021 Business Plan;
- enabling the sharing of the value created over time, at every level of the organization, because of the achievement of the above-mentioned objectives;
- fostering the identification (ownership) and the spirit of belonging to Intesa Sanpaolo Group.

<table>
<tr><th colspan="3">Key Features of the LECOIP 2.0 Plan</th></tr>
<tr><th>Topic</th><th colspan="2">Features</th></tr>
<tr><td>Beneficiaries</td><td colspan="2">Approximately 69,000 employees in Italy belonging to either of the following categories:
1. Managers (excluding Top Managers, Risk Takers and Key Managers)
2. Professionals</td></tr>
<tr><td>Financial Instrument</td><td>Manager LECOIP 2.0 Certificates issued by a main Financial Arranger</td><td>Professional LECOIP 2.0 Certificates issued by a main Financial Arranger</td></tr>
<tr><td>Participation Model</td><td>Manager
Each beneficiary receives the right to participate to the LECOIP 2.0 Plan.
Participation means receiving LECOIP 2.0 Manager Certificates. They have the following features:

i. They ensure a base level return protected from share price volatility (Protected Capital) equal to 75% of the Initially Assigned Capital
ii. Appreciation is calculated on a larger shares base (8 times larger) than the Initially Assigned Capital</td><td>Professional
Each full time beneficiary is granted the right to receive an advance payment of the 2018 PVR (equal to 1,200€) and is given the option to receive the payment in cash or, alternatively, in shares (Free Shares). Those who elect Free Shares are obliged to allocate them towards LECOIP 2.0 Professional Certificates. In this case:
i. They receive a higher Protected Capital (from share price volatility) than the capital initially allocated (the Free Shares)
ii. Appreciation is calculated on a shares base eight times larger than the Protected Capital</td></tr>
<tr><td>Value of the Initially Assigned Capital</td><td colspan="2">• Differentiated by seniority and professional family (i.e. Investment Banking, Asset Management, Governance Functions …)
• Equal to the value of the sum of Free and Matching Shares, which participants receive exclusively instrumental to the purpose of signing the Certificates
• For Managers and highly remunerated professional families (i.e. Investment Banking, Asset Management, Treasury …): up to 100% of fixed remuneration for the entire period (25% of fixed remuneration on annual basis)
• For remaining Staff: to be negotiated with Trade Unions</td></tr>
<tr><td>Trigger Events 2018 - 2021</td><td>• CET1 ≥ SREP
• NSFR ≥ 100%</td><td>Protected Capital (except for Free Shares) is subject to:
• CET1 ≥ SREP</td></tr>
<tr><td>Appreciation model</td><td colspan="2">Asian floored: appreciation is calculated on the basis of monthly observations, where each observation is the difference between share price at the time of the observation and share price at grant (any negative differences are calculated as nil and therefore do not result in a decrease in the total net value accrued up to that moment)</td></tr>
</table>

Key Features of the LECOIP 2.0 Plan	
Topic	**Features**
Vesting Period	In line with 2018-2021 Business Plan time horizon
Payout Scheme	Upfront cash pay-out in 2022 (employees may also elect pay-out in ISP shares). If value at grant is higher than € 80,000, 40% of the amount to be paid is deferred in cash
Individual Compliance Breach and Clawback	In line with the provisions of the Group's Remuneration policies
LECOIP 2.0 in case of extraordinary events	• Forfeiture of any rights connected with the LECOIP 2.0 in case of resignation, termination for cause, dismissal, consensual termination and similar situations • Prorated payment at the natural end of the Plan in case the beneficiary reaches retirement age, signs up to the pre-retirement solidarity fund "Fondo di Solidarietà" or in case of death • Prorated payment before the natural end of the Plan in case of change of control
Source of Shares serving the Plan	• a share capital increase without payment was executed, pursuant to Article 2349, paragraph 1 of the Italian Civil Code, for an amount of 87,959,908.40 euro, through the issue of 169,153,670 Intesa Sanpaolo ordinary shares; • a share capital increase with payment was executed, with the exclusion, pursuant to Article 2441, paragraph 8 of the Italian Civil Code, of the option right, in favour of the Intesa Sanpaolo Group's employees, for an amount of 264,112,557.80 euro, through the issue of 507,908,765 Intesa Sanpaolo ordinary shares at a price of 2.1645 euro (applying a discount of 14.837% to the aforementioned arithmetic average of the VWAP recorded in the 30 calendar days preceding 11 July 2018), of which 0.52 euro of nominal value and 1.6445 euro of share premium *(see Intesa Sanpaolo Press Release of 11 July 2018)*
Impact on CET1	+€ 1,099 million, equal to +40 b.p. based on figures at 31 March 2018 *(see Intesa Sanpaolo Press Release of 11 July 2018)*
Dilution	4.1% of the ordinary share capital of Intesa Sanpaolo after the capital increase *(see Intesa Sanpaolo Press Release of 11 July 2018)*
Cost	€ 570 million for the 2018-2021 period

4.9 Termination of the employment agreement

The termination of the employment agreement involving personnel with state pension or seniority pension rights and/or A.G.O. pension treatment does not result in loss of the right to payment of the entitled amounts, even deferred. 6.C.1. g)

In all other cases, the Bank has the right to award any amounts, depending on the specific situations, upon termination of the employment agreement, also through consensual retrenchment agreements providing termination payments.

In recent years, the Bank has signed specific agreements with the trade unions with regard to the “solidarity fund”, applied to employees of all levels, including executives, which also govern the treatment of sums payable to personnel upon termination of the employment agreement in the event of extraordinary transactions and/or company reorganisations.

Focus: Individual Severance agreements defined ex ante

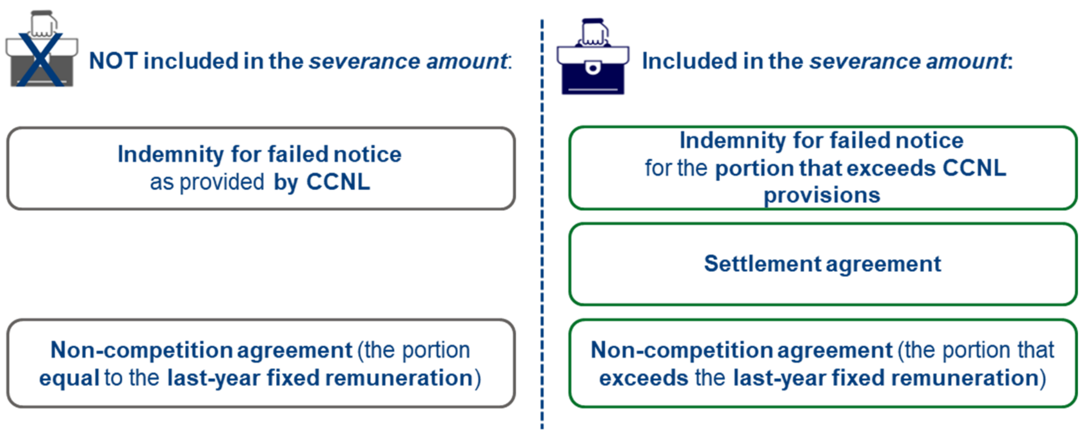
In compliance with the principles contained in the Group's Code of Ethics, the Intesa Sanpaolo Group does NOT enter into ex ante individual agreements with its employees (i.e. prior to termination of the employment agreement) that govern compensation to be granted in the event of early termination of the employment agreement.

4.9.1 Severance

4.9.1.1 *Definition*

According to the Supervisory Provisions on remuneration, the payment agreed in any way and/or form in view of or upon early termination of the employment agreement or early termination of office for the amount exceeding the provisions of the National Collective Bargaining Agreement (CCNL) concerning payments related to the indemnity for failed notice constitutes the so-called severance. The non-competition agreement is included among these, depending on the total amount paid.

Focus: The severance components pursuant to Bank of Italy Circular 285



With regard to the components that are included in the severance payment, the Supervisory Provisions require that the limits and criteria to be submitted to the approval of the Shareholders’ Meeting should be defined ex ante.

4.9.1.2 *Maximum limits*

Based on international and national best practices, the Group has set a maximum limit equal to **24 months of the fixed remuneration** for compensation paid by way of severance. The adoption of this limit can lead to a maximum disbursement of **5.2 million euro**[21].

Focus: Comparison with the National Collective Bargaining Agreement and national industry practices

It should be noted that the definition of said maximum limit adopted by the Group falls well below the provisions of the sector's National Collective Bargaining Agreement (which allows to issue up to a maximum of 39 monthly payments, including the indemnity for failed notice) and national practices (36 monthly payments, of which up to 24 in excess of the indemnity for failed notice), discounting, de facto and ex ante, the assumption that the early termination of the employment relationship should not represent a rewarding element, which translates into the containment of the sums payable on that account, in line with the application of the "no reward for failure" principle.

4.9.1.3 *Accumulation of severance with variable remuneration*

As required by Bank of Italy Circular 285/2013 and in compliance with EBA guidelines, the compensation paid by way of severance is included in the calculation of the ratio between the variable remuneration due and the fixed remuneration of the last year of employment at the company.

In particular, pursuant to the Supervisory Provisions of the Bank of Italy, the compensation paid by way of severance is added to the bonus due for the last year of employment at the company, excluding the amounts agreed and recognised:

- based on a non-competition agreement, for the portion which, for each year of duration of the agreement, does not exceed the last year of fixed remuneration;
- within an agreement reached in order to settle a current or potential dispute (independently from the context in which the agreement is drawn up), if calculated according to a predefined calculation formula approved previously by the Shareholders' Meeting.
  Intesa Sanpaolo intends to adopt the following **formula** differentiated by cluster of personnel and indexed to the number of years of employment at the company.

Employees assigned a job title as part of the Group's Global Banding System

Company tenure (years)	**Severance**
Up to 2	2 months of fixed remuneration
More than 2 and up to 21	2 months of fixed remuneration + half month for each year of employment (starting from the third year)
More than 21	12 months of fixed remuneration

Remaining personnel

Company tenure (years)	**Severance**
Up to 2	1 month of fixed remuneration
More than 2 and up to 21	1 month of fixed remuneration + a quarter of a month for each year of employment (starting from the third year)
More than 21	6 months of fixed remuneration

[21] The fixed remuneration includes the gross annual remuneration and any role allowance and/or remuneration received for the office and not transferred.

4.9.1.4 *Payment methods*

The components included in severance are similar to the variable remuneration and, as such, are subject to the payment methods defined in line with the Supervisory Provisions and depending on the cluster of personnel, the amount and its weight compared to the fixed remuneration (see paragraph 4.6).

Said Provisions are also consistent with the provisions laid down by the Joint Regulation[22] for the personnel of the SGR entities, without prejudice, for the Risk Takers of the Significant ones[23], to the assignment of portions or shares of the UCITS or AIFs managed in place of the shares.

4.9.1.5 *Criteria*

In the Intesa Sanpaolo Group, the principles for the definition of severance - inspired to both the correlation between severance pay and ongoing performance criteria and the control of potential litigations – are:

- protecting the level of sound capital base required by the Regulations;
- “no reward for failure”;
- unobjectability of individual behaviour (consistency with compliance breach absence criteria).

Please also note that the same activation (see paragraph 4.5.1), individual access (see paragraph 4.5.5), malus (see paragraph 4.5.6) and clawback conditions (see paragraph 4.5.7) set for variable remuneration for each population cluster are applied to severance.

Focus: Process to determinate severance

Top Risk Takers

The specific determination of severance for the Group Top Risk Takers, the higher-level Executives of the Company Control Functions and the similar roles for the purpose of the remuneration rules, is subject to assessment and approval, by the Board of Directors, which establishes, within the maximum limit approved by the Shareholders’ Meeting, the amount deemed adequate taking into account the overall assessment of the performance of the person in different roles held over time and paying particular attention to the capital, liquidity and profitability levels of the Group[24] and to any individual sanctions imposed by the Supervisory Authority[25]. In terms of process, the Board of Directors bases its assessments on the proposal made by the Remuneration Committee, based on an inquiry conducted by the Chief Operating Officer Governance Area, with the opinion of the Chief Compliance Officer on the compliance of the proposal to the regulatory provisions in force from time to time and on its consistency with the remuneration and incentive Policies.

Remaining personnel

Similarly to what is provided for the Top Risk Takers, with regard to the remaining personnel, including the Group Risk Takers, the Chief Operating Officer Governance Area provides for a symmetrical process by determining the adequate amount payable as severance pay, within the scope of the maximum limit approved by the Shareholders' Meeting, taking into consideration the overall evaluation of the individual's performance in the different roles held over time and having particular regard to the capital, liquidity and profitability levels of the Group, and the presence or absence of individual sanctions imposed by the Supervisory Authority.

Finally, the Chief Operating Officer Governance Area, with the support of the Planning and Control Head Office Department, ensures, through a process of verification every six months, that the total

[22] Bank of Italy - Consob: second supplement of 27 April 2017.
[23] It should be noted that no Group Risk Takers have been identified at non-significant SGR entities level.
[24] Reference is made, specifically, to the conditions to activate incentive systems:
1. Common Equity Tier Ratio (CET1) at least equal to the limit envisaged in the Risk Appetite Framework (RAF);
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. No loss and positive Gross Income, net of any contribution of profits from the buyback of Bank’s own liabilities, from the fair value measurement of Bank’s liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

For Top Risk Takers reference is made to a further condition represented by the Liquidity Coverage Ratio (LCR), the level of which must be at least equal to the limit envisaged in the RAF.

[25] “Breaches specifically sanctioned by the Supervisory Authorities of the obligations as per Article 26 of the Consolidated Law on Banking regarding the requirements of professionalism, integrity and independence or Article 53, paragraph 4, of Consolidated Law on Banking and following on the matter of related-party transactions and of the obligations regarding remuneration and incentives referred to in CRD4, if involving a penalty of an amount equal to or greater than 30,000 euro".

Focus: Process to determinate severance

compensation paid by way of severance in accordance with the terms defined in this paragraph, may not cause prejudice to the Group's capital strength, i.e. they do not have an impact on the level of the Common Equity Tier Ratio (CET1) such as to imply - due to their payment - a reduction of this level below the threshold provided for by RAF for this indicator.

As provided for by the EBA Guidelines of December 2015, the payments set for early termination of the employment relationship or for early termination from the office are subject to the aforesaid Regulations only in cases where this would not be contrary to the provisions of law relating to the early termination of the employment relationship in a single country, or to the provisions laid down by the authority or as otherwise specifically represented and agreed upon with the Bank of Italy.

4.10 Prohibition of hedging strategies

Intesa Sanpaolo does not remunerate or grant any payments or other benefits to personnel that in any way elude the regulatory provisions.

Intesa Sanpaolo requires its personnel, through specific agreements, not to adopt strategies of personal hedging or insurance strategies on remuneration or other aspects that may alter or undermine the effects of the alignment with company risk inherent in the remuneration and incentive Policies and in the related remuneration mechanisms adopted by the Group. To this end, as part of the rules to implement the remuneration and incentive Policies, Intesa Sanpaolo also defines the types of financial transactions and investments that, if carried out, directly or indirectly, by the Risk Takers could constitute forms of hedging compared to the risk exposure as a consequence of applying the remuneration and incentive Policies.

4. Section B – Rules for identifying staff whose professional activities have a material impact on the risk profile of the Intesa Sanpaolo Group and of the Banks that do not have their own remuneration policies

The regulatory provisions on remuneration and incentive policies (Directive 2013/36/EU, so-called CRD IV) state that remuneration policies have to be specified and applied proportionally to roles, contribution and impact of the staff on the Group and the individual Legal Entity risk profile.

The criteria to identify staff that have a material impact on the Group risk profile (so-called "Group Risk Takers") and the individual Legal Entity risk profile (so-called "Legal Entity Risk Takers") are defined by Regulation (EU) 604/2014 (hereinafter the Regulation), which states:

- qualitative criteria, related to roles, decision-making power and managerial responsibility of staff, considering also the internal organisation of the Group, the nature, scope and complexity of the activities carried out;
- quantitative criteria, related to gross remuneration thresholds, both in absolute and relative terms, and to parameters that enable to place the personnel in the same remuneration range of top management and Risk Takers. Some members of the personnel, identified only on the basis of quantitative criteria, can be excluded from the category of Risk Takers, according to objective conditions and in line with specific restrictions set by the Regulation.

At national level, Circular 285/2013 of the Bank of Italy refers, for the identification of Risk Takers, to the criteria set by the Regulation, highlighting the possibility to set additional criteria when necessary to identify further staff that assume significant risks. The Circular 285 also specifies that individual banks of a group, if not listed, may not draw up their own policies to identify Risk Takers and may apply the Policy prepared by the Parent Company.

The following is highlighted below:

- the rationales why Risk Takers are identified pursuant to qualitative and quantitative criteria set by the above-mentioned Regulation and the additional criteria established in light of the Group's organisational structure and business;
- the application methods at Group level and at the level of the individual Banks that are not obliged to prepare their own remuneration and incentive policies which the Risk Taker identification rules are part of.

4.11 Scope

The Intesa Sanpaolo, as the Parent Company, identifies staff that have a material impact on the Group risk profile considering all the Group Legal Entities, whether they are subject or not to prudential supervision rules on an individual basis.

The Legal Entities actively participate in the process of identifying of Group Risk Takers conducted by the Parent Company and provide the latter with the necessary information and follow the instructions received.

With reference to those Banks that do not prepare their own document on Remuneration policies, the identification of staff that have a material impact on the Bank's risk profile is conducted by the Bank itself, based on the criteria defined in this document and supervised by the Parent Company.

The other Group Legal Entities that, because of sector-specific regulations or the jurisdiction where the Legal Entity is established or mainly works, are obliged to identify Risk Takers on an individual basis adopt, in compliance with the local or sector-specific regulations, similar criteria to those of this document, in coordination with the Parent Company that deals with the overall consistency of the identification process concerning the entire Group.

In any event, the individual Legal Entities remain responsible for compliance with the provisions directly applicable to them.

4.12 Application of the Rules at Intesa Sanpaolo Group Level

4.12.1 Qualitative Criteria

For the purposes of the application of the above-mentioned criteria, it is to be noted that:

- the subjects with managerial responsibilities on the areas covered by the Regulation are identified taking into account also the Global Banding System adopted by the Group, based on grouping in homogeneous categories managerial positions that are similar for levels of complexity/responsibility managed, measured using the international IPE (International Position Evaluation) methodology;
- the measurement of the percentage of internal economic capital absorbed by business units, aiming at the identification of the material business units, is carried out according to the organisational structure used by the Planning and Control Head Office Department for reporting purposes. When business units absorb a percentage of economic capital equal to or higher than 2%, the analysis is also carried out on lower-level structures, to verify the organisational units with an economic capital allocation of at least 2%.

The rationale according to which the Group Risk Takers are identified is described below for each criteria.

1. <u>The staff member is a member of the management body in its management function</u>
   This criterion identifies the members of the Board of Directors of the Intesa Sanpaolo.

2. <u>The staff member is a member of the management body in its strategic supervision function</u>
   This criterion identifies the members of the Board of Directors of the Intesa Sanpaolo.

3. <u>The staff member is a member of the senior management</u>
   This criterion identifies the Managing Director and CEO, his/her direct reports, the Chief Audit Officer and the Manager responsible for preparing Intesa Sanpaolo financial reports.
   These executives make up the cluster of the so-called Top Risk Takers.

4. <u>The staff member is responsible and accountable to the management body for the activities of the independent risk management function, compliance function or internal audit function</u>
   This criterion identifies the Chief Risk Officer, Chief Compliance Officer and Chief Audit Officer of the Intesa Sanpaolo.

5. <u>The staff member has overall responsibility for risk management within a business unit as defined in Article 142(1)(3) of Regulation (EU) No 575/2013 which has had internal capital distributed to it in accordance with Article 73 of Directive 2013/36/EU that represents at least 2% of the internal capital of the institution (hereafter a “material business unit”)</u>
   This criterion identifies the Head of the Risk management function of the material business unit, as reported to Supervisory Authority.

6. <u>The staff member heads a material business unit</u>
   This criterion identifies the Heads of the material business units. If the unit is a Legal Entity, the Heads are the Managing Director, the Deputy CEO(s) and the General Manager and co-general manager(s) of the Legal Entity.

7. <u>The staff member has managerial responsibility in one of the functions referred to in point 4 or in a material business unit and reports directly to a staff member identified pursuant to point 4 or 5</u>
   This criterion identifies Executive Directors, Senior Directors and Directors[26] who report hierarchically directly to:
   - Chief Risk Officer, Chief Compliance Officer and Chief Audit Officer of the Intesa Sanpaolo, identified according to criterion No. 4;

[26] Executive Director, Senior Director and Director are titles assigned by Intesa Sanpaolo and related to Global Banding System. Each title corresponds to certain levels of responsibility; in particular the following are identified with the title of:
- Executive Director, positions that define and/or exert a strong influence on function/business/country strategies, consistently with the Division/Group strategies, and ensure their implementation even in high-complex contexts;
- Senior Director, positions that define function/business/country policies and plans and ensure their implementation by taking managerial responsibility for financial and human resources;
- Director, positions that define and/or contribute to defining policies and plans for their own organisational structure and ensure their implementation by taking managerial responsibility for financial and human resources.

- the Heads of the Risk management function, as reported to Supervisory Authority, identified according to criterion No. 5.

8. The staff member has managerial responsibility in a material business unit and reports directly to the staff member who heads that unit
This criterion identifies Executive Directors, Senior Directors and Directors who report to the Heads of material business units identified according to criterion No. 6.

9. The staff member heads a function responsible for legal affairs, finance including taxation and budgeting, human resources, remuneration policy, information technology, or economic analysis
This criterion identifies the Heads of Intesa Sanpaolo that deal with managing the legal affairs, administrative, accounting, financial reporting, supervisory and taxation obligations, human resources (in its functions of staff management and development, management of trade union affairs as well as processing and implementation of the Remuneration policies), planning and control, treasury management, IT system and data management, computer security as well as financial analysis.

10. The staff member is responsible for, or is a member of a committee responsible for, the management of a risk category provided for in Articles 79 to 87 of Directive 2013/36/EU other than credit risk and market risk[27]
This criterion identifies the members, with voting rights, of the Committees set up at Group level for the management of the above-mentioned corporate risks, as identified in the related Regulations.

11. With regard to credit risk exposures of a nominal amount per transaction which represents 0.5% of the institution's Common Equity Tier 1 capital and is at least 5 million euro
Taking into account that in the Intesa Sanpaolo the credit granting powers are proportionate and expressed in Risk Weighted Asset (RWA) terms, the 0.5% limit of the Common Equity Tier 1 capital compared to the nominal value of a transaction equals, in terms of RWA, 0.1% of the Common Equity Tier 1 capital (an average transaction is taken as reference towards customers of the corporate regulatory segment).

    a) *the member is responsible for initiating credit proposals, or structuring credit products, which can result in such credit risk exposures; or*
    This criterion identifies the staff that have the power of proposing credit to ordinary customers and Bank/Financial Institution customers for an amount, converted into RWA, at least equal to 0.1% of the Common Equity Tier 1 capital.

    b) *has authority to take, approve or veto a decision on such credit risk exposures; or*
    This criterion identifies the subjects that have the powers of granting credit to ordinary customers and Bank/Financial Institution customers for an amount, converted into RWA, at least equal to 0.1% of the Common Equity Tier 1 capital.

    c) *is a member of a committee which has authority to take the decisions referred to under a) or b).*
    This criterion identifies the members, with voting right, of the Committees with decision-making powers on credit matters, established at Group and individual Bank level, if they have the power to grant the amount, expressed in RWA, at least equal to 0.1% of the Common Equity Tier 1 capital.

12. In relation to an institution to which the derogation for small trading book business provided for in Article 94 of Regulation (EU) No. 575/2013 does not apply, the staff member:
    a) *has authority to take, approve or veto a decision on transactions on the trading book which in aggregate meet one of the following thresholds:*
        i. *where the standardised approach is used, an own funds requirement for market risks which represents 0.5% or more of the institution's Common Equity Tier 1 capital; or*
        There are not Risk Takers identified for this criterion since the Intesa Sanpaolo Group has adopted the internal models approach for regulatory purposes.

[27] Please refer to the following risks: Concentration risk, Risks deriving from securitisations, Interest rate risk arising from non-trading book activities, Operational risk, Liquidity risk and Risk of excessive leverage.

ii. *[…] Where an internal models approach is approved for regulatory purposes, 5% or more of the institution's internal value-at-risk limit for trading book exposures at a 99th percentile (one-tailed confidence interval); or*
This criterion identifies the staff members who are responsible for the management of a Group trading book, with a Value at Risk (VAR) equal to or higher than the thresholds referred to herein, as identified in the tables prepared by the Chief Risk Officer pursuant to the Group "Market Risk Charter".

b) *[…] Is a member of a committee which has authority to take the decisions set out in point a)*
There are not Risk Takers identified for this criterion since Committees are not established with these powers.

13. The staff member has managerial responsibility for a group of staff members who have individual authorities to commit the institution to transactions and either one of the following conditions is met:
a) *the sum of these authorities equals or exceeds the threshold set out in point 11(a) or (b), or point 12(a)(i)*
This criterion identifies the staff members identified under 11(a) or (b).

b) *[…] where an internal models approach is approved for regulatory purposes those authorities amount to 5% or more of the institution's internal value-at-risk limit for trading book exposures at a 99th percentile (one-tailed confidence interval). Where the institution does not calculate a value-at-risk at the level of that staff member the value-at-risk limits of staff under the management of this staff member shall be added up*
There are not Risk Takers identified for this criterion since the VAR limits are allocated with "top-down" delegations.

14. With regard to decisions to approve or veto the introduction of new products, the staff member:
a) *has the authority to take such decisions; or*
There are not Risk Takers identified for this criterion since the Intesa Sanpaolo adopts a model for the approval of new products or services according to which the decisions about approving or forbidding their introduction are of a board nature.

b) *[…] Is a member of a committee which has authority to take such decisions.*
This criterion identifies:
- the members of the Board of Directors of the Intesa Sanpaolo;
- the members, with voting rights, of the Committee set at Group level with decision-making powers on the approval or prohibition of the introduction of new products, services and activities;
- the members, with voting rights, of the Division Governance Workgroups;
- the members of the Division Technical Workgroups in the decision-making sessions.

15. The staff member has managerial responsibility for a staff member who meets one of the criteria set out in points (1) to (14)
This criterion identifies those who report to the staff members identified based on all the previous criteria.

4.12.2 Quantitative Criteria

A staff member has a material impact on the risk profile of the institution if he/she meets one of the quantitative criteria specified in Art. 4 of the Regulation, that is, if:
a) the staff member has been awarded total remuneration of EUR 500,000 or more in the preceding financial year;
b) the staff member is within the 0.3% of the number of staff, rounded up to the next integer, who have been awarded the highest total remuneration in the preceding financial year;
c) the staff member was, in the preceding financial year, awarded total remuneration that is equal to or greater than the lowest total remuneration awarded to a member of senior management or meets any of the qualitative criteria in points 1, 3, 5, 6, 8, 11, 12, 13 or 14.

These quantitative criteria are not deemed to have been met if the professional activities of the staff member do not have a material impact on the risk profile because he/she, or the personnel category to which he/she belongs to:

a) only carries out professional activities and has authorities in a business unit which is not a material business unit; or
b) has no material impact on the risk profile of a material business unit through the professional activities carried out. This condition shall be assessed on the basis of objective criteria which take into account all relevant risk and performance indicators used to identify, manage and monitor risks in accordance with Article 74 of the CRD IV Directive and on the basis of the duties and authorities of the staff member or category of staff and their impact on the risk profile when compared with the impact of the professional activities of staff members identified according to the qualitative criteria of the Regulation.

4.12.3 Additional Criteria Adopted by Intesa Sanpaolo Group

The Intesa Sanpaolo has defined specific additional criteria to identify certain roles and organisational structures that are able to affect the Group risk profile and are not detected through the qualitative criteria set by the Regulation.

In particular, the following material business units are identified as having a material impact on the risk profiles of the Group despite a level of absorption of economic capital below 2% and that, as a consequence, are considered similar to the material business units:

1. business units carrying out asset management activities with net assets managed equal to or exceeding 5 billion euro[28];
2. business units carrying out private banking activities with total assets at least equal to 3.5 billion euro[29];
3. Regional Governance Centres of the Banca dei Territori Division.

With regard to these business units, the logic explained for qualitative criteria 5, 6, 7, 8 and 15 is applied for the identification of Group Risk Takers.

Likewise, non-banking Companies may be similar to material business units if, by virtue of the characteristics of the business in which they operate, they assume specific significant risks for the Group based on the risk analysis process conducted by the Risk management function (Risk Appetite Framework).

With reference to the business units which deal with private banking, as requested by Bank of Italy Circular no. 285, also the Area Managers of the distribution network are identified as Group Risk Takers.

Moreover, included among the staff that have a material impact on the risk profile are the responsible for compliance or internal audit functions nominated by the Corporate Bodies of the Legal Entities that are considered material business units, or equivalent to these according to the analysis above.

In light of the specific responsibilities attributed by the related legislation, the following specific organisational roles belonging to the Company Control Functions or similar are also considered Risk Takers:

- the subject authorised to report suspicious transactions of the Group pursuant to Italian Legislative Decree 90/2017;
- the Head of Actuarial Function of the insurance companies.

4.13 Application of the Rules at Individual Bank Level

The process of identifying the staff whose professional activities have a material impact on the risk profile of the Banks (directly or indirectly) controlled by the Intesa Sanpaolo that do not prepare their own document on Remuneration policies is defined by the Parent Company considering, among other things, the size of the Legal Entity and the related operating/organisational complexity.

More specifically, please note that:

- the qualitative criteria set by the Regulation are applied by the individual Banks according to the logics identified at Group level based on their operating/organisational structure;
- in case of outsourcing control functions, the staff in charge of the function specifically indicated by the management body are identified as Risk Takers;

[28] This threshold is the one set by the Joint Bank of Italy – Consob Regulation to identify the significant SGR entities.
[29] This threshold is the one set by Bank of Italy Circular no. 285 to identify the intermediate Banks.

- considering that the Italian subsidiaries of the Group, pursuant to Article 108 of Directive 2013/36/EU, are not obliged to calculate an internal capital at individual level, criteria 5, 6, 7 (limited to the part which refers to criterion 5) and 8 are not applied to these subsidiaries;
- the quantitative criteria pursuant to Article 4, paragraph 1 of the Regulation are applied, considering the remuneration context and the level of integration of the model with the Parent Company, based on logics that are similar to those adopted for the Group Risk Takers.

Section II – Remuneration policies disclosure 2018

Introduction

Section II of the Report describes the implementation of the Remuneration Policies for 2018, approved by the Shareholders' Meeting on 27 April 2018, as required by both the European regulations on public disclosure obligations (Article 450 of (EU) Regulation No. 575/2013 of 26 June 2013 - Capital Requirements Regulation, CRR, then reflected in Bank of Italy Circular 285 of 17 December 2013[30]), and by Consob (Article 84-*quater* of Issuers' Regulation adopted with resolution No. 11971 of 14 May 1999 and as amended[31], implementing legislative decree No. 58 of 24 February 1998).

Section II is structured in parts.

The first part ("General information") is descriptive and aimed at representing the structural components of the remuneration of Board Members, the Managing Director and CEO, also acting as General Manager, and of the members of the Management Control Committee and the Key Managers, who coincide with the so-called “Top Risk Takers”.

For the purposes of a clearer representation of the elements that make up the short term variable remuneration of the Managing Director and CEO, also acting as General Manager, and of the Key Managers (corresponding to the so-called Top Risk Takers) as well as of the other Group Risk Takers, a summary is provided concerning the implementation of the 2018 Incentive System based on financial instruments, including in particular the fulfilment of the gateway, funding and individual access conditions, as well as the methods for payment of the bonus envisaged for each population cluster (i.e. Top Risk Takers not belonging to the Company Control Functions, also including the Managing Director and CEO, acting as General Manager; Top Risk Takers belonging to the Company Control Functions; other Group Risk Takers; the remaining population).

Furthermore, a complete information notice relating to the 2018 Incentive Plan based on financial instruments is provided pursuant to Article 114-bis of Legislative Decree 58/1998 (Consolidated Law on Finance - CLF) in the Information Document drawn up in compliance with Scheme No. 7 of Annex 3A of the aforesaid Issuers' Regulation and annexed to the resolution in point 4 f) (“Approval of the 2018 Annual Incentive Plan based on financial instruments”) of the Shareholders’ Meeting of 30 April 2019.

The second part ("Quantitative analytical tables"), of a purely quantitative nature, provides a disclosure, pursuant to Consob Regulation and the Bank of Italy Circular mentioned above, regarding the remuneration data for the year 2018, in relation to the Board Members, the Managing Director and CEO, also acting as General Manager, the other Key Managers, as well as the remaining Group Risk Takers.

The third part (“Internal auditing department assessment of the Incentive System”) provides an overview of the consistency analysis of operational practices on remuneration with respect to the Policies resolved by the Bodies, conducted on an annual basis by the Chief Audit Officer Area.

[30] 7th update, First Part, Title IV, Chapter 2, Section VI, paragraph 1
[31] Reference is made to the last update made with resolution No. 18049 of 23 December 2011

PART I – General information

Representation of the structural components of the remuneration of Board Members, the Managing Director and CEO, also acting as General Manager, and of the Key Managers

Art. 123-ter, (3), (a), (4), (a) CLF

The remuneration of Board Members is determined as a fixed amount, including the additional remuneration for the office of Chairman, Deputy Chairperson of the Board of Directors, Chairman of the Management Control Committee, Managing Director and CEO, the Chairpersons of Committees other than the Management Control Committee, as well as of the members of the Board Committees, in line with the resolutions adopted by the Shareholders' Meeting on 27 April 2016, and to the extent applicable, by the Board of Directors.
The remuneration related to the attendance fees for participation in Committees other than the Management Control Committee is indicated separately.

The remuneration of the Managing Director and CEO, acting as General Manager and the other Key Managers (so-called "Top Risk Takers"), in accordance with the policies approved by the Shareholders' Meeting on 27 April 2018, consists of:

a) a **fixed component**, including the gross remuneration amount defined individually based on the contractual agreement, the role held, the responsibilities assigned, and the specific experience and expertise acquired by the manager, including any allowance;

6.C.2.

b) a **short-term variable component**, linked to performance and aligned to the short-term results actually achieved by the Bank and by the Group overall, as well as to the risks prudentially taken, as resulting from application of the 2018 Incentive System based on financial instruments approved by the competent Corporate Bodies, in compliance with the applicable Remuneration Policies;

c) a **long-term variable component**, based on instruments associated with Intesa Sanpaolo shares, introduced during 2018 at the time of launch of the 2018-2021 Business Plan as defined by the "Performance-based Option Plan" (POP) approved by the Shareholders' Meeting on 27 April 2018;

d) a component resulting from valuation of **benefits**, including the amount paid by the company into the manager's supplementary pension fund and the premiums (taxable) paid by the Bank for the relative insurance coverage; the statements do not include any other benefits granted to said personnel (for example, a company car) that are not taxable, also due to specific conditions under company policy (for example, if a monetary contribution by the manager is required).

No prior agreements are envisaged to govern benefits or in terms of severance payments to be paid in view of or at the time of the early termination of the office by the Board Members, including the Managing Director and CEO. Equally, no prior agreements are envisaged to govern benefits or in terms of severance payments to be paid upon early termination of the employment agreement with the Managing Director and CEO, acting as General Manager, and with the other Key Managers, to which the provisions in the paragraphs 2.6 and 4.9 of Section I of the 2018 Report on Remuneration apply.

The 2018 Incentive System based on financial instruments

The 2018 Incentive System based on financial instruments had as its eligibles the Managing Director and CEO, acting as General Manager, the other Key Managers (corresponding to the so-called “Top Risk Takers”), as well as the other Group Risk Takers who accrue a bonus in excess of the “materiality threshold” (of 80,000 euro) and those who, among the other Managers or Professionals not identified as Risk Takers, accrue “relevant bonuses” (i.e. of an amount of over 80,000 euro and 100% of the fixed remuneration).
Below is a summary scheme of the execution of the 2018 Incentive System.

STEP	MECHANISM			
			Measure	**On/Off**
BONUS POOL	Gate	Capital adequacy condition	Common Equity Tier 1 (CET1) Ratio	
		Liquidity condition	• Net Stable Funding Ratio (NSFR) • Liquidity Coverage Ratio (LCR) *for Top Risk Takers*	
		Sustainability condition	No loss and positive Gross Income	
	Funding	• Gross Income at Group level > budget level, resulting in the activation of the Group Bonus Pool for 2018 • Allocation of the bonus pool at each Division/Governance Area level, based on Gross Income level reached and compared to the budget allocated		
BONUS ALLOCATION	Incentive System 2018	• Determination of individual bonuses based on the score obtained in the Performance Scorecard assigned to each beneficiary		
BONUS PAY- OUT	Individual access conditions	• Verification of absence of compliance breach		
	Q-Factor	• Verification of the residual risk level for each organizational structure		

Deferral

Deferred amount

① **60%** of variable remuneration is deferred for a period of **5 years** in case of remuneration awarded to:
- **CEO and Top Risk Takers not belonging to Corporate Control Functions** (Key Managers)
- **other Risk Takers**, if the amount exceeds both **100% of fixed remuneration** and the **materiality threshold** defined at Group level

② **40%** of variable remuneration is deferred for a period of **3 years** in case of remuneration awarded to:
- **Top Risk Takers belonging to Corporate Control Functions** (Key Managers)
- other **Risk Takers,** if the amount is lower than 100% of fixed remuneration but exceeds the materiality threshold
- other **Managers** and **Professionals**, if the amount exceeds both the **materiality threshold** and **100% of fixed remuneration**

③ **40%** of variable remuneration is deferred for a period of **2 years** in case of remuneration awarded to:
- other **Risk Takers**, if the amount is **equal to or lower than the materiality threshold** but exceeds **100% of fixed remuneration**
- other **Managers** and **Professionals**, if the amount **exceeds the materiality threshold** but is **lower than 100% of fixed remuneration,** or if it is **equal to or lower than the materiality threshold** but **exceeds 100% of fixed remuneration**

Up-front amount

The remaining part of the variable remuneration is paid out up-front.

For each cluster of staff the variable remuneration is entirely paid out up-front, if the amount is **equal to or lower than both the materiality threshold and 100% of fixed remuneration**

Payment instruments

Financial instruments

① **60%** of variable remuneration is paid out in **financial instruments** for:
- **CEO and other Top Risk Takers not belonging to Corporate Control Functions** (Key Managers), if the amount **exceeds 150% of fixed remuneration**

② **55%** of variable remuneration is paid out in **financial instruments** for:
- **CEO and other Top Risk Takers not belonging to Corporate Control Functions** (Key Managers), if the amount exceeds **100% of fixed remuneration** but is equal or lower than 150% thereof

③ **50%** of variable remuneration is paid out in **financial instruments** for:
- **CEO and other Top Risk Takers not belonging to Corporate Control Functions** (Key Managers), if the amount is equal or lower than 100% of fixed remuneration
- **Top Risk Takers belonging to Corporate Control Functions** (Key Managers)
- other **Risk Takers,** if the amount exceeds the **materiality threshold**
- other **Managers** and **Professionals**, if the amount **exceeds both the materiality threshold** and **100% of fixed remuneration**

Cash

The remaining part of the variable remuneration is paid out in cash

For each cluster of staff the variable remuneration is paid out in cash, if the amount is **equal to or lower than both the materiality threshold** and **100% of fixed remuneration**

Retention period

1. The **up-front** variable remuneration assigned in financial instruments is subject to a retention period of **2 years**
2. The **deferred** variable remuneration assigned in financial instruments is subject to a retention period of **1 year**, on a regular basis, with an exception referred to **Risk Takers** (not included among Top Risk Takers): if the amount granted exceeds 100% of fixed remuneration (and is therefore subject to a 5-year deferral period), the retention period is reduced to **6 months**

The 2018 Incentive System for the Managing Director and CEO acting as General Manager

A breakdown is provided below of the level of achievement of the individual targets assigned to the Managing Director and CEO, acting as General Manager, for the year 2018:

	Strategic driver	KPIs	Weight %	Results vs budget target
Group objectives	Profitability	Net Income (mld)	20%	In line with target
		Operating Income / RWA	10%	In line with target
		Operating margin - increase (y/y)	10%	Below target
	Productivity	Cost / Income	15%	In line with target
	Cost of Risk	Gross NPL ratio	15%	Over target
	% Group objectives		**70%**	
Qualitative evaluation	Managerial skills	Diversity & Inclusion: rewarding female talent	10%	Over target
	Strategic Actions from Business Plan 2018 - 2021	De-risking – Development of a state-of-the-art recovery platform	10%	Much higher than target
		Diversification of revenues – P&C Insurance project	10%	Much higher than target
	% Qualitative evaluation		**30%**	
	% Total		**100%**	

Legend: Below target; In line with target; Over target; Much higher than target

For the achievement of an overall performance of 115**%**[32] **of the target**, the Board of Directors, on proposal by the Remuneration Committee, in the meeting held on 26 February 2019, awarded to the CEO a bonus equal to **3,254 million euro**.

The following conditions were also met for the purposes of allocation of the bonus:

BONUS PAY-OUT

- Q-Factor ✓
- Absence of individual compliance breach ✓

According to the payment scheme established by the 2018 Remuneration Policies, the bonus accrued will be paid 45% in cash and 55% in shares, taking into account the holding period established by the regulations for the component in shares, as detailed below:

Pay-out €/000	2019	2020	2021	2022	2023	2024
Cash	586	553				325
Shares (equivalent value)			716	358	358	358

[32] The performance scale used has minimum, target and maximum levels of 80%, 100% and 130% respectively.

PART II – QUANTITATIVE ANALYTICAL TABLES

Remuneration

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers

(thousands of euro)

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration: Bonuses and other incentives (x)	Non-equity variable remuneration: Profit-sharing	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
Bazoli Giovanni	President Emeritus (*)	01/01/2018	31/12/2018										
Gros-Pietro Gian Maria	Chairman of the Board of Directors	01/01/2018	31/12/2018	800							800		
	Member of the Board of Directors	01/01/2018	31/12/2018	100							100		
	Member of the Nominations Committee	01/01/2018	31/12/2018			12					12		
Colombo Paolo Andrea	Deputy Chairperson of the Board of Directors	01/01/2018	31/12/2018	150							150		
	Member of the Board of Directors	01/01/2018	31/12/2018	100							100		
	Chairman of the Remuneration Committee	01/01/2018	31/12/2018	50		44					94		
	Member of the Nominations Committee	01/01/2018	31/12/2018			12					12		
Carbonato Gianfranco	Member of the Board of Directors	01/01/2018	31/12/2018	100							100		
	Chairman of the Nominations Committee	01/01/2018	31/12/2018	50		12					62		
Locatelli Rossella	Member of the Board of Directors	01/01/2018	31/12/2018	100							100		
	Chairman of the Risk Committee	01/01/2018	31/12/2018	50		84					134		
	Member of the Committee for transactions with related parties	01/01/2018	31/12/2018			38					38		

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Costa Giovanni	Member of the Board of Directors	01/01/2018	31/12/2018	100			23 (**)				123		
	Member of the Nominations Committee	01/01/2018	31/12/2018			12					12		
	Member of the Remuneration Committee	01/01/2018	31/12/2018			44					44		
Mangiagalli Marco	Member of the Board of Directors and of the Management Control Committee	01/01/2018	31/12/2018	200							200		
	Chairman of the Management Control Committee	01/01/2018	31/12/2018	50							50		
Gaffeo Edoardo	Member of the Board of Directors and of the Management Control Committee	01/01/2018	31/12/2018	200							200		
Motta Milena Teresa	Member of the Board of Directors and of the Management Control Committee	01/01/2018	31/12/2018	200							200		
Pisani Alberto Maria	Member of the Board of Directors and of the Management Control Committee	01/01/2018	31/12/2018	200							200		
Zoppo Maria Cristina	Member of the Board of Directors and of the Management Control Committee	01/01/2018	31/12/2018	200							200		
Pomodoro Livia	Member of the Board of Directors	01/01/2018	31/12/2018	100							100		
	Member of the Nominations Committee	01/01/2018	31/12/2018			12					12		

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Gorno Tempini Giovanni	Member of the Board of Directors	01/01/2018	31/12/2018	100							100		
	Member of the Remuneration Committee	01/01/2018	31/12/2018			44					44		
	Member of the Committee for transactions with related parties	01/01/2018	31/12/2018			38					38		
Gallo Giorgina	Member of the Board of Directors	01/01/2018	31/12/2018	100							100		
	Member of the Remuneration Committee	01/01/2018	31/12/2018			44					44		
	Member of the Committee for transactions with related parties	01/01/2018	31/12/2018			38					38		
Cornelli Francesca	Member of the Board of Directors	01/01/2018	31/12/2018	100							100		
	Member of the Risk Committee	01/01/2018	31/12/2018			84					84		
Mazzarella Maria	Member of the Board of Directors	01/01/2018	31/12/2018	100							100		
	Member of the Committee for transactions with related parties	01/01/2018	31/12/2018			38					38		
Zamboni Daniele	Member of the Board of Directors	01/01/2018	31/12/2018	100							100		
	Chairman of the Committee for transactions with related parties	01/01/2018	31/12/2018	50		38					88		
	Member of the Risk Committee	01/01/2018	31/12/2018			84					84		

Surname and Name	Office	Office held since	End of office	Fixed Re-muneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Ceruti Franco	Member of the Board of Directors	01/01/2018	31/12/2018	100							100		
	Member of the Risk Committee	01/01/2018	31/12/2018			84					84		
a)	BANCA PROSSIMA S.p.A. – Director	01/01/2018	31/12/2018	15							15		
a)	INTESA SANPAOLO ASSICURA S.p.A. - Director	01/01/2018	13/03/2018	1							1		
a)	INTESA SANPAOLO EXPO Institutional Contact S.r.l. – Chairman and Director	01/01/2018	31/12/2018	130							130		
a)	INTESA SANPAOLO PRIVATE BANKING S.p.A. – Director	01/01/2018	31/12/2018	15							15		
a)	MEDIOCREDITO ITALIANO S.p.A. – Director	01/01/2018	31/12/2018	30							30		
Corbella Silvano	Chairman of the Surveillance Board (***)	01/01/2018	24/05/2018	4							4		
	Full Member of the Surveillance Board (***)	01/01/2018	31/12/2018	25							25		
Dalla Sega Franco	Full Member of the Surveillance Board (***)	01/01/2018	31/12/2018	25							25		
a)	BANCOMAT S.p.A. – Chairman	01/01/2018	31/12/2018	50							50		
Vernero Paolo	Chairman of the Surveillance Board (***)	24/05/2018	31/12/2018	6							6		
	Full Member of the Surveillance Board (***)	01/01/2018	31/12/2018	25							25		

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Messina Carlo	General Manager	01/01/2018	31/12/2018	2,000			1,616		59		3,676	1,383	
	Managing Director and Chief Executive Officer	01/01/2018	31/12/2018	500							500		
	Member of the Board of Directors/ Executive Board Member	01/01/2018	31/12/2018	100							100		
Picca Bruno	Member of the Board of Directors	01/01/2018	31/12/2018	100							100		
	Member of the Remuneration Committee	01/01/2018	31/12/2018			44					44		
	Member of the Risk Committee	01/01/2018	31/12/2018			84					84		
a)	INTESA SANPAOLO GROUP SERVICES S.c.p.A. – Director	01/01/2018	25/01/2018	2							2		
Key Managers (****)	Total remuneration and attendance fees awarded by Intesa Sanpaolo			14,574 b)			5,643		760		20,977 b)	6,057	3,500 c)
	Total remuneration and attendance fees awarded by subsidiaries and associates			940 d)			737		76		1,753 d)	794	

a) Remuneration/Attendance fees in subsidiaries and/or associates.
b) Additional remuneration for offices held in subsidiaries and/or associates, which amounts to 1,045 thousand euro, is not comprised in this data, as it is entirely transferred to the Parent Company.
c) Exit incentives for 2,300 thousand euro, to be paid in the 2019-2024 period partly in cash and partly in shares; non-competition agreement for 1,200 thousand euro, to be paid in the 2019-2024 period partly in cash and partly in shares. This remuneration was set by the Board of Directors based on the work of the people involved, in accordance with the Group Policies.
d) Additional remuneration for offices held in subsidiaries and/or associates, which amounts to 195 thousand euro, is not comprised in this data, as it is entirely transferred or waived to the subsidiaries.
(*) Office not remunerated.
(**) Remuneration refers to the deferred amounts in relation to the position of Deputy Chairman of the Management Board in 2014, 2015, 2016.
(***) On 5 July 2016, the Board of Directors has appointed the members of the Surveillance Board under the Organisational, management and control model pursuant to Legislative Decree 231/2001.
(****) Remuneration refers to 20 Key Managers, 2 of which had ended their employment relationship as at 31/12/2018.
(x) The amounts shown refer to the portions of the incentives awarded in cash for previous years (deferred amounts of the 2016 and up front portion of 2017 Incentive System) and up-front portion in cash for the 2018 performance (see table 3B for details).

Table No. 2: Stock options granted to members of administration body, General Managers and other Key Managers

(thousands of euro)

			Options held at the beginning of the year			Options awarded during the year						Options awarded during the year			Options expired during the year	Options held at end of the year	Options for the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2) + (5) - (11) - (14)	(16)
Name and Surname	Office	Plan	Number of options	Exercise price	Possible exercise period (from - to)	Number of options	Exercise price	Possible exercise period (from - to)	Fair Value at the awarding date (x)	Awarding date	Market share price of the shares underlying the award of options	Number of options	Exercise price	Market share price of the shares underlying the exercise date	Number of options	Number of options	Fair value
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Long-term Incentive Plan 2018 – 2021 POP (Performance-based Option Plan) approved on 27/04/2018				21,205,158	2.5416	11/03/2022	5,200	11/07/2018	2.5416					21,205,158	197
Key Managers (**)	Remuneration awarded by Intesa Sanpaolo					107,931,360	2.5416	11/03/2022	26,680	11/07/2018	2.5416					107,931,360	1,003
	Remuneration awarded by subsidiaries					13,864,910	2.5416	11/03/2022	3,400	11/07/2018	2.5416					13,864,910	129

(x) The overall Fair Value, intended as an employee benefit, is determined considering also the probability of completion of the service period in the Company, the Fair Value adjustments due to non-negotiability, deferral of the instruments assignment and unavailability constraints on the shares received according to the Plan schedule.

Table No. 3A: Incentive plans based on financial instruments other than stock options, in favour of Managing Director and CEO and other Key Managers

(thousands of euro)

			Financial instruments awarded in previous years and not vested during the year		Financial instruments awarded during the year					Financial instruments vested during the year and not granted	Financial instruments vested during the year and granted		Financial instruments for the year
A Surname and Name	B Office	(1) Plan	(2) Number and type of financial instruments	(3) Vesting period	(4) Number and type of financial instruments	(5) Fair value at award date	(6) Vesting period	(7) Award date	(8) Market price at award date	(9) Number and type of financial instruments	(10) Number and type of financial instruments	(11) Value at vesting date	(12) Fair value
Messina Carlo	Managing Director and Chief Executive Officer	Incentive 2014	30,546	Nov. 2019							30,546	61	61
		Incentive 2015	99,274	Nov. 2019-Nov. 2020							148,909	409	409
		Incentive 2016	313,170	May 2019-May 2022									
	General Manager	Incentive 2017	670,884	May 2018-May 2023									
		Incentive 2018			(*)	1,790	May 2019-May 2024	(*)	(*)				716
		LECOIP Plan 2014 – 2017									340,966[1]	1,050	
Key Managers (**) (Remuneration awarded by Intesa Sanpaolo)		Incentive 2014	61,542	Nov. 2019							114,660	229	229
		Incentive 2015	309,432	Nov.2019-Nov.2020							672,134	1,875	1,875
		Incentive 2016	1,103,863	May 2019-May 2022									
		Incentive 2017	1,990,887	May 2018-May 2023									
		Incentive 2018			(*)	7,290	May 2019-May 2024	(*)	(*)				2,950
		LECOIP Plan 2014 – 2017									1,563,501[1]	4,867[2]	

			Financial instruments awarded in previous years and not vested during the year		Financial instruments awarded during the year					Financial instruments vested during the year and not granted	Financial instruments vested during the year and granted		Financial instruments for the year
A Surname and Name	B Office	(1) Plan	(2) Number and type of financial instruments	(3) Vesting period	(4) Number and type of financial instruments	(5) Fair value at award date	(6) Vesting period	(7) Award date	(8) Market price at award date	(9) Number and type of financial instruments	(10) Number and type of financial instruments	(11) Value at vesting date	(12) Fair value
Key Managers (**) (Remuneration awarded by subsidiaries)		Incentive 2014	13,279	Nov.2019							25,980	52	52
		Incentive 2015	74,110	Nov.2019-Nov.2020							111,165	305	305
		Incentive 2016	136,595	May 2019-May 2022									
		Incentive 2017	156,818 14,330.08[3]	May 2018-May 2023									
		Incentive 2018			(*)	770[4]	May 2019-May 2024	(*)	(*)				308[5]
		LECOIP Plan 2014 - 2017									247,956[1]	763	

(*) The information related to the shares that will be granted as an incentive with respect to the 2018 Incentive System based on financial instruments will be available following the resolutions of the Ordinary Shareholders' Meeting called on 30 April 2019.
(**) Remuneration refers to 20 Key Managers, 2 of which had ended their employment relationship as at 31/12/2018.
[1] Shares deriving from the vesting of the 2014-2017 LECOIP Plan, subject to a further year of holding period and retained for the entire duration of this period in the trust company Siref S.p.A.
[2] Of which 54 thousand Euro in cash.
[3] Assigned as UCITS units (instead of Intesa Sanpaolo shares) to the Head of the Asset Management, as Chief Executive Officer of the Eurizon Capital Group, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation).
[4] Of which 541 thousand euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the Head of the Asset Management Division, as Chief Executive Officer of the Eurizon Capital Group, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation).
[5] Of which 216 thousand euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the Head of the Asset Management Division, as Chief Executive Officer of the Eurizon Capital Group, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation).

N.B: This information refers to the remuneration assigned by Intesa Sanpaolo or, where indicated, by subsidiaries; the granting of variable remuneration by associates is not envisaged.

Table No. 3B: Monetary incentive plans in favour of Managing Director and CEO and other Key Managers

(thousands of euro)

A	B	(1)	(2)			(3)			(4)
			Bonus of the year			Bonus from previous years			
Surname and Name	Office	Plan	(A) Payable / Paid	(B) Deferred	(C) Deferral period	(A) No longer payable	(B) Payable / Paid	(C) Still deferred	Other bonuses
Costa Giovanni (*)	Member of the Board of Directors	Incentive 2014					10		
		Incentive 2015					10	10	
		Incentive 2016					3	5	
		Incentive 2017							
		Incentive 2018							
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Incentive 2014						95	
		Incentive 2015						122	
		Incentive 2016					338	169	
		Incentive 2017					692	1,038	
		Incentive 2018	586	879	May 2019-May 2024				

A	B	(1)	(2)			(3)			(4)
			Bonus of the year			Bonus from previous years			
Surname and Name	Office	Plan	(A)	(B)	(C)	(A)	(B)	(C)	Other bonuses
			Payable / Paid	Deferred	Deferral period	No longer payable	Payable / Paid	Still deferred	
Key Managers (**) (Remuneration awarded by Intesa Sanpaolo)		Incentive 2014						191	
		Incentive 2015						279	
		Incentive 2016					1,043	596	
		Incentive 2017					2,122	2,936	
		Incentive 2018	2,478	3,563	May 2019- May 2024				
Key Managers (**) (Remuneration awarded by subsidiaries)		Incentive 2014						41	
		Incentive 2015						91	
		Incentive 2016					148	74	
		Incentive 2017					321	481	
		Incentive 2018	269	403	May 2019- May 2024				

(*) Remuneration refers to the deferred portions of the bonus received as the Deputy Chairperson of the Management Board in the years 2014, 2015 and 2016.
(**) Remuneration refers to 20 Key Managers, 2 of which had ended their employment relationship as at 31/12/2018.

N.B: This information refers to the remuneration assigned by Intesa Sanpaolo or, where indicated, by subsidiaries; the granting of variable remuneration by associates is not envisaged.

Equity

Table No. 1: Equity investments of Members of Board of Directors

Surname and Name	Office	Subsidiary	Number of shares held at the end of prior year (-)	Number of shares purchased	Number of shares sold	Number of shares held at the end of current year (-)
Colombo Paolo Andrea	Deputy Chairperson of the Board of Directors	Intesa Sanpaolo non-convertible savings shares	10,000 (a)		10,000 (b)	
		Intesa Sanpaolo ord. shares	294	5,200 (c)		5,494
		Intesa Sanpaolo ord. shares		5,200 (c)		5,200 (d)
		Intesa Sanpaolo ord. shares	19,047 (e)			19,047
Messina Carlo	Managing Director and Chief Executive Officer	Intesa Sanpaolo ord. shares	860,861	520,421 (*)		1,381,282
	General Manager					
Ceruti Franco	Member of the Board of Directors	Intesa Sanpaolo ord. shares	131,383	18,617 (**)		150,000
Mangiagalli Marco	Member of the Board of Directors	Intesa Sanpaolo ord. shares	3,720			3,720
Motta Milena Teresa	Member of the Board of Directors	Intesa Sanpaolo ord. shares	20,000 (d)			20,000 (d)
Picca Bruno	Member of the Board of Directors	Intesa Sanpaolo ord. shares	197,634	231,214 (***)	68,000	360,848
Pomodoro Livia	Member of the Board of Directors	Intesa Sanpaolo ord. shares		10,000		10,000
Zamboni Daniele	Member of the Board of Directors	Intesa Sanpaolo ord. shares	20,000			20,000

(-) Or start / end date of the office, if different from the reference period specified.
(a) 50% shares owned by spouse.
(b) Converted into ordinary shares.
(c) From the conversion of savings shares.
(d) Shares owned by spouse.
(e) Shares held indirectly.
(*) Of which 99,273 shares deriving from the 2015 Incentive System, as the up-front portion in shares, of which n. 30,546 shares deriving from the 2014 Incentive System and n. 49,636 shares deriving from the 2015 Incentive System, as deferred portions in shares and of which 340,966 shares deriving from LECOIP 2014-2017 Plan subject to a year of holding period and retained for the entire duration of this period in the trust company Siref S.p.A.
(**) Of which 10,771 acquired shares and of which 7,846 shares deriving from the 2014 Incentive System, as deferred portion in shares in relation to the employment contract existing at that time.
(***) Of which 23,986 shares deriving from the 2015 Incentive System as the up-front portion in shares, of which 6,849 shares deriving from the 2014 Incentive System and n. 7,995 shares deriving from the 2015 Incentive System, as deferred portions in shares and of which n. 42,216 shares deriving from LECOIP 2014-2017 Plan subject to a year of holding period and retained for the entire duration of this period in the trust company Siref S.p.A.
in relation to the employment contract existing at that time, in addition to n. 112,626 shares as the up-front portion in shares and n. 37,542 as first deferred portion of the agreed-upon payment when employment is terminated.

Table No. 2: Equity investments of other Key Managers

Number of other Key Managers		Subsidiary	Number of shares held at the end of prior year (*)	Number of shares purchased	Number of shares sold	Number of shares held at the end of current year (*)
20	(**)	Intesa Sanpaolo non-convertible savings shares	5		5 (a)	
		Intesa Sanpaolo ord. shares	2,732,396	2,735,401 b) (***)	258,786	5,209,011

(a) Converted into ordinary shares.
(b) 5 of which deriving from the conversion of savings shares.
(*) Or start / end date of the office, if different from the reference period specified.
(**) Total number of other Key Managers who do not hold any equity investments yet.
(***) Of which 549,933 shares deriving from the 2015 Incentive System as the up-front portion in shares, of which 140,640 shares deriving from the 2014 Incentive System and n. 233,366 shares deriving from the 2015 Incentive System, as deferred portions in shares and of which n. 1,811,457 shares deriving from LECOIP 2014-2017 Plan subject to a further year of holding period and retained for the entire duration of this period in the trust company Siref S.p.A.

Quantitative information broken down by business area pursuant to the Provisions of the Bank of Italy

At Group level, thereby considering employees of all grades and employees of the international subsidiaries, the total variable component allocated in the financial statements to reward 2018 results, including the contractual portion (the so-called PVR) and the amount relating to the existing long-term Plans is equal to approximately 3.0% of the Group's operating income, 1.1% of its shareholders' equity, 0.07% of total assets and 9.2% of the total cost of labour.

More specifically, the above variable component consists of 58% of sums available for the payment of the annual incentive, 12% of the sums payable as company bonuses (so-called Boad-based Short-Term Plan - "PVR") and 30% as the 2018 portion of the existing long-term Plans. As in past years, distribution of the amounts allocated in the financial statements for payment of the variable component referring to 2018 results gives priority to resources belonging to the business sectors most exposed to market variables (asset management, finance and investment banking).

COMPARISON OF PERCENTAGE DISTRIBUTION OF STAFF, FIXED COST AND THE VARIABLE COMPONENT FOR 2018

	Staff	Fixed Cost 2018	Variable Component Cost 2018
Head Office Department (Top Risk Takers included)	14%	17%	24%
Banca dei Territori	52%	59%	32%
Corporate & Investment Banking	4%	6%	17%
International Subsidiary Banks	24%	9%	11%
Private Banking	4%	6%	9%
Insurance	1%	1%	3%
Asset Management	1%	1%	3%
Capital Light Bank	0.3%	0.5%	2%

Quantitative information broken down by various categories of “identified staff” in accordance with the supervisory provisions of the Bank of Italy

(thousands of euro)

Cluster (as at 31/12/2018)	No.	Percentage Ratio between Variable Remuneration and Fixed Remuneration		Total Remuneration 2018			Detail of Short-Term Variable Component for 2018				Variable deferred amount from prior years[e]:		Variable deferred amount and up-front shares from prior years paid and granted during 2018[f]	Long-term variable amount paid in 2018[g]
		Theoretical	Actual[a]	Fixed Remuneration[b]	Short-term Variable Remuneration	Long-term Variable Remuneration[c]	Up-front Cash	Up-front Shares[d]	Deferred Cash	Deferred Shares[d]	Vested following 2018 performance	Not vested		
Managing Director and Chief Executive Officer General Manager (Messina Carlo)	1	Max 200%	175%	2,600	3,254	1,300	586	716	879	1,074	1,040		808	1,050
Other Key Managers[1]	15	Max 200%	162%	12,850	14,384	6,425	2,598	3,155[6]	3,897	4,733[7]	3,415		3,392	5,160
Heads of Company Control Functions and similar roles[2]	5	Max 33%	33%	4,470	388	1,095	148	103	69	69	307		259	470
Other individuals who, individually or collectively, take on significant risk[3]	387[4]	Max 200%[5] Max 33%[5]	80%	99,239	55,909	23,190	18,593	12,361[8]	12,478	12,478[9]	10,723		13,052	26,077

[1] Excluding 5 Key Managers who are included under Heads of Company Control Functions and similar roles. Remuneration refers to 15 Key Managers, 2 of which had ended their employment relationship as at 31 December 2018.
[2] Remuneration also refers to 5 Key Managers, 5 of which still in office as at 31 December 2018.
[3] Risk Takers identified according to the – Rules for identifying staff whose professional activities have a material impact on the risk profile of the Intesa Sanpaolo Group and of the Banks that do not have their own remuneration policies drawn up pursuant to the Regulatory Technical Standards - RTS.
[4] Remuneration refers to 387 Group Risk Takers of which 9 outgoing during 2018 and 19 Group Risk Takers remaining in the perimeter ≥ 3 months but not in the role as at 31 December 2018.
[5] Maximum theoretical amounts differentiated by clusters: 200% for Business/Governance roles (when not in conflict with local regulations), or 33% for Company Control Functions or similar roles for the purposes of the Remuneration Discipline.
[6] Of which 216 thousand euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the Head of the Asset Management Division, as Chief Executive Officer of Eurizon Capital Group, as required by the Joint Bank of Italy – Consob Regulation provisions issued on 27 April 2017.
[7] Of which 324 thousand euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the Head of the Asset Management Division, as Chief Executive Officer of Eurizon Capital Group, as required by the Joint Bank of Italy – Consob Regulation provisions issued on 27 April 2017.
[8] Of which 384 thousand Euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the Group Risk Takers belonging to significant asset management companies as required by the Joint Bank of Italy – Consob Regulation provisions issued on 27 April 2017 / of which 199 thousand Euro assigned as Certificates of VUB Banka and of which 644 thousand Euro assigned as PBZ shares (instead of Intesa Sanpaolo shares) to the Group Risk Takers in loco, in accordance with the local regulations.

[9] Of which 406 thousand euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the Group Risk Takers belonging to significant asset management companies, as required by the Joint Bank of Italy – Consob Regulation provisions issued on 27 April 2017) / of which 133 thousand Euro assigned as Certificates of VUB Banka and 501 thousand Euro assigned as PVZ shares (instead of Intesa Sanpaolo shares) to the Group Risk Takers in loco, in accordance with the local regulations.

[a] The actual ratio between variable remuneration to fixed remuneration takes into account all the short or long-term components of the remuneration, insofar as it falls within the reference period.

[b] The amount indicated under the column "Fixed Remuneration" also includes remuneration received (and not transferred or waived) as member of the Board of Directors or paid as role allowances.

[c] The amount shown includes the annual component of the Long-term Incentive Plans POP and LECOIP 2.0.

[d] Intesa Sanpaolo shares, unless otherwise specified.

[e] The amounts shown include the cash value of the stakes and the exchange value, at the time of definition of the incentive, of the shares attributed to Management in previous years as part of the 2014, 2015 and 2016 incentive plans, where such shares may actually be granted only in the following years because of the retention period and they are anyway always subject, except in specific cases, to continuation of employment.

[f] The amounts indicated refer to the 2014, 2015 and 2016 Incentive Systems.

[g] The amounts indicated refer to net bonuses accrued following the conclusion of the long-term Co-investment LECOIP 2014-2017 Plans; In particular, it is recalled that, as envisaged by the plan, Intesa Sanpaolo shares have been delivered, subject to a further year of holding period and retained for the entire duration of this period in the trust company Siref S.p.A. and, therefore, not paid yet, whereas the bonuses of the "Executive LECOIP Certificates" and "LECOIP Certificates" beneficiaries have been paid in cash or in shares according to the choice made by the employee on a discretionary basis.

As shown in the table displayed in the previous page, amounts accrued during the year but assigned in prior years (2014 Incentive System for the second deferred portion paid in shares, 2015 Incentive System for the upfront portion in shares and the first deferred portion in shares and the 2016 Incentive System for the first deferred portion in cash) were paid during 2018. Following the conclusion of the 2014-2017 LECOIP Plan, the Plan's bonus was also paid to the beneficiaries of the "LECOIP Executive Certificates" and of the "LECOIP Certificates", while the beneficiaries of the "Risk Taker LECOIP Certificates" were awarded the shares resulting from the Plan subject to a further year of holding period and retained for the entire duration of this period in a fiduciary position within Siref S.p.A. and, therefore, not yet settled.

Welcome bonus

Below are the amounts defined as welcome bonuses, having as their beneficiaries the personnel hired for the purpose of holding a Group Risk Taker position disbursed in a single payment at the time of hiring during 2018, in order to aid the attraction thereof.

Welcome bonus: No. 1
Group Risk Takers
No. 1
Total: 40,000 €

Severance

Below are the amounts assigned as severance during 2018, having as their beneficiaries Group Top Risk Takers (so-called Key Managers) or other Group Risk Takers.

Severance: No. 9	
Key Managers	**Group Risk Takers**
No. 2	No. 7
Total: 5,720,000 € (highest amount: 1,800,000 €)	

Personnel whose total remuneration is equal to at least 1 million euro

N. employees	Total remuneration* (€)
1	7 - 8 mln
2	4 - 4,5 mln
3	3 - 3,5 mln
7	2 - 2,5 mln
3	1,5 - 2 mln
17	1 - 1,5 mln
Total: 33	

* Both fixed and variable remuneration accrued in the reference year are included

PART III – INTERNAL AUDITING DEPARTMENT ASSESSMENT OF THE INCENTIVE SYSTEM

The Chief Audit Officer of Intesa Sanpaolo carried out the planned audits, aimed at analysing the operational practices followed in activating the Incentive System for 2018, in accordance with the policies and application profiles resolved by the Bodies and the relative Provisions issued by the Bank of Italy.

The audit plan was broken down in order to examine the operational phases of the process: quantification and approval of the main components of the incentive system (economic requirements, certification of results achieved, determination of the bonus pool, incentives for Top Risk Takers and Heads of the Control Functions) and the actual payout of incentives, with specific reference to the Group Risk Takers.

As expected, the remuneration policies, the principles of the incentive system, the financing methods for the bonus pool, the activation thresholds, the rules for the identification of Risk Takers and the objectives assigned to the Top Risk Takers were approved by the Corporate Bodies in 2018.
The structure has been assessed as compliant with Regulations by the Compliance Department.
The changes introduced in 2018 include the approval of the new long-term Incentive System (Long Term Incentive - LTI) based on financial instruments, broken down by population "cluster". With regard to short-term variable remuneration, the gateway conditions for activating the Broad-based Short-Term Plan ("PVR") with respect to the CET1 and NSFR, indicators were revised, meaning that they will need to be at least equal to the envisaged SREP limits, and a specific Incentive System was introduced for Risk Takers of Banks recording a loss. Other changes refer to the extension of the number of beneficiaries of the role allowance for the Company Control Functions and to the impacts of the CET1, NSFR and Gross Income indicators on the 'malus conditions'. The variable remuneration component for the remaining personnel (PVR – subject of a level 2 agreement with the Trade Unions) was also established for 2018.

The threshold set by the Group's bonus pool activation rules was achieved, in line with all targets: Net Income compatible with the distribution of dividends, Gross Income, RAF indicators (CET1 and NSFR), allowing the funding thereof according to the pre-established application methods and policies.
The results achieved by the Top Risk Takers were quantified, documented in appropriate sheets and approved by the competent Bodies.

Based on the findings to date, the Chief Audit Officer expresses an opinion on the adequacy of the operational practices adopted, in accordance with the policies and profiles defined.
The audit plan will be completed with the checks on the correctness of the phases of actual payment of the incentives (including the deferred portion), with specific reference to the incentives paid to the Risk Takers, in order to determine their alignment with what was approved by the corporate Bodies.

To supplement the Report on Remuneration presented on 27 April 2018, as anticipated, the subsequent phases of disbursement of the incentives for the financial year 2017 (including the deferred portion) were checked both at the domestic and international level and were found to be substantially consistent with the policies and approved application profiles. Limited residual areas for improvement, recorded on some Group companies, were addressed, as also confirmed by the most recent follow-up.

Appendix

Table No. 1: “Art. 6 - Corporate Governance Code”

	Principles and Criteria of the Corporate Governance Code	Page of Report
6.P.1.	The remuneration of directors and key managers shall be established in a sufficient amount to attract, retain and motivate people with the professional skills necessary to successfully manage the issuer.	pages 18, 20
6.P.2.	The remuneration of executive directors and key managers shall be defined in such a way as to align their interests with pursuing the priority objective of the creation of value for the shareholders in the medium-long term. With regard to directors with managerial powers or performing, also de-facto, functions related to business management, as well as with regard to key managers, a significant part of the remuneration shall be linked to achieving specific performance objectives, possibly including non-economic objectives, identified in advance and determined consistently with the guidelines contained in the policy described in principle 6.P.4. The remuneration of non-executive directors shall be proportionate to the commitment required from each of them, also taking into account their possible participation in one or more committees.	pages 18, 39
6.P.3.	The Board of Directors shall establish among its members a remuneration committee, made up of independent directors. Alternatively, the committee can be made up of non-executive directors, the majority of which being independent ones; in this case, the chairman of the committee is selected among the independent directors. At least one committee member shall have an adequate knowledge and experience in finance or remuneration policies, to be assessed by the Board of Directors at the time of his/her appointment.	
6.P.4.	The Board of Directors shall, upon proposal of the Remuneration Committee, establish a policy for the remuneration of directors and key managers.	page 11
6.P.5.	In case of the end of office and/or the termination of the employment relationship with an executive director or a general manager, the issuer discloses, through a press release to the market, detailed information, following the internal process leading to the assignment or recognition of indemnities and/or other benefits.	
6.C.1.	The policy for the remuneration of executive directors and other directors vested with special offices shall define guidelines on the issues and consistently with the criteria detailed below:	
	a) the fixed component and the variable component are properly balanced according to issuer’s strategic objectives and risk management policy, taking into account the business sector in which it operates and the nature of the business carried out;	pages 25, 28, 29, 35, 38, 45
	b) upper limits for variable components shall be established;	pages 25, 29, 35
	c) the fixed component shall be sufficient to reward the director when the variable component was not delivered because of the failure to achieve the performance objectives specified by the Board of Directors;	pages 25, 28, 38, 39
	d) the performance objectives – i.e. the economic performance and any other specific objectives to which the payment of variable components (including the objectives for the share-based compensation plans) is linked – shall be predetermined, measurable and linked to the creation of value for the shareholders in the medium-long term;	pages 29, 38, 39, 45
	e) the payment of a significant portion of the variable component of the remuneration shall be deferred for an appropriate period of time with respect to the accrual; the amount of that portion and the length of that deferral shall be consistent with the characteristics of the issuer’s business and associated risk profile;	pages 40, 42, 43

Principles and Criteria of the Corporate Governance Code		Page of Report
	f) contractual arrangements shall be provided in order to permit the company to reclaim, in whole or in part, the variable components of remuneration that were awarded (or to hold deferred payments), as defined on the basis of data which subsequently proved to be manifestly misstated;	page 39
	g) indemnities eventually set out by the issuer in case of early termination of directors or non-renewal shall not exceed a fixed amount or fixed number of years of annual remuneration. Termination payments shall not be paid if the termination is due to objectively inadequate results.	page 51
6.C.2.	In preparing plans for share-based remuneration, the Board of Directors shall ensure that:	pages 39, 41, 42, 43, 62
	a) shares, options and all other rights granted to directors to buy shares or to be remunerated on the basis of share price movements shall have an average vesting period of at least three years;	
	b) the vesting referred to in paragraph a) shall be subject to predetermined and measurable performance criteria;	
	c) directors shall retain a certain number of shares granted or purchased through the exercise of the rights referred to in paragraph a), until the end of their mandate.	
6.C.3.	The criteria 6.C.1 and 6.C.2 shall apply, mutatis mutandis, also to the definition – by the bodies entrusted with that task – of the remuneration of key managers.	page 19
	Any incentive plan for the head of Internal Auditing and for the manager responsible for preparing the Company's financial reports shall be consistent with their role.	
6.C.4.	The remuneration of non-executive directors shall not be – other than for an insignificant portion – linked to the economic results achieved by the issuer. Non-executive directors shall not be beneficiaries of share-based compensation plans, unless it is so decided by the annual shareholders' meeting, which shall also give the relevant reasons.	page 14
6.C.5.	The remuneration committee shall:	
	- periodically evaluate the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key managers, also on the basis of the information provided by the managing directors; it shall formulate proposals to the Board of Directors in that regard;	
	- submit proposals or issues opinions to the Board of Directors for the remuneration of executive directors and other directors vested with special offices as well as for the identification of performance objectives related to the variable component of that remuneration; it shall monitor the implementation of decisions adopted by the Board of Directors and verify, in particular, the actual achievement of performance objectives.	
6.C.6.	No director shall participate in meetings of the remuneration committee in which proposals are formulated to the Board of Directors relating to his/her remuneration.	
6.C.7.	When using the services of a consultant in order to obtain information on market standards for remuneration policies, the remuneration committee shall previously verify that the consultant concerned is not in a position which might compromise its independence.	
6.C.8.	According to principle 6.P.5., the press release should provide:	page 10
	a) adequate information on the indemnity and/or other benefits, including their amount, timing of disbursement – distinguishing both between the component immediately paid out and the one subject to deferral mechanisms and between the	

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component received as director from the other one related to an employment relationship, if any – and "claw-back" clauses, if any, in particular with reference to: - indemnities for the end of office or termination of the employment relationship, specifying the circumstances of its accrual (for example, expiry, revocation or settlement agreement); - maintenance of rights related to any incentive plans, monetary or financial instruments based; - benefits (monetary and non monetary ones) subsequent to the end of office; - non-competition commitments, describing their main contents; - any other payment assigned for any reason and in any form; b) information about the compliance or non-compliance of the indemnity and/or other benefits with the remuneration policy and, in case of even a partial non-compliance with the remuneration policy, information about internal procedures applied according to Consob related party transactions' regulation; c) information about the application, or non-application, of any mechanism that provides restrictions or corrections to the indemnity in case of termination due to the achievement of objectively inadequate results, as well as whether requests have been formulated for the reclaim of remuneration already paid out; d) information as whether the replacement of the ceased executive director or general manager is governed by any succession plan adopted by the company and, in any case, information about procedures that have been or will be applied for the replacement of the director or manager.	

Table No. 2: "Art. 123-ter - Report on remuneration"

Art. 123-ter - Report on remuneration	Page of Report
1. At least twenty-one days prior to the date of the shareholders' meeting established by article 2364, paragraph two, or the shareholders' meeting established by article 2364-bis second paragraph of the Italian Civil Code, companies with listed shares shall make a report on remuneration available to the public at the company registered office, on its internet website or in any of the other ways established by Consob regulation.	page 10
2. The report on remuneration shall be laid out in the two sections established by paragraphs 3 and 4 and is approved by the Board of Directors. In companies adopting the two-tier system, the report is approved by the supervisory board, upon proposal, limited to the section established by paragraph 4, letter b), of the management board.	page 10
3. The first section of the report on remuneration explains:	
a) the company's policy on the remuneration of the members of the management bodies, general managers and key managers with reference to at least the following year;	pages 11, 18, 62
b) the procedures used to adopt and implement this policy.	page 11
4. The second section, which is intended for the members of the management and control bodies, general managers and, in aggregate form, without prejudice to the provisions of the regulation issued in accordance with paragraph 8, for key managers:	
a) provides a suitable representation of each of the items comprising remuneration, including treatment provided for in the event of cessation of office or termination of employment, highlighting the consistency with the company's policy in terms of remuneration approved the previous year;	page 62
b) analytically illustrates the remuneration paid during the financial year of reference, for any title and in any form by the company and by subsidiaries or associates, noting any components of said remuneration that refer to activities performed in years prior to that of reference, in addition to highlighting the remuneration to be paid in one or more subsequent years in exchange for the work performed in the year of reference, potentially specifying an estimated value for components that cannot objectively be quantified in the year of reference.	
5. Remuneration plans established by article 114-bis are attached to the report, or the report specifies the section of the company's website where these documents can be viewed.	
6. Without prejudice to the provisions of articles 2389 and 2409-terdecies, first paragraph, letter a) of the Italian Civil Code and article 114-bis, the shareholders' meeting called in accordance with article 2364, paragraph two or article 2364-bis, paragraph two, of the Italian Civil Code, resolves in favour or against the section of the report on remuneration established by paragraph 3. This resolution is non-binding. The outcome of voting is made available to the public in accordance with article 125-quater, paragraph 2.	page 10