

One Bank, One Team, One UniCredit.

8. 2020 Group Remuneration Policy

Director's Report

April 9, 2020

Ordinary and Extraordinary Shareholders' Meeting

2020 Group Remuneration Policy

Dear Shareholders,

We have called this Ordinary Meeting to request your approval of the 2020 Group Remuneration Policy, set out in the attached document which forms an integral part of the present Report, in compliance with the provisions set by the “Disposizioni di vigilanza per le Banche” issued by Bank of Italy which prescribe that the Shareholders’ Meeting approves, amongst other items, the remuneration policy for the Members of the Administrative and Auditing bodies and employees.

The approval of remuneration policy and incentive systems shall evidence their conformity with prudent risk management and the company’s long-term objectives, as well as ensuring an appropriate balance between the fixed and variable components as required by regulators, including in the case of the latter, risk-weighting systems and mechanisms designed to ensure that compensation is linked to effective and lasting results.

It is therefore proposed that this Shareholders’ Meeting approves the annual revision of the Group Remuneration Policy which defines the principles and standards which UniCredit applies to and are reflected in the design, implementation and monitoring of compensation policy and systems across the entire UniCredit organization. This proposal was drawn up considering the contribution of Group Human Capital, Group Compliance, Group Risk Management and Group Chief Financial Office functions on the topics under their scope.

The document is prepared to fulfil the obligation prescribed by art. 123-ter of Legislative Decree nr. 58/98 (TUF).

The general principles foreseen at Group level by the Remuneration Policy may be the object of calibration, consistently with the rules and regulatory provisions locally applicable.

2020 GROUP REMUNERATION POLICY

The key principles of the Group Remuneration Policy, which are confirmed with respect to those approved by the Ordinary Shareholders’ Meeting on April 11, 2019, are fully described in the 2020 Group Remuneration Policy - that fully encompasses the regulatory provisions by Circular n° 285 from Bank of Italy on “Policies and practices on remuneration and incentive” of December 17, 2013, 25th update of October 23, 2018 - that has been made available to shareholders and the market – in the ways and in accordance with law - and that is summarized here below:

- (a) the UniCredit compensation approach is performance oriented, market aware and aligned with business strategy and stakeholder interests, ensuring remuneration competitiveness and effectiveness as well as internal and external equity and transparency, by driving sustainable behaviors and performance;
- (b) within UniCredit’s governance structure, rules and processes for delegation of authority and for compliance have been defined with the aim of assuring adequate control, coherence and compliance of remuneration framework across the Group;
- (c) the key pillars of the Group Remuneration Policy, in alignment with the group business and risk strategy, are:
 - clear and transparent governance
 - compliance with regulatory requirements and principles of conduct
 - continuous monitoring of market trends and practices
 - sustainable pay for sustainable performance
 - motivation, retention and fair treatment of all employees, with particular focus on talents and mission-critical resources;

(d) on the basis of these principles, the Group Remuneration Policy establishes the framework for a consistent approach and a homogeneous implementation of sustainable remuneration in UniCredit, with particular reference to the Executive population.

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

For the rest of the staff it is usually adopted a maximum ratio between the components of remuneration equal to 1:1, except for the staff of the Corporate Control Functions, for Human Resources and Manager in Charge of Drafting the Company Financial Reports for which it is expected that the fixed remuneration is predominant component of total remuneration and incentive mechanisms are consistent with the assigned tasks as well as independent of results from areas under their control.

For these Corporate Control Functions, in particular, the maximum weight of the variable component will take into account the differences between national rules and regulations in application of Directives 2013/36 / EU in the various countries in which the Group operates, in order to ensure equal operating conditions in the market and the ability to attract and retain individuals with professionalism and capacity adapted to needs of the Group.

The main rationales for supporting the proposal approved in 2014 to set a ratio higher than 1:1 aim to safeguard the Group presence in specific markets and, in particular: to ensure a stronger link between compensation and performance, maintain competitiveness in the market, being also the direction in which the main peers moved, limit the “un-level playing field” in the markets where the cap is not present, avoid the rigidity of the cost structure, guarantee the alignment with multi-year performance through deferring a relevant component of the variable compensation.

Maintaining of a ratio of 2:1 between variable and fixed compensation will not have implications on bank’s capacity to continue to respect all prudential rules, in particular capital requirements.

In addition, in compliance with the latest regulatory requirements, UniCredit performed the yearly assessment of categories of staff whose professional activities have a material impact on an institution's risk profile. The self-assessment was performed at local and Group level, as requested by Bank of Italy, and is documented in the 2020 Group Remuneration Policy. At the beginning of 2020, the number of Identified Staff is estimated in ca. 1,000 resources.

Furthermore, in line with the indications of national and international regulators, it is deemed appropriate within the annual review of policy and remuneration systems to make some updates including in particular:

- i. full documentation of the new 2020 Group Incentive System, based on bonus pool approach
- ii. full documentation of the Long Term Incentive Plan 2020-2023, linked to the Strategic Plan Team 23
- iii. description of the structured process for the definition of Identified Staff population
- iv. adequate information about Remuneration Committee role, as well as the role of Compliance, Internal Audit and Risk Management functions
- v. introduction of further details concerning the remuneration of the Board of Statutory Auditors.

Resolution proposals to the Ordinary Shareholders’ Meeting

Dear Shareholders,

If you agree with the above proposal, you are invited to adopt the following resolution:

2020 Group Remuneration Policy

"The Ordinary Shareholders' Meeting of UniCredit S.p.A., having heard the Directors' proposal,

RESOLVES

to approve the 2020 Group Remuneration Policy, also pursuant to art. 123-ter of TUF, as contained in the Section I of the 2020 Group Remuneration Policy and Report which forms an integral part of the present Report, in order to define the principles and standards which UniCredit shall apply and reflect in its design, implementation and monitoring of compensation policy and practices across the entire organization."