

One Bank,
One Team,
One UniCredit.

2020

Group Remuneration Policy and Report

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Letter from the Chairman

“As per the previous strategic plan, we have designed a dedicated long-term incentive plan (2020-2023 LTI Plan) for senior management and key people combining both financial and ESG targets. This plan is in support of *Team 23* execution and aims to align Top management and stakeholders' interest through long-term share-based compensation, rewarding long-term sustainable performance and ensuring fair remuneration.”

Lamberto Andreotti
Chairman of the Remuneration Committee

Dear Shareholders,

2019 was a very important year for our Group. Despite a worse-than-expected macro environment, we have successfully delivered *Transform 2019 Strategic Plan* exceeding our key targets such as de-risking of the balance sheet, cost reduction and capital distribution. To confirm the success of *Transform 2019* the 2017-2019 Long Term Incentive Plan reached a final outcome of 93.3% of the maximum LTI opportunity based on the achievement of the KPIs of the LTI Plan Scorecard.

The successful delivery represents a solid foundation for our 2020-23 Strategic Plan, *Team 23*, which was announced at the Capital Markets Day in London on December 3, 2019. Throughout *Team 23* we will continue to capture commercial opportunities whilst keeping a tight rein on risk, execution discipline and cost control. Increasingly, sustainability forms a central part of everything we do and is fully integrated into our business and decision-making process.

To foster achievements of the targets foreseen in *Team 23*, the 2020-2023 long-term incentive plan (*2020-2023 LTI Plan*) has also been launched and its framework and KPIs are aligned with the *Team 23* Strategic Plan.

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

The Remuneration Committee together with the Management team are determined in defining remuneration systems that guarantee sustainable performance at both Group and individual level. At the same time, we are committed to provide all colleagues with a best in class work environment and experience and continue setting adequate remuneration levels to attract, motivate and retain the best people.

I would like to renew my gratitude to you, our shareholders, for your engagement in constructive discussions with the Group. These discussions allowed us to best understand and address our mutual needs on this important subject. With the launch of the new *Team 23* plan, we recognize the ongoing importance of an effective and clear communication with you and we will continue to provide you with comprehensive information on our remuneration practices.

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

Sincerely,

Lamberto Andreotti
Chairman of the
Remuneration Committee



Highlights



Highlights

The implementation of the principles set in our Group Remuneration Policy provides the framework for the design of the reward programs across the Group.

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

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

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

The 2020 Group Remuneration Policy and Report fully encompasses the changes requested by Circular 285 from the Bank of Italy (25th update of October 23, 2018) on remuneration and incentive matters. In addition, the document includes the requirements of the Legislative Decree no. 49 of May 10, 2019, by which the provisions of Directive (EU) 2017/828 (Shareholder Rights Directive 2) are implemented in the legal system. In particular, an advisory vote by the Shareholders' Meeting on the Remuneration Report was introduced.



Our Group Remuneration Policy continues to be an integral part of our strategy.

The success of *Transform 2019* demonstrated UniCredit's clear commitment to deliver and its proven ability to execute a strategic plan despite a worse-than-expected macroeconomic environment. Key targets including the de-risking of the balance sheet, cost reduction and capital distribution were exceeded. UniCredit is transparent in what it does, it aims to do the right thing for all stakeholders, and it favours sustainable long-term outcomes over short-term solutions.

In December 2019, the Group CEO Jean Pierre Mustier announced the 2020-2023 Strategic Plan *Team 23* (in the following also "*Strategic Plan Team 23*" or "*Team 23*") and the dedicated Long Term Incentive Plan ("*2020-2023 Long Term Incentive Plan*" or "*2020-2023 LTI Plan*") to support its execution. The key pillars of the incentive plan remain unchanged compared with *Transform 2019* and are still built to both ensure that the interests of our top management team and our stakeholders are completely aligned, while rewarding long-term sustainable performance and value creation.

[Details](#)

[Section I-Chapter 1](#) »

1. Key Pillars

Clear and transparent governance.

Compliance with regulatory requirements and principles of good business conduct.

Continuous monitoring of market trends and practices.

Sustainable pay for sustainable performance.

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

[Details](#)

[Section I-Chapter 1](#) »



2. Identified Staff (Material Risk Takers) definition

Application of qualitative and quantitative criteria, which are common at European level, as defined by the Commission Delegated Regulation (EU) 604/2014 with regard to regulatory technical standards (RTS).

[Details](#)

[Section I-Paragraph 2.4](#) »

The Identified Staff population is annually reviewed and on an ongoing basis ensuring full compliance with current regulations. The identification follows a structured evaluation process both at group and local level, based on the application of qualitative and

quantitative criteria common at European level. The result of the evaluation process for the definition of Identified Staff has led to the identification of ca. 1,000 resources at the beginning of 2020.



3. Compensation benchmarking and policy target

Slight revision of the 2020 peer group for compensation benchmarking, performed by an external advisor.

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

[Details](#)

[Section I-Paragraph 4.1](#) »

With specific reference to the group Executive population, the Remuneration Committee, supported by an independent external advisor, slightly revised for 2020 the list of selected competitors that represent our group-level peers for compensation benchmarking. Compensation benchmarking analysis is performed in comparison with this peer group. As a policy target, the fixed

compensation of Identified Staff (Material Risk Takers) is set on the market median as reference, with individual positioning being defined on the basis of specific performance, potential and people strategy decisions, individual total compensation as well as UniCredit's performance over time. The compensation structure for the Chief Executive Officer is described in paragraph 12.



4. Ratio between variable and fixed compensation

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

[Details](#)

[Section I-Paragraph 4.7](#) »

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

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

- Group Chief Executive Officer;
- Group Heads and Deputies of Commercial Banking, Corporate

and Investment Banking, Chief Operating Office function, Finance & Controls function;

- CEO and General Managers of Group Legal Entities;
- Personnel belonging to Business Divisions (e.g. Commercial Banking, Corporate and Investment Banking), excluding control or support roles.

Assumptions upon which the increase of the maximum ratio between variable and fixed remuneration, type of personnel and limit itself were based have not changed (e.g. UniCredit business model kept

substantially stable since 2014, the compensation strategy is competitive at international level and basically in line with the one in 2014).

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

For the rest of the staff a maximum ratio between the components of remuneration equal to 1:1 is usually adopted, except for the

staff of the Corporate Control Functions, for Human Resources and the Manager in Charge of Drafting the Company Financial Reports for which it is expected that fixed remuneration is a predominant component of total remuneration. For these Functions is also foreseen that incentive mechanisms are consistent with the assigned tasks, as well as being independent of results from areas under their control.

For these Corporate Control Functions, in particular, the maximum weight of the variable component will take into account the differences between national rules and regulations in application of Directive 2013/36/EU in the various countries in which the group operates¹, in order to ensure equal operating conditions in the market and the ability to attract and retain individuals with professional skills and capabilities adequate to meet the needs of the group.

5. Incentive system linked to the annual performance

The Group Incentive System 2020, which confirms the “bonus pool” approach introduced in 2014, provides for a strong link between remuneration, risk and sustainable profitability.

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

[Details](#)

[Section I-Paragraph 5.1](#) >>>

Eight bonus pools whose size is linked to the profitability of each country/division and key elements are:

- **Entry Conditions:** a mechanism that determines the possible application of the malus clause (Zero Factor), on the basis of performance indicators in terms of profitability, capital and liquidity defined at both group and country/division level.
- **Adjustments to the bonus pools** driven by the evaluation of the risk and sustainability for each country/division (alignment to Cost of Capital and Risk Appetite Framework).
- **Bonus allocation:** the incentive is allocated managerially, taking into consideration the available bonus pool, the individual performance evaluation also based on risk-adjusted indicators and bonus reference values.
- **Group Identified Staff Payout:** the individual bonus is composed of more than 50% in shares for Senior Management² and of 50% cash and 50% shares for the remaining Identified Staff, paid out over a period up to six years, ensuring alignment with shareholders’ interests and malus and claw-back conditions as legally enforceable.

6. Performance Management

In 2020 the “KPI Bluebook” framework was reviewed to support managers and incumbents to define the Scorecard referring to the annual Incentive System for the Identified Staff.

[Details](#)

[Section I-Paragraph 5.2](#) >>>

The *KPI Bluebook* supports the definition of Scorecards providing a set of performance indicators and guidelines. The categories of

the main economic and non-economic indicators, annually defined within the *KPI Bluebook*, are certified with the involvement of

1. In particular, for the Identified Staff of Corporate Control Functions in Italy, the ratio between the variable and the fixed components of remuneration cannot exceed the limit of one third, as per Bank of Italy provision (Circular 285 of December 17, 2013, 25th update of October 23, 2018).
2. EVP and above banding and other apical roles foreseen by Bank of Italy Circular 285.

Human Capital, Finance, Risk Management, Compliance, Group Sustainability, Group Stakeholder Insight and Internal Audit functions, which reflect the group’s core operating profitability and

risk profile. The *KPI Bluebook* includes KPIs defined within the scope of the Strategic Plan *Team 23*.

7. 2020-2023 Long Term Incentive Plan

A new Long Term Incentive Plan has been introduced in 2020 with the aim to align Top and Senior Management interests to long-term value creation for the shareholders, to share price and Group performance appreciation and sustain a sound and prudent risk management, orienting the performance measurement on a multi-year horizon, aligned with *Team 23* Strategic Plan.

[Details](#)

[Section I-Paragraph 5.3](#) >>>

The Plan provides for the allocation of incentives based on free ordinary shares, subject to the achievement of specific performance conditions to the Strategic Plan *Team 23*.

The award is subject to a 4-year deferral period, after the performance period, and to the respect during the performance period of the minimum conditions of profitability, capital requirements and liquidity as well as positive assessment of Risk Appetite Framework.

The Plan is structured around a 4-year performance period, consistent with the UniCredit Strategic Plan, and provides for the granting of the possible award in 2024.

In line with regulatory requirements an additional year of holding period is applied at the end of the deferral period.

8. Compliance breach, Malus and Claw-back

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

[Details](#)

[Section I-Paragraph 5.1](#) >>>

According to Bank of Italy and EBA requirements³ and to further strengthen the governance framework, the key rules of compliance breaches management, as well as their related impact on

remuneration components through the application of both malus and claw-back clauses, are reported in the 2020 Group Remuneration Policy.

9. Share ownership guidelines

Share ownership guidelines set minimum levels for company share ownership by relevant Executives, by ensuring appropriate levels of personal investment in UniCredit shares over time.

[Details](#)

[Section I-Paragraph 4.8](#) >>>

As part of our total compensation approach and in line with regulatory provisions, we offer equity incentives which provide

for opportunities of share ownership, in full alignment with the applicable regulation requirements.

3. Bank of Italy Circular 285 on “Policies and practices on remuneration and incentive” updated as of October 23, 2018 and EBA “Guidelines on sound remuneration policies” published on June 27, 2016.

The Share Ownership guidelines apply to the Chief Executive Officer, Senior Executive Vice Presidents and Executive Vice Presidents⁴.

Executives categories within the scope of the guidelines and should be maintained until the role is held.

The established levels of share ownership should be reached, as a rule, within five years from the appointment in the above indicated

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

10. Severance payments

Continuous alignment with regulations/contractual frameworks in force at the time.

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

[Details](#)

[Section I-Paragraph 4.6 >>>](#)

The Ordinary Meeting of April 11, 2019 approved an update of the policy on payments to be agreed in case of early termination of a contract (so called "severance payments"), incorporating some changes introduced on October 23, 2018 by the Bank of Italy with the 25th update of the Circular 285 of December 17, 2013. The amendments did not involve changes with regards to main

criteria and limits as already approved by the Annual General Meeting of April 20, 2017. The news are mainly related to the introduction of the predefined formula for the calculation of the "severance" for the settlement of current or potential disputes related to employment termination and to better specify some details.

11. 2019 results and compensation decisions

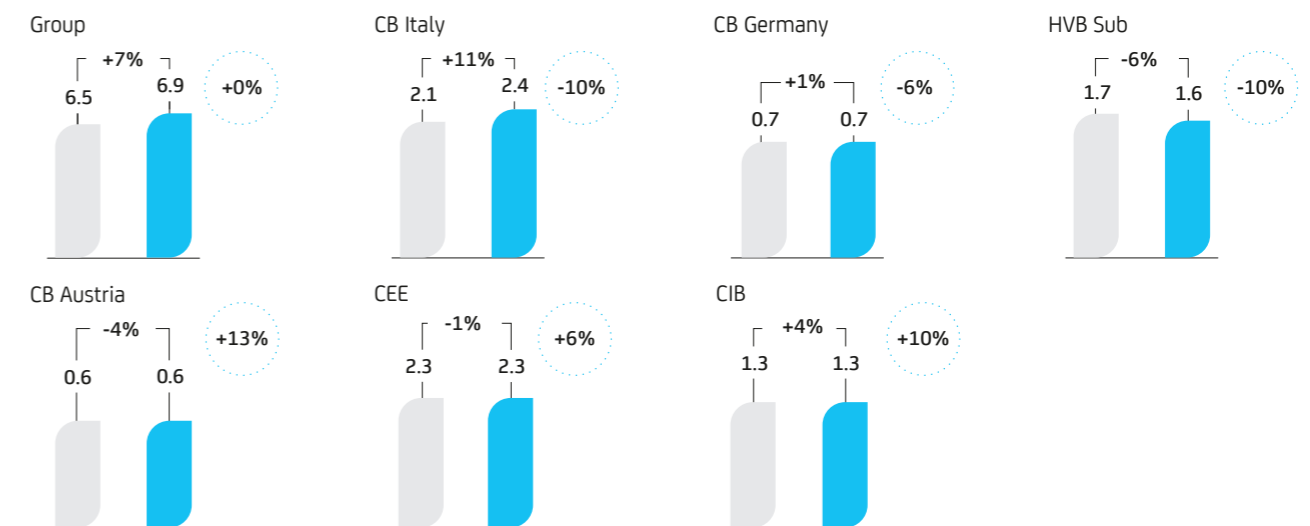
> 2019 Results

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

Based on 2019 results, *Transform 2019* key targets were successfully delivered thanks to focused execution and decisive actions: strong pro forma CET1 capital ratio of 13.09 per cent⁵, capital distribution⁶ at 40 per cent for FY 2019, paid in 2020 and increased capital distribution⁷ to 50 per cent to be considered for the remainder of the plan.

Bonus pool performance metrics (pre bonus)

● FY 2018 ● FY 2019 ● % vs 2019 budget



Data in bn.
Bonus pool performance metrics pre bonus: Underlying Net Operating Profit (Commercial Banking Italy, Commercial Banking Germany, HVB SUB, Commercial Banking Austria, CEE); Underlying Net Operating Profit Group; GOP-EL-CoC (CIB).
% vs. 2019 budget calculated neutralizing exchange rate effects.

> Compensation decisions

With reference to 2019, the UniCredit Board of Directors considered the proposals of the Remuneration Committee and the guidelines of the regulatory authorities on variable remuneration.

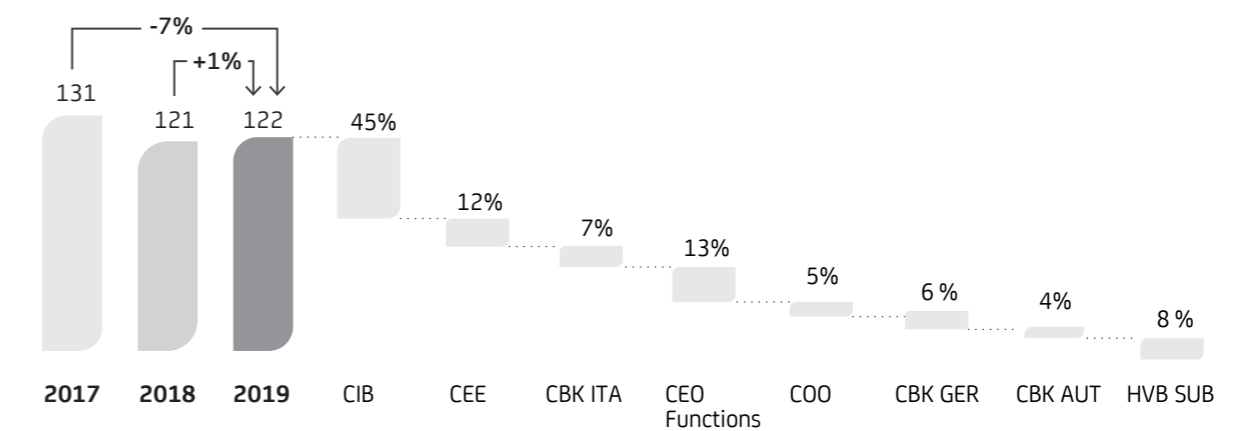
The evaluation regarding compensation decisions, as done before in the previous years, was supported by a rigorous group governance process in order to guarantee coherence and transparency for all the participants involved.

The variable compensation of the CEO is entirely covered by the LTI Plan 2017-2019, tied to the Strategic Plan *Transform 2019* targets,

just concluded. In line with group governance, assessment and payment for the other Executives with Strategic Responsibilities perimeter have been reviewed by the Remuneration Committee and approved by the Board of Directors, heard the Statutory Auditors and Internal Controls and Risks Committee where appropriate.

The Board of Directors approved the overall bonus pool. Here below, it is shown the distribution of the bonus for the Identified Staff population (ca. 1,000 resources), defined on the basis of the application of the 2019 Group Incentive System rules approved by the Shareholders' Meeting. The overall 2019 bonus pool amount also takes into account the successful completion of *Transform 2019* Strategic Plan.

2019 Bonus distribution for GMRT



Data in mln Euro. The 2019 payout does not include the LTI pro rata yearly quota.

4. Considering the application, from 2016, of the new ratio between the variable and the fixed components of remuneration (which cannot exceed the limit of one third for the Identified Staff within Italian Control Functions, while fixed remuneration is expected to be the predominant component for the Control Functions of other geographies), share ownership guidelines are not applied to the Executives who are part of Corporate Control Functions.
5. Including deduction of share buyback (subject to supervisory and AGM approval) of €467 m. Stated CET1 ratio at 13.22 per cent and stated MDA buffer at 312 bps. This does not include the SREP P2R reduction from 200 bps to 175 bps with effect from January 2020
6. Cash dividend and / or share buyback. Share buyback subject to supervisory and AGM approval.
7. Cash dividend and / or share buyback. Share buyback subject to supervisory and AGM approval.

> **Our Compensation Disclosure**

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

Full disclosure on compensation payout amounts, deferrals and the ratio between variable and fixed components of remuneration for Identified Staff is provided in the Remuneration Report (paragraph 4.2, Granular Remuneration Data), including data regarding Directors,

General Managers and other Executives with Strategic Responsibilities categories.

Data pursuant sect. 84-quater Consob Issuers Regulation Nr. 11971, Compensation Report-Section II, as well as the information on incentive systems under 114-bis of legislative decree 58/1998 ("Testo Unico della Finanza" - "TUF") are included in the attachments to the 2020 Group Remuneration Policy and Report, published on UniCredit's website, in the section dedicated to 2020 Shareholders' Meeting.

[Details](#)
[Section II-Paragraph 4.2 >>>](#)

12. Chief Executive Officer variable and fixed compensation data

As per the request by the CEO Jean Pierre Mustier to the Board of Directors in 2016, to set the right tone from the top, as well as to fully align his interests with all stakeholders, specific conditions are applied to his remuneration effective January 1, 2017. In particular, his fixed remuneration was reduced by 40%.

With reference to 2019, the Chief Executive Officer received a total fixed remuneration of € 1.2 million, including director's remuneration. The variable pay of the CEO is entirely based on the 2017-2019 Long Term Incentive Plan, tied to *Transform 2019* targets. As approved by February 5, 2020 Board of Directors, the 2017-2019 Long Term

Incentive Plan reached a final outcome of 93.3% of the maximum LTI opportunity based on the Scorecard results (RoAC: 9.8%; Cost/Income: 52.8%; Net NPE: 9.8 billion). Therefore, for the CEO, the variable remuneration amounts to 486,391 shares to be awarded according to the cliff vesting scheme and subject to malus and claw-back conditions, as legally enforceable (for more details see the dedicated chapter on the LTI Plan in the Remuneration Report).

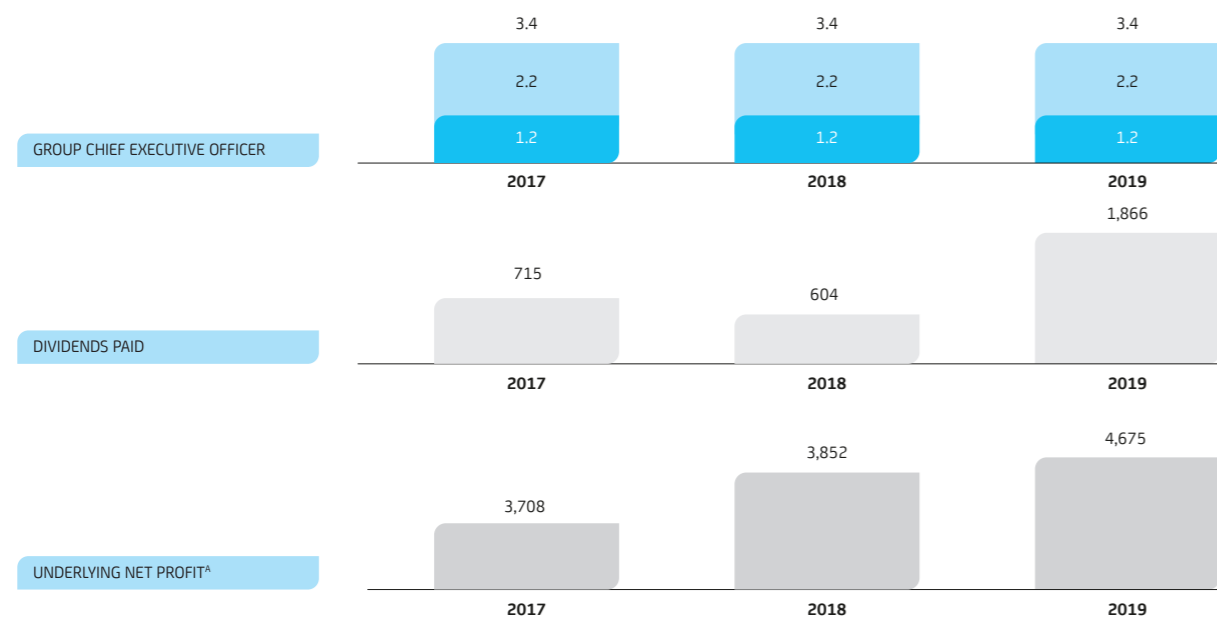
In the following picture, the CEO remuneration is represented in connection to the performance of UniCredit over the past three years.

[Details](#)
[Section II-Paragraph 3.2 >>>](#)

Link between pay and performance

■ Fixed remuneration
■ Long-term variable remuneration

The LTI Plan values are reported considering the yearly quota based on the level of achievement of 2017-19 LTI of 93.3% considering the share value at inception; the effective payout of the LTI Plan is subject to the deferral period and malus and claw-back conditions, as represented in the dedicated paragraph.



Data in mln.
A. Figures are reported in the financial communication related to the given year (not recasted for perimeter changes).

13. Ex-ante disclosure of 2020-2023 goals for Chief Executive Officer

The performance scorecard of 2020-2023 LTI Plan is shown below:

Lever and KPIs	Weight	Target	Criteria	Payout	
Profitability	RoTE ^A with CET 1 underpin ^B	60%	8.1% average 20-23	> 8.1%	> 100%
				7.3%-8.1%	0-100%
				< 7.3%	0%
Asset Quality	NPE ratio "Core"	20%	3.8% average 20-23	< 3.8%	> 100%
				4.2%-3.8%	0-100%
				> 4.2%	0%
Industrial	OpEx	10%	10.2 bln end of 23	< 10.2 bln	> 100%
				10.5-10.2 bln	0-100%
				> 10.5 bln	0%
Sustainability	ESG rating (Sustainalytics)	10%	3 rd in ranking vs. peers end of 23	1 st - 2 nd in ranking	150%-125%
				3 rd in ranking	100%
				4 th in ranking	75%
Customer Satisfaction	Customer Satisfaction	10%	+3 pts vs. competition end of 23	> +3 pts	> 100%
				+1 pt; + 3 pts	0-100%
				< 1 pt	0%
People Engagement	People Engagement	10%	73 pts twice in the Plan	> 73 pts	> 100%
				71-73 pts	0-100%
				< 71 pts	0%

Note: Goals within the lever are equally weighted; over-performance (KPI result above MYP target) can be used to compensate those KPIs that reach at least their minimum threshold level, still within the maximum 100% opportunity of the LTI Plan.
A. Based on underlying net profit
B. Bonus gate for CET1 at least 200 bps above minimum regulatory target
C. Without model impact

For the time horizon of the Strategic Plan *Team 23*, 100% of the variable remuneration for the Group Chief Executive Officer is covered by the 2020-2023 Long Term Incentive Plan, tied to Strategic Plan targets, out of which 20% of the yearly opportunity is also subject to yearly performance.

The yearly performance of the CEO is based on the evaluation of the annual status progress of the economic goals of the LTI and, for 2020, on other non-economic goals on governance, sustainability and operational risks.

[Details](#)
[Section I-Paragraph 5.3 >>>](#)

Section I

2020 Group Remuneration Policy



1. Introduction

2. Governance

2.1 Corporate Bodies and Committees

2.2 Definition of the Group Remuneration Policy

2.3 Role of the Corporate Control Functions

2.4 Identified Staff identification process

2.5 Compensation to Directors, Statutory Auditors and Executives with Strategic Responsibilities

3. Compliance and Sustainability Drivers

4. Compensation Framework

4.1 Market Benchmark

4.2 Fixed compensation

4.3 Variable compensation

4.4 Non-standard compensation

4.5 Benefits

4.6 Severance

4.7 Ratio between variable and fixed compensation

4.8 Share ownership guidelines

5. Group Compensation Systems

5.1 2020 Group Incentive System

5.2 Performance Management framework

5.3 2020-2023 Group Long Term Incentive Plan

1. Introduction

Our set of values is based on ethics and respect as sustainable conditions to transform profit into value for our stakeholders. A simple guiding principle ensures we live these values every day: do the right thing!

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

More than ever, sustainability forms a central part of everything we do and is fully integrated into our business and decision-making process: commitment to ESG topics, renewed focus on improving customer experience and constant dedication to our people.

It is a key lever for our future business strategies and a critical component of our bank's success.

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

UniCredit believes in inclusion as a strategic business driver and is committed to creating an inclusive environment for our diversified workforce, where everyone with the capability to excel can do so. We expect our employees to contribute to creating and maintaining a work environment that is respectful and non-intimidating, and where differences in age, race, nationality, religion, gender and sexual orientation are embraced and promoted.

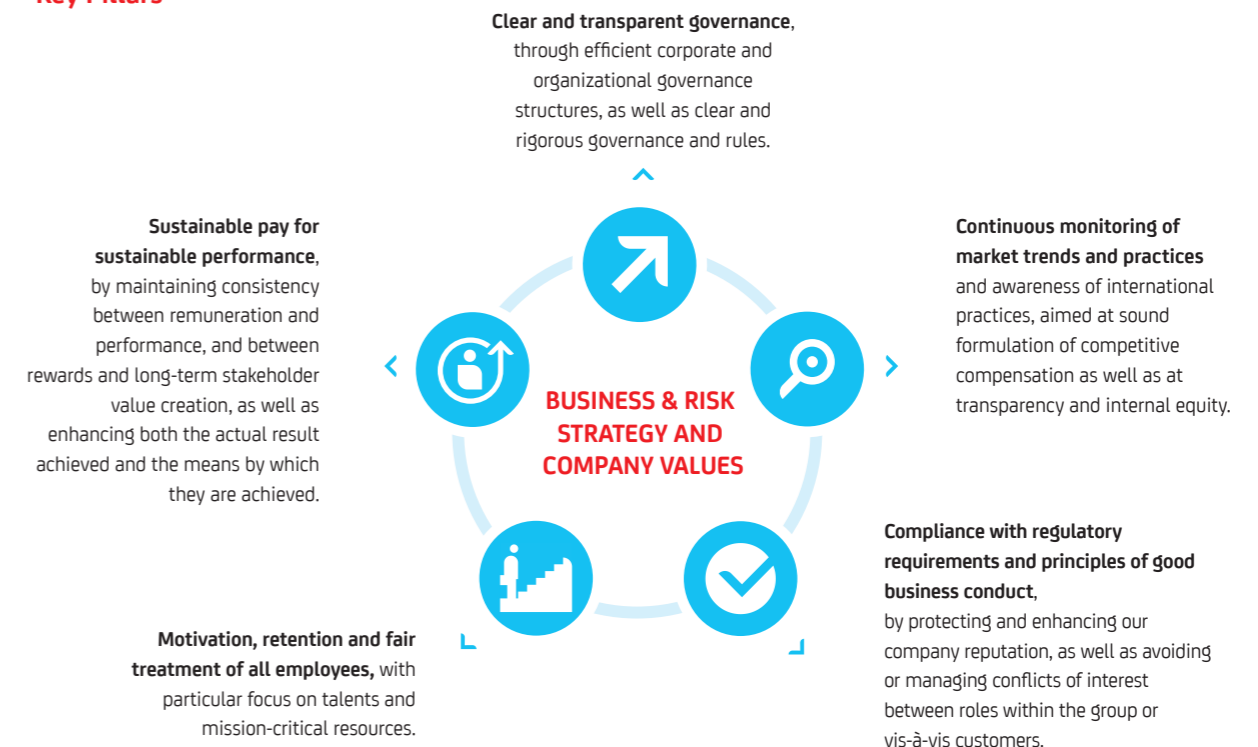
Relying on our governance model, our Group Remuneration Policy sets the framework for a coherent and consistent design, implementation and monitoring of compensation practices across the entire Group.

Within this common policy framework, guidelines are defined to implement compensation programs and plans that reinforce sound risk management policies and our long-term strategy and generally pursue long-term value creation and sustainability of the company. In doing so, we effectively meet the specific and evolving needs of our different businesses, market contexts and employee populations while ensuring that business and people strategies are always appropriately aligned with our remuneration approach, including external networks and agents, where applicable, as foreseen by regulation.

UniCredit has in place for years now a consolidated engagement process with our international investors and proxy advisors which has the aim to share and constructively exchange views on the changes brought to our Policy. Over the years this dialogue enabled us to receive valuable feedback on our compensation approach as well as to verify our alignment with international best practices and investors' expectations.

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

Key Pillars



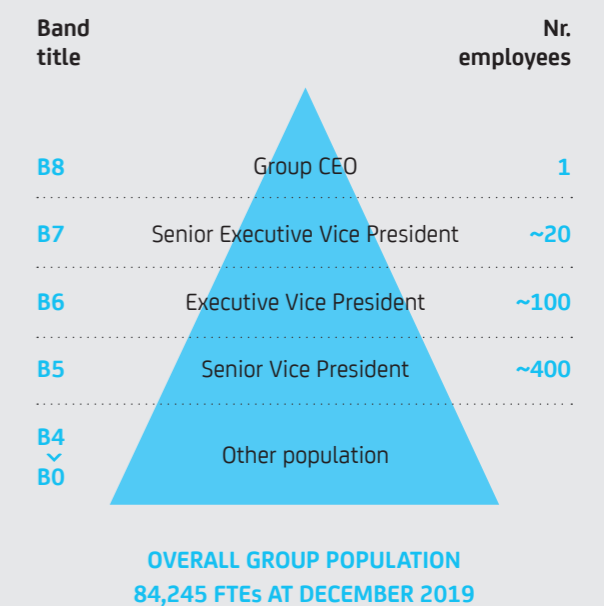
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Global Job Model

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

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

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



2. Governance

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

2.1 Corporate Bodies and Committees

2.1.1 Role of the Remuneration Committee

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

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

The Remuneration Committee was instituted in 2000. The members of the Remuneration Committee, which was instituted based on the above mentioned Bank of Italy supervisory arrangements and also in line with the Code's provisions, are all non-executive and the majority of them independents according to the Articles of Association.

The Committee consists of three non-executive and independent members and the activities are coordinated by the Chairman, chosen among them.

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

The consistency with Risk Appetite Framework and, in general, the collaboration with the other committees is ensured by the presence, in

the Remuneration Committee, of one member of the Internal Controls & Risks Committee.

The Committee appoints - on the proposal of the Chairman - a Secretary who is not a member of the Committee itself: the Secretary supports the Chairman of the Committee in the preparation of the meetings and takes care of the minutes.

In addition, the Head of Group Human Capital (or his delegate) attends the Committee meetings and, when necessary based on the topic discussed, the members of Group senior management team (e.g. the Head of Group Risk Management, Co-Group CFOs or the Head of Internal Audit) may be invited also.

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

The Chairman of the Remuneration Committee at the earliest available meeting informs the Board of Directors about the activities carried out in the meetings by the Committee itself.

The Remuneration Committee shares, at the end of their meetings, the discussed documentation with the Board of Statutory Auditors, without prejudice to the possibility for the Statutory Auditors to attend the meetings.

The "standard" topics discussed along the year¹ are:

January:

- Yearly Group Incentive System
- Report on previous year severance payments

February:

- Bonus pool distribution including approval of capital increase related to previous years incentive plans
- Evaluation, payout and execution of previous years plans for Executives with Strategic Responsibilities²
- LTI status progress and individual allocation

March:

- Previous year Group Incentive System payout
- Group Remuneration Policy and Report

June:

- Group Identified Staff – assessment methodology and outcomes

October:

- Local Adaptations to Group Remuneration Policy
- Previous year Bonus Payout and Group Salary reviews final update

November:

- Emerging trends in Market Compensation Practices
- Competitive assessment of compensation package for CEO and SEVPs
- Goal Setting for the upcoming year for Executives with Strategic Responsibilities

December:

- Group Identified Staff - Final Outcome
- Compensation review for Executives with Strategic Responsibilities
- Discussion on Bonus pool distribution

FOCUS

Within the scope of its responsibilities, the Remuneration Committee:

- puts proposals to the Board regarding the remuneration and the performance goals associated with its variable portion, for the members of the Board of Directors, the General Manager, Deputy General Managers, Heads of the corporate control functions and personnel whose remuneration and incentive systems are decided upon by the Board;
- exercises oversight on the criteria for remunerating the most significant employees, as identified pursuant to the relevant Bank of Italy provisions, as well as on the outcomes of the application of such criteria;
- issues opinions to the Board of Directors on the remuneration policy for Senior Executive Vice Presidents, the Group Management Team (Executive Vice Presidents) and the Leadership Team (Senior Vice Presidents);
- issues opinions to the Board of Directors on the Group incentive schemes based on financial instruments;

- issues opinions to the Board of Directors on the remuneration policy for corporate officers (members of Board of Directors, Board of Statutory Auditors and Supervisory Board) at Group companies;

- coordinates the process for identifying material risk takers on an on-going basis;

- directly oversees the correct application of rules regarding the remuneration of the Heads of corporate control functions, working closely with the Board of Statutory Auditors;

- works with the other committees, particularly the Internal Controls & Risks Committee, to verify that the incentives included in compensation and incentive schemes are consistent with the Risk Appetite Framework (RAF), ensuring the involvement of the corporate functions responsible for drafting and monitoring remuneration and incentive policies and practices;

- provides appropriate feedback on its operations to the Board of Directors, Board of Statutory Auditors and the Shareholders' Meeting;

- where necessary drawing on information received from relevant corporate functions, expresses its opinion on the achievement of the performance targets associated with incentive schemes, and on the other conditions laid down for bonus payments.

2.1.2 Role of the Internal Controls & Risks Committee

The Internal Controls & Risks Committee supports the Board of Directors on risk management and control-related issues. The Internal Controls & Risks Committee, among the other tasks:

- without prejudice to the competencies of the Remuneration Committee, checks that the incentives underlying the

remuneration and incentive system comply with the RAF, particularly taking into account risks, capital and liquidity;

- for the Head of Internal Audit function, issues its opinion on setting the remuneration and the performance goals associated with its variable portion in line with the company policies;

- is involved, within its specific remit, in the process of identifying material risk takers on an on-going basis.

1. Please consider the timeline and topics as indicative as may vary from year to year. In addition, no extraordinary topics are shown.

2. The Executives with Strategic Responsibilities are those who have the power and responsibility, directly or indirectly, of the planning, direction and control of the activities of the company, including the directors (executive or otherwise) of the company itself. For further details on the roles of the Executives with Strategic Responsibilities please refer to paragraph 2.5.

2.1.3 Role of the Board of Statutory Auditors

Within our “traditional” management and control system UniCredit has adopted, the Board of Statutory Auditors is responsible for overseeing the effective administration of the company. The Board of Statutory Auditors, among the other tasks:

- is consulted with regards to the remuneration of UniCredit’s Directors holding specific roles with a special focus on the remuneration of the CEO and the approval of Group financial instrument-based incentive schemes;

- issues a mandatory opinion on the appointment, dismissal and compensation of the Manager in charge of drafting company financial reports;
- expresses its opinion on decisions regarding the appointment and dismissal of the Heads of Corporate Control Functions;
- expresses an opinion regarding the remuneration of the Head of Internal Audit in coherence with company policies.

2.2 Definition of the Group Remuneration Policy

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

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

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

With specific reference to Identified Staff, the Group Human Capital function establishes guidelines and coordinates a centralized and consistent management of compensation and incentive systems. In compliance with Group Remuneration Policy and local regulation, Legal Entities, countries and divisions apply compensation framework for all employees.

Furthermore, the elements of the Policy are fully applied across the entire Identified Staff population, with local adaptations based on

specific regulations and/or business specifics, consistent with the overall Group approach.

Being fully compliant with the principles of the incentive plans, local adaptations allow the achievement of the same results if the implementation of the Group plan should have some adverse effects (legal, tax or other) for the Group companies and/or beneficiaries residing in countries where the Group is present.

Implementation of Group incentive plans for Identified Staff fully complies with Bank of Italy requirements and European guidelines, and at the same time considers:

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

The main adjustments regarding the implementation of the Group Policy usually concern the use of financial instruments different from the UniCredit shares, the thresholds and deferral schemes, local performance indicators rather than the Group ones, the ratio between variable and fixed remuneration, malus and claw-back procedure, considering an alignment to the regulatory provisions and local peculiarities.

2.3 Role of the Corporate Control Functions

2.3.1 Role of the Compliance Function

The Compliance function operates in close coordination with the Human Capital function, in order to support the design and the definition of compensation policy and processes and to evaluate them from a compliance standpoint.

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

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

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

In accordance with the regulatory framework and our governance, the guidelines for the definition of the incentive systems for non-Identified Staff population are arranged by Group Human Capital function, in collaboration with Group Compliance function.

At local level, the Human Capital structures define the detailed features of incentive systems and submit them to the reference Compliance structures.

2.3.2 Role of the Risk Management Function

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

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

2.3.3 Role of the Internal Audit Function

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

2.4 Identified Staff identification process

Identified Staff population (i.e. those categories of staff whose professional activities have a material impact on an institution’s risk profile) is annually reviewed and on an ongoing basis considering a structured and formalized assessment process both at Group and local level, according to the regulatory requirements defined by CRD IV and the application of qualitative and quantitative criteria set by the European Commission Delegated Regulation (EU) 604/2014 with regard to regulatory technical standards (RTS).

This process is internally defined through specific guidelines issued by Group Human Capital function, with the involvement of Group Risk Management and Group Compliance, in order to guarantee a common standard approach at Group level.

› Criteria

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

- qualitative criteria: linked to the job role, the decision making process, the material impact on the Group’s risk profile and to the responsibilities within the Group’s organization, in material business units, in corporate control and staff functions;

- quantitative criteria: defined by the total compensation received in the previous year.

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

> Process

Starting from 2010, UniCredit has regularly conducted a self-evaluation to define the Group Material Risk Takers population to whom, according to internal/external regulations, specific criteria for remuneration and incentive aspects are adopted.

Since 2014, UniCredit Group has a Material Risk Takers identification process following the Commission Delegated Regulation (EU) 64/2014. Since 2019, as foreseen by Bank of Italy Circular 285, Material Risk Takers identification process is an integral part of the Group Remuneration Policy and Report.

The Material Risk Takers identification process is performed annually, on an ongoing basis, at both local and Group level, and it also considers Agents involved in financial activities, Insurance Agents and Financial Advisors.

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

- Human Capital leads the identification process defining a consistent approach at Group level through specific guidelines;
- Risk Management leads the identification process of positions with material impact on an institution’s risk profile of a material business unit;
- Compliance verifies the proper application of what is envisaged by Regulatory Technical Standards, Group Material Risk Takers Internal Guidelines and specific regulation.

Group Legal Entities are actively involved in the identification process of Material Risk Takers coordinated by UniCredit S.p.A., sending the Holding Company all necessary information as per received indications.

Specifically, the Group Legal Entities are obliged to identify Material Risk Takers on an individual basis, in compliance with the local or sector-specific regulations, and will adopt similar criteria to those of this document and in the internal regulation/guidelines, in coordination with the Holding Company which assures the overall consistency of the identification process Group wide. In any event, each Legal Entity is responsible to be compliant with the provisions directly applicable to them.

The Holding Company, considering the outcomes of the evaluation performed by the various entities as specified above, consolidates results with the goal to identify Group Material Risk Takers.

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

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

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

- transmits to the European Central Bank or the Bank of Italy timely, and in any case within six months of the closing of the previous financial year, the notification of exclusions that refer to personnel with total remuneration amount equal or higher than EUR 500,000 and lower than 750,000 Euro;
- transmits to the European Central Bank or the Bank of Italy timely, and in any case within six months of the closing of the previous financial year, the request for authorization for personnel with total remuneration amount equal or higher than 750,000 Euro or within the 0.3% of the personnel which was awarded the highest total remuneration in the previous financial year.

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

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

> Preliminary results of the identification process

The 2020 Identified Staff population was updated in January 2020 ensuring full compliance with regulatory provisions.

In January 2020 the assessment process to define the Identified Staff population identified approximately 1,000 resources (65 of which new compared with last year and 63 resources identified for the first time), resulting in about 40 resources less than the Identified Staff at the end of 2019. Approximately 500 resources (see also chart below) amongst the total of Material Risk Takers belong to the Business Functions, for whom the adoption of a

maximum ratio between variable and fixed remuneration of 2:1 can be applied. It is highlighted that the expected number of Identified Staff with variable remuneration exceeding the 1:1 ratio is about 120. Moreover, 113 resources are also defined as Identified Staff exclusively because of total remuneration levels.

Identified Staff population represents approximately ca. 1.2% of the Group employee population, with this outcome being in line with the results of 2019 process.

At the beginning of 2020, there have been no Agents and Financial Advisors identified within the Material Risk Takers as per EBA qualitative criteria. In line with EBA and Bank of Italy provisions, in case Agents and Financial Advisors fall under EBA quantitative criteria, UniCredit will evaluate the possibility to activate, in case of no material impact on Group risks, the exclusion process, as per the foreseen regulatory timeline.

As a result of the analysis on Group Material Risk Takers and as approved by the Board of Directors, upon Remuneration Committee proposal and in compliance with Delegated Regulation (EU) n. 604/2014 issued by the European Commission, the following categories of employees have been defined for 2020 as Identified Staff.

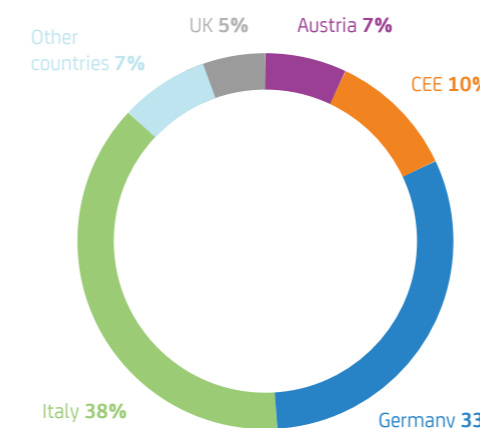
The Group Senior Management, as described in the dedicated Global Job Model focus, composed by:

- Group Chief Executive Officer;
- Executives with Strategic Responsibilities and other Senior Executive Vice Presidents³;
- Executive Vice Presidents.

Moreover, additional Executive positions were identified in Corporate Control Functions (Audit, Risk Management, Compliance), Finance, Human Capital and other roles, since they are responsible for the Group’s decision which may have a relevant impact on the Bank’s risk profile.

Finally, Board Members, Senior Management population and other specific roles of the legal entity have been defined as Identified Staff according to regulatory provisions.

Geographical distribution of the Group Identified Staff



Breakdown by business

Max Var/Fix remuneration ≤1
Max Var/Fix remuneration >1^A

Business	Max Var/Fix remuneration ≤1	Max Var/Fix remuneration >1 ^A	2020 GMRT vs Group FTEs
CIB	12%	88%	31% (311)
CBK GER	45%	55%	22% (213)
CEO	98%	2%	19% (175)
CEE	69%	31%	12% (120)
CBK ITA	52%	48%	11% (101)
COO	91%	9%	3% (34)
CBK AUT	78%	22%	2% (23)

TOTAL NUMBER OF GROUP IDENTIFIED STAFF: ~ 1,000

Note: Identified Staff data refer to the population as per January 2020 providing for an ex-ante definition in line with Regulatory requirements
A. Percentage of GMRT with Max Var/Fix >1 of the total staff is equal to 0.6% (approx. 500 resources).

3. Co-Heads of CB Western Europe, co-Heads of CB Central Eastern Europe, co-Chief Operating Officers, Head of Finance & Controls, Head of Group Human Capital, Head of Group Legal, Chief Compliance Officer, Group Chief Risk Officer, co-Heads of CB Italy, Head of CIB Division, Head of CB Germany, Head of CB Austria, Head of Group Wealth Management, Chief Lending Officer, co-Group CFOs, Chief Transformation Officer

2.5 Compensation to Directors, Statutory Auditors and Executives with Strategic Responsibilities

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

> Board of Directors

The Ordinary Shareholders' Meeting held on April 12, 2018 appointed UniCredit's Board of Directors for the financial years 2018-2020 whose mandate shall expire upon approval of the 2020 financial statements. The Board thus elected was chaired by Mr. Fabrizio Saccomanni.

Following the sudden death of Mr. Saccomanni on August 7, 2019, Mr. Cesare Bioni - Deputy Chairman - served as Chairman from August 8 to September 20, 2019, the date on which the Board of Directors appointed him to all intents and purposes Chairman of the Board of Directors, with the expectation that he would remain in office until the end of the term of office of the current Board of Directors, in April 2021.

The Shareholders' Meeting of April 12, 2018 also approved the proposal, made by the outgoing Board, to grant to the members of the new Board and its Committees an overall annual compensation of Euro 1,760,000, of which Euro 1,125,000 aimed at remunerating the members of the Board and Euro 635,000 at the remuneration of the members of the Board's Committees.

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

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

In addition, the members of the Board of Directors benefit from an insurance policy to cover the third-party liability of Directors and Statutory Auditors, the renewal of which was approved by the Shareholders' Meeting on May 11, 2012 and confirmed valid at the time of appointment in April 2018.

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

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

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

In this context, it has been allocated a compensation of:

- Euro 75,000 for each Board member;
- Euro 50,000 for each member of the Internal Controls and Risks Committee;

- Euro 35,000 for each member of the Remuneration, Corporate Governance Nomination and Sustainability and Related-Party Committees.

Moreover, heard the opinion of the Board of Statutory Auditors, the Board has defined the following special remuneration ex art. 2389, 3rd paragraph of the Civil Code:

- Euro 775,000 for the Chairman of the Board, in addition to the insurance for non-occupational accidents;
- Euro 402,000 for the Chief Executive Officer;
- Euro 100,000 for the Chairman of Internal Controls and Risks Committee;
- Euro 10,000 for the Chairmen of the other Committees.

At that time, provision was also made for Mr. Saccomanni to be provided accommodation in Milan and cover for health insurance.

The Board of Directors' meeting of September 20, 2019 confirmed the amount of Euro 775,000, in addition to the insurance coverage for non-occupational accidents, the special remuneration in favour of the new Chairman, Mr. Cesare Bioni. The same Board also resolved to award Mr. Bioni this special compensation for the period from August 8 to September 19, 2019, during which he served as Chairman while Deputy Chairman.

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

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

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

> Board of Statutory Auditors

The Board of Statutory Auditors currently in office was appointed on April 11, 2019 by the Ordinary Shareholders' Meeting and is expected to remain in office for three years, until the approval of the Financial Statements for 2021.

The outgoing Board of Statutory Auditors had provided the Shareholders' Meeting with information on the time commitment required to carry out the assignment. This commitment, for 2018, amounts to 77 days, equal to 616 hours (98 days, equal to 784 hours, as to the Chairman).

In the Shareholders' Report, it was also reminded that the new Board of Statutory Auditors would also perform the functions assigned to the Supervisory Board pursuant to Legislative Decree no. 231 of June 8, 2001, and that, consequently, in the Profile of the of UniCredit S.p.A. Board of Statutory Auditors it has been estimated as a reference point to assess the overall commitment required to the body's members the number of 109 days a year (98 days for the Board of Statutory Auditors' activities and 11 for the ones of the supervisory body) for the Chairman of the Statutory Auditors and 88 days a year (77 days for the Board of Statutory Auditors' activities and 11 days for the ones of the supervisory body) for the permanent Auditors.

To the Shareholders' Meeting of April 11, 2019 was also communicated that:

- the annual remuneration approved by the Shareholders' Meeting of April 14, 2016 for the outgoing Board of Statutory Auditors was Euro 140,000 for the Chairman of the Statutory Auditors and Euro 100,000 for each permanent Auditor, as well as an attendance fee of Euro 400 for each Board of Statutory Auditors meeting and of Euro 400 as attendance fee for taking part in any meeting of the other corporate bodies;
- the annual remuneration approved by the Board of Directors on June 13, 2018 for the external members of the Supervisory Board was Euro 50,000 for the Chairman and Euro 40,000 for each external member;
- the Shareholders' Meeting held on May 11, 2012 resolved to renew the terms of the insurance policy to cover the third-party liability of the Company's Directors and Statutory Auditors and that this insurance would be extended to the Statutory Auditors appointed on this occasion.

On the basis of this information - and taking specific account of the fact that, as from this renewal, the Board of Statutory Auditors would also perform the functions of the Supervisory Board - a shareholder of UniCredit SpA has proposed to the Shareholders' Meeting, which has approved, an annual remuneration of:

- Euro 170,000 for the Chairman of the Board of Statutory Auditors;
- Euro 125,000 for each permanent Auditor;

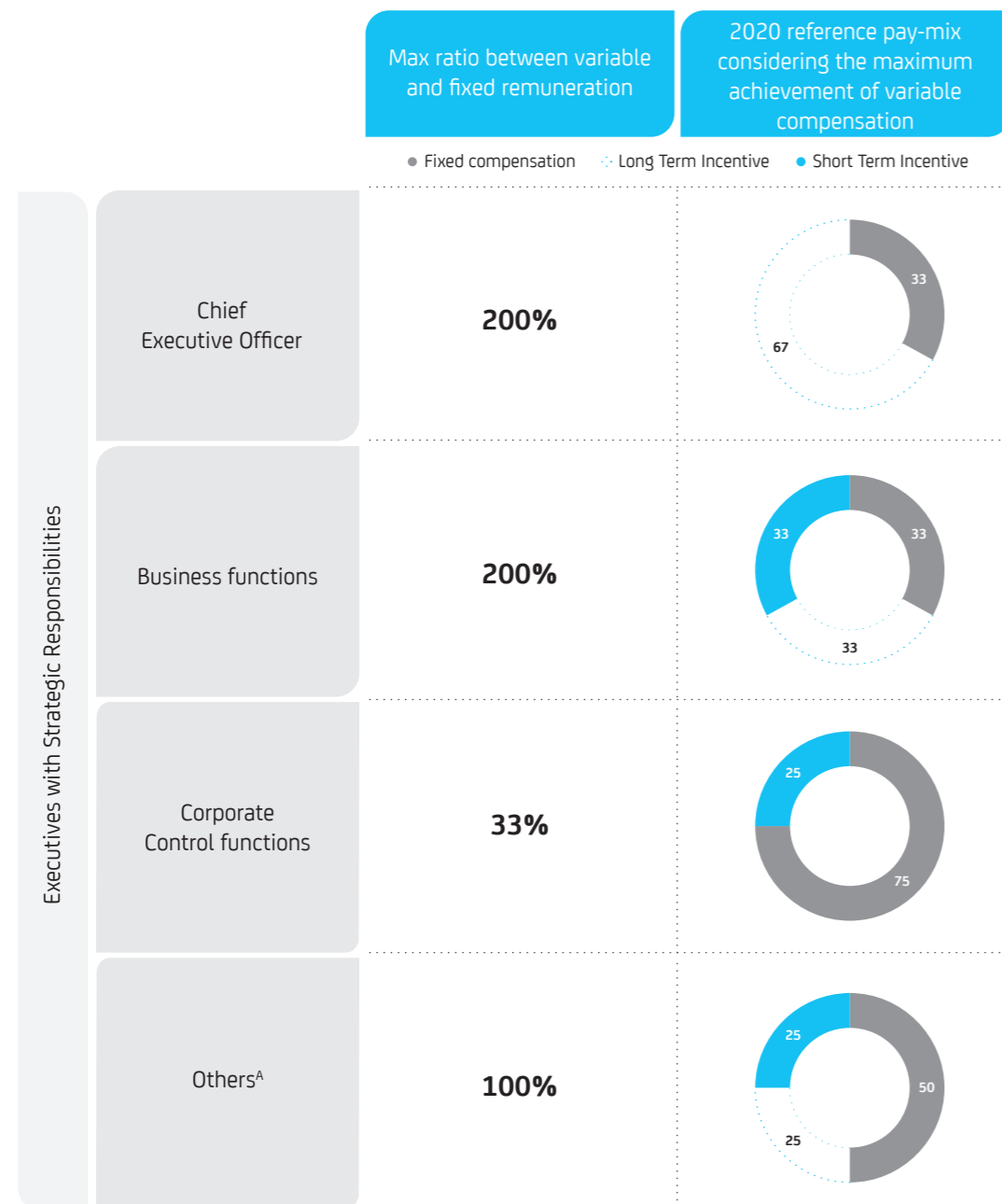
plus an attendance fee of Euro 400 for every meeting of the Board of Statutory Auditors and an attendance fee of Euro 400 for any other meetings of a company body attended.

> Executives with Strategic Responsibilities

The Board of Directors also identifies the “Executives with Strategic Responsibilities” with own resolution, for the application of all related corporate and regulatory laws.

At the beginning of 2020, this aggregate is composed as follows: Group CEO, co-CEOs Commercial Banking Western Europe, co-CEOs Commercial Banking Central Eastern Europe, Head of Finance & Controls, Group Chief Risk Officer, Head of Group Human Capital, Chief Compliance Officer, Head of Group Legal, Co-Chief Operating Officers and Head of Internal Audit.

Reference pay-mix of the Executives with Strategic Responsibilities



A. For Human Capital function the fixed remuneration is expected to be predominant in respect to the variable one and long-term variable remuneration is not foreseen.

3. Compliance and Sustainability Drivers

To support the design of remuneration and incentive systems⁴, with particular reference to network roles (also including credit intermediaries) and Governance Functions, the following “compliance and sustainability drivers” have been defined, in line with applicable regulation⁵.

> Remuneration general principles

- Maintain an adequate balance of fixed and variable compensation elements also with due regard to the role and the nature of the business performed. The fixed portion is maintained sufficiently high in order to allow the variable part to decrease, and in some extreme cases to drop down to zero;
- set an appropriate mix between short and long-term variable compensation, consistent with the strategies, market and business practices of reference and in line with the long-term interests of the group.

> Incentive Systems

- Build incentive systems based on profitability, financial solidity, sustainability and other drivers of sustainable business practice with particular reference to risk, cost of capital and efficiency;
- design flexible incentive systems such as to manage payout levels in consideration of overall Group, country/division performance results and individual achievements, adopting a meritocratic approach to selective performance-based reward;
- design incentive systems which do not, in any way, induce risk-taking behaviors in excess of the Group’s strategic risk appetite; in particular the incentive systems should be coherent to the Risk Appetite Framework (“RAF”);
- design forward-looking incentive plans which balance internal key value driver achievement with external measures of value creation relative to the market;
- design incentive systems to set minimum performance thresholds below which zero bonus will be paid. In order to maintain the adequate independence levels for Corporate Control Functions, for Human Resources and the Manager in Charge of Drafting the Company Financial Reports, provide a maximum threshold for the progressive reduction of the bonus pool, which can be phased out to zero only in presence of exceptionally negative situations with an approval process including a governance step by the Board of Directors;

- subject the remuneration to correction mechanisms that allow it to be reduced (even significantly) or reduced to zero, for example in the case of behaviors, by relevant persons or credit intermediaries, that have caused or contributed to significant damage to customers or a significant breach of the rules contained in Title VI of the T.U., the relevant implementing provisions or Codes of Ethics or Conduct for the protection of customers applicable to the intermediary.

> Goals and performance management

- Maintain an adequate mix of economic and non-economic (quantitative and qualitative) goals, depending on the role, considering also other performance measures as appropriate, for example risk management, adherence to Group values or other behaviors;
- accompany the qualitative measures by an ex-ante indication of objective parameters to be considered in the evaluation, the descriptions of expected performance and the person in charge for the evaluation;
- relate the non-economic quantitative measures to an area for which the employee perceives a direct link between her/his performance and the trend of the indicator;
- include among the non-economic goals (quantitative and qualitative), where relevant, goals related to customer loyalty and level of satisfaction, risk as well as to compliance (e.g. credit quality, operational risks, application of MiFID principles, products sales quality, respect of the customer, Anti Money Laundering requirements fulfillment);
- set and communicate ex-ante clear and pre-defined parameters as drivers of individual performance;
- avoid incentives with excessively short timeframes (e.g. less than three months);
- promote a customer-centric approach which places customer needs and satisfaction at the forefront and which will not constitute an incentive to sell unsuitable products to clients;
- take into account, even in remuneration systems of the external networks (financial advisors), the principles of fairness in relation with customers, management of legal and reputational risks, protection and loyalty of customers, compliance with the provisions of law, regulatory requirements, and applicable self-regulations;

4. Also considering third-party incentives.

5. Including Bank of Italy provisions “Trasparenza delle operazioni e dei servizi bancari e finanziari - Correttezza delle relazioni tra intermediari e clienti”.

- create incentives that are appropriate in avoiding potential conflicts of interest with customers and in terms of market manipulation, considering fairness in dealing with customers and the endorsement of appropriate business conduct and usage of privileged information (e.g. benchmark contributors);
- consider performance on the basis of annual achievements and their impact over time;
- include elements which reflect the impact of individual's/business units' return on the overall value of related business groups and organization as a whole;
- avoid bonuses linked to economic results for Corporate Control Functions⁶, for Human Resources and Manager in Charge of Drafting the Company Financial Reports and set, for the employees in these functions, individual goals that shall reflect primarily the performance of their own function and that will be independent of results of monitored areas, in order to avoid conflict of interest;
- recommend the approach for Corporate Control Functions also where possible conflicts may arise due to the function's activities. In particular, this is the case of functions (if any) performing only control activities pursuant to internal/external regulations such as in some structures in Accounting/Tax structures⁷;
- assure independence between front and back office functions in order to guarantee the effectiveness of cross-checks and avoid conflict of interest, with a particular focus on trading activities, as well as ensuring the appropriate independence levels for the functions performing control activities;
- define incentives that are not only based on financial parameters for personnel providing investment services and activities, taking into account the qualitative aspects of the performance; this in order to avoid potential conflicts of interest in the relationship with customers⁸;
- avoid incentives on a single product or financial instrument or specific categories of financial instruments, as well as single banking/insurance product;
- avoid an incentive for the joint selling of the optional contract and the financing as opposed to the sale of the financing alone, where the contract offered in conjunction with the financing is optional;
- promote prudent credit growth and appropriate risk-taking behavior, and not encourage excessive risk taking; variable remuneration of the staff involved in credit granting:
 - is linked, among others, to the long-term quality of credit exposures;
 - includes, in terms of performance objectives and targets, credit quality metrics and is in line with credit risk appetite;
- define, for Commercial Network Roles, goals that include drivers on quality/riskiness/sustainability of the products sold, in line with client risk profile. Particular attention shall be paid to the provision of non-economic goals for customer facing roles selling products covered by MiFID. For these employees, the incentives must be defined in such a way as to give priority to customer loyalty and satisfaction and at the same time avoid potential conflicts of interest towards them;
- provide indicators, for the staff responsible for handling complaints, taking into account, among other things, the results achieved in handling complaints and the quality of customer relations;
- indicate clearly within all rewarding system communication and reporting phases that the final evaluation of the employee achievements will also rely, according to local requirements on qualitative criteria such as the adherence to compliance and Code of conduct principles;
- put in writing, document and make available for the scrutiny of independent checks and controls the entire evaluation process;
- define ex-ante the evaluation parameters, for those cases where individual performance evaluation systems are fully or partially focused on a managerial discretionary approach. These parameters should be clear and documented to the manager in due time for the evaluation period. Such parameters should reflect all applicable regulation requirements⁹ (including the balance between quantitative and qualitative parameters). The results of managerial discretionary evaluation should be formalized for the adequate and predefined monitoring process by the proper functions and an appropriate repository should be created and maintained (e.g. inspections/request from the Authorities);
- do not link goals, for research management and analysts, to any financial transactions or revenues of single business areas, but for example consider to link them to the quality and accuracy of their reports.

› Payout

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

6. Meaning Internal Audit, Risk Management and Compliance functions, pursuant to Bank of Italy Circular 285 of December 17, 2013, 25th update of October 23, 2018. Where CRO roles cover both Underwriting and Risk Management functions, goals assigned must not represent a source of conflict of interest between Risk Management and Underwriting activities.

7. Where CFO roles cover also Financial Statements preparation, possible economic measures have to be chosen in a conflict - avoidance perspective.

8. As for example: ESMA requirements, with reference to MiFID remuneration policies and practices; Technical Advice ESMA on MiFID II (Final Report 2014/1569); MiFID II specific articles regarding remuneration/incentives for relevant subjects.

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

- include clauses for zero bonus in circumstances of non-compliant behavior or qualified disciplinary action, subjecting payout to the absence of any proceeding undertaken by the company for irregular activities or misconduct of the employee with particular reference to risk underwriting, sales processes of banking and financial products and services, internal code of conduct or values breach;
- require employees to undertake not to use personal hedging strategies or remuneration and liability - related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

Drivers for Commercial Campaigns

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

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

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

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

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

The remuneration policies drawn up in accordance with the Transparency regulation include an indication of the number of relevant persons and credit intermediaries to whom they apply, as well as the role and functions held by them.

The indication of the role and functions of relevant persons is provided by area of activity, without prejudice to the distinction between persons who offer products directly to customers and persons to whom they report hierarchically.

Relevant persons and credit intermediaries to whom the rules on Banking Transparency apply

	Role/position covered	Subjects that offer products directly to customers	Subjects to which the former respond hierarchically
Employees	Senior Banker / Deputy Area Manager	477	203
	Branch Manager (including deputy, if any)	2,291	120
	Commercial Coordinator / Team Leader	295	145
	Private Banking / Wealth Management relationship manager	657	60
	Retail affluent relationship manager	2,520	2,124
	Retail mass market advisor	10,210	2,124
	Small business relationship manager	1,377	129
	Corporate banking relationship manager	814	76
	Product specialist	187	22
	Commercial assistants / staff	1,768	266
Credit Intermediaries & Financial Advisors	Agent in financial activity	519	7
	Credit intermediary	19	1
	Other credit intermediaries	1	1
	Financial Advisor	20	14

Data as of December 31, 2019.

4. Compensation Framework

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

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

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

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

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

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

Remuneration can be either:

- fixed (e.g. salary) or
- variable (e.g. short-term incentives, long-term incentives).

Within this section details are provided also with regards to the following topics:

- Market benchmark;
- Ratio between variable and fixed compensation;
- Share ownership guidelines.

Additionally, according to their peculiarities, further remuneration components can be classified as fixed or variable remuneration as described in this chapter and in line with regulatory framework and more precisely:

- Non-standard compensation;
- Benefits;
- Severance.

4.1 Market Benchmark

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

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

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

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

The peer group is subject to annual review to assure its market representativeness.

For 2020, the European peer group, has been slightly revised (one amendment compared with last year's panel) and considers: Banco Santander, Banque Populaire CE, Barclays, BNP Paribas, Commerzbank, Credit Agricole, Deutsche Bank, ING, Intesa Sanpaolo, Nordea Bank, Royal Bank of Scotland, Société Générale, Standard Chartered and UBS.

4.2 Fixed compensation

› Definition

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

› Objective

Base salary is appropriate in the specific market for the business in which an individual works and for the skills and competencies that the individual brings to the Group.

The relevance of fixed compensation weight is sufficient to reward the activity rendered even if the variable part of the remuneration package was not paid due to non-achievement of performance goals such as to reduce the risk of excessively risk-oriented behaviors, to discourage initiatives focused on short-term results and to allow a flexible bonus approach.

4.3 Variable compensation

› Definition

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

› Objective

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

› Features

Adequate ranges and managerial flexibility in performance-based payouts are an inherent characteristic of well-managed, accountable and sustainable variable compensation, which may be awarded via

› Features

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

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

mechanisms differing by time horizon and typology of reward.

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

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

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

4.3.2 Long-Term Remuneration

Long-term remuneration aims to strengthen the link between variable compensation and Company results and further align the interests of senior management and shareholders.

The long term remuneration provides for:

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

4.3.1 Short-Term Remuneration

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

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

Performance management for Identified Staff is managed according to central governance ensuring fair and coherent appraisal process across the organization, leveraging on a unique repository at Group level.

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

The short-term remuneration for the Identified Staff population is regulated under the Group Incentive System, as described in the Group Remuneration Policy.

Additionally, local incentive systems (e.g. commercial campaigns) may exist, following the principles included in this Policy, and described within *ad hoc* local regulations.

Each year, detailed information about our compensation governance, key figures and the features of Group incentive systems is fully disclosed in the Group Remuneration Policy.

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

Group guidelines provided for the eligibility to variable compensation have to be mentioned in the Executive contracts.

Amounts related to variable pay and any technical details of payments (vehicles used, payment structure and time schedule) are included in separate communication and managed in strict adherence to governance and delegation of authority rules.

4.4 Non-standard compensation

Non-standard compensation are those compensation elements considered as exceptions (e.g. welcome bonus, special award, retention bonus, Role-Based Allowance).

Such awards are limited only to specific situations, as appropriate, to hiring phases, launch of special projects, achievement of extraordinary results, high risk of leaving for Group Executives and

mission critical roles and positions covered in specific corporate functions.

As a general rule, non-standard compensation elements are considered variable remuneration. In specific cases of non-standard compensation, namely the Role-Based Allowances for Corporate Control Functions, they are fixed remuneration.

Moreover, awards must in any case be in accordance with regulations in force at the time (e.g. cap on the ratio between variable and fixed remuneration, technical features fixed by regulation for bonus payout, if applicable) and subject to UniCredit governance processes, periodically monitored and

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Role-Based Allowance

In 2019, UniCredit introduced Role-Based Allowances (RBA) for Corporate Control Functions in Italy. RBAs are considered fixed components of the remuneration, in line with regulatory provisions and market practices.

This compensation item aims to:

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

disclosed for regulatory requirements, as well as subject to malus conditions and claw-back actions, as legally enforceable. Variable non-standard compensation rules are specified either on the dedicated letter of award or making reference to the Group Incentive System rules in force:

RBA in UniCredit has the following features:

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

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

4.5 Benefits

› Definition

Benefits include welfare benefits that are supplementary to social security plans, healthcare and work-life balance benefits and are intended to provide substantial guarantees for the well-being of staff and their family members during their active career as well as their retirement.

In addition, special terms and conditions of access to various banking products and other services may be offered to employees in order to support them during different stages of their lives.

› Objective

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

› Features

In coherence with the governance framework and Global Job Model, benefits are aligned by applying general common criteria for each employee category, while benefits plans are established on the basis of local regulations and practices. Benefits that are not awarded on the basis of the above common criteria are to be considered variable remuneration.

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

4.6 Severance

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

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

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

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

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

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

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

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

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

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

4.7 Ratio between variable and fixed compensation

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

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

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

Assumptions upon which the increase of the maximum ratio between variable and fixed remuneration, type of personnel and limit itself were based have not changed (e.g. UniCredit business model kept substantially stable since 2014, the compensation strategy is competitive at international level and basically in line with the one in 2014). On the basis of the ECB Recommendation on dividend distribution policies issued in January 2020, UniCredit capital ratios satisfy the regulatory capital requirements which allow the Group to be classified within the first category of institutions, with the highest level of capital ratios, and therefore with the lowest limitations on dividend distributions.

In addition UniCredit sets its variable remuneration policy in order to respect in a forward looking perspective the most updated regulatory capital recommendations on variable remuneration¹⁰.

In 2020, Identified Staff belonging to this category are about 500 resources of which, based on the target variable remuneration level and including in the calculation the pro-temporis quota of 2020-2023 LTI Plan, for only 120 positions is estimated an overall variable remuneration that may exceed the 1:1 limit.

The estimated portion of the 2020 Incentive System that could be awarded to those roles in excess to the 1:1 ratio is less than 8%

of the overall estimated pool (approx. € 12 million, of which € 7 million in UniCredit shares), with a potential impact on UniCredit share capital of approximately 0.05%, assuming that all free shares for employees are distributed. This amount of capital (i.e. €12 million) is equivalent to ca. 0.3 bps of UniCredit Group CET1 ratio.

In light of this information, it is set that the decision to maintain a maximum level of variable remuneration of 2:1 of the fixed remuneration for the personnel belonging to the business functions (as approved by the Annual General Meeting on 2014) would not affect the Group maintenance of a sound capital base.

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

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

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

For these Corporate Control Functions, in particular, the maximum weight of the variable component will take into account the differences between national rules and regulations in application of Directive 2013/36/EU in the various countries in which the Group operates¹¹, in order to ensure equal operating conditions in the market and the ability to attract and retain individuals with professional skills and capabilities adequate to meet the needs of the group.

4.8 Share ownership guidelines

Share ownership guidelines set minimum levels for company share ownership by relevant Executives¹², aiming to align managerial interests to those of shareholders by assuring appropriate levels of personal investment in UniCredit shares over time.

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

The Board approved at the end of 2011 the share ownership guidelines applied to the Chief Executive Officer, to General Manager and Deputy General Manager roles, if any, and on March 2017 extended the application to Senior Executive Vice President and Executive Vice President positions (see image below).

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

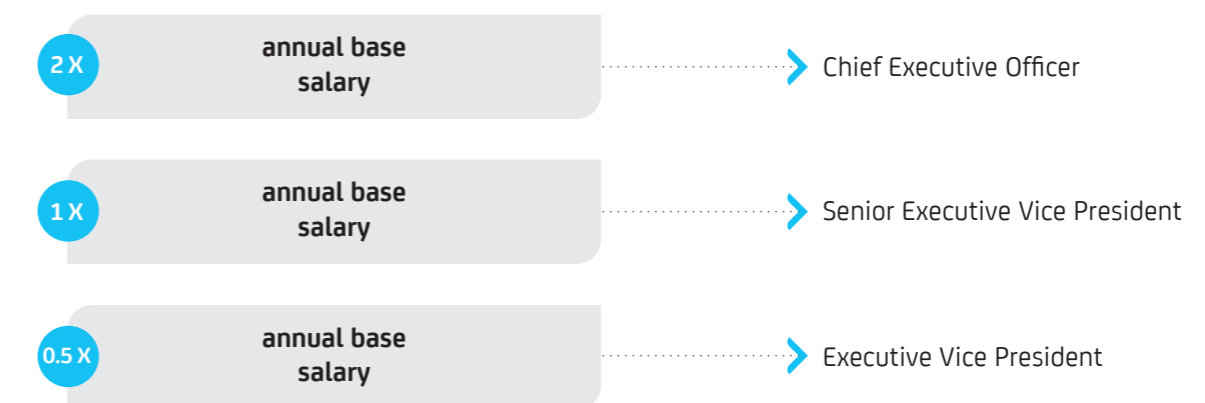
The achievement of the share ownership levels should be accomplished through a pro-rata approach over a 5-year period, granting the minimum amount of shares each year, taking into consideration potential vested plans.

Involved Executives are also expected to refrain from entering into schemes or arrangements that specifically protect the unvested value of equity granted under incentive plans (so called "hedging").

Such clauses are contained in all relevant incentive plan rules and apply to all beneficiaries, since involvement in such schemes undermines the purpose of limiting the risk. Any form of violation of share ownership guidelines as well as any form of hedging transaction shall be considered in breach of Group compliance policies with such consequences as provided for under enforceable rules, provisions and procedures.

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

Share ownership guidelines



10. ECB letter - Variable remuneration policy of UniCredit S.p.A., as of January 2020.

11. In particular, for the Identified Staff of Corporate Control Functions in Italy, the ratio between the variable and the fixed components of remuneration cannot exceed the limit of one third, as per BankIt provision (Circular 285 of December 17, 2013, 25th update of October 23, 2018).

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

5. Group Compensation Systems

5.1 2020 Group Incentive System

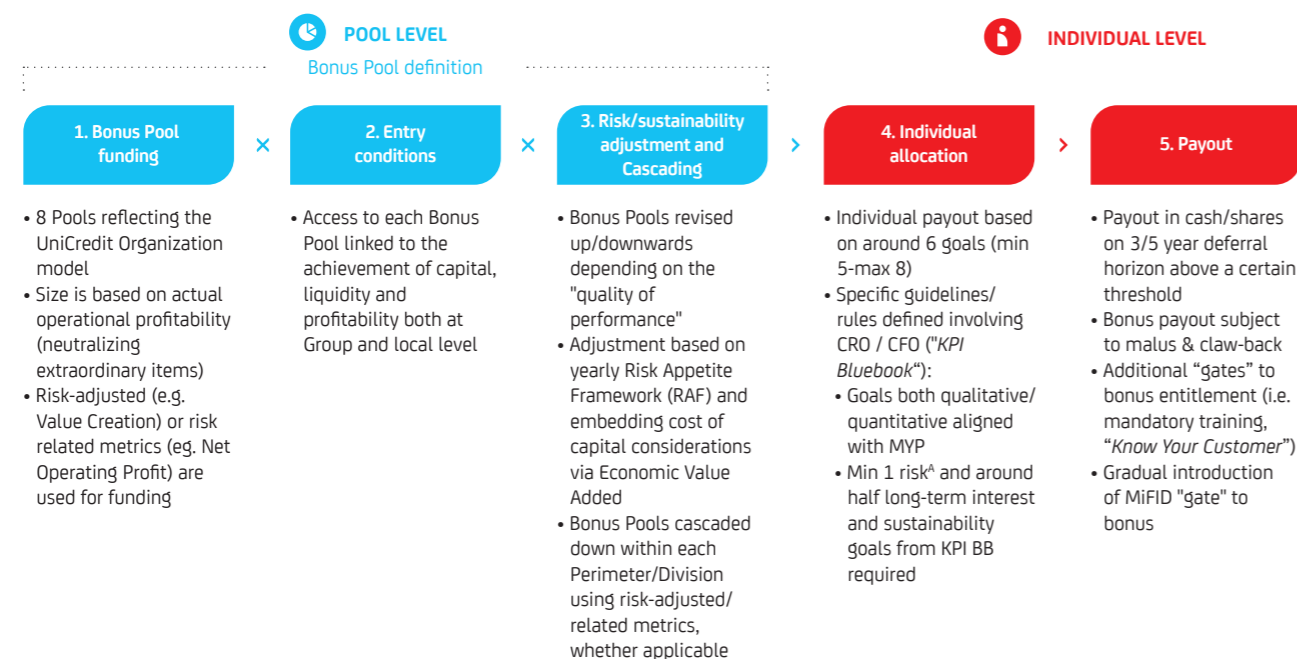
In line with past years, the 2020 Group Incentive System, as approved by UniCredit Board of Directors on January 14, 2020, is based on a bonus pool approach which is compliant with the most recent national and international regulatory requirements and links bonuses with company results at Group and country/division level, ensuring a strong connection between profitability, risk and reward. In particular, the system provides for:

- the definition of eight bonus pools for each country/division, whose size depends on actual profitability;
- allocation of a variable incentive defined on the basis of the determined bonus pool, individual performance evaluation, internal benchmark for specific roles/markets and maximum ratio between variable and fixed compensation as approved by the Annual General Meeting;
- a malus condition (Zero Factor) which applies in case specific thresholds of profitability, capital and liquidity are not met at both Group and country/division level;
- risk adjusted metrics in order to guarantee long term sustainability, regarding company financial position and to ensure compliance with regulations;

- definition of a balanced structure of upfront (following the moment of performance evaluation) and deferred payments, in cash and/or shares for Identified Staff;
- distribution of share payments which take into account the applicable regulatory requirements regarding the application of share retention periods.

2020 Bonus pool clusters	
Commercial Banking Italy	CEE
Commercial Banking Austria	CEO Functions
Commercial Banking Germany	COO Area
HVB Subgroup	CIB

The 2020 Incentive System is based on the following methodology:



A. Risk adjusted or Risk related.

5.1.1 Bonus Pool Funding

The bonus pools are initially proposed during the budgeting phase for every cluster as a percentage of their respective Funding KPI (e.g. Net Operating Profit). In such a definition, the following elements are considered: business context and perspectives, previous years amount and forecasts of profitability. The budget is submitted to the approval of UniCredit Board of Directors.

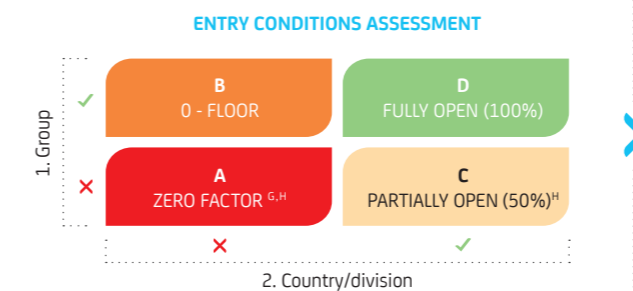
The bonus pools set for each cluster are adjusted accordingly to the intra-annual trend of the respective Funding KPI. Bonus pools are based on the risk weighted results of each country/division, in line with overall Group performance, considering the assessment of both Group and country risk sustainability.

5.1.2 Entry Conditions

Specific "Entry Conditions" are set at both Group and country/division level. The combined evaluation of the Entry Conditions at Group and local level defines four possible scenarios that allow the confirmation to increase, reduce or cancel the bonus pool for each cluster.

Entry Conditions Definition

ENTRY CONDITIONS DEFINITION	
1. Group	2. Local^{FJ}
<ul style="list-style-type: none"> Underlying NOP^A > 0 Underlying Net Profit^A > 0 Pillar 1 capital ratios^B ≥ Minimum regulatory targets^C Liquidity Coverage Ratio^D > 2020 RAF "limit" (110%) Net Stable Funding Ratio^E > 2020 RAF "limit" (101.5%) 	<ul style="list-style-type: none"> Underlying NOP^A ≥ 0 Underlying Net Profit^A ≥ 0



- A. NOP/Net Profit stated in the Financial Statement, excluding any extraordinary items (e.g. disposal of real estate assets, sale of companies, restructuring costs, Regulatory headwinds) as considered appropriate by the Board of Directors upon Remuneration Committee proposal; Underlying Net Profit is the one used as basis for capital distribution.
- B. In case of issues with capital and/or liquidity requirements at Legal Entity (LE) level, the related Bonus Pool size could be impacted, even if the Entry Conditions at Group level are fully satisfied.
- C. CET 1 Ratio ≥ 10.91%; Tier 1 ≥ 12.41%; Total Capital ≥ 14.41%; Leverage Ratio ≥ 3.5%; TLAC ≥ 19.66%.
- D. Liquidity Coverage Ratio: it aims to ensure that the bank maintains an adequate level of not restricted "High Quality Liquid Assets" in a sufficient quantity to cover the overall "Net Cash Outflows", over a period of thirty days, under gravely stressed conditions specified by Supervisors.
- E. Net Stable Funding Ratio: is defined as the amount of available stable funding relative to the amount of required stable funding and measures, under a long term perspective, the sustainability terms of maturities between asset and liabilities.
- F. "Local" refers to the Bonus Pool segment (e.g. CEE, CBK Italy). In case of Legal Entity belonging to a Bonus Pool it might be appropriate to include additional Entry Conditions measured at LE level.
- G. For Executive & Identified Staff population. In any case, the Board of Directors can provide the CEO the possibility to allocate a separate and discretionary pool for retention purposes only, subject to local relevant governance bodies' decision, eventually including a positive feedback from ECB, if required (e.g. in a scenario of CET1r < threshold, in a context of a capital contingency plan defined with ECB). For the other employees, a significant reduction will be applied.
- H. In case Entry Conditions are not met at Group level, no bonus payout is envisaged for the Group CEO and all the Senior Executive Vice Presidents, irrespective of Country or area of activity.
- I. In case a Bonus Pool segment has a budget lower than 0, the local entry conditions would refer to this value, provided that all regulatory requirements (included requirements at LE level) are respected.

13. The bonus pool of 2020 will be zeroed (for Identified Staff), while an ex-post correction mechanism is foreseen that determines a reduction of deferrals of previous year systems from 50% to 100% of their value, based on the entity of loss both at Group & local level and CRO assessment based on positioning vs. Risk Appetite Framework (next paragraph - Adjustments based on Sustainability and Risk).

The malus condition (Zero Factor) will apply in case the specific metrics on profitability, capital and liquidity are not achieved both at Group and local level (box A of the matrix included in the scheme "Entry Conditions definition"). Specifically, the Zero Factor is applied to the Identified Staff population¹³, whereas for the non-Identified Staff population, a significant reduction will be applied.

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

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

Entry conditions in terms of capital and liquidity apply as well to external networks and agents, where applicable, as foreseen by regulation.

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

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

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

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

5.1.3 Adjustments based on sustainability and risk

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

The methodology envisages the assessment performed by Group Risk Management based on specific dashboards at Group and local level. In addition, the Group CFO presents to the Remuneration Committee a specific report providing commentary on Group and segment results.

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

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

For each bonus pool cluster, the Group CRO function provides an overall assessment on the dashboards and the evaluation brings to the definition of a "multiplier" in order to define the adjustment of each bonus pool, which could fall in the range of 50%-120%. Negative and neutral "multipliers" (i.e. 50%, 75% and 100%) are directly applied to bonus pool. In case of positive CRO "multipliers" (i.e. 110% and 120%) the possibility to grant a further growth in the bonus pool is confirmed only in case of positive EVA (profit¹⁴ higher than cost of capital) or EVA greater than budget value, if the latter is negative. Positive "multipliers" are representing the upper bound of the bonus pool theoretical value and subject to managerial evaluation, considering the broader context of the company.

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

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

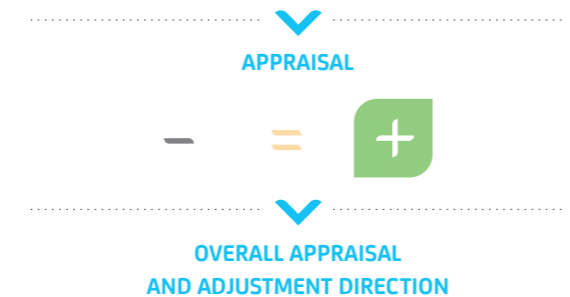
In particular, based on Entry Conditions achievement, in case the CRO assessment reports the maximum positive result, accessibility has been confirmed from positive EVA values and the Board of Directors exercises the maximum discretion, the following scenarios may occur:

CRO Dashboard ILLUSTRATIVE

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

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

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



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



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

- if the Entry Conditions are not met only at Group level, the gate is "partially open", with the possibility to payout a reduced bonus pool with a minimum reduction of 28%¹⁵ of the theoretical value, except for the Group CEO and all the Senior Executive Vice Presidents, irrespective of country or area of activity;
- if the Entry Conditions are met both at group and country/division level, the gate is "fully open", meaning the bonus pools may be fully confirmed or even increased up to max 144%¹⁶.

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

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

goodwill impairment), therefore considering the Underlying Net Profit (the same metric used for capital distribution).

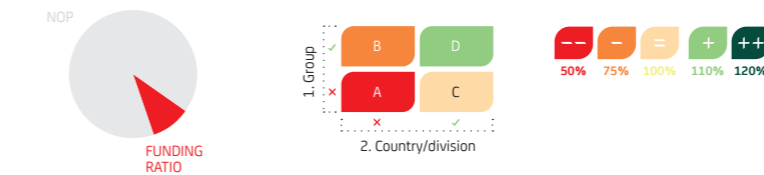
Once the bonus pools are approved by the Board of Directors, starts the breakdown process to cascade the pools within each perimeter/division. The breakdown process takes into account risk adjusted/related indicators that are assessed at year end, where applicable according to business features (e.g.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

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

Example of bonus pool definition ILLUSTRATIVE



- Bonus pool proposed in budget phase as a percentage of the funding KPI
- Entry Conditions achieved both at group and local country/division level
- Positive evaluation on risk sustainability done by CRO (+)
- Final decision on bonus pool amount, including the possible application of an upward discretion of the Board (+20%) or downward (till zeroing the bonus pool)



15. Maximum scenario achievable in case of positive CRO assessment and using all the Board of Directors' discretion to approve a bonus pool max +20% of the theoretical one (50%*120% CRO dashboard + 20% BoD discretion).
 16. Maximum scenario achievable in case of positive CRO assessment and using all the Board of Directors' discretion to approve a bonus pool max +20% of the Theoretical one (100%*120% CRO dashboard + 20% BoD discretion).

5.1.4 Individual Allocation

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

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

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

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

introduced by starting to ensure full awareness of the related risks as well as consistency of approach at Group level.

Each Identified Staff receives the Group Incentive System Rules with a detailed description of the system and its application. Individual performance appraisal is based on 2020 Scorecard: around six individual goals assigned during the performance year, selected from our catalogue of main key performance indicators (KPI Bluebook) and inspired by our "Five Fundamentals"¹⁷.

In particular, it is possible to include from five to eight goals equally weighted with an adequate mix of economic/non-economic. The goals are mandatorily selected from the *KPI Bluebook* with the possibility to assign up to two custom goals.

Competencies and behaviors considered as relevant are taken into account by the manager for the overall performance appraisal. Further details are reported in paragraph 5.2.

The performance appraisal system is based on a 5-point rating scale with a descriptive outcome and reflects the evaluation of the individual goals ("what") and of the behaviors acted to achieve them ("how").

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

Compensation distribution guidelines


ILLUSTRATIVE

Bonus vs Position Reference	OVERALL PERFORMANCE				
	Inadequate	Inconsistent	Solid	Strong	Outstanding
> 130%					■
110% - 130%				■	
80% - 110%			■		
0% ^A - 80%		■			
0%	■				

A. A bonus above zero and up to 80% is allowed for exceptional cases, to be justified
Note: Compensation distribution guidelines should take into account the max variable to fixed cap by role

2020 Performance Appraisal Scorecard

ILLUSTRATIVE

ECONOMIC GOALS	Risk Adjusted/Related	Long Term Interest
Goal 1	✓	✓
Goal 2	✓	
Goal ...		✓
NON-ECONOMIC GOALS	Risk Adjusted/Related	Long Term Interest
Goal 1		
Goal 2		✓
Goal ...		✓
VALUES & BEHAVIORS		
 Qualitative assessment of adherence to 5 Fundamentals and Ethics & Respect values		
OVERALL PERFORMANCE		5-point rating scale

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

5.1.5 Payout Structure

As approved by the Board of Directors on January 14, 2020, with reference to payout structure, the Identified Staff population will be differentiated into four clusters, using a combined approach of position and compensation:

- for Senior Management¹⁸ 5-year deferral schemes are applied, consisting in a payout structure of 6 years in total; a higher deferral percentage is applied in case of High Earners (variable remuneration > 430,000 Euro¹⁹);
- for other Identified Staff 3-year deferral schemes are applied, consisting in a payout structure of 4 years in total; an higher deferral percentage is applied in case of High Earners (variable remuneration > 430,000 Euro).

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

- in 2021 the first installment of the total incentive will be paid in cash and/or free UniCredit ordinary shares subject to the evaluation of the individual adherence to compliance and conduct principles²⁰;
- the remaining part of the overall incentive will be paid in cash and/or free UniCredit ordinary shares:
 - 2022-2026 for Senior Management;
 - 2022-2024 for other Identified Staff;
 - Each further tranche will be subject to the application of the Zero Factor for the year of reference and in absence of any individual/values compliance breach.

Each share tranche is subject to a 1 year retention period for both upfront and deferred shares, as foreseen by regulation.

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

Deferral scheme

	2020	2021	2022	2023	2024	2025	2026
Senior Management ^A with variable remuneration > € 430,000	performance year	20% upfront cash	20% upfront shares	12% deferred cash	12% deferred shares	12% deferred shares	12% deferred cash 12% deferred shares
Senior Management ^A with variable remuneration ≤ € 430,000	performance year	25% upfront cash	25% upfront shares	10% deferred cash	10% deferred shares	10% deferred shares	10% deferred cash 10% deferred shares
Other Identified Staff with variable remuneration > € 430,000	performance year	20% upfront cash	5% deferred cash	5% deferred cash	20% deferred cash		
			20% upfront shares	15% deferred shares	15% deferred shares		
Other Identified Staff with variable remuneration ≤ € 430,000	performance year	30% upfront cash	30% upfront shares	10% deferred shares	20% deferred cash		
					10% deferred shares		

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

The number of shares to be allocated in the respective installments shall be defined in 2021, on the basis of the arithmetic mean of the official market price of UniCredit ordinary shares during the month preceding the Board of Directors to which the 2020 bonuses are

submitted, after having evaluated performance achievements. The Board of Directors assigns free UniCredit ordinary shares that will be freely transferable at the end of the retention period.

18. EVP and above banding and other apical roles foreseen by Bank of Italy Circular 28.
19. 430,000 Euro is the lower amount between 10 times the average Bank total compensation and the 25% of total compensation of Italian High Earner as reported by EBA.
20. Considering also the gravity of any internal/external findings (i.e. Audit, Bank of Italy, Consob and/or analogous local authorities).

For Group Material Risk Takers, the annual variable remuneration has to be deferred if it:

- is above 50,000 EUR or
- represents more than one third of the total annual remuneration.

Below this threshold no deferral mechanisms will be applied, according to relevant regulatory indications.

The maximum value of the 2020 Group Incentive System for the Identified Staff receiving UniCredit ordinary shares is approximately € 170 million, with an expected impact on UniCredit share capital of approximately 0.65%, assuming that all free shares for employees are distributed. Out of this amount, the estimated portion that could be awarded to business functions roles, exceeding the 1:1 ratio between variable and fixed remuneration, is less than 8% of the overall estimated pool (approx. € 12 million distributed on less than 120 beneficiaries), with a potential impact on UniCredit share capital of approximately less than 0.05%, assuming that all free shares for employees are distributed.

The overall dilution for all other current outstanding Group equity-based plans equals 2.22%.

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

With the goal to respect this provision, Corporate Control Functions perform sample checks on custody and administration internal accounts for Material Risk Takers and require them to communicate the existence towards other intermediaries of custody and administration accounts and their performed transactions and financial investments, if any.

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

FOCUS

Compliance breach, Malus and Claw-back

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

In case of *ex-ante* risk adjustment, the Malus mechanism (the reduction/cancellation of all or part of the variable remuneration) can be activated to the variable remuneration to be awarded. In case of *ex-post* risk adjustment, the Malus mechanism (the reduction/cancellation of all or part of the variable remuneration) can be applied to the deferred components that have already been awarded and have not yet been paid out, for the year in which the breach occurred. If the outstanding variable remuneration is not sufficiently large to ensure an appropriate malus mechanism, the reduction may be applied also to other variable remuneration components (e.g. deferred component from other years than the year in which the breach occurred or the variable remuneration awarded for the year and not yet paid).

Claw-back mechanism (the return of all or part of the variable remuneration) can be activated on the overall variable remuneration already paid, awarded for the time period during which the breach occurred, unless different provisions by local regulations or more restrictive provisions are in force.

The claw-back mechanisms can be activated up to a period of 5 years after the payment of each installment, also after the employee's

contract termination and/or the end of the appointment and take into account legal, social contributions and fiscal profiles and the time limits prescribed by local regulations and applicable practices.

Malus and claw-back mechanisms may apply in the case of verification of behaviors adopted in the reference period (performance period), for which the employee:

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

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

According to the EBA guidelines²¹ and to further strengthen the governance framework, the key rules of compliance breaches management, as well as, their related impact on remuneration components, through the application of both malus and claw-back clauses, are given below.

Specific guidelines about the application of the Malus and Claw-back procedure to be adopted throughout the Group were formalized and provided by the Holding Company to the Legal Entities that apply local adaptations consistent with the overall Group approach and with regulations in the various countries in which the Group operates.

The process is specifically applicable to the Identified Staff population, as per regulatory provisions, while general principles are applicable to all individuals within the Group who are beneficiaries of variable remuneration, including external networks and agents, where applicable.

The main elements of the Malus and Claw-back procedure are the following:

- breaches identification, based on the roles and responsibilities of the functions involved according to their ordinary activities. The Identification is based both on internal and external sources (e.g. special investigation, disciplinary sanctions, regulatory sanctions);
- breaches evaluation, based on the assessment of the breach materiality following a scoring system, from lowest to highest value. The drivers of materiality assessment are:
 - gravity of the individual conduct, including the circumstances of a law violation;
 - adherence to the "Ethics & Respect" values and "Do the right thing!" principle;
 - nature (fraud or gross negligence) of the trigger event;

- repetitiveness of the breach;
 - impact on financials;
 - seniority of the individual;
 - organizational role;
 - impact on the group external reputation;
 - other circumstances aggravating or mitigating the reported breach;
- In coherence with the score assigned and the reference period of the breach, the impact on the variable remuneration is defined according to two elements:
 - perimeter of the variable remuneration (upfront or deferred) that can be reduced/cancelled based on predefined scenarios, according to the breach materiality. In case of heavy breaches, fulfilling certain pre-conditions, the claw-back (return) of already paid variable remuneration may be activated;
 - percentage of the variable remuneration that can be reduced/cancelled and/or returned back;
 - breaches evaluation and final proposal for measures to be adopted are defined by a dedicated "Malus & Claw-back Committee" composed by representatives of Compliance, Human Capital and Internal Audit functions and, upon request, other UniCredit or other Group Legal Entities' personnel;
 - decision making process and relevant measure adoption are defined according to the internal HR Delegation of Powers.

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

5.2 Performance Management framework

> The Framework

The Group Incentive System, described in paragraph 5.1, is supported by an annual performance measurement framework assuring coherence, consistency and clarity of performance objectives with business strategy, while encouraging and rewarding desired behaviors and risk orientation.

Performance is evaluated in terms of risk-adjusted profitability and risk-weighted systems and mechanisms are provided. Our performance management process ensures all Identified Staff know what is expected of them and includes a rigorous monitoring of their goals achievements.

Especially for the Identified Staff population, for whom variable remuneration is expected to be more in line with long-term value creation and Group results, the process of setting annual objectives (so-called Goal Setting) is supported by a structured framework that has been consolidated over the years, namely the *KPI Bluebook*.

The *KPI Bluebook* serves as the performance measurement and evaluation framework within the Group Incentive System, which is reviewed and updated annually with the involvement of certain key functions (i.e. Human Capital, Finance, Risk Management, Compliance, Group Sustainability, Audit, Group Stakeholder Insight).

The *KPI Bluebook* provides specific guidelines related to:

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

- the selection of goals, defined in a perspective of avoidance of conflicts of interest with customers, particularly for Commercial/Network roles.

The *KPI Bluebook* includes KPIs certified by relevant business functions among which:

Main core drivers categories	Examples of KPIs for each category
Value creation	<ul style="list-style-type: none"> • ROAC (Return On Allocated Capital) • RACE (Risk Adjusted Capital Efficiency) • ROTe (Return on Tangible Equity) • ...
Risk and capital governance	<ul style="list-style-type: none"> • CET1 ratio fully loaded • New business EL % • Performing Stock EL % • Gross NPE • ...
Clients	<ul style="list-style-type: none"> • Net New Clients • Internal Service Quality (ISQ) • Reputation Index • External Customer satisfaction Index (e.g. NPS) • Quality claims management and response quickness • ...
Industrial levers	<ul style="list-style-type: none"> • Operating costs • Cross-selling excellence (CSE) • Underlying Net Profit • Innovation and digitalization of processes and products • ...
Human capital	<ul style="list-style-type: none"> • Gender Balance & Pay Gap • HR Processes Execution • Succession Planning • ...
Compliance culture	<ul style="list-style-type: none"> • Tone from the Top • Regulatory requirements and policy implementation • ...
...	<ul style="list-style-type: none"> • Cross Functional Collaboration and Best Practice Sharing • ...

21. "Guidelines on sound remuneration policies", published on June 27, 2016.

The different categories of the *KPI Bluebook* represent economic and non economic goals and are mapped into clusters of business, as shown in the picture below, to help identifying the most relevant standardized KPIs (all certified by relevant functions), with specific focus on risk-adjusted, sustainability-driven metrics and economic measures.

Sustainability KPIs (see Focus area) are the goals that meet current needs without compromising the ability of the Company to generate profit in the future and which have an impact on the creation of medium/long-term value for one or more stakeholders.

FOCUS

Stakeholder Value and Indicators

The *KPI Bluebook* includes also sustainability indicators aiming at

measuring client experience, employees' engagement level and Succession Planning. Further details on the sustainability strategy are included in the Integrated Report published on UniCredit website.

CLIENTS	
<p>Customer experience & brand reputation benchmarking</p> <ul style="list-style-type: none"> • <i>Definition:</i> analysis of competitive positioning of UniCredit on strategic KPIs, such as customer experience and brand reputation, assessing brand & business perception among Customers and Prospects; • <i>Listening Methodology:</i> the assessment is conducted in all countries where the group operates as commercial bank, through surveys that involve the Retail and Corporate segment. Respondents are customers of the banks of UniCredit and of the local competitors and are contacted by the Provider randomly in a double blind approach (no list of clients contacts provided by UniCredit and no specification that UniCredit is the commissioner of the study); • <i>Used indexes:</i> <ul style="list-style-type: none"> • Strategic Net Promoter Score (S-NPS) assessing the likelihood of recommendation of the local bank by its customers; • Reputation Index assessing the overall reputation of the local bank vs peers by customers & prospects; • <i>Supplier:</i> Kantar. 	<p>Internal service quality</p> <ul style="list-style-type: none"> • <i>Definition:</i> analysis of an overall satisfaction perceived by the Internal Customer, evaluating the Department which is providing the service. Purpose is to simplify the process and improve its effectiveness. In addition, specific employee experiences may be measured, evaluated by the employee quickly after the experience took place; • <i>Listening Methodology:</i> the assessment is conducted on the major group perimeters, through a periodic web survey, on employees who have used the respective services; • <i>Used indexes:</i> Overall Satisfaction for employees; • <i>Supplier:</i> MaritzCX.

HUMAN CAPITAL	
<p>Succession Planning</p> <ul style="list-style-type: none"> • <i>Definition:</i> the succession planning coverage ratio allowing to calculate the percentage of about 500 senior management group positions for which a successor pipeline has been identified. The aim is to assure a sustainable leadership pipeline; • <i>Methodology:</i> the succession plan analysis follows a structured process based on Executive Development Plan (EDP) outcomes; • <i>Provider:</i> Internal. The Coverage Ratio is yearly shared with the Board of Directors at the end of the process. <p><i>With reference to 2019, as shared with the Board of Directors, 93% of the strategic positions has a formalized succession plan.</i></p>	<p>Gender Balance</p> <ul style="list-style-type: none"> • <i>Definition:</i> year-on-year trend in the percentage of women in Executive Vice President and Senior Vice President positions; • <i>Methodology:</i> the research is run for group employees, through a recurring web survey internal analysis by the Human Capital function of the female representative by levels of the Global Job Model.

EDP AT A GLANCE

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

- ~ 3,200 Executives involved during the EDP session across the Group;
- Local EDP sessions to discuss all the EDP
- The Top Management positions subject to the discussion with the Group Chief Executive Officer.

WOMEN IN SENIOR LEADERSHIP ROLES

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

> 2020 Goal Setting Framework

With the 2020-2023 Long Term Incentive Plan is launched, the Scorecard for the Group CEO is not reported in this paragraph, as the LTI Plan for him substitutes the short term incentives. The LTIP Scorecard is reported at paragraph 5.3.

For the other senior managers for whom the 2020-2023 LTI Plan partially covers total variable remuneration, annual Scorecards reflect mainly the targets related to the Strategic Plan *Team 23* (in particular for business Roles) and are aligned with the Risk Appetite Framework, with differences given by the perimeter of reference and the relevant activities.

As in the past, the annual objectives are defined starting from the business strategy and in compliance with the *KPI Bluebook* framework described above. The process starts with the definition of the objectives of Top Management, which serves as a starting point for the cascading of objectives to Group Executives and lower levels, where applicable. Below is the illustrative structure of the top level objectives.

Economic objectives, with different weightings depending on the role and in compliance with regulations for the Corporate Control

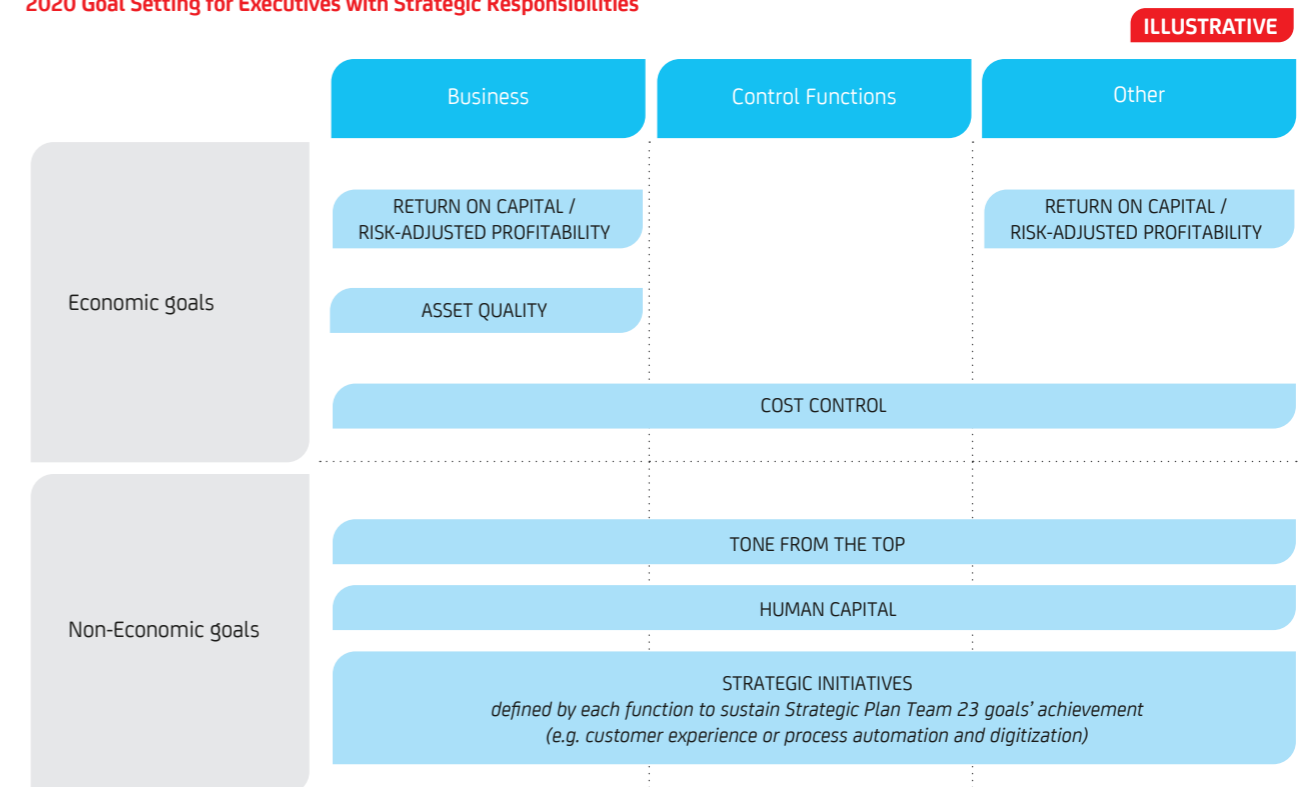
Functions, include objectives such as risk-adjusted profitability, return on capital, cost control and asset quality.

Among the non-economic objectives for the Identified Staff population, a specific KPI "Tone from the Top" is envisaged, related to integrity towards conduct principles and spread of compliance and risk culture as well as adherence to the values embedded into the "Ethics & Respect – Do the right thing!" Group principle, to enhance overall organization awareness on these topics within the risk management framework.

In addition, to support UniCredit commitment to gender representation, a target for Top Management (also assigned to lower levels in order to generate a sustainable pipeline) has been introduced since 2019 in terms of the percentage of women in Senior Leadership roles, in addition to gender pay gap/balance and gender diversity goals within the cluster of Human Capital objectives.

Finally, each role may have assigned some annual function-specific objectives, relevant to the *Team 23* Plan achievement, such as customer experience or process automation and digitization.

2020 Goal Setting for Executives with Strategic Responsibilities



5.3 2020-2023 Group Long Term Incentive Plan

The 2020-2023 Group Long Term Incentive Plan (2020-2023 LTI Plan), approved by the Board of Directors on December 2, 2019 aims at aligning Top and Senior Management interests to the long-term value creation for the shareholder, to share price and Group performance appreciation and sustaining a sound and prudent risk management, orienting the performance management measurement on a multi-year horizon, aligned with *Team 23* Strategic Plan.

The Plan also has the characteristic to be qualified as a “retention” tool in order to retain Key Players for the achievement of the mid-long term Group strategy.

The 2020-2023 LTI Plan provides for the allocation of UniCredit free ordinary shares, in several instalments and over a multi-year period, subject to the achievement of specific performance conditions linked to the 2020-2023 Multi-Year Plan.

2020-2023 LTI Plan beneficiaries

Group Chief Executive Officer

Senior Executive Vice Presidents of UniCredit

Executive Vice Presidents of UniCredit and of the Legal Entities of the Group

Other key players, including selected Talent not belonging to the aforementioned clusters

The personnel belonging to Corporate Control Functions (i.e. Risk Management, Compliance, Internal Audit), Human Capital function and the Manager in Charge of Drafting the Company Financial Reports "Dirigente Preposto" are not included in the Plan.

2020-2023 LTI Plan: main features

Reference amount at stake ^A	<ul style="list-style-type: none"> 100% of total max variable remuneration for CEO^B Up to 50% of variable remuneration for SEVPs of UniCredit Up to 30% of variable remuneration for EVPs of UniCredit and of the Legal Entities of the Group Smaller amount for Key Players
Performance period	<ul style="list-style-type: none"> 4 years (aligned to UniCredit Strategic Plan <i>Team 23</i>)
Deferral period	<ul style="list-style-type: none"> 4 years deferral subject to "malus" conditions^C Additional compulsory holding year (after which the shares become free to sell, only if the share ownership guidelines are respected)
Performance awards	<ul style="list-style-type: none"> One award based on: <ul style="list-style-type: none"> Gateway conditions on profitability, liquidity, capital and risk position Achievement of a set of performance conditions focused on Group targets, aligned to the Strategic Plan <i>Team 23</i>
Vehicles and vesting	<ul style="list-style-type: none"> 100% UniCredit Shares Ratable vesting for CEO, SEVP and EVP^D Claw-back rules apply 5 years after each installment, regardless of the vesting scenario

A. Defined upfront on the basis of four years compensation.
 B. 20% of the yearly performance of the CEO is based on the evaluation of the annual status progress of the economic goals of the LTI Plan and other non-economic goals defined based on the yearly priority.
 C. Malus conditions that reduce the payable amount based on profitability, liquidity, capital position.
 D. 100% upfront vesting for Key Players not Identified Staff.

The different percentages of payments in shares, starting from 2024, are defined considering beneficiary categories, as described in the table below.

The awarded shares will be subject to a 4-year deferral period from the date of the award of the LTI Plan, as required by law.

The overall final amount of assigned shares will be defined on the basis of the achievement of specific performance conditions linked to the 2020-2023 Multi-Year Plan, subject to continuous employment at each date of assignment of the shares.

Moreover, the shares will be assigned only on the basis of the respect, during the performance period, of the minimum conditions of profitability, capital requirements and liquidity as well as positive RAF measured across the performance period, defined yearly or for the whole performance period, in addition to the respect of the conduct of

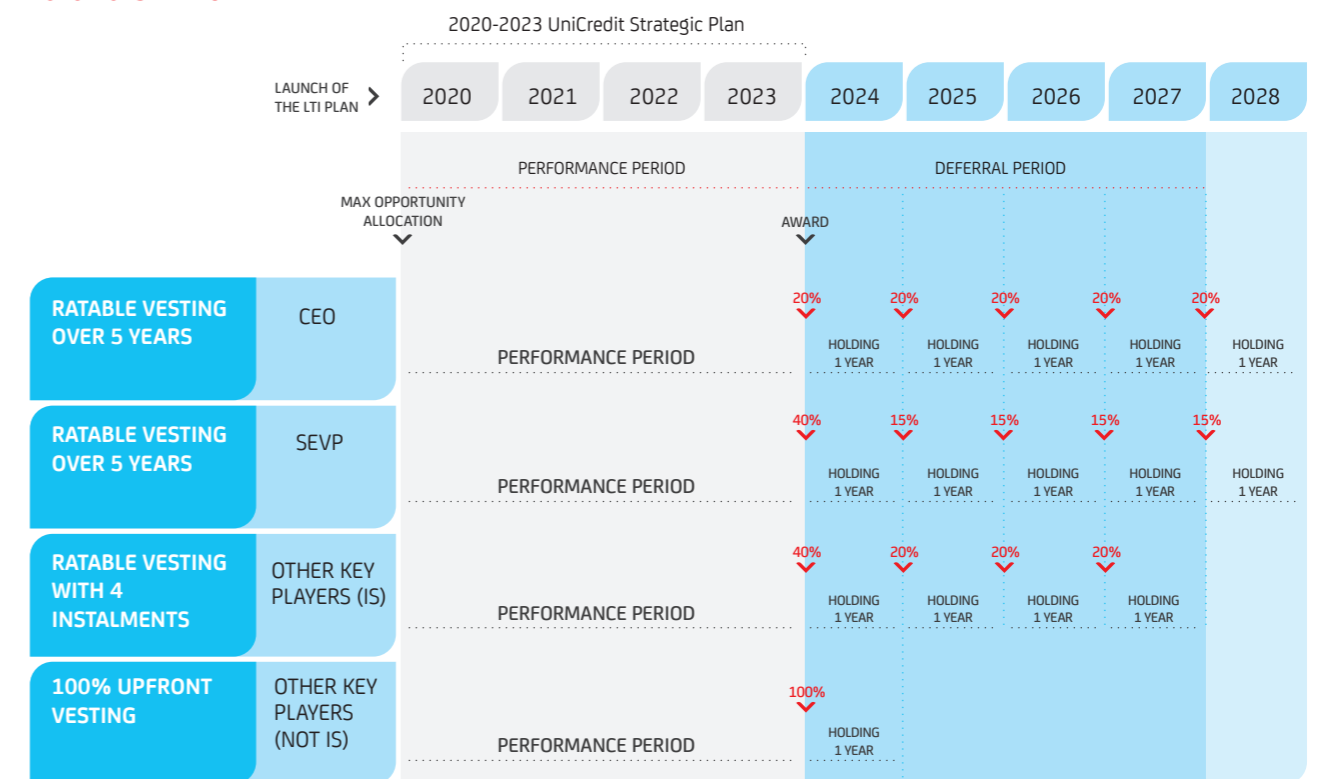
compliance with respect to the law, Company and Group compliance rules, Company Policies and to the Company values mentioned in the Code of Conduct (including claw-back clauses).

With reference to the performance period, if the threshold for the profitability conditions is not reached (either cumulative or in 2023), the award will be zeroed; on the other hand, the failure to reach the threshold for the other conditions to be assessed at the end of each year, implies the pro-rata reduction of the incentive.

With reference to the deferral period, if the threshold for profitability, capital or liquidity conditions is not reached, the award will be reduced from 50% to 100%, based on the assessment of the general context in which the result has been generated.

The claw-back rules are applied for the next five years to all payments regardless of the specific deferral scheme.

2020-2023 LTI Plan



Allocation view

Gateways, Malus Conditions and Claw-back

2020	2021	2022	2023	2024	2025	2026	2027
PERFORMANCE PERIOD				DEFERRAL PERIOD			

GATEWAYS & RISK ADJUSTMENT

- Profitability - Σ 2020-23 and 2023 Underlying NOP and Net Profit^A > 0
- Capital - Pillar 1 ratios^B ≥ Min Regulatory Target (each year)
- Liquidity - LCR, NSFR ≥ Min Regulatory Target (each year)
- Positive RAF

MALUS CONDITIONS^C

- Profitability - Underlying NOP and Net Profit^A > (each year)
- Capital - Pillar 1 ratios^B ≥ Min Regulatory Target (each year)
- Liquidity - LCR, NSFR ≥ Min Regulatory Target (each year)

A. NOP / Net Profit stated in the Financial Statement, excluding any extraordinary items (e.g. disposal of real estate assets, sale of companies, restructuring costs, Regulatory headwinds) as considered appropriate by the Board of Directors upon Remuneration Committee proposal; Underlying Net Profit is the one used as basis for capital distribution.
 B. Pillar 1 ratios as of today are: CET 1 ratio, Tier 1, Total Capital, Leverage Ratio and Total Loss Absorbing Capacity (TLAC)
 C. Malus conditions are measured each year before the payment of the installment
 Note: in case no regulatory target is foreseen, RAF limit will be used as threshold

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

It is expected a correlation mechanism with risk, based on a qualitative assessment of the Risk Appetite Framework and carried out through the annual risk dashboard during the Plan time horizon. Based on this assessment, a progressive reduction of the incentive can be envisaged, until the complete zeroing.

It is foreseen that the Board of Directors will also carry out a final assessment on the basis of the value creation for shareholders (i.e. Total Shareholder Return) in relative terms and on a comprehensive evaluation of the overall performance achieved during the Plan period, also based on other managerial KPIs included in the MYP, market context and compensation trends, reputational impacts, risks, relative Return on Tangible Equity (RoTE), innovation and digitization level of

the Bank. Such assessment may lead to a decrease down to “zero” or an increase up to maximum 20% (upwards adjustment is not applicable to Group CEO) of the shares to be awarded under the Plan. However the overall final number of shares assigned under the LTI Plan may in no event exceed the maximum 100% of the shares for which each beneficiary is eligible.

For the Group CEO, 100% of the variable remuneration is allocated on Long Term Incentive. 20% of the yearly variable opportunity is also subject to short-term goals achievement based on the evaluation of the annual status progress of the economic goals of the LTI and, for 2020, other non-economic goals on governance, sustainability and operational risks.

Once the Board verifies the achievement of the performance indicators, the shares awarded to each Beneficiary will actually be assigned on the basis of the deferred instalments foreseen for the different beneficiary categories.

For the purpose of determining the number of shares to be awarded the below performance indicators specified in the LTI Plan are considered:

Lever and KPIs	Weight	Target	Criteria	Payout	
Profitability	RoTE ^A with CET 1 underpin ^B	60%	8.1% average 20-23	> 8.1%	> 100%
				7.3%-8.1%	0-100%
				< 7.3%	0%
Asset Quality	NPE ratio "Core"	20%	3.8% average 20-23	< 3.8%	> 100%
				4.2%-3.8%	0-100%
	Expected Loss (new business flow ^C)	0.39% average 20-23	> 4.2%	0%	
			< 0.39%	> 100%	
Industrial	OpEx	10%	10.2 bln end of 23	0.44%-0.39%	0-100%
				> 0.44%	0%
				< 10.2 bln	> 100%
Sustainability	ESG rating (Sustainalytics)	10%	3 rd in ranking vs. peers end of 23	> 10.5 bln	0%
				1 st - 2 nd in ranking	150%-125%
				3 rd in ranking	100%
				4 th in ranking	75%
				5 th in ranking	50%
	Customer Satisfaction	+3 pts vs. competition end of 23	below 5 th	0%	
			> +3 pts	> 100%	
			+1 pt; + 3 pts	0-100%	
			< 1 pt	0%	
			People Engagement	73 pts twice in the Plan	> 73 pts
71-73 pts	0-100%				
< 71 pts	0%				
> 73 pts	> 100%				

Note: Goals within the lever are equally weighted; over-performance (KPI result above MYP target) can be used to compensate those KPIs that reach at least their minimum threshold level, still within the maximum 100% opportunity of the LTI Plan.
 A. Based on underlying net profit
 B. Bonus gate for CET1 at least 200 bps above minimum regulatory target
 C. Without model impact

The award is confirmed at the end of the Multi Year Plan if the above performance criteria and the Gateways & Risk Adjustments are confirmed.

The awarded shares will be paid in line with the payout scheme described above and subject to the malus and claw-back conditions. As required by law, each share payment is subject to a share retention period of one year.

Share conversion price was defined on the basis of the average price of shares during the 30 days prior the Board of Directors of January 14, 2020 approving the remaining details concerning the Plan (including the share conversion price) that equals € 13.305.

The maximum number of UniCredit shares to be allocated under the Plan is equal to 9,400,000 shares. The maximum opportunity of the Group CEO under the Plan is 712,514 shares.

The 2020-2023 LTI Plan envisages an expected impact on UniCredit share capital of approximately 0.42%, assuming that all the free shares will be assigned to employees. The total dilution for all share plans currently in place, including 2020-2023 LTI Plan, equals to 2.22%.

The Board of Directors will assign free UniCredit ordinary (and freely transferable) shares to the beneficiaries at latest by the end of July of the year following the one of each up-front or deferred share instalment (e.g. the “up-front” share instalment vested in 2024, at the end of the Plan, will actually be assigned to the Beneficiaries by the month of July 2025).

During the implementation phase, potential changes can be made to the LTI Plan, in order to ensure compliance with the laws and regulations from time to time in force in the countries where the Group Legal Entities are established.²²

22. Such amendments shall be adopted in accordance with the provisions applicable and in particular with the “Disposizioni di Vigilanza per le Banche in materia di politiche e prassi di remunerazione e incentivazione” (Circular 285 of December 17, 2013, 25th update of October 23, 2018).

Section II

Remuneration Report



1. Introduction

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4. 2019 Remuneration Data

4.1 Compensation to Directors, Statutory Auditors and Executives with Strategic Responsibilities

4.2 Granular Remuneration Data

1. Introduction

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

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

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

The activities performed in 2019 from a compensation stand-point are in line with the 2019 Group Compensation Policy, which is built based on national and international regulatory framework. The following regulatory provisions are highlighted as examples:

on January 1, 2014 the Capital Requirements Directive (CRD IV) was implemented, providing a cap on variable remuneration for Identified Staff and requesting local regulators to issue regulations for local implementation; the European Banking Authority ("EBA") published on March 4, 2014 the Regulatory Technical Standards, qualitative and quantitative criteria which are common at European level to define Identified Staff population.

To introduce CRD IV requisites, Bank of Italy issued on November 18, 2014 the final regulations which replace the "Disposizioni in materia di politiche e prassi di remunerazione e incentivazione nelle banche e nei gruppi bancari" issued in 2011. Moreover it should be noted that on June 27, 2016 EBA published the document "Guidelines on sound remuneration policies"¹. Such guidelines are applied starting from January 1, 2017.

Finally, to adopt EBA Guidelines, on October 23, 2018 Bank of Italy published an update to Circular 285 on remuneration and incentive matters.

In 2019 we participated in the European Banking Authority's remuneration benchmarking exercise and data collection of high earners, reporting, through Bank of Italy, information regarding remuneration for 2018 of all staff and Identified Staff, including the number of individuals in pay brackets of at least 1 million Euro.

In 2019, with the goal to improve Group policies and practices and leveraging on the support of the independent external advisor to the Remuneration Committee, some elements were taken in consideration:

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

Moreover, benchmarking analysis was used along the year for Group Executive compensation review.

In 2019 and in the first months of 2020 we continued our annual structured dialogue with international investors and proxy advisors, receiving valuable feedback on our compensation approach and specific inputs for an effective compensation disclosure, considering Italian and international standards.

The Remuneration Report, a document providing complete and comprehensive information on compensation, includes also this year details referring to Members of Administrative and Auditing bodies, General Managers and Executives with Strategic Responsibilities. In particular, data pursuant sect. 84-quater Consob Issuers Regulation Nr. 11971, Compensation Report-Section II, as well as the information on incentive systems under 114-bis² are included in the attachments to the 2020 Group Remuneration Policy and Report, published on UniCredit website, in the section dedicated to the Shareholders' Meeting.

2. Governance

2.1 Report on the Remuneration Committee

› Description of the Remuneration Committee

The Remuneration Committee performs a fundamental role in supporting the Board for the oversight of Group Compensation policy and for the design of incentive plans. As established in the Corporate Bodies and Committees Regulations with regards to the composition of the Board committees, the Committee consists of three non-executive members.

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

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

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

Along 2019, the members of the group's senior management team, and among them - as per Bank of Italy request - the Heads of the Corporate Control Functions in Group Risk Management (Group Chief Risk Officer-CRO) and Internal Audit functions, attended Committee meetings with regard to the topics specified in the dedicated table. Moreover, the Head of Group Human Capital or, in case of unavailability, a delegate always attended the meetings of the Committee as a guest.

The Remuneration Committee - in the performance of its duties - has made use of the information received from the competent corporate functions, thanks to the support and collaboration of the corporate head office structures.

In 2019 the Remuneration Committee has availed itself with the services of Willis Towers Watson (WTW), external independent advisor, who provides advice on compensation practices and trends, as well as up-to-date remuneration benchmarking studies. The absence of situations/relationships that could compromise the autonomy (independence) of the consultant has been assessed in advance.

WTW has collaborated with the Committee since the end of 2018. During its mandate, WTW representatives were invited to attend the meetings of the Committee to discuss specific topics.

During the year, the spending requirements of the Committee are met by a specific budget, which may be supplemented to meet specific needs. In particular in 2019, by means of this budget, the Remuneration Committee availed itself of the advice of WTW for the entire exercise of the Remuneration Committee's decision making process.

The following table summarizes the composition of the Committee in 2019 and, in addition to the information on the independence of the members, provides details regarding their attendance to the meetings that have been called during the year.

Further details are reported in the Report on Corporate Governance and the Ownership Structure published on the UniCredit website.

› Activities of the Committee 2019

In 2019 the Remuneration Committee met 12 times. The meetings had an average duration of about one and a half hours. From January 2020 to March 5, 2020, four meetings of the Committee have been held and for 2020 it is expected that the Committee will meet 10 times in total. Each meeting of the Remuneration Committee is placed on record by the Secretary designated by the Committee itself.

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

Key activities of the Remuneration Committee in 2019

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

Topics	January	February	March	April	May	June	July (2 meetings)	September	October (2 meetings)	November	December
Strategy, Policy and Governance	Group Short Term Incentive System	2019 Group Incentive System BoD AGM									
	Long Term Incentive Plan		2017-2019 LTI status progress and individual allocation		Competitive assessment on LTI Plans (independent advisor)		2020-2023 LTI Plan (2)		2020-2023 LTI Plan (2)	2020-2023 LTI Plan (2) BoD	
	Group Policies - new / update			2019 Group Compensation Policy AUDIT BoD AGM							
	Local adaptations			2019 Group Termination Policy BoD AGM					Local adaptations to 2019 Group Policies		
Annual Compensation review and decisions	Annual compensation decisions	2018 Bonus pool distribution and execution of previous years plans	2018 Group Incentive System Payout BoD		Role Based Allowance for Corporate Control Functions						Discussion on 2019 bonus pool distribution
	Identification of Group Identified Staff	Capital increase approval for previous year incentive plans					2019 Group Identified Staff - assessment methodology and outcomes CRO BoD				
	Compensation for Executives	2018 Group Incentive System - evaluation, payout and execution of previous year plans for CEO, GM, Dirigente Preposti and Heads of Corporate Functions BoD			2019 Compensation review for Executives with Strategic Responsibilities and other SEVPs BoD			2018 Bonus Payout and 2019 Group Salary review final update		2020 Compensation review for Executives with Strategic Responsibilities BoD	
	Goal setting			2019 Goal setting review for Executives with Strategic Responsibilities and other SEVPs BoD		Performance Management framework for Group Material Risk Takers		New STI Framework for GMRTs & Goal Setting for SEVPs	2020 Goal Setting for Executives with Strategic Responsibilities - Overview BoD	2020 Goal Setting for Executives with Strategic Responsibilities BoD	
Benchmarks provided by the external independent advisor	Severance payments	Report on 2018 severance payments	Severance for a member of the management								
	Market trends							Peer Group Review (independent advisor)	Emerging trends in market compensation practices (independent advisor)		
	Compensation for the Top Management					Benefit renewal for a member of the Top Management		Competitive assessment of the total compensation package for CEO and SEVP (independent advisor)			
Other							Stand-in Chairman Remuneration	Appointment of a member of the Top Management			

Remuneration Committee (year 01/01/2019 - 31/12/2019)

	Independency according to Articles of Association and Code	Non-Executive	Office covered C= Chairman M= Member	Nr. of meetings attended	% of participation
Andreotti Lamberto Chairman	✓	✓	C	11	91.7%
Carletti Elena Director	✓	✓	M (A)	10	100%
Zambon Elena Director	✓	✓	M	11	91.7%
Sironi Andrea Director	✓	✓	M (B)	2	100%

C Chairman M Member

A. Office held since February 7, 2019
B. Office held till February 6, 2019

2.2 Role of Corporate Control Functions and other relevant functions

Group Compliance function's key contributions in 2019 included:

- evaluation of the 2019 Group Compensation Policy submitted to the Board of Directors for subsequent approval at the Annual General Meeting on April 11, 2019;
- evaluation of the 2019 Group Incentive System for Identified Staff;
- preparation - in collaboration with Human Capital function - and distribution of group guidelines for the development and management of 2019 incentive systems for below Executive population;
- participation in specific initiatives of Human Capital function (e.g.: review of KPI Bluebook; review of definition of Identified Staff for the application of Group Incentive System);
- analysis of specific non-standard compensation within the 2019 cycle.

The link between compensation and risk has been maintained also in 2019 with the involvement of the Group Risk Management function in compensation design and the definition of an explicit framework to base remuneration within an overarching Group Risk Appetite Framework, so that incentives to take risk are appropriately constrained by incentives to manage risk.

Group CFO function contributed to 2019 compensation processes mainly through the definition of Group Incentive System entry conditions, bonus pool funding KPIs and performance Scorecard KPIs for Identified Staff population, also providing the relevant budget and actual data.

In particular, the Board of Directors and Remuneration Committee draw upon the input of involved functions to define the link between profitability, risk and reward within Group incentive systems.

Internal Audit report on the 2019 Remuneration policies and practices

Group Audit Department performed the annual audit on the Group remuneration policies and practices, requested by Bank of Italy³, aimed at verifying the design and implementation of the remuneration process, as well as its compliance with relevant regulatory requirements and Group internal rules.

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

Internal Audit verified the overall correct implementation of 2019 Group Compensation Policy and the application of Group Incentive System rules to Group Material Risk Takers.

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

Severances paid in 2019 resulted in line with the Termination Payments Group Policy and severance guidelines, respecting relevant escalation processes and informing Remuneration Committee.

Main audit results were presented to the Remuneration Committee on March 4, 2020.

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

3. Remuneration Processes and Outcomes

3.1 2019 Incentive System implementation and outcomes

The 2019 System, approved by UniCredit Board of Directors on January 10, 2019, provided for a 'bonus pool' approach that directly links bonuses with company results at group and country/division level and ensures a strong connection between profitability, risk and reward.

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

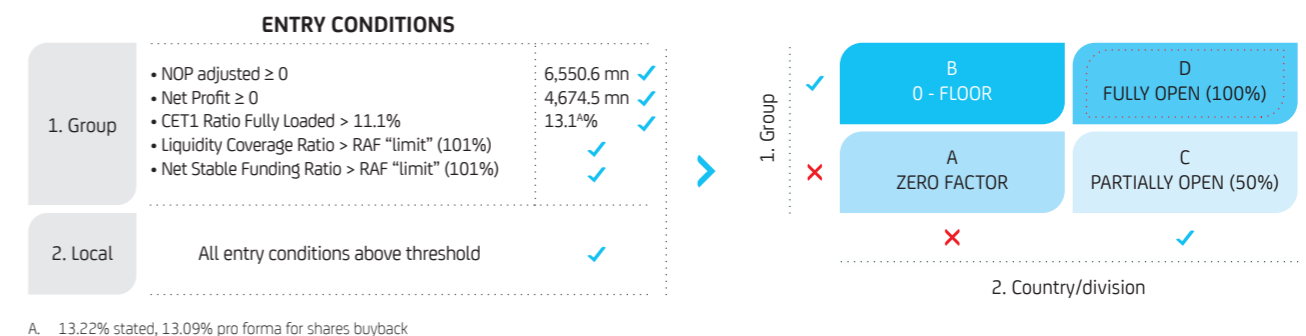
> Bonus pool sizing

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

> 2019 Entry Conditions at group and local level

In order to align to regulatory requirements, specific indicators measuring annual profitability, solidity and liquidity results had been set at both local and Group level as Entry Conditions. In particular, risk metrics and thresholds for the 2019 Group Incentive System as defined within the Entry Conditions - that confirms, reduces or cancels upfront and deferred payouts - included:

- **NOP adjusted** to measure profitability, Net Operating Profit adjusted excluding income from buy-back of own debt and from the fair value accounting of own liabilities;



- **Net Profit** to measure profitability, considering the results stated in the Financial Statement excluding any extraordinary item as considered appropriate by the Board of Directors upon the Remuneration Committee's proposal;
- **Common Equity Tier 1 ratio** that ensures to meet the threshold set as the outcome of the SREP process (Supervisory Review and Evaluation Process) coordinated by the European Central Bank. This level includes, in addition to Pillar 1 and Pillar 2 minimum, the combined buffer requirement applicable for 2019 and the Pillar 2 Guidance. The Pillar 2 Guidance is set above the level of binding minimum and additional capital requirements, and a failure to meet this threshold does not automatically trigger actions by Authorities;
- **Liquidity Coverage Ratio** that ensures that bank maintains an adequate level of unencumbered "High Quality Liquid Assets" in a sufficient quantity to cover the overall 'Net Cash Outflows', over a period of thirty days, under gravely stressed conditions specified by Supervisors;
- **Net Stable Funding Ratio** that is defined as the amount of available stable funding relative to the amount of required stable funding and measures, under a long-term perspective, the sustainability terms of maturities between asset and liabilities.

According to the actual results, approved by the Board of Directors on February 5, 2020, the relevant *Entry Conditions* have been achieved both at Group level and local level as reported in the picture below.

› **2019 Group Incentive System rules application**

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

2019 Group Incentive System rules therefore have been applied.

For each segment, the theoretical bonus pool value has been calculated applying the funding rate percentage to the actual profitability results.

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

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

In this context, the Remuneration Committee resolved to submit to the Board of Directors' approval bonus pool amounts mainly grounded on performance results, incorporating only in a few cases the upside

deriving from multipliers. In particular, the proposal submitted to the Board emerged in total bonus pool amount ~7% lower than the total theoretical value deriving from CRO multipliers, mostly as a result of balancing per-capita bonus levels and performances within each country/division.

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

› **Bonus pool distribution by segments**

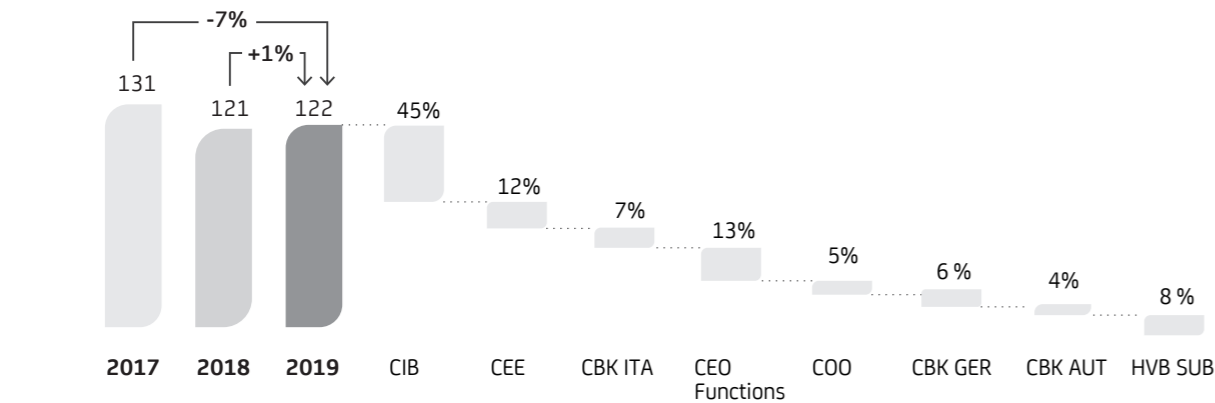
The results of the above mentioned steps brought to the distribution of the bonus pool for the Identified Staff population (ca. 1,000 resources in 2019), as reported below.

For 2019, UniCredit Board of Directors took into consideration the Remuneration Committee's proposals and regulatory guidelines regarding variable remuneration.

The assessment related to remuneration decisions, similar to past years, has been supported by a strict Group governance process in order to guarantee consistency and transparency from all parties involved in the decision-making process.

The total amount of variable compensation for Identified Staff, detailed in paragraph 4.2, is sustainable given the bank's financial position and does not limit bank's ability to hold an adequate level of capital and liquidity.

2019 Bonus distribution for GMRT



Data in mln Euro. The 2019 payout does not include the LTI pro rata yearly quota.

[Details »»](#)

For further details on the execution of the 2019 Group Incentive System and the deferrals of previous years' Plans, refer to Paragraph 4.2 and to the attachment to 2020 Group Remuneration Policy and Report, published on the UniCredit website, in the section dedicated to 2020 Shareholder's Meeting.

› **Execution of previous years plans**

Upon the assessment of achievement level for goals defined for 2019 and subsequent governance step in the Board of March 5, 2020 the allocation of ca. 4.3 million UniCredit ordinary shares was promised to ca. 570 Identified Staff to be distributed in 2021, 2022, 2023, 2024 and 2025.

The actual allocation of the last four installments is subject to the application of Zero Factor for 2021, 2022, 2023 and 2024 respectively. Therefore, the 2019 Group Incentive System would entail an expected impact on UniCredit share capital of approximately 0.19%, assuming the achievement of Group performance thresholds based on Zero Factor.

With reference to previous years Plans, the Board of Directors resolved to proceed with the payments of the outstanding deferrals due in 2020 (deferred from 2014, 2015, 2016 and 2017 Plans and from severance payments related to 2015, 2016, 2017, 2018 and 2019 Plans).

› **2019 fixed and variable compensation for the Chief Executive Officer**

As per the request by the CEO Jean Pierre Mustier to the Board of Directors in 2016, to set the right tone from the top, as well as to fully align his interests

with all stakeholders, specific conditions are applied to his remuneration effective January 1, 2017.

In particular, his fixed remuneration was reduced by 40%. With reference to 2019, the Chief Executive Officer received a total fixed remuneration of € 1.2 million, including director's remuneration.

As announced in 2016 during the Strategic Plan presentation to analysts and investors, until 2019 CEO variable is entirely based on the 2017-2019 Long Term Incentive Plan, tied to *Transform 2019* targets and, therefore, the CEO did not receive any annual bonus for 2019.

As approved by February 5, 2020 Board of Directors, the 2017-2019 Long Term Incentive Plan reached a final outcome of 93,3% of the maximum LTI opportunity based on the Scorecard results. Therefore, for the CEO, the variable remuneration amounts to 486.391 shares to be awarded according to the cliff vesting scheme (after the third year of deferral) and subject to malus and claw-back conditions, as legally enforceable.

In line with Group governance, 2019 assessment and payment for the other Executives with Strategic Responsibilities have been reviewed by the Remuneration Committee and approved by the Board of Directors, heard the Statutory Auditors and Internal Controls and Risks Committee as relevant.

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Severance Payments – Calibrations and exceptions

As provided by the Termination Payments Group Policy (Severance Policy), starting from its approval by 2019 Annual General Meeting, some calibrations, submitted to the Holding by non-Italian Group Legal Entities, were approved.

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

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

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

For Germany, which is characterized by a particularly protective legislation with regard also to Executives, a calibration proposal was approved in compliance with paragraph 4.1.1 of the Severance Policy, allowing for the notice to be paid on top to the general limit of 24 months and - in exceptional cases and with particular governance - to also increase the maximum number of months to 36 or 48, depending on the circumstances. In consideration of this context, a change in the formula calculating the severance and the provision that the formula does not apply to the severance considered privileged based on local regulatory legislation was also approved.

None of the local calibrations and exceptions have an impact on the Executives with Strategic Responsibilities.

During 2019, all severance payments were managed in line with the approved governance. Out of 34 Executive⁴ cases managed, only in one case – for which the total consistency with the approved Policy was doubtful⁵ – the escalation process for the management of exceptions, with prior opinion of the Compliance function, has been prudently activated to higher managerial levels.

For other details on severance payments defined in 2019 for Identified Staff refer to paragraph 4.2.

4. In this context, Executives are the employees with global band title equal to Senior Vice President or higher. For further information on the Global Job Model, refer to Section I, Chapter 1.
5. In terms of the criteria for calculating the remuneration and not the number of monthly payments.

3.2 Group Long Term Incentive Plan (2017-2019 LTI Plan) outcomes

> Recap of the main features

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

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

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

2017-2019 LTI Plan beneficiaries

UniCredit Chief Executive Officer

Former UniCredit General Manager

Senior Executive Vice Presidents of UniCredit

Executive Vice Presidents of UniCredit and of the Legal Entities of the group

Other Key roles beneficiaries, including selected Talent not belonging to the aforementioned clusters

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

2017-2019 LTI Plan: main features:

Amount at stake ^A	<ul style="list-style-type: none"> • 100% of total max variable remuneration for CEO and former GM^B • 50% of variable remuneration for SEVPs of UniCredit • 30% of variable remuneration for EVPs of UniCredit and of the Legal Entities of the Group • Smaller amount for Key Players
Performance period	<ul style="list-style-type: none"> • 3 years (aligned to UniCredit Strategic Plan <i>Transform 2019</i>)
Deferral period	<ul style="list-style-type: none"> • 3 years deferral (Regulatory) subject to "malus" conditions^C • Additional compulsory holding years (after which the shares become free to sell, only if the share ownership guidelines are respected)
Performance awards	<p>One award based on:</p> <ul style="list-style-type: none"> • Gateway conditions on profitability, liquidity, capital and risk position • Achievement of a set of performance conditions focused on Group targets, aligned to the Strategic Plan <i>Transform 2019</i>
Vehicles and vesting	<ul style="list-style-type: none"> • 100% UniCredit Shares • Cliff vesting of the award for CEO; ratable vesting for GM, SEVPs, EVPs and other Key Players^D • Claw-back clause foreseen for 5 years^E after shares vesting

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

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

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

The overall final amount was defined on the basis of the achievement of specific performance conditions linked to the Strategic Plan *Transform 2019*.

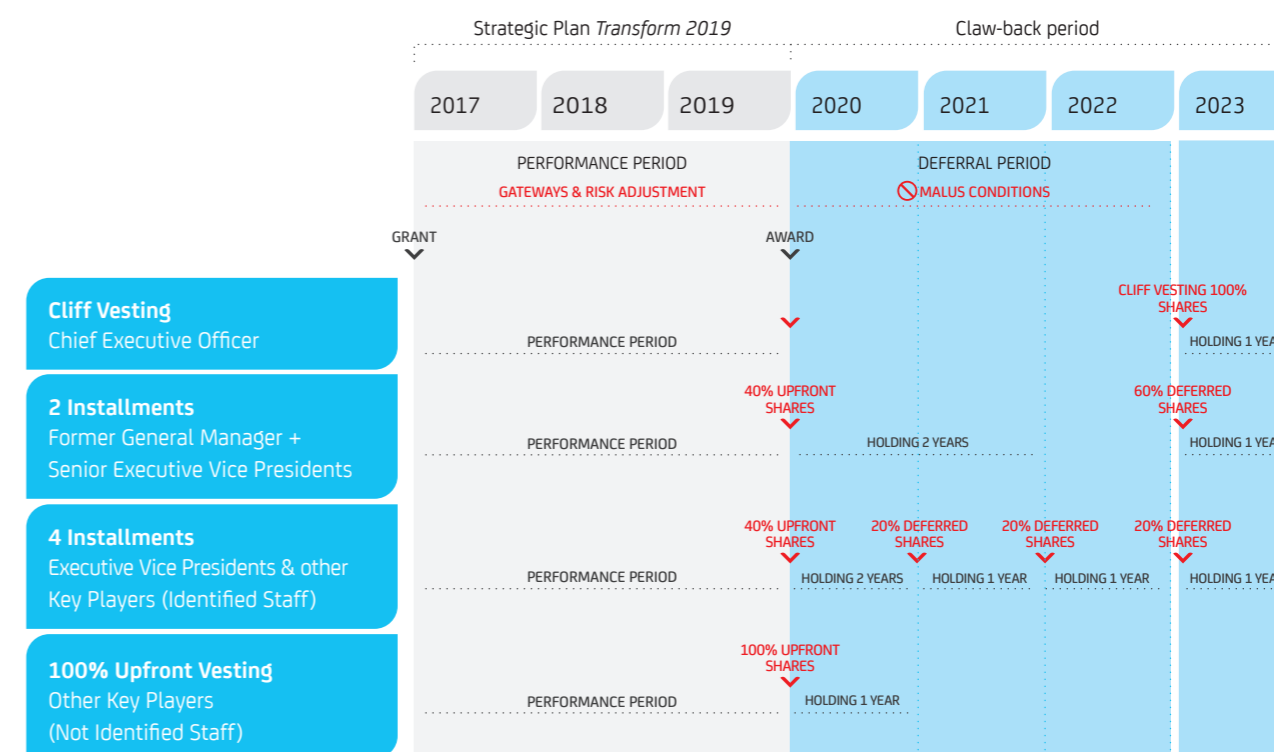
Moreover, the shares are assigned only on the basis of the respect of the minimum conditions of Company assets, capital and liquidity (“malus condition”), as well as in terms of the conduct of compliance with respect to the law, Company and Group

compliance rules, Company policies and to the integrity values mentioned in the Code of Conduct (including malus and claw-back clauses).

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

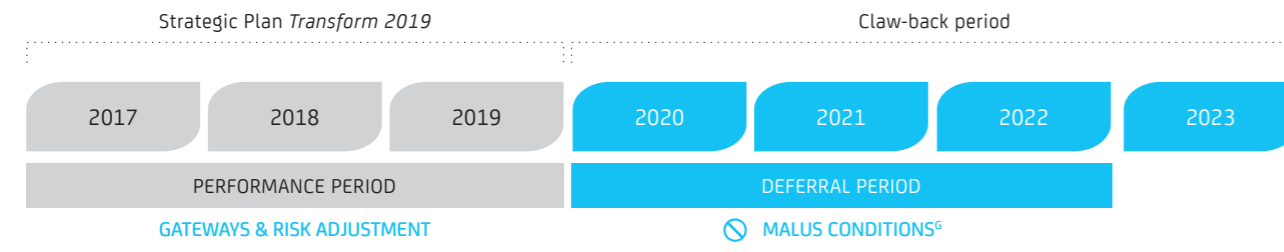
The claw-back rules are applied for the next five years to all payments regardless of the specific scenario (cliff or ratable vesting).

LTI Plan 2017-2019



Allocation view

Gateways, Malus Conditions and Claw-back



- \sum 2017-19 NOP Adjusted^A > 0
 - \sum 2017-19 Net Profit^B > 0
 - CET1r fully loaded^{C,D} \geq 11.1%
 - Liquidity Coverage Ratio^{E,F} > 100%
 - Net Stable Funding Ratio^F > 100%
 - No significant breach of RAF across the period
- \sum 2020-22 NOP Adjusted^A > 0
 - \sum 2020-22 Net Profit^B > 0
 - CET1r fully loaded^{C,D} \geq 11.1%
 - Liquidity Coverage Ratio^{E,F} > 100%
 - Net Stable Funding Ratio^F > 100%

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

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

It was expected a correlation mechanism with risk, based on a qualitative assessment of the Risk Appetite Framework and carried out through the annual risk dashboard during the Plan time horizon. Based on this assessment, a progressive reduction of the incentive could have been envisaged until zeroing, in case of material breaches of RAF across the period.

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

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

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

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

Share conversion price was defined on the basis of the average price of shares during the 30 days prior the Board of Directors of January 10, 2017 that approved the Plan. The price, in line with the decision taken during the same session of the Board of Directors, had then been adjusted following the reverse stock split and by applying the AIAF adjustment factor ("K Factor") to neutralize the dilutive effect of the Share Capital increase for cash⁶. The final price resuming from these adjustments was equal to € 13.816.

Following the finalization of the individual allocation process, the maximum number of UniCredit shares that could have been allocated under the Plan was equal to 5,320,443. The CEO was allocated a maximum number of 521,134 shares.

6. Share Capital increase and reverse stock split approved by the General Shareholders' Meeting on January 12, 2017.

	KPI	Perimeter	Weight	Target <i>Transform 2019</i>	Assessment criteria		Outcome
					Threshold	Payout	
Value creation	ROAC	Group	50%	9%	\geq 9%	100%	✓
					8% - 9%	0% - 100% ^B	9.8%
					< 8%	0%	
Industrial sustainability	Cost/Income ratio	Group	25%	52%	\leq 52%	100%	✓
					55% - 52%	0% - 100% ^B	52.8%
					> 55%	0%	
Risk	NET NPE ^A	Group	25%	20.2 bn	\leq 20.2 bn	100%	✓
					22 - 20.2 bn	0% - 100% ^B	9.8 bn
					> 22 bn	0%	

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

> Plan outcomes

On February 5, 2020 the Board of Directors approved the 2017-19 LTI Plan achievement considering that:

- all entry conditions on profitability, capital, liquidity and Risk Appetite Framework were met;
- the KPIs on the Scorecard were almost fully achieved, leading to an overall evaluation of 93.3% of the original allocation, based on the results that ensure alignment between management and shareholders in terms of capital distribution.

In detail:

- RoAC: 9.8% (target 9%);
- Cost/Income: 52.8% (target 52%);
- Net NPE: 9.8 billion (target 20.2 billion).

Considering the above, the overall share award is 4,654,137 shares (estimated capital dilution 0.21%) for 262 beneficiaries. The shares are awarded to beneficiaries over a number of installments according to the deferral schemes that vary according to the relevant clusters of population as per the structure approved in Board of Directors in 2017.

4. 2019 Remuneration Data

4.1 Compensation to Directors, Statutory Auditors and Executives with Strategic Responsibilities

In the following charts the synthetic information regarding the perceived remuneration for 2019 by the Directors, Statutory Auditors and Executives with Strategic Responsibilities is shown.

Beneficiaries	Remuneration component	Approved by	Amount	Remarks
Non-Executive Directors	Only fixed compensation	Shareholders' Meeting of April 12, 2018.	<ul style="list-style-type: none"> € 1,760,000, of which € 1,125,000 aimed at remunerating the members of the Board and € 635,000 as remuneration of the members of the Board's Committees Attendance fee for participating to each meeting^A: Board of Directors and Internal Controls & Risks Committee: € 1,000 in case of physical presence of the Director, € 400 if the participation occurs through remote communication means; other Board Committees: € 800 in case of physical presence of the Director, € 400 if the participation occurs through remote communication means. 	The compensation is determined on the basis of the importance of the position and the time required for the performance of the tasks assigned.
		Board of Directors of June 13, 2018, pursuant to sect. 2389 of the Civil Code par. 3 and Articles of Association, heard the opinion of Statutory Auditors.	<ul style="list-style-type: none"> € 1,307,000 for each year of activity, split between: BoD Chairman; Chief Executive Officer (executive); Chairmen of Board's Committees. 	The remuneration is not linked to the economic results achieved by UniCredit, non-executive directors and statutory auditors do not take part in any incentive plans based on stock options or, generally, based on financial instruments.
Statutory Auditors	Only fixed compensation	Shareholders' Meeting of April 14, 2016.	<ul style="list-style-type: none"> Compensation for each year of activity^B: for the Chairman of Board of Statutory Auditors: € 170,000; for each permanent Auditor: € 125,000; € 400 attendance fee for participating to each meeting of the Statutory Auditors, of the BoD and of the Board Committees. 	
Executives with Strategic Responsibilities	Fixed and variable compensation	Board of Directors.	2019 compensation level: <ul style="list-style-type: none"> for the CEO: € 1,185,000 fixed^C; for the other Executives with Strategic Responsibilities: € 9,671,192 fixed; € 6,629,000 variable. 	For 2019, the maximum ratio between variable and fixed compensation is: <ul style="list-style-type: none"> 200% for the CEO, the GM and for the Executives with Strategic Responsibilities, responsible for business lines; 33% for the Executives with Strategic Responsibilities, responsible for Corporate Control Functions; 100% for the other Executives with Strategic Responsibilities^D;

A. Even if meetings are held in the same day.
 B. Alternate Auditors do not receive any compensation.
 C. Including the compensation paid for the director relationship (excluding attendance fee).
 D. For Human Capital function the fixed remuneration is expected to be predominant in respect to the variable one.

Compensation to Directors

Board of Directors	BoD	Internal Controls & Risks Committee	Remuneration Committee	Corporate Governance, Nomination and Sustainability Committee	Related-Parties Committee	Total fixed comp.*	Variable non-equity compensation bonuses and other incentives	Non monetary benefits	Other remuneration	Total	Fair value of equity comp.**	Severance indemnity for end of office or termination of employment
Fabrizio Saccomanni	C ^A					52,529		4,496		530,025		
Cesare Bisoni	DC ^B C ^B			M	C	492,197				492,197		
Jean Pierre Mustier - CEO	M					1,203,999		5,304		1,209,303	1,039,054	
Mohamed Hamad Al Mehairi	M					87,000				87,000		
Lamberto Andreotti	M DC		C			141,400				141,400		
Sergio Balbinot	M					84,600				84,600		
Martha Boeckenfeld	M	M ^E				110,584				110,584		
Vincenzo Cariello	M				M	139,000		7,194		146,194		
Elena Carletti	M ^F	M ^F	M ^F			178,181				178,181		
Isabelle de Wismes	M	M				158,000				158,000		
Stefano Micossi	M			C	M	192,000				192,000		
Maria Pierdicchi	M	M			C ^G	171,279				171,279		
Andrea Sironi	M	M	M			22,819				22,819		
Francesca Tondi	M	M ^G		M		155,044				155,044		
Alexander Wolfgring	M	C		M		306,400		7,194		313,594		
Elena Zambon	M		M	M		178,600				178,600		
Total Board of Directors						4,146,632		24,187		4,170,819	1,039,054	

C Chairman DC Deputy Chairman M Member

A. Office held until August 8, 2019.
 B. Appointed Chairman on September 20, 2019, in place of Mr. Saccomanni. Mr. Bisoni, as Deputy Chairman with vicarious duties, served as Chairman pro tempore from August 8 to September 20, 2019.
 C. Office held until October 7, 2019.
 D. Appointed Deputy Chairman on October 8, 2019 in place of Mr. Bisoni.
 E. Office held until September 18, 2019.
 F. Office held since February 7, 2019.
 G. Office held since October 8, 2019.
 H. Office held until February 6, 2019.

Compensation to Statutory Auditors

Board of Statutory Auditors	Role	Total fixed comp.*	Variable non-equity compensation - bonuses and other incentives	Non monetary benefits	Other remuneration	Total	Fair value of equity comp.**	Severance indemnity for end of office or termination of employment
Marco Rigotti	Chairman	147,359		6,921		154,280		
Antonella Bientesi	Standing auditor	152,600		6,921		159,521		
Angelo Rocco Bonissoni	Standing auditor	153,400		6,921		160,321		
Benedetta Navarra	Standing auditor	183,000		6,921		189,921		
Guido Paolucci	Standing auditor	168,586		8,940		177,526		
Auditors that left off during the Period (until April 11, 2019)								
Pierpaolo Singer	Chairman	47,940				47,940		
Total Statutory Auditors		852,884		36,624		889,508		

* Included compensation for committee participation and attendance tokens

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

Compensation to Executives with Strategic Responsibilities

Executives with Strategic Responsibilities	Total fixed comp.	Variable non-equity compensation - bonuses and other incentives	Non monetary benefits	Other remuneration	Total	Fair value of equity comp.*	Severance indemnity for end of office or termination of employment
Gianni Franco Papa (General Manager) ^A	120,000		25,129	10,634	155,763	84,829	3,658,383
Other Executives with Strategic Responsibilities (Total 10.5 FTE on yearly basis)	7,891,966	1,571,508	350,743	167,492	9,981,708	3,949,214	

A. Office held until February 6, 2019.

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

Details

For further details, refer to the document attached to the 2020 Group Remuneration Policy and Report, published on the UniCredit website, in the section dedicated to the Shareholders' Meeting. >>>

> Executives with Strategic Responsibilities

For 2019, according to the Group Compensation Policy, in line with regulatory provisions, the maximum ratio between variable and fixed compensation has been defined ex-ante for the Group CEO (the sole executive director sitting on the Board of Directors and employee of the Company) and the other Executives with Strategic Responsibilities.

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

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

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

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

In particular, for the CEO the variable remuneration was entirely covered by the 2017-2019 LTI Plan, while for the other Executives with Strategic Responsibilities, the variable remuneration included both a short term (annual) and a long term component, excluding those who belong to Corporate Control Functions who participated only in the annual system.

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

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

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

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

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

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

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

For the Heads of the Corporate Control Functions, pursuant to the provisions of Bank of Italy, the goals were established by the Board of

Directors in line with the tasks assigned to them and avoiding goals linked to Bank's performance. In the decision making process related to Corporate Control Functions, the Board of Statutory Auditors and the Internal Controls and Risks Committee were also properly involved.

Specifically, for 2019, the individual goals of the Heads of the Internal Audit, Compliance function, Risk Management (CRO), Group Human Capital and the Manager in charge of preparing the company's financial reports were not connected to the Company's performance.

In line with Group governance, 2019 assessment and payment for the other Executives with Strategic Responsibilities perimeter have been reviewed by the Remuneration Committee and approved by the Board of Directors, heard the Statutory Auditors and Internal Controls and Risks Committee as relevant.

For further information on individual allocation related to the 2019 Group Incentive System, refer to the 2019 Group Compensation Policy, Section III, paragraph 5.3.

Details

Further information regarding the 2019 incentive plans implementation and outcomes is provided in paragraph 3.1 >>>

For the CEO and for other Executives with Strategic Responsibilities, share ownership guidelines are in place, further details in Section I, paragraph 4.8.

For them and for all the other Executives to whom the guidelines apply, share ownership levels have been verified at November 2019.

For ~90% of the Executives the levels are already in line with the guidelines requirements (the remaining Executives are below the threshold but accumulating shares).

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

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

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

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

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

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

4.2 Granular Remuneration Data

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

- the vested components in cash refer to Group Incentive System 2016 and 2018 and, if present, to other forms of variable remuneration;
- the vested components in shares refer to Group Incentive Systems 2014, 2015, 2016, 2017 and 2017-2019 LTI Plan and, if present, to other forms of variable remuneration.

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

- the unvested components in cash refer to Group Incentive Systems 2015, 2016, 2017 and 2018, and, if present, to other forms of variable remuneration;

- the unvested components in shares refer to Group Incentive Systems 2016, 2017, 2018 and 2017-2019 LTI Plan and, if present, to other forms of variable remuneration.

The value of the shares shown as unvested equity is calculated considering the arithmetic mean of the official market closing price of UniCredit ordinary shares during the period January 24 - February 24, 2020.

Variable remuneration paid with reference to 2019 from previous years includes payouts based on demonstrated multi-year performance achievements related to Group Incentive Systems plans and, if present, to other forms of variable remuneration.

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

Remuneration data for GMRT and Directors

Population (as at Dec 31, 2019)	Num.	Fixed ^A	Variable 2019				Deferred Variable from previous exercises ^C				Variable paid in 2019 from previous exercises	
			Upfront		Deferred		Vested in 2019		Un-Vested		€	Shares
			€	Shares	€	Shares ^B	€	Shares	€	Shares ^B		
CEO	1	1,185	0	0	0	2,151	0	0	0	4,303	0	0
Other executive Directors	0	0	0	0	0	0	0	0	0	0	0	0
Non executive Directors	15	2,942	0	0	0	0	0	0	0	0	0	0
Executives with Strategic Responsibilities (SEVPs)	11	8,447	1,179	0	1,349	6,829	468	2,131	4,218	12,618	1,422	1,606
Other SEVPs	12	8,239	1,043	0	1,220	6,857	472	1,509	2,945	12,476	1,288	1,094
EVPs	97	35,762	5,726	0	5,168	16,574	2,650	7,201	13,295	30,356	7,386	4,943
SVPs	399	88,041	17,988	0	11,183	28,657	5,516	13,685	19,195	51,138	22,724	8,869
Other Identified Staff	500	83,181	17,528	0	6,544	15,766	4,639	11,223	6,078	22,911	19,396	7,930

⁰⁰⁰, Euro.

- A. Full year gross fixed remuneration, except for Non Executive Directors, whose fees are those actually paid for 2019 and calculated pro rata on the basis of the methodology provided by Article 84-quater of Consob Issuers Regulation no. 11971
- B. 2017-19 LTI considered for one-third in 2019 Variable Remuneration and for two-thirds in the Deferred Variable from previous exercises
- C. 405 mln EUR is the amount of deferred remuneration vested in 2019 and reduced to 0 through performance adjustments

For 2019 the self-evaluation process, regularly reported in 2019 Group Compensation Policy, led to the identification of about 1,000 people at the beginning of 2019. During 2019 the Group Material Risk Takers list has been constantly

updated, taking into account resources turnover and banding and organizational changes review process, bringing the amount of Identified Staff to 1,020 by the end of the year.

Remuneration data for GMRT (fixed and variable compensation by bonus pool)

Bonus Pool	Fixed Compensation €	Variable Compensation €	Variable Compensation as % of Total Compensation
CBK AUT	8,968	6,034	40%
CBK GER	19,312	8,345	30%
CBK ITA	23,346	12,483	35%
CEE	25,810	16,826	39%
CEO Functions	35,439	23,117	39%
CIB	78,766	60,028	43%
COO	9,949	8,422	46%
HVB SUB	23,265	10,509	31%
Total	224,855	145,762	39%

⁰⁰⁰, Euro. Data as of December 31, 2019

During 2019, 34 beneficiaries were awarded a total remuneration equal to or greater than € 1 million.

High Earners

Total Compensation (TC)	N° Identified Staff
1 ≤ TC < 1.5 mln	20
1.5 ≤ TC < 2 mln	8
2 ≤ TC < 2.5 mln	5
2.5 ≤ TC < 3 mln	1
3 ≤ TC < 3.5 mln	0
3.5 ≤ TC < 4 mln	0
4 ≤ TC < 4.5 mln	0
4.5 ≤ TC < 5 mln	0
TC ≥ 5 mln	0

Sign-on payments defined in 2019 to 12 Identified Staff amount to 2,075,000 Euro (no sign-on payments for member of Top Management), while severance payments to 47 Identified Staff⁷ (of which two Top Management members) amount to 24,836,658 Euro (of which 5,146,770 Euro concerning two members of Top Management), of which:

- 21,428,675 Euro paid in cash immediately after the termination of the relationship;
- 3,407,983 Euro to be paid as deferral, in cash and shares over several years and subject to malus and claw-back clauses.

The highest severance payment paid to a single beneficiary was equal to 3,658,383 Euro.

The payments were determined in line with Group Policy guidelines and relevant legal and contractual framework, as well as respecting internal governance processes.

For other details on severance payments, in particular local calibrations applied in 2019, refer to paragraph 3.1.

During 2019, payments were made for a total of € 6,817,125 (of which € 1,177,042 in cash and € 5,460,083 in shares) relating to severance paid to the Identified Staff population in previous periods.

The total compensation costs at Group level amounted at € 6,146 million in 2019, out of which the variable compensation pool amounted to € 463 million⁸.

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

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

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

are paid out once the retirement requirements are satisfied. In defined benefit plans the benefit's calculation is known in advance, while in defined contribution plans the benefit depends on allocated asset management results.

Complementary pension plans of UniCredit Group in Italy are external pension funds, legally autonomous from the Group.

These plans are closed and do not allow new subscriptions, the only exception is represented by the defined contribution plan section of the "Fondo Pensione per il Personale delle Aziende del Gruppo UniCredit" (which was composed by approximately 41,395 enrolled active employees, as reported in the 2018 Pension Fund Annual Report).

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

Moreover, in most countries where UniCredit is present, complementary pension plans are available for Group employees.

More details and information can be found in our Integrated Report and the relevant Supplement.

Compensation pay-mix by cluster of population/type of business

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

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

Furthermore, our employees enjoyed welfare, healthcare and life balance benefits that supplement social security plans with minimum contractual requirements. These benefits are intended to provide substantial guarantees for the well-being of staff and their family

members during their active careers as well as in retirement.

In Italy, among the complementary pension plans, there are defined benefit plans and defined contribution plans. In most cases, benefits

7. Data related to severance payments include payments to individuals who - having left the Group during the first quarter of the year - were not mapped as Identified Staff for the year but were considered as such in 2017.
8. Net of one-off releases.

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