Courtesy translation: *in case of discrepancy between the Italian language original text and the English language translation, the Italian text shall prevail*

BANCA MONTE DEI PASCHI DI SIENA S.P.A.

SHAREHOLDERS' MEETING

18 May 2020 (SINGLE CALL)

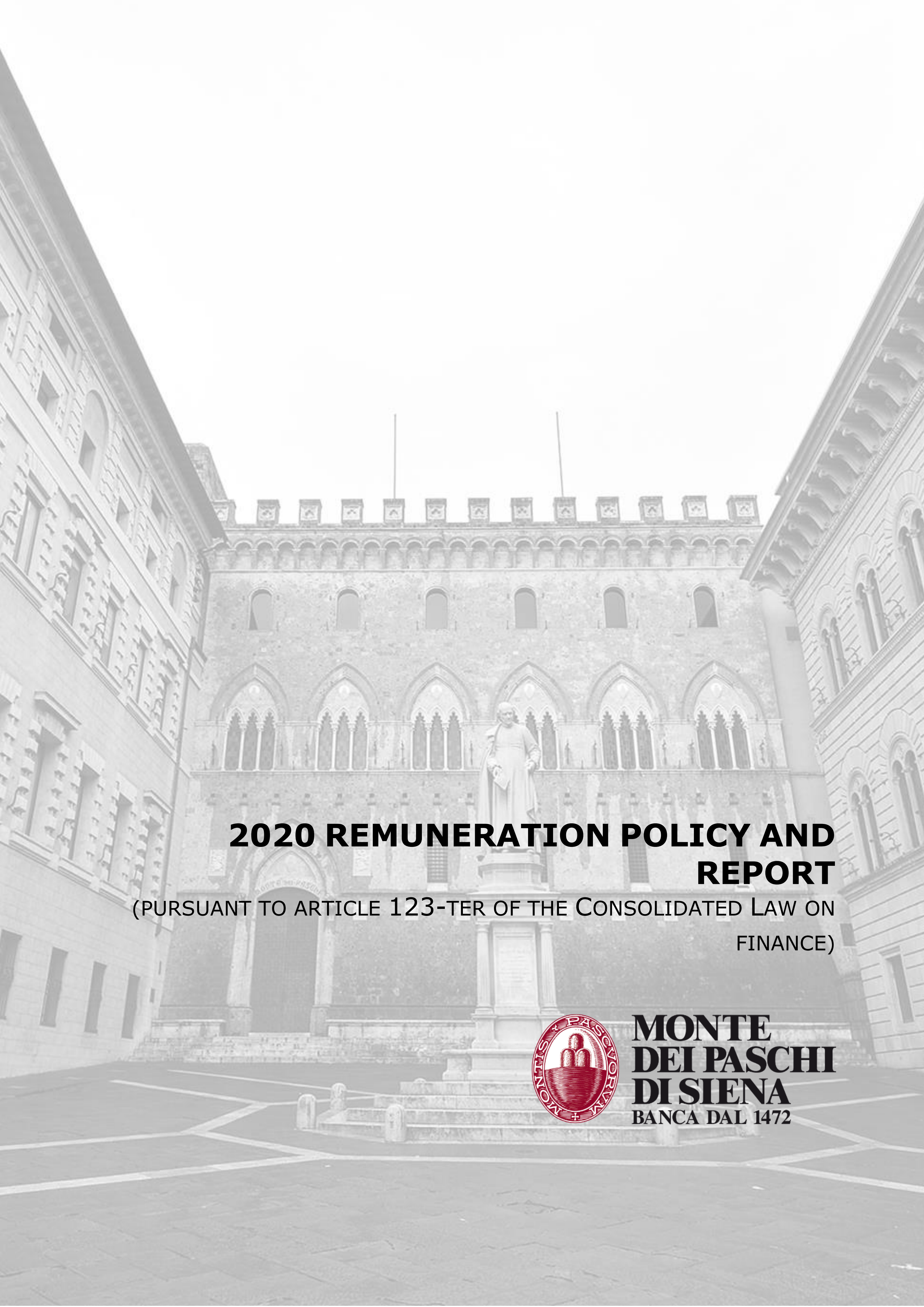
REPORT OF THE BOARD OF DIRECTORS
ON ITEM 2) ON THE AGENDA

2020 REMUNERATION POLICY AND REPORT PURSANT TO ARTICLE 123-TER, PARAGRAPH 6, OF THE LEGISLATIVE DECREE N. 58 OF 24 FEBRUARY 1998 ("CONSOLIDATED FINANCIAL ACT" OR THE "TUF"); INHERENT AND CONSEQUENT DELIBERATIONS

Dear Shareholders,

you have been summoned to the ordinary Shareholders' meeting to resolve the following argument, item N. 2 on the agenda:

- 2020 REMUNERATION POLICY AND REPORT: resolution pursuant to Article 123-ter, paragraph 6, of the Legislative Decree n. 58 of 24 February 1998 ("Consolidated Financial Act" or the "TUF").



2020 REMUNERATION POLICY AND REPORT

(PURSUANT TO ARTICLE 123-TER OF THE CONSOLIDATED LAW ON FINANCE)

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Letter from the Chairperson of the Remuneration Committee
Fiorella Kostoris

Dear Shareholders,

as Chairperson of the Remuneration Committee, I am pleased to submit the Annual Remuneration Report of Banca Monte dei Paschi di Siena for 2020 to your attention.

2019 was characterised by a continued focus on the process of restructuring and relaunching our Group, set out in the 2017-2021 business plan. At the same time, we adopted an open approach to change and continuously sought to perfect our remuneration and incentive policies, with specific regard to developments in market practices and in compliance with legislative, regulatory and statutory provisions, as well as any codes of ethics or of conduct applicable to banks and banking groups.

Given the current, particularly demanding, scenario, characterised by deep-seated and rapid transformation and by the continued focus of domestic and European regulators on the area of remuneration, it is fundamental to draw up and implement a fair and transparent remuneration policy, in order to involve and motivate Management and employees in the achievement of company objectives, while at the same time maintaining a high level of competitiveness in the market and facilitating the convergence of interests of the various stakeholders.

The Group's remuneration and incentive systems are defined in accordance with prudent risk management policies; they seek to motivate and encourage self-disciplined and ethical conduct in business; to promote transparency and correctness in relations with customers, with a view to preserving and consolidating their loyalty to the Group; to provide a high quality service, avoiding any potential conflicts of interest; to encourage dialogue and pursuing a relationship of trust with all stakeholders, in this way strengthening corporate governance.

We aim to define a corporate strategy that is not just focused on economic, financial and equity results, but that is able to enhance our human, social, relational and environmental capital as far as possible, by basing our corporate policies on sustainability, neutrality, inclusivity and by promoting equal opportunities.

In pursuing these goals - in accordance with the recommendations of the Italian Committee for Corporate Governance[1] - the 2020 remuneration model will again be focused on the principles of efficiency, equality, transparency and sustainability; on the will to capitalise on merit, correspondence between the performance provided and personal acknowledgment, while simultaneously taking all steps to avoid conflicts of interest and to promote a culture of regulatory compliance and responsible risk management, as well as to further consolidate teamwork and a sense of belonging, and to more effectively achieve consistency in terms of pay for equivalent roles and responsibilities, so as to offer the same

[1] Comprising corporate associations (ABI, ANIA, Assonime, Confindustria) and professional investors (Assogestioni) and Borsa Italiana S.p.A..

development and career opportunities to everyone.

To this end, the Group regularly adopts instruments to analyse and assess organisational positions, which enables a constant comparison of the levels reached in terms of internal remuneration and as a function of the complexity and strategic nature of the positions within the Group, guaranteeing in this way that the remuneration is based on results that are actually achieved, also with a view to attracting and retaining key resources, whose technical and managerial expertise, in addition to their differing experiences, are a determining factor in guaranteeing the success of the Group.

It is therefore clear that the remuneration policies illustrated in this document are of strategic importance for 2020 to pursue our multiple goals, with the primary objective of safeguarding the ability of the Group to create value and reinforce its economic - equity profile, while also considering the internal and external restrictions that affect its ability to operate, including those laid down in the 2017-2021 restructuring plan, and in the recent update of the Bank of Italy Circular no. 285 ("Supervisory Provisions for banks" - 25th update of 23/10/2018).

To this regard, it is necessary to remember the application of the so-called "salary cap" applied to individual remuneration packages based on the commitments assigned by the European Commission following the approval of the Bank's precautionary recapitalisation plan and the definition of target levels for operating costs that are particularly challenging leaving less room for the use of remuneration instruments, especially those relating to variable remuneration.

Our approach will therefore continue to promote the adoption of stable and well-balanced solutions, also as regards the need to adequately remunerate Management and their strategic and managerial expertise, through instruments that encourage the creation of long-term sustainable value and that safeguard the Group's assets and reputation by continuously observing market trends, best practices, the business needs of the Group, legislative changes and the indications of the regulators.

To conclude, on behalf of the Committee I chair, I would like to thank our Shareholders for your contribution to matters regarding remuneration, which have been a source of useful insight, enabling us to perfect our remuneration policies in the interests of our employees, our customers and our investors.

Confident of your continued trust, together with Directors Maria Elena Cappello, Roberto Osvaldo Lancellotti, Marco Giorgino and Nicola Maione, whom I would like to personally thank for the work they have accomplished, I would like to thank you for your support of the Remuneration Policy planned for 2020.

With best regards,

Fiorella Kostoris

Fiorella Kostoris

SUMMARY

Section I

1. REGULATORY DEVELOPMENTS

The legislative and regulatory framework for the remuneration and incentive policies and practices of banks and banking groups is updated by the Supervisory Authorities, which seek to provide guidelines to banks for the correct preparation and implementation of remuneration systems, ensuring that they take current and future risks into account, as well as the levels of capitalisation and liquidity of each intermediary, and that there is a heightened degree of transparency towards the market. The Montepaschi Group (the "Group") updates its remuneration policies and practices in accordance with prevailing law.

In 2019, legislative and regulatory changes took place at both European and domestic level.

With regard to **the national legislative and regulatory framework**, on 19 March 2019, following a consultation procedure, the Bank of Italy issued a circular amending provisions on the "**Transparency of banking and financial transactions and services**", which led to the implementation of "Guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services" issued by the European Banking Authority ("EBA"), with the aim of protecting customers from prejudices that they might suffer due to unsuitable remuneration mechanisms relating to staff that sell banking products. To this end, paragraph 2-quater has been added to Section XI ("Remuneration policies and practices for relevant persons and credit intermediaries") and Banks were asked to submit their remuneration and incentive policies in accordance with the new provisions to the approval of the Shareholders' Meeting, called to approve the 2019 financial statements.

On 31 October 2019, Consob also published a consultation paper containing the changes to the Regulations on related party transactions, the **Market Regulations and the Issuers' Regulations on the transparency of the remuneration** of asset managers and of consultants on voting rights, transposing EU Directive 2017/828 ("Shareholder Rights Directive 2" hereinafter "SHRD 2"). With specific regard to the subject of remuneration policies and practices, the SRHD 2 dictates rules on transparency and the involvement of shareholders on directors' remuneration.

The consultation paper sought to acknowledge Consob's commitment to adopting the changes to its regulations to complete the implementation process of the SHRD 2 within 180 days of the entry into force of the decree dated 10 June 2019 (Legislative Decree 49/2019) through which the SHRD 2 was transposed. In the consultation paper, Consob amended article 84-quater of the Issuers' Regulations, providing to:

- review the remuneration disclosure statements (Annex 3 A of the Issuers' Regulations) by including the elements requested by the SHRD 2;
- align the disclosure regime to that envisaged by the SHRD 2 (at least 10 years);
- confirm the restrictions of the SHRD 2 regarding the publication of personal data (specific categories of personal data or data related to the family's situation cannot be included);
- transpose the indications of the SHRD 2 on the content of the policy (purpose and non-financial performance criteria; contribution to strategy; pursuance of long-term interests and sustainability; indication of how the company accounted for the remuneration and the working conditions of employees);
- request information on the application of ex post corrective mechanisms (malus, Claw-back) (recipients of the measures; requirements and reasons; amount of the correction and reference financial year).

The consultation ended on 1 December 2019, and Consob will be publishing the results of the consultation and the updated version of the Issuers' Regulations.

With regard to **the European legislative and regulatory framework**, which triggers national legislation, on 7 June 2019, the following were published in the Official Journal of the European Union:

- "**CRD V**", Directive 2019/878/EU of 20 May 2019 amending Directive 2013/36/EU ("CRDIV") on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, which must be transposed by 28 December 2020;
- "**CRR II**" Regulation (EU) 2019/876 of 20 May 2019 amending Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms and relevant reporting obligations, which will be applied, unless otherwise expressly envisaged, from 28 June 2021.

Note that, with regard to the rules on disclosure, which must be provided by the institutions set forth in titles II and III of part 8 of the CRR, on 16 October 2019, the EBA published a consultation paper regarding the implementing technical standards (ITS), which provides a framework that seeks to facilitate harmonisation and to improve clarity for the users of said information ("**Consultation paper on draft implementing technical standards on public disclosures by institutions of the information referred to in titles II and III of part eight of Regulation (EU) no. 575/2013**"). The consultation ended on 16 January 2020 and the EBA will be publishing the results.

It should also be noted that, as required by article 92 of the CRV V, for greater harmonisation at European level, on 19 December 2019, the EBA published a consultation on **new regulatory technical standards on identified staff**, which will expire on 19 February 2020. The new identification criteria will be submitted to the European Commission in June 2020.

Lastly, the following publications should be noted:

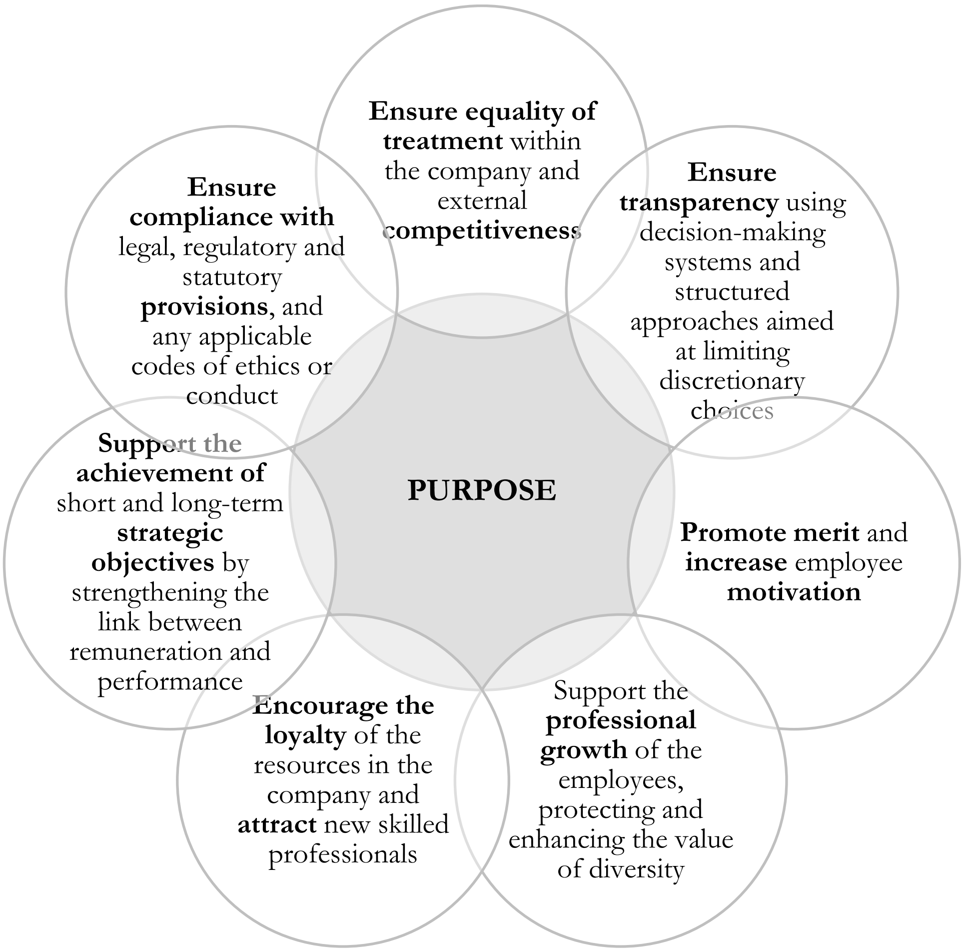
- "FSB Principles for Sound Compensation Practices and their Implementation Standards: Sixth progress report" of 17 June 2019, a progress report on the implementation of FSB principles and standards for risk compensation practices and on changes in compensation practices since 2009;
- "Report on high earners" dated 11 March 2019 in which the EBA published aggregate figures on remuneration equal to or exceeding Euro 1 million per financial year, analysing the data provided for 2017 and comparing it to those of 2016.

2. MAIN UPDATES IN THE 2020 REMUNERATION POLICIES

The 2020 report, in addition to being appropriately updated in consideration of changes in the legislative and regulatory framework, is substantially in line with the 2019 report, both because the latter had already been revised with respect to that of the previous year, in order to transpose the amendments to Circular 285, and in consideration of the broadly favourable vote made by the shareholders' meeting at the time of the approval of the 2019 report and the appreciation shown by institutional investors[2]. Without prejudice to the above, additional data and information is also provided, to transpose the amendments introduced to Schedule 7-bis of Annex 3 of the Consob Issuers' Regulation.

3. PURPOSE

The Group's remuneration policies, geared towards improving company performance and creating value over time, fully compliant with the risk-governance policies, are designed to:



In its capacity as parent company, Banca Monte Paschi di Siena (the "Bank") ensures that the remuneration paid within the various **Group companies** is **in line** with the applicable regulatory framework and the principles set forth in these remuneration policies, while taking due account of the characteristics and peculiarities of each company (thus also gradually applying such principles according

[2] Indication also provided pursuant to Directive 2017/828/EU (Shareholder Rights Directive 2).

to the proportionality principle, where and to the extent applicable) and (with regard to foreign companies) in compliance with locally applicable laws and regulations.

Among the above principles, attention should be drawn to those characterising the Group's Strategic Identity, through which, aware of its role in society and sustained by its wealth of tradition and history, the Bank is opening itself up to a change in perspective by adopting the approach whereby an enterprise in today's market is no longer only expected to make profits, but also to do so through virtuous behaviour and projects; to pay increasing attention to the needs of people, the communities and the environment in which it operates, undertaking to act more effectively to achieve the values underpinning the concept of Sustainability for its customers, employees and the territories it operates in.

4. GOVERNANCE RULES

The rules of governance and decision-making autonomy regarding remuneration, defined in accordance with the reference legal and regulatory system, are necessary for the correct implementation of the remuneration policies, given they are addressed to all Group personnel based on a consistency approach, although in observance of the different methods of doing business of the individual companies, and extended to all the main management processes which impact them, with special focus on those that concern "**Identified Staff**", i.e. "categories of subjects whose professional activities have or can have a significant impact on the Group's risk profile", as defined by the Supervisory Provisions.

The remuneration regulatory framework finds its primary source in some provisions of the **Articles of Association** of Banca Monte dei Paschi di Siena S.p.A. (the "Articles of Association"), which are linked to a specific Group policy, approved by the Bank's Board of Directors (the "Board of Directors"). This policy ensures alignment between regulatory provisions and the internal delegated authority and establishes the duties and responsibilities of the functions involved in defining and implementing the Group remuneration policies.

The task of defining and implementing adequate remuneration and incentive policies is attributed by the company's Articles of Association to the **Shareholders' Meeting** (the "Shareholders' Meeting"), which approves the section set forth in article 123-ter, paragraph 3 of the Consolidated Financial Act (TUF) with a binding vote and the section set forth in article 123-ter, paragraph 4 of the Consolidated Financial Act (TUF) with an advisory vote - and to the Board of Directors.

Article 13 of the Articles of Association[3] assigns the following power to the ordinary Shareholders' Meeting:

- to determine the fees for directors and statutory auditors;
- to approve the remuneration policies and the plans based on financial instruments in favour of the board directors, employees, and other business partners who are not bound by employment relationships with the Bank;
- to approve the criteria to calculate the remuneration to be agreed in the event of early termination of employment, or early termination of office (including the limits set for said remuneration in terms of annuality of the fixed remuneration and the maximum amount resulting from application of the criteria).

The Supervisory Provisions also attribute to the Shareholders' Meeting, if provided by the Articles of Association, the responsibility for authorising, within the perimeter of approving the Group remuneration policies, the decision to make any changes to the 1:1 limit (and maximum 2:1) between variable remuneration and fixed remuneration for the Group companies where the staff to whom said decision refers operate, subject to amendment of the Articles of Association.

[3] Available on the website of the Bank at the address www.gruppomps.it, CORPORATE GOVERNANCE - Governance Model section.

On the other hand, the **Board of Directors** (Articles 17 and 26 of the Articles of Association and its detailed provisions set forth in the Bank's policy) is responsible for implementing the remuneration policies approved by the Shareholders' Meeting, firstly, as regards:

a) the remuneration of directors who hold special positions (including the Chief Executive Officer and the directors who are members of board committees provided by the Articles of Association), and the General Manager;

b) the provisions on the legal and economic status of the Deputy General Managers, the Managers of the units reporting directly to the Board of Directors or the Chief Executive Officer/General Manager (in accordance with article 17, paragraph 2, letter n) of the Bank's Articles of Association), the Division Managers, the Manager responsible for preparing the Company's financial reports and the higher level staff of the Company Control Functions[4];

c) the general rules concerning the legal and economic status of the staff, including base salary and allowances, which like any other rules must be approved in accordance with law.

The **Remuneration Committee**, established within the Bank's Board of Directors and currently composed of five non-executive directors, the majority of whom are independent (including the Chairperson of the Committee), is responsible - also with the support of the Risk Management function, which sees the Chief Risk Manager appropriately involved in the Remuneration Committee meetings - for expressing an independent opinion on remuneration policies and practices and for submitting proposals to the Board of Directors regarding the remuneration and financial treatment of the figures listed above under a) and b), whose remuneration structure falls within the exclusive responsibility of the Board of Directors, as per the Articles of Association and internal policy. The remuneration of the Remuneration Committee, as non-executive directors, is not linked to the Group's economic results and incentive plans of any nature whatsoever are not envisaged for the same (see paragraph 6). The operating rules of the Committee also envisage that, if a member has a personal interest or represents that of others with regard to a matter to be resolved upon, the same should inform the Committee of such and abstain from the same, it being understood that no Director should attend Committee meetings in which proposals are to be made to the Board of Directors regarding the remuneration of said Director[5].

In 2019 the Remuneration Committee met 12 times[6].

Without prejudice to the responsibilities of the Remuneration Committee, the Bank's **Risk Committee**, which is composed of five non-executive directors, the majority of whom are independent (including the Chairperson of the Committee):

- assists the Board of Directors in defining the guidelines for the internal control and risk management system and in assessing the adequacy and effectiveness of this system;
- ensures that the incentives underlying the Group's remuneration and incentive system are consistent with the Risk Appetite Framework ("RAF").

The **Chief Executive Officer**, delegated by the Board of Directors, has decision-making autonomy on the legal and economic status of staff of all levels and status, except for the figures mentioned above under a) and b) whose remuneration structure falls under the exclusive responsibility of the Board of Directors.

The **Human Resources, Compliance, Risk Management, Planning, Internal Audit** and **Legal** functions of the Bank, according to their respective responsibilities and in such a manner to ensure their independence, participate in the definition, planning and any revision of the policies and provide the necessary support to ensure they are in line with the regulatory framework and that they work properly.

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[4] The aforementioned internal policy (not the Articles of Association) establishes the Board of Directors' independence in defining the legal and economic status of the II level managers of the Company Control Functions units, here intended as the "higher level" staff referred to in the Supervisory Provisions Section II, paragraph 2

[5] Indication also provided pursuant to Directive 2017/828/EU (Shareholder Rights Directive 2).

[6] Information also provided pursuant to Article 450 (1) (a) of Regulation (EU) 575/2013.

Lastly, the Bank's **Human Resources**[7] function implements the policies from a technical and operational view, overseeing their coordination at Group level (individual companies), regarding both the fixed remuneration component and the variable remuneration component, and ensures - inter alia - consistency between the policies, the human resource management procedures and the remuneration and incentive systems of the Bank.

[7] On the basis of the update of the Supervisory Provisions of 23/10/2018, the Human Resources function is no longer considered to be the Company Control Function for remuneration purposes (however, subject to the principles underlying the payment of variable remuneration in the Company Control Functions, and especially the rule whereby variable remuneration should be reduced, also applying to that function). That function "gives support to the compliance function".

5. COMPLIANCE

Compliance of the Group’s remuneration policies with the applicable regulatory requirements and at the same time compliance with the commitments undertaken towards stakeholders, with particular emphasis on presiding over the qualitative level of the relationship with customers and implementing effective behaviour for the correct management of this relationship, are ensured by the contributions provided by the Bank’s Company Control Functions (*Compliance, Risk Management and Internal Audit*), which, supporting the Human Resources function, supports the company bodies when planning the remuneration policies and participate in the corresponding implementation processes in order to ensure they are in line with the Bank’s risk appetite.

The Bank’s **Compliance** function:

- continuously verifies the coherence of the remuneration policies and practices adopted according to the external regulatory framework and annually, in time for the remuneration report to be approved by the Shareholders' Meeting;
- prepares a Report for the Remuneration Committee in which it highlights any areas of attention for compliance purposes;
- together with the Bank's Human Resources function, it defines the set of requisites that the aforementioned function is required to observe in the practical implementation of remuneration policies.

The Bank's **Risk Management** function safeguards the sustainability of remuneration policies by monitoring their consistency and ensuring they, together with the incentive systems, are in line with the Group's RAF, producing a report to support the Risk Committee and providing adequate support to the Remuneration Committee.

The Bank’s **Internal Audit** function is required to verify, on an annual basis, that the remuneration practices are consistent with the policies approved by the Shareholders’ Meeting and applicable legislation, making the Board of Directors and the Shareholders’ Meeting aware of the results.

For the verification of some technical-legal aspects of the remuneration policy the Bank was supported by the legal firm BonelliErede[8].

To define its remuneration policies, the Bank analysed the practices of the major banking groups and continuously uses the services of the consulting company Willis Towers Watson for benchmarking exercises (see chapter 7)[9].

[8] Information also provided pursuant to Article 450 (1) (a) of Regulation (EU) 575/2013.

[9] Indication also provided pursuant to Directive 2017/828/EU (Shareholder Rights Directive 2).

6. REMUNERATION OF DIRECTORS AND STATUTORY AUDITORS

In the meeting of 18 December 2017, the Shareholders' Meeting decided on the annual gross remuneration due, for the 2017-2019 three-year period, to the Directors, the Chairperson of the Board of Directors, the Statutory Auditors and the Chairperson of the Board of Statutory Auditors of the Bank.

The table below summarises the amounts approved:

Role	Gross annual remuneration	Daily allowance (**)
Board of Directors:		
Chairperson	90,000	-
Chief Executive Officer	- (*)	-
Other Directors[10]	65,000	-
Board of Statutory Auditors:		
Chairperson	80,000	-
Statutory Auditors	65,000	-

(*) The Board of Directors, in its meeting of 22/12/2017, owing to the application of the salary cap on the remuneration on the basis of commitments assigned by the European Commission with the approval of the precautionary recapitalisation plan of the Bank (see paragraph 9.3 for more information on the salary cap), no compensation was awarded to the Chief Executive Officer for the position, reserving the right - in the event that, during the current term of office, and therefore before the expected end of the restructuring period, the salary cap obligation were to be removed - to take the appropriate steps envisaged by article 2389, paragraph 3, of the Civil Code if the conditions were met.
(***) As can be seen from the above table, no compensation has been envisaged as an attendance fee for the participation in Board of Directors' and Board of Statutory Auditors' meetings and in board committees. Following a resolution of the Board of Directors, an attendance fee of Euro 500 (gross amount) per day was established solely for the Chairperson of the Board of Directors, as of the appointment date, in relation to attendance in the activities of board committees in which the Chairperson participates as a permanent guest. Where more than one board meeting is held on the same day, the indemnity is limited to a total of Euro 500 per day.

In its meeting of 9 February 2018, the Board of Directors approved the annual gross remuneration of the directors for their participation in internal committees of the Board of Directors (Risk Committee, Related Party Transactions Committee, Nomination Committee and Remuneration Committee), namely:

Role	Gross annual remuneration	Daily attendance allowance
Risk Committee:		
Chairperson	25,000	-
Other Members	15,000	-
Related Party Transactions Committee:		
Chairperson	15,000	-
Other Members	10,000	-
Nomination Committee:		
Chairperson	15,000	-
Other Members	10,000	-
Remuneration Committee:		
Chairperson	15,000	-
Other Members	10,000	-

[10] Including the Deputy Chairperson.

Lastly, the following has been decided for the sole Director of the Bank, member of the Supervisory Board pursuant to Law 231/2001:

Role	Gross annual remuneration	Daily attendance allowance
Supervisory Board 231/2001:		
Independent director	10,000	-

With reference to the non-executive directors and the members of the Board of Statutory Auditors, the principle that there be no connection with the economic results achieved by the Group and that no incentive plans of any nature are to be assigned to them, as had previously been approved by the Shareholders' Meeting, is confirmed. Said principle also applies to subsidiaries, with the exception of any non-executive directors of said companies, who are also employees of a Group company and who, as such, may have incentive plans in accordance with the provisions of paragraph 7.3.

7. STAFF REMUNERATION

7.1 General Principles

The implementation of staff remuneration policies, approved by the Shareholders' Meeting, is the responsibility of the Board of Directors (with the option to sub-delegate specific matters to the Chief Executive Officer in accordance with the Articles of Association and the laws and regulations in force), which will make its choices in pursuit of the objectives described in the third chapter of this section.

Remuneration, pursuant to the Bank of Italy Circular no. 285/2013, refers to 'all forms of payment or benefit, including any allowances paid, directly or indirectly, in cash, financial instruments, services or fringe benefits in exchange for work or professional services by staff to the bank or other companies in the banking group[11]".

The Bank's remuneration policy is influenced by its commitments (see paragraphs 9.3., 9.4 & 10.2.1) and therefore also by a restrictive policy in terms of variable remuneration[12]. The remuneration structures are defined in accordance with applicable market practices (see box on 'benchmarking') and comprise a **fixed component** and a **variable component**, a detailed description of which can be found in paragraphs 7.2 and 7.3.

The combination of the fixed and variable components (the "**pay mix**") is established ex ante for each staff sub-category, in compliance with the relevant provisions, in order to discourage behaviour oriented towards an excessive undertaking of risks (see paragraph 10.2.3).

The basic elements that characterise the salary structure are outlined below.

BENCHMARKING

In order to compare the remuneration of the Bank and Group's resources assigned to the various roles with respect to the external market, specific peer groups have been identified:

- for the top management **positions** of the Board of Directors, a selection of Italian companies drawn from the 2019 **Executive Remuneration Survey - Italy** by Willis Towers Watson, similar to the Montepaschi Group in terms of business model and organisational complexity (11 companies in the banking and insurance segments: Banco BPM, BPER, CREDEM, UBI, Carige, Bancoposta, Cariparma, Illimity, ING Bank, Generali Italia, Aviva);
- for the positions of **responsibility in General Management and Territorial Area**, the **2019 Financial Services– Banking Report Italy** by Willis Towers Watson, which includes 50 companies, for the **Network and operational positions**, the **Retributiva Credito e Finanza** survey by **ABI** in association with Deloitte Consulting S.r.l. which included 28 of the primary companies/groups in the Italian banking sector in 2019.

[11] In accordance with applicable law "marginal payments or benefits given to staff on a non-discretionary basis may not be included, and which form part of a general policy of the bank, and which do not have effects on the bonus plan when taking on or controlling risks".

[12] Indication also provided pursuant to Directive 2017/828/EU (Shareholder Rights Directive 2).

7.2 Fixed remuneration

7.2.1 Remuneration definition and policy

Basic **fixed remuneration** reflects the **professional experience** and **organisational responsibilities** assigned. It is **permanent and irrevocable** (i.e. it cannot be unilaterally reduced by the Bank apart from any cases provided by law) but may develop over time (if for example, the job, duties, responsibilities and experience of the resources change, or after a realignment with respect to market parameters).

This component is determined within certain ranges on the basis of **pre-established objective criteria** that do not create incentives to take on risk and do not depend on the Bank's performance.

Regarding the roles of responsibility and other key positions of the Bank, the table levels, provided by applicable laws, in some cases are integrated with interventions aimed at **enhancing the value of managerial and specialist contribution** expressed, **seeking a better correlation** between the grade of the **position in the organisation** (see box on "Job levelling"), the **associated remuneration levels** expressed by the market and the **fixed remuneration** of the resource.

In general, salary ranges are defined for each grade and updated over time, with midpoint values, percentage breadth, progression (i.e. distance between the grade midpoints) and percentage overlaps between the categories, to guarantee a structured approach to remuneration reviews and to minimise the amount of discretion involved. The position in the applicable category is determined by a series of pre-established factors, including continuous performance and risk culture expressed.

JOB LEVELLING

In order to analyse the positions, the Group engaged the international advisory firm Willis Towers Watson, which uses its proprietary method (the Global Grading System) to create a job levelling system for the main company jobs, which creates a decreasing order of the company jobs.

Every **position** is assessed based on the **nature** and the **level of complexity of the contribution made to the business** through quantitative and qualitative factors, including organisational evaluation factors and factors related to corporate governance, which allows the specific **grade** to be identified.

Once the grade has been assigned, internal and external equity can be evaluated over time, checking the consistency of the remuneration packages of the resources with the same classification levels, and the external balance can be evaluated by comparing market values. For positions within the Board of Directors, the comparison with the market is further checked by considering both the grade and the position; this gives a more precise remuneration assessment compared to the applicable market.

Staff who have specific positions, jobs or work in certain sectors may also be assigned **recurring, fixed components**:

- determined ex ante on the basis of specific measurement criteria in accordance with the complexity of the job covered;
- paid to all resources in effectively comparable situations;
- not related to performance, and in any case, not providing an incentive to risk taking;
- not subject to reduction or suspension until the objective condition (position, job, location of office) that determined the attribution of the amount no longer applies or changes considerably;

- in any case, revoked when the person leaves the specific position/job/office that determined the attribution of the amount[13].

The recurring component of financial advisors is comparable to the fixed remuneration, which is the most stable and ordinary element of their remuneration. It is represented by commission remuneration recognised, based on the individual contracts of each Financial Advisor, in relation to the products and services placed and managed, and constitutes the ordinary form of remuneration for the Agent (see paragraph 7.3.5.2).

Another specific type of remuneration related to the position is reserved to the Company Control Functions described in paragraph 7.2.3.

7.2.2 Benefits and other compensation

As part of the **fixed remuneration component**, the Group envisages for its employees, various interventions that effectively increase its remunerative offer under a structural profile, enhancing motivation and reinforcing Group identity. The "Welfare MPS" model is consolidated, including through **II level agreements** and the work of **joint committees**, with a view towards economic compatibility and overall sustainability, with the introduction of schemes such as "MP Solidale"[14], "Lavoro Agile", etc.

The schemes set in place to provide support to staff include the following:

- the **company contribution to Complementary Pension Funds** at a fixed rate of 2.5% of the tax base for the calculation of post-employment benefit purposes for all employees;
- the **Accident Policy** and **Health Coverage**, the latter not only for employees in service, but also for former employees in the Solidarity Fund and retired, including staff family members;
- **luncheon vouchers**, with more favourable treatment than the national collective labour agreement, both in terms of amount (Euro 6.00 compared to Euro 1.81 for the national collective labour agreement) and in terms of the staff members who qualify for the benefit (including middle managers at the III and IV remuneration level);
- subsidised **terms for certain bank transactions** (especially loans);

and others granted on an individual basis, in accordance with pre-established, structured allocations such as:

- providing **sublet accommodation** in the place of work, for personal and family use in the event of transfer upon the company's decision, or, alternatively, a **commuting allowance**;
- **company car for private and business use**, with expenses charged to the Bank, for staff members in key roles in the organisation, with high mobility requirements and Managers with "personalised" contracts;
- **insurance coverage, including permanent disability from illness and death from illness**, for Managers.

For the sake of completeness, note that, in implementation of the Shareholders' Meeting Resolution dated 11 April 2019, the Bank took out a Groupwide "Directors & Officers Liability (D&O) insurance

[13] Following the assignment to a new job/position/location of office, the fairness of the overall remuneration structure of the staff member will be revalued on the basis of the grade of the new position (as identified on the basis of the Global Grading System described in the box on "Job levelling").

[14] This scheme is implemented through an annual pool of hours of paid leave, to which employees contribute on a voluntarily basis by donating hours of paid leave, one or more days of holidays or portions of salary by the Executives, for the benefit of the staff in the Professional Areas and Middle Manager categories, who need additional leave with respect to the amount they are individually entitled to, in order to deal with serious and justified personal and/or family situations.

policy, which covers the third-party liability[15] of directors, statutory auditors and managers resulting from illegal acts performed by the same while performing their duties.

The above-mentioned resolution authorised the stipulation of the D&O with an annual duration at a maximum cost of Euro 3.3 million, including taxes and ancillary charges and awarded the widest power to the Parent Company's Board of Directors for the annual renewal of this insurance policy, informing the Shareholders' Meeting of the costs actually incurred and the scope of application of the cover.

To this end, note that the Bank subsequently took out the above-mentioned Groupwide D&O[16] Policy with a ceiling of Euro 100 million for one year, effective from 1 May 2019 and expiring on 30 April 2020, incurring a cost of Euro 3.3 million, including taxes and ancillary charges; as at today's date, this policy has not given rise to any insurance claim. At present, the preparatory work is underway for the renewal of the policy, for another year, effective 1 May 2020.

7.2.3 Company Control Function Allowance

The managers of the Company Control Functions[17], up to the third level in the company hierarchy, and the Financial Reporting Manager are assigned position-related allowance to counterbalance the significant responsibilities of the jobs held, while still maintaining independence.

This allowance is to be assigned, in accordance with the principles and definitions of the Bank of Italy Circular no. 285/2013, to fixed remuneration as:

- it is determined ex ante on the basis of objective, pre-established and non-discretionary criteria, such as in particular the level of responsibility;
- has a permanent and irrevocable nature as long as the condition that determined it remains (the right of assignment is no longer valid if the beneficiary ceases to hold the position);
- it does not depend on and is not in any way (nor its disbursement or its amount) subordinated to the company and/or individual performance and therefore does not create an incentive to take on risks.

7.3 Variable remuneration

7.3.1 Definition

Variable remuneration includes:

- any payment or benefit where assignment or disbursement depends on performance, in any case measured (income targets, volumes, etc.), or other parameters (for example permanence in the company), not including remuneration relating to early retirement, benefits or pay in lieu of notice established by general employment law, as described in paragraph 7.3.2;
- discretionary pension benefits and agreements on remuneration relating to early retirement or early termination of office (golden parachutes) described in paragraph 7.3.4;
- the "Non Core" components described in paragraph 7.3.3.

The relation of the variable component with performance (for forms of variable remuneration that are not linked to different parameters) allows implementation of a **differentiation and meritocracy**

[15] Excluding wilful misconduct.
[16] At the conditions illustrated in item 4 of the Agenda of the Shareholders' Meeting held on 11 April 2019.
[17] As defined by the company policy on the basis of the Supervisory Provisions.

mechanism and, no less important, makes it possible to **align the interests of management and employees with those of the Shareholders**.

All variable remuneration instruments:

- are activated to the extent to which there is economic capacity in personnel costs, and more specifically the total annual amount allocated to variable remuneration (so-called "bonus pool") determined in accordance with the Supervisory Provisions and specifically with the provisions established for banks who benefit from state aid (see Title IV Chapter 2 Section V paragraph 1 of Circular no. 285/2013);
- are subject to malus clauses (where there are deferral mechanisms in place) and clawbacks upon any occurrence of certain events, as described in paragraph 8.2;
- are designed to incorporate risk-adjusted performance indicators, liquidity and equity, both at Group and individual company entity level, also defined, valued and formalised on the basis of the binding instructions of the Risk Management function, appropriately differentiated in accordance with the type of instrument;
- are subject to the rules set out in paragraphs 10.2.3 and 10.2.4 below;
- cannot be the subject of personal hedging strategies or insurance on remuneration or other aspects that could alter or invalidate the effects of alignment with the risk inherent in the remuneration mechanisms, as envisaged in paragraph 8.3 below.

The main instruments used to determine the variable remuneration applied by the Group, encompass four components:

- "Core" components;
- "Non Core" components;
- remuneration related to early termination of employment or early termination of office;
- remuneration of business partners not bound to the Bank by employment relationships.

The variable instruments that can be used by the Group for employees and for financial advisors acting as agents based on mandates granted by the subsidiary Widiba, are described in the following paragraphs.

7.3.2 "Core" components

The variable instruments include first of all (to the limits to which they may be activated) those that can be classified among the core components since they are considered to be incentive instruments in the strict sense. Their potential activation is decided each year on the basis of various factors (surrounding conditions, regulatory and legal restrictions, available resources, etc.) and motivated to the Board of Directors in charge of authorising them on the basis of proposals by the Remuneration Committee and on the opinion of the Risk Committee regarding the consistency of the entire structure with the Risk Appetite Framework.

These instruments closely depend on the performance of the Group and the structure, and provide for:

- **formalised and transparent activation and delivery** conditions established **ex ante**;

- pre-determined quantitative and qualitative **financial and non-financial targets and related to corporate social responsibility**, able to permit a constant connection between sustainability over time, performance, adjusted for risk, compliance and remuneration[18];
- **ex ante identification and provision of ex post remodulation mechanisms of the "bonus pools"** in correlation to the financial and equity situation of the Bank;
- **pre-defined individual target bonuses** (by role or aggregated role).

The cornerstones of these instruments are as follows:

- a **Profit for the year** has to be made before disbursing them[19];
- the disbursement phase is subject to the **concurrent fulfilment** of Group requirements ("gates") related to risk adjusted profitability, liquidity and capital requirements. These parameters are duly defined, valued and formalised, also on the basis of the binding instructions of the Risk Management function as part of the possible annual process to activate said instruments. The parameters that can be used to date are as follows:
    - *CET1 Ratio > 2020 Risk tolerance RAF;*
    - *NSFR > 2020 Risk tolerance RAF;*
    - RAROC > *2020 Risk tolerance RAF;*
- the final bonus for each resource comprises the following:
    - pre-defined **bonus target** by role;
    - **level of achievement of the unit targets**[20] to which the resource belongs, where the **performance of the unit** is measured on the basis of specific pre-defined scorecards with quantitative parameters strictly connected to the risk appetite framework (RAF) and restricted by the overall company operating performance and strategic planning objectives, to date set in accordance with those of the 2017 - 2021 restructuring plan;
    - **measurement of the individual contribution** upon reaching the pre-established goals.

The variable incentive instruments provided for by the Bank's remuneration policies, which to date have yet to be applied, are diversified by company population:

RAF and RAS

The Risk Appetite Framework aims to ensure consistency on a continuous basis between the Group's actual risk profile and the risk appetite approved ex ante by the Board of Directors, taking into account any risk tolerance thresholds and in any event within the maximum risk capacity limits deriving from regulatory requirements or other restrictions imposed by the Supervisory Authorities.

The RAF is formalised at least once per year in a Risk Appetite Statement ("RAS") approved by the Board of Directors and developed based on a set of key risk indicators defined at Group, legal entity and business unit level, in accordance with processes approved internally by the Board itself.

Ex-ante target risk appetite thresholds are established for each indicator, which are more conservative than the risk tolerance thresholds, which in turn are more conservative than the risk capacity thresholds.

[18] Indication also provided pursuant to Directive 2017/828/EU (Shareholder Rights Directive 2).
[19] Reference is made to the "Profit (Loss) for the year attributable to the Parent Company" as recognised in the "Reclassified Income statement" in the "Consolidated Report on Operations".
[20] The performance of the Company Control Functions is measured on the goals of the functions and regardless of the financial results.

- for employees who belong to the **Professional Area and Middle Manager** categories, the **Variable Performance-Related Bonus**;

VARIABLE PERFORMANCE-RELATED BONUS

The Variable Performance-Related Bonus envisaged by the National Collective Labour Agreement in force for middle managers and for staff in the professional areas of the credit sector and introduced in the Group as a reference scheme for the variable remuneration incentive through II level negotiations at the end of 2015, aims to achieve higher levels of employee involvement and participation in order to increase operating efficiency and company productivity/competitiveness.

In accordance with the Supervisory Provisions, the Variable Performance-Related Bonus (which to date has never been activated) is modular and strictly correlated to company results in terms of liquidity and capital, productivity, profitability and quality, rigorously in keeping with the objectives established in the 2017 - 2021 restructuring plan.

It is broken down into three components, all subject to the Group gate and the company gates:

1) **Basic bonus** (total value of around 30% of the bonus pool): this bonus, with a view to company cohesion, will be distributed equally to all personnel belonging to the Professional Area and Middle Management categories;
2) **Structure bonus** (total maximum value of around 45% of the bonus pool): subject, from a teamwork perspective, to the achievement of specific targets assigned to the structure;
3) **Excellence bonus** (total maximum value of around 25% of the bonus pool): to be distributed selectively on the basis of the best structure and individual performance; this share shall be disbursed, with a view to meritocracy and Network/GM consistency, in terms of percentages.

- **Management by Objectives** (MBO) for **Managers**.

MANAGEMENT BY OBJECTIVES

Management by Objectives (**MBO**), not used to date, is the incentive instrument that the Group has conceived to support the sharing of the system objectives assigned to the Group's managerial resources and to focus attention on strategic objectives, using the grade assigned to the positions in accordance with the above-mentioned Global Grading System.

The criteria for accessing the dedicated bonus pool and the performance indicators to be assigned to managers through scorecards (consistent with those assigned to operating personnel in relation to the PVR), stem from the risk appetite policies (RAF) and are consistent with the overall company operating performance and with the strategic planning objectives.

As is the case for the PVR and in compliance with the Supervisory Provisions, the final bonus of each individual is determined based on the achievement of the Group's objectives ("Gate") and reference unit's objectives and on the individual contribution.

7.3.3 "Non Core" components

Within the scope of "non core" components of variable remuneration, certain instruments are envisaged[21], disbursed continuously to resources in service, and functional, according to the case, to protect the Bank's assets if key resources leave the commercial supply chains or to ensure greater stability, retaining strategic resources with high-level skills. More specifically:

a) Non-compete covenants.

The non-compete covenant clause is an agreement between the Bank and the employee that limits the right of the employee to carry out professional activities in competition with the Bank following termination of the working relationship, providing, if breached, for payment of a penalty.

A consistent monthly payment, pre-established on a fixed basis, is given to the employee for that commitment (as required under article 2125 of the Civil Code), generally while the employment contract is in place[22].

The instrument is used for key figures in the network; more specially, it is assigned to all Private Bankers/Family Officers and their managers, with the amounts assigned in accordance with pre-established basis portfolio levels.

The covenant is maintained for the entire period in which the conditions that determined the assignment are met.

b) Staff retainment.

These are instruments used for staff **retention** purposes (therefore not linked to performance), and in particular in the following forms:

- **agreement to extend notice period**: this is an agreement whereby the employee undertakes to agree, in the event of resignation, a longer notice period than that provided for under the applicable collective contract[23], for a pre-established fixed amount at a certain percentage of the fixed remuneration;
- **stability pact:** this is an agreement whereby the employee undertakes not to leave the job for a pre-established period in exchange for a pre-established fixed amount determined as a certain percentage of the fixed remuneration and with provision for a penalty to be paid by the employee if he/she breaches the commitment.

Both instruments are used primarily for resources in positions where there are retention risks and/or for resources with key skills.

The range of variable remuneration instruments also includes training courses, instruments that envisage a reward to employees through the provision of specialist training and **contests**, i.e. campaigns of limited cost, with low individual amounts, that are effective in supporting business activities, also from the point of view of customer acquisition/retention since they incentivise commercial and productivity initiatives in the operating units, in line with customers' financial requirements. With regard to contests, a portion of the amounts may be deferred, also with a view to the retention of key staff, such as for example resources in the private banking segment. The recognition of the amounts depends on permanence in the company on the disbursement date[24] and is made in compliance with the provisions of paragraph 7.3.1. Each time a training course or contest is organised, it must be carefully analysed, also to ensure

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[21] These instruments are activated and disbursed in accordance with the legislative and regulatory provisions applicable at the time and in compliance with any indications by the competent national and foreign regulatory bodies.
[22] The covenants currently in place with the Bank all provide for payment while the employment contract is in place. However, payment can be made after the employment contract has ended (to that end, with regard to Identified Staff, see the content of Section II on severance).
[23] More specifically, 6 months instead of the shorter notice period provided under the collective agreement (1 month for Professional Areas and Middle Managers and 3 months for Managers).
[24] Indication also provided pursuant to Directive 2017/828/EU (Shareholder Rights Directive 2).

that it does not constitute an incentive to push the sale of specific products or financial instruments, and always takes place in compliance with the rules envisaged for all variable remuneration components (see paragraph 7.3.1.) with specific regard also to the regulatory provisions (e.g. MIFID, IDD) and the rules of conduct with respect to the customers. Each initiative provides for exclusion clauses in the event of inadequate individual behaviour such as the presence of disciplinary proceedings or the failure to complete mandatory training.

In exceptional cases, the Bank may use the following instruments:

- **entry bonuses**, granted only for the first year of employment and only if the prudential requirements have been met at the time of hire, also for attraction purposes (not subject to the rules of variable remuneration and not included in the limit to the variable / fixed ratio of the first year's remuneration only where paid in a single solution upon hiring[25]);
- **one-off payments**, i.e. monetary recognition of a small amount to reinforce the engagement of the individual resources who have been particularly distinguished on an individual level (this instrument was not used in 2019);
- **retention bonuses**, or individual disbursements for justified and documented reasons linked to the opportunity to keep the resource in service as an employee for a pre-established period of time and/or linked to a specific event (for example completion of a company restructuring process or an extraordinary transaction). (This instrument was not used in 2019).

With the exception of the specifications above relating to **entry bonuses**, all the remaining amounts pursuant to this paragraph (including payment of non-compete covenants, but only for the amount that exceeds a year of fixed remuneration[26]), are disbursed in accordance with the rules that apply to disbursement of variable remuneration. In particular:

(i) for employees who are considered to be Identified Staff, the disbursement procedures set out under paragraph 10.2.3 will be followed (i.e. part of the disbursement deferred and part of it in financial instruments, subject to malus and claw back clauses etc.) in accordance with the cluster they belong to;

(ii) for the remaining staff, the payment is made entirely up front in cash, but subject to normal claw back mechanisms (see paragraph 8.2).

These amounts will also only be paid if the capital and liquidity levels are sufficient to cover the Bank's activities.

Discretionary pension benefits are not currently among the instruments that can be set up for Group staff.

7.3.4 Compensation for early termination of the employment

The Articles of Association state that the Ordinary Shareholders' Meeting, in addition to establishing remuneration due to Board members, approves the criteria for the determination of **compensation to be granted in the event of early termination of employment or termination of office**, including limits to the defined compensation in relation to number of years of fixed remuneration and the total maximum amount that results from their application.

The portion of remuneration, agreed under any title with a view to, or in the event of the early termination of employment, which exceeds the indemnity in lieu of notice envisaged by the Law and by the National Collective Labour Agreement, constitutes **severance** pay and is quantified and disbursed

[25] In accordance with the provisions of paragraph 2.1 of Section III of the new Supervisory Provisions.
[26] In accordance with the provisions of paragraphs 2.2.2 and 2.2.3 of Section III of the new Supervisory Provisions.

by the Bank in accordance with the legislative framework in force at the time and always in pursuit of the company's best interests.

The calculation criteria and limits to the remuneration established by the Shareholders' Meeting are set out in Section II of the document, to which reference should be made for appropriate details.

The contract of the current General Manager and CEO of the Bank provided, in the case of termination of employment[27] (excluding voluntary resignation) without just cause by the Bank within three years from the date of hire (this term has already expired), payment - in application of the criteria and methods of disbursement established in the Group remuneration policies, as approved by the Shareholders' Meeting and as from time to time in force and according to current legislation and regulations - of an amount of up to 24 months of the total de-facto remuneration, subject to the waiver by the beneficiaries of any and all claims or demands against the Bank and the Group.

After said term, the contract envisages that, in the event of termination, the standard treatment provided for by the law and the national collective agreements applicable at the time should be applied (it being understood that any amount agreed at the termination of employment should have been established in compliance with the criteria and the restrictions for Severance illustrated in Section II).

There are therefore no arrangements currently in place that pre-establish fixed ex-ante amounts due in the event of early termination of employment, or that provide for the payment of amounts exceeding the treatment provided for in the applicable national collective agreements.

7.3.5 Remuneration of financial advisors

7.3.5.1 Indirect sales channels

Starting from 29/12/2017, the Bank began promoting and placing investment products and services to the public through **indirect sales channels**, using qualified financial advisors who are classified as "employees" of the Bank.

The indirect sales channels relate to the placement of UCITS, portfolio management and the sale of insurance investment policies, and the collection and transmission of orders in administered assets on the secondary market.

At present, the remuneration envisaged for this category of individuals (i.e. employees registered in the Register of Financial Advisors, authorised to offer products and services off-premises and with a specific mandate to act on behalf of the Bank) has the same characteristics as that applicable to all employees in general, since there is no commission component attached.

The Bank currently does not use financial advisors operating as agents.

Effective from 29/5/2019, Banca MPS started to promote banking products to the public, as defined by the Resolution of the CICR (Comitato Interministeriale per il Credito ed il Risparmio - Interministerial Committee for Credit and Savings) dated 4/3/2003 and subsequent amendments, through personnel classified as "employees" that meet specific personal requirements defined by the Bank (classified as Middle Manager, specific network positions such a branch manager, attendance of specific training courses on loans). This indirect sales channel regarded only the promotion, but not the sale of these products, which is undertaken at the bank's branches. The remuneration envisaged for this category of individuals has the same characteristics as that applicable to all employees in general, since - in particular - there is no commission component attached.

27 Excluding cases of voluntary resignation.

In 2019, the Group availed of the following for the distribution of its own products and third-party products:

- a **network of financial advisors**, acting as agents based on mandates granted by the subsidiary **Widiba** (see paragraph below);
- a **network of AXA Agents**[28], operating in accordance with Widiba mandates, with whom an agency agreement without representation was signed. Their remuneration structure does not provide for any non-recurring component arising from incentive components but **a recurring component exclusively** entailing the payment of sales and management commissions for the distribution of products and services;
- a network of **Leasing Agents**, who operate in accordance with MPS L&F mandates, with whom a tied agent contract was signed with the remuneration comprising commission components that can be classified as recurring;
- lastly, the Bank has business partnerships with 12 credit brokerage companies relating to mortgage loans. The partner credit brokerage companies are involved in managing loan applications for private individuals, based on specific compensation mechanisms organised with the Bank.

As regards the networks of Insurance agents and Financial agents, no forms of non-recurring incentives are envisaged.

7.3.5.2 The remuneration of Widiba financial advisors

The financial advisors are linked to Widiba by an agency contract which permanently engages them (and without representation) to:

- independently, on behalf of Widiba exclusively, promote and place in Italy the financial, banking, insurance and welfare instruments and services indicated in the contract;
- assist the customers acquired and/or assigned under the mandate[29].

Widiba's network of financial advisors consists of:

- 1 National Network Manager;
- 537 financial advisors, including:
  - 8 Area Managers, who report directly to the National Network Manager, organised by geographical area, responsible for coordinating the financial advisors reporting to them, for business development in their territory and to achieve the objectives defined by the corporate management;
  - 50 District Managers who support the Area Managers in the activities described above.

The remuneration system for the financial advisors has specific elements that differ from the system in place for employees. Remuneration for advisors, unlike the system used for employees, comprises different types of commission in accordance with the type of activities carried out and the products placed.

The overall remuneration[30] of financial advisors is based on the content of the Supervisory Provisions, organised as follows:

[28] AXA insurance agents that act as agents for bank products only.
[29] In compliance with current regulatory principles, contractual relationships with the customers that are either acquired by, or assigned to the financial advisor, exclusively take place between the customer and Widiba in any case.
[30] The criteria set out under paragraph 85 of the EBA "Guidelines" are used to value it.

- a **recurring** component, which can be compared to the fixed remuneration of staff, is the most stable and ordinary element of the remuneration. This is represented by commission remuneration recognised in relation to the products and services placed and is the ordinary form of remuneration for the agent;
- a **non-recurring** component that can be compared to staff's variable remuneration, providing an incentive to the agents, and essentially comprising long-term incentive and loyalty-building plans. Payment of this component, based on criteria favouring and promoting compliance with the rules of conduct and the interests of the customers served[31] is conditioned upon the achievement of specific commercial results established by Widiba, corrected for risks (including legal and reputational)[32].

7.3.5.3 Focus on the non-recurring component of the remuneration of Widiba financial advisors

The incentive systems in the non-recurring component for financial advisors are in any case funded on a bottom-up basis from the overall gross proceeds obtained by Widiba from customer assistance/management activities (pay-in). These systems are generally monetary, although non-monetary incentives are also possible (e.g. annual contests assigning prizes in the form of training courses).

These systems, in accordance with the rules, criteria and processes defined for all Group staff, are based on the following principles:

- the non-recurring component is **determined ex-ante** based on **defined parameters**;
- the individual and/or group goals to be realised are defined by ensuring that relations with customers are fair, do not create legal and reputational risks and are aimed at contributing to the diversification/reduction of risk;
- the motivating plans must never give an incentive to take on risk to an excessive extent compared to the level of risk appetite provided under company strategies; more specifically, it must be in line with the reference framework for determining the risk appetite (RAF);
- **gates** relating to the following will be added for:
  - capital and liquidity conditions of the Group;
  - specific access conditions relating to Widiba;
  - operational/compliance risk indicators that condition payment of the amounts reserved also upon the occurrence of the above indicated conditions and in compliance with the terms established. These will cause all rights and/or financial benefits deriving from the system to expire (with the consequent obligation to repay any amounts received under the system) if the indicators materialise within five years of expiry of the system for financial advisors included in Identified Staff and within three years for the remaining advisors;
- the **performance targets** are identified as follows:
  - by considering the customer as the main priority;
  - by implementing long-term bonus systems aligned with Widiba and Group strategic objectives;
  - based on annual results and their impact over time;

[31] In addition to the long-term strategies and goals of the Group.
[32] Widiba has developed a specific method to assess the overall risk profile of the individual financial advisors based on indicators relating to the following profiles:
- subjective (information and data on the advisor);
- objective (regarding the operations put in place with the customers).

  - including elements that reflect the impact of the performance of the individual and/or the group/business unit on the creation of value of the company as a whole;
  - assessing the individual performance, not only based on financial criteria, but also based on non-financial criteria (for example risk management, behavioural aspects, compliance with company values) and taking account of the specific nature of the role.

- the **deferral**, in accordance with current regulatory provisions, of payment of the bonus in relation to the risk time horizon it refers to, with the option of applying possible **malus mechanisms**. The malus mechanisms can be implemented with respect to the variable remuneration to be paid or already recognised but not yet paid, for the year in which the compliance breach occurred. If the variable remuneration affected is not enough to ensure an adequate malus mechanism, the reduction may also be applied to other components of the variable remuneration;
- application of claw backs to the extent legally applicable, to the performance-related bonuses recognised based on assumptions which were subsequently discovered to be incorrect. The situations and circumstances that form the basis for implementing the claw back clauses apply if they occur no later than five years from the payment/disbursement of the related activity/services for financial advisors included in the Identified Staff perimeter and no later than three years for the other advisors;
- addition of **clauses to reduce the bonuses to zero and/or reduce them** in the event of:
  - non-compliant behaviour, disciplinary actions for irregular activities, poor conduct, with special reference to the sale of banking and financial products and services and the failure to honour internal conduct codes, breach of the values;
  - the performance levels of the advisors, considering risk assumed or incurred on assets and any anomalies or critical issues in relations with customers in an effective and anticipated manner.

  These mechanisms can lead to a reduction, also to zero out the entire non-recurring remuneration, especially when results are negative or significantly lower than pre-established targets;
- **prohibition** for beneficiaries of the bonuses **to use personal hedging strategies** or insurance on remuneration or other aspects that could alter or invalidate the effects of risk alignment inherent in the remuneration mechanisms (see paragraph 8.3).

Where given to financial advisors who are classified as Identified Staff, the non-recurring remuneration is disbursed in compliance with the rules described herein for the IV cluster in paragraph 10.2.3.

These systems aim to encourage the network to pursue portfolio and profit objectives, identified annually based on the parameters defined in the Commercial Plan.

MAIN BONUS AND LOYALTY-BUILDING SYSTEMS OF THE NETWORK OF FINANCIAL ADVISORS AT WIDIBA

- **Fidelity plans:** in favour of advisors who do not receive bonuses from economic proposals or other loyalty bonuses.
- **Bonus System**: includes short-term (1 year) productivity and quality objectives, also linked to a minimum funding amount.
- **Extra Management Fee**: attributed to financial advisers from other networks, paid on pre-established deadlines for the achievement of pre-set targets with potential allocation of a higher bonus rate if the ratio of sales commissions and management fees accrued at a specific time to total funding achieved is greater than or equal to a set percentage.
- **Productivity Bonus - Quality Bonus**: included among the additional benefits referred to in the agency agreement.
- **Recruiting Bonus**: for financial advisors who participated in the recruitment process of other advisors hired in the network.
- **No Ordinary Program (NOP) Personnel**: is an incentive plan (with loyalty objectives) that is based over a multi-year period of time of performance appraisal (accrual period), linked to targets and to the duration of the Bank's strategic plan; it envisages the assignment of a remuneration both on consolidated activities and on annual business development activities. The economic benefit entails a percentage allocation calculated on a fixed portion (consolidated activities - Initial Commission Pool) and a variable portion (new business development - Commission from New Funding); payment is envisaged when the plan expires. The NOP also rewards the managerial structure by means of a percentage allocation on the amount accrued by each Financial Advisor belonging to a coordinated group. On expiry of the NOP, each participant Financial Advisor is given the right to extend the Plan for a term of one/two years, by deferring the payment of a portion of said Plan (50% and 66% respectively) against recognition of an amount calculated as a function of the duration of the extension.

- **Long Term Incentive (LTI)**: is a loyalty and incentive system with a term of nine (9) years addressed to Financial Advisors belonging to the Widiba Network, who meet specific requirements; there is an option to request a partial advance of the amount accrued after at least three (3) years of permanence. The maximum expiry of said plan has been set as 31 December 2030. The LTI system is based on sales performance conditions relating to each financial advisor verified at the time of access and on allocation conditions verified annually (minimum thresholds of assets managed and cashflows generated). The observance of all operational/compliance risk indicators is always verified with relation to the allocation and the payment of the amounts accrued.

The disbursement of the incentive plans described above is subject to I and II level controls carried out every month by the Human Resources function.

LIMIT OF VARIABLE AND FIXED RATIO FOR FINANCIAL ADVISORS INCLUDED IN THE IDENTIFIED STAFF PERIMETER

The maximum ratio between variable and fixed remuneration is 1:1(*) for Identified Staff. Following the approval of the Group's 2019 remuneration policies, Widiba - as indicated in the latter - launched the regulatory procedure envisaged to raise said ratio to 2:1 for the sole benefit of Widiba financial advisors who are included in the Identified Staff perimeter in order to retain, hire and attract key resources for the business. In the current year, after having obtained the required authorisation from the Supervisory Authority, Widiba will amend the Articles of Association, submitting the introduction of the 2:1 ratio to the approval of its Shareholders' Meeting.

This increase is:

i) linked to the specific remuneration of these subjects;

ii) in line with market practice as adopted by the main competitors (who have already brought the maximum variable / fixed ratio to 2:1);

iii) consequently aimed at preserving Widiba's competitiveness in the market and supporting the attractiveness and retention of financial advisors through competitive remunerations.

The aforementioned increase in the variable / fixed ratio is not likely to have any impact, now or in the future, on the Group's and Widiba's ability to continue to comply with all prudential rules, also considering that the plans (loyalty and/or incentive) relating to the non-recurring components of the remuneration always contain consolidation and payment conditions linked to the achievement of the Bank's business and budget objectives (targets in terms of funding, assets under management, stock increases and Bank profitability) identified and, predominantly, on the basis of multi-year periods.

(*) As regards the relationship between variable and fixed remuneration for multi-year assessment systems that do not renew annually, the Bank applies the aforementioned EBA Guidelines (see specifically paragraph 189 of the EBA Guidelines).

7.3.6 The remuneration of business partners not bound to the company by employment relationships

The Bank makes extremely limited use of business partner contracts. These types of contracts are reserved for **specific requirements** (e.g. support for special projects or recommendations) and for professionals characterised by **excellent skills and experience** in specific areas, with a view to maintaining transparent relations with customers and avoiding legal and reputational risk.

The fixed component is determined in relation to the importance of the partnership; where the importance of the same increases, variable forms of incentive (including non-compete covenants) may be provided according to the same methods as those defined for employees.

8. FOCUS ON CERTAIN KEY PROCESSES

8.1 Process of identifying Identified Staff

In accordance with the provisions of the Supervisory Provisions, in June 2018, the Bank adopted a specific company Directive *"Group Directive on the identification of Identified Staff"*, whose criteria and procedures are summarised below and form an integral part of this remuneration policy; the Directive is subject to the approval of the shareholders' meeting along with the policy.

The staff, whose professional activities may have a significant impact on the risk profile of the entity, is identified annually on the basis of a structured and formalised assessment defined on the basis of the Regulatory Technical Standards (EU Delegated Regulation 604 of 4/3/2014) with specific reference to "qualitative criteria" (article 3) and "quantitative criteria" (article 4) described therein.

Note that on 19 December 2019, the EBA published a consultation on the new regulatory technical standards, which will be submitted to the European Commission in June 2020. Until the entry into force of the new standards, the process illustrated below will be applied, developed with the contribution of the Compliance, Risk Management, Internal Audit, Planning Legal and Organisation functions under the responsibility of the Human Resources Function.

Within the perimeter of the process guidelines:

- the Parent Company's **Risk Management** function provides the applicable elements to identify the thresholds for the qualitative criteria of the above-mentioned Regulatory Technical Standards pursuant to criteria 10[33], 11[34], 12[35] and 13[36] both at Parent Company level and for Group Companies classified as "Credit Institutions" within the scope of Directive 2013/36/EU (art. 73) and which have a centralised Risk Management Function (according to formal SLAs);
- the Parent Company's **Planning** function identifies and provides the findings relating to the allocation/distribution of the internal capital, pursuant to criteria 5[37] of the above-mentioned Regulatory Technical Standards, both at Group level and for Group companies classified as "Credit Institutions";

[33] "10) is the head or a member of a committee in charge of managing a risk category pursuant to articles 79 to 87 of Directive 2013/36/EU that is not credit risk or market risk".

[34] "11) in relation to the exposures to nominal amounts of credit risk for a transaction corresponding to 0.5% of the primary tier 1 capital of the entity and equal to at least 5 million euros, the member:

a) is responsible for initiating the proposals to grant loans or organise credit products that could produce these exposures to credit risk; or
b) has the power to adopt, approve or veto the decisions regarding those exposures to credit risk; or
c) is a member of a committee that has the power to make the decisions from letter a) or b)".

[35] "12) in relation to an entity in which the exception is not applied for small transactions relating to the trading portfolio pursuant to article 94 of Regulation (EU) no. 575/2013, the member:

a) has the power to adopt, approve or veto decisions on transactions on the trading portfolio that meet one of the following thresholds in total:
   (i) if the standardised method is applied, the own funds requirement for market risk that represent at least 0.5% of the primary tier1 capital of the entity;
   (ii) if the internal model method is approved for regulatory purposes, at least 5% of the internal limit of the value at risk of the entity for the exposures of the trading portfolio at the 99th percentile (unilateral confidence interval); or
b) is a member of a committee that has the power to make the decisions pursuant to letter a)".

[36] "13) has managerial responsibility for a group of members of the staff who have the individual power to commit the entity to transactions and one of the following conditions is met:

a) the sum of those powers is equal to or higher than the threshold pursuant to point 11), letter a) or b) or point 12), letter a), point i);
b) if the internal model method is approved for regulatory purposes, these powers are equal or higher than 5% of the internal limit of the value at risk of the entity for the exposures of the trading portfolio at the 99th percentile (unilateral confidence interval). If the entity does not calculate a risk value at the level of that member of staff, the limits of the risk value of the staff under this person are summed".

[37] "5) has the general responsibility of managing the risks in an operational/company unit in accordance with article 142, paragraph 1, point 3 of Regulation (EU) 575/2013 where internal capital was distributed in accordance with article 73 of Directive 2013/36/EU representing at least 2% of the internal capital of the entity ("operational unit/key company")".

- the Parent Company's **Organisation** function oversees the development of the Group organisational model, and reports any significant changes to it, monitoring qualitative criteria 9[38], 10 and 14[39] of the aforementioned standards in particular; In collaboration with the Human Resources function, and with the other relevant Functions in terms of delegated powers, it identifies the roles/positions in the perimeter resulting from the application of the thresholds identified with regard to qualitative criteria 11 to 14 of the above-mentioned Regulatory Technical Standards";
- the Parent Company's **Human Resources** function identifies the members of staff with responsibility in the relevant operational / company units identified during the assessment process and processes the data pursuant to articles 4 ("quantitative criteria") and 5 ("calculation of the remuneration attributed") of the above-mentioned Regulatory Technical Standards;
- the Parent Company's **Compliance** and **Legal** functions support the various functions involved in the proper interpretation and application of the prevailing laws;
- the Parent Company's **Internal Audit** function controls the identification process and its results, including any requested exclusions therein.

The Group companies, classified as Credit Institutions, carry out their own self-evaluations at individual level, with the support of the Parent Company where required. Group companies that are smaller and less complex which therefore do not fall under the provisions of the Directive 2013/36/EU, are included in an identification process on a consolidated basis, delegating the consolidating entity to apply the identification process at an individual level; the Parent Company is responsible for ensuring the overall consistency of the identification process for the whole Group.

There is a structured evaluation process for **financial advisors** based on qualitative and quantitative criteria aimed at identifying the parties whose activities could have a substantial impact on its risk profile. The following criteria are considered to this end:

- contribution to the risk to Widiba and the Group and verification of the contribution to the results on a prospective basis;
- analysis of the responsibilities, the level and the individual authorisations provided for;
- amount and structure of the remuneration received.

With regard to the **financial advisors** operating as agents, there is a structured process to identify the advisors classified as Identified Staff on the basis of both qualitative and quantitative criteria.

With reference to the **qualitative criteria**, the process includes the National System Manager and the Area Managers as Identified Staff, included in accordance with the qualitative criteria pursuant to article 3, no. 3 of the Regulation.

With regard to the **quantitative criteria**, the process provides for automatic inclusion in the Identified Staff category of financial advisors whose total remuneration amounted to or was higher than Euro 750,000 the previous year (article 4 paragraph 5 of the EU Delegated Regulation 604/2014).

On the other hand, a structured evaluation process assesses whether or not there is a substantial impact on the risk profile for financial advisors whose remuneration is higher than the amount described in the criteria pursuant to article 4 paragraph 1 letters a and b of the aforementioned Regulation 604/2014, but less than Euro 1,000,000. A specific calculation based on an algorithm that takes account of a series of indicators and parameters that represent the degree of riskiness of the activities of the financial advisors

[38] "9) heads a function in charge of legal affairs and finances, including taxes and budgeting, human resources, remuneration policies, information technology or economic analyses".

[39] "14) in relation to the decisions to approve or prohibit the introduction of new products, the member:

a) has the power to make those decisions; or
b) is a member of a committee that has the power to make those decisions".

is applied.[40] Upon completion of that process, an overall numerical score is defined for each financial advisor with a specific risk level attached (known as the "**gross risk profile**").

In order to ensure a risk evaluation that is proportional to the operations and the impact of the individual financial advisor with respect to the overall network, starting from the gross risk profile (based on qualitative parameters), the **overall risk profile** is calculated by weighting with two quantitative corrective-type parameters for the individual financial advisor:

- the value of the total portfolio managed;
- the number of customers managed.

The results of the Identified Staff identification process are examined by the **Remuneration Committee.** With regard to any exclusions, the Chief Executive Officer of the Parent Company decides whether to submit potential exclusions from the Identified Staff to the Remuneration Committee for subsequent proposal to the Board.

With regard to the proposed exclusions for Widiba financial advisors authorised to work through indirect sales channels, without prejudice to the compliance with the qualitative and quantitative criteria indicated in the Remuneration Policies in force, the thresholds over which the exclusion of a financial advisor from the perimeter of Identified Staff may not be requested are as follows:

- - a total risk profile evaluation higher than "medium-low";
- - an overall value of the overall portfolio managed over 150 million;
- - a number of customers higher than 2% of the total of the entire network of financial advisors of Widiba.

Financial advisors that satisfy at least one of the above-indicated thresholds may not be excluded from the perimeter of Identified Staff.

The thresholds are verified with reference to the figures for the financial year prior to that under analysis.

Given all of the above, the process also provides for the automatic inclusion in the Identified Staff category of financial advisors whose total remuneration in the previous year was equal to or higher than that above which the authority gives its approval only in exceptional circumstances.[41]

The overall risk profile of individual financial advisors is calculated annually by Widiba's AML & Risk Function, which then informs the Risk Management and Compliance functions of the Parent Company, in accordance with the criteria defined in the remuneration policies approved by the shareholders' meeting.

Once the Remuneration Committee obtains the opinion of the Risk Committee, it submits the proposal of approval of the perimeter to the Board, including any proposals for exclusion.

The perimeter identified each year is **updated every quarter** by the **Human Resources** function following new hires/exits from roles, or in the case of any significant organisational changes or significant changes to the internal capital distribution on the basis of what was reported by the designated Parent Company functions.

The staff identified is divided into five clusters through an analysis of the qualitative and quantitative criteria pursuant to the above-mentioned Regulatory Technical Standards:

[40] Including, for example, the existence of any complaints or claims, judgements expressed following audits, evaluations made by customers, number of orders given by different customers with the same title or mark, any transactions in securities that were not right for the customer, any anomalous movements on the current account of the financial advisor, etc.

[41] See Article 4, paragraph 5 of EU Delegated Regulation 604/2014.

Cluster	Type of roles included in the cluster
I Cluster	Non-executive directors of the Group companies
II Cluster	Chief Executive Officer, Chief Audit Executive, Chief Risk Officer, Chief Operating Officer, Chief Human Capital Officer, Chief Commercial Officer, Chief Lending Officer, Chief Financial Officer, Chief Safety Officer, Communication Institutional Relations and Sustainability Manager, Group General Counsel Manager, Compliance Department Manager and Group Managing Director of the Consorzio Operativo
III Cluster	Top management (apart from the Group Managing Director of the Consorzio Operativo included in Cluster II), Managers reporting directly to Chiefs, Division heads of the companies, Parent Company Area Managers, Territorial General Managers, Head of Territorial Lending, Heads of II level Company Control Functions, Managers of the Legal, IT, Human Resources and Planning Functions of the companies
IV Cluster	Area Managers and Widiba financial advisors
V Cluster	Other staff who individually or collectively take on significant risks

8.2 Compliance breach management process

The malus and clawback correction mechanisms will be applied in the event of compliance breaches, which refer to:

- conduct that does not comply with the law, regulations or articles of association or any codes of ethics or conduct that could apply to the Bank, resulting in a significant loss for the Bank or for customers;
- other conduct that does not comply with the law, regulations or articles of association or any codes of ethics or conduct that could apply to the Bank, in the cases they may provide for;
- breaches of obligations pursuant to article 26 or when the party is an interested party, according to article 53 paragraphs 4 et seq. of the Consolidated Banking Law or obligations on remuneration and incentives;
- fraudulent behaviour or gross negligence to the damage of the Bank.

The Bank has developed a specific procedure for the assessment of compliance breaches along with the consequent application of ex post correction mechanisms. This procedure disciplines, inter alia, the following:

(i) the duties of the various functions and company bodies in the different phases of identifying and assessing any compliance breaches;

(ii) the times and procedures for that process;

(iii) the application procedures of the resulting malus and clawback measures, affecting variable remuneration, also differentiated on the basis of an assessment of the degree of "materiality" of the compliance breaches, to be conducted in accordance with certain pre-established criteria. The procedures in question also governs the effects of any disciplinary proceedings on the application of the ex post correction mechanisms, providing in general for the suspension of payments due if there are disciplinary proceedings in place, up to conclusion of the disciplinary proceeding and the internal proceeding of assessment of the compliance breach.

The times defined by the Bank for the exercise of the claw back clauses (that are reflected in the above-mentioned procedure) are:

- 5 years from disbursement of the variable remuneration for Identified Staff;

- 3 years from disbursement of the variable remuneration for the remaining staff.

8.3 Verification process to assure absence of hedging strategies

The principles and criteria of the Supervisory Provisions provide - also in order to avoid any possible behaviour that defies the law - that the bank ensures that its staff are not remunerated, or do not receive payments or other benefits through vehicles, instruments or procedures that do not comply with the Supervisory Provisions. To that end, the staff may not rely on personal hedging strategies or insurance on remuneration or other aspects that could alter or invalidate the effects of alignment with the risk inherent in the remuneration mechanisms.

In order to ensure that this prohibition is complied with, the Bank has provided for the following:

- the Compliance Control Function, in association and with the support of the Human Resources function:
  - define and update the operating processes to carry out the activities needed for that end;
  - identify the types of transactions and financial investments that are directly or indirectly carried out by the Identified Staff that could affect the risk alignment mechanisms, and more generally, the pursuit of the purposes of the regulations;
  - carry out **sample checks** on internal custody and administration accounts **at least for Identified Staff**;
- the Identified Staff are required to **communicate the transactions and financial investments carried out** that fall under the categories defined above;
- the Identified Staff, through specific agreements, are required to **communicate the existence or the activation of custody and administration accounts with other intermediaries**.

The Bank takes account of the information received when adjusting the staff remuneration and incentive systems, with special regard to the risk alignment mechanisms and the financial and income position of the bank (for example duration of the deferral period, malus and clawback systems, etc.).

9. IMPLEMENTATION OF REMUNERATION POLICIES IN 2019

9.1 Changes in the Identified Staff perimeter

In 2019, the "Identified Staff"[42] perimeter decreased from 295[43] to 278 positions following the application of the process set out in paragraph 8.1. The request for exclusion from the Identified Staff perimeter of Widiba financial advisors, sent to the competent authorities on 30/6/2019, was accepted.

Statement A - Quantitative information on the remuneration of the "Identified Staff" (Bank of Italy) reports the data on a like for like basis in order to facilitate the understanding and representation of all the amounts paid.

9.2 Remuneration trends

The trend in remuneration levels in 2019 was impacted by the effects of measures implemented during the year, namely:

- reorganisation of the organisational structure, primarily due to the termination of the work contracts of 1,161 resources (of which 750 people who entered the fund[44] and 411 due to natural turnover), including 41 managers;
- the measures introduced by the Agreement on labour costs in 2019, signed on 31/12/2018 with the company trade unions. The elements with the greatest impact on the above-mentioned agreement include:
    - the suspension of work for 5 or 6 working days in accordance with each employee's annual gross basic salary level;
    - the reinstatement of the calculation base used for the post-employment benefits and the contribution to the Complementary Pension Fund as dictated by the National Collective Labour Agreement in force at the time;
    - a contribution of 2.5% for staff with an annual gross basic salary of higher than Euro 150,000 on the portion of the salary exceeding this amount.

For **Managers**, in addition to the above-mentioned manoeuvres and the provisions of the national collective labour agreement on contribution to the "FOC"[45], there is also the following:

- the above-mentioned voluntary donation to MP Solidale of one or more days holidays or percentages of wages[46];
- the restructuring, introduced in 2013, of the holiday entitlement (to facilitate management of working time in relation to targets rather than attendance, in consideration of the managerial independence that distinguishes this category, with the consequential waiver of any unused holiday entitlement).

With a view to aligning remuneration, in accordance with economic compatibility constraints, in 2019 interventions were made on around 5% of employees, a significant part of which without any particular

[42] Identified for the 2019 Remuneration Policies.
[43] Perimeter not including requests for exclusion submitted to the competent authorities.
[44] Fund authorised with the agreement dated 31/12/2018 "2017-2021 Restructuring Plan - trade union procedure pursuant to articles 20 and 21 of the National Collective Labour Agreement"
[45] National Fund to Support Employment.
[46] Donation also possible by other employees.

economic impact. The interventions mostly regarded network resources - specifically the lower levels of the Professional Areas - and other key roles for the business.

As regards the new hires in the Group, the employment agreements for managerial positions (only 2 compared to an average of 5 in the previous three-year period), prepared in compliance with the policies approved by the Shareholders' Meeting, were positioned at around median market levels, based on equal organisational positions, also with a view to consistency with internal median levels.

The table below shows the average remuneration levels of the Group regarding the recurring remuneration component for employees[47] (staff and organisational charts as at 31/12/2019 and 31/12/2018; amounts in Euro):

Employees	Number of employees at 31/12/2019	Average remuneration at 31/12/2019	Number of employees at 31/12/2018	Average remuneration at 31/12/2018
Managing Director and Top Management	19	265,841	19	276,471
Other Managers	256	116,416	263	118,232
Middle Managers and Professional Areas	21,765	45,861	22,847	45,512
Total Employees	**22,040**	**46,870**	**23,129**	**46,528**

Average remuneration levels in the Group were up slightly in 2019 (+0.7%), mainly due to remuneration increases from the provisions of the national collective labour agreement for Professional Areas and Middle Managers, and limited remuneration actions taken. On the other hand, there was a reduction in the overall managerial structures, where the internal restructuring implemented during the year made an impact[48].

With reference to high earners, i.e., those individuals whose total remuneration amounts to at least Euro 1 million per year (moreover subject to periodic reporting to the supervisory bodies), in the entire Group only one Widiba financial advisor surpassed that threshold (and therefore, operating as an Agent on the basis of a specific mandate; in the Euro 1 million - Euro 1.5 million remuneration bracket[49]).

Below is a representation of the remuneration of Group employees by business segment:

Customer segment	Number of employees at 31/12/2019	Sum of remuneration at 31/12/2019	Average remuneration at 31/12/2019
Private	16,121	723,767,433	44,896
Corporate	692	35,216,152	50,890
Finance	184	11,218,022	60,968
Service and Corporate Centre	5,043	262,823,546	52,117
Total Employees	**22,040**	**1,033,025,154**	**46,870**

9.3 Application of specific regulatory restrictions

On 4/7/2017, the European Commission approved the Bank's precautionary recapitalisation plan which, inter alia, required the Group to make a series of commitments as of said date and until the end of the restructuring period (31/12/2021). Among these is the Group commitments to apply severe executive remuneration policies and, specifically, to ensure that total individual remuneration does not exceed the average employee salary at the beginning of the plan in 2016, multiplied by ten (salary cap).

[47] Net of solidarity measures, which on average amount to approx. 2% of the annual gross basic salary.
[48] Top Management remuneration levels influence application of the above-mentioned salary caps starting from 4/7/2017 (see also paragraph 9.3).
[49] Information pursuant to article 450 (1) (i) of Regulation (EU) no. 575/2013.

The Bank continues to ensure application of this commitment with respect to the current Chief Executive Officer / General Manager and other top management figures.

The 2019 remuneration policies were also defined and applied to ensure compliance with the specific provisions for Banks and banking groups that benefit from State aid[50].

9.4 2019 variable remuneration

In 2019, in order to contribute to the achievement of the cost targets provided for under the above-mentioned commitments assigned by the European Commission with approval of the Bank's precautionary recapitalisation plan, the variable bonus plan systems, described as the core components of the Variable Performance-Related Bonus for Middle Managers and Professional Areas, and MBO for the Managers described in paragraph 7.3.2. were not implemented. As a result, there was and will be no disbursement in relation to these systems.

In 2019, the Bank used specific targeted instruments with a low impact on costs for the Bank (contest, see paragraph 7.3.3) effective in motivating and rewarding excellent resources (in the network, managers of non-performing loans and other resources in the credit supply chain; not including Identified Staff).

To protect the Bank's interests in cases of departures of key resources from the private banking supply chain, it continued to make use of **non-compete covenants**.

In 2019, with regard to measures taken on remuneration, **37 extensions of the notice period agreements** were made (with 2 contracts made in favour of Identified Staff) as well as 4 **stability pacts** (with 1 contract made in favour of Identified Staff).

No **retention bonuses** or **one-off payments** were awarded in 2019.

With 176 new hires completed during the year (including 2 managers), two **entry bonuses** were awarded with an average value of Euro 15,000.

With regard to the **remuneration paid for the early termination of the employment contract**, within the scope of 94[51] consensual employment contract terminations completed during the year (including 32 managers), **36 amounts exceeding the advance notice cost were paid**. In this area, in 2019, with reference to Identified Staff only, 9 employment relationships were terminated consensually - again as part of the ongoing company restructuring process, and to meet cost reduction objectives and resource streamlining needs; 5 amounts exceeding the notice cost were paid; the average incentive paid for these terminations (excluding the average cost of the advance notice due by law, equal to Euro 180,798), was Euro 27,921. These amounts were disbursed in accordance with the terms and methods laid out by regulations in force and in any event no incentive paid out surpassed the amount of Euro 100,000. These amounts, disbursed in compliance with current legislation and the contractual provisions for the category, were defined within the perimeter of specific policies adopted by the Board of Directors and consistent with the resolutions of the Shareholders' Meeting, aimed at limiting discretion when determining the amounts to be granted and guaranteeing equal treatment.

In 2019, the Bank applied malus mechanisms to the deferred portions of the severance of three former managers who left the company in previous years due to failure to achieve the performance conditions net of risk[52].

Within the scope of reorganising the **foreign division** provided for in the restructuring plan, incentives for the early termination of employment contracts for 54 employees with foreign employment contracts

[50] Article 93 of Directive 2013/36/EU (CRD IV); Bank of Italy Circular no. 285/2013 - 25th update Section V.

[51] In 2019, no compensation or other benefits were awarded for termination of office or for consensual termination relating to managers with strategic responsibilities (information provided pursuant to Directive 2017/828/EU, Shareholder Rights Directive 2).

[52] The total amount of the adjustment was Euro 153,456 in cash, while the component in financial instruments was 6560. This indication is also provided pursuant to Directive 2017/828/EU (Shareholder Rights Directive 2).

were paid in addition to the above. All the terminations were agreed in accordance with prevailing law and with specific local laws.

In view of the above, with reference to the treasury share plans approved by the Shareholders' Meeting in 2019 and 2018, and the performance shares plan approved in 2017, to serve severance payment requirements, in view of the amounts paid out in the previous two years for such terminations (which always took place as part of the ongoing company restructuring process, and based on cost reduction and resource streamlining requirements), since a single severance payment of higher than the relative exemption threshold of Euro 100,000 had never been made, it was not necessary to use the above-mentioned balance between cash and financial instruments; therefore no use was made of the two plans mentioned.

For the sake of completeness, instead, with regard to the performance share plan for 2016:

- 5,340 were paid from the original 32,806 deferred performance shares, and 6,560 were written off following application of the malus clauses. Therefore, 14,346 performance shares remain, of which 1,220 allocated, to be paid in 2020, while the remainder will be allocated annually, subject to the verification of pre-established malus conditions - over a five-year time horizon and paid one year after the relative allocations.

With regard to Widiba financial advisors who are Identified Staff, the percentage of the variable component to be paid in financial instruments, equal to Euro 226,633.03, will be assigned after approval of the Widiba performance share plan.

10.REMUNERATION POLICIES FOR 2020

10.1 2020 Identified Staff

The perimeter identified on the basis of the process described in detail in paragraph 8.1 has decreased compared to 2019 (278 compared to 295 indicated in the "2019 Remuneration Report") also in the light of the reorganisations carried out in 2019, in particular as regards the Department of the Chief Commercial Officer.

The staff included in the perimeter are shown in the table below, broken down by identification criteria:

Criteria to identify the Identified Staff (Regulation (EU) 604/2014)	No.	Theoretical Fixed Remuneration
Article 3 paragraph 1 - Chief Executive Officer of the Bank	1 (*)	-
Article 3 paragraph 2 - Other Directors with executive roles	0	-
Article 3 paragraph 2 - Non-Executive Directors	29	-
Article 3 paragraph 3 - General Manager of the Bank	1 (*)	466,250
Article 3 paragraph 3 - Deputy General Managers of the Bank	2	932,500
Article 3 paragraph 3 and 9 - Managers of the main business areas, company functions and geographic areas, and those who report directly to the corporate bodies	92 (**)	15,641,202
Article 3 paragraph 4 and 7 - Managers and personnel in charge of the internal control functions	28	3,198,020
Article 3 from paragraphs 5 to 15 - Other staff who individually or collectively take on significant risks	101 (***)	8,290,183
Article 4 - Highly paid employees and business partners not included in the criteria above	25	4,776,814
Overall total	**278**	**33,304,969**

(*) Mr Morelli holds the offices of both CEO and General Manager.

(**) Includes CEO/Managing Directors/General Managers of the Group companies.

(***) Not including staff with internal control duties identified in accordance with criteria 3. paragraph 7 already included in the previous cluster.

Continuing with the policy adopted in the last two financial years with respect to the Widiba financial advisors who have a total remuneration for 2019 of less than Euro 1,000,000, the Bank believes that it does not have to include 32 financial advisors in the perimeter in 2020, compared to the 43 exclusions indicated in 2019. Even through these advisors fall within the 0.3% of personnel with the highest total remuneration of the Group, due to the role covered and the application of the criteria laid out in regulatory provisions (EU Delegated Regulation no. 604/2014 and updated by Circular no. 285), they do not have a substantial impact on the entity's risk profile, taking into account all the risks to which the entity is or could be exposed; this assessment was made on the basis of the specific criteria described in paragraph 8.1. The exclusion will be subject to a specific request for authorisation from the competent authorities with the timing and methods laid out by regulations in force (see the aforementioned EU Delegated Regulation no. 604/2014 and EU decision 2015/2218 of the European Central Bank).

10.2 Remuneration policies for 2020

10.2.1 Fixed remuneration components

In line with last year, company actions on the fixed remuneration component will continue to be characterised, also in view of the cost restrictions set by the restructuring plan and the above-mentioned commitments, by strong selectivity and high "prioritisation" requirements. In this scenario, they will be increasingly based on finding the best distribution of the resources available, and will guide the above-mentioned benchmarking, job-levelling and remuneration categories defined for each grade (see paragraphs 7.1 and 7.2.1).

Of note is the agreement signed with the company trade union organisations on 31/12/2018 which, starting from 1/4/2019, will align the basic post-employment benefit calculation, also valid for the extra company security benefits, with the provisions of the National Collective Labour Agreement, so it will have a lower impact on the employees compared to the 2016-2018 three-year period.

10.2.2 Compensation for managers of Company Control Functions

Position-related remuneration defined ex-ante in accordance with pre-defined criteria differentiated by each organisational level and job responsibility is assigned to figures with responsibilities in the company control functions, from organisational level I to III, with further characteristics illustrated at paragraph 7.2.3.

10.2.3 Variable components in the remuneration of the Identified Staff - basic rules

In accordance with the legal requirements relating to the variable remuneration paid to the Identified Staff, the remuneration policies of the Bank provide as follows:

- payment of variable remuneration partly in cash and partly in financial instruments subject to retention periods, balancing percentages between the two differentiated components differentiated by Identified Staff cluster;
- deferral of the variable remuneration for different percentage amounts and time periods (as indicated below) in accordance with the relative amount (i.e. depending on whether it is a "particularly high amount" or not, as indicated above) and the position of the beneficiary;
- the determination of the "particularly high amount" of the variable component as Euro 425,000, equal to the lower amount between:
    - 10 times the overall average remuneration of Bank employees (i.e. 10 x Euro 46,870 = Euro 468,700);
    - 25% of the overall average remuneration of Italian high earners as resulting from the most recent report published by EBA[53] (i.e. 25% of Euro 1,699,237 = Euro 425,000);
- the application (as long as the Bank is a beneficiary of State aid) of deferral percentages that are higher than those provided for in other banks, as indicated therein;
- limitation of the ratio between variable and fixed remuneration at a value that does not exceed 100% (ratio 1:1)[54];
- the deferred component being subject to the ex post correction mechanisms (malus and clawback) described in paragraph 8.2.

More specifically, disbursement of the variable components to the Identified Staff will be made in accordance with the following parameters subject to approval by the Shareholders' Meeting:

[53] EBA "Report on high earners" dated 11 March 2019.
[54] Except for that illustrated above in paragraph 7.5.3 relating to Widiba Financial Advisors.

1) **% Limit to the variable/fixed ratio:**

Cluster	Number of persons	max % of variable to fixed
I Cluster	29	-
II Cluster	12	100%
III Cluster	109	80%
IV Cluster	10	100% (*)
V Cluster	118	60%
Total	**278**	

(*) In the current year, after having obtained the required authorisation from the Supervisory Authority, after amending its Articles of Association, Widiba will submit the introduction of the max % of variable to fixed of 200% for financial advisors categorised as Identified Staff to the approval of its Shareholders' Meeting.

2) **Percentage balance between cash and financial instruments of the variable component[55]:**

Amount	Cluster	Cash	Financial instruments
All the amounts	II Cluster[56]	48%	52%
	III Cluster	50%	50%
	IV Cluster		
	V Cluster		

3) **Percentage deferral of the variable component differentiated by type[57]:**

Since the Bank is currently classified as a bank that benefits from State aid, the deferral percentages of the variable remuneration must be defined - as noted above - to a higher extent than those established for the other Banks. Therefore, the Bank's policy provides for increases in the deferral percentages of the variable remuneration. These increases are differentiated according to the different types of variable remuneration so as to take account the different motives, characteristics and purposes of the various components.

Amount	Cluster	Incentive variable (**)	Severance	Other variable components
Particularly high amount (> Euro 425,000)	II, III, IV and V	70%	At least 62%(*)	At least 62%(*)
Other amounts	II Cluster	60%	At least 52%(*)	At least 52%(*)
	III Cluster	50%	At least 42%(*)	At least 42%(*)
	IV Cluster			
	V Cluster			

(*) Any increase in the percentage indicated will be evaluated on a case by case basis, also considering the Bank's situation at the time of payment/agreement, as well as the state of progress of the restructuring plan and the amount of the transaction to be paid. Furthermore, in the case of severance pay, convenience for the bank to conclude a transaction with the employee will also be taken into account.
(**) Including the non-recurring component of the financial advisors.

[55] Above the materiality threshold indicated by cluster in this paragraph where present.
[56] For cluster II (which includes the Chief Executive Officer and the managers of the main business areas, company functions and geographic areas, and also those who report directly to the bodies with strategic supervisory, management and control functions), the provisions of the update of Bank of Italy Circular no. 285/2013 apply: "If the percentage of financial instruments is higher than 50% of the total variable remuneration, the part in financial instruments to defer is higher than the part in up-front financial instruments".
[57] To be defined for the Group at values higher than those normally provided for by other banks since State aid is given (see Section V of Circular no. 285/2013 of the Bank of Italy).

4) **Years of deferral and holding periods:**

Cluster	Years of deferral	Years between evaluation and payment of the first portion	Up-front component holding period	Deferred component holding period
II Cluster	5	1	2	1
III Cluster	3			
IV Cluster				
V Cluster				

5) **Malus mechanisms,** operating both if a compliance breach is found (more detail in paragraph 8.2) and each time a deferred portion is paid. For the payment of the deferred portion, the following conditions, measured on the closest possible date to the payment in question, must be simultaneously met. If they are not met, the deferred portion will not be paid:

Malus
CET1 Ratio > Risk capacity RAF 2020
NSFR > Risk capacity RAF 2020
RAROC > Risk capacity RAF 2020

With regard to the non-recurring component of financial advisors of Widiba bank, specific access conditions illustrated in paragraph 7.3.5.3. will be applied.

6) **Clawback mechanisms** operating if a compliance breach is found (more detail in paragraph 8.2).

The Identified Staff include parties who belong to multiple and differentiated organisational levels, some of whom may accrue a small bonus, whose split payment in shares or deferred payments would determine insignificant amounts. In view of the above:

- **a threshold of significance of the variable component**[58] **of Euro 40,000** per year has been established for the III and V clusters of the Identified Staff, and below which every payment is made entirely in cash / up-front;
- for the IV Cluster (**Widiba financial advisors**), the aforementioned threshold **is raised to Euro 70,000** per year, since their average remuneration is higher on the whole, against lower risk taking;
- there is no **threshold of significance of the variable component** for the II Cluster of Identified Staff (so that any amount paid as variable remuneration is subject to deferral and balancing in money and shares).

These thresholds, which are not applied in the case that the above-mentioned amount is greater than 50% of the gross annual basic salary received by the Identified Staff member, are deemed appropriate to avoid excessive risk taking by employees, considering that the Bank has decided to adopt a generally prudent position in the application permitted by the Supervisory Provisions, both with reference to the identification of the Identified Staff perimeter as well as regarding the identification of the maximum theoretical thresholds connected to variable remuneration (see above table).

Lastly, note that the amounts in financial instruments will be paid in the form of performance shares (see paragraph 10.2.7) subject to shareholders' meeting resolutions approving their plan of use to service the severance payments for the Montepaschi Group staff.

[58] The threshold does not apply to severance pay, for which the provisions set forth in Section II apply.

10.2.4 Variable components in the remuneration of the remaining personnel - basic rules

For all of the **other personnel** not included in the Identified Staff perimeter, **the maximum percentage of the variable component in relation to the fixed component** is **50%**.

The malus and claw back rules pursuant to the paragraph above also apply to staff who are not included in the Identified Staff perimeter (if there are any deferred payments).

The Bank does not apply said limit to the **Widiba** network of financial advisors, not categorised as Identified Staff, given the specificity of the relative remuneration system, essentially divided into recurring fees based on volumes managed/under administration and non-recurring components, please refer to paragraphs 7.3.5.2 and 7.3.5.3.

10.2.5 Variable incentive instruments in 2020

In view of the financial constraints resulting from the Bank's restructuring plan, it is deemed that the conditions for activating the Performance Related Bonus and MBO systems in the current year are not present.

Even if the conditions were met, prevailing law rules out the possibility of defining said systems during the course of the year.

10.2.6 Other variable management instruments in 2020

The variable instruments for management purposes are:

- **contest, one-off payment, retention bonus, entry bonus**, to be paid on an exceptional basis upon hire, in accordance with the terms and conditions described in paragraph 7.3.3;
- **non-compete covenants** for specific business figures after they start their jobs in accordance with the terms and conditions described in paragraph 7.3.3;
- other attributions linked to permanence with the company (such as **extended notice agreements /stability pacts**) in accordance with the terms and conditions described in paragraph 7.3.3;
- any **severance** to be recognised in the event of early termination of employment contracts according to the terms and conditions described in Section II.

These instruments will be implemented within the scope of the overall amount provided for variable remuneration in 2020 (bonus pool) determined in accordance with the regulations of the Supervisory Provisions and - in particular - with the rules established for banks who benefit from state aid (see Section V, paragraph 1 of Circular no. 285/2013).

The disbursement of these instruments, also functional to assure structural savings on labour costs, is undertaken on the basis of specific, pre-established and well documented decision-making processes, in accordance with the current regulatory framework[59] and taking into account any indications that may be received from the competent authorities.

[59] With payment being made, among other things, only if compatible with capital and liquidity levels sufficient to cope with the Bank's activities and subject (also including individuals not classified as Identified Staff) to the claw-back mechanisms set forth in paragraph 8.2, as well as, in the case of deferral, the malus mechanisms envisaged in paragraphs 10.2.3 and 10.2.4.

10.2.7 Financial instruments to service variable remuneration payment

On the basis of the Supervisory Provisions in the Bank of Italy Circular no. 285/2013, the Group is required to use shares or related instruments to pay a percentage of any variable remuneration disbursement to Identified Staff (see paragraph 10.2.3), (known as balancing). Obligations that may arise in 2020, for which, in view of the remuneration policies defined for 2020 may refer exclusively to possible severance pay, the Bank will use its performance shares, subject to approval by the Shareholders' Meeting of a plan for the use of performance shares, information regarding which is provided in the informational report published on the website www.gruppomps.it – CORPORATE GOVERNANCE – Shareholders Meetings and BoD.

Widiba (based on a resolution of the relative competent bodies) may use - within the scope of financial instruments to be used for the payment of the variable remuneration of the financial advisors included in the Group's Identified Staff - financial instruments linked to the value of the company. Widiba may use instruments index-linked to the value of the company and on which the interested parties may have, with their actions, a more direct and immediate impact. These instruments will be converted, with the methods and timing defined by legislative and regulatory provisions, into a specific value in cash correlated with the performance of the value of Widiba. The value of such financial instruments shall be calculated through the application of a valuation model defined by a third party.

10.2.8 Remuneration of Directors and Statutory Auditors in 2020

The remuneration to be paid to Directors, to the Chairperson of the Board of Directors, to the Statutory Auditors and to the Chairperson of the Board of Statutory Auditors of the Bank for 2020 - 2021 - 2022 will be determined by the Shareholders' Meeting held on 6 April 2020, subsequently cancelled and summoned again for 18 May 2020, which will also resolve on the renewal of corporate bodies.

In line with the previous three-year period (2017-2019), the remuneration of Directors who have not been delegated with any powers, will envisage a gross fixed annual component, with the option, for the Board of Directors, to approve further gross fixed annual remunerations for the members of the committees within the Board of Directors and/or remunerations for specific positions (pursuant to article 2389, paragraph 3 of the Italian Civil Code), while - in accordance with regulatory provisions - no link to the economic results achieved by the Group and/or participation in incentive plans of any nature is envisaged.

These principles also apply to subsidiaries (with the exception of any non-executive directors of these companies who are also employees of another Group company and who, as such, may be beneficiaries of incentive plans in accordance with the provisions of paragraph 7.3).

SECTION II: CRITERIA FOR THE DETERMINATION OF COMPENSATION TO BE AWARDED IN THE EVENT OF EARLY TERMINATION OF EMPLOYMENT AND RELATED LIMITS

As specified in chapter 6 of Section I "Remuneration of directors and statutory auditors", no pre-determined compensation is foreseen for directors in the event of termination of their office.

Payments for employment termination, in addition to the post-employment benefits established by general law on the work relationship and advance notice (by law and collective labour agreement)[60], and not determined by a competent third party such as a judicial authority and/or arbitration authority (the **severance**), is quantified and paid out by the Bank in accordance with the regulatory framework in force at the time, in application of the criteria described below, and always with respect and in pursuit of the best interests of the Company.

Severance pay can only be given by the Bank in the case of (i) a termination of employment at the company's discretion without just cause; (ii) consensual termination of employment, excluding the case of voluntary resignation. Severance pay is determined according to the following main criteria:

- age and specific personal conditions of the interested party;
- length of service, with reduction of amount to be paid in the event of short duration of employment;
- performance (net of risks) and the liquidity and capital levels of the Bank;
- professional contribution provided to the Company and performance of the beneficiary (not including risks) in relation to expectations; individual conduct and alignment to values, in the corporate interest and in relation to risk; effective integration in the context and dynamics of the company;
- reasons for the decision to terminate employment (also with reference to the notions of just cause and justification according to parameters in force at the time) in relation to the risk of dispute which the employee may initiate as regards his/her previous employment and related termination, considering, among other things, possible indications provided by competent third parties such as judicial authorities and/or arbitration and/or conciliation.

The above-mentioned criteria are, based on the characteristics of each case, carefully considered and balanced among themselves, and always in pursuit of the best interests of the Company.

Overall, **the number of months related to notice and to severance payment**, as a rule do not exceed (where agreed within the company, and not determined by a competent third party, as described above), an amount which corresponds to **24 months' salary**.

In very exceptional circumstances (and never occurred recently for the Identified Staff), when required in the interests of the company, deviation from the above-mentioned amount is not excluded within the limit represented by the maximum number of months due, at the time of the resolution, as supplementary indemnity according to the collective agreement in force at the time. This may only take place following a strict and articulated evaluation process, which includes the issuing of opinions from the relevant company functions (and when necessary external consultants), the formulation of a proposal by the Remuneration Committee and approved by the Board of Directors.

The number of months related to notice and severance pay are calculated considering the mandatory criteria of the law and the collective labour agreement, i.e. the so-called total remuneration (including

[60] In particular, the Bank applies the notice periods envisaged by the National Collective Labour Agreement for Credit Executives to managerial staff (with relation to length of service in the company), and applies the notice periods envisaged by the National Collective Labour Agreement for non-managerial staff in the Credit Sector (with relation to length of service in the company and to level).

fixed remuneration, the average variable remuneration paid in the last three years and the value of benefits in kind)[61], which together also incorporate the performance demonstrated by the interested party (as reflected in the average variable remuneration), bringing about a reduction, which can be significant, of the overall amount granted in the event of negative performance. As regards the impact of the termination of employment on the rights allocated under incentive plans based on financial instruments, at the moment, MPS does not have any plans of this nature in place (the only share-based plan currently envisaged is exclusively related to the payment of the Severance portion to be paid in financial instruments pursuant to Supervisory Provisions; see paragraph 9.4.).

If, after a careful assessment of the cost/benefit ratio in the broader area of the individual negotiations, it is considered useful to pursue the goals regarding the payment of severance pay, this[62] is generally calculated in accordance with the following formula:

Requirements:

1. Both at Group level and the level of individual companies, compliance with the limits on the variable distributions provided by the Supervisory Provisions in application of article 141 of the CRDIV Directive, or if these limits are not complied with, presence of a positive Maximum Distributable Amount;
2. No compliance breaches for the potential beneficiary (see to that end, paragraph 8.2) which is serious enough to justify dismissal from the job[63].

[61] Considering the request, formulated in the Supervisory Provisions, to set out the limits of severance also in terms of the annual payments of fixed remuneration and maximum amount resulting from their application, it should be noted that:

- within the context of the Bank, where practically no variable remuneration has been paid to top management in recent years, global remuneration currently corresponds to fixed remuneration (with the exception of the minimal incidence determined by the value of fringe benefits), with the result that the above-mentioned limit of 24 months' salary does not diverge significantly from two annual payments of fixed remuneration. However, in the case – today entirely theoretical – of a manager who in the three years preceding termination receives a bonus totalling the maximum feasible amount, currently determined by the Bank (for a selected number of interested parties, see paragraph 7.3), at 100% of the fixed remuneration, the 24 months of maximum severance could incorporate these average bonuses, reaching therefore a larger amount in terms of annual payments of fixed remuneration;
- the maximum amount resulting from the application of the afore-stated limits is equal to the highest contractual monthly remuneration recognised from time to time, multiplied by the maximum number of recognisable monthly payments (possibly increased by the number of months of duration of the non-compete clause, in the applicable cases).

[62] Subject to the exception provided for under paragraph 2.2.3, Section III of the new Supervisory Provisions upon the occurrence of which - in compliance with the provisions of the aforementioned Supervisory Provisions - the provisions regarding severance pay pursuant to this Section II do not apply.

[63] If a less serious compliance breach is found, the severance pay will be reduced (at a different percentage on the basis of the degree of materiality of the compliance breach) according to the provisions of the internal procedure on compliance breaches at the approval stage (see paragraph 8.2).

Factors determining the number of months to be awarded:

Evaluation factors	Criteria	Number of months
Length of service	Up to 2 years	0
	Up to 6 years	1
	Up to 10 years	2
	Up to 15 years	3
	Over 15 years	5
Relevance and complexity of the position covered *(grade)*	Up to Grade 12	0
	Grades 13 and 14	1
	Grades 15 and 16	2
	Grades 17 and 18	3
	Grade 19 and over	5
Age	Up to 40	0
	Up to 45	1
	Up to 55	2
	Over 55 and until pension entitlement	1
	Beyond pension entitlement	0
Individual performance	Low	-2
	Average	2
	High	6
Risk of legal disputes	None/low	0
	Medium	2
	High	4
Performance, net of risks	YES	0
	NO	-2
Impact on the contractual remuneration of being subject to a salary cap	Irrelevant	0
	Low	1
	Medium	2
	High	4
Individual conditions of the resource	YES	3 (MAX)
	NO	0

In consideration of the presence of State aid, all the parameters indicated above have been defined with a view towards containing costs and calculating them in a prudential manner.

From a solidarity perspective only relating to the Bank's operating personnel (office staff and middle managers) and as an alternative to the "relevance and complexity of the position covered (grade)" factor, which does not usually apply to these positions, a factor has been added to account for, in exceptional and limited cases, any individual circumstances, such as the serious illness of a spouse or of cohabiting relatives, the death of a spouse or of cohabiting relatives or the serious illness of the employee[64].

With regard to staff who have foreign employment contracts, the formula will be applied to the extent that it is compatible with the specific local regulations that apply.

In compliance with the Supervisory Provisions, severance pay, where calculated on the basis of the formula indicated above, within the scope of an agreement aimed at settling a current or potential dispute, will not form part of the calculation of the maximum ratio between the variable and the fixed remuneration.

A **non-compete clause**, agreed upon with the individual managers for the period subsequent to employment termination, may be added to the aforementioned limits, should they reflect an actual and

[64] Factor evaluated following formal documented assessment.

demonstrable business interest (subject to the provisions of the paragraph below). This payment is determined in compliance with article 2125 of the Italian Civil Code - based on the perimeter of the enforced restrictions set forth in the agreement (in terms of subject matter, duration and territory) and, in all cases, it may not exceed, as a maximum limit, the amount of the total annual remuneration paid to the manager calculated on the basis of the duration of the agreement.

Benefits such as accommodation and a vehicle for private and business use may be maintained for a period not exceeding 3 months following the termination of employment. Health and insurance coverage continue to be effective, for all subjects, until their natural annual expiry[65]. In accordance with the Supervisory Provisions, the remuneration of non-compete clauses:

- is not subject to the provisions of this Section for the amount that does not exceed the last yearly fixed remuneration payment to the beneficiary;
- on the other hand, it is subject to the provisions of this Section for the amount that exceeds the last yearly fixed remuneration, but is excluded from the calculation of the limit to the ratio between the variable and fixed remuneration for the portion that, for each year the agreement lasts, does not exceed the last yearly fixed remuneration payment to the beneficiary.

The severance is paid with a method consistent with the regulatory provisions applicable at that time and subject to ad hoc ex-post correction mechanisms (malus and claw back), which are set forth in the exit agreements to cover, inter alia, against fraudulent or gross negligent misconduct that may be detrimental to the Bank and the Group[66] (and, in any way, defined consistently, on the one hand, with the regulatory framework and on the other with the peculiar nature and characteristics of the severance).

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[65] Indication also provided pursuant to Directive 2017/828/EU (Shareholder Rights Directive 2).

[66] In accordance with the Supervisory Provisions – Section III – paragraph 2.2.3 Exceptions: "The rules provided by paragraphs 1, 2.1, 2.2.1 and 2.2.2 of this Section do not apply to:

- golden parachutes pursuant to paragraph 7.3.4 agreed as part of extraordinary transactions (for example mergers) or company restructuring processes provided that they fulfil both the following conditions:
  - they respond exclusively to a logic of containment of company costs and rationalisation of staff;
  - they do not exceed Euro 100,000;
  - they provide for clawback mechanisms that at least cover fraudulent behaviour or gross negligence to the damage of the Bank;
- redundancy incentives, also related to extraordinary transactions (for example mergers) or company restructuring processes and not paid to identified staff provided that the following conditions are fulfilled:
  - they respond exclusively to a logic of containment of company costs and rationalisation of staff;
  - they encourage people to agree to support the measures provided for by law and collective contracts, for all employees;
  - they do not produce ex ante distortive effects on staff behaviour;
  - they provide for clawback mechanisms that at least cover fraudulent behaviour or gross negligence to the damage of the Bank".

SECTION III

This section analytically illustrates the remuneration paid or in any case assigned in 2019 financial year to the Directors, Statutory Auditors and Managers with strategic responsibilities (pursuant to article 123-ter paragraph 4 of the TUF), as set forth in article 84-ter of the Issuers' Regulations, as well as data regarding the Identified Staff, pursuant to the Supervisory Provisions.

In this regard, it should be noted that Consob imposes the obligation to report payments made to those subjects who have held, during the year or a fraction thereof, the office of Director, General Manager or Managers with strategic responsibilities.

Moreover, **no stock option plans** are active at Group level.

List of the information included in this Section:

Tables	Contents	Authorities
Table 1	- Remuneration paid to the Members of the Board, Statutory Auditors, General Managers, Deputy General Managers and other Managers with strategic responsibilities - Comparative information for the past 5 years of the annual changes of the remuneration of directors, of the company's results and of the average remuneration of employees pursuant to Directive 2017/828/EU	Consob
Table 3A	Remuneration plans based on financial instruments, other than stock options, for members of the Board of Directors, the General Manager, the Deputy General Managers and other Managers with strategic responsibilities	Consob
Table 3B	Monetary incentive plans in favour of Members of the Board, Statutory Auditors, General Managers, Deputy General Managers and Managers with Strategic responsibilities	Consob
Schedule 7-ter	Shareholdings of the Members of the Board of Directors and Statutory Auditors, General Managers, Deputy General Managers and Managers with Strategic responsibilities	Consob
Statement A	Quantitative information on the remuneration of "Identified Staff"	Bank of Italy

Table 1 - FEES PAID TO THE DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGER, DEPUTY GENERAL MANAGERS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES
(pursuant to the Consob Resolution no.11971 of 14 May 1999 and subsequent amendments).
(data refers to period 1/1 - 31/12/2019)

Name and Surname	Office	Period for which office was held	Termination of office	Fixed remuneration	Remuneration for the participation in committees	Non equity variable pay		Non monetary benefits (*)	Other remuneration	Total	Fair value of the equity remuneration	Severance pay
						Bonuses and other incentives	Profit sharing					
BARIATTI Stefania	**Chairperson**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				90,000.00	18,500.00 *(1)*	-	-	1,820.20	-	110,320.20		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**90,000.00**	**18,500.00**	**-**	**-**	**1,820.20**	**-**	**110,320.20**	**-**	**-**
TURICCHI Antonino	**Deputy Chairman**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				32,500.00	25,000.00 *(2)*	-	-	1,820.20	-	59,320.20		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**32,500.00**	**25,000.00**	**-**	**-**	**1,820.20**	**-**	**59,320.20**	**-**	**-**
MORELLI Marco	**CEO**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				-						-		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				-		-	-		-	-		
CAPPELLO Maria Elena	**Director**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				65,000.00	25,000.00 *(3)*	-	-	1,820.20	-	91,820.20		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**25,000.00**	**-**	**-**	**1,820.20**	**-**	**91,820.20**	**-**	**-**
CASALI Roberta	**Director**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				65,000.00	15,000.00 *(4)*	-	-	1,820.20	-	81,820.20		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**15,000.00**	**-**	**-**	**1,820.20**	**-**	**81,820.20**	**-**	**-**
GIORGINO Marco	**Director**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				65,000.00	35,000.00 *(5)*	-	-	1,820.20	-	101,820.20		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**35,000.00**	**-**	**-**	**1,820.20**	**-**	**101,820.20**	**-**	**-**
KOSTORIS Fiorella	**Director**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				65,000.00	25,000.00 *(6)*	-	-	1,820.20	-	91,820.20		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**25,000.00**	**-**	**-**	**1,820.20**	**-**	**91,820.20**	**-**	**-**
LANCELLOTTI Roberto	**Director**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				65,000.00	25,000.00 *(7)*	-	-	1,820.20	-	91,820.20		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**25,000.00**	**-**	**-**	**1,820.20**	**-**	**91,820.20**	**-**	**-**
MAIONE Nicola	**Director**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				65,000.00	20,000.00 *(8)*	-	-	1,820.20	-	86,820.20		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**20,000.00**	**-**	**-**	**1,820.20**	**-**	**86,820.20**	**-**	**-**

(*) Insurance policies, LTC, accident and health, company contribution to pension fund, fringe benefits.
(1) Stefania Bariatti, amounts recognised for the participation in board committees.
(2) Antonino Turicchi, fixed remuneration deposited to MEF
Amounts recognised for the participation in board committees:
€ 10,000 for the participation in the "Nomination Committee"
€ 15,000 for the participation in the "Remuneration Committee"
(3) Maria Elena Cappello, amounts recognised for the participation in board committees:
€ 15,000 for the participation in the "Nomination Committee"
€ 10,000 for the participation in the "Remuneration Committee"
(4) Roberta Casali, amounts recognised for the participation in board committees:
€ 15,000 for the participation in the "Risk Committee"
(5) Marco Giorgino, amounts recognised for the participation in board committees:
€ 25,000 for the participation in the "Risk Committee"
€ 10,000 for the participation in the "Remuneration Committee"
(6) Fiorella Kostoris, amounts recognised for the participation in board committees:
€ 15,000 for the participation in the "Remuneration Committee"
€ 10,000 for the participation in the "Related Party Transactions Committee"
(7) Roberto Lancellotti, amounts recognised for the participation in board committees:
€ 15,000 for the participation in the "Risk Committee"
€ 10,000 for the participation in the "Remuneration Committee"
(8) Nicola Maione, amounts recognised for the participation in board committees:
€ 10,000 for the participation in the "Related Party Transactions Committee"
€ 10,000 for the participation in the "Remuneration Committee"

Table 1 - FEES PAID TO THE DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGER, DEPUTY GENERAL MANAGERS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES
(pursuant to the Consob Resolution no.11971 of 14 May 1999 and subsequent amendments).
(data refers to period 1/1 - 31/12/2019)

Name and Surname	Office	Period for which office was held	Termination of office	Fixed remuneration	Remuneration for the participation in committees	Non equity variable pay		Non monetary benefits (*)	Other remuneration	Total	Fair value of the equity remuneration	Severance pay
						Bonuses and other incentives	Profit sharing					
PETRUCCIOLI Stefania	**Director**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				65,000.00	30,000.00 *(9)*	-	-	1,820.20	-	96,820.20		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**30,000.00**	**-**	**-**	**1,820.20**	**-**	**96,820.20**	**-**	**-**
PIAZZOLLA Salvatore Fernando	**Director**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				65,000.00	10,000.00 *(10)*	-	-	1,820.20	-	76,820.20		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**10,000.00**	**-**	**-**	**1,820.20**	**-**	**76,820.20**	**-**	**-**
RICCABONI Angelo	**Director**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				65,000.00	30,000.00 *(11)*	-	-	1,820.20	-	96,820.20		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**30,000.00**	**-**	**-**	**1,820.20**	**-**	**96,820.20**	**-**	**-**
SANTORO Michele	**Director**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				65,000.00	10,000.00 *(12)*	-	-	1,820.20	-	76,820.20		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**10,000.00**	**-**	**-**	**1,820.20**	**-**	**76,820.20**	**-**	**-**
VALERIO Giorgio	**Director**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				65,000.00	10,000.00 *(13)*	-	-	1,820.20	-	76,820.20		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**10,000.00**	**-**	**-**	**1,820.20**	**-**	**76,820.20**	**-**	**-**
CENDERELLI Elena	**Chairperson of the Board of Statutory Auditors**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				80,000.00	-	-	-	1,820.20	-	81,820.20		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**80,000.00**	**-**	**-**	**-**	**1,820.20**	**-**	**81,820.20**	**-**	**-**
SALVADORI Paolo	**Statutory Auditor**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				65,000.00	-	-	-	1,820.20	-	66,820.20		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**-**	**-**	**-**	**1,820.20**	**-**	**66,820.20**	**-**	**-**
FANTINI Raffaella	**Statutory Auditor**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				65,000.00	-	-	-	1,820.20	-	66,820.20		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**-**	**-**	**-**	**1,820.20**	**-**	**66,820.20**	**-**	**-**
MORELLI Marco *(ruolo di Direttore Generale)*	**General Manager**	1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				466,249.94				21,225.26		487,475.20		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**466,249.94**	**-**	**-**	**-**	**21,225.26**	**-**	**487,475.20**	**-**	**-**
MANAGERS WITH STRATEGIC RESPONSIBILITY		1.1 - 31.12.2019										
(i) Fees in the company that prepares the Financial Statements				4,673,951.35		-		247,302.11		4,921,253.45		-
(ii) Fees from subsidiaries and affiliates									282,074.64 *(15)*	282,074.64		
(iii) Total				**4,673,951.35**	**-**	**-**	**-**	**247,302.11**	**282,074.64**	**5,203,328.09**	**-**	**-**

(*) Insurance policies, LTC, accident and health, company contribution to pension fund, fringe benefits.

(9) Stefania Petruccioli, amounts recognised for the participation in board committees:
- € 10,000 for the participation in the "Related Party Transactions Committee"
- € 10,000 for the participation in the "Nomination Committee"
- € 10,000 for the participation in the "Organismo di Vigilanza" Committee

(10) Salvatore Fernado Piazzolla, amounts recognised for the participation in board committees:
- € 10,000 for the participation in the "Nomination Committee"

(11) Angelo Riccaboni, amounts recognised for the participation in board committees:
- € 15,000 for the participation in the "Risk Committee"
- € 15,000 for the participation in the "Related Party Transactions Committee"

(12) Michele Santoro, amounts recognised for the participation in board committees:
- € 10,000 for the participation in the "Related Party Transactions Committee"

(13) Giorgio Valerio, amounts recognised for the participation in board committees:
- € 10,000 for the participation in the "Nomination Committee"

(15) Amounts paid by subsidiaries of which € 253,074 deposited to Banca MPS SpA

COMPARATIVE INFORMATION FOR THE LAST 5 FINANCIAL YEARS BETWEEN THE ANNUAL CHANGE IN DIRECTORS 'COMPENSATION, COMPANY RESULTS AND AVERAGE REMUNERATION OF EMPLOYEES PURSUANT TO EU DIRECTIVE 2017/828

	2019			**2018**			**2017**			**2016**			**2015**	
	HC	Amounts	Var. %	HC	Amounts	Var. %	HC	Amounts	Var. %	HC	Amounts	Var. %	HC	Amounts
CEO/General Manager	1	**466,250**	**0.0%**	1	**466,250**	**-56.4%**	1	**1,068,687**	**-75.8%**	2	**4,407,171**	**135.1%**	1	**1,874,442**
Fabrizio Viola	**-**	**-**	**0.0%**	**-**	**-**	**0.0%**	**-**	**-**	**-100.0%**	**1**	**3,596,355**	**91.9%**	**1**	**1,874,442**
CEO	-	-	0.0%	-	-	0.0%	-	-	-100.0%		170,257	-63.9%		471,542
Group Companies	-	-	0.0%	-	-	0.0%	-	-	-100.0%		59,536	-26.8%		81,300
General Manager	-	-	0.0%	-	-	0.0%	-	-	-100.0%	1	3,366,563	154.7%	1	1,321,600
Marco Morelli	**1**	**466,250**	**0.0%**	**1**	**466,250**	**-56.4%**	**1**	**1,068,687**	**31.8%**	**1**	**810,817**		**-**	**-**
CEO		-	0.0%		-	-100.0%		184,064	52.0%		121,123		-	-
General Manager	1	466,250	0.0%	1	466,250	-47.3%	1	884,623	28.3%	1	689,694		-	-
Managers whith strategic responsability and Deputy General Manager	**20**	**4,956,026**	**-25.7%**	**24**	**6,670,367**	**7.8%**	**20**	**6,188,246**	**-2.6%**	**17**	**6,353,893**	**46.9%**	**10**	**4,324,382**
Managers whith strategic responsability	20	4,956,026	-9.2%	22	5,458,986	6.2%	18	5,140,831	-9.5%	15	5,677,950	82.6%	8	3,109,421
Deputy General Manager	-	-	-	2	1,211,381	15.7%	2	1,047,415	55.0%	2	675,943	-44.4%	2	1,214,961
Directors and Statutory Auditors	**16**	**1,326,000**	**-1.1%**	**17**	**1,341,191**	**-45.2%**	**25**	**2,445,836**	**15.6%**	**18**	**2,116,367**	**-19.9%**	**27**	**2,643,045**
Director	13	1,116,000	-1.3%	14	1,131,191	-46.2%	21	2,100,836	18.6%	14	1,771,767	-23.7%	22	2,322,357
Statutory Auditor	3	210,000	0.0%	3	210,000	-39.1%	4	345,000	0.1%	3	344,600	7.5%	5	320,688
Average remuneration of employees	**22,040**	**46,870**	**0.7%**	**23,129**	**46,528**	**0.6%**	**23,463**	**46,242**	**-0.5%**	**25,566**	**46,478**	**1.0%**	**25,731**	**46,012**
Net Income (in €/mln)		**- 1,033**	-443.3%		**301**	-108.6%		**- 3,502**	8.1%		**- 3,241**	-935.1%		**388**

No incentive systems have been activated for CEO, Deputy General Manager and Managers whith startegic responsability in the past five years

TABLE 3A - INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS, NOT INCLUDING STOCK OPTIONS, IN FAVOUR OF MEMBERS OF THE BOARD, STATUTORY AUDITORS, GENERAL MANAGERS, DEPUTY GENERAL MANAGERS AND MANAGERS WITH STRATEGIC RESPONSIBILITY (pursuant to the Consob resolution n. 11971 of 14 May 1999 and subsequent amendments)
(data refers to period 1/1 - 31/12/2019)

Name and Surname	Office	Plan	Financial Instruments assigned in previous exercises and not vested during the year		Financial instruments assigned during the exercise					Financial Instruments vested during the year and not assigned	Financial Instruments vested during the year and attributable		Financial Instruments relevant to the year
			Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at assignment date	Vesting period	Assignment date	Market price at assignment date	Number and type of financial instruments	Number and type of financial instruments	Value at accrual date	Fair value
(I) Compensation in the company that prepares the Financial Statements		Plan A / /	-	/ /	-	-	/ / -	/ /	-	-	-	-	-
		Plan B / /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C / /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A / /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan B / /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C / /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(III) Total						-						-	-
(I) Compensation in the company that prepares the Financial Statements		Plan A / /	-	/ /	-		/ /	/ /	-	-	-	-	-
		Plan B / /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C / /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A / /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan B / /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C / /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(III) Total						-						-	-
(I) Compensation in the company that prepares the Financial Statements		Plan A / /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan B / /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C / /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A / /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan B / /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C / /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(III) Total						-						-	-

No plans activated or paid out

TABLE 3B - MONETARY INCENTIVE PLANS IN FAVOUR OF MEMBERS OF THE BOARD, STATUTORY AUDITORS, GENERAL MANAGERS, DEPUTY GENERAL MANAGERS AND MANAGERS WITH STRATEGIC RESPONSIBILITY (pursuant to the Consob resolution n. 11971 of 14 May 1999 and subsequent amendments)
(data refers to period 1/1 - 31/12/2019)

Name and Surname	Office	Plan	Annual Bonus			Bonus from previous years			Other Bonuses
			Payable/paid out	Deferred	Deferment period	No longer payable	Paid out/to be paid out	Still deferred	
(I) Compensation in the company that prepares the Financial Statements		Plan A / /	-	-	/ /	-	-	-	-
		Plan B / /	-	-	/ /	-	-	-	-
		Plan C / /	-	-	/ /	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A / /	-	-	/ /	-	-	-	-
		Plan B / /	-	-	/ /	-	-	-	-
		Plan C / /	-	-	/ /	-	-	-	-
(III) Total			-	-		-	-	-	-
(I) Compensation in the company that prepares the Financial Statements		Plan A / /	-	-	/ /	-	-	-	-
		Plan B / /	-	-	/ /	-	-	-	-
		Plan C / /	-	-	/ /	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A / /	-	-	/ /	-	-	-	-
		Plan B / /	-	-	/ /	-	-	-	-
		Plan C / /	-	-	/ /	-	-	-	-
(III) Total			-	-		-	-	-	-
(I) Compensi nella società che redige il bilancio		Piano A / /	-	-	/ /	-	-	-	-
		Piano B / /	-	-	/ /	-	-	-	-
		Piano C / /	-	-	/ /	-	-	-	
(II) Compensi da controllate e collegate		Piano A / /	-	-	/ /	-	-	-	-
		Piano B / /	-	-	/ /	-	-	-	-
		Piano C / /	-	-	/ /	-	-	-	-
(III) Totale			-	-		-	-	-	-

No plans activated or paid out

Chart 7 - ter - Table 1: SHAREHOLDING BY MEMBERS OF THE BOARD OF DIRECTORS, BOARD OF STATUTORY AUDITORS AND GENERAL MANAGERS (31 december 2019)

SURNAME AND NAME	OFFICE	COMPANY IN WHICH STAKE IS HELD	NUMBER OF SHARES HELD AT THE END OF THE PREVIOUS FINANCIAL YEAR	NUMBER OF SHARES ACQUIRED	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD AT THE END OF THE FINANCIAL YEAR UNDERWAY (*)
Bariatti Stefania	CHAIRPERSON	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Turicchi Antonino	DEPUTY CHAIRMAN	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Morelli Marco	CEO	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Cappello Maria Elena	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Casali Roberta	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Giorgino Marco	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Kostoris Fiorella	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Lancellotti Roberto	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Maione Nicola	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Petruccioli Stefania	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Piazzolla Salvatore Fernardo	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Riccaboni Angelo	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Santoro Michele	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Valerio Giorgio	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Cenderelli Elena	CHAIRPERSON OF THE BOARD OF STATUTORY AUDITORS	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Fantini Raffaella	STANDING AUDITOR	Banca Monte dei Paschi di Siena SpA	72	=	=	72
Salvadori Paolo	STANDING AUDITOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Mezzabotta Claudia	STANDING AUDITOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Monarca Daniele Federico	STANDING AUDITOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=

Chart 7 - ter - Table 2: Shareholding in MPS held by Managers with Strategic Responsibilities (Consob) (31 December 2019)

NUMBER OF MANAGERS WITH STRATEGIC RESPONSIBILITIES	COMPANY IN WHICH STAKE IS HELD	NUMBER OF SHARES HELD AT THE END OF THE PREVIOUS FINANCIAL YEAR		NUMBER OF SHARES ACQUIRED	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD AT THE END OF THE FINANCIAL YEAR UNDERWAY
20	Banca Monte dei Paschi di Siena SpA	1,271	1	=	=	1,271

Of which in office as at 31/12/2019

18	Banca Monte dei Paschi di Siena SpA	1,271	=	=	1,271

[1] *of which 115 held by family members*

STATEMENT A - QUANTITATIVE INFORMATION REGARDING THE "IDENTIFIED STAFF"

Personnel	N°	Fixed Remuneration	Variable Remuneration				Severance pay
			Cash	Shares	Instruments connected to shares	Other types	
CEO	1 *(1)*	-	-	-	-		
Other managers with executive positions	-	-	-	-	-		
Non-executive managers	26	1,619,720		-	-	-	-
General Manager	1 *(1)*	466,250		-	-	-	-
Deputy General Manager	2	924,729					
Division Heads, Corporate functions, Geographical Area Heads and those who report directly to the corporate bodies	89	15,433,015	90,364 *(2)*	-	-	16,556 *(3)*	98,411 *(4)*
Managers and personnel in charge of the internal control functions	28	3,290,185 *(5)*		-	-	7,750 *(3)*	52,179 *(6)*
Other staff who individually or collectively take on significant risks	120	9,524,409		-	-	64,185 *(3)*	56,579 *(7)*
Highly paid employees and collaborators not included in the criteria above	29	5,487,049	29,340 *(8)*	-	-	67,400 *(3)*	44,120 *(9)*

(*) Includes the notice related to the termination of employment of 9 Managers;
(1) Mr. Marco Morelli holds both the positions of CEO and General Manager;
(2) Amounts relating to the non-recurring component of total remuneration awarded to the Financial Advisors within the Identified Staff perimeter;
(3) Attributions linked to stability agreements with the company;
(4) Total amount, not including notice, related to the termination of employment of 1 Manager;
(5) Includes the position-related allowance for "Control Functions";
(6) Total amount, not including notice, related to the termination of employment of 1 Manager;
(7) Total amount, not including notice, related to the termination of employment of 1 Manager;
(8) Amounts relating to the non-recurring component of total remuneration awarded to the Financial Advisors within the Identified Staff perimeter and, on a residual basis, n. 2 attributions of non-core variable remuneration;
(9) Total amount, not including notice, related to the termination of employment of 2 Managers (max amount €39,532).

Dear Shareholders, in relation to the above we invite you to approve the following proposal on item n. 2) of the agenda:

"The Ordinary Shareholders' meeting of Banca Monte dei Paschi di Siena S.p.A:

- having examined the "2020 Remuneration Policy and Report" prepared by the Board of Directors resolution pursuant to Article 123-ter, paragraph 6, of the Legislative Decree n. 58 of 24 February 1998 ("Consolidated Financial Act" or the "TUF")", article 84-quater of the Consob Issuers Regulation 11971/1999 and of the provisions of the Bank of Italy Circular n. 285/2013 (the "Report");
- having examined and discussed, in particular, the sections of the above Report prepared pursuant to article 123-ter, paragraph 3 of the "Consolidated Financial Act" or the "TUF" and related to (i) company policy for 2020 in remuneration matters of all staff (including members of the administrative bodies and without prejudice to the provisions of art. 2402 of the Italian Civil Code, of the members of the control bodies), (ii) the procedures used for the adoption of and implementation of the policy and the criteria for determining the remuneration to be granted in the event of early termination of employment;
- considering that, pursuant to article 123-ter, paragraph 3-ter, of the Consolidated Financial Act the Shareholders' meeting is called to express a binding vote on the aforementioned sections of the Report,

RESOLVES

1. to approve Section I of the 2020 REMUNERATION POLICY AND REPORT prepared pursuant to article 123-ter, paragraph 3, of the Consolidated Financial Act related to:
   (i) the company policy for 2020 in remuneration matters of all staff (including members of the administrative bodies and without prejudice to the provisions of art. 2402 of the Italian Civil Code, of the members of the control bodies and,
   (ii) the procedures used for the adoption and implementation of this policy;
2. to approve Section II of the 2020 REMUNERATION POLICY AND REPORT related to the criteria for determining the remuneration to be granted in the event of early termination of employment pursuant to provisions under article 13, paragraph 3, letter e) of the Statute of the Bank;
3. to authorise the Chairman of the Board of Directors and the Chief Executive Officer, separately with the possibility of sub-delegation, for the implementation of the 2020 remuneration policy referred to in the previous points.

In compliance with the obligations arising from the Supervisory provisions, the Shareholders' Meeting must be periodically informed regarding the implementation of the policies adopted".

* * * * *

Dear Shareholders, in relation to the above we invite you to approve the following proposal on item n. 2) of the agenda, therefore to take the following resolution:

"The Ordinary Shareholders' meeting of Banca Monte dei Paschi di Siena S.p.A:

- having examined the "2020 REMUNERATION POLICY AND REPORT" prepared by the Board of Directors resolution pursuant to Article 123-ter, paragraph 6, of the Legislative Decree n. 58 of 24 February 1998 ("Consolidated Financial Act" or the "TUF")", article 84-quater of the Consob Issuers Regulation 11971/1999 and of the provisions of the Bank of Italy Circular n. 285/2013 (the "Report");
- having examined and discussed, in particular, the sections of the Report prepared pursuant to article 123-ter, paragraph 4 of the "Consolidated Financial Act" or the "TUF", related to the report of remuneration paid in 2019 in (i) Section I – chapters 6 and 9 and (ii) Section III of the Report;
- considering that pursuant to article 123-ter, paragraph 6, of the "Consolidated Finance Act" or the "TUF", the Shareholders' Meeting is called to cast a non-binding vote on the aforementioned sections of the Report.

RESOLVES

1. positively the 2020 REMUNERATION POLICY AND REPORT prepared pursuant to article 123-ter of the "Consolidated Financial Act" or the "TUF",
2. positively, pursuant to article 123-ter of the "Consolidated Financial Act" or the "TUF", with specific reference to the reporting of fees paid in 2019 in (i) Section I – chapters 6 and 9 and (ii) Section III of the Report, prepared pursuant to article 123-ter of the "Consolidated Financial Act" or the "TUF", paragraph 4.

Siena, 25 February 2020

For the Board of Directors
Prof. Avv. Stefania Bariatti
President of the Board of Directors