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8. Application of the ratio between variable and fixed remuneration of 2:1 across the organization

Directors' Report

31 March 2023

Ordinary part Shareholders' Meeting

Application of the ratio between variable and fixed remuneration of 2:1 across the organization

Dear Shareholders,

We have called this Ordinary Meeting to request your approval for review of the population in scope for the 2:1 ratio between variable and fixed compensation. This proposal has been formulated in compliance with the provisions of Capital Requirements Directive (CRD V) and Bank of Italy (Circular 285 of December 17, 2013, update n. 37 of November 24th, 2021) which, among other things, also provide the Shareholders' Meeting – if defined in the Company's Articles of Association – the faculty to set a ratio between variable and fixed compensation higher than 1:1 (but in any case not higher than 2:1).

The 2:1 cap between variable and fixed compensation has been approved by the Shareholders' Meeting held on May 13th, 2014, for the overall population, with the exception of the employees belonging to company control functions, for whom a more restrictive regulatory cap applies.

The Remuneration Policies following the approval, detailed the application of the abovementioned resolution and in particular, the latest and approved Remuneration Policy in 2022 foresees that:

- Positions entitled to a variable to fixed ratio of potentially up to a maximum of 2:1 are: i. Group Chief Executive Officer; ii. Heads of Italy, Germany, Central Europe, Eastern Europe, Client Solutions, Digital & Information Officer and Group Operating Officer; iii. CEO and General Managers of Group Legal Entities; iv. Personnel belonging to Business Divisions (e.g. Corporate and Investment Banking), excluding control or support roles.
- For the rest of the staff maximum ratio between the components of remuneration equal to 1:1 is usually adopted, except for the staff of the Corporate Control Functions, for People & Culture and the Manager in Charge of Drafting the Company Financial Reports for which it is expected that fixed remuneration is a predominant component of total remuneration. In particular, for the Corporate Control Functions the maximum weight of the variable component is set by taking into account the differences between national rules and regulations in application of Directive 2019/878/EU in the various countries in which the Group operates¹, in order to ensure equal operating conditions in the market and the ability to attract and retain individuals with professional skills and capabilities adequate to meet the needs of the Group.

From 2023 onwards it is proposed to restore the wider application of the 2:1 ratio between variable and fixed compensation to the whole population², excluding the Corporate Control Functions and other Functions for which a more stringent regulatory cap applies.

It is understood that for the Company Control Functions³ as defined under the regulatory provisions, for People & Culture and the Manager in Charge of Drafting the Company Financial Reports the more conservative approach aligned with regulatory requirements is confirmed, where the fixed remuneration is the predominant component of total compensation.

The main rationales for restoring the 2:1 Variable/Fixed remuneration cap are:

- i. to preserve the competitiveness in the markets where the Group operates, in line with UniCredit's target compensation positioning so as to attract and retain top-class talents.
- ii. to allow the reward of overperformance, reducing the need to intervene on fixed remuneration in order to assign an adequate and performance-based variable remuneration.

¹ In particular, for the Material Risk Takers of Corporate Control Functions in Italy, the ratio between the variable and the fixed components of remuneration cannot exceed the limit of one third, as per BankIt provision (Circular 285 of December 17, 2013, update n. 37 of November 24th, 2021).

² Incl. external credit intermediaries and financial advisors.

³ For Risk Management departments not classified as control function the 1:1 cap is confirmed.

- iii. to link a large portion of the total compensation to a multi-year performance period avoiding the increase of upfront compensation.
- iv. to limit the “uneven playing field” in the markets where the cap is not present.
- v. to provide flexibility to the cost structure.

The review of the 2:1 Variable/Fixed remuneration cap will have no implications on the Bank’s capacity to continue to respect all prudential rules, in particular capital requirements.

As of December 31, 2022, in addition to ca. 390 Group Material Risk Takers belonging to Business Function the number of staff to whom the extension of the increase of the cap up to 2:1 would apply is approximately 200 Group Material Risk Takers belonging to:

- ca. 30 Digital & Information
- ca. 50 Finance
- ca. 25 Legal
- ca. 40 Operations
- ca. 15 Stakeholders Engagement
- ca. 10 Strategy & ESG
- ca. 30 other (e.g. Business Staff)

The additional theoretical maximum variable compensation, delta between 100% and 200% cap for the Group Material Risk Takers impacted by the review, is approximately 42 mln eur with a maximum potential impact on CET1 of ~1bps (~5bps considering the overall amount) while we do not expect any significant impact on the rest of the staff.

In line with the Bank of Italy regulation, such a proposal is notified to the Supervisory Authority, both prior to and after the Shareholders’ meeting’s approval (within 30 days).

The proposal will be considered approved by the Ordinary Shareholders’ meeting according to the majority⁴ provided for by Bank of Italy provisions, taking also into account any exclusion or restriction of the right to vote.

Dear Shareholders,

if you agree with the above proposal, you are invited to approve it by adopting the following resolution:

“The ordinary Shareholders’ Meeting of UniCredit S.p.A., having acknowledged the Directors’ proposal,

RESOLVES

1. to approve the proposal to restore the wider application of the 2:1 ratio between variable and fixed compensation to the whole population excluding the Corporate Control Functions and other Functions for which a more stringent regulatory cap applies.
It remains understood that for the Company Control Functions, People & Culture and the Manager in Charge of Drafting the Company Financial Reports, the more conservative approach, where the fixed remuneration is the predominant component of total compensation, is confirmed, in alignment with the regulatory requirements.

⁴ AGM approval with qualified majority with favorable vote of at least 2/3 of the company share capital represented in the Shareholders’ Meeting, in case the Meeting itself is constituted with at least a half of the company share capital; with favorable vote of at least 3/4 of the company share capital represented in the Shareholders’ Meeting, whatever is the company share capital constituting the Meeting

2. to confer to the Chief Executive Officer and to the Head of Group People & Culture, also separately and with the faculty to sub-delegate the Executive Staff of the Head Office, every opportune power of attorney to implement the present resolution and the documents which represent part of it, also rendering any amendments and/or integrations which should be necessary to enact the present deliberations of today's Shareholders' Meeting (not changing substantially the content of the resolutions, even by using different solutions which, while fully respecting the principles of the resolution, allow the same results to be achieved) or to guarantee the compliance with regulatory and legal dispositions (also in fiscal area) in the Countries where the Group is present, and to ensure that there will not be any adverse effects (legal, tax or other) on Group Companies and/or beneficiaries residing in countries where the Group operates."