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

20 April 2023 (single call)

EXPLANATORY REPORT BY THE BOARD OF DIRECTORS

CONCERNING ITEM 2) ON THE ORDINARY SESSION OF THE AGENDA

REPORT ON THE REMUNERATION POLICY AND ON COMPENSATION PAID PURSANT TO ART. 123-*TER* OF THE LEGISLATIVE DECREE N. 58 OF 24 FEBRUARY 1998 "CONSOLIDATED FINANCIAL ACT" OR THE "TUF"); INHERENT AND CONSEQUENT DELIBERATIONS:

2.1) BINDING VOTE ON THE FIRST SECTION RELATED TO THE REMUNERATION AND INCENTIVE POLICY

AND

2.2) NON-BINDING VOTE ON THE SECOND SECTION RELATED TO COMPENSATION PAID.

Dear Shareholders,

You have been summoned to the ordinary Shareholders' meeting to resolve the following argument, item 2) on the agenda:

"Report on the remuneration policy and on compensation paid pursuant to Art. 123-*ter* of the Legislative Decree n. 58 of 24 February 1998 ("Consolidated Financial Act" or the "TUF"); inherent and consequent deliberations:

2.1) binding vote on the first section related to the remuneration and incentive policy

and

2.2) non-binding vote on the second section related to compensation paid."

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

Letter from the Chairperson of the Remuneration Committee

Raffaele Di Raimo

Dear Shareholders,

As Chairman of the Remuneration Committee, I am pleased to present the Annual Remuneration Report of Banca Monte dei Paschi di Siena for 2023.

Last June, the Bank presented its Business Plan 2022-2026 "A Clear and Simple Commercial Bank", aimed at sustaining profitability in the medium and long term, strengthening its role as a commercial bank close to the territories and simplifying the Group's structure, creating value for the entire ecosystem in which the Bank operates. Furthermore, on 7 February, the Board of Directors approved the Bank's Sustainability Plan, setting as one of its development priorities, alongside the creation of financial value, the generation of a positive impact on the environment, people, customers and society, within the framework of clear and transparent governance.

The Remuneration Policy proposed for 2023 is closely integrated with the strategic guidelines outlined in both the Business and Sustainability Plans.

In line with regulatory requirements, investor and proxy advisor guidelines and market practices, the remuneration strategy for 2023 is based on sustainable performance, merit, equity and transparency, within the framework of a sound and prudent risk management. This, also in strict compliance with the constraints placed on the Bank's choices and operations due to the commitments agreed by the Italian Government with the European Commission, which provide for the application of the so-called "salary cap" on individual remuneration and the adoption of strict rules for executive remuneration policies. In particular, embracing the spirit and purpose of these constraints, the Committee and the Board of Directors, in defining remuneration levels, ensures comparison with market benchmarks, as is standard practice, but always applying them with particular caution and rigour; this, in view of the particular stage of the Bank's life, so as to achieve a suitably conservative remuneration policy.

With regard to processes, the Bank's governance model is designed to ensure full cooperation between the various bodies and functions, as well as adequate control and precise scanning of the acts preparatory to all remuneration decisions taken within the Group, ensuring that they are taken in an independent, informed and timely manner, in order to avoid conflicts of interest or unfairness.

Over the past few months, the Remuneration Committee has worked closely with management to prepare, after several years and in line with the Bank's strategy, a proposal for an incentive system, which is one of the main innovations of the Remuneration Policy for 2023.

The Committee took part in each phase of the remuneration processes, ensuring their consistency with the best market practices and verifying their alignment with the commitment to value creation, through the close "pay for performance" link, as the guiding principle of the new incentive system.

Confirming this approach, the Policy clearly sets out the remuneration structure of the CEO, the criteria by which incentives are linked to economic-financial and social responsibility objectives, the drivers of incentives for all Identified Staff and, therefore, of value creation for all employees and collaborators.

The remuneration policy I am presenting to you is marked by fairness and inclusion, as a commitment to create conditions of entry and progression such as to generate a work environment in which each person's objective contribution, professional skills and personal qualities are promoted and fully valued, regardless of gender, age and/or other personal characteristics; the encouragement of equal opportunities; listening, involvement and participation of employees, supported and accompanied in the assumption of responsibility towards growing professional challenges; sustainability, pursued through the inclusion of ESG parameters in staff remuneration mechanisms, particularly with regard to the design of the Incentive System.

The Group's path aimed at pursuing gender equality at every level of the company has been strengthened, with particular attention to the progressive and substantial reduction of the gender pay gap, also establishing that half of the economic availability annually provided for the reduction of the same. The 2023 Report also incorporated the recommendations on remuneration contained in the letter from the Chairman of the Corporate Governance Committee in the annual report on the application of the Corporate Governance Code.

For the constant commitment to the Committee's activities and for the significant contribution in terms of critical discussion and ideas, I sincerely thank my fellow Committee members Luca Bader, Alessandra Barzaghi, Marco Bassilichi and Paola De Martini.

With confidence in the trust and support that you will place in us, I moreover thank all of you shareholders for your contributions and the attention you will devote to the Report, hoping that you will approve of it in full at the shareholders' meeting.

Kindest regards,

Raffaele Di Raimo

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REGULATORY DEVELOPMENTS

For the definition of the 2023 remuneration policy, the following regulatory developments were taken into account:

1. National legislative and regulatory framework

On 8 April 2022, the Bank of Italy published the document "Supervisory Expectations on Climate and Environmental Risks", in line with similar initiatives by the European Central Bank (**ECB**) and other national supervisory authorities, providing guidelines on the integration of climate and environmental risks in the governance and control systems, in the business model and in the corporate strategy, in the organizational system and in the operating processes, in the risk management system and in the disclosure to the market of supervised banking and financial intermediaries. In particular, this document highlights the importance of remuneration policies and practices in stimulating and encouraging behaviour consistent with the climate and environmental risk approach; the variable remuneration of intermediaries that have defined objectives in this area is tied to the achievement of these objectives, according to indicators that must be measurable and quantifiable.

On 29 December 2022, the so-called "2023 Budget Law" (Italian Law no. 197/2022[1]) which supplemented art. 17 of Italian Law Decree 237/2016 converted with amendments by Italian Law of 17 February 2017, was published. This Decree provides for the following:

"*Without prejudice to the powers of the relevant authority, the underwriting may be subject, in accordance with the European Commission's decision on the compatibility of the intervention with the EU "State aid" framework applicable to bank recapitalisation measures in the context of the financial crisis, under the following conditions:*

a) revocation or replacement of the Executive Directors and the General Manager of the Issuer;
b) limitation of the total remuneration of the members of the Board of Directors and the executive managers of the Issuer."

The aforementioned Italian Law 197/2022 supplemented the provisions of letter b) of Art. 17, providing that "*For the appointments conferred as of 1 January 2023, the annual remuneration of the members of the Board of Directors and executive level management of the Issuers subject to the "State aid" rules, pursuant to Italian Law Decree no. 237 of 2016, converted with amendments by Law No. 15 of 17 February 2017, may not exceed the amount corresponding to the remuneration of the first Chairperson of the Court of Cassation (EUR 240,000 per year gross of social security and welfare contributions and tax charges payable by the employee).*"

Lastly, it should be noted that on 25 January 2023, the Chairperson of the Corporate Governance Committee, as part of the annual report on the application of the Corporate Governance Code, sent the annual letter to listed companies in which, in addition to providing information on the implementation of the recommendations for 2022, specific recommendations for 2023 were also included. With regard to remuneration policies, the recommendations are: (i) "to include in the remuneration policy of the CEO and the other executive directors an executive summary, in tabular form, showing the composition of the remuneration package, with an indication of the characteristics and weighting of the fixed, short-term variable and long-term variable components with respect to the overall remuneration, at least with reference to the achievement of the target objective set for the variable components, with a view to greater transparency"; (ii) "to provide in the remuneration policies for a variable component with a multi-year time frame, consistent with the company's strategic objectives and the pursuit of sustainable

[1] Published in the Official Gazette no. 303 of 29 December 2022 (S.O. no. 43), Italian Law no. 197 of 29 December 2022 (so-called 2023 Budget Law) containing: State budget for the financial year 2023 and multi-year budget for the three-year period 2023-2025 - Paragraph 420: In art. 17, paragraph 2, letter b), of Italian Law Decree no. 237 of 23 December 2016, converted, with amendments, by Italian Law no. 15 of 17 February 2017, the following sentence was, at the end, added: "For appointments conferred as from 1 January 2023, the annual remuneration may not in any case exceed the amount determined pursuant to art. 23-*ter* of Italian Law Decree no. 201 of 6 December 2011, converted, with amendments, by Ialian Law no. 214 of 22 December 2011".

success"; (iii) "to provide a clear indication of the specific performance objectives to be achieved if incentive mechanisms for the CEO and other executive directors, linked to sustainability objectives, are established".

2. European legislative and regulatory framework

The European Banking Authority (hereinafter EBA) published on:

- 30 June 2022, the "*Guidelines on the data collection exercise regarding high earners*[2] *pursuant to Directive 2013/36/EU and Directive (EU) 2019/2034*" (EBA/GL/2022/08). These Guidelines replace and repeal the 2014 Guidelines and apply from 31 December 2022 for the survey to be conducted in 2023, covering the financial year 2022. The data relating to the financial year 2022 must be sent to the Bank of Italy by 31 August 2023 and by the Bank of Italy to the EBA by 31 October 2023;
- 30 June 2022, the "*Guidelines on the remuneration, gender pay gap and approved higher ratio benchmarking exercises pursuant to Directive 2013/36/EU*" (EBA/GL/2022/06), following a consultation to define the new guidelines. The new guidelines will be the basis for the surveys to be conducted in 2023 with reference to the financial year 2022, with the exception of the information on the gender pay gap, for which the first survey will be in 2024 with reference to the financial year 2023. The data relating to the financial year 2022 must be sent to the Bank of Italy by 31 August 2023 and by the Bank of Italy to the EBA by 31 October 2023;
  The Bank of Italy has adopted both of these guidelines, with the communication "*Remuneration Systems. Communication for the collection of data from banks and investment firms in implementation of the EBA guidelines*" published on 2 December 2022. To limit the reporting costs of the companies receiving the guidelines, the EBA has replaced the current benchmarking tables with those used for public disclosure purposes pursuant to EU Regulation 2021/637 (the so-called "Implementation Technical Standards, ITS"), thereby reducing the reporting burden on institutions, which will be able to make the same information available to the public and share it with the relevant national authority and the EBA. The tables have been supplemented by additional reporting schemes that allow the EBA to fulfil the reporting obligations included in the CRD (for example in relation to the gender pay gap);[3]
- 18 March 2022, the "*Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing*" (EBA/GL/2022/03). These guidelines describe common procedures and methodologies for the conduct of the supervisory review and evaluation process (SREP), including procedures and methodologies for assessing the organisation and treatment of risks, including money laundering and terrorist financing. In addition, these guidelines aim to provide common methodologies to be used by the relevant authorities when conducting supervisory stress tests as part of their SREP in accordance with art. 100(2) of Directive 2013/36/EU. The changes made aim to implement the amendments to the Capital Requirements Directive (CRD V) and the Capital Requirements Regulation (CRR II) and to promote the convergence of the relevant national authorities, without altering the general framework of the SREP, but affect its main elements, including (i) analysis of the business model, (ii) assessment of internal governance and institution-wide control arrangements, (iii) assessment of risks to capital and adequacy of capital to cover these risks and (iv) assessment of risks to liquidity and funding and adequacy of liquidity resources to cover these risks. On 16 December 2022, the Bank of Italy notified the EBA that it complies with these guidelines;
- 13 January 2022, the "*Guidelines for institutions*[4] *and resolution authorities on improving resolvability*" (EBA/GL/2022/01). They will enter into force from 1 January 2024, targeting banks (*Significant and Less Significant*) and the securities investment companies (SIM) pursuant to art. 55-bis of the Consolidated Law on Finance (TUF), which are subject to the rules on credit resolution in

[2] *High earners* are those with a total remuneration of at least EUR 1 million on an annual basis.
[3] Capital Requirements Directive
[4] Banks, investment firms and financial conglomerates.

accordance with articles 15 and 16 of Directive 2014/59/EU; institutions that are part of a group subject to consolidated supervision, in accordance with Articles 111 and 112 of Directive 2013/36/EU, with reference to the application of the resolution group. Similarly, to the provisions of the EBA guidelines, the guidelines do not apply to parties subject to simplified obligations for resolution purposes pursuant to Delegated Regulation 2019/348/EU and to those whose resolution plan provides for them to be settled in an orderly manner in accordance with applicable national law. With note no. 27 of 27 May 2022, the Bank of Italy, in its capacity as Resolution Authority, has expressed its intention to comply with the EBA guidelines to improve the possibility of resolution.

Finally, the European Securities and Markets Authority (ESMA), at the end of the public consultation initiated in July 2021 and concluded in October 2021, published on 31 March 2022 a Final Report containing guidelines on certain aspects of the remuneration policies and practices envisaged by Directive 2014/65/EU (MiFID II) in order to clarify and promote the convergence in the implementation of some of the new remuneration requirements under MiFID II, ensuring their uniform application and replacing the previous version issued in 2013. The guidelines should be translated into the various official languages of the European Union and, from their translation, the individual relevant National Authorities will have two months to notify ESMA of their compliance or willingness to comply.

SECTION I – 2023 Group Remuneration and Incentive policy

1. REPORT STRUCTURE AND MAIN UPDATES IN THE 2023 REMUNERATION POLICIES

The 2023 Report on the remuneration policy and on compensation paid (hereinafter "Report") is broken down into two distinct sections: the first regards the remuneration and incentive policies adopted by the Bank for the financial year 2023 with reference to the company bodies of the Bank and the subsidiaries and the Group's employees and associates, as well as the processes for implementing such policies, illustrating their contribution to the business strategy, the pursuit of long-term interests and the sustainability of Group operations. The Shareholders' Meeting resolution on the first section is binding.

The second section, accompanied by statements with analytical and aggregated quantitative information, according to the provisions set forth in Scheme 7-*bis* of Annex 3A to the Regulation adopted by Consob with resolution no. 11971 of 14 May 1999, as amended (the "**Issuers' Regulations**"), provides details on the application of that policy with respect to the compensation paid. The Shareholders' Meeting resolution on the second section is non-binding.

The 2022-2026 Business Plan "A clear and simple commercial Bank", of which the remuneration policy is an integral part, is based on specific priorities, summarized in the following table:

With this Plan, the Bank intends to strengthen its role as a commercial bank with a "clear and simple" positioning. The Plan, aimed at creating value for stakeholders, has as its main objective the achievement of a sustainable level of profitability with a strong balance sheet, an optimised operating structure and the best in class digital platform Widiba, leveraging the strength of the historic commercial franchise, the talent of the Group's people and an ESG commitment across all the Bank's activities.

In particular, among the changes introduced in the 2023 Remuneration Policies, in line with the 2022-2026 Business Plan, an Incentive System has been created to supplement the remuneration offer (which until 2022 was based only on fixed remuneration). This system represents a strategic lever for:

- enhancing the value of human capital;
- guaranteeing sustainable development in the ESG (Environment, Social and Governance) area through the adoption of incentive parameters related to the achievement of the Group's strategic guidelines on these issues;
- ensuring alignment between management and the interests of the Shareholder and investors;
- facilitating the achievement of the challenging objectives defined for 2023 by creating value and the prerequisites for the full execution of the Business Plan in the three-year period 2024-2026.

More specifically, the main changes introduced in the 2023 Report concern:

- the introduction of the new Group Incentive System, consistent with the objectives of the 2022-2026 Business Plan *"A Clear and Simple Commercial Bank"* and compliant with the applicable regulatory framework and with the commitments assigned in the area of remuneration by the European Commission, which is (see paragraphs 5.4.2, 5.5.2 5.5.3):
  (i) the 2023 Incentive System, applicable to the Identified Staff (hereinafter "PPR" - Personale Più Rilevante)[5] and additional key resources for the achievement of the strategic guidelines (hereinafter "2023 Incentive System"), with payments - for the PPR - subject to the rules of a combination of cash and financial instruments and with deferral over a time of no less than 4/5 years. The 2023 policy also includes a percentage of 60% of the component in financial instruments relating to Top Management, confirming the emphasis on value creation. The instruments to be used for payment will be the *Phantom Shares;*
  (ii) incentive systems for the remaining personnel not included in the aforementioned system, compliant with the provisions of the National Collective Labour Agreement and differentiated between Network and Central Structures;
- the inclusion of the remuneration recommendations contained in the letter from the Chairperson of the Corporate Governance Committee as part of the annual report on the application of the Corporate Governance Code (see paragraph 5.5.2). In particular (i) the inclusion of a table, for the CEO, with the composition of the remuneration package; (ii) the provision of a variable component with a multi-year horizon, in line with the strategic objectives of the company and with the pursuit of sustainable success; (iii) the CEO incentive mechanisms linked to sustainability objectives with a clear indication of the specific performance objectives to be achieved;
- the revision, in a more restrictive sense, of the policy on early termination of employment, by including among the amounts that, as a rule, must not exceed 24 months' salary, in addition to notice and severance pay, compensation for non-compete covenants (see paragraph 5.6).

In consideration of the regulatory constraints to which the Bank's remuneration policy is subject, the 2023 Incentive System is the tool aimed at supporting alignment with the Bank's strategy in the medium-long term and encouraging the dissemination of a culture oriented towards results and creation of sustainable value for all stakeholders, expressed as the creation of sustainable financial value with a positive impact on the environment, society and governance, in alignment with the recommendations of the Corporate Governance Code.

Lastly, the 2023 Report acknowledges the update of the Bank's Articles of Association and the related impacts on remuneration, in particular as regards the role and responsibilities attributed to the Remuneration Committee and the Board of Directors (see paragraph 3 "Rules of Governance" of the 2023 Report).

[5] Staff members whose professional activities have or may have a significant impact on the risk profile of the Bank or the Banking Group, identified as such by the Bank in accordance with the applicable legislative and regulatory provisions

2. PURPOSE

The Group's remuneration policies, aimed at creating sustainable value over time, fully compliant with the risk-governance policies, are designed to:

- **foster the achievement of short and long-term strategic objectives** by strengthening the link between remuneration and performance;
- **provide for clear and transparent governance mechanisms**, through effective organisational and corporate governance structures and clear and rigorous governance rules that provide for the involvement of a plurality of organisational bodies and functions and individuals to guarantee structured, controlled and ex post verifiable processes;
- **value merit** and **increase employee motivation and loyalty** through the involvement of personnel in all the initiatives included in the Business Plan, also for the purpose of incentivising the Group's resources, attracting new professional skills and retaining resources with high levels of professionalism and ability in the company;
- **activate sustainable remuneration mechanisms** through strict consistency between remuneration and performance and between remuneration and value creation, providing for pay mix levels that do not lead to risky and short-term-based behaviour, consistent with the reference legislative and regulatory framework;
- support the **professional growth** of employees from a gender neutral perspective, enhancing diversity and fostering inclusion;
- **ensure fairness of internal treatment** and **external competitiveness**, also through constant comparison with market practices, taking into account the legislative and regulatory framework applicable to the Bank;
- **ensure compliance with legal, regulatory and statutory provisions**, and any codes of ethics or applicable conduct.

In its capacity as Parent Company, the Banca Monte Paschi di Siena (the "**Bank**") ensures that the remuneration recognised and 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 to the proportionality principle, where and to the extent applicable) and (with regard to foreign companies) in compliance with locally applicable laws and regulations.

Aware of its role in society and supported by its tradition and history, the Bank continues on its path to generate, alongside financial value, virtuous behaviour and projects, paying increasing attention to the needs of people, the communities and the environment in which it operates and undertaking to act more effectively to achieve the values underpinning the concept of Sustainability for its customers, employees and the regions it operates in.

The Bank is constantly committed to guaranteeing adequate working conditions and environments for its personnel, in line with occupational health and safety regulations, with a specific focus on reconciling the objectives and needs of the company with the personal and family requirements of its employees, also through ongoing occasions for listening that solicit ideas and involvement in the creation of new paths.

Also through its remuneration policies, we reaffirm our robust commitment to enhancing diversity and promoting inclusion, basing its criteria for determining professional opportunities, assessments and remuneration on merit and skills (for the specific remuneration criteria, see par. 5).

In order to pursue pay equity, the Bank undertakes to offer remuneration aligned with the market and the position held, the skills, capabilities and professional experience of every employee as well as their objectively evaluated individual contribution to company performance, thus guaranteeing the application of the principle of equal opportunity with no distinction based on age, gender, sexual orientation, civil status, religion, language, ethnic or national origin, physical or mental disability, pregnancy, maternity or paternity status, including adoptive, personal convictions, political opinions, affiliations or trade union activity.

The Bank undertakes to support the enhancement of diversity and to spread a culture of inclusion with concrete actions. The activities of the MPS Diversity & Inclusion (D&I) Programme are presented in the Non-Financial Statement (NFS) published on the Bank's website.

In order to make the application of inclusive policies, also as regards gender, more concrete and to monitor their implementation, the Bank issued the "Rules on Inclusion" document in 2022. The document defines commitments in terms of **valuing diversity**, **inclusion**, **equity** and **parity** that the Company aims to pursue in all phases of the business life of each person, in the organizational and operational aspects and in internal and external communication. The value enhancement of **plurality**, **inclusion** and **equity, including gender neutrality,** represents a fundamental element of a sustainable development model and constitutes one of the Company's paradigms.

The uniqueness of all individuals contributes to the strength and reputation of the company.

The combination of the above principles underlies the overall vision in terms of diversity:

- **plurality** as diversity of thought and attitude that enriches our company and becomes one of its intangible asset;
- **inclusion** as an openness to others and to different points of view;
- **equity** in the commitment to give everyone equal opportunities.

For some time now the Bank has used systems for measuring organisational positions that take into account the responsibilities and complexities managed by individual roles, a detailed description of which is provided in paragraphs 5.1 and 5.3 below[6]. Also thanks to the use of the objective approach of weighting positions, the Bank's remuneration policy is general neutral and makes it possible to pursue pay equity.

The Group's remuneration policies also represent important operational leverage for the proper orientation of the management and personnel towards a logic of limitation and prudent management of the risks assumed (including legal and reputational risks); to induce motivation and conduct inspired by moderation and ethics in business dealings, as well as transparency and fairness in customer relations, in order to avoid possible conflicts of interest; for the construction of dialogue and the pursuit of a relationship of trust with all stakeholders, thus strengthening corporate governance.

The purpose is to design a business strategy that best values human, social, relational and environmental capital, inspired by sustainability, i.e. gender neutrality, inclusiveness and the promotion of equal opportunities, and the enhancement of diversity not only in remuneration policies but also in hiring and career development policies, succession planning, access to training and which at the same time achieves increasing consistency of remuneration between comparable roles and responsibilities, also with a view to the attraction and retention of key resources, a crucial factor to guarantee the Group's success.

The sustainability objectives in the MPS Group strategy

In line with the objectives described in paragraph 5.5.2 (*ESG Focus*), in order to achieve sustainable growth, a fundamental aspect of the 2022-2026 Business Plan, as part of the overall strategy of relaunching its *business,* the Bank has also implemented a process for the integration of sustainability within the corporate processes with the Sustainability Plan approved by the Board of Directors on 7 February 2023. This process, in addition to improving the Bank's risk profiles, aims at an even more

[6] Information provided also pursuant to the "EBA Guidelines" (specifically, see paragraphs 23 to 27).

informed use of natural resources and a more inclusive working environment open to the values of diversity and gender neutrality.

Policies will therefore be focused on the principles of efficiency, equity, transparency and sustainability; on the desire to value merit and correspondence between performance and personal recognitions, while also paying the utmost attention to avoiding conflicts of interest and strengthening the culture of regulatory compliance.

The intent is to increasingly effectively contribute to the pursuit of the Group's long-term economic/financial interests, but also to the company's "sustainable success". The priority objective of creating value for shareholders over a medium/long-term time horizon indeed cannot disregard the pursuit of objectives linked to corporate social responsibility. In this scenario, remuneration policies can play a strategic role in pursuing these objectives, through adequate balancing and sizing of the variable remuneration component with respect to the fixed component, and ensuring that the variable part of remuneration is connected to both financial and non-financial performance parameters, the latter also linked to ESG targets.

Particular attention is paid not only to the results achieved, through a direct link between performance and remuneration, but also an evaluation of the objectivity and measurability of the conditions to which remuneration is subject and the indicators used to measure it. To this end, over the annual horizon of the report, a detailed and balanced framework of objectives is expected to be maintained to guarantee the profitability of the company as a whole and reinforce operational efficiency in traditional business sectors.

The remuneration policy therefore supports the Group's commitment to combine the requirements of the new 2022-2026 Business Plan to achieve sustainable profitability and the observance of a rigorous financial discipline, ensuring the sustainability of future actions and projects. In addition, when defining the remuneration policy for the Group, in the 2022-2026 Business Plan the Bank also takes into account the commitments[7] regarding remuneration assigned by the European Commission.

The remuneration policies for 2023 have also been defined considering the orientations expressed by shareholders during the shareholders' meeting vote of 12 April 2022 on the 2022 Remuneration Policies, which received 99.67% of votes in favour for the resolution on the first section of the Report pursuant to art. 123-ter, paragraph 3 bis of the Consolidated Law on Finance (binding vote) and 99.77% for the resolution on the second section of the Report pursuant to art. 123-ter, paragraph 6 of the Consolidated Law on Finance (non-binding vote), while the financial instrument plan for the payment of severance in favour of personnel was approved with a 99.69% of favourable vote[8].

The results of the vote confirmed significant approval of the breakdown, general criteria and levels of remuneration set forth in the 2022 Report on remuneration policies, which were taken into account in the consideration and evaluation of updates and improvements made.

The Group's 2023 Report on remuneration policies is structured in two sections according to the provisions of the *Issuers' Regulations*:

- section I: **2023 Remuneration policy**, which (i) indicates how the policies contribute to the business strategy, the pursuit of long-term interests and the company's sustainability and is determined by taking into account the compensation and working conditions of company employees; (ii) defines the various components of remuneration which may be recognised; (iii) specifies the elements of the policy which, in the presence of the exceptional circumstances specified in article 123-*ter*, paragraph 3-*bis* of the Consolidated Law on Finance, it is possible to derogate;

[7] *Commitment* 5 of the European Commission "Remuneration of Bank Employees and Executive managers: The Bank applies rigorous policies for the remuneration of executive managers. The total remuneration of each individual cannot exceed 10 times the average remuneration of the Bank's employees in 2022. As an exception, the Bank may provide a remuneration plan for "*senior managers" and "key function holders*", which may provide for the payment of variable remuneration in excess of the salary cap, provided that (i) the payment of the variable remuneration *is subject to the disposal of the State's investment under Commitment no. 12; (ii) the remuneration plan complies with the EBA Guidelines on sound remuneration policies under Directive 2013/36/EU".*

[8] Indication also provided pursuant to Directive 2017/828/EU "Shareholder Rights Directive II").

- section II: **Compensation paid**, broken down into two parts with a first part that provides a qualitative presentation of the items of remuneration, while the second part includes the compensation paid in the form of a table, in accordance with the provisions laid out in Scheme 7-*bis* of Annex 3A of the Issuers' Regulations.

3. 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 and incentive 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 risk profile of the bank or banking group", as defined by Bank of Italy Circular no. 285 of 17 December 2013, as amended (the "Supervisory Provisions" or "Circular 285") and in accordance with Delegated Regulation (EU) 2021/923.

The internal regulatory framework adopted by the Bank on remuneration finds its primary source in some provisions of the **Articles of Association** (hereinafter the "**Articles of Association**") of the Bank, which are linked to a specific Group policy, approved by the Bank's Board of Directors (hereinafter 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's remuneration and incentive policies.

The task of approving the remuneration and incentive policies is attributed by the company's Articles of Association to the **Shareholders' Meeting** (the "**Shareholders' Meeting**"), which resolves with a binding vote on the section referred to in art. 123-*ter* paragraph 3 of the Consolidated Law on Finance and with a non-binding vote on the section referred to in art. 123-*ter* paragraph 4 of the Consolidated Law on Finance.

Art. 13 of the Articles of Association[9] assigns, inter alia, the following power to the Ordinary Shareholders' Meeting:

- determine the fees for directors and statutory auditors;
- approve the remuneration and incentive 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.
- 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, only if provided for by the Articles of Association, the authority to resolve, when approving the Group's remuneration and incentive policies, any changes to the limit of 1:1 (and at most 2:1) between the variable and fixed component of remuneration.

In the case of groups, the Shareholders' Meeting that is competent to decide on the proposal to set a limit of more than 1:1, is that of the bank in which the personnel to which the decision refers operates. The Parent Company may only vote in favour of the proposed increase of the limit submitted to the Shareholders' Meeting of a bank of the Group if the remuneration policy of the Group (approved by the Shareholders' Meeting of the Parent Company) allows the banks of the Group to raise this limit or if the Shareholders' Meeting of the Parent Company has in any event voted in favour thereof.

On the other hand, the **Board of Directors** (Circular 285 and articles 17 and 26 of the Articles of Association) is responsible for drafting the remuneration and incentive policies, submitting them to the Shareholders' Meeting for approval and implementing them once approved by the Shareholders' Meeting, firstly, as regards:

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

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[10];
b) the provisions relating to the legal and economic status of the Vice General Managers, the Managers of the Internal Audit Function, compliance, risk control and anti-money laundering functions as well as the Financial Reporting Officer pursuant to art. 154-*bis* of Italian Legislative Decree no. 58 of 24 February 1998, and the Chief Financial Officer, if different from the latter;
c) the 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 framework of the responsibilities of the Board of Directors in this regard, taking into account the indications of Circular 285[11], also provides that the Board itself:

- defines the remuneration and incentive systems at least for the following parties: Executive Directors; General Managers; Co-General Managers, Vice General Managers and similar figures; the Managers of the main business lines, company functions or geographical areas; those who report directly to the bodies with strategic supervision, management and control functions; the Managers and senior staff of the company control functions. In particular, it ensures that these systems are consistent with the overall decisions of the Bank in terms of risk assumption, strategies, long-term objectives, corporate governance structure and internal controls.
- ensures, inter alia, that the remuneration and incentive systems are suitable to guarantee compliance with the provisions of law, regulations and the Articles of Association as well as any codes of ethics or conduct, promoting the adoption of compliant behaviours.

Lastly, with the support of the Remuneration Committee, the Board of Directors analyses neutrality of its remuneration policies, evaluating the gender pay gap and its evolution over time and documenting the reasons for any gender pay gap, also in order to identify and adopt concrete and targeted actions aimed at progressively reducing the gap.

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.

The Remuneration Committee, pursuant to the current provisions of the law and the Articles of Association, also carries out, *inter alia*, the following activities:

- periodically evaluates the criteria adopted for the remuneration of Managers with strategic responsibilities, supervising their application and making general recommendations on the matter to the Board of Directors (Articles of Association, art. 17, paragraph 4, letter a);
- it directly supervises the correct application of the rules on the remuneration of the managers with company control functions, in close cooperation with the body with control functions (Circular 285[12]);

[10] Having heard the opinion of the Board of Statutory Auditors.
[11] Circ. no. 285, 37th Update (First Part, Title IV, Chapter 2, Section II, Role and responsibilities of the Shareholders' Meeting and corporate bodies).
[12] See note no. 11.

- prepares the documentation to be submitted to the strategic supervisory body for the related decisions (Circular 285[13]).

The operating rules of the Remuneration Committee 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[14].

The remuneration of the members 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 5.2).

The Bank's **Risk and Sustainability Committee**, which is composed of five non-executive directors[15], the majority of whom are independent (including the Chairperson of the Committee) is, *inter alia*, responsible for:

- assists the Board of Directors in defining the guidelines for the internal control and risk management system and in assessing the adequacy, effectiveness and proper functioning of this system;
- assists the Board of Directors in assessments and decisions on Sustainability and in the analysis of issues relevant to the generation of long-term value;
- ensures that the incentives underlying the Group's remuneration and incentive system are consistent with the Risk Appetite Framework ("RAF").

The **CEO**, 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) above, whose remuneration structure falls under the exclusive responsibility of the Board of Directors. It should also be noted that, pursuant to art. 22 of the Articles of Association, the General Manager of the Bank (who currently also holds the position of Chief Executive Officer of the Bank) is in charge of the personnel and exercises, with regard to the latter, the functions assigned to him by the regulations governing the relative employment relationships.

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 the independence of the company control functions, participate in the definition, planning, preparation and any revision of the remuneration and incentive policies and provide the necessary support to ensure they are in line with the regulatory framework and that they work properly.

Lastly, the Bank's **Human Resources**[16] function implements the policies from a technical and operational view, overseeing their coordination at Group (and individual company) level, regarding both the fixed remuneration component and the variable remuneration component, and ensuring - inter alia - consistency between the policies, the human resource management procedures and the remuneration and incentive systems of the Bank.

[13] See note no. 11.

[14] Indication also provided pursuant to Directive 2017/828/EU "Shareholder Rights Directive II").

[15] On 4 February 2022, Director Olga Cuccurullo, member of the Risk and Sustainability Committee, resigned from her position as Director. Since 12 April 2022, the role has been held by the Director Stefano Di Stefano.

[16] On the basis of the update of the Supervisory Provisions (37th Update of Circular 285), 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".

4. 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, support the company bodies when planning the remuneration policies also in order to ensure they are in line with the Bank's risk appetite and participate in the corresponding implementation processes.

The Bank's Compliance function:

- verifies continuously and annually, in time for the remuneration report to be approved by the Shareholders' Meeting, the coherence of the remuneration policies and practices adopted according to the external regulatory framework;
- 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 fore-mentioned 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 the ensuing incentive systems with the Group's RAF, also producing a report to support the Risk and Sustainability 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 definition of some specific technical aspects of the 2023 remuneration policies, the Bank made use of the consultancy firm Willis Towers Watson[17].

In the preparation of 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 paragraph 5.1)[18].

[17] Information also provided pursuant to Article 450 (1) (a) of EU Regulation 575/2013.
[18] Indication also provided pursuant to Directive 2017/828/EU "Shareholder Rights Directive II").

5. PERSONNEL REMUNERATION AND INCENTIVES

5.1 General Principles

In designing its 2023 remuneration policies, the Bank was inspired by the best remuneration and incentive practices, focusing on the creation of value in the medium-long term, in addition to pursuing criteria of transparency and equality in remuneration.

Remuneration[19] refers to "all forms of payment or benefit, including any allowances paid, directly or indirectly, in cash, financial instruments or services or fringe benefits in exchange for work or professional services by staff to the Bank or other companies in the Banking Group.[20]"

The Bank's remuneration policy is affected by its commitments assigned by the European Commission and therefore also by a restrictive policy in terms of variable remuneration[21] (see paragraph 2). Among the commitments are the Group commitments to apply severe executive managers remuneration policies and, specifically, to ensure that total individual remuneration does not exceed the average employee salary at the beginning of 2022 multiplied by ten (salary cap). Amounts in excess of this cap, accrued within the framework of the incentive plans, related to the achievement of the objectives defined for 2023, in any case within the maximum limit of 1:1 of variable remuneration with respect to fixed remuneration, may only be paid out downstream of the disposal of the public equity investment. The Bank ensures the application of this commitment with respect to the Chief Executive Officer/General Manager and other top management figures.

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 5.4.2 and 5.5.1).

GENDER EQUALITY AND INCLUSION

The gender pay gap in the Group as at 31.12.2022 was **-12.5%** (average total monetary remuneration of women compared to men), down from -12.6% in the previous financial year.
In order to target mitigation actions aimed at gender balance and equal pay and thus ensure equal pay levels for equal tasks, experience and the other objective elements specified in the EBA Guidelines (EQUAL PAY), the Bank:
- in line with the principles of UNEP FI - *Principles for Responsible Banking* (PRB2), on the SMART (*) *Targets,* has set a 2023 target of **35% of leadership roles held by women**. This objective has already been achieved since, at the end of 2022, 35.9% of positions of responsibility were held by women;
- has focused its remuneration policies on a gradual and substantial reduction of the gender pay gap; to this end, it has established that at least half of the annually budgeted funds be allocated to reducing the gender pay gap;
- has set, in the 2022-2026 Business Plan, the target objective of 40% of positions of responsibility held by women to be achieved by 2026.

Details relating to the gender pay gap and the Diversity & Inclusion results achieved are provided in the Non-Financial Statement, which should be referred to for additional information.
Finally, the Bank has a longstanding active Equal Opportunities Committee, which is responsible for sharing female employment indicators in the company, as well as identifying appropriate enhancement policies in order to **accelerate** concrete solutions aimed at pay equality between men and women across every level of the organisation.

(*) *Specific, Measurable, Achievable, Relevant and Time-bound.*

[19] In accordance with the provisions of Circular no. 285/2013 of the Bank of Italy.
[20] 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". Supervisory Provisions, Part I, Title IV, Chapter 2, Section I, par. 3.
[21] Indication also provided pursuant to Directive 2017/828/EU "Shareholder Rights Directive II").

Remuneration policies are aimed at ensuring that staff have an equal level of remuneration, including in terms of the conditions applied to its recognition and payment[22]; they are therefore gender-neutral and contribute to the pursuit of complete equality at all organisational levels.

More specifically, the remuneration structures are defined in correlation with the applicable market practices (see box on "*benchmarking*" and "*weighting of positions*").

BENCHMARKING

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

- for **the Chief Executive Officer and General Manager**, a selected number of Italian Banking Groups representative of MPS's reference market, in which each Group presents elements of comparability with MPS's strategy with reference to geography of operations, size in terms of funding, business portfolio, listing on regulated markets (n. 10 companies in the banking or financial sector: Banca Mediolanum, Banca Popolare di Sondrio, Banco BPM, BPER Banca, Banco di Desio e Brianza, Credito Emiliano, Fineco Bank, Intesa Sanpaolo, Poste Italiane and UniCredit);
- for the **remaining Managers with strategic responsibilities,** a selected number of Italian companies drawn from the 2022 ***Executive Remuneration Survey - Italy*** by WTW, similar to the Montepaschi Group in terms of business model and organisational complexity (10 companies in the banking sector: Banco BPM, Banca IFIS, BancoPosta (Poste Italiane), BPER Banca, Cariparma (Crédit Agricole), ING Bank Italia, Credito Emiliano, Mediobanca, UniCredit Italia, Banco di Desio e Brianza);
- for other positions with **management responsibilities,** from the 2022 Financial Services Survey Report - Italy by WTW;
- for the **operational positions**, the **Retributiva Credito e Finanza** survey by **ABI** in association with Deloitte Consulting S.r.l. which included 30 of the primary companies/groups in the Italian banking sector in 2022.

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.

Each of these **positions** is evaluated based on the **nature** and **level of complexity of the contribution provided** to the business, through quantitative and qualitative factors, including organisational assessment and risk governance-related factors, which make it possible to identify the relative grade.

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 top positions the analysis is further sophisticated and considers not only the grade but also the role covered through a comparison with the same or the closest roles present in the market and belonging to the same grade or nearby grades, allowing for a more precise assessment of remuneration compared to the applicable market. The **organisational ranges**, as sets of contiguous grades, have also been defined and associated with the entire HR value proposition.

[22] The Bank ensures that all of the relative working conditions with an impact on remuneration by unit of measurement or hourly rate are gender neutral.

In determining remuneration, the Bank also takes the following aspects into account: skills and commitment; location of service and relative cost of living; level of formal education; scarcity of personnel available in the job market for specialised positions; the nature of the employment agreement; duration of professional experience; professional certifications[23].

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

5.2 Remuneration of Directors and Statutory Auditors

For the term of office for the financial years 2020 - 2021 - 2022, the Ordinary Shareholders' Meeting held on 18 May 2020, elected the Board of Directors and the Board of Statutory Auditors and approved their gross annual compensation, to the extent due *pro tempore*, for the position of Director without delegation powers, Chairperson of the Board of Directors, Standing Auditor and Chairperson of the Board of Statutory Auditors of the Bank.

For this mandate, 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 remuneration for the members of the committees within the Board of Directors and/or remuneration for specific positions (pursuant to article 2389, paragraph 3 of the Italian Civil Code).

The table below summarises the amounts approved for the 2020-2022 three-year mandate:

Role	Gross annual remuneration	Daily allowance (**)
Board of Directors:		
Chairperson	110,000	-
Chief Executive Officer	- (*)	-
Other Directors (***)	65,000	-
Board of Statutory Auditors:		
Chairperson	80,000	-
Statutory Auditors	65,000	-

(*) At its meeting on 7 February 2022, the Board of Directors approved for Mr Lovaglio a single, comprehensive remuneration for the roles of General Manager and Chief Executive Officer, inclusive of annual compensation as well as any attendance fees due for exercising the powers of Chief Executive Officer. For the entire duration of the 2022-2026 Business Plan (unless specified otherwise by the relevant authorities), the overall package of the manager, whose remuneration is paid exclusively for the office of General Manager within the context and in execution of the employment relationship, including benefit components, will be based on the application of the salary cap based on the commitments assigned by the European Commission (see par. 2 for more detailed information on the salary cap).
(**) 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.
(***) Including the Deputy Chairpersons.

In its meeting of 12 June 2020, the Board of Directors approved the annual gross remuneration of the directors for their participation in internal committees of the Board of Directors (Risk and Sustainability Committee, Related Party Transactions Committee, Appointment Committee and Remuneration Committee). This pay, significantly lower than that of the main competitors, has been defined in line with the severe remuneration-related policies imposed by the financial constraints included in the 2017-2021 restructuring plan. Details are provided below:

[23] Information provided also pursuant to the "EBA Guidelines" (specifically, see paragraph 27).

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

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

Role	Gross annual remuneration	Daily 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.

There is no predetermined severance pay for the Directors in the event that they leave office.

For members of the Bank's Board of Directors and Board of Statutory Auditors, like the provisions in force for employees, an insurance policy has been taken out to cover occupational accidents and health cover.

The Shareholders' Meeting 2023 will determine, for the 2023-2025 term of office, the remuneration pursuant to Art. 2389 par. 1.

The Board of Directors elected for the 2023-2025 term of office will determine, after hearing the opinion of the Board of Statutory Auditors and upon the proposal of the Remuneration Committee (pursuant to Article 26, paragraph 3 of the Article of Association), the remuneration pursuant to Article 2389, paragraph 3 of the Italian Civil Code for directors holding special offices.

For the sake of completeness, note that the members of the Board of Directors and the Board of Statutory Auditors of the Bank and the subsidiaries are also beneficiaries of a "Directors & Officers Liability" (D&O) insurance policy, which covers the third-party liability of directors, statutory auditors and executive managers resulting from illegal acts[24] performed by the same while performing their duties. The D&O policy was taken out for the first time at the Group level, effective as of 1 May 2019 and with a limit of EUR 100 mln, in implementation of the Shareholders' resolution of 11 April 2019 and subsequently renewed year by year within the limits provided for by the aforementioned resolution[25].

[24] Excluding wilful misconduct.
[25] The above-mentioned resolution authorised the stipulation of the D&O with an annual duration and awarded the most extensive 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.

Activities are currently under way in preparation for the renewal of that policy for a period of one year, effective as of 1 May 2023.

Also for the members of the company bodies of the subsidiaries, the principle has been confirmed that there will be no link established with the economic results achieved by the Group and/or participation in incentive schemes of any nature whatsoever, with the exception of any non-executive Directors of those companies who are also employees of another Group company and who, as such, may be beneficiaries of incentive schemes in compliance with what is set forth in par. 5.4.

For the Group's employees who cover non-executive corporate roles on designation of the Parent Company and/or a subsidiary, there is also a waiver to the remuneration established for the role of director or member of the board of statutory auditors (the latter only with reference to the associates), based on the prior written consent of the employee concerned.

5.3 Fixed remuneration

Fixed remuneration is stable and irrevocable (i.e. it cannot be unilaterally reduced by the Bank, outside the cases set forth by law), and is determined and paid within predefined ranges on the basis of pre-established and verifiable criteria - such as levels of professional experience and responsibility - which do not create incentives to assume risks and do not depend on the Bank's performance. Possible modifications are made over time as those criteria change, or in order to achieve a realignment with respect to market salary parameters.

The table levels, provided by applicable laws, in some cases may be 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, those within the Bank reported for comparable roles 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, risk culture and the transparency expressed, the strategic nature of the activity overseen, the riskiness of the role covered and lastly the difficulty of finding analogous figures.

The fixed remuneration is supplemented, in compliance with the provisions contained in the national and/or second-level bargaining and/or deriving from specific internal policies of reference (see box on "weighting of positions") by company *benefits* which, depending on the type, may be intended for the majority of employees or, on the contrary, be aimed at particular professional figures[26].

Furthermore, indemnities may also be attributed to parties in specific positions or roles, characterised by amounts:

- 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;

[26] Information provided also pursuant to the "EBA Guidelines" (see in particular paragraphs 131 and 134).

- in any case, revoked when the person leaves the specific position and/or office that determined the attribution of the amount[27].

Inconvenience allowance may also be recognised if the attribution of a specific job or the assignment of a workplace imply a significant change of the resource's personal situation. Specifically, reference is made to cases in which the resource must incur higher expenses, including unforeseen, for commuting and cost of living (such as services, utilities, lodging, etc.).

In continuity 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 2022-2026 Business Plan and the above-mentioned commitments, by strong selectivity and high "prioritisation" requirements. In this scenario, the above-mentioned benchmarking, job-levelling and remuneration categories defined for each grade will be increasingly functional to seeking the best distribution of available resources.

For financial advisors, the recurring component, which represents the most stable and ordinary element of their remuneration, is deemed equivalent to fixed remuneration and 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 (see paragraph 5.7.2).

5.3.1 Benefits and other compensation

As part of the **fixed remuneration component**, the Group envisages for its employees, various interventions that concretely raise the levels of motivation and belonging also with the consolidation of the "Welfare MPS" model through **second-level bargaining** and the work of **joint committees**.

The benefits described below are intended for the entire population of the Group. The institutions that support people include the following:

- the **company's contribution to the Supplementary Pension Fund** for the benefit of all employees and access to the company supplementary pension scheme provided for all employees of Group companies and their tax dependent family members;
- the **Accident Policy (both occupational as set forth in the national collective labour agreement and non-occupational) and Health Coverage**, the latter not only for employees in service, but also for former employees in the Solidarity Fund, including dependant family members. For the year 2023, the possibility of participation for retired personnel with the membership cost under their own responsibility has been renewed;
- **meal vouchers**, with more favourable treatment than the National Collective Labour Agreement, both in terms of amount and number of beneficiaries;
- **subsidised terms for some specific bank, financial and insurance transactions**.

In addition to the above, the Bank uses some benefits assigned to particular categories of human resources in compliance with predefined non-discretionary criteria/conditions and structured allocation processes detailed in internal regulations. It includes, for example:

- **insurance coverage, including permanent disability from illness and death from illness**, for Management;

[27] Following the assignment to a new job and/or position, the fairness of the overall remuneration structure of the owner will be revalued on the basis of the grade of the new position (as identified on the basis of the Global Grading System described under "Job Levelling").

- the **company car as a fringe** benefit **for mixed use**;
- the **provision of sub-lease accommodation.**

In the event of termination of the employment relationship, the Bank may decide to extend the car and accommodation *benefit* for a maximum period of 3 months.

Health and insurance coverage continue to be effective, for all terminated subjects, until their natural annual expiry[28].

Benefits that are not allocated according to the above criteria or that do not fall within one of the aforementioned provisions are considered variable remuneration and therefore subject to the relative rules.

For the sake of comprehensiveness, it should be noted that in implementation of Shareholders' Meeting Resolution of 11 April 2019, for the Group Management, similar to what has been provided for Directors and Statutory Auditors, the Bank has confirmed the "Directors & Officers Liability" (D&O) insurance coverage for third-party liability[29] 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 and awarded the most extensive 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.

5.3.2 Company Control Function Allowance

The managers of the Company Control Functions[30], up to the third level of control responsibility and the Financial Reporting Officer 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;
- it 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 in terms of payment method or amount) subordinated to the company and/or individual performance and therefore does not create an incentive to take on risks.

[28] Indication also provided pursuant to Directive 2017/828/EU "Shareholder Rights Directive II").
[29] Excluding wilful misconduct.
[30]As defined by the Supervisory Provisions, Part I, Title IV, Chapter 2, Section I.

5.4 Variable remuneration

5.4.1 Definition

Variable remuneration includes:

- any payment or benefit where recognition or assignment depends on performance, however it is 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 5.4.2;
- discretionary pension benefits and agreements on remuneration relating to early retirement or early termination of office (known as golden parachutes) described in paragraph 5.6 below;
- the "Non Core" components described in paragraph 5.4.3.

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

The maximum ratio of variable remuneration with respect to fixed remuneration is within the limit of 1:1 or lower in the cases specified in the regulations.

All variable remuneration instruments, aside from being gender neutral:

- are subject, when applicable, to the limits on variable distributions provided by the Supervisory Provisions in application of articles 141 or 141-*ter* of the CRD V, or in the situations pursuant to article 16-*bis* of Directive 2014/59/EU (BRRD)[31];
- 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 determined in accordance with the Supervisory Provisions and specifically with the provisions established for banks that benefit from "State aid"[32];
- are subject to *malus* clauses and clawbacks upon any occurrence of certain events, as described in paragraph 6.2;
- 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

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.

[31] Pursuant to what is set forth in the Supervisory Provisions, Part I, Title IV, Chapter 2, Section V, par. 2.
[32] Pursuant to what is set forth in the Supervisory Provisions, Part I, Title IV, Chapter 2, Section V, par. 1.

instructions of the Risk Management function, appropriately differentiated in accordance with the type of instrument;

- may not be subject to 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 set forth in paragraph 6.3 below.

The main instruments used to determine the variable remuneration applied by the Group may be logically broken down into four aggregates:

- “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 following paragraphs describe the variable instruments usable within the Group for each of these aggregates.

5.4.2 "Core" components

The variable levers classified among the "core" components for 2023 are:

- **"2023 Incentive System"** - system aimed at incentivising the achievement of objectives defined ex-ante, in line with the guidelines of the 2022-2026 Business Plan, by Identified Staff and additional key resources, characterised by:
  - **formalised and transparent activation and delivery conditions established *ex ante*** in compliance with the minimum supervisory capital requirements[33];
  - pre-determined quantitative and qualitative **financial and non-financial targets** connected to corporate social responsibility, including the establishment of ESG parameters such so as to permit a constant connection between sustainability over time, risk-adjusted performance, compliance and remuneration[34];
  - ***ex ante* identification and provision of *ex post* remodulation mechanisms of the "bonus pools" in correlation to the financial and equity position of the Bank according to a funding ratio approach;**
  - ***pre-defined individual target bonuses (by role or aggregated role);***
  - where the conditions are met, ***payment method according to the deferral and composition criteria between cash and financial instruments*** consistent with the more stringent regulations set forth for banks with "State aid"[35] and with the constraints deriving from the commitments described in paragraph 2.

  For all the details of the "2023 Incentive System", see paragraph 5.5.2 and 5.5.3.

- **Dedicated variable incentive components for the remaining Group personnel** - subject to the achievement of Group/Company-wide targets for risk-adjusted profitability as well as threshold levels of liquidity and capital[36]. The assignment of the variable amount will take place upon achievement of the Group's annual and non-financial objectives, also taking into account the professional contribution and the activities carried out[37]. The introduction of company bonuses is also contemplated and it will be defined through dialogue with the trade unions, and may also provide for the payment in the form of "welfare" and will be recognised after the approval of the financial statements for the year in question.

  In compliance with current legislation on "Transparency of banking and financial transactions and services", these systems are consistent with the corporate objectives and values and long-term strategies, inspired by criteria of diligence, transparency and fairness in the relations with the customers, containment of legal and reputational risks, protection and customer loyalty, and are not based exclusively on business objectives and, with reference to personnel who offer banking products and services and their respective managers, will not be tied to the offer of specific financial products.
  These systems, when they include the distribution of investment products and services, are inspired by the same principles indicated above, and are aimed at ensuring compliance with the rules of fairness and transparency in the provision of investment services and activities and for the effective management of the related conflicts of interest.

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[33] CRD V arts. 141 or 141-*ter* or in the situations pursuant to article 16-*bis* of Directive 2014/59/EU (BRRD)
[34] Indication also provided pursuant to Directive 2017/828/EU "Shareholder Rights Directive II").
[35] Pursuant to what is set forth in the Supervisory Provisions, Part I, Title IV, Chapter 2, Section V, par. 1.
[36] Subject to the same activation conditions as the "2023 Incentive System" described in paragraph 5.5.3.
[37] The variable remuneration for the staff managing complaints, where provided for, takes into consideration the level of satisfaction and loyalty of the Customers.

In addition, special precautions are in place, which may lead up to withholding the bonus, to ensure compliance with regulations on anti-money laundering, transparency and fairness in customer relations, as well as with the Group's code of ethics and conduct, and in the presence of complaints from customers assessed in the context of disciplinary proceedings. They are also subject to the same malus and claw back rules as per paragraph 6.2.

For the sake of comprehensiveness, within the Group's non-banking companies, please note that via a supplementary bargaining agreement Magazzini Generali Fiduciari di Mantova SpA has activated a company performance bonus for the 2022-2024 three-year period. The system is intended for the subsidiary's employees on the payroll, primarily blue-collar workers, and is linked to the company's commercial performance.

5.4.3 "Non Core" components

Within the scope of "non core" components of variable remuneration, certain instruments are envisaged, assigned 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[38]. More specifically:

a) **Non-compete covenants**

The non-compete covenant 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 Italian Civil Code), generally while the employment contract is in place[39].

The instrument is attributed after an initial observation period in favour of key figures in the network: more specially, it is given to all private bankers/family officers meeting specific requirements and their managers, with a range of predefined amounts based on predefined portfolio levels.

The agreement is maintained for the entire period in which the conditions which determined its attribution 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[40], 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 remuneration defined *ex ante* and with provision for a penalty in to be paid the event of breach of the commitment.

[38] These instruments are activated and disbursed in accordance with the legislative and regulatory provisions applicable at the time and in compliance with any indications from the relevant national and foreign regulatory bodies.
[39] The agreements currently in place with the Bank all provide for the payment while the employment contract is in place. However, these payments can be made after the employment contract has ended (to that end, with reference to the Identified Staff, see what is specified in paragraph 5.6 on severance).
[40] Normally, 6 or 12 months instead of the period provided under the collective agreement (1 month for the Professionals and Middle Management and 3 months for the Management).

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, initiatives 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 the length of service in the company as at the payment date[41] and is made in compliance with the provisions of paragraph 5.4.1. Each time a training course or contest is organised, it must be carefully analysed and specifically regulated, also to ensure 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 5.4.1) with specific regard also to the regulatory provisions (e.g. Transparency, MIFID II, 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 extraordinary cases, the Bank may use the following payment 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[42]);
- ***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;
- ***retention bonuses****,* or individual payments 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). A staff member cannot be recognised more than one *retention bonus* except in exceptional and appropriately justified cases (i.e., the payment takes place at different times and there are specific reasons for the recognition of each payment).

With the exception of the specifications above relating to the **entry bonuses**, all the remaining amounts recognised pursuant to this paragraph (including payment of the non-compete covenants, but only for the amount that exceeds a year of fixed remuneration[43]), are paid out 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 payment procedures set out under paragraph 5.5.1 will be adopted (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 6.2).

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

[41] Indication also provided pursuant to Directive 2017/828/EU "Shareholder Rights Directive II").
[42] In accordance with the provisions of paragraph 2.1 of Part I, Title IV, Chapter 2, Section III of the Supervisory Provisions.
[43] In accordance with the provisions of paragraphs 2.2.2 and 2.2.3 of Part I, Title IV, Chapter 2, Section III of the Supervisory Provisions.

Any benefits assigned that do not qualify as fixed remuneration are included in the "Non Core" component.

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

The assignment of all the instruments indicated in this paragraph, 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[44] and taking into account any indications that may be received from the relevant authorities.

5.5 2023 Identified Staff

The process for the classification of the 2023 Identified Staff, detailed in section 6.1, led to the classification of 176 resources, a decrease compared to 2022 (228 stated in the "2022 Report on the remuneration policy and on compensation paid"). This decrease was strongly affected by the reduction in the workforce and the revision of the Group's organisational model in 2022.

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

Criteria for classifying Identified Staff - 2023	no.	
Chief Executive Officer of the Bank	**1**	(*)
Other managers with executive roles		
Non-executive managers	**36**	
General Manager of the Bank	**1**	
Division Heads, corporate functions, geographical areas and those who report directly to the corporate bodies	**75**	(**)
Managers and personnel in charge of the internal control functions	**14**	
Other staff who individually or collectively take on significant risks	**36**	
Highly paid employees and collaborators not included in the criteria above	**14**	
Grand Total	**176**	

(*) The Chief Executive Officer is also the General Manager
(**) Including the General Managers of the Group Companies

5.5.1 Basic rules of variable remuneration

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) and the PPR cluster;

[44] Therefore, by making the payment, 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 6.2, as well as, in the case of deferral, the malus mechanisms envisaged in paragraph 6.2.

- the determination of the "*particularly high amount*" of the variable component as EUR 424,260, equal to the lower amount between:
  - 10 times the overall average remuneration of Bank employees (i.e. 10 x EUR 47,370 = EUR 473,700);
  - 25% of the overall average remuneration of Italian high earners as resulting from the most recent report published by EBA[45] (i.e. 25% of EUR 1,697,040= EUR 424,260);
- the total remuneration paid in 2023 (and in each year of permanence of the "State aid" configuration), including the fixed component and the variable remuneration amounts that may be paid in the year as part of the accrued bonus, may not exceed EUR 473,700, equal to 10 times the average (monetary) remuneration of the bank's employees in 2022 (i.e. salary cap);
- with reference to the Senior Managers and Key Functions holders[46], the "payable" amount of the bonus, as all the conditions have been met, but exceeding, together with the fixed component, the aforementioned limit, may be paid subject to the disposal of the shareholding of the State, without prejudice to further deferrals and/or retention, in line with the scheme governed by the remuneration policy, for portions not yet accrued or subject to retention at the date of disposal;
- 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)[47];
- for the Identified Staff of the Company Control Functions, the ratio between variable and fixed remuneration does not exceed the limit of one third;
- the deferred component being subject to the *ex post* correction mechanisms (malus and clawback) described in paragraph 6.2.

Below is the classification of Identified Staff, as resulting from the application of the criteria described in paragraph 6.1:

Cluster	**Type of roles included in the cluster**
I Cluster	Non-executive directors of the Group companies
II Cluster	Chief Executive Officer and members of the Steering Committee + GM Widiba
III Cluster	Top management of companies, Financial Reporting Officer, Manager of Level 1 CGB with high *grade* and High-grade Top Management, Local Retail Managers and Corporate and Private Managers
IV Cluster	*Area Managers and Widiba financial advisors*
V Cluster	Other staff who individually or collectively take on significant risks

The payment to the Identified Staff of the variable components will be made in accordance with the following parameters subject to approval by the Shareholders' Meeting:

[45] EBA/Rep/2023/05 Report of 19 January 2023 "*Report on high earners*".
[46] Department Heads of the Parent Company and General Managers
[47] Except for that illustrated above in paragraph 5.7.3 relating to Widiba Financial Advisors.

1) % Limit to the variable/fixed ratio:

Cluster	Number of persons	max % of variable to fixed
I Cluster	36	-
II Cluster	14	100% (*)
III Cluster	71	80% (*)
IV Cluster	8	100% (**)
V Cluster	47	60% (*)
Total	**176**	

(*) Without prejudice to the limit of one third for the Company Control Functions.
(**) See paragraph 5.7.3 Focus on the non-recurring component of the remuneration of Widiba financial advisors

2) Percentage balance between cash and financial instruments of the variable component[48]:

Amount	*Cluster*	*Cash*	Financial instruments
All the amounts	II Cluster	40%	60%
	III Cluster	50%	50%
	IV Cluster		
	V Cluster		

3) Percentage deferral of the variable component differentiated by type[49]:

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 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 (> EUR 424,260)	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 2022-2026 Business 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.

[48] Above the materiality threshold indicated by cluster in this paragraph where present.
[49] To be defined for the Group at values higher than those normally provided for by other banks since "State aid" is given (see Supervisory Provisions, Part I, Title IV, Chapter 2, Section V).

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	4			
IV Cluster				
V Cluster				

5) **Malus mechanisms**, operating both if a compliance breach is found (more detail in paragraph 6.2) 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[50]:

Malus
Tier1 Ratio > Risk capacity RAF 2023
NSFR > Risk capacity RAF 2023
RAROC > Risk capacity RAF 2023

With regard to the non-recurring component of financial advisors of Banca Widiba, specific access conditions illustrated in paragraph 5.7.3. will be applied.

6) **Clawback mechanisms** operating if a compliance breach is found (more detail in paragraph 6.2).

With the exception of the provisions for the amounts to be granted in the event of early termination of employment or termination of office (see paragraph 5.6), as from 2021 the Bank has adopted the following thresholds for the significance of variable remuneration for the Identified Staff below which each payment is fully in cash and up-front, established in Bank of Italy Circular 285, in implementation of the CRD V[51], and therefore for Identified Staff, a **threshold of significance of the variable component**[52] of **EUR 50,000** per year and jointly equal to or less than 1/3 of the total annual remuneration has been established.

5.5.2 Focus on the remuneration of the Chief Executive Officer and General Manager

The remuneration of the Chief Executive Officer and General Manager of MPS is composed of a fixed component and an annual variable component recognized, once the achievement of the objectives assigned *ex-ante*, has been verified, over a long-term time horizon.

[50] Without prejudice to the fact that if the requirements set forth in articles 141 or 141-*ter* of the CRD are not met or in the situations pursuant to art. 16-*bis* of Directive 2014/59/EU (BRRD), variable remuneration may be recognised and/or paid within the limits and under the conditions laid out in the provisions implementing the above-mentioned articles.
[51] Article 94, par. 3 letter b of the CRD V.
[52] The threshold does not apply to severance pay, for which the provisions set forth in par. 5.6 apply.

<table>
<tr><th>Fixed remuneration</th><th>Variable remuneration</th></tr>
<tr><td>The reference fixed remuneration is stable and irrevocable (i.e. it cannot be unilaterally reduced by the Bank, outside the cases set forth by law), and is determined and paid within predefined ranges on the basis of pre-established and verifiable criteria such as, for example, levels of professional experience and responsibility and taking into account market practices.

Focus on "MPS Commitment"

The fixed reference remuneration of the Chief Executive Officer and General Manager is subject to the limits defined by the so-called commitments, i.e. the commitments made with the European Commission at the time of the approval of the Business Plan and valid until its completion. For this period, the remuneration paid may not exceed the 2022 average salary of employees multiplied by 10 ("salary cap") i.e. EUR 473,700.</td><td>Consistent with regulatory provisions, investor guidelines and the interests of the major stakeholders, the Chief Executive Officer and General Manager are the beneficiaries of the "2023 Incentive System".
The theoretical Pay-Mix, considering the maximum level of variable remuneration that can be accrued in the presence of extra-performance and having verified the that the bonus pool is full and that the conditions for access are exceeded, provides for:
- a maximum incidence of 100%, and
- a target incidence of 75% with respect to the fixed remuneration of reference.

Focus on "MPS Commitment"

The variable component of remuneration that may be "accrued",in consideration of the limits of remuneration payable related to the salary cap and the permitted waivers, may only be disbursed downstream of the disposal of the public equity investment, subject to further deferrals and holding periods, in line with the schemes described in paragraph 5.5.1.</td></tr>
</table>

The short-term variable incentive system ("2023 Incentive System") is funded through a bonus pool mechanism related to the income results achieved - measured considering the Net Operating Profit - and taking into account the trend of the main risk indicators (so-called "CRO Dashboard").

The awarding of the bonus is also subject to the fulfilment of gate conditions, so-called entry gates, to be jointly achieved, which for 2023 are defined as:

Entry Gate **of the System**		
Prerequisite: presence of profit for the year 2023		
Tier 1 Ratio	>	*2023 Risk Tolerance* RAF
NSFR	>	*2023 Risk Tolerance* RAF
RAROC	>	*2023 Risk Tolerance* RAF

After the entry gates have been verified, the actual awarding of the bonus and the consequent amount of variable remuneration are defined by means of a process of individual performance assessment involving the analysis of a plurality of quantitative and qualitative indicators.

For 2023, the scorecard of the Chief Executive Officer and General Manager consists of the following objectives:

Area	KPIs	Weight	Min	Target Level	Max
Economic-Financial	*Net Operating Income*	40%	*Budget -5%*	*Budget*	*Budget +5%*
	Cost/Income	20%	*Risk Tolerance*	*Risk Appetite*	*Risk Appetite -2,5%*
	NPE Ratio	20%	*Risk Tolerance*	*Risk Appetite*	*FY 2022 Actual*
Risk management	Group *Tier1 Ratio*	10%	*Risk Tolerance*	*Risk Appetite*	*Risk Appetite +100 basis point*
ESG	Composite ESG KPIs	10%		*see specific focus*	

ESG focus

The ESG priorities defined for 2023 are closely related to the Sustainability Plan approved by the Board of Directors on 7 February 2023. In detail, the ESG KPI consists of the following indicators:

	Indicators
1	% Reduction of scope 1 emissions vs 2017
2	Gender equality pre-certification
3	% New ESG loans/total new loans
4	% Stock AUM ESG/Stock AUM
5	Definition of NET zero objectives on three sub-sectors among those suggested by the NZBA

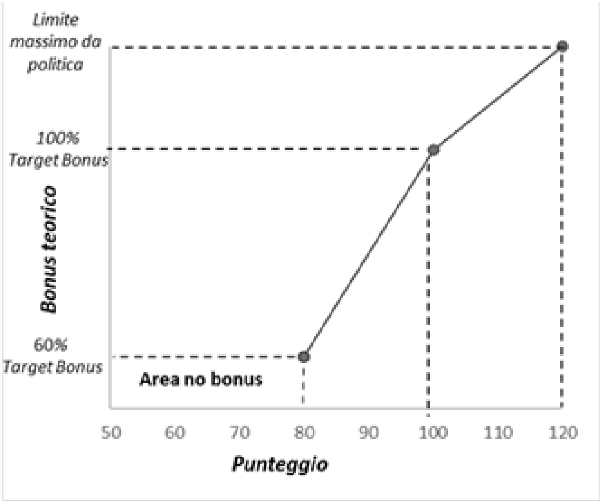
The ESG KPI will be considered achieved at the following levels:

- minimum if at least 3 out of 5 sub-KPIs are achieved,
- *target if at least 4 out of 5 sub-KPIs are achieved,*
- maximum if at least 5 out of 5 sub-KPIs are achieved.

The Board of Directors, through the assessment of managerial skills measured with respect to the key areas of the Bank's "Leadership Model", can confirm, increase by up to 20% or reduce by 20% the score achieved based on the quantitative scorecard.

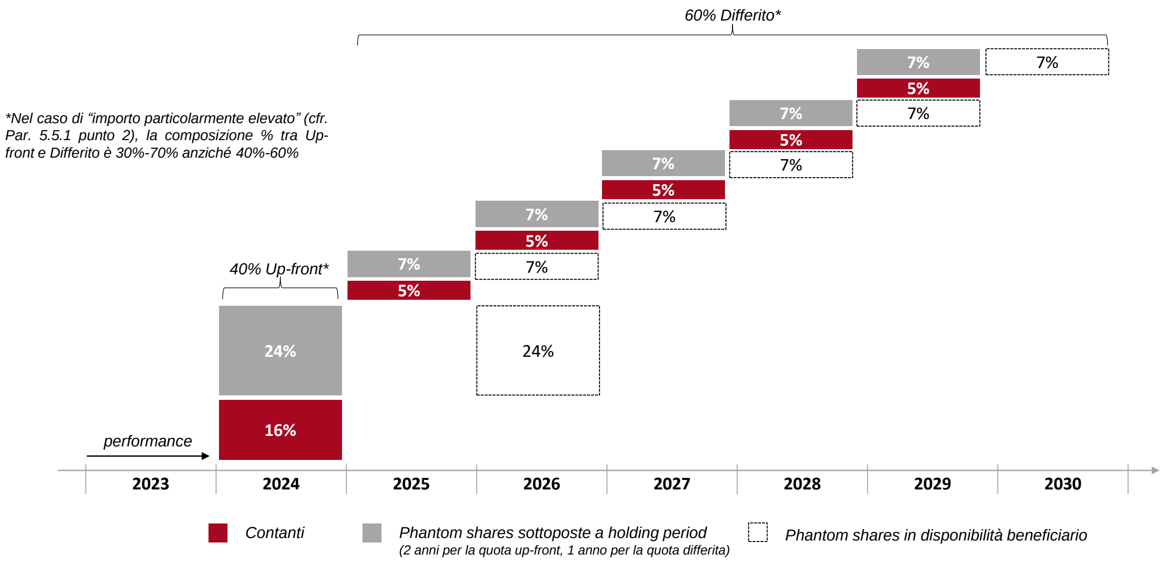
In the presence of a large bonus pool, having verified the absence of individual malus, the Bonus is calculated on the basis of the final score achieved and taking into account the following Incentive Curve:

- with a final score of 100%, 100% of the Target Bonus is awarded;
- with a final score of 80%, 60% of the Target Bonus is awarded;
- with a score of less than 80%, the Bonus is not awarded:
- with a score higher than 100%, a linear increase in the Target Bonus is expected, without prejudice to the maximum limit set forth in the Remuneration and Incentive Policies based on the cluster to which it belongs.



The method for the payment of the bonus accrued following the finalisation of the results of the scorecard, subject to the constraints arising from the commitments, described in paragraph 2, is consistent with the provisions of the regulations, in order to achieve *ex-post* risk alignment, support the medium- and long-term trend and, therefore, the correlation of the variable component to the actual results and the risks assumed.

In particular, the bonus accrued by the Chief Executive Officer and General Manager by virtue of the results achieved is subject to the stringent pay-out schemes (deferral, cash-financial instrument mix and holding period) defined for cluster II in paragraph 5.5.1. according to the scheme shown below:



The actual payments are also subject to the disposal of the public equity investment. The overall time frame, considering the performance evaluation year, the following 5 years of deferral and the holding period with reference to the Phantom Shares, is consistent with industry regulatory requirements and the recommendations of the Corporate Governance Code.

5.5.3 "2023 Incentive System"

The short-term variable incentive system ("2023 Incentive System") for the remaining Identified Personnel, including the remaining Managers with strategic responsibilities, has the same characteristics as those defined for the Chief Executive Officer, including the bonus pool mechanism and the conditions of access (so-called entry gate), without prejudice to any specificities depending on the reference cluster.

The actual awarding of the bonus and the consequent amount of the variable remuneration are defined according to the level of achievement of the quantitative and qualitative objectives assigned. Below is an example of the breakdown of quantitative objectives with reference to Managers with strategic responsibilities:

Area	KPIs
1) Economic-Financial	1 "Solidarity" objective
	1/2 Individual objectives
2) Risk management	Risk Objective/Risk Adjusted Indicator
3) Strategic Planning	Project from the MasterPlan of the Plan
4) ESG	Composite ESG KPIs

Also with reference to the remaining Managers with strategic responsibilities, the assessment of managerial skills measured with respect to the key areas of the Bank's *Leadership* model can confirm, increase up to 20% or reduce by 20% the score achieved with the quantitative scorecard[53]. The same incentive curve described for the Chief Executive Officer and General Manager is applied (for all the details see paragraph 5.5.2). For the Managers of the Company Control Functions, the Financial Reporting Officer and the Manager of Human Resources, the principle of avoiding objectives tied to economic results is confirmed.

In particular, the bonus accrued by virtue of the results achieved is subject to the stringent pay-out schemes (deferral, cash-financial instrument mix and holding period) defined for cluster II in paragraph 5.5.1. The actual payments are also subject to the disposal of the public equity investment. The overall time frame, considering the performance assessment year, the subsequent 4-5 years (depending on the cluster to which it belongs) of deferral and the holding period year with reference to the Phantom Shares, is consistent with industry regulatory requirements and the recommendations of the Corporate Governance Code.

5.6 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

[53] The bonus can be zeroed if the Leadership is assessed below the minimum threshold.

defined compensation in relation to number of years of fixed remuneration and the total maximum amount that results from their application.

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)[54], and not determined by a relevant 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.

There are 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.

The severance may only be recognised by the Bank in the event of consensual termination of employment, excluding voluntary resignation, and is determined on the basis of 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 (not including 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 relevant 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** (where agreed within the company applying the specific formula, and not determined by a relevant third party, as described above), and any compensation for non-compete covenants **as a rule do not exceed** an amount which corresponds to **24 months' salary**.

In very exceptional circumstances (and never occurred recently for the Identified Staff), if 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 possibly external consultants), and with a reasoned resolution by the relevant body.

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 fixed remuneration, the average variable remuneration paid in the last three years and the value of

[54] In particular, the Bank applies the notice periods envisaged by the National Collective Labour Agreement for Credit Management 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).

benefits in kind)[55], 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 for the effects of the termination of the relationship on the rights granted under share-based incentive plans, these are regulated, with good and bad leavership clauses, in the information documents that are part of the plans.

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[56] is generally calculated in accordance with the following formula:

Requirements:

1. Compliance, at Group as well as individual Company level, with the limits on variable distributions provided by the Supervisory Provisions in application of articles 141 or 141-*ter* of the CRD V, or in the situations pursuant to article 16-*bis* of Directive 2014/59/EU (BRRD);
2. no compliance breaches for the potential beneficiary (see to that end, paragraph 6.2) which are serious enough to justify dismissal from the job[57].

[55] 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 no variable remuneration has been paid to top management in recent financial years, global remuneration currently corresponds to fixed remuneration and the above-mentioned limit of 24 months' salary does not diverge significantly from two 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 covenants, in the applicable cases).

[56] Subject to the exception provided for under paragraph 2.2.3, Part I, Title IV, Chapter 2, Section III of the 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 paragraph do not apply.

[57] 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 (see paragraph 6.2).

Factors determining the number of months to be awarded:

Evaluation factors	Criteria	Number of months
Company seniority	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 the right to a pension	0
Individual performance	Low	-2
	Average	2
	High	6
Risk of legal disputes	None/low	0
	Medium	2
	High	4
Performance of the Bank, 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

(*) This factor, from a solidarity perspective, makes it possible to take into account, in exceptional and circumscribed cases, any individual conditions such as serious illness of the spouse or cohabiting relatives, death of the spouse or cohabiting relatives, or serious illness of the human resource (factor valued subject to formal documented ascertainment), for the Bank's operational human resources only (professionals and middle managers) and as an alternative to the factor "relevance and complexity of the position held (grade)", which is not normally valued for these positions.

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.

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.

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 redundancy agreements to cover, *inter alia*, against fraudulent or gross negligent misconduct that may be detrimental to the Bank and the Group[58] (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).

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 addition, **non-compete covenant** may be defined with individual managers for the period subsequent to employment termination, may be added to the aforementioned limits, should they reflect an actual and demonstrable business interest (subject to the provisions of the paragraph below). The related 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.

In accordance with the Supervisory Provisions, the non-compete covenants:

- is not subject to the provisions of this paragraph 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 paragraph 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.

5.7 Remuneration of financial advisors

5.7.1 Indirect sales channels

Starting from 29 December 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[59], 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.

[58] In accordance with the Supervisory Provisions, Part I, Title IV, Chapter 2, 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 5.6 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 EUR 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".

[59] Through the Advisory service defined by the regulations of Banca MPS.

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

Effective from 29 May 2019, the Bank 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 March 2003 and subsequent amendments, through personnel classified as "employees" that meet specific personal requirements defined by the Bank (classified as Middle Management, 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.

The Group also avails itself 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 **Leasing Agents**, operating based on a mandate from MPS Leasing & Factoring, with which a single-firm agency agreement is signed, with remuneration consisting exclusively of commission components recognised in relation to the products and services placed, classifiable under fixed remuneration since they are "recurrent" and there are no non-recurring forms of incentive.

5.7.2 The Banca Widiba S.p.A. network of financial advisors

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

- independently and 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[60].

The Widiba's Network of financial advisors consists of:

- 552 financial advisors, including:
  - 1 National Network Manager (Head of Advisors - HoA);
  - 7 Area Managers (AM) 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;
  - 47 District Managers (DM) who support the Area Managers in the activities described above.

Starting from February 2023, Widiba intends to make available to the Network of Financial Advisors the possibility of managing customers through a special "CF Team" with one of the following purposes:

- "*Next Generation Team*": for the management of an effective generation changeover and subsequent portfolio transfer
- "*Partnership Team*": to improve customer assistance, commercial and advisory support activities.

The CF Team is composed of 2 or more financial advisors (the "CF Leader" and the "CF Partner") belonging to the same Regional Area. The CF Leader and the CF Partner must also be enrolled in the Register of insurance intermediaries pursuant to art. 109 of the Private Insurance Code (Italian Legislative Decree no. 209/2005). With the establishment of the Team, the CF Leader and the CF Partner establish the Split rate (range 1% - 99%) to be applied, for the entire duration of the agreement,

[60] 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.

both for the recurring remuneration and for the funding flows useful for determining the non-recurring component, on the entire portfolio of products/services of customers falling within the scope of the CF Team.

In support of the activities carried out by the management structure in the recruitment area, the following figures (financial advisors) who are not part of the management hierarchy were supported:

- National Recruiting Manager (NRM), reporting directly to the HoA;
- Area Recruiting Manager (ARM), reporting directly to the NRM;
- Recruiting Manager (RM), reporting directly to the Area Manager.

Conversely, to support the activities carried out by the management structure in the field of education/on-the-job training, the following figures (financial advisors) who are not part of the management hierarchy were supported:

- Group Manager/Group Supervisory Manager (reporting directly to the DM/AM);
- Product and application tools trainers (reporting directly to the MD/AM).

The remuneration system for financial 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[61] of financial advisors is based on the provisions of the Supervisory Provisions, organised as follows:

- a **recurring** component, which can be compared to the fixed remuneration of staff, is the most stable and ordinary element of the consultant's remuneration and is represented by commission remuneration recognised in relation to the products and services placed;
- a **non-recurring** component that can be compared to staff's variable remuneration, providing an incentive to the agents, and essentially comprising 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 is conditioned upon the achievement of specific commercial results established by Widiba, corrected for risks (including legal and reputational). To this end a specific method has been developed to continuously assess the overall risk profile of the individual financial advisors based on indicators relating to the following profiles:
    - subjective - information and data referring to the advisor which may emerge from controls carried out by the control functions or the analysis of data which indicate anomalous conduct;
    - objective - regarding the transactions carried out with customers, that is, anomaly indicators inferable from the transactions of such customers.

  This analysis is performed on an ongoing basis through a platform which identifies the financial advisor's risk index.

[61] The criteria set out under paragraph 100 of the "EBA Guidelines" are used to value it.

SUSTAINABILITY AT WIDIBA

Banca Widiba aims to provide its network of consultants with all the tools for the value enhancement of their skills (hard and soft) and to promote the dissemination of a correct corporate culture, through training activities and targeted initiatives and a fair, inclusive, and increasingly sustainability-oriented working environment. Banca Widiba delivers more than 35,000 hours of training for financial advisors every year to promote a path of constant growth and development. In particular, with the aim of strengthening the global advisory model, which is Iso-Wise certified and characterised by a strong focus on ethics in application also of the Uni 11348 Directive, the Non-Financial Advisory and Retirement Planning Tools were released in 2022. Among the training initiatives that emphasise sustainability, a great deal of space is devoted to training courses on ESG issues, both in-presence and online (about 3,500 hours of training on the subject were provided). Again with reference to **social development** objectives, Banca Widiba organises **various free financial education courses** to support individuals, young people and families in the responsible management of their savings. Furthermore, Widiba participates in the "*Financial Education Month*" and has joined the "*Legofin - Building the financial future together*" project promoted by FEduF (ABI). Finally, financial advisors are also recipients of specialised courses on financial education for individual and social well-being (over 4,000 hours of training on the subject were provided in 2022).

5.7.3 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) and are generally monetary in nature, but non-monetary incentives may also be provided (e.g. annual contests with prizes in the form of training courses).

These systems, in accordance with the rules, criteria and processes defined for all Group staff and therefore with gender neutrality[62], 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

[62] With the WOW programme, "Women of Widiba", a project created with the aim of spreading awareness of the value of women and the strategic characteristics of women in financial consultancy, Banca Widiba promotes the presence of women in the financial sphere by becoming a bearer of the fight against stereotypes of gender, enhancing the female component both in financial advisory and at management level: the management committee, for example, is composed of 80% women professionals. To date, 105 women professionals are part of the Banca Widiba Network, equal to 19% of the financial advisory network. The commitment to inclusion and gender equality also translates into the objective of further increasing the number of female resources throughout the territory. In line with this approach, in 2022 Banca Widiba launched several initiatives to support female entrepreneurship, involving the financial advisors of the Network, and other initiatives such as, for example, the research project "Women and money: a challenge for inclusion" in collaboration with Università Cattolica del Sacro Cuore and in partnership with "Freeda Media" to raise awareness on the issues of inclusion and financial education.

established, causing 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 incentive systems aligned with Widiba and Group strategic objectives;
  - based on annual results and their impact over time;
  - 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 non-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 exercisable, 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 risks assumed or incurred which have generated anomalies or critical issues in relations with customers.

  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 6.3).

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 5.5.1 and within the limits of proportionality between the fixed and variable component, outlined below.

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

The maximum ratio between variable and fixed remuneration for Identified Staff is 1:1[63]. Following the approval of the Parent Company's 2019 remuneration policies, Widiba - as stated in said policies - 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 2020 financial year, Widiba, having obtained the required authorisation from the Supervisory Authority, proceeded to amend its Articles of Association, already approved by its Shareholders' Meeting, introducing the option for it to raise the variable/fixed ratio up to 2:1. Any increase in the variable/fixed ratio up to the maximum limit of 2:1 must be subject to a specific resolution of the Shareholders' Meeting of Widiba.

This increase is:

i) linked to the specific remuneration of these roles;
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.

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

- ***Long Term Incentive (LTI)***: this is a loyalty-building and incentive system aimed at the entire network of financial advisors existing as at 31 December 2020 with a duration of 9 years and the possibility of partial settlement every three years. 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 cash flows 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 system is intended for financial advisors as well as the managers of the managed portfolios that they coordinate.
- ***Over Bonus***: bonus recognised to Area and District Managers if the applicable Area achieves the assigned budget targets formalised each year. The amount is determined by applying fixed rates to the Sales and Management pay-out generated by the structure coordinated and which is invoiced in the year under examination.
- ***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.

[63] 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 Title IV - Remuneration policy, award and pay out of variable remuneration for identified staff).

- **Productivity Bonus** - **quality bonus**: economic benefit included among the additional benefits referred to in annex E of the Agency Agreement. It calls for the assignment of a bonus rate commensurate with the targets achieved by each advisor, on the basis of the ranking developed based on the objectives identified from year to year. For managers, the fixed bonus is recognised if the Area has reached the established targets.
- **Bonus System**: includes short-term (1 year) productivity and quality objectives, linked to targets defined each year based on what is set forth in the budget. They may also include non-monetary benefits (e.g., specialised training) based on the achievement of a target defined at the level of overall stock or net cash flows or similar sales targets. This system may also include the annual contests based on the achievement of specific targets consistent with budget targets.
- ***Recruiting Bonus***: for financial advisors who participated in the recruitment process of other advisors hired in the network. The bonus can be paid in a percentage and/or fixed amount in the case of the inclusion of financial advisors (senior/banking/junior CF) or lead managers of a group of advisors under negotiations[64].
- **Stability Pacts**: economic benefit subject to remaining in the Widiba network and the maintenance of the assets managed by the advisor at a specific date. Access to this benefit results, for the stability period, in the automatic suspension of any additional loyalty system in favour of such advisor.
- **Non-compete covenant**: is an agreement between the Bank and the advisor that limits the right of the employee to carry out professional activities in competition with the Bank following termination of the agency relationship, providing, if breached, for payment of a penalty. A consistent payment, pre-established on a fixed basis, is given to the advisor for that commitment and is maintained for the entire period in which the conditions which determined its attribution are met. The instrument is used in favour of key network positions.
- Fidelity plan: includes instruments intended to stabilise and/or retain financial consultants, with a duration of at least 12 months, which call for - subject to targets of remaining in the Network for a specific period and/or the maintenance of asset volumes - the recognition of pre-determined amounts or the allocation of sums to be recognised on termination of the mandate due to retirement and/or the suspension of activities. The possible recipients of such instruments are advisors that do not receive loyalty bonuses.
- ***Bonus Retention***: benefit granted to the transferee, in the case of portfolio transfers between advisers, aimed at strengthening the retention capacity on the transferred customers and conditional on the maintenance of the related funding.
- ***Welcome bonus***: variable component recognised on a one-off basis to cover costs for terminating the employment relationship with the previous intermediary, which may be paid out on presentation of the relative spending commitments.
- **Expense Reimbursement:** benefit recognised to the advisor, after the achievement of sales targets, as a contribution for:
  i) the management of an HR office or logistics and furnishings costs, including any collaborators costs;
  ii) the development of recruiting activities;
  iii) the training activity provided by product specialists in the presence of productivity and quality targets measured over a specific period of time;
  iv) health insurance policies.
- ***Management Fee Bonus Increase*: assigned to financial advisors coming from other networks, when pre-established targets are met.**

[64] There was an update in terms of the process, calculation criteria and payment of this economic benefit.

- **Supervisory Bonus: benefit granted at predetermined due dates to the Group Supervisory Manager, for the activity referred to in art. 78 RI 20307/18, upon the achievement by the supervised financial adviser of predetermined objectives.**

The awarding of the incentive plans described above is subject to controls carried out every month by the Widiba's HR and Finance & Operations and by the Parent Company's HR.

5.8 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.

5.9 Financial instruments to service variable remuneration payment

On the basis of the Supervisory Provisions in the Circular 285, the Group is required to use shares or related instruments to pay a percentage of any variable remuneration disbursement to Identified Staff (see paragraph 5.5.1) (known as balancing). Obligations that may arise in 2023 and which with the exception of what is set forth for Widiba and detailed in the following paragraph, the Bank will use the Phantom Shares, subject to approval by the Shareholders' Meeting of their use, for which please refer to the informational report published on the website www.gruppomps.it – CORPORATE GOVERNANCE – Shareholders' Meetings and BoD.[65]

Widiba, following the approval by its Shareholders' Meeting of a Performance Shares Plan prepared in order to fulfil the obligation to pay part of the variable remuneration component in financial instruments to its financial advisors belonging to the Identified Personnel, uses for the payment of the variable remuneration financial instruments linked to the value of the company itself on which the parties concerned can have, with their own 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 will be calculated through the application of a valuation model validated by the relevant Bank functions and bodies.

5.10 The elements of the policy which may be derogated for personnel belonging to the perimeter of Managers with strategic responsibilities

In exceptional circumstances, the possibility is provided to not apply specific policy elements, provided they establish the procedural conditions based on which an exemption is possible and indicate the elements of the policy which may be derogated, without prejudice to the binding provisions of Circular 285. In compliance with the provisions laid out in Scheme 7-*bis* of Annex 3A of the Issuers' Regulations, exceptional circumstances are only those in which derogation of the remuneration policy is required to

[65] The term "*Performance Shares*", used by the Bank in previous Shareholders' Reports, has been replaced by the term "*Phantom Shares*" with a view to a closer alignment with market practice; however, the characteristics and operating logics remain the same.

pursue the company's long-term interests and sustainability as a whole or to ensure its ability to stay on the market. This being said, the Bank has established the possibility of applying certain exemptions to the policies for personnel belonging to the perimeter of Managers with strategic responsibilities. Within the scope of remuneration initiatives:

- it may be **possible to use a different grade** than that formally assigned, within the maximum limit of 1 grade of difference with respect to the grade assigned by Willis Towers Watson, or the possibility to use a positioning above the relative remuneration bracket defined for the grade and in any event no higher than the ninth decile of the same grade;
- the possibility of intervening on the **economic parameters relating to** the "2023 Incentive System";
- as concerns severance, the definition of an amount **higher than 24 months' pay** and **what is set forth in the specific formula** (see paragraph 5.6) provided within a limit represented by the maximum number of months' pay due at the time of termination by way of supplementary indemnity pursuant to the collective labour agreement in force over time (22 months' pay, plus any additional months for age due based on the national collective labour agreement).

Any exemptions may be applied only following a **strict and articulated evaluation process**, which includes the issuing of opinions from the relevant company functions (and when necessary also external consultants), in compliance with the procedures on Related Parties and with a reasoned resolution by the relevant corporate body (see paragraph 3 "Governance Rules"). Any application of the exemptions will be reported in compliance with the reporting provisions set forth in the Issuers' Regulations.

6. FOCUS ON CERTAIN KEY PROCESSES

6.1 Process of classifying "Identified Staff"

In accordance with the provisions of the Supervisory Provisions, the Bank has adopted a specific company Directive "Group Directive on the classification of Identified Staff", which is an integral part of this remuneration policy. In particular, 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 according to EU Delegated Regulation 2021/923 and the criteria introduced by the 37th update of the Supervisory Provisions[66], which for the first time, in implementation of the CRD V, identifies the categories of personnel to be considered Identified Staff.

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 points b), c), d) and e) of article 5 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 both at Group level and for Group companies classified as "Credit Institutions";
- the Parent Company's **Organisation** function oversees the development of the Group organisational model and reports any significant changes to it. 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 criteria pursuant to points c) to f) of article 5 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 1 to 5 ("quantitative criteria") and 6 ("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.

[66] In particular, see what is set forth in paragraphs 6 and 6.1 of Part I, Title IV, Chapter 2, Section I of the Supervisory Provisions.

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, while the 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.

FINANCIAL ADVISORS

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 (Identified Staff). 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.

In more detail, with reference to the qualitative criteria, the process includes the National Network Manager and the Area Managers as Identified Staff, included in accordance with the provisions pursuant to Section IV of the Supervisory Provisions. Banca MPS also believes that the financial advisors that satisfy at least one of the following thresholds should be included the perimeter of Identified Staff:

- an overall value of the overall portfolio over 150 million;
- number of customers higher than 2% of the total of the entire network of financial advisors of Widiba.

With regard to the quantitative criteria, the Regulation provide for automatic inclusion in the Identified Staff category of financial advisors whose total remuneration amounted to or was higher than EUR 750,000 in the previous financial year (article 6 paragraph 1, letter a of the EU Delegated Regulation 923/2021).

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 EUR 500,000, but less than EUR 750,000 in the previous financial year. 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 is applied. 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.

Therefore, Identified Staff includes the financial advisors with an overall risk profile exceeding medium-low and remuneration exceeding EUR 500,000.

The results of the Identified Staff classification 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.

Once the Remuneration Committee obtains the opinion of the Risk and Sustainability 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 and/or business changes or significant changes to the internal capital distribution on the basis of what was reported by the designated Parent Company functions.

The Identified Staff is divided into five clusters through an analysis of the qualitative and quantitative criteria pursuant to EU Delegated Regulation 923/2021 (see table Cluster paragraph 5.5.1).

6.2 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 Law on Banking or obligations on remuneration and incentives;
- other fraudulent behaviour or gross negligence to the damage of the Bank.

Reports of the above violations may originate from Group corporate bodies (Company Control, Legal and Labour Relations Functions), as well as from a third party authority.

The Bank has developed a procedure for the identification of potential compliance breaches, the assessment of their actual existence s and the resulting enactment of *ex post* correction mechanisms, which applies to all personnel, including financial advisors and the former resources of the Group and other companies, including abroad (compatible with the local regulatory framework), whether or not they belong to Identified Staff.

This procedure governs, inter alia, the following:

(i) the duties of the various functions and company bodies in the different phases of identification and assessment and existence of 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 its conclusion 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.

Without prejudice to the time limits for the application of the claw back laid out above, the following variable remuneration is subject to reduction/elimination:

- for all employees currently in service, all variable remuneration already paid out, or accrued but not yet paid, included within the scope of "core" and "non core" variable remuneration (see paragraphs 5.4.2 and 5.4.3) accrued for the year (or years, in the case, for example, of conduct extended over time) in which the compliance breach was committed;

- for Widiba's financial advisors, the non-recurring remuneration component (see par. 5.7.3) accrued for the year (or years, in the case, for example, of conduct extended over time) in which the compliance breach was committed;

- for personnel who have left the company, aside from the variable remuneration identified as set forth above, any severance (see paragraph 5.6) provided within an agreement for the consensual termination of the employment relationship;

- all variable remuneration referring to years subsequent to that in which the compliance breach was committed;

- only if the compliance breach has resulted or is expected to result in a financial loss for the Bank (for example, considering the penalty or judicial proceedings initiated but not yet completed, or for legal cases or complaints made against the Bank), all variable remuneration referring to years prior to that in which the compliance breach was committed.

6.3 Verification process to assure absence of hedging strategies (so-called "hedging")

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 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 checks on internal custody and administration accounts of 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 and individuals closely linked to them, 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.).

SECTION II – Compensation paid (Part I)

1. IMPLEMENTATION OF REMUNERATION POLICIES IN 2022

1.1 *Governance*

At the date of approval of this document, the Remuneration Committee consists of the Chairperson Raffaele Di Raimo and Directors Alessandra Barzaghi, Paola De Martini, Luca Bader and Marco Bassilichi. The majority of the Committee members (including the Chairperson) are currently independent pursuant to article 148, paragraph 3 of Italian Legislative Decree no. 58/98 ("Consolidated Law on Finance" - "TUF") and meet the independence requirements set forth in the Code, which coincide with those laid out in the Articles of Association.

In 2022, the Remuneration Committee met 18 times.[67]

1.2 Compensations of Directors and Statutory Auditors

The compensation paid was recognised to the extent established by the Ordinary Shareholders' Meeting on 18 May 2020 for members elected for the 2020-2022 three-year period. The members of the Board and the Board of Statutory Auditors have benefited from an insurance policy covering professional accidents and healthcare and providing specific coverage for Covid-19, in addition to "Directors & Officers Liability" (D&O), which covers third-party liability arising from alleged wrongful acts committed by them in the performance of their duties.[68][69] For the latter policy, renewal was approved by the Bank's Board of Directors at its meeting held on 30 March 2022, for a cost of EUR 6.18 mln, including taxes and accessory costs with a maximum of EUR 100 mln for a one-year duration, effective 1 May 2022 and expiring on 30 April 2023. In 2022, the D&O coverage did not give rise to any insurance compensation in favour of the Bank.

1.3 Changes in the "Identified Staff" perimeter

In 2022, the Identified Staff perimeter decreased from 228 to 176 positions following the application of the updating process set out in paragraph 6.1.

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.

[67] Information also provided pursuant to Article 450 (1) (a) of EU Regulation 575/2013.
[68] Coverage for Covid-19 not renewed for 2023 (see paragraph 5.2 Remuneration of Directors and Statutory Auditors).
[69] Excluding wilful misconduct.

1.4 Remuneration trends

Pay level trends were affected in 2022 by the re-composition of the headcount, characterised by the termination of the employment contracts of 4,430 resources, of which 4,028 resorted to the Solidarity Fund and Early Retirement.[70] The terminations of service involved 48 Management, 2,229 Middle Management and 2,153 Professionals. As at 31 December 2022, the Group had a total of 17,020 active employees, down 4,224 compared to 31 December 2021.

For **Management**, in addition to the above-mentioned manoeuvres and the provisions of the national collective labour agreement on contribution to the "FOC"[71], there is also the following:

- the voluntary donation to MPSolidale of one or more days holidays or percentages of wages[72];
- 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).

To pursue pay alignment, with a particular focus on critical positions for the business and in compliance with restrictions of economic compatibility, in 2022 actions were taken for roughly 0.6% of the employees.

As regards the new hires in the Group, the employment agreements for managerial positions (only 3, in line with what was done in the previous three-year period), prepared in compliance with the policies approved by the Shareholders' Meeting, were positioned in terms of remuneration around median market levels, with equal weight of the organisational positions, and also in line with internal median levels.

The table below shows the average remuneration levels of the Group employees regarding the recurring remuneration component (staff and organisational charts as at 31/12/2022 and 31/12/2021; amounts in EUR):

Employees	Number of employees as at 31/12/2022	Average remuneration as at 31/12/2022	Number of employees as at 31/12/2021	Average remuneration as at 31/12/2021
CEO and Top Management	14	311,036	12	329,646
Other Management	165	121,479	212	120,919
Middle Management and Professionals	16,841	46,425	21,020	47,825
Total Employees	**17,020**	**47,370**	**21,244**	**48,714**

At the end of 2022, the workforce stood at 17,020 units (compared to 21,244 at the end of 2021) following the measures to reduce the workforce in compliance with the 2022-2026 Business Plan carried out mainly through the use of the Solidarity Fund.

[70] Consistent with the objectives of the 2022-2026 Business Plan, on 4 August 2022 a trade union agreement was signed between the Bank and the Trade Unions - as in accordance with the procedure laid down in the national collective labour agreement, for the implementation of the voluntary exit plan as at 1 December 2022, broken down into the two components of the Solidarity Fund and Early Retirement. With regard to the Early Retirement, in 2022 no. 102 employees for an average amount of approx. EUR 38,500 have exited.
[71] National Fund to Support Employment.
[72] Donation also possible by other employees.

With reference to high earners, i.e., those individuals whose total remuneration amounts to at least EUR 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, operating as an Agent on the basis of a specific mandate; in the EUR 1 million - EUR 1.5 million remuneration bracket[73].

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

Customer segment	Number of employees as at 31/12/2022	Total remuneration as at 31/12/2022	Average remuneration as at 31/12/2022
Private	11,804	530,772,331	44,965
Corporate	1,661	89,387,830	53,816
Finance	150	9,003,446	60,023
Service and Corporate Centre	3,405	177,073,071	52,004
Total Employees	**17,020**	**806,236,678**	**47,370**

1.5 2022 variable remuneration

In 2022, in order to contribute to the achievement of the cost targets, the variable incentive systems were not activated. Consequently, no payments are planned in this respect.

In 2022, the Bank used specific targeted instruments with a low impact on costs for the Bank (contest, see paragraph 5.4.3) effective in motivating and rewarding excellent network resources.

To protect the Bank's interests in cases of exit of key resources from the private banking supply chain, it continued to make use of **non-compete covenants**. In 2022, 20 new agreements were entered into in favour of private consultants.

In 2022, as part of the remuneration actions taken, 4 agreements were also activated to extend the prior notice period.

No retention bonuses were given and no one-off payments were recognised in 2022.

No entry bonuses were recognised for the 82[74] new hires completed during the year (including 3 Management).

With regard to the **non-recurring component of the remuneration** of Widiba's financial advisors, in 2022, non-recurring remuneration related to the extra management fee defined by the formalised contracts for the induction of new advisors (no. 28 financial advisors), the annual bonus system (no. 37 financial advisors) and the multi-year incentive plan (contracted in 2015), called the "No Ordinary Program", which involved no. 39 advisors, was settled.[75]

With respect to the incentive system activated by Magazzini Generali Fiduciari di Mantova SpA, a company operating in the non-banking sector, in 2022 bonuses were recognised for roughly EUR 23,975, distributed to 10 employees, of which 8 blue-collar workers.

[73] Information pursuant to article 450 (1) (i) of Regulation (EU) no. 575/2013.
[74] New hires also included 6 Middle Management and 73 Professionals.
[75] *No Ordinary Program* - NOP - 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. 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.*

With regard to the **remuneration paid for the early termination of the employment contract**, within the scope of 87 consensual employment contract terminations[76] completed during the year (including 9 Management), **9 amounts exceeding the advance notice cost** were paid. In this context, with reference to the Identified Staff only, in 2022, 1 employment relationship was terminated by mutual consent - again as part of the ongoing corporate restructuring process and functionally to cost containment and resources streamlining requirements - for which no amount was paid in addition to the cost of notice. These amounts were disbursed in accordance with the terms and methods laid out by regulations in force and in any event no severance paid out surpassed the amount of EUR 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 light of the above, with reference to the financial instrument plan applied to service severance payments approved by the Shareholders' Meeting in 2022, as well as the plans from 2017 to 2021, it should be noted that, given the amounts paid in the financial year for mutually agreed upon resolutions (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 EUR 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 with respect to the plan.

For the sake of completeness, instead, with regard to the financial instrument plan for 2016:

- of the original 32,806 deferred "*Performance Shares*", 401 of them were liquidated in 2022; following both the liquidations and deferrals that have occurred to date, and the regrouping of the BMPS share at a ratio of 100 to 1, which took place with the resolution of the Shareholders' Meeting of 15/09/2022, no. 119 "Performance Shares" remain accounted for and will be liquidated in accordance with the plan's provisions and with the applicable internal and external regulations.

With regard to the share of the variable component to be paid in the form of financial instruments to Widiba's financial advisors included in Identified Staff, during the financial year 334,818 Performance Shares with a nominal value of EUR 269,912.89. Furthermore, 632,735 Performance Shares assigned in previous financial years were settled, for a total value of EUR 509,921.16.

SECTION II – Compensation paid (Part II)

This section analytically illustrates the remuneration paid or in any case assigned in 2022 financial year to the Directors, Statutory Auditors and Managers with strategic responsibilities (pursuant to article 123-*ter* paragraph 4 of the Consolidted Law on Finance), 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 financial 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.

[76] In 2022, 1 Key Manager also left the company, and the amount due for termination of employment was recognised. Please refer to Table 1 in Part II of this Section for details (information provided pursuant to Directive 2017/828/EU so-called "Shareholder Rights Directive II").

This section also sets out the information that the Bank is required to publish under Pillar III, pursuant to art. 450 of the Capital Requirements Regulation II (EU) No. 575/2013. Indeed, as of 30 June 2021 new provisions are in force on the Pillar III Disclosures of intermediaries, which are used to reinforce the role of entity disclosures in promoting market discipline.

Pillar III is based on the assumption that Market Discipline contributes to strengthening capital regulation and promoting the stability and solidity of Banks and the financial sector, and provides investors and other interested parties with the appropriate, complete, accurate and timely information that they need to take investment decisions and develop informed opinions on the MPS Group.

On the basis of art. 434 of the CRR, which provides the possibility to refer to another public disclosure, the Group is taking advantage of that possibility to complement the information, by providing specific references to the paragraphs of the Remuneration Policies that address the relative required information.

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 of the annual changes of the remuneration of directors, of the company's results and of the average remuneration of employees	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
EU REMA Table	Remuneration policy Reconciliation table with references to paragraphs in the Remuneration Policies.	EBA (Art. 450 of the CRR)
EU REM1 Template	Remuneration awarded for the financial year	EBA (Art. 450 of the CRR)
EU REM2 Template	Special payments to staff whose professional activities have a material impact on institutions' risk profile (Identified staff)	EBA (Art. 450 of the CRR)
EU REM3 Template	Deferred remuneration	EBA (Art. 450 of the CRR)
EU REM4 Template	Remuneration of EUR 1 million or more per financial year	EBA (Art. 450 of the CRR)
EU REM5 Template	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile ("Identified staff")	EBA (Art. 450 of the CRR)

Table 1 - Remuneration paid to the members of the board, statutory auditors, general managers, deputy general managers and other managers with strategic responsibilities

pursuant to the Consob Resolution no. 11971 of 14 May 1999 and subsequent amendments

data refers to period 1/1 - 31/12/2022

Surname and Name	Office	Period for which officewas 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					
GRIECO Maria Patrizia	**Chairperson**	01.01.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				110.000,00	-	-	-	1.288,70	-	111.288,70	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**110.000,00**	**-**	**-**	**-**	**1.288,70**	**-**	**111.288,70**	**-**	**-**
BETTIO Francesca	**Deputy Chairman**	01.01.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				65.000,00	10.000,00 *(1)*	-	-	1.288,70	-	76.288,70	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65.000,00**	**10.000,00**	**-**	**-**	**1.288,70**	**-**	**76.288,70**	**-**	**-**
D'ECCLESIA Rita Laura	**Deputy Chairman**	01.01.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				65.000,00	15.000,00 *(2)*	-	-	1.288,70	-	81.288,70	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65.000,00**	**15.000,00**	**-**	**-**	**1.288,70**	**-**	**81.288,70**	**-**	**-**
CUCCURULLO Olga	**Director**	01.01.22 - 04.02.22										
(i) Fees in the company that prepares the Financial Statements				6.138,88	1.416,66 *(3)*	-	-	941,81	-	8.497,35	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**6.138,88**	**1.416,66**	**-**	**-**	**941,81**	**-**	**8.497,35**	**-**	**-**
BADER Luca (**)	**Director**	01.01.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				65.000,00	20.000,00 *(4)*	-	-	1.288,70	-	86.288,70	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65.000,00**	**20.000,00**	**-**	**-**	**1.288,70**	**-**	**86.288,70**	**-**	**-**
BARZAGHI Alessandra Giuseppina	**Director**	01.01.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				65.000,00	20.000,00 *(5)*	-	-	1.288,70	-	86.288,70	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65.000,00**	**20.000,00**	**-**	**-**	**1.288,70**	**-**	**86.288,70**	**-**	**-**
BASSILICHI Marco	**Director**	01.01.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				65.000,00	10.000,00 *(6)*	-	-	1.288,70	-	76.288,70	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65.000,00**	**10.000,00**	**-**	**-**	**1.288,70**	**-**	**76.288,70**	**-**	**-**
BOCHICCHIO Francesco (**)	**Director**	01.01.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				65.000,00	10.000,00 *(7)*	-	-	1.288,70	-	76.288,70	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65.000,00**	**10.000,00**	**-**	**-**	**1.288,70**	**-**	**76.288,70**	**-**	**-**

(*) For the members of the Bank's Board of Directors and Board of Statutory Auditors, the item includes an insurance policy to cover professional accidents, health as well as a specific protection for Covid-19. For the Chief Executive Officer and the other Managers with Strategic Responsibilities, the item includes an insurance policy to cover professional accidents, health as well as the Long Term Care policy, a fixed amount contribution of 2,5% to the complementary pension fund and fringe benefits if support of the person. Fringe benefits with amounts of less than EUR 3,000 are not subject to tax.

(**) The amounts pertain to 2022, even in cases where they have not been fully disbursed yet. Fringe benefits with amounts less than EUR 3,000 are not subject to tax.

(1) Francesca Bettio, amounts recognised for the participation in board committees:
€10.000,00 for the participation in the "Related Party Transactions Committee"

(2) Rita Laura D'Ecclesia, amounts recognised for the participation in board committees:
€ 15.000,00 for the participation in the "Risk and Sustainability Committee"

(3) Olga Cuccurullo, amounts recognised for the participation in board committees:
€ 1.416,66 for the participation in the "Risk and Sustainability Committee"

(4) Luca Bader, amounts recognised for the participation in board committees:
€ 10.000,00 for the participation in the "Nomination Committee"
€ 10.000,00 for the participation in the "Remuneration Committee"

(5) Alessandra Barzaghi, amounts recognised for the participation in board committees:
€ 10.000,00 for the participation in the "Related Party Transactions Committee"
€ 10.000,00 for the participation in the "Remuneration Committee"

(6) Marco Bassilichi, amounts recognised for the participation in board committees:
€ 10.000,00 for the participation in the "Remuneration Committee"

(7) Francesco Bochicchio, amounts recognised for the participation in board committees:
€ 10.000,00 for the participation in the "Related Party Transactions Committee"

Table 1 - Remuneration paid to the members of the board, statutory auditors, general managers, deputy general managers and other managers with strategic responsibilities

pursuant to the Consob Resolution no. 11971 of 14 May 1999 and subsequent amendments

data refers to period 1/1 - 31/12/2022

Surname and Name	Office	Period for which officewas 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					
CASTELLANO Rosella	**Director**	01.01.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				65.000,00	25.000,00 *(8)*	-	-	1.288,70	-	91.288,70	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65.000,00**	**25.000,00**	**-**	**-**	**1.288,70**	**-**	**91.288,70**	**-**	**-**
DE MARTINI Paola	**Director**	01.01.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				65.000,00	20.000,00 *(9)*	-	-	1.288,70	-	86.288,70	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65.000,00**	**20.000,00**	**-**	**-**	**1.288,70**	**-**	**86.288,70**	**-**	**-**
DI RAIMO Raffaele	**Director**	01.01.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				65.000,00	30.000,00 *(10)*	-	-	1.288,70	-	96.288,70	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65.000,00**	**30.000,00**	**-**	**-**	**1.288,70**	**-**	**96.288,70**	**-**	**-**
DI STEFANO Stefano	**Director**	12.04.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				46.763,88	9.833,33 *(11)*	-	-	1.180,50	-	57.777,71	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**46.763,88**	**9.833,33**	**-**	**-**	**1.180,50**	**-**	**57.777,71**	**-**	**-**
GIORGINO Marco (**)	**Director**	01.01.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				65.000,00	35.000,00 *(12)*	-	-	1.288,70	-	101.288,70	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65.000,00**	**35.000,00**	**-**	**-**	**1.288,70**	**-**	**101.288,70**	**-**	**-**
BASTIANINI Guido (***)	**CEO**	1.01.22 - 7.02.22										
(i) Fees in the company that prepares the Financial Statements					-	-	-		-	-	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**
LOVAGLIO Luigi	**CEO**	8.02.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements					-	-	-		-	-	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**
MAIONE Nicola	**Director**	01.01.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				65.000,00	25.000,00 *(13)*	-	-	1.288,70	-	91.288,70	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65.000,00**	**25.000,00**	**-**	**-**	**1.288,70**	**-**	**91.288,70**	**-**	**-**

(*) For the members of the Bank's Board of Directors and Board of Statutory Auditors, the item includes an insurance policy to cover professional accidents, health as well as a specific protection for Covid-19. For the Chief Executive Officer and the other Managers with Strategic Responsibilities, the item includes an insurance policy to cover professional accidents, health as well as the Long Term Care policy, a fixed amount contribution of 2,5% to the complementary pension fund and fringe benefits if support of the person. Fringe benefits with amounts of less than EUR 3,000 are not subject to tax.

(**) The amounts pertain to 2022, even in cases where they have not been fully disbursed yet. Fringe benefits with amounts less than EUR 3,000 are not subject to tax.

(***) Guido Bastianini also held the position of Directors from 8.02.22 to 12.04.22.

(8) Roberta Castellano, amounts recognised for the participation in board committees:
- € 10.000,00 for the participation in the "Nomination Committee"
- € 15.000,00 for the participation in the "Risk and Sustainability Committee"

(9) Paola De Martini, amounts recognised for the participation in board committees:
- € 10.000,00 for the participation in the "Related Party Transactions Committee"
- € 10.000,00 for the participation in the "Remuneration Committee"

(10) Raffaele Di Raimo, amounts recognised for the participation in board committees:
- € 15.000,00 for the participation in the "Remuneration Committee"
- € 15.000,00 for the participation in the "Risk and Sustainability Committee"

(11) Stefano Di Stefano,amounts recognised for the participation in board committees:
- € 9.833,33 for the participation in the "Risk and Sustainability Committee"

(12) Marco Giorgino, amounts recognised for the participation in board committees:
- € 10.000,00 for the participation in the "Nomination Committee"
- € 25.000,00 for the participation in the "Risk and Sustainability Committee"

(13) Nicola Maione, amounts recognised for the participation in board committees:
- € 15.000,00 for the participation in the "Nomination Committee"
- € 10.000,00 for the participation in the Supervisory Board L.231/2001

Table 1 - Remuneration paid to the members of the board, statutory auditors, general managers, deputy general managers and other managers with strategic responsibilities

pursuant to the Consob Resolution no. 11971 of 14 May 1999 and subsequent amendments

data refers to period 1/1 - 31/12/2022

Surname and Name	Office	Period for which officewas 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					
RAO Roberto	**Director**	01.01.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				65.000,00	25.000,00 *(14)*	-	-	1.288,70	-	91.288,70	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65.000,00**	**25.000,00**	**-**	**-**	**1.288,70**	**-**	**91.288,70**	-	-
CIAI Enrico (**)	**Chairperson of the Board of Statutory Auditors**	01.01.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				80.000,00	-	-	-	1.288,70	-	81.288,70	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**80.000,00**	**-**	**-**	**-**	**1.288,70**	**-**	**81.288,70**	**-**	**-**
SOPRANO Luigi (**)	**Statutory Auditor**	01.01.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				65.000,00	-	-	-	1.288,70	-	66.288,70	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65.000,00**	**-**	**-**	**-**	**1.288,70**	**-**	**66.288,70**	**-**	**-**
CEVASCO Luisa (**)	**Statutory Auditor**	01.01.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				65.000,00	-	-	-	1.288,70	-	66.288,70	-	-
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65.000,00**	**-**	**-**	**-**	**1.288,70**	**-**	**66.288,70**	**-**	**-**
BASTIANINI Guido *(role of General Manager)*	**General Manager**	01.01.22 - 07.02.22										
(i) Fees in the company that prepares the Financial Statements				49.628,35	-	-	-	8.839,29	-	58.467,64	-	194.270,83 *(16)*
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**49.628,35**	**-**	**-**	**-**	**8.839,29**	**-**	**58.467,64**	**-**	**194.270,83**
LOVAGLIO Luigi *(role of General Manager)*	**General Manager**	08.02.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				421.413,33 *(17)*	-	-	-	17.078,80	-	438.492,13	-	-
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**421.413,33**	**-**	**-**	**-**	**17.078,80**	**-**	**438.492,13**	**-**	**-**
MANAGERS WITH STRATEGIC RESPONSIBILITY		01.01.22 - 31.12.22										
(i) Fees in the company that prepares the Financial Statements				3.677.526,76	-	-	-	211.042,04	-	3.888.568,80	-	-
(ii) Fees from subsidiaries and affiliates									157.683,32 *(15)*	157.683,32		
(iii) Total				**3.677.526,76**	**-**	**-**	**-**	**211.042,04**	**157.683,32**	**4.046.252,12**	**-**	**-**

(*) For the members of the Bank's Board of Directors and Board of Statutory Auditors, the item includes an insurance policy to cover professional accidents, health as well as a specific protection for Covid-19. For the Chief Executive Officer and the other Managers with Strategic Responsibilities, the item includes an insurance policy to cover professional accidents, health as well as the Long Term Care policy, a fixed amount contribution of 2,5% to the complementary pension fund and fringe benefits if support of the person. Fringe benefits with amounts of less than EUR 3,000 are not subject to tax.

(**) The amounts pertain to 2022, even in cases where they have not been fully disbursed yet. Fringe benefits with amounts less than EUR 3,000 are not subject to tax.

(14) Roberto Rao, amounts recognised for the participation in board committees:

€ 10.000,00 for the participation in the "Nomination Committee"

€ 15.000,00 for the participation in the "Related Party Transactions Committee"

(15) Annual amounts paid or to be paid by subsidiaries, of which €143,238.88 are/were transferred or to be transferred to Banca MPS SpA

(16) Compensation for lieu of notice as provided by the national collective labor agreement

(17) At 31.12.22 the new value of the Salary Cap was calculated and applied to the CEO with effect from 02.08.22

Table 1 - Comparative information of the annual changes of the remuneration of directors, of the company's results and of the average remuneration of employees (first detection 2019) pursuant to the EU Directive no. 2017/828

	2022			2021			2020			2019	
	HC	Amounts	Var %	HC	Amounts	Var %	HC	Amounts	Var %	HC	Amounts
CEO/General Manager								**465.652**	**-0,1%**	1	**466.250**
Morelli Marco											
CEO											
General Manager							1	178.729		1	466.250
Bastianini Guido											
CEO											
General Manager	1	49.628		1	466.250		1	286.923			
Lovaglio Luigi											
CEO											
General Manager	1	421.413									
Directors and Statutory Auditors	**18**	**1.409.153**	**-0,4%**	**19**	**1.415.181**	**0,9%**	**31**	**1.402.833**	**5,8%**	**16**	**1.326.000**
Directors (*)	15	1.199.153	-0,49%	14	1.205.000		25	1.192.250	7%	13	1.116.000
Statuatory auditors (*)	3	210.000	-0,09%	5	210.181		6	210.583	0%	3	210.000
DRG Strategici e Vice Direttori Generali	**14**	**3.677.527**	**-10,5%**	**19**	**4.108.306**	**-13,4%**	**20**	**4.742.597**	**-4,3%**	**20**	**4.956.026**
Managers with strategic responsibilities (**)	14	3.677.527	-10,5%	19	4.108.306	-13,4%	20	4.742.597	-4,3%	20	4.956.026
Deputy General Managers							-	-		-	-
Average remuneration of employees	**17.020**	**47.370**	**-10,5%**	**21.244**	**48.714**	**3,3%**	**21.432**	**47.135**	**0,6%**	**22.040**	**46.870**
Net Income (in €/mln)		**- 205**	**n.s.**		**310**	**n.s.**		**- 1.689**	**n.s.**		**- 1.033**

No incentive systems have been activated for CEO, Deputy General Manager and Managers with strategic responsibilities in the past five years.

(*) During 2020 the Board of Directors and the Board of Statutory Auditors were renewed; the total number of Executives is shown in column HC.

(**) Throughout all the years reported the perimeter of the Managers with strategic responsibilities underwent changes during the year; the total number of Executives is shown in the column HC.

Table 1 - Comparative information of the annual changes of the remuneration of directors, of the company's results and of the average remuneration of employees

pursuant to the EU Directive no. 2017/828 (data from 1° January 2019)

Directors and Statuatory Auditors details					
Surname and Name	**Office**	**2022**	**2021**	**2020**	**2019**
Bariatti Stefania	Chairperson			44.500	108.500
Grieco Maria Patrizia	Chairperson	110.000	110.000	68.139	
Turicchi Antonino	Deputy Chairman			34.500	57.500
Bettio Francesca	Deputy Chairman	75.000	75.000	46.431	
D'Ecclesia Rita Laura	Deputy Chairman	80.000	80.000	49.514	
Barzaghi Alessandra	Director	85.000	85.000	52.597	
Bader Luca	Director	85.000	85.059	52.597	
Bassilichi Marco	Director	75.000	75.000	46.431	
Bochicchio Francesco	Director	75.000	75.302	46.431	
Cappello Maria Elena	Director			32.500	90.000
Casali Roberta	Director			30.667	80.000
Castellano Rosella	Director	90.000	90.000	55.681	
Cuccurullo Olga	Director	7.556	80.000	49.514	
Demartini Paola	Director	85.000	85.000	52.597	
Di Raimo Raffaele	Director	95.000	95.000	58.764	
Giorgino Marco	Director	100.000	100.000	100.181	100.000
Kostoris Fiorella	Director			34.500	90.000
Lancellotti Roberto	Director			34.500	90.000
Maione Nicola	Director	90.000	80.000	87.444	85.000
Petruccioli Stefania	Director			36.417	95.000
Piazzolla Salvadore Fernando	Director			28.750	75.000
Rao Roberto	Director	90.000	90.000	55.681	
Riccaboni Angelo	Director			36.417	95.000
Santoro Michele	Director			28.750	75.000
Giorgio Valerio	Director			28.750	75.000
Di Stefano Stefano	Director	56.597			
Cenderelli Elena	Chairperson of the Board of			30.667	80.000
Ciai Enrico	Chairperson of the Board of	80.000,00	80.000	49.556	
Bastianini Alessia	Statutory Auditor		4.694	40.264	
Cervasco Lucia	Statutory Auditor	65.000,00	47.847		
Salvadori Paolo	Statutory Auditor			24.917	65.000
Santini Raffaella	Statutory Auditor			24.917	65.000
Soprano Luigi	Statutory Auditor	65.000,00	65.000	40.264	
Vitali Piera	Statutory Auditor		12.639		
Totale		1.409.153	1.415.542	1.402.833	1.326.000

Chart 7-ter - Shareholding held in MPS by members of the board of directors, board of statutory auditors and general managers

data at 31/12/2022

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
Grieco Maria Patrizia	Chairperson	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
Bettìo Francesca	Deputy Chairman	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
D'Ecclesia Rita Laura	Deputy Chairman	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
Lovaglio Luigi	CEO/General Manager	Banca Monte dei Paschi di Siena S.p.A.	=	100.980 (1)	=	100.980
Bastianini Guido	Ex CEO/General Manager	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
Bader Luca	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
Barzaghi Alessandra Giuseppina	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
Bassilichi Marco	Director	Banca Monte dei Paschi di Siena S.p.A.	105 (2)	40.018 (3)	=	40.019
Bochicchio Francesco	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
Castellano Rosella	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
De Martini Paola	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
Di Raimo Raffaele	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
Di Stefano Stefano	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
Giorgino Marco	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
Maione Nicola	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
Rao Roberto	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
Cuccurullo Olga	Ex Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
Ciai Enrico	Chairperson of the Board of Statutory Auditors	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
Soprano Luigi	Statutory Auditor	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
Cevasco Luisa	Statutory Auditor	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
Vitali Piera	Standing Auditor	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
Fallacara Francesco	Standing Auditor	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=

(1) Subscription of BMPS shares resulting from the BMPS capital increase completed in November 2022.

(2) Shares held directly at the end of the 2021 financial year, prior to the share consolidation transaction completed on 26/09/2022.

(3) Subscription of BMPS shares resulting from the BMPS capital increase completed in November 2022.

Chart 7-ter - Shareholding in MPS held by managers with strategic responsibilities

data at 31/12/2022

Number of managers with strategic responsibilities	Company in which stake is held	Number of shares held at the end of the previous financial year [1]	Number of shares acquired	Number of shares sold	Number of shares held at the end of the financial year underwa
14	Banca Monte dei Paschi di Siena S.p.A.	1.078 [2]	56.848 [3]	=	56.857

Of which in office at 31/12/2022

Number of managers with strategic responsibilities	Company in which stake is held	Number of shares held at the end of the previous financial year [1]	Number of shares acquired	Number of shares sold	Number of shares held at the end of the financial year underwa
13	Banca Monte dei Paschi di Siena S.p.A.	1.078 [2]	56.848 [3]	=	56.857

[1] Shares held at the end of the 2021 financial year, prior to the share consolidation transaction completed on 26/09/2022.
[2] Including no. 12 azioni shares held through a relative of a manager.
[3] Subscription of BMPS shares resulting from the BMPS capital increase completed in November 2022.

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 responsibilities

pursuant to the Consob resolution no. 11971 of 14 May 1999 and subsequent amendments

data refers to period 1/1 - 31/12/2022

Surname and name	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 plan 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 responsibilities

pursuant to the Consob resolution no. 11971 of 14 may 1999 and subsequent amendments

data refers to period 1/1 - 31/12/2022

Surname and name	Office	Plan	Annual Bonus			Bonus from previous years			Other Bonuses
			Payable/paid out	Deferred	Deferment period	No longer payable	Paid out/to be paid outt	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) 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 plan activated or paid out

Statement A - Quantitative information on the remuneration of "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	37	2.282.621					
General Manager	1 *(1)*	422.050					
Division Heads, Corporate functions, Geographical Area Heads and those who report directly to the corporate bodies	70	11.529.998				20.000 *(2)*	
Managers and personnel in charge of the internal control functions	19	2.290.917 *(3)*					
Other staff who individually or collectively take on significant risks	70	7.750.118	297.291 *(4)*		269.913 *(5)*	73.296 *(2)*	
Highly paid employees and collaborators not included in the criteria above	31	6.995.656	101.553 *(6)*			9.928 *(2)*	

(*) It includes the fixed component (notice) of the overall amounts recognized in the context of early termination agreements of no. 2 employment relationships.

(1) Mr. Luigi Lovaglio holds the office of both CEO and General Manager.

(2) Total amount related to no. 15 recipients of non-compete covenants and attributions linked to permanence in the company.

(3) Includes the position-related allowance for "Control Functions".

(4) Relating amounts to the cash portion of the non-recurring component of total remuneration a awarded to the Financial Advisors within the Identified Staff perimeter.

(5) Relating amounts to shares in financial instruments of the non-recurring component of the remuneration accrued during the year by the financial advisors within the Identified Staff perimeter.

(6) Relating amounts to the cash portion of the non-recurring component of total remuneration awarded to the Financial Advisors within the Identified Staff perimeter and no. 2 payments for non-core components.

EMARKET SDIR CERTIFIED

Table EU REMA - Remuneration policy

Institutions shall describe the main elements of their remuneration policies and how they implement these policies. In particular, the following elements, where relevant, shall be described:	
Qualitative disclosures	
Information relating to the bodies that oversee remuneration. Disclosures shall include:	
a)	• ***name, composition and mandate of the main body (management body or remuneration committee as applicable) overseeing the remuneration policy and the number of meetings held by that main body during the financial year*** with reference to the Remuneration Committee see to that end Section II - Compensation paid Part I, paragraph 1.1 - Governance. For the Board of Directors see to that end Table 1 - Remuneration paid to the members of the board, statutory auditors, general managers, deputy general managers and other managers with strategic responsibilities. • **external consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework** in 2022, the Bank used the external consultants Willis Towers Watson to implement the incentive system and to identify the Perimeter of the "Identified Staff". • ***a description of the scope of the institution's remuneration policy (eg by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries*** The principles set out in the Remuneration Policies are applicable to all the Group's companies, including resources employed abroad where applicable according to local regulations. As far as Widiba's Financial Advisors are concerned, the specific rules set forth in par. 5.7 - Remuneration of financial advisors. • ***a description of the staff or categories of staff whose professional activities have a material impact on institutions' risk profile.*** see Section I, paragraphs 5.5 - 2023 Identified Staff, 6.1 - Process of classifying "Identified Staff".
Information relating to the design and structure of the remuneration system for identified staff. Disclosures shall include:	
b)	• ***an overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders*** see Section I, paragraphs 3 - Governance Rules, 5.5 - 2023 Identified Staff, 6.1 - Process of classifying "Identified Staff".
	• ***information on the criteria used for performance measurement and ex ante and ex post risk adjustment*** Variable remuneration of the Group, including shares attributable to Identified Staff., is determined based on Group and business unit risk-adjusted economic performance. For details, see Section I paragraphs 5.4.2 - "Core" components, 5.5.2 - Focus on the remuneration of the Chief Executive Officer and General Manager, 5.5.3 - "2023 Incentive System".
	• ***whether the management body or the remuneration committee where established reviewed the institution's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration*** in 2022 revised the Report on the Remuneration Policy of the institution and started the preliminary investigation for the activation of an incentive system in 2023. For details of the changes introduced in the 2023 policies, see Section I paragraph 1 - Report structure and main updates in the 2023 remuneration policies.
	• ***information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee*** see Section I, paragraphs 5.3.2 - Company Control Function Allowance, 5.5.1 - Basic rules of variable remuneration, 5.5.3 - "2023 Incentive System".
	• ***policies and criteria applied for the award of guaranteed variable remuneration and severance payments***

<table>
<tr><td></td><td>see Section I, paragraphs 5.4 - Variable remuneration, 5.4.1 - Definition, 5.6 - Compensation for early termination of the employment.</td></tr>
<tr><td>c)</td><td>Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration.
The Risk and Sustainability Committee has the task of assisting the Board of Directors in defining the guidelines of the internal control and risk governance system and in assessing the adequacy and effectiveness of that system, and to ensure that the incentives underlying the Group's remuneration and incentive system are consistent with the Risk Appetite Framework ('RAF'), the objectives of which are described in Section I paragraph 5.4.2 - “Core” components.</td></tr>
<tr><td>d)</td><td>The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD.
There is a limitation of the ratio between variable and fixed remuneration to a value not exceeding 100% (1:1 ratio), as indicated in Section I under paragraphs 5.4 - Variable Remuneration, 5.4.1 - Definition and 5.5.1 - Basic rules of variable remuneration. In addition, for Widiba’s Financial Advisors, see also the Focus within paragraph 5.7.3 on the “Limit Between Variable and Fixed Ratio for Financial Advisors included in the Identified Staff perimeter”.</td></tr>
<tr><td colspan="2">Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration. Disclosures shall include:</td></tr>
<tr><td rowspan="4">e)</td><td>• an overview of main performance criteria and metrics for institution, business lines and individuals
the characteristics of the 2023 Incentive System are given in the Section I paragraphs 5.4.2 - “Core” components, 5.5.2 - Focus on the remuneration of the Chief Executive Officer and General Manager, 5.5.3 - “2023 Incentive System”.</td></tr>
<tr><td>• an overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance
see Section I, paragraphs 5.4.2 - “Core” components, 5.5.2 - Focus on the remuneration of the Chief Executive Officer and General Manager, 5.5.3 - “2023 Incentive System”.</td></tr>
<tr><td>• information on the criteria used to determine the balance between different types of instruments awarded including shares, equivalent ownership interest, options and other instruments
see Section I, paragraphs 5.5.1 - Basic rules of variable remuneration, 5.5.2 - Focus on the remuneration of the Chief Executive Officer and General Manager, 5.5.3 - “2023 Incentive System”.</td></tr>
<tr><td>• information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution’s criteria for determining “weak” performance metrics
see Section I, paragraphs 5.4.2 - “Core” components, 5.5.2 - Focus on the remuneration of the Chief Executive Officer and General Manager, 5.5.3 - “2023 Incentive System”.</td></tr>
<tr><td colspan="2">Description of the ways in which the institution seeks to adjust remuneration to take account of longterm performance. Disclosures shall include:</td></tr>
<tr><td rowspan="3">f)</td><td>• an overview of the institution’s policy on deferral, payout in instrument, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff
see Section I, paragraphs 5.5 - 2023 Identified Staff and more specifically 5.5.2 - Focus on the remuneration of the Chief Executive Officer and General Manager, 5.5.3 - “2023 Incentive System”.</td></tr>
<tr><td>• information of the institution’ criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law)
see Section I, paragraph 6.2 - Compliance breach management process.</td></tr>
<tr><td>• where applicable, shareholding requirements that may be imposed on identified staff
nothing to report.</td></tr>
<tr><td colspan="2">The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR. Disclosures shall include:</td></tr>
<tr><td>g)</td><td>• information on the specific performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded, including shares, equivalent ownership interests, share-linked instruments, equivalent non-cash-instruments, options and other instruments.</td></tr>
</table>

	See Section I paragraphs 5.5.1 - Basic rules of variable remuneration 5.7 - Remuneration of financial advisors, 5.9 - Financial instruments to service variable remuneration payment.
Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management.	
h)	See Table 1 - Remuneration paid to the members of the board, statutory auditors, general managers, deputy general managers and other managers with strategic responsibilities. The table shows the disclosure on members of the BoD, CEO, GM and at an aggregate level for the other managers with strategic responsibilities, in section II.
Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR.	
i)	• ***For the purposes of this point, institutions that benefit from such a derogation shall indicate whether this is on the basis of point (a) and/or point (b) of Article 94(3) CRD. They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.*** Exemption based on letter b) (Bonus Significance Threshold) - Number of staff members benefiting from the exemption: No. 15. Total remuneration: Euro 3.671.233, of which fixed Euro 3.437.184, of which variable Euro 234.049.
Large institutions shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members in accordance with Article 450(2) CRR.	
j)	The information is contained in Schedule A - Quantitative Information on the remuneration of "identified staff", among the annexes to the document.

Table EU REM1 - Remuneration awarded for the financial year

			a	b	c	d
			Management body Supervisory function	Management body Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	14	1	13	194
2		Total fixed remuneration	1.443.072	422.050	4.118.268	25.685.795
3		Of which: cash-based	1.443.072	422.050	4.118.268	25.685.795
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7		Of which: other forms	2.210	637	62.750	354.876
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	-	-	-	19
10		Total variable remuneration				712.096
11		Of which: cash-based	-	-	-	442.183
12		Of which: deferred				134.956
EU-13a		Of which: shares or equivalent ownership interests				
EU-14a		Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments				269.913
EU-14b		Of which: deferred				134.956
EU-14x		Of which: other instruments				
EU-14y		Of which: deferred				
15		Of which: other forms				
16		Of which: deferred				
17	Total remuneration (2 + 10)		**1.443.072**	**422.050**	**4.118.268**	**26.397.891**

Table EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d
		Management body Supervisory function	Management body Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff				
2	Guaranteed variable remuneration awards -Total amount				
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap				
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff			1	
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount			8.570	
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff				
7	Severance payments awarded during the financial year - Total amount				
8	Of which paid during the financial year				
9	Of which deferred				
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap				
11	Of which highest payment that has been awarded to a single person				

Table EU REM3 - Deferred remuneration

		a	b	c	d	e	f	EU-g	EU-h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	Management body Supervisory function								
2	Cash-based								
3	Shares or equivalent ownership interests								
4	Share-linked instruments or equivalent non-cash instruments								
5	Other instruments								
6	Other forms								
7	Management body Management function								
8	Cash-based								
9	Shares or equivalent ownership interests								
10	Share-linked instruments or equivalent non-cash instruments								
11	Other instruments								
12	Other forms								
13	Other senior management								
14	Cash-based								
15	Shares or equivalent ownership interests								
16	Share-linked instruments or equivalent non-cash instruments								
17	Other instruments								
18	Other forms								

Table EU REM3 - Deferred remuneration

		a	b	c	d	e	f	EU-g	EU-h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
19	Other identified staff	322.775	116.976	205.800	-	-	13.613	334.802	22.206
20	Cash-based	204.151	79.869	124.281	-	-	-	79.869	-
21	Shares or equivalent ownership interests								
22	Share-linked instruments or equivalent non-cash instruments	118.624	37.106	81.518	-	-	13.613	254.933	22.206
23	Other instruments								
24	Other forms								
25	**Total amount**	**322.775**	**116.976**	**205.800**	**-**	**-**	**13.613**	**334.802**	**22.206**

EMARKET SDIR CERTIFIED

Table EU REM4: Remuneration of EUR 1 million or more per year

		a
	EUR	**Identified staff that are high earners as set out in Article 450(i) CRR**
1	1 000 000 to below 1 500 000	1
2	1 500 000 to below 2 000 000	
3	2 000 000 to below 2 500 000	
4	2 500 000 to below 3 000 000	
5	3 000 000 to below 3 500 000	
6	3 500 000 to below 4 000 000	
7	4 000 000 to below 4 500 000	
8	4 500 000 to below 5 000 000	
9	5 000 000 to below 6 000 000	
10	6 000 000 to below 7 000 000	
11	7 000 000 to below 8 000 000	

EMARKET SDIR CERTIFIED

Table EU REM5: Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		Management body - Supervisory function	Management body - Management function	Total Management body	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										**219**
2	Of which members of the management body	14	1	15							
3	Of which other members of senior management					2		8	3		
4	Of which other identified staff					132		44	13	2	
5	Total remuneration of identified staff	1.443.072	422.050	1.865.122	-	18.566.252	-	9.501.198	2.156.731	291.978	
6	Of which variable remuneration	-	-	-		682.700		29.396		-	
7	Of which fixed remuneration	1.443.072	422.050	1.865.122		17.883.552		9.471.802	2.156.731	291.978	

1. Resolution proposal

Dear Shareholders,

in relation to the above We invite you to approve the following proposal regarding item 2.1):

"*The Ordinary Shareholders' Meeting*

- *having examined the "REPORT ON THE REMUNERATION POLICY AND ON COMPENSATION PAID" prepared by the Board of Directors pursuant to Article 123-ter of the Legislative Decree n. 58 of 24 February 1998 ("**Consolidated Financial Act**"), Article 84-quater of the Issuers' Regulation adopted by Consob Issuers Regulation no. 11971/1999, the provisions of the Bank of Italy Circular n. 285/2013 and Article 13 paragraph 3 lett. e) of the Bank's By-Laws (the "**Report**");*
- *having examined, in particular, the Section 1 of the above Report, prepared pursuant to Article 123-ter, paragraph 3 and 3-bis of the Consolidated Financial Act and related to (i) company policy for 2023 in remuneration matters of all staff (including members of the administrative bodies and without prejudice to the provisions of Article 2402 of the Italian Civil Code, of the members of the control bodies), ("**2023 Policy**"), (ii) the procedures used for the adoption of and implementation of the policy and (iii) 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 Section 1 of the Report,*

RESOLVES

- *to approve Section I of the Report, pursuant to Article 123-ter, paragraph 3-ter, of the Consolidated Financial Act;*
- *to give a mandate to the Chief Executive Officer, with the right to sub delegate, for the implementation of the 2023 Policy.*

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

2. Resolution proposal

Dear Shareholders,

in relation to the above We invite you to approve the following proposal regarding item 2.2):

"The Ordinary Shareholders' Meeting,

- *having examined the "REPORT ON THE REMUNERATION POLICY AND ON COMPENSATION PAID" prepared by the Board of Directors pursuant to Article 123-ter of the Legislative Decree n. 58 of 24 February 1998 ("**Consolidated Financial Act**"), Article 84-quater of the Issuers' Regulation adopted by Consob Issuers Regulation no. 11971/1999, the provisions of the Bank of Italy Circular n. 285/2013 and Article 13 paragraph 3 lett. e) of the Bank's By-Laws (the "**Report**");*
- *having examined, in particular, the Section 2 of the Report, related to the reporting of the remuneration paid in 2022, prepared pursuant to Article 123-ter, paragraph 4 of the Consolidated Financial Act;*
- *considering that pursuant to Article 123-ter, paragraph 6, of the Consolidated Finance Act, the Shareholders' Meeting is called to cast a non-binding vote on the aforementioned Section 2 of the Report,*

RESOLVES

positively the Section 2 of the Report, prepared pursuant to Article 123-ter paragraph 6 of the Consolidated Financial Act."

Siena, 21 March 2023

On behalf of the Board of Directors
Maria Patrizia Grieco
Chairperson of the Board of Directors