



TERMINATION PAYMENTS GROUP POLICY

Life is full of ups and downs.
We're there for both.



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1. General Principles

Within UniCredit Group, the termination payments (the so called 'Golden Parachutes', hereinafter 'the *severances*'), additional to the amount corresponding to the indemnity in lieu of notice possibly due according to laws or contracts, may be in principle provided for in favor of subjects whose employment or office is resolved (in the case of fixed term contracts, before their natural expiry) upon company's initiative or in the interest of the same, and are aimed at provisionally supporting the income of the recipient.

No *severance* payment is foreseen if the resolution is due to voluntary resignation and/or the same is not consistent with company's interests.

Severances consider the long-term performance, in terms of value creation for the shareholders and do not reward failures or abuses.

Moreover they are defined consistently with the rules concerning lay-offs as provided by regulations, contracts and practices of the specific markets of reference, considering as well any other local requirement and the provisions of applicable national bargaining and individual contracts.

Severances are in any case defined in the interest of the company, identifying time by time those solutions that – respecting regulations, corporate values and peoples – allow to optimize the achievement of business objectives, at the same time minimizing costs and risks, both current and prospective.

The compensation defined, at any title, at the time of the termination is set consistently with the overall applicable rules, even of regulatory nature, and in the company's interest. Termination payments are in principle assimilated to *severances* when alternately they: i) are not grounded on specific law / contract provisions, ii) do not respond to precisely defined objects of high importance for the bank, iii) do not represent accessory elements, of limited material value.

The amounts defined by a third subject having the power to do that (such as judicial and/or arbitrary and/or conciliatory authority) are not considered as *severances*.

2. Limits and Criteria

2.1 Maximum Limits

In continuity with the approach set in the Group Compensation Policies approved in the previous years:

- *severances* do not exceed the limits foreseen by the laws and collective labor agreements locally applicable¹ in case of lay-off;
- in the absence of such regulations, termination payments, in excess of the indemnity in lieu of notice, in principle do not exceed two years of total compensation².

In compliance with the law and the applicable collective labor agreements, the value of the yearly compensation used to calculate the *severance* is set – consistently with the most common practices at European level – considering the current fixed remuneration plus the average of the incentives actually received – on a cash basis – during the last three years prior to the termination, inclusive of the value of those parts disbursed in equity. For the latter, the value considered is the one current at the time the shares became disposable for the employee, at the end of the vesting / deferral period.

Further elements (such as the value of *fringe benefits* possibly granted to the employee) may be included in the computation of the above mentioned basis if this is required or foreseen by regulations, laws, contracts or common practices locally applicable.

2.2 Criteria

Severances, due to the mechanism for the calculation of the compensation used for their determination, which includes the bonuses actually cashed-in after the application of malus clauses, are as a matter of fact already differentiated just on the basis of risk-adjusted individual performances.

The number of years of average total compensation to which the *severance* corresponds is in any case defined with the goal of supporting in the best possible way the achievement of corporate goals, minimizing at the same time costs and risks, current and prospective.

Such a definition is made assessing, on a case by case basis, the specific objective and subjective circumstances of the relationship resolution, considered within the specific legal and contractual framework, including:

- the actual duration of the employment, with significant reductions of the *severances* in case of particularly short relationships;
- the fact that the subject has provided, especially if repeatedly, performances qualitatively / quantitatively below reasonable expectations;
- the fact that the person has assumed risks deemed to be not consistent with UniCredit Group Risk Appetite Framework;
- the fact that the person has enacted behaviors and or demonstrated attitudes not aligned with corporate values;
- the social and personal impacts of the employment termination, especially for those subjects who are in particular anagraphical or personal situations;
- any other fact / circumstance / attitude / behavior related to the individual, the company and the social context which have an impact on the decision to come to the termination of the relationship;

- the availability of the subject to undertake additional commitments (e.g. confidentiality, non-competition, post-termination collaboration for the management of files in which he/she were previously involved) versus the basic ones provided by law and/or contract;
- the rationale at the base of the decision to terminate the employment (also with reference to the concepts of cause and justified reason according to the parameters time by time applicable), considered at the light of the corporate interest to come anyway to a consensual resolution of the relationship – rather than a unilateral one – through the payout of an amount whose cost, calculated on the basis of adequate procedures and elements (and possibly as indicated by third competent subjects, such as judicial and/or arbitrary and/or conciliatory authority) is not higher than the one that would be presumably borne if the subject were laid-off and would apply to the judge to protect his /her interests.

In any case, the above criteria are, depending on the peculiarities of each actual case, carefully weighed and balanced among them, always in the perspective of the best corporate interest.

3. Payout Modalities

The overall termination payment, represented by the sum of the value corresponding to the indemnity in lieu of notice, of the severance and of any accessory amounts possibly provided for, is paid out under the technical forms and with the juridical qualifications that – in full respect of the law – allow the best optimization of costs and pursue of corporate goals.

In particular, the *severances*, overall defined on the basis of the criteria previously outlined, are paid out in forms and with timings fully consistent with the discipline, also regulatory, time by time applicable to the specific case.

In relation to the requirements recalled above, when *severances* are paid to persons belonging to the ‘identified staff’ population, they can be subject to deferred payout mechanisms, in cash and equity, in analogy with and under the same schemes foreseen for the payment of variable remuneration for such category of employees.

In such cases, the amounts deferred in cash or shares – whose payout is split in yearly installments during the deferral period – are subject to malus clauses that provide for their reduction / revocation in case of discover of fraud or negligence, unknown at the time of the termination agreement’s sign-off, to the damage of the Bank / Group and which during the employment would have represented valid ground for a dismissal for cause, or otherwise if serious negative economic consequences – equally unknown and directly linked to the activities of the beneficiary in the period preceding the termination – should manifest themselves.

In case of deferrals in equity instruments, the company reserves the right to use equivalent monetary instruments (e.g. *phantom share*).

Moreover the payout of *severances*, unless deriving from law or pre-existing contractual obligation, or still from a judicial or arbitration decision, must be defined within a comprehensive agreement foreseeing:

- the inclusion of claw-back clauses, covering the cases of fraud / negligence to the damage of the Bank / Group and which, during the employment, would have represented valid ground for a dismissal for cause;
- the faculty for the company to exercise responsibility actions for facts / behaviors representing fraud and/or negligence, unknown at the time of the resolution;
- the waiver of all claims towards the company.

4. Localizations and Exceptions

4.1 Local Calibrations

In some countries the labor law context might not allow the unilateral resolution of the employment, if not in extremely limited cases (for example for cause and/or company restructuring with particular procedures). In such cases the termination of individual employment is possible only on the basis of a consensual resolution and against the payment of an indemnity set on the basis of practices / parameters typical of the specific market of reference. The *severance* thus determined might in such cases result to be higher than the maximum limit set by the general rule of two years of average total compensation, beyond the notice.

Since in such circumstances the respect of the above mentioned standard rule would lead to an undesirable stiffening of HR management processes – with the substantial impossibility to terminate employment relationships even if they are dis-functional to the needs of the business and of the overall company – the Banks and/or Branches belonging to the Group, set up in Countries different from Italy, can submit to the Holding justified requests of calibration of the present Severance Policy, stating the rationale of the petition and the local criteria / limits. Such calibrations are approved by the Chief Executive Officer, heard the opinion of the Remuneration Committee, and are disclosed to the Board of Directors.

4.2 Management of Exceptions

In particolari circostanze respecting the the standard provision could impede the achievement of results of relevant importance for the Group's interests. In such cases it might be opportune / necessary, in the framework of the due pursue of corporate interest, to exceed the limits and/or deviate from the criteria for the definition or the modalities of disbursement of the *severances* provided for by this Policy.

In such cases it is foreseen a particular authorization process which envisages:

- the explanation in the single proposal of rationale and/or advantages for company which suggest the deviation;
- the opinion of the head of the internal labor law function and/or external lawyer;
- the opinion of the global (for identified staff) or local (for the remaining staff) Compliance function;
- the final approval by the manager hierarchically one level higher than the one to whom would normally belong the decision based on the powers configuration and related delegations;
- a precise disclosure to the Remuneration Committee (for identified staff only).

¹In Italy the national labor agreement for banking industry executives currently provides for a notice period varying between 5 and 12 months and a supplementary indemnity – due in case the lay-off is not justified – ranging between 7 and 29 months of notice

² With the only aim of meeting the regulatory provision introduced by the Bank of Italy with the VII update of Circular 285, which requires the banks to set a maximum limit to the severances also in terms of number of years of fixed compensation and in an absolute amount, it is reported that – in view of the maximum 2:1 ratio between variable and fixed remuneration – two years of total compensation could arrive to correspond to a merely theoretical value of six years of fixed compensation in the case, purely hypothetic and improbable, of a subject who in the last three years prior to the termination has always received bonuses in a measure equal to 200% of his/her fixed compensation (BS):

$(\text{Fixed [1 year BS]} + \text{Average Bonus [2 years BS]}) \times 2 = 6 \text{ years BS}$

The value of the severance thus determined will not in any case exceed € 12 million and any possible exception to this limit will be subject, on a case by case basis, to authorization by the Board of Directors and to disclosure in the annual compensation report