

# One Bank One UniCredit

## Group Termination Payments Policy





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# 1. General Principles

Within UniCredit Group, the termination payments (the so called ‘Golden Parachutes’, hereinafter ‘the severances’), inclusive of 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.

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

This Policy provides, in general terms, the basic criteria and the maximum limits for severance payments, which are then concretely defined by each Group Entity considering the specificities of the country in which it operates.

Each single severance payment is defined consistently with, and without ever exceeding, 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 provisions of applicable national bargaining and individual contracts.

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, 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 amounts autonomously defined by a third subject having the power to do that (such as judicial and/or arbitrary and/or conciliatory authority) as well accessory elements of limited material value are not considered as severance payments.

## 2. Limits and Criteria

### 2.1 Maximum Limits

The severance Policy is restrictively revised versus the past in consideration of the evolution of national and international regulatory provisions, of prevailing practices and Investors’ expectations.

In principle, the termination payments – inclusive of the indemnity in lieu of notice and of any other amount defined upon or in the occasion of the resolution of the employment – do not exceed the lower between twenty-four months of total compensation (1) (2) or the maximum limits foreseen by the laws and collective labor agreements locally applicable in case of lay-off.

Within the overall severance, in any case, the amount of the payments additional to the indemnity in lieu of notice does not exceed eighteen months of compensation. This limitation does not apply only if local regulations do not provide for the payment of the indemnity in lieu of notice.

The value of the yearly compensation used to calculate the severance is set – unless more restrictive practices are locally in place – 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.

This Policy defines the maximum limits for severance payments and does not in any way imply the right or even only the expectation of overcoming any possibly more restrictive limit or criteria foreseen by the laws, collective contracts and/ or practices locally applicable in case of lay-off

*(1) 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 severance payments 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):*

*(Fixed [1 year BS] + Average Bonus [2 years BS]) x 2 = 6 years BS*

*The value of the severance thus determined will not in any case exceed € 7.2 million overall (value thus reduced from previous limit of € 12 million additional to the notice)*

*(2) Such limit is automatically increased to the lowest value – if higher than 24 months - compulsorily due in compliance with law,*

*national contract or collective labor agreements*

## 2.2 Criteria

Severance payments, 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 on the basis of risk-adjusted individual performances.

The number of months 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 age 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 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 severance payments, 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, where this is required by regulations and is consistent with the legal framework, regulatory provisions and practices locally applicable, 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 a 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 discovery 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 or, still, the minimum capital and liquidity requirements as foreseen by the regulations time by time applicable should not be met.

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 and paid 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 and/or to be paid without applying deferrals and/or *malus* & claw-back clauses.

Since in such circumstances the respect of the standard rules set by this Policy 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 and are disclosed to the Remuneration Committee and to the Board of Directors. They are also disclosed in the Compensation Report attached to the Group Compensation Policy.

This Policy is accompanied by specific internal guidelines which ensure its consistent and homogeneous application. The guidelines, defined at Group level, are implemented by all Entities – and if necessary locally amended / Integrated to reflect the peculiarities at Country / Legal Entity level.

#### 4.1.1 Germany

German labor law does not allow a unilateral termination of the employment relationship, even of an executive, unless a legally justifiable reason exists. German employees benefit from a material protection: the Judge can reinstate the employment if the lay-off is considered unjustified, with the consequence that if the company wants to terminate the employment it is necessary to agree a consensual resolution against the payment of a severance.

Market practice foresees that the size of the severance in terms of months of compensation is primarily linked to the past duration of the employment: the number of years of service is multiplied by a factor



which can vary within a range depending also on the parties' negotiating power. In relation to this, the maximum policy limit of 24 months can, in particular circumstances, be exceeded.

#### **4.1.2 Austria**

A part of the Austrian employees have old 'protected' contracts, dating back to a time when they were assimilated to public servants. Another part have contracts that are based on the "old Collective agreement for Banks" and state the right for an "administrative pension". Such contracts cannot in any way be unilaterally resolved by the company before the employee reaches the right to public pension or, in case of the administrative pension, the bank has to pay a certain part of the salary until the employee reaches the retirement age. The only possible way to terminate such employments is through consensual resolutions, accompanied by the payment of a severance which takes into account the number of years during which the employee would be still entitled to remain into service before retiring, or at least a part of the amount for the administrative pension. In such cases, the maximum policy limit of 24 months can be exceeded, in particular within redundancy plans for the entire 'protected' population – approved with a specific governance – and anyhow with the limitation that the severance amount cannot exceed 50% of the cost that the company would bear if the employment should continue till retirement.

#### **4.1.3 UK, USA & Asia**

Labor law in the UK, USA and Asia can be less restrictive than in other jurisdictions where the Group operates. Whilst respecting the maximum limits specified in this Policy, severance calculations and subsequent payments should be made and paid out in forms and with timings consistent with the

legal framework, regulatory provisions and practices applicable locally.

## **4.2 Management of exceptions**

In particular circumstances respecting the standard provisions 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 to deviate from the criteria for the definition or the modalities of disbursement of the severances provided for by this Policy, in particular as far as the stipulation of non-competition / non solicitation covenants is regarded.

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, accompanied by 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;
- disclosure to the Remuneration Committee on the exceptions thus approved (for identified staff only);
- disclosure on severance payments for identified staff within the annual compensation report, including exceptions approved.





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