



# Unlocking...

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## 5. 2023 Group Remuneration Policy

Directors' Report

31 March 2023

Ordinary part Shareholders' Meeting

Empowering  
Communities to Progress.

 **UniCredit**

# 2023 Group Remuneration Policy

Dear Shareholders,

We have called this Ordinary Meeting to request your approval of the 2023 Group Remuneration Policy, set out in the attached document which forms an integral part of the present Report, in compliance with the provisions set by the “Disposizioni di vigilanza per le Banche” issued by Bank of Italy which prescribe that the Shareholders’ Meeting approves, amongst other items, the remuneration policy for the Members of the Administrative and Auditing bodies and employees.

The approval of remuneration policy and incentive systems shall evidence their conformity with prudent risk management and the company’s long-term objectives, as well as ensuring an appropriate balance between the fixed and variable components as required by regulators, including in the case of the latter, risk-weighting systems and mechanisms designed to ensure that compensation is linked to effective and lasting results.

It is therefore proposed that this Shareholders’ Meeting approves the annual revision of the 2023 Group Remuneration Policy which defines the principles and standards which UniCredit applies to and are reflected in the design, implementation and monitoring of remuneration policy and systems across the entire UniCredit organization. This proposal was drawn up considering the contribution of Group People & Culture, Group Compliance, Group Risk Management and Group Chief Financial Office functions on the topics under their scope.

The document is prepared to fulfil the obligation prescribed by art. 123-ter of Legislative Decree nr. 58/98 (TUF).

The general principles foreseen at Group level by the Remuneration Policy may be the object of calibration, consistently with the rules and regulatory provisions locally applicable.

## **2023 Group Remuneration Policy**

The key principles of the Group Remuneration Policy, which are substantially confirmed with respect to those approved by the Ordinary Shareholders’ Meeting on April 8, 2022, are fully described in the 2023 Group Remuneration Policy - that fully encompasses the regulatory provisions by Circular n° 285 from Bank of Italy on “Policies and practices on remuneration and incentive” of December 17, 2013, 37<sup>th</sup> update of November 24, 2021 - that has been made available to shareholders and the market – in the ways and in accordance with law – and that is summarized here below:

- (a) the UniCredit compensation approach is performance oriented, market aware and aligned with business strategy and stakeholder interests, ensuring remuneration competitiveness and effectiveness as well as internal and external equity and transparency, by driving sustainable behaviors and performance;
- (b) within UniCredit’s governance structure, rules and processes for delegation of authority and for compliance have been defined with the aim of assuring adequate control, coherence and compliance of remuneration framework across the Group;
- (c) the key pillars of the Group Remuneration Policy, in alignment with the group business and risk strategy, are:
  - clear and transparent governance;
  - compliance with regulatory requirements and principles of good business conduct;
  - continuous monitoring of market trends and practices;
  - sustainable pay for sustainable performance;
  - motivation, retention and fair treatment of all employees, with particular focus on talents and mission-critical resources;

(d) on the basis of these principles, the Group Remuneration Policy establishes the framework for a consistent approach and a homogeneous implementation of sustainable remuneration in UniCredit, with particular reference to the Executives and Material Risk Taker population.

In compliance with applicable regulations, the adoption of a maximum ratio between variable and fixed remuneration of 2:1 was approved by the Shareholders' Meeting held on May 13th, 2014, to be applied for the overall population, with the exception of the employees belonging to company control functions, for whom a more restrictive regulatory cap applies.

Since 2014, successive annual remuneration policies have provided more detailed guidance on the target population for the 2:1 cap, focusing primarily on business functions and specific roles, while providing for the application of the 1:1 ratio for other roles not belonging to business or control functions.

In February 2023, the Board of Directors approved to submit - coherently with the proposal under item No. 8 on the agenda of today's meeting - to the Ordinary Shareholders' Meeting on March 31st 2023, considering possible feedback received by the regulator, the proposal to restore the wider application of the 2:1 ratio between variable and fixed to the whole population, excluding Corporate Control Function and other function for whom a more restrictive regulatory cap applies.

Especially for the staff of the Corporate Control Functions, for Human Resources and Manager in Charge of Drafting the Company Financial Reports a more stringent regulatory cap applies and it is expected that the fixed remuneration is predominant component of total remuneration and incentive mechanisms are consistent with the assigned tasks as well as being independent of results from areas under their control. For these Functions, in particular, the maximum weight of the variable component will take into account the differences between national rules and regulations in application of Directive 2019/878/EU in the various countries in which the Group operates, in order to ensure equal operating conditions in the market and the ability to attract and retain individuals with professional skills and capabilities adapted to the needs of the Group.

Confirming of a ratio of 2:1 between variable and fixed compensation will not have implications on bank's capacity to continue to respect all prudential rules, in particular capital requirements.

In addition, in compliance with the latest regulatory requirements, UniCredit performs on a continuous basis assessment of categories of staff whose professional activities have a material impact on an institution's risk profile. The self-assessment is performed at local and Group level, as requested by Bank of Italy, and the process and criteria are represented in the 2023 Group Remuneration Policy. For 2023 assessment process and outcomes, no material deviations compared to the 2nd cycle 2022 results are expected.

Furthermore, in line with the indications of national and international regulators, it is deemed appropriate within the annual review of policy and remuneration systems to make some updates including in particular:

- Update of performance conditions, targets and payout curve for short-term and long-term scorecard of CEO and Executives with strategic responsibilities, in line with the Strategic Plan;
- Full variable remuneration paid-out in shares for CEO and Executives with strategic responsibilities to further enhance investors' alignment;
- share conversion price calculation based on the market share price at the beginning of the performance period (average price from the beginning of the year until AGM approving incentive system to reduce the possible volatility stemming from a shorter observation period), adjusted to take into account availability constraints during deferral period, as per regulatory requirements<sup>1</sup>

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<sup>1</sup> Considering the regulatory prohibition to distribute dividends or to accrue them and pay them ex-post (Bank of Italy Circolare 285; EBA guidelines), a discount for the share conversion price is applied for unavailability of shares so to restore the value at arm's length with the market. The model, certified by Risk Management function, is based on expected dividends from public source i.e. listed futures, discounted via a risk-free cash flows approach to infer expected dividends till instruments delivery, weighted according to the sizes and the time periods of each deferrals plan.

- Share-ownership: enhancement of the requirements for CEO (from 2x to 3x base salary) and GEC members not belonging to control functions (from 1x to 1.5x base salary) alongside the update of criteria to identify the population in scope;
- Proposal subject to separate AGM approval to restore the wider application of the 2:1 ratio between variable and fixed to the whole population, excluding Corporate Control Functions and staff for whom more stringent local regulatory cap apply.

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*Dear Shareholders,*

*If you agree with the above proposal, you are invited to adopt the following resolution:*

*"The Ordinary Shareholders' Meeting of UniCredit S.p.A., acknowledged the Directors' proposal,*

*RESOLVES*

*to approve the 2023 Group Remuneration Policy, also pursuant to art. 123-ter of TUF, as contained in the Section I of the 2023 Group Remuneration Policy and Report which forms an integral part of the present Report, in order to define the principles and standards which UniCredit shall apply and reflect in its design, implementation and monitoring of remuneration policy and practices across the entire organization."*