2023 Remuneration Policy and Report

Overview

Milan, March 2023

Empowering
Communities to Progress.
UniCredit

2023 Remuneration Policy

Highlights

Group Remuneration Policy and Report

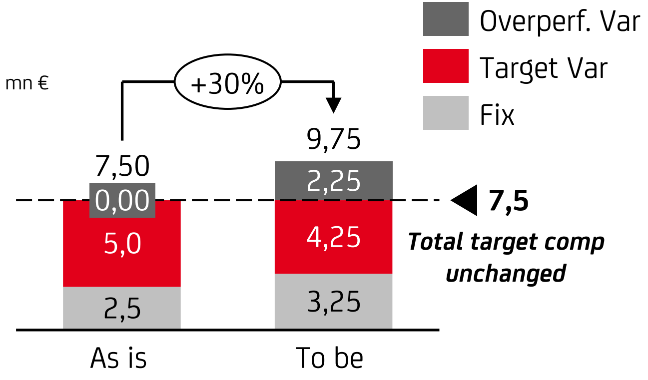
Empowering Communities to Progress. UniCredit

- UniCredit delivered an outstanding performance, achieving or exceeding all key financial ambitions set out in UniCredit Unlocked.
- Sustainable and attractive returns allowed increased shareholder distribution of €5.25 billion, up a €1.5 billion compared to previous year.
- Investment in the communities further supported underpinned by an increase in social contribution of over €20million annually.
- Meritocratic pay system further reinforced with compensation increase on cross business basis.
- Total CEO target remuneration remains unchanged on a year-on-year basis.
- Variable component reduced to allow for increase in fixed component whilst keeping CEO target remuneration unchanged.
- New aspirational targets set, well above UniCredit Unlocked previous run rate and when combined with share buybacks implies EPS growth at 2x the average 2017-19.
- Pay curve more “severe” on pay-outs below target resulting in lower total CEO pay if targets are not achieved.
- Entire variable remuneration to be paid out solely in equity, deferred in the future and subject to long term performance conditions driving greater alignment with shareholders.
- Structure designed to drive overachievement, reward fairly on the upside whilst ensuring leadership carries responsibility for any future underperformance.

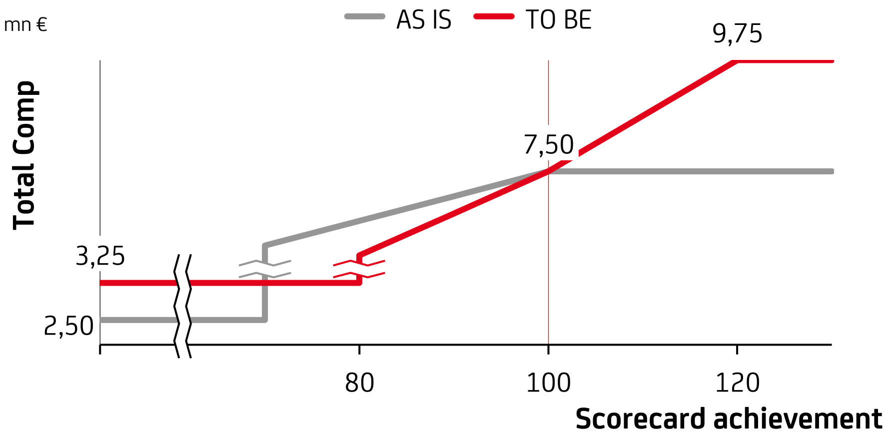
CEO Pay review

Total target remuneration unchanged with a different mix

An increase of the fixed element....



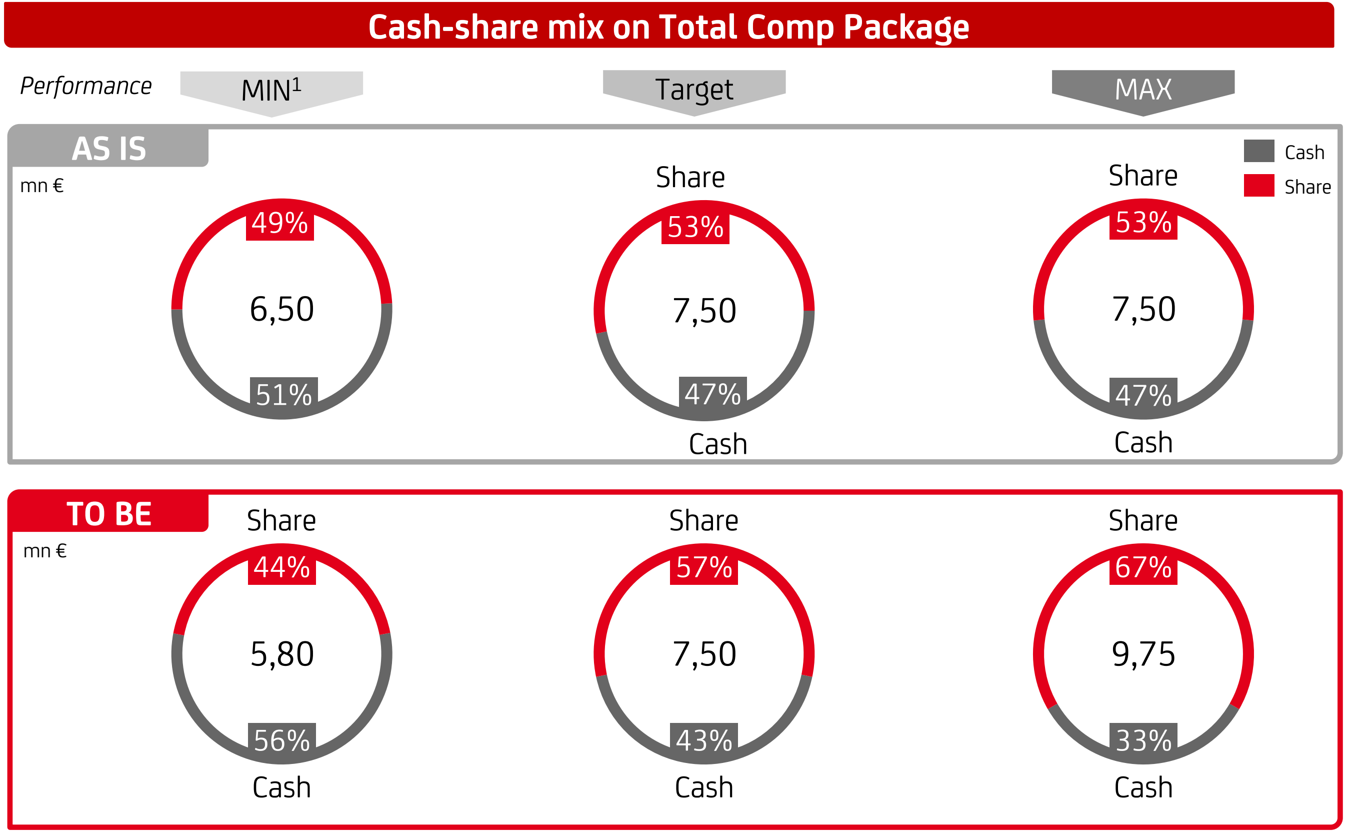
... to allow for a more meritocratic pay curve



- CEO compensation components reshaped to **address the structural flaw** in the ratio between fixed and variable of the original package (any performance above target effectively went unrewarded)
- **CEO total remuneration** remains **unchanged if a new set of stringent targets are merely achieved** and will go **up only if these targets are exceeded**
- **Payout curve more “severe” on pay-outs below targets**, resulting in lower total CEO Pay, despite the salary increase, when targets are not achieved, with minimum performance thresholds raised (from 70pts to 80pts) before variable remuneration becomes payable
- **Structural change** able to endure over time

All variable compensation paid entirely in equity with longer deferrals

- From 80% to **100% payments in shares of variable** remuneration, against a prevalent market practice of cash/ shares mix
- From 53% to **67% paid in shares on the overall package**, if targets are exceeded
- The better the performance, the higher the weight of the share component on the overall package



1. Min performance assuming 80pts

Total compensation remains third quartile vs EU peer group

Change in ranking vs. current structure

Fixed salary

1	Peer 1	**3.6**
2	Peer 2	**3.3**
3	**UniCredit**	**3.25**
4	Peer 3	**3.2**
5	Peer 4	**2.9**
6	Peer 5	**2.6**
7	Peer 6	**2.4**
8	Peer 7	**1.8**
9	Peer 8	**1.7**
10	Peer 9	**1.4**
11	Peer 10	**1.3**
12	Peer 11	**1.1**
13	Peer 12	**1.0**

+3

Target total compensation

1	Peer 6	**12.9**
2	Peer 1	**9.0**
3	Peer 3	**8.6**
4	Peer 2	**7.6**
5	**UniCredit**	**7.5**
6	Peer 4	**6.5**
7	Peer 5	**6.0**
8	Peer 10	**3.6**
9	Peer 9	**2.8**
10	Peer 8	**2.8**
11	Peer 11	**2.4**
12	Peer 12	**2.2**
13	Peer 7	**2.1**

UNCHANGED

Maximum total compensation

1	Peer 6	**17.5**
2	Peer 3	**12.9**
3	Peer 2	**11.0**
4	Peer 1	**9.9**
5	**UniCredit**	**9.75**
6	Peer 4	**8.3**
7	Peer 5	**7.9**
8	Peer 10	**3.9**
9	Peer 9	**3.9**
10	Peer 8	**3.3**
11	Peer 11	**2.6**
12	Peer 12	**2.2**
13	Peer 7	**2.1**

+2

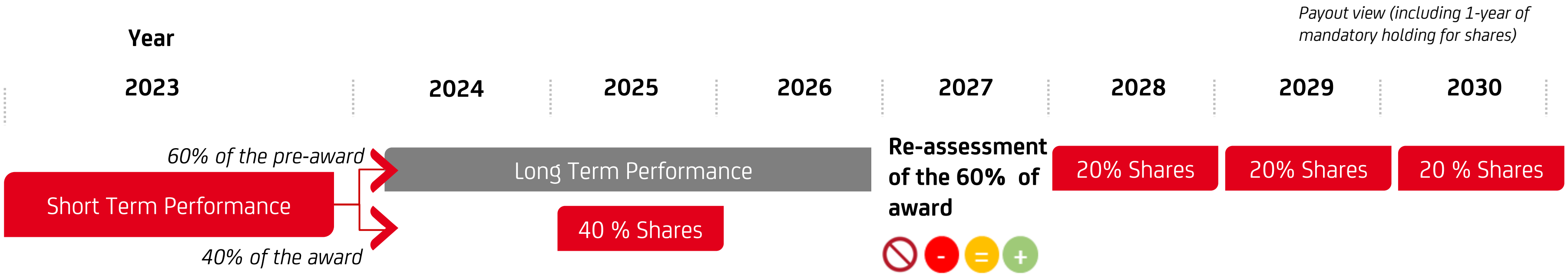
3rd quart. (between ranks 3 and 4)

Median (between ranks 7 and 8)

Notes: €m, 2022 disclosure on 2021 pay data

Sustainable Performance Plan

Incentive plan combining short-term and long-term performance conditions



- Confirmed for CEO and top management[1] a **rolling single incentive plan**, with short-term goals combined with additional long-term performance conditions anchored to **Unlocked Strategic Plan**, to ensure sustainable results over the long-run
- **Share conversion price**[2] set at the **beginning of the performance period** (as average YTD until AGM approving the incentive system) to ensure alignment of interests since day-1; **market share price adjusted** for unavailability of shares so to restore the value at arm's length with the market[3]

1. GEC members and their first managerial reporting line, excluding control functions and other executives with regulatory constraints on variable remuneration **2.** Share value used to convert the equity-based grant from EUR amount in number of shares **3.** Dividends on share-based award cannot be paid during deferral period [Bank of Italy Circolare 285; EBA guidelines] . Adjustment to market share price is therefore applied, through a model certified by risk management, based on public market sources (i.e. listed Futures) to infer expected dividends till instruments delivery, weighted according to the sizes and the time periods of each deferral plan and discounted via a risk-free cash flows approach

CEO 2023 Scorecard

New aspirational targets set well above UniCredit Unlocked

KEY CHANGES

- Tighter and differentiated thresholds for each financial KPI, leading to a **steeper pay-curve**
- **80% weight for Financial** KPIs increased from the previous 70%
- **RoTE replaced by Net Profit** to match shareholders expectation to not see double use of the same metric in ST and LT
- **Sustainability** goal **shifted from ST to LT** as per shareholders feedbacks

	Lever and KPIs	2023 Target[1]	Range	Criteria	Scoring
80% **Financial** *(KPIs equally weighted)*	**Net Revenues** (Revs.– LLPs)	**18.5 bn**	*+/- 7.5%*	> 19,9	120 pts[2]
				17,1 – 19,9	80-120 pts*
				< 17,1	0 pts
	Costs (Cost/Income and Opex)	**48.3%**	*+/- 5%*	< 45.9%	120 pts[2]
				50.7% - 45.9%	80-120 pts*
				> 50.7%	0 pts
		9.7 bn	*+/- 2,5%*	< 9.5	120 pts[2]
				9.9 – 9.5	80-120 pts*
				> 9.9	0 pts
	Organic capital generation	**Avg 150 bps 2021-2024**	*+/- 20%*	> 180	120 pts[2]
				120 – 180	80-120 pts*
				< 120	0 pts
	Net profit	**~ 5 bn**	*+/- 10%*	> 5.5	120 pts[2]
				4.5 – 5.5	80-120 pts*
				< 4.5	0 pts
20% **Non Financial**	**Win, The right way, Together**	**Qualitative assessment** (on a 5-point scale) based on fostering corporate values and expected conduct and behaviors aligned with corporate culture, with a **balanced approach across sustainable growth and risk management**, with a focus on: • Being a **role model for corporate values** (Integrity, Ownership, Caring) - supported by survey-based measurements, 360° feedback and other relevant metrices • Set the proper tone on **compliance culture and risk mindfulness** - supported by relevant metrices (e.g. n. employees involved in Tone from the Top + from the Middle initiatives and Mandatory Training) • Deliver **process simplification** and foster **customer mindset** as enablers of the business and **operating model transformation** (supported by industrial KPIs)		GREATLY EXCEEDS	120 pts
				EXCEEDS	110 pts
				MEETS	100 pts
				MOSTLY MEETS	50 pts
				BELOW	0 pts

** Linear continuum*

As weighted average of Financial and Non-Financial → **Overall score (0-120 pts)**

1. Market guidance 2023 well above Unlocked original target '23; **2.** The over-performance of a single KPI above the max threshold can be used – calculated in points as linear continuum at the same range of each KPI capped at 140 pts max - to compensate only those KPIs that reach at least their minimum threshold level, still within the maximum 120 points of the overall scorecard.

Long-Term Scorecard

LT profitability target above the cost of capital for a sustainable value creation

KEY CHANGES

- **RoTE** as key driver in LT scorecard, with **increased weight** (from 70% to **80%**) and a more aspirational long- term target above cost of equity
- **Sustainability shifted from ST to LT**, enriched with a specific **focus on climate risk**, through **Net Zero** commitments
- **rTSR** replaced on the back of multiple views on peer group setting and suitability for incentive as "output measure". **Moving to 100% equity** for variable awards already captures the performance on the share price side.

Lever and KPIs		2024-26 Target	Criteria	Adjustment of ST pre-award
80% Profitability	**ROTE with CET1 @13%**	Avg 24-26 vs. mid term Cost of Equity (11%)[2]	**11,5% - 13%**	**100%-120%*** ↑
			10% - 11,5%	**Confirmed (100%)** =
			5,5% - 10%	**0%-100%*** ↓
			< 5,5%	**Cancellation (0%)**
20% Sustainability	– **ESG volumes** – **DE&I ambitions** – **Climate risk**	Support **clients' green and social transition**, embedding sustainability in UniCredit culture. Qualitative assessment based on specific evidence from **current and future ESG and DE&I strategy**. Current strategy foresees: • **ESG volumes**: 140 bn by '24 on "E" volumes (Environmental lending, ESG investment products, sustainable bonds) and 10 bn by '24 on "S" volumes (Social lending) and successive updates • **DE&I Ambitions,** including reduction on Gender Pay-Gap (through 100 m Eur investment in strategic plan horizon) and gender parity ambition across the organizational levels • **"Net Zero" commitments**: progress vs. Net Zero 2030 target on the three most carbon intensive sectors (Oil & Gas, Power Generation and Automotive)	**GREATLY EXCEEDS**	**120%** ↑
			EXCEEDS	**110%**
			MEETS	**Confirmed (100%)** =
			MOSTLY MEETS	**50%** ↓
			BELOW	**Cancellation (0%)**

** Linear continuum*

As weighted average of profitability and sustainability

Overall adjustment[1] (0%; 120%)

1. BoD discretion: unlimited downward and up to +20% to evaluate broader performance and market context e.g. industry/global shocks, exceptional events, company performance notably above target in the first year of the sustainable performance plan **2.** RoTE calculated as per current methodology (2023). In case of methodological changes or material change of the macro-economic scenario (eg more than 100 bps in interst rate vs, budget assumptions), the board retain the faculty to mechanically recast LT targets according to the updated scenario

Share ownership guidelines

LT exposure to shares enhanced by a doubled share ownership requirement

2022		
2 X	annual base salary	CEO
1 X	annual base salary	Senior Executive Vice Presidents
0.5 X	annual base salary	Executive Vice Presidents

2023		
Increased 3 X	annual base salary	CEO
Increased 1,5 X	annual base salary	GEC members
0.5 X	annual base salary	GEC-1 with managerial responsibilities

- **Enhancement** of share ownership requirements **for CEO and GEC members**
- For **CEO** share ownership increased from **2x to 3x base annual salary**, i.e. from 5€ mn to 9.75€ mn (c. **+100%**)

Note. Control Functions not impacted by share ownership requirements

Variable to fixed compensation cap

2:1 cap extended to ca. 200 executives to preserve competitiveness in the market

Var to Fix Max ratio[2]

	2022	2023
BUSINESS FUNCTIONS	200%	
CONTROL FUNCTIONS[1] (Audit, Risk, Compliance)	Prevalence of fixed remuneration	
OTHER FUNCTIONS (e.g. Digital, Finance, etc)	100%	**200%**

RATIONALES

Full use of the variable cap for a wider target population to create **headroom to pay for strong years**, by:

- preserving **the competitiveness** vs. **industries where the cap is not present** (e.g. digital) to attract and retain the most researched **skills on the market**
- providing **flexibility to the cost structure, without having to inflate fixed remuneration**
- Improving **retention and long-term orientation** of more executives through deferrals

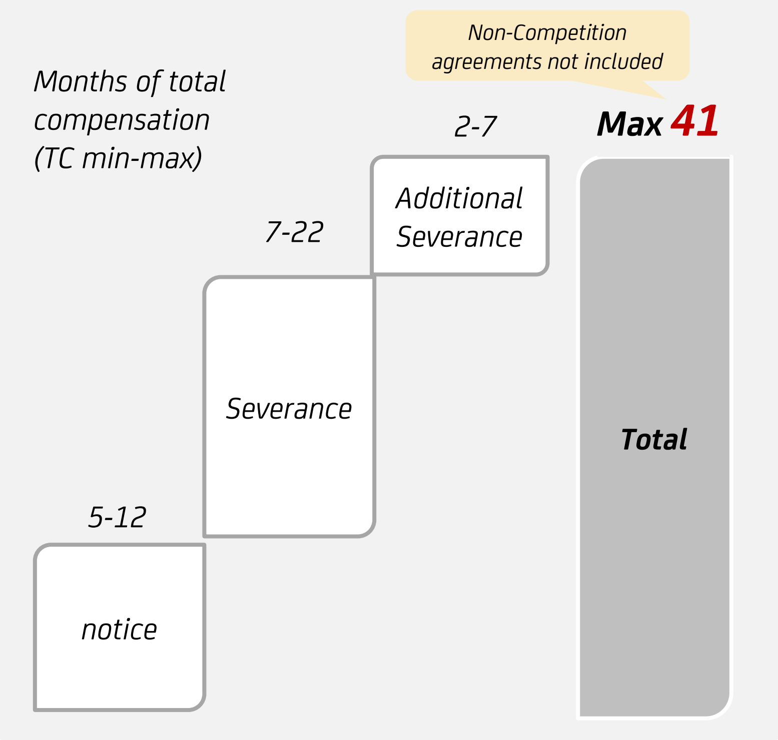
The change could impact up to **c.200 executives** (**0,3%** of the workforce):

- Potential, unrealistic max increase of variable remuneration equal to **ca. 42m eur**[3] (**0,7%** of the FY HR cost base)
- with **non-material impact on capital** (~ 1 bps)

1. Including People & Culture and Manager in charge for drafting financial reports as per Bank of Italy Circolare 285. **2.** Group guideline to be locally adopted e.g. 200% applied unless a more stringent regulation applies at country level. **3.** Impact calculated on Group Material Risk Takers population

No change as effect of CEO pay review, including the absolute limit

Italian National Collective Bargaining Agreement



UniCredit Policy

- Reference is **TC average actually paid-out in the last 3-years,** including fixed salary, average amount of incentives actually received during the last 3 years, value of benefits in kind
- Severances paid to Material Risk Takers can be subject to **deferred payout** mechanisms, in **cash and equity**. **Malus** (in case of deferred payments) and **claw-back** are applicable as long as consistent with legal / regulatory framework

All-inclusive pack including notice, severance and non competition capped at max 24 months of TC

Max 18 months of TC calculated on specific **formula** based on tenure and other factors

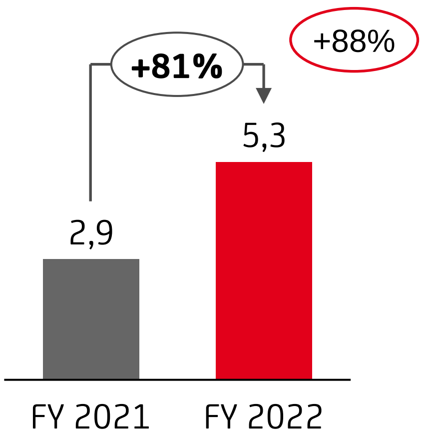
Max 12 months of TC as per CCNL

During the year, we will continue to monitor, with the support of our advisors, market trends and practices in order to continue to define remuneration policies and systems and to provide information that responds as clearly and transparently as possible to the needs of all our stakeholders and, in any case, always in line with national and international regulatory requirements

2022 Bonus distribution for GMRT fully aligned with performance trend

PERFORMANCE

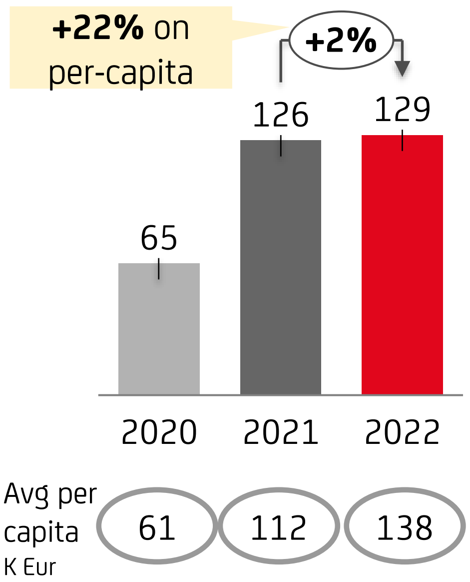
Group OpEVA pre-bonus *(Bn eur)*



% vs. 2022 budget

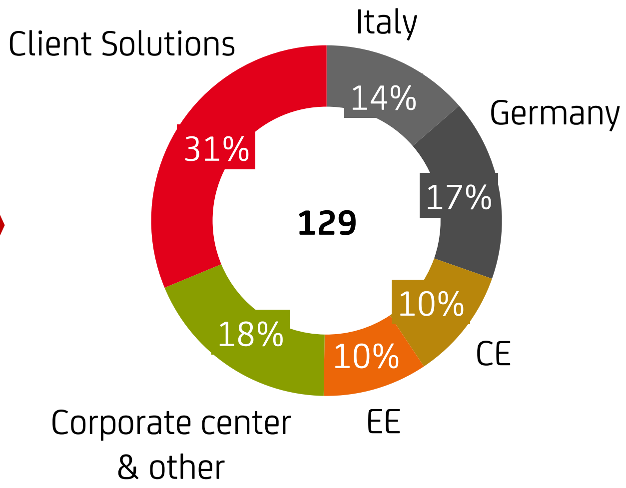
GROUP BONUS POOL

Bonus Pool *(Mln eur)*



POOL CASCADING

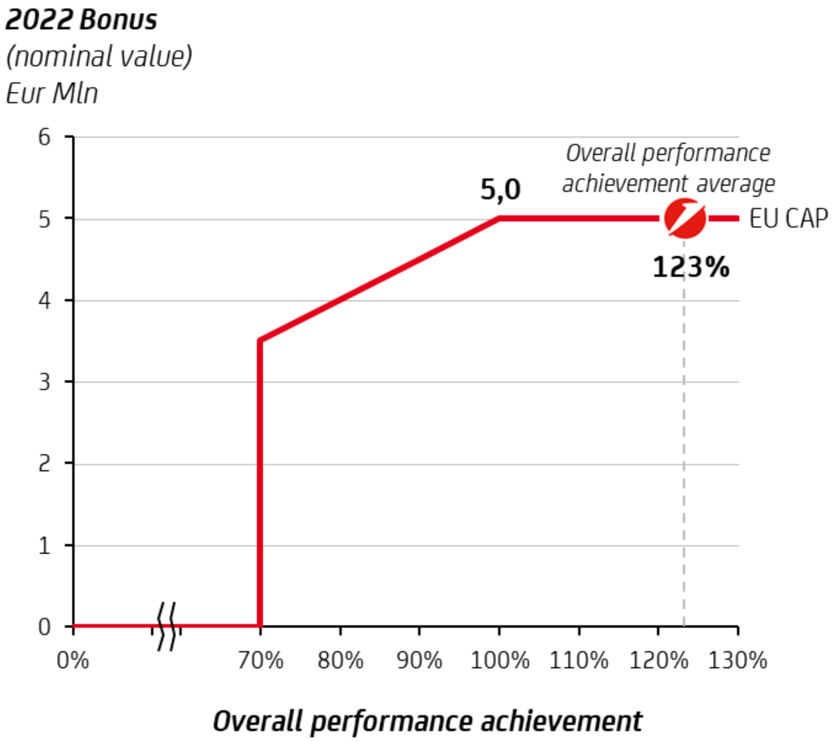
Divisional Bonus Pool *(break-down)*



2022 CEO performance above targets with bonus capped at 5m eur

KEY POINTS

- 2022 variable compensation for the CEO determined by the Board of Directors based on 2022 CEO scorecard. **123% overall weighted score**, largely exceeding targets both on the financial section and the strategic priorities & culture goals
- Given the asymmetric nature of 2022 CEO pay curve, no extra-reward assigned for performance above 100% and **bonus amount is capped at 5m EUR**
- Bonus paid-out 40% upfront and **60% deferred** and **subject to additional long-term conditions** (RoTE and rTSR vs.peers, over the period 2023-2025 as per 2022 Group Incentive system rules)



AGM 2023

6 remuneration voting items

	2023 topics	Comments
ORDINARY SESSION	• **2023 Group Incentive System** • 2023 Group **Remuneration Policy** (*binding vote*) • **Remuneration Report** (*advisory vote*)	• "Every year" items • 2023 Group Incentive System in continuity with 2022 arrangements • 2023 Policy embedding annual updates (e.g. KPIs, targets) and structural improvements (payout schemes, share ownership requirements, etc)
	• Application of the **ratio between variable and fixed remuneration of 2:1** across the organization	• Extension of 2:1 cap to ca.200 GMRT, excluding control functions and other employees with more stringent regulatory constraints. Marginal impact on HR costs (0,7%) and capital (less than 1 bps)
EXTRAORDINARY SESSION	• Delegation to the Board of Directors to carry out a **free capital increase** to the service of **LTI 2017-19** • Delegation to the Board of Directors to carry out a **free capital increase** to the service of **2022 Group Incentive System**	• Ancillary items to the ordinary session, required by the Italian law to implement the free capital increase at service of past incentive plans (already approved by AGM) and technically “clean-up” the paragraphs of Articles of Association

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