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Gruppo

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Banca

# 2022 REPORT ON REMUNERATION POLICY AND COMPENSATION PAID

(prepared pursuant to art. 123-ter of Legislative Decree 58 of 24 February 1998, as amended by Legislative Decree 49 of 10 May 2019, and art. 84-quarter of the Issuers' Regulation approved by Consob Resolution 11971 of 14 May 1999 and subsequent amendments and additions)

BPER Banca S.p.A., head office in Modena, via San Carlo, 8/20 - Tax Code and Modena Companies Register no. 01153230360 - Company belonging to the BPER Banca VAT Group, VAT no. 03830780361 - Share capital Euro 2,100,435,182.40 - ABI Code 5387.6 - Register of Banks no. 4932 - Member of the Interbank Deposit Protection Fund and of the National Guarantee Fund - Parent Company of the BPER Banca S.p.A. Banking Group - Register of Banking Groups no. 5387.6 - Tel. 059.2021111 - Telefax 059.2022033 - Certified e-mail (PEC): bper@pec.gruppobper.it - bper.it - istituzionale.bper.it

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# DEFINITIONS

Shareholders' Meeting	The Shareholders' Meeting of the Bank
Shares	The ordinary shares of BPER listed on the Italian stock exchange managed by Borsa Italiana
Bonus	The variable part of remuneration, defined in accordance with the Remuneration Policies of the BPER Group
Bonus Pool	The overall allocation of funds for incentive schemes
BPER or Issuer	BPER Banca S.p.A.
Parent Company	BPER Banca S.p.A.
Cash	The cash component of variable remuneration (as opposed to the stock component)
Clawback	The mechanism that envisages restitution of a bonus if it has already been paid or if it has already vested but is still subject to a retention period
Board of Statutory Auditors	The Board of Statutory Auditors of the Bank
Remuneration Committee	The Remuneration Committee of the BPER Group
Consolidated Common Equity Tier 1 ratio	An indicator of financial strength, representing the ratio of Common Equity Tier 1 capital to total risk-weighted assets (Pillar 1 RWA under the transitional arrangements)
Board of Directors	The Board of Directors of the Bank
Cost/income ratio	An indicator of operational efficiency, calculated on the basis of the Group's reclassified consolidated accounting schedules <sup>1</sup> . Measured as the ratio of operating costs to operating income
Assignment date	The date on which the Board of Directors of the Bank assigns the Ordinary shares to the Beneficiaries, following approval of the Plan by the Shareholders' Meeting
Recipients or beneficiaries	The persons to whom the Shares will be assigned
Executives with strategic responsibilities	Those identified as such according to Consob's regulations. At the time of drafting these Remuneration Policies, they include the following: Directors, Statutory Auditors, members of General Management (General Manager and Deputy General Managers), "C-level" executives who are members of the General Management Internal Committee, members of General Management at Group Banks and Companies and the "Manager responsible for preparing the company's financial reports".
Current Supervisory Provisions	Bank of Italy Circular 285 of 17 December 2013, 37th update of 24 November 2021 (hereinafter Bank of Italy Circular 285)
Entry gates	Minimum parameters (equity, profitability and liquidity) which, if surpassed, may lead to a bonus being granted
ESG	An acronym that defines a set of metrics and factors relating to Environmental sustainability, Social development and corporate Governance, together considered as strategic indicators also in incentive plans
BPER Group	BPER Banca and its direct and indirect subsidiaries, as defined by current legislation
KPI	Key Performance Indicator
LCR	Liquidity Coverage Ratio: the ratio between the stock of high quality liquid assets and net outflows in the 30 days after the reporting date
Malus clause	Ex-post corrective mechanisms, based on which accrued bonuses can be reduced to zero
MREL	Minimum Requirement for own funds and Eligible Liabilities
Gross NPE Ratio	A risk indicator linked to credit quality, measured as the ratio of gross Non-Performing Exposures to gross loans to customers
UCITS	Undertaking for Collective Investment of Transferable Securities
Performance shares	The real financial instruments (BPER ordinary shares) assigned as a bonus according to the achievement of the performance objectives of the 2019-2021 LTI Plan, subject to the entry gates being surpassed.
Deferral period	The period between the moment when the right to participate in the Plan is assigned (or "granted") and the moment when that right matures (or "vests")
Retention period	The period between the moment when the right to participate in the Plan vests and the moment when part or all of the bonus is paid out
Key personnel or material risk takers (MRTs)	Group personnel whose professional activities have or could have a significant impact on the risk profile of the Bank, as defined in the Remuneration Policies of the BPER Group
Phantom Stock	These are "virtual" financial instruments that give each recipient the right to payment on maturity of an amount of money

<sup>1</sup> Further details on the methods of presentation of the reclassified statements are available in the attachment to the separate financial statements entitled "Reconciliation between the consolidated accounting schedules and the reclassified formats". These formats are used internally to develop annual/multi-year forecasts and report the results of operations.

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	corresponding to the value of BPER Banca Shares
Phantom Stock Plan	This is the Phantom Stock-based compensation plan for Material Risk Takers adopted by the BPER Group
LTI Plan	2019-2021 Long-Term Incentive Plan
LTI Plan or Long-Term Incentive Plan	2022-2025 Long-term incentive plan based on financial instruments
2019-2021 Long-Term Incentive Plan	This is the long-term incentive plan based on financial instruments for certain key members of staff, as approved by the Board of Directors on 27.02.2019.
Strategic Plan	Long-term business plan approved by the Board of Directors of the Group, which <u>was communicated</u> to the market in June 2022, following completion of the absorption of Carige S.p.a. by the BPER Group
Post Provisions Profit	Operating result net of credit risk adjustments <sup>2</sup> The indicator, calculated on the basis of the Group's reclassified consolidated financial statements <sup>3</sup> , is measured as the difference between the operating result and the net adjustments/write-backs for creditworthiness
Issuers' Regulations	Consob Regulation no. 11971/99 and subsequent amendments and additions
Fixed remuneration	This is the stable part of remuneration, determined and paid based on pre-established criteria; it also includes the components closely linked to the person's role and responsibilities or aimed at offsetting specific charges, above all those related to the logistical inconvenience or, in any case, components that do not create any incentive to take risks and not related to company performance
Variable remuneration	This is the part of remuneration whose recognition or disbursement can change in relation to performance and, in any case, it is measured either according to other parameters (e.g. the period of service with the company), discretionary pension benefits and amounts agreed between the bank and personnel in view of or on the occasion of early termination of employment or early termination of office
Total remuneration	For MRTs and those for whom information on remuneration is provided individually, total remuneration for the year is considered the cash portion of total remuneration, while the portion paid in financial instruments is included in the annual calculation of actual maturity (meaning it is vested and attributable) i.e. it has already passed the vesting period and the verification of non-application of the malus clauses. For other personnel, the remuneration actually received during the year is used (cash basis)
Risk Appetite Framework (RAF)	Guidance document for the Group's internal control system to steer the synergistic governance of planning, control and risk management. It constitutes the frame of reference, that in line with the risk capacity, defines the business model and strategic plan, risk appetite, tolerance thresholds, risk limits, risk management policies and the key processes needed to define and implement them.
RORWA	The return on risk-weighted assets represents the ratio of profit (loss) for the period, including non-controlling interests <sup>4</sup> , to total risk-weighted assets (Pillar 1 RWA under the transitional arrangements)
ROTE	A profitability indicator, calculated on the basis of the Group's reclassified consolidated accounting schedules <sup>5</sup> . <u>The ROTE is measured as the ratio between the Parent Company's net profit and the Group's average tangible equity. Tangible equity is the sum of the valuation reserve (item 120 + item 125), reimbursable shares (item 130), reserves (item 150), share premiums (item 160), capital (item 170) less treasury shares (item 180), consolidated profit net of dividends distributed (or approved) by the parent company or in any case by the consolidating company (item 200) and intangible assets (item 100f).</u>
CSR	Corporate Social Responsibility
RTS	Regulatory Technical Standards issued by the European Banking Authority (EBA)
SGR	Società di Gestione del Risparmio (Asset management company)
Companies/banks	Unless otherwise specified, this refers to companies/banks of the BPER Group
Theoretical Ex-Rights Price (TERP)	The theoretical price of a share after detaching the option right relating to an increase in capital
TLOF	Total Liabilities and Own Funds
TSRr	This indicates the positioning of the total return on BPER Banca shares in relation to the TSR of comparable peers
CFA	Legislative Decree 58 of 24 February 1998, as amended by Legislative Decree 49 of 10 May 2019.
Up-front	Payment of bonuses not subject to deferral conditions
Group Gross Profit	Result from current operations before tax

<sup>2</sup> See previous note (page 3).

<sup>3</sup> See previous note (page 3).

<sup>4</sup> See previous note (page 3).

<sup>5</sup> See previous note (page 3).

<sup>6</sup> It should be noted that the change in the calculation method, illustrated in detail in the Business Plan, is aimed at aligning the formula with the best market practices, while at the same time giving it further transparency and objectivity. Moreover, internal simulations aimed at comparing the results from the "old" and "new" formula did not show significant deviations.

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# Letter from the Chairman of the Remuneration Committee

## Shareholders.

In bringing to your attention the 2022 Remuneration Policies of the BPER Group, we re-propose the document approved by the Shareholders' Meeting on 20 April 2022 with evidence of the necessary updates in order to align the duration and objectives of the 2022-2025 Long-Term Incentive Plan as defined in the 2022-2025 Group Business Plan approved last June.

Ours is an Italian Banking Group that bases its strength on a policy of concrete, responsible growth, sharing the values of the communities in which we operate. We make integrity, sustainability and inclusion our hallmarks. BPER's Remuneration Policy is our key tool for attracting, retaining and motivating people who reflect these high standards and who act on a day-to-day basis according to the principles of collaboration, courage, conscience, dialogue and results.

At BPER we consider human capital our main competitive value.

The Committee therefore proposes to orientate its decisions in line with the strategic and operational needs of the Bank and from this perspective we consider constant and transparent dialogue with shareholders and investors a cornerstone of our way of operating.

It is therefore with great pleasure that I present to you, as Chairman of the Remuneration Committee, the BPER Group's 2022 Annual Report on Remuneration and Compensation Paid.

The major issues that characterised 2020 continued to be a challenging terrain, both at system level and within the Group. The need to offer ready answers to the changed scenario resulting from the pandemic appeared in all its importance, with the precise purpose of having to guarantee operations, dedicating the utmost attention to the safety and protection of our human resources and to customers alike.

The conditions in which we find ourselves acting as financial operators today, even if aggravated by the recent international political-economic instability, are counting on the PNRR and the investments it conveys to which we intend to offer our contribution; but we are also counting on the transversal - and by now essential - importance of ESG issues, which we decided to address at Group governance level with the creation of the Sustainability Committee and the ESG Strategy Office, more specifically in matters of remuneration.

Moreover, the extraordinary transactions on which our Group has focused strengthen our competitive position in the national market by growing in size and improving all our business indicators. The will to expand externally too demonstrates dynamism and determination in presenting BPER in a position of leadership in the most productive areas of Italy, bringing with it the need to

equip ourselves quickly and effectively with structures that are suitable for the growth path that we want to achieve.

In this sense, the remuneration policy is aligned with the strategic objectives of the Group in both the short and long term, being designed to create value for shareholders, employees, customers and other stakeholders. The purpose, as always, is to ensure a close correlation and consistency between remuneration, results, development guidelines, sustainable initiatives, sound and prudent risk management and compliance with the law.

In line with the objectives of the [2022-2025 Strategic Plan](#), our intention is to strengthen the concept of “Pay for Sustainable Performance”, introducing some innovative improvements having analysed and taken into account the results of previous years. Of these, the main ones involve:

- reviewing the pay-mix and the link between the main part of overall remuneration to the achievement of annual and long-term results, with a particular focus on a multi-year horizon;
- integrating the ESG priorities into the annual and long-term incentive plans, focusing on creating value for all stakeholders;
- the introduction of a Long-Term Incentive Plan<sup>7</sup> (2022-2025 LTI Plan), assigned in BPER Shares, [aimed at incentivising the achievement the targets of the Strategic Plan in 2025](#), the extension of the obligations to maintain the financial instruments deriving from the LTI Plan, through the introduction of Share Ownership Guidelines for the Chief Executive Officer and the other Executives with Strategic Responsibilities;
- introducing safeguards to guarantee the gender neutrality of the Remuneration Policy;
- a revision of the severance policy by introducing a predefined formula in line with the practices observed by other Italian Banking Groups, while maintaining the maximum limits already envisaged.

We also pay constant attention to ensure that policies are aligned from a regulatory point of view and consistent with a constantly evolving national and European legislative framework; such as the use of criteria for identifying Material Risk Takers in line with the Delegated Regulation updated in March 2021; or the confirmation of stringent deferral mechanisms, mix of financial instruments and materiality threshold, in line with the 37th Update of Circular 285 of the Bank of Italy.

I would like to conclude by thanking the members of the Committee who remained in office from the beginning of last year until the Shareholders' Meeting, for the activities that they carried out during the first part of the year and in previous years. And I would also like to thank the members of the current Remuneration Committee and the entire structure.

On behalf of the Committee, I thank you for the attention you have given us and I invite you to read the Report on the following pages, very much hoping that your feedback at the Shareholders' Meeting will be positive.

*Maria Elena Cappello*

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<sup>7</sup> [The 2022-2025 Strategic Plan was approved by the Board of Directors of BPER Banca on 9 June 2022 and communicated to the market on 10 June 2022. Following the approval of the new 2022-2025 Business Plan, the Board of Directors resolved to submit to the Shareholders' Meeting the amendment \(i\) of the Long-Term Incentive Plan \(LTI Plan\) approved by the Shareholders' Meeting of 20 April 2022, to bring it into line with the objectives of the Business Plan and its four-year duration \(2022-2025\), as well as \(ii\) the Remuneration Policy approved by the same Shareholders' Meeting on 20 April, to the extent necessary. The possibility of giving an even wider disclosure to the objectives to which the LTI Plan is linked responds to the company's decision to give maximum transparency to the market in the belief that it will meet the favour of those stakeholders who indicated that this practice was needed to comply with their governance policy](#)





## SECTION I – 2022 REMUNERATION POLICIES OF THE BPER GROUP

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# 1. Governance of the remuneration and incentive policies

The BPER Group has established a governance process in order to regulate the definition, implementation and management of its remuneration policies. This process will involve various control bodies and business functions at different levels, according to their sphere of competence:

## Definition of the remuneration and incentive policies

CORPORATE BODIES	BUSINESS FUNCTIONS
Shareholders' Meeting	CHRO - Human Resources
Board of Directors	Planning and Control Management
Remuneration Committee	CRO - Risk Management
Control and Risk Committee	CCO - Compliance
Sustainability Committee	CAO - Internal Audit

### 1.1. Shareholders' Meeting

On the topic of remuneration, the Shareholders' Meeting:

- determines, in accordance with applicable legal and regulatory requirements, the remuneration payable to the Directors and statutory auditors;
- approves the remuneration policies in favour of the bodies with supervisory, management and control functions and the staff;
- is consulted about the remuneration paid in the previous year to the bodies responsible for supervision, management and control activities and to the Executives with Strategic Responsibilities;
- approves any remuneration plans based on the use of financial instruments;
- approves the criteria for calculating any special remuneration to be awarded in the event of early termination of employment or stepping down ahead of schedule, including the limits set on such remuneration in terms of the number of years of the fixed portion of remuneration and the maximum amount that derives from applying these criteria;

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- has the power to resolve, with qualified majorities required by current supervisory regulations, a ratio between the variable and fixed element of individual MRT remuneration higher than 1:1, but not exceeding the maximum established in such regulations.

BPER Banca currently extends this rule to all Personnel.

The above maximum limit on the ratio of variable to fixed remuneration for MRTs is currently set at 2:1, except in relation to control functions and similar activities, in order to have the flexibility to make payments ahead or at the time of early termination of the working relationship or office, while also making all operational drivers available for the competitive structuring of remuneration packages designed to attract professionals with strategic skills and guarantee availability of the human resources needed to achieve our business objectives. The ratio for other personnel is fixed at 1:1, except as described in chapter 8, including the specific exceptions envisaged for certain sectors.

## 1.2. Board of Directors

With respect to remuneration issues and in accordance with its role of body with strategic supervisory powers, the Board of Directors is responsible for the Group's remuneration policies, with the support of the Remuneration Committee and the relevant corporate functions.

In the context of guiding and coordinating the activities of subsidiaries, the BPER Board of Directors - in its role as the administrative body of the Parent Company - ensures the consistency of the remuneration and incentive systems implemented within the Banking Group, while recognising the specific characteristics of the sectors served by each Group company, as well as their organisational structures and the regulations applicable to them, based on the nature of their businesses and their geographical locations.

In the conduct of its activities in the field of remuneration, the Board of Directors has responsibility for:

- determining the remuneration of Directors with particular responsibilities, having heard the opinion of the Board of Statutory Auditors;
- approving the process for the identification of MRTs, assessing full compliance with the pertinent regulations<sup>8</sup>, and the list of roles included in this category as a result of the process, with the help of the Statutory Auditors;
- approving Group remuneration policies, with particular reference to MRTs and the Report on Compensation Paid, to be submitted to the Shareholders' Meeting for final approval;
- approving the share-based incentive schemes to be submitted to the Shareholders' Meeting for final approval;
- ensuring the gender neutrality of the remuneration policies adopted and, therefore, monitoring the gender pay gap and related changes over time;
- checking proper implementation of the Group's remuneration policies;
- ensuring that the remuneration policy is adequately documented and accessible within the organisation, and that the consequences of any

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<sup>8</sup> Bank of Italy Circular 285.

infringements of the regulations or codes of ethics/conduct are known to personnel.

As envisaged in art. 123-ter, para. 3-bis, of Legislative Decree 2020/98 (CFA), updated in 2019, and by the update of the Issuers' Regulation of December 2020, the Company may make temporary exceptions to the Remuneration Policy after hearing the opinion of the Remuneration Committee, but only under exceptional circumstances when necessary in pursuit of the long-term interests and sustainability of the Company as a whole, or to ensure its survival in the marketplace. Even in these cases, it is still necessary to comply with all regulatory and legal constraints and, with reference to the Chief Executive Officer, General Manager and Executives with Strategic Responsibilities of the Parent Company, the procedure governing related-party transactions.

As part of the Report on Compensation Paid which follows, information is given on any exceptions that have been applied, highlighting the elements subject to derogation, the exceptional circumstances, why they were needed in terms of the pursuit of the long-term interests and sustainability of the Company as a whole or to ensure its ability to stay on the market long term and, hence, the procedure followed.

Specifically, the elements of the policy from which it is possible to derogate, in the circumstances and applying the procedure described above, in compliance with legal and regulatory constraints, are the following:

- annual variable incentive plans – MBO
- long-term incentive plans (LTI)
- additional elements of variable remuneration, such as entry bonuses and/or retention bonuses.

Examples of some of these elements are:

- with reference to MBO plans
  - mix of objectives and/or corrective measures;
  - target and maximum incentives, in any case within the limit of the total variable remuneration approved by the Shareholders' Meeting;
  - access and/or malus conditions;
  - vesting and/or payout conditions.
- with reference to LTI plans
  - the mix of objectives and/or related targets<sup>9</sup>,
  - vesting and/or payout conditions.

### 1.3. Remuneration Committee

In compliance with the principles laid down by the Supervisory Provisions, the Remuneration Committee performs advisory, investigative and propositive

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<sup>9</sup> This replaces the previous wording "mix of objectives and/or targets that are not attributable to an update of the Strategic Plan of which the LTI Plan is an integral part".

functions to support the activities of the Board of Directors and, to the extent of its sphere of competence, those of the Executive Committee, without prejudice to the autonomy of decision-making and the responsibility of these bodies to pass motions within their respective spheres of competence.

## Composition of the Committee

The Remuneration Committee consists of three non-executive Directors, the majority of whom meet the independence requirements of art. 148, paragraph 3, of Legislative Decree 58/98 (TUF); at least one of them must have adequate knowledge and experience of financial matters or remuneration policies, to be assessed by the Board of Directors when they are nominated. The Board of Directors appoints the three members and chooses one of those who meet the independence requirements to act as Chairman. On the Chairman's proposal, the Remuneration Committee appoints a Secretary, who need not be one of its members.

The internal composition of the Committee, formed on 23 April 2021 following approval of the Board mandate for 2021-2023 at the Shareholders' Meeting held on 21 April 2021, also complies with the good practices in terms of gender diversity indicated in the 35th update of the Supervisory Instructions on Corporate Governance, adopted on 30 June 2021.

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### Members of the Remuneration Committee

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Maria Elena Cappello	Chairman (independent)
Roberto Giay	Member
Elisa Valeriani	Member (independent)

## Role of the Committee

The role of the Remuneration Committee is advisory, investigative and propositive, as support for the activities of the Board of Directors, which involves the following responsibilities:

- making proposals on the remuneration to be paid to the Board of Directors and Board of Statutory Auditors to be submitted for the approval of the Shareholders' Meeting, as well as how the total amount approved should be split among the various Directors;
- submitting proposals on the remuneration to be paid to Directors with particular responsibilities, the members of General Management, the heads of Corporate control functions, the Manager responsible for preparing company's financial reports, as well as giving opinions on remuneration proposals for the other MRTs of the Bank, as identified in accordance with current provisions issued by the Supervisory Authority;
- providing support for the processing of remuneration and incentive policies, with particular reference to determination of the criteria for compensating the Group's MRTs;

- expressing an opinion on the adequacy, overall consistency and practical application of the remuneration and incentive policies with respect to those approved at the Shareholders' Meeting;
- ensuring the involvement of the relevant corporate functions in the process of drawing up and monitoring remuneration and incentive policies and practices;
- expressing an opinion on the results of the process adopted to identify “Material Risk Takers”, including any exclusions pursuant to the regulations in force at the time;
- assisting the Board of Directors to prepare the Remuneration Report pursuant to art. 123-ter TUF for approval by the Board and subsequent presentation for consideration at the Shareholders' Meeting;
- acting in a support role in proposals for the remuneration of corporate officers of Group companies;
- providing help for the work to verify the gender neutrality of the remuneration policies and to monitor changes in the gender pay gap over time.

### The Committee's work cycle

The Committee is convened by the Chairman and meets at least once every quarter and, in any case, whenever a meeting is needed to discuss important matters.

The Committee's activities were intense during the course of 2021, particularly on the question of Remuneration Policies. The Committee met 28 times and the average duration of each meeting was approximately 1 hour and 48 minutes; from time to time, depending on the issues being addressed, committee meetings were attended by the Heads of Department in question to provide detailed information on topics on the agenda (on average, 3 people were invited to each meeting). The Committee met 3 times in January and February 2022.

The Committee calendar of events in 2021 was structured as follows:

## Main activities carried out in 2021 by the Remuneration Committee

- Analysis and strategic decisions concerning the remuneration systems and long-term incentive plans: pay benchmarking, adjustment of LTI targets, request to purchase treasury shares
- Analysis and assessment of the guidance document and remuneration report in support of the Board of Directors
- Monitoring the analyses carried out to identify MRTs within the BPER Group
- Analysis and opinions on the strategic scorecard and the 2021 MBO



- **Pay benchmarking**
- Resolutions and decisions on the remuneration of top management and executives

- Verification of changes in the MRT perimeter during the year
- Initial planning for the 2022 MBO plan and the new LTI plan
- Analysis of the salary review process
- Preliminary analysis of the Gender Pay Gap
- Assessments concerning the remuneration of Group management

### 1.4 Control and Risk Committee

In carrying out its duties and without encroaching on the Remuneration Committee's sphere of competence, the Control and Risk Committee examines whether the incentives underlying the remuneration and bonus system of the Bank and the Group are consistent with the RAF. In particular, it examines whether the incentives provided by the remuneration system take full account of the risks in terms of capital and liquidity.

### 1.5 Sustainability Committee

The role of the Sustainability Committee is advisor and propositive in nature, providing support to the Board on Environment, Social and Governance (ESG) matters and influencing all processes adopted by BPER to pursue sustainable development, including those relevant to the remuneration and incentive systems.

## 2. Main changes introduced for 2022

The 2022 Remuneration Policy has been prepared with reference to the important challenges faced by the BPER Group, as identified in the strategic guidelines contained in the 2022-2025 Business Plan<sup>10</sup> and considering the evolution of the regulatory framework for the sector.

Main changes:

- strengthen the concept of pay for sustainable performance by:
  - revising the pay mix and linking the greater part of total remuneration to the delivery of annual and long-term results, with a particular focus on the longer term, while always respecting the maximum ratio of variable remuneration to fixed remuneration defined in the Remuneration Policy;
  - incentivising the achievement of «superior» performance, by revising the incentive criteria applying to all Group employees to reflect more closely the annual and medium/long-term priorities and prudent risk management strategies adopted by the Group, having regard for the internal fairness and external competitiveness objectives;
  - integrating the ESG priorities into the annual and long-term incentive plans, with a view to creating value for all stakeholders;
  - introducing a Long-Term Incentive Plan (LTI Plan 2022-2025), with the assignment of BPER shares linked to the Business Plan targets and the measurement of performance using indicators aligned with best market practices;
  - extending the obligation to retain the financial instruments allocated under the LTI Plan to the Chief Executive Officer & General Manager and the other MRTs, via the introduction of Share Ownership Guidelines consistent with best practices regarding alignment with the interests of investors;
- introducing checks to guarantee the gender neutrality of the remuneration policy, consistent with the new Bank of Italy instructions, in confirmation of the commitment to equal treatment and inclusion policies, regardless of gender and other diversities;
- revising the severance policy by introducing a predetermined formula, consistent with the practices followed by the Italian Banking Groups, while maintaining unchanged the maximum limits envisaged for amounts and the number of annual payments, and detailing further the treatment of good leavers.

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<sup>10</sup> The 2022-2025 Strategic Plan was approved by the Board of Directors of BPER Banca on 9 June 2022 and communicated to the market on 10 June 2022. Following the approval of the new 2022-2025 Business Plan, the Board of Directors resolved to submit to the Shareholders' Meeting the amendment (i) of the Long-Term Incentive Plan (LTI Plan) approved by the Shareholders' Meeting of 20 April 2022, to bring it into line with the objectives of the Business Plan and its four-year duration (2022-2025), as well as (ii) the Remuneration Policy approved by the same Shareholders' Meeting on 20 April, to the extent necessary.

This is a translation into English of the original in Italian. The Italian text shall prevail over the English version.



Consistent with the 2021 remuneration policy:

- allocation of the bonus pool with reference to the overall results achieved by the Group or the segment of personnel to which the specific budget relates;
- identification of Material Risk Takers in line with Delegated Regulation (EU) 923, updated in March 2021, whose requirements were included in the 2021 identification process, in compliance with the EBA RTS published in 2020 and the supervisory requirements specified in the Bank of Italy Circular 285;
- strict deferral mechanisms, mix of financial instruments and materiality thresholds, in line with the requirements of the 37th update of the Bank of Italy Circular 285, already addressed in the 2021 remuneration policy;
- the variable remuneration policy, revised in 2022 with regard to the incentive criteria applied and the maximum impact on remuneration of overperformance, remains prudent and well below the maximum limit for the ratio of variable remuneration to fixed remuneration, set at 2:1 for all MRTs, except for those functions for which the regulations envisage smaller ratios.

# 3. Identification of Material Risk Takers

The current Supervisory Instructions on remuneration specify that “banks establish a policy for identifying Material Risk Takers, as an integral part of their remuneration and incentive policy”.

The policy for the identification of Material Risk Takers adopted by BPER, set out below, defines: i) the criteria and procedures used to identify key personnel, ii) the procedures for assessing personnel; iii) the roles played by corporate bodies and the relevant business functions in devising, monitoring and reviewing the identification process.

Consistent with the duties allocated by current regulations to the Parent Company, BPER identifies the Group's Material Risk Takers with reference to all companies within the same Group, whether or not subject to banking regulations on an individual basis, ensuring the overall consistency of the identification process and coordination of the varying instructions that apply in the specific sectors served by each Group company.

In order to identify the Material Risk Takers within the BPER Group, the Parent Company has applied the criteria established in Delegated Regulation (EU) 923 dated 25 March 2021 that, in turn, reflect the criteria established in the Final Report of the EBA issued in June 2020, as well as the supervisory instructions contained in the Bank of Italy Circular 285.

Banks belonging to a Banking Group, if not listed, can adopt the policy established by the Parent Company.

The objective of the process is to identify, among all of the Group's personnel, those who are considered MRTs, being persons who professionally carry out activities with a substantial impact on the Group's risk profile, based on the analysis and declination of the quantitative criteria given in the above Commission Delegated Regulation.

The self-assessment process consists of the following stages:

1. Analysis of the Group's risk profile  
Risk contribution made to the Group by various members of top management of Group Companies and verification of their contribution to future results.
2. Application of qualitative criteria  
Analysis of responsibilities, level and delegated powers.
3. Application of quantitative criteria  
Amount and structure of the remuneration received.

The Group's risk profile is analysed by the Chief Risk Officer and his staff, who analyse the structure of the risks to which the Group is exposed. In particular, they identify:

- The main risk categories that affect the Group as a whole;
- The parameters on which to measure the risk profile of the Group and individual companies;

- The level of contribution of each component to the overall risk of the Group and the individual types of risks.

Depending on these parameters, "Material Legal Entities" have been identified for the purpose of determining the perimeter of MRTs.

The self-assessment process is coordinated at Group level by the Chief Human Resource Officer (CHRO) and his staff. After receiving the assessments of the Group's risk profile prepared by the Chief Risk Officer (CRO) together with the Planning and Control Department, they analyse the various organisational positions (or roles) with the support of the Chief Legal and Governance Officer (CLEGO) and the Planning and Control Department. Among the latter, only those that are likely to have an impact on the Group's risk profile, according to the relevant legislation and based on salary levels, are analysed (involving the application of qualitative and quantitative criteria).

Group companies actively participate in the process of identifying the Group's MRTs, as carried out by the Parent Company, providing it with the necessary information in accordance with the instructions received. The Human Resources function of each Italian bank and the SGR within the Group contributes to the preparatory work needed to identify the MRTs and drafts the "Self-assessment for the identification of MRTs" which will be examined and approved by the Board of Directors of each bank and SGR, after obtaining a compliance opinion from the Chief Compliance Officer (CCO) of the Parent Company, if that function has been centralised.

The CLEGO of the Parent Company checks any updates of the signature powers granted to particular roles at the individual Group companies, pointing out to the CHRO the main changes with respect to the previous year and the presence of any specific executive appointments involving individual directors in order to identify anyone belonging to companies not included in the list of "Material Legal Entities", but who can be identified as MRTs because of the positions held and the impact of their activities on the risk profile.

Taking into account the results of the assessments carried out by the individual members of the Group, the CHRO then prepares the "Self-assessment for identifying MRTs of the Group", which is reviewed by the CCO and then approved by the Board of Directors, after consulting the Remuneration Committee.

Based on the above assessment, if one or more persons identified using the quantitative criteria indicated in the Commission Delegated Regulation are not deemed to be MRTs, because they only exercise powers within an insignificant operating unit/business, or play a role without significant impact on the risk profile of an operating unit/business that is significant within the Group, those persons may be excluded.

The list of MRTs is monitored constantly and may be revised by the CHRO and his staff during the second half of the year: in particular, the list of MRTs is revised if situations arising after the annual self-assessment could have a stable impact on the MRT perimeter (such as corporate reorganisations and changes in loan approval procedures and signature powers).

The outcome of this analysis for 2022 led to the identification of the following perimeter:

Category of personnel	Number of people
I. Executive Directors**	3
II. Non-Executive Directors	50
III. General Managers and Heads of the main Corporate Functions*	16
- Parent Company	6
- Banco di Sardegna	2
- Other banks/companies	8
IV. Heads of Control Functions*	16
- Parent Company	16
V. Other Risk Takers	50
- Parent Company	41
- Banco di Sardegna	6
- Other banks/companies	3
VI. Application of quantitative criteria	11
<b>TOTAL</b>	<b>146</b>

\* Including the Chief Executive Officer and General Manager of Arca Fondi SGR

\*\* 15 people are included in the definition of top management

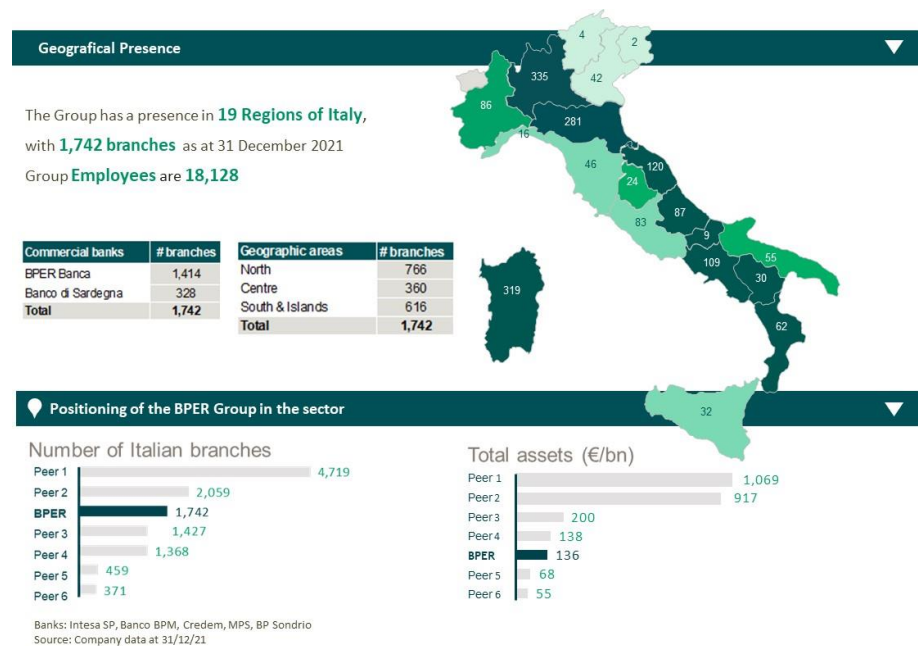
In the light of those identified by applying the qualitative and quantitative criteria, the perimeter of MRTs for 2022 consists of 146 people.

	2021	2022
Non-Executive Directors	49 (37%)	50 (34%)
MRTs	70 (53%)	80 (55%)
MRTs – Control functions	13 (10%)	16 (11%)
<b>TOTAL</b>	<b>132 (100%)</b>	<b>146 (100%)</b>
% Total BPER Group personnel (see Bank of Italy Circular 285)	0.96%	0.78%

The above calculation excludes 1 financial advisor who would be included in the MRT definition based on applying quantitative criterion 6.1 b), given which advance authorisation for exclusion was requested from the Supervisory Authority in 2021, for the first time, with validity for 2022 as well.

# 4. Principles and objectives of the remuneration policy

The competitive position of the BPER Group strengthened significantly during 2021, with increased market share in the most productive and dynamic areas of the country and a rise of more than 50% in the number of customers.



The rapid and effective actions carried out, that involved external growth as well, have resulted in a structural increase in core profitability, as well as a major improvement in asset quality and the maintenance of a solid financial position. The path taken by the Group is also marked by considerable efforts in the area of corporate social responsibility with, in terms of governance, creation by the Board of an internal Sustainability Committee and constant work by the various business functions. This has resulted in significant progress in ESG terms, as reflected in the principal domestic and international ratings.

**CDP:** The Carbon Disclosure Project (CDP) is an international non-profit organisation that allows firms to declare and report on their climate change risks and communicate their environmental performance to stakeholders.

BPER obtained B ratings in 2021 (classifications range from A to D) for both the management of climate change matters and for supplier engagement.

**MSCI:** the ESG assessments of the MSCI (Morgan Stanley Complex Index) aim to measure a company's resilience to long-term and financially relevant ESG risks. Currently BPER Banca has an A rating<sup>11</sup> (ratings go from CCB to AAA).

<sup>11</sup> Reference year 2020 (latest received at the time of preparing this document).

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**STANDARD ETHICS:** Standard Ethics is an independent ratings agency active since 2004 that promotes the sustainability and governance standards issued by the EU, the OECD and the United Nations.

Its final assessments on the level of compliance by companies and countries with the principles of sustainability are expressed in the form of nine classifications (from EEE to F).

BPER confirmed an “EE” rating in 2021, with an improvement in the outlook from “Stable” to “Positive”.

**VIGEO EIRIS:** Vigeo Eiris is a leading European ESG ratings agency dedicated solely to sustainability matter, providing ESG research and analysis to investors and helping organisations to address their social responsibilities.

BPER Banca obtained a Robust rating in 2021 (classifications range from “Weak” to “Advanced”).

2022 is marked by major challenges and by the commitment to pursue the current growth path, continuing to improve the fundamentals of the Bank by laying down strategic guidelines in the context of the new business plan presented to all of the Group's stakeholders following the closing of the contract signed by BPER for the acquisition of a controlling stake in Carige, which took place on 3 June.

Growth and sustainability are hallmarks of the commitment to generate value for the benefit of all stakeholders.

Within the above framework, the objective of the 2022 remuneration and incentive policy of the BPER Group is to support the strategic guidelines for growth and sustainability presented as part of the new strategic plan, and stimulate the generation of value for the benefit of all stakeholders at the same time.

Because of this position, the BPER Group bases its activities on solid and shared principles:

**To create value for**

Customers	<ul style="list-style-type: none"> <li>▪ Awareness of customers' different needs.</li> <li>▪ Products offered in an appropriate way to each segment or market.</li> <li>▪ Attention to the quality of the relationship.</li> <li>▪ Discouraging any conduct that is considered pure speculation or financial gambling.</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>▪ Increase in profitability and investment value over time.</li> <li>▪ Balanced development.</li> <li>▪ Diversification and expansion of the markets served, pursuing opportunities for both organic growth and external acquisitions.</li> <li>▪ Conscious management of risk.</li> </ul>
Group personnel	<ul style="list-style-type: none"> <li>▪ Incentives for the achievement of superior performance.</li> <li>▪ Development of distinctive skills.</li> <li>▪ Stimulation of human and professional growth.</li> <li>▪ Implementation of a transparent and effective communication at all levels.</li> <li>▪ Continuing education.</li> </ul>
Environment and society	<ul style="list-style-type: none"> <li>▪ Adoption of a business approach designed to create value for all stakeholders, with a positive effect on the Environment, the Community as a whole and Governance (ESG factors).</li> </ul>

The principles and objectives of the remuneration policy are intended to generate sustainable value over the long term:

- Incentivise the achievement of challenging annual and medium/long-term results, with a focus on the longer time horizon;
- Guide conduct towards growth and sustainability objectives, making key ESG factors an integral part of the economic-financial objectives;
- Sustain a healthy, prudent approach to risk management;
- Ensure the application of responsible, proper and transparent remuneration mechanisms that recognise merit and the generation of value, safeguarding the fairness of remuneration both internally and externally, confirming the careful management of payroll costs and paying attention to the working conditions of all employees;
- Attract and retain key professional skills for achievement of the value creation objectives over both the short and medium-long terms;
- Support conduct consistent with the code of ethics and current rules and regulations;
- Develop and improve the quality of services offered to customers.

In line with current regulations and the Code of Ethics, the BPER Group has forbidden its employees to arrange personal hedging strategies or insurance in relation to their remuneration, or other aspects of it, that might alter or compromise the effects of the risk alignment inherent in the remuneration mechanisms.

In accordance with current regulations, the Group identifies the types of financial transactions and investments made directly or indirectly by key personnel that could affect the risk alignment mechanisms and, more generally, the purpose of these rules.

The Group requires MRTs:

- to communicate the existence or opening of custody and administration accounts with other intermediaries;
- to communicate any transactions and financial investments that fall under the types identified in the previous paragraph.

To ensure compliance with this, the relevant corporate functions carry out sample checks on the internal custody and administration accounts of the Key personnel concerned, in full compliance with the regulatory provisions.

## Neutrality of the Remuneration policy

The Group adopts remuneration and incentive policies based on fairness, as reflected in the consistency of remuneration between comparable roles and responsibilities, and the recognition of merit without any penalisation of remuneration packages as a result of diversities.

Indeed, the Group strives to guarantee equal opportunities and treatment via the use of neutral, objective and inclusive criteria for the assessment of performance. These criteria are founded on the recognition of skills, experience, performance and professional qualities, in order to incentivise full and effective participation by all individuals at all levels within the business, thus recognising and promoting excellence without discrimination based on gender, age, disability, state of health, ethnicity, sexual orientation and identity or political ideology.

In order to facilitate the application of gender-neutral policies, assess their effectiveness and monitor carefully the application of fairness criteria to the remuneration recognised on a gender-neutral basis, the Group has implemented a model for the detailed analysis of remuneration data linked to the position held, which takes account of the responsibilities and complexities managed by the different roles, as well as the professional characteristics required (classification of each role within a professional system and assessment of its relative complexity). This approach, which will be extended to all Group companies during 2022, helps to monitor the gender pay gap for the same role, or for roles of equal value, and identify possible misalignments between organisational positions of equal value, considering market conditions, in order to determine the most appropriate corrective action needed to ensure full compliance with the remuneration policies adopted. Once assigned, the level of complexity grade makes it possible to assess constantly:

- ◆ internal fairness, checking the consistency of remuneration packages for the same level of classification within the various organisations and business areas,
- ◆ external competitiveness, via market benchmarking.

In this context, on 16 March 2021 the BPER Banca Group adopted a policy of the recognition of diversities, published on <https://istituzionale.bper.it/sostenibilita/il-nostro-impegno/policy>, with a view to:

- ◆ Promoting an inclusive business culture, starting from management, that recognises the ability of diversities to strengthen the skills and competitive advantages of the business;
- ◆ Recognising the potential of individuals, in order to guarantee an inclusive working environment that supports and protects expression by each person based on their experience, knowledge and abilities;
- ◆ Ensuring equal opportunities and treatment during each phase of life within the business (entry, training, appraisal, development, professional growth and remuneration);
- ◆ Implementing working practices that facilitate the work-life balance and recognise, protect and respect the needs arising at different times in the lives of employees;

Structuring career and training paths intended to support professional growth and the development of skills, with a particular focus on the presence of women in managerial positions (and those of strategic importance).



As part of its strategic supervision function, the Board of Directors promotes and guarantees the culture needed to create and maintain an inclusive working environment, capable of recognising the professional contribution made by each employee. During the periodic review of policies, the Board of Directors - assisted by the Remuneration Committee and with the involvement of the Sustainability Committee - analyses the gender neutrality of the remuneration policy and considers trends in the gender pay gap, taking the appropriate corrective actions. The Group has also established a cross-functional Diversity Team that monitors and recognises the diversity of employees within the Group, in order to implement and disseminate a policy for the inclusion of all forms of diversity. The Sustainability Report, to which reference is made, examines details of the gender pay gap, the projects implemented and the results achieved in terms of Diversity & Inclusion, specifying the firm commitment of the Group to ensuring the application of and compliance with the principle of gender neutrality in all Group processes and activities.

## Strategic guidelines and ESG objectives included in the remuneration policy

The 2022 remuneration policy is closely related to the strategic guidelines of the [2022-2025 business plan presented after the closing of the acquisition of Carige](#).

The policy is integral to a sustainable business model that leverages digitalisation. The BPER Group seeks to remain a point of reference for households and businesses by supporting economic growth in the areas served, with a growing focus on the digital transformation, innovation in processes and products and a renewed commitment to corporate social responsibility.

This investment in digital skills and the transformation of customer relations and internal processes represents our commitment to develop a "sustainable" working environment, in which the new professions combine different experiences that fuel a culture of inclusion and respect for diversity (roots, experience, gender, age, education, professional specialisation etc.).

People are the "heart" of the organisation. We strive daily to ensure that they are the starting point for our future development and leaders of constant, sustainable growth focused on:

- diversity and inclusion;
- corporate welfare;
- training and coaching;
- flexible working.

Being a reference model for society means working every day to improve the lives of people, building on their experiences and the territories in which they live, and concentrating our efforts on:

- energy consumption;
- sustainable mobility;
- culture;
- optimisation of the value chain.

The integration of growth and sustainability requires revision of the growth model and the offer of products and services that support the environmental and energy transition of Italy's economic and social system.

The enhancement of people and the creation of value for the entire ecosystem in

which BPER operates underpin the social responsibility policy of the Group and, therefore, the systems designed to incentivise the achievement of our short and long-term goals in a sustainable manner. This will take place through:

- Introduction of the 2022-2025 LTI Plan based on BPER Banca shares and linked to the Business Plan targets, in order to support alignment of the interests of key personnel with those of the shareholders and all other stakeholders:
  - the targets are closely linked to the Business Plan's objectives for profitability, operational efficiency, credit quality and ESG factors, in order to strengthen the future economic and financial solidity of the Group, as a source of value creation for the entire eco-system;
  - the economic-financial objectives include the principal corporate social responsibility objectives, which focus in 4 key directions:
    - **Sustainable Finance;**
    - **Energy Transition;**
    - **Diversity and Inclusion;**
    - **The “Future” Project.**
- MBO plan to incentivise the achievement in 2022 of challenging objectives consistent with the strategic guidelines detailed in the Plan;
  - the “Strategy Sheet”, summary of the priorities for 2022, underpins the MBO plan and the definition of objectives for the entire organisation. From 2021, this document now includes the ESG priorities that are closely correlated with the SDGs (Sustainable Development Goals) **identified in the Sustainability Report available at <https://istituzionale.bper.it/sostenibilita/bilancio-di-sostenibilita>**. The BPER Group undertakes to contribute significantly to the SDGs identified in the “UN Agenda 2030”, with particular reference to those identified below:
    - Goal 1: end poverty in all its forms, everywhere;
    - Goal 4: ensure inclusive and equitable quality education and promote lifelong learning opportunities for all;
    - Goal 5: achieve gender equality and empower all women and girls;
    - Goal 7: ensure access to affordable, reliable, sustainable and modern energy for all;
    - Goal 8: promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;
    - Goal 9: build resilient infrastructure, promote sustainable industrialisation and foster innovation;
    - Goal 11: make cities and human settlements inclusive, safe, resilient and sustainable;
    - Goal 13: take urgent action to combat climate change and its impacts;
    - Goal 15: protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss;
    - Goal 16: promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

- the presence of common entry gates to both LTI and MBO plans, linked to risk-weighted capital adequacy, liquidity and profitability parameters, ensures their sustainability from an economic and financial standpoint;
- the financing of these incentive plans with bonus pool funding systems closely correlated with the value generated strengthens their alignment with the economic-financial solidity of the Group;
- incentives for the achievement of predetermined objectives and superior performance by all Group personnel are designed to create value for all, consistent with the growth strategy and priorities of the Group;
- the enhancement of people is essential for all components of the organisation involved in the digital transformation or the strengthening of the value chain, requiring the implementation of an inclusive development plan designed to support professional growth, agility in the development of skills and gender balance, supported by remuneration policies based on the principle of gender neutrality;
- alignment with the interests of customers and the creation of shared value represent drivers of the systems used to incentivise the internal business and commercial organisations.

## 5. Market practice and use of external consultants

The remuneration policies adopted by the Group are defined in order to support business strategies ensuring a coherent and effective alignment with regard to incentive systems, including staff interests and value creation for the shareholders. In order to ensure the competitiveness of its remuneration policies, which is essential to attract, motivate and retain the best resources, the Group constantly monitors general market trends and practices, so that it can establish levels of compensation that are both fair and competitive.

Consistent with this, the Group periodically benchmarks salaries against those of a panel of companies operating in the same sector, as well as those identified in segment surveys carried out by the trade association, and applies analytical criteria to compare similar roles and positions in order to determine the positioning of our pay levels in terms of fixed, variable and total remuneration.

For each category of staff, the Group's remuneration policy defines differentiated and competitive remuneration packages in terms of fixed and variable components and fringe benefits.

In carrying out all the activities necessary to ensure the competitiveness and effectiveness of its pay systems, the Group has been supported by external, independent consultancy firms with considerable expertise in this area. In particular, the Group now collaborates with an international consultancy, Willis Towers Watson, which has helped to revise the incentive schemes, and with Mercer, which has provided support for the benchmarking of salaries at various levels within the employee population.

In defining its remuneration policies, with particular reference to the monitoring of the main practices of the market, the Group typically compared itself with a panel of listed companies belonging to the same business sector and with economic dimensions such as to ensure that the panel is balanced and suitable for the needs of the analysis:

Company	Banco BPM	UniCredit	CREDEM
	Intesa Sanpaolo	Banca Popolare di Sondrio	Mediobanca
	Fincobank	Banca Mediolanum	Banca Generali

The Group also compares remuneration levels by adopting a larger panel of companies, carried out on the basis of a system of evaluation of the positions that ensures complete consistency and comparability of roles. In carrying out this analysis, the Group integrates the survey specifically commissioned to the consultants with surveys aimed at entire sectors or at specific categories of personnel.

# 6. Target audience of the remuneration policies

In line with the principles and purposes set out in chapter 4, the remuneration policies are aimed at creating value for all Group personnel, differentiated by category. They are therefore structured in order to ensure maximum effectiveness compatibly with the type and objectives of the relevant corporate function. In this direction, the remuneration and incentive policies are addressed to the six categories of personnel listed below:

- Corporate bodies
- Material Risk Takers
- Managers
- Other personnel
- External collaborators
- SGR personnel



# 7. Remuneration of the Corporate Bodies

The remuneration of the Corporate Bodies is determined at the Shareholders' Meeting of BPER Banca S.p.A., which fixes the total compensation of the members of the Board of Directors in compliance with the law and relevant regulations.

The Shareholders' Meeting also fixes the annual remuneration of the members of the Board of Statutory Auditors for the entire duration of its mandate.

## 7.1. Remuneration of the members of the Board of Directors

The compensation of the Directors of BPER Banca S.p.A. is determined in order to remunerate adequately and reward the skills applied and responsibilities accepted in the performance of their assigned duties. For all Directors of the Parent Company, with the exception of the Chief Executive Officer, their remuneration is set entirely on a fixed basis, without any variable component of remuneration.

The Shareholders' Meeting of 21 April 2021 established the total amount of remuneration to be paid to the Directors for 2021, pursuant to art. 2389, para. 1, of the Italian Civil Code (ICC), as Euro 1,700,000 (of which Euro 1,125,000 for the members of the Board of Directors and Euro 575,000 for the additional remuneration of members of Board Committees), in addition to a fee of Euro 500 for individual attendance at each board meeting.

Given the above and as subsequently resolved at the Board meeting held on 10 June 2021, acting on a proposal from the Remuneration Committee, the annual compensation for the position of Director in 2021, excluding any additional emoluments from serving on Board committees and the compensation established for special duties, was fixed at Euro 75,000 plus the above attendance fees.

The annual remuneration for 2022 will be determined at the Shareholders' Meeting called to approve the 2021 financial statements.

In addition to the above, the Directors also benefit from reimbursement of any expenses incurred in the exercise of their duties (travel, accommodation, training costs, etc.) and are not required to pay the premium for the D&O insurance policy for third-party liability, taken out by the Bank in their favour, all in compliance with applicable legislation and taking current market practice into account.

Lastly, individual Directors may also elect to benefit from a healthcare policy.

## 7.2. Remuneration for serving on Board committees

The Directors who serve on Board committee receive fixed remuneration, commensurate with the commitment required, that is determined with reference to benchmarking carried out among the principal operators in the Italian banking sector. The remuneration of committee members is determined by the Board of Directors with support from the Remuneration Committee, having regard for any overall total authorised at the Shareholders' Meeting.

With regard to 2021, the Board of Directors in office at the time, acting on a proposal from the Remuneration Committee, fixed the annual compensation for serving on Board committees with reference to the overall total established at the Shareholders' Meeting held on 21 April 2021. The amounts fixed are shown in the table below.

Office	Control and Risk Committee	Remuneration Committee	Nominations and Corporate Governance Committee	Related-Party Transactions Committee	Sustainability Committee
Chairman	€ 60,000	€ 35,000	€ 35,000	€ 35,000	€ 17,500
Member	€ 40,000	€ 25,000	€ 25,000	€ 25,000	€ 12,500

### 7.3. Remuneration for special duties

Pursuant to art. 11, para. 2, of the Articles of Association, the additional remuneration due to the Directors assigned special duties (to be more specific: the Chairman, Deputy Chairman and Chief Executive Officer, as described in section 7.4) is established by the Board of Directors with support from the Remuneration Committee, having received the opinion of the Board of Statutory Auditors, pursuant to art. 2389, para. 3, of the Italian Civil Code.

With regard to 2021, the meeting of the Board of Directors held on 10 June 2021, acting on a proposal from the Remuneration Committee and having consulted the Board of Statutory Auditors, fixed the following additional remuneration:

- for the Chairman Euro 315,000;
- for the Deputy Chairman Euro 50,000.

### 7.4. Remuneration for the office of Chief Executive Officer and General Manager

Pursuant to art. 11, para. 2, of the Articles of Association and art. 2389, para. 3, of the Italian Civil Code, the additional remuneration due to the Chief Executive Officer is established by the Board of Directors, with support from the Remuneration Committee and having consulted the Board of Statutory Auditors, and comprises a fixed portion and a variable portion (consisting of both short- and long-term elements).

The emoluments for the General Manager position are established by the Board of Directors with support from the Remuneration Committee.

With reference to 2021, the remuneration for the roles of Chief Executive Officer and General Manager, held by the same person, was established at the respective Board meetings held on 10 June 2021 and 4 August 2021, having regard for the practices adopted by a comparable peer group.

The related details are presented in section 8.1.

As an executive director, the Chief Executive Officer and General Manager is also a recipient of the short- and long-term incentive plans, as described more fully in section 8.1.

## 7.5. Remuneration of employees appointed as directors of subsidiaries

The Parent Company established guidelines in 2019 for the appointment of members of the boards of directors of subsidiaries, which were updated most recently on 19 January 2022.

Pursuant to those guidelines, any fees paid to Group employees (principally senior managers) for positions held in subsidiaries of the Group are repaid by them to the company for which they work.

Without prejudice to the above, the previous version of the guidelines (later amended, as mentioned on 19 January 2022) envisaged the payment of additional remuneration to the employees concerned, in the form of an indemnity linked to the nature of the positions held and governed by a specific internal regulation.

The amount of this indemnity was determined with reference to the characteristics and size of the companies concerned, as well as the operational complexity and riskiness of their activities, without exceeding an annual maximum of Euro 20,000 for each employee, even in the case of multiple appointments.

This indemnity was eliminated on the latest update of the guidelines, since remuneration for serving on the boards of subsidiaries is deemed to be already included in the total employment remuneration normally recognised to the persons concerned.

On a transitional basis, this elimination of the above indemnity will apply from the first full renewal of the boards of each company subsequent to the entry into effect of the new guidelines (*i.e.* after 19 January 2022).

## 7.6. Remuneration of the members of the Board of Statutory Auditors

The annual remuneration of the members of the Board of Statutory Auditors, including the Chairman, is fixed at the Shareholders' Meeting that appoints them for their entire period in office.

Given the role and responsibilities of the control body, no variable remuneration is envisaged for the members of the Board of Statutory Auditors.

With reference to the current mandate (2021-2023), the Ordinary Shareholders' Meeting held on 21 April 2021 fixed the annual remuneration of the members of the Board of Statutory Auditors, including the Chairman, for their entire period in office. The amounts are shown in the following table:

Office	Compensation
Chairman of the Board of Statutory Auditors	€ 150,000
Member of the Board of Statutory Auditors	€ 100,000

Any expenses connected with carrying out the office, including the D&O insurance premium for third-party liability, are borne directly by the Bank/Company or reimbursed to the serving Statutory Auditor<sup>2</sup>.

<sup>12</sup> The members of the Board of Statutory Auditors may also elect, at their own expense, to participate in the Group healthcare policy at the  
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# 8. 2022 Remuneration Policy

The Group remuneration and incentive policy is designed in compliance with the principles and purposes defined in section 4 and in accordance with the regulations<sup>13</sup> currently in force. To ensure the effectiveness, competitiveness and strength of the remuneration policies, the Group conducts regular analyses to monitor the main market practices and trends and for this purpose uses external consultants with solid experience in the field.

Particularly as regards MRTs, the Group has taken particular care to verify the regulatory compliance of all elements that make up the remuneration package and monitored investors' expectations on the matter, as expressed by the Proxy Advisors.

## Ratio of variable to fixed remuneration

Consistent with the regulations and the resolutions adopted at the 2020 Shareholders' Meeting, the maximum ratio of variable to fixed remuneration is fixed at 2:1 for all MRTs<sup>14</sup>, excluding the control functions and similar activities, in order to have the flexibility needed to:

- make payments ahead of or in the event of early termination of employment or term in office, within the maximum limits already established in these policies;
- apply all operational drivers in order to ensure the competitiveness of remuneration packages designed to attract strategic professional skills and ensure the availability of the human resources needed to achieve the established business objectives<sup>15</sup>.

For other personnel, a maximum ratio between the components of remuneration of 1:1 is normally adopted, except for the MRTs of Corporate Control Functions, whose variable remuneration cannot exceed one third of their fixed remuneration.

Nevertheless, the Group also sets the maximum fixed/variable ratio at 2:1 for all other personnel too (excluding the control functions once again) in the following limited circumstances:

- a. to make payments ahead or in the event of early termination of employment or term of office, again within the maximum limits already established in these policies under limited and specific circumstances;
- b. to have appropriate levers to manage in a suitable manner the competitive pressures in the job markets for certain, highly profitable business segments and specific professional families (Wealth Management and Corporate Banking<sup>16</sup>); these professional families

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conditions reserved for top management.

<sup>13</sup> Bank of Italy Circular 285.

<sup>14</sup> This ratio does not apply to personnel belonging to the SGR within the Group, for whom the regulations envisage the possible application of different limits. See section 8.8 for further details.

<sup>15</sup> Without prejudice to the objectives mentioned, the Group's intention is to maintain the proportion of variable to fixed remuneration well within the ordinary limits, as shown in the table on the following page.

<sup>16</sup> Includes the functions directly responsible for business with corporate customers.

comprise a maximum of 739 persons, within which only a very small minority can exceed the 1:1 limit.

Adoption of this 2:1 ratio between variable and fixed remuneration does not have any effect on the Bank's ability to comply with the prudential rules on capital, the requirements regarding own funds in particular.

The table below shows the short and long-term variable incentive levels (target and maximum) defined for MRTs and for Control Functions. These limits apply in normal circumstances, without prejudice to any specific situations in which the Bank may decide to use the full regulatory limit.

	Short-term target bonus		Long-term Target Bonus <u>on an annual basis</u> <sup>17</sup> (four-year data in brackets)	
	Target bonus	Maximum bonus	Target bonus	Maximum bonus
	(% GAI)	(% GAI)	(% GAI)	(% GAI)
Top management	40%-45%	52%-59%	60% (240%)	72% (288%)
Senior Management	30%-40%	39%-52%	40% (160%)	48% (192%)
MRT – high level	25%-30%	33%-39%	-	-
Other MRT	15%	20%	-	-
Control functions	15%-30%	15%-30%	-	-

The aim of the Remuneration and Incentive Policy is to reward the achievement of company objectives, with a view to creating value for the shareholders. At the same time it is based on clear and defined indicators that regulate the disbursement of variable bonuses, subjecting their payment, especially for key personnel, to the fact that there are adequate capital, liquidity and risk-adjusted return ratios, also in compliance with the Bank of Italy's requirements<sup>18</sup>. The structure of the bonus schemes for MRTs can be explained starting from the one for the CEO in paragraph 8.1, highlighting the elements that differ from it. In the event of significant and unexpected changes in market conditions, the Board of Directors can order a review of the annual budget, with a consequent revision of individual targets.<sup>19</sup>

<sup>17</sup> The opportunity of an annual bonus remains unchanged.

<sup>18</sup> Bank of Italy Circular 285.

<sup>19</sup> Just as, more normally, this need can arise in the case of extraordinary transactions that affect the perimeters of the Group or the individual companies that make it up.

As a long-established approach, the BPER Group measures results after adjusting for exceptional elements, in order to eliminate the effects of non-recurring or unavoidable events, such as: M&A transactions, reorganisations within the Group, capital transactions, changes in control, compliance with sector regulations, normalisation of non-recurring accounting entries (impairment of goodwill and equity investments, recognition of badwill, leaving incentives etc.). To this end, in line with internal regulations, the Board of Directors has the right to adjust items before determining the results to be used for the bonus scheme.

The Board of Directors of the Parent Company also has the right to reduce the bonuses accrued if, in total, they exceed the approved bonus pool.

## 8.1. Remuneration of the Chief Executive Officer and General Manager

The remuneration of the Chief Executive Officer and General Manager of BPER comprises a fixed component, a short-term variable component and a long-term variable component.

The fixed components of the remuneration package for the offices of Chief Executive Officer and General Manager were approved, respectively, at the Board meetings held on 10 June 2021 and 4 August 2021. They are shown below:

- Euro 1,200,000, starting from 21 April, for the office of Chief Executive Officer;
- Euro 100,000, starting from 5 August, for the office of General Manager:

Accordingly, the overall fixed remuneration for the offices of Chief Executive Officer and General Manager, inclusive of the Director's fee of Euro 75,000, totals Euro 1,375,000.

Considering the maximum level of annual and long-term variable remuneration, the pay mix is analysed below:

- Fixed 44.7%;
- MBO – short-term 24.9%;
- LTI – long-term 30.4%.

The maximum variable remuneration pay-out, on maximum achievement of the assigned objectives, remains well below the maximum limit of 2:1 with respect to fixed remuneration.

The short-term variable component, described in more detail below, is determined with reference to clear and measurable performance parameters. No discretionary bonuses are awarded. The calculations are made after checking that the access conditions envisaged for all key personnel have been achieved.

The correlation between the amount of variable remuneration actually paid and the company's medium/long-term results is sustained by applying *ex-post* correction mechanisms over a multi-year time horizon, based on a verification that adequate levels of capital, liquidity and risk-adjusted return remain, as prescribed in current regulations.

Expressing BPER's strategic objectives in terms of financial targets, risk management and ESG makes sure that the annual priorities are in line with the interests of all of the stakeholders.

The adoption of qualitative performance parameters ensures that the remuneration system is aligned to the Group's mission and values, supporting its

orientation towards the construction of long-term value. It is evaluated from a qualitative point of view by the Board of Directors on the proposal of the Remuneration Committee, based on a hypothesis expressed by the Chairman of the Board of Directors.

The long-term variable component (LTI Plan 2022-2025), which is explained in greater detail below, is determined on the basis of clear and measurable performance parameters, via an assessment that weights two areas. The calculations are made after checking that the access conditions envisaged for all key personnel have been achieved. The areas of reference are:

1. Economic-financial results and risk management, with KPIs for profitability, operational efficiency and credit quality.
2. "Sustainability" with ESG objectives

The correlation between the variable amount actually paid and the long-term results is sustained by providing for the measurement of performance over a four-year horizon and by applying *ex-post* correction mechanisms over a time horizon of a further five years (after the end of the vesting period); in particular, it is based on a verification that adequate levels of capital, liquidity and risk-adjusted return remain, as prescribed in current regulations.

The CEO's remuneration package has been put together in such a way as to ensure an appropriate balance between fixed and variable remuneration; it is also modulated with the aim of ensuring a variable remuneration in proportion to the results achieved, within the limits (the so-called "maximum cap") foreseen by the bonus scheme.

## Variable incentive plan - MBO

The Group has defined a short-term variable incentive plan to align the interests of management with the creation of value for the shareholders, so as to reward good behaviour and positive results, while penalising, through non-payment of bonuses, both failure to achieve the results and any deterioration in the Group's capital, liquidity and profitability ratios.

The incentive system provides for the identification of a bonus pool which represents the maximum amount of bonuses that can be paid. The bonus pool for the Chief Executive Officer and General Manager and the MRTs is determined at Group<sup>20</sup> level. The amount of the bonus pool for MRTs is correlated with the economic results achieved, in terms of Group gross profit, and represents a maximum limit.

In order to discourage excessive risk-taking which can lead to a deterioration in the Group's "state of health", also in compliance with the Bank of Italy's regulatory requirements, disbursement of the bonus pool, whatever the amount, is without exception subject to compliance with certain indicators, called "entry gates", which are related to the capital, liquidity and risk-adjusted return ratios.

The entry gates for 2022, all of which have to be achieved at the same time, are as follows:

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<sup>20</sup> With the exception of MBO bonuses for Control Functions, which are of limited amount and not even indirectly correlated with the financial results, and those for the asset management company, included in a separate pool at company level.

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Entry gate	Minimum threshold
Common Equity Tier 1 (CET1) - consolidated ratio	> RAF Tolerance
Consolidated Liquidity Coverage Ratio (LCR)	> RAF Capacity
Consolidated Return On Risk-Weighted Assets (RORWA)	> RAF Tolerance

Failure to achieve even only one of the entry gates means not paying any<sup>21</sup> bonus under this scheme (MBO).

In the event of a recovery resolution by the Board of Directors, this triggers off a suspension of payment of the variable remuneration (both the immediate and the deferred portion). The Board of Directors can decide that, instead of just a suspension, there should be:

- a reduction or elimination of bonuses still to be determined;
- a reduction or elimination of bonuses already determined but not yet paid;
- a reduction or elimination of deferred portions or those subject to retention.

The Board of Directors of the Parent Company also reserves the right to reduce or cancel bonuses assigned to the various categories of personnel:

- in the event of particularly low profitability or a loss, both at consolidated and separate level, in companies in which the combined capital requirements set by the Supervisory Authorities are not complied with.

After checking that the entry gates have been exceeded, the bonus allocation and the extent of the variable remuneration are defined by evaluating individual performances using a process that includes the analysis of various qualitative and quantitative indicators. The scorecard of the Chief Executive Officer and General Manager for 2022 comprises both quantitative and qualitative targets.

## Scorecard of the Chief Executive Officer and General Manager for 2022

Quantitative goals	85%
• Group Gross Profit (€/Mn)	30%
• Gross NPE Ratio (%)	20%
• Group commercial volumes handled (€/Mn)	20%
• CET 1 ratio Fully Phased (%)	15%

<sup>21</sup> As will become clearer from reading the following paragraphs, CET1 and LCR are binding for all MBO systems, RORWA does not apply to the Control Functions.

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### ESG qualitative objectives (15%)

A metric consisting of six objectives that are deemed strategic<sup>22</sup> in the short term as an enabling factor for targeting the particularly challenging ESG targets in the long-term business plan:

- Loans and Finance: definition of ESG policies on granting credit and own investments
- ESG offer to customers: definition of "Green Loans" and their inclusion in the product catalogue intended for corporate customers
- Governance: revision of the organisational model according to the ESG criteria defined in the Group strategy
- Reduction in climate-changing emissions: complete the transition towards the use of electricity from renewable sources as part of strategies aimed at reducing greenhouse gas emissions
- Value for society (cultural): redevelopment and enhancement of the artistic and real estate assets owned by the Group
- Value for society (social): implementation of planned initiatives aimed at the younger generations regarding higher education, financial education and the youth empowerment

The above objectives carrying a percentage weighting within the individual bonus and their assessment is based on increasing thresholds, from minimum to target (between 50% and 100%) and from target to maximum (between 100% and 120%<sup>23</sup>).

For the ESG objectives, the minimum, target and maximum thresholds are represented, respectively, by the achievement of 4, 5 or 6 objectives. Each objective is on/off. So the pay-out curve is 50% - 100% - 120%.

Once the results have been measured by the Board of Directors, the system provides for the application of parameters to adjust for risk, based on those contained in the Risk Appetite Framework (RAF). These parameters adjust the incentive earned on achievement of the objectives specified in the CEO and GM's personal scorecard. If they are not satisfied, the bonus earned may be reduced up to 50%.

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<sup>22</sup> The stage of completion of these projects, with the support of the Sustainability Committee, will be monitored by the Board of Directors as part of the Group's overall sustainability strategy. The actual results will be mentioned in the consolidated Non-Financial Report for the year 2022.

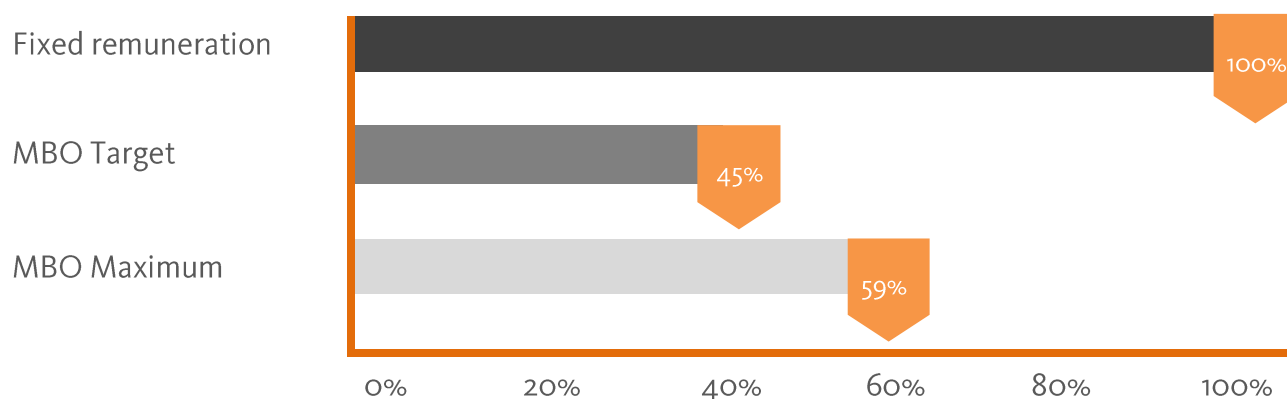
<sup>23</sup> With the exception of the "Group Gross Profit" and "Group Commercial Volumes Handled" for which the maximum level is 150% and 130% respectively.

## Adjustments (in order of impact)

- LCR (%)
- Transitional CET<sub>1</sub> %
- Economic Capital Adequacy Ratio
- MREL TREA %

The maximum short-term bonus of the Chief Executive Officer and General Manager is capped at 59% of his fixed remuneration.

## MBO plan for the Chief Executive Officer and General Manager



The method of paying accrued bonuses after the final calculation of the results of the scorecard has been set by the Board of Directors in line with the regulatory requirements<sup>24</sup>, with the dual aim of achieving alignment with the *ex-post* risk and supporting the medium and long-term orientation, as well as managing to correlate the variable component with the actual results and the risks assumed. The Board also decided to use BPER Banca shares<sup>25</sup> in order to align the MBO plan with the best market practices and the requests of investors and proxy advisors, starting from 2021.

In line with the above, payment of the CEO/MD's bonus is structured as follows:

- 45% is attributed on the date the bonus is granted (up-front portion): 20% cash and 25% through BPER Banca shares subject to a retention period of 1 year<sup>26</sup>.
- The other 55% (25% cash and 30% BPER Banca shares) gets deferred in equal annual instalments over 5 years with a 1-year retention period (during which the shares cannot be sold). The deferred portions are subject to malus conditions that are applicable to other MRTs.
- If the bonus is a particularly high amount<sup>27</sup>, the up-front portion is 40% (20%

<sup>24</sup> Bank of Italy Circular 285.

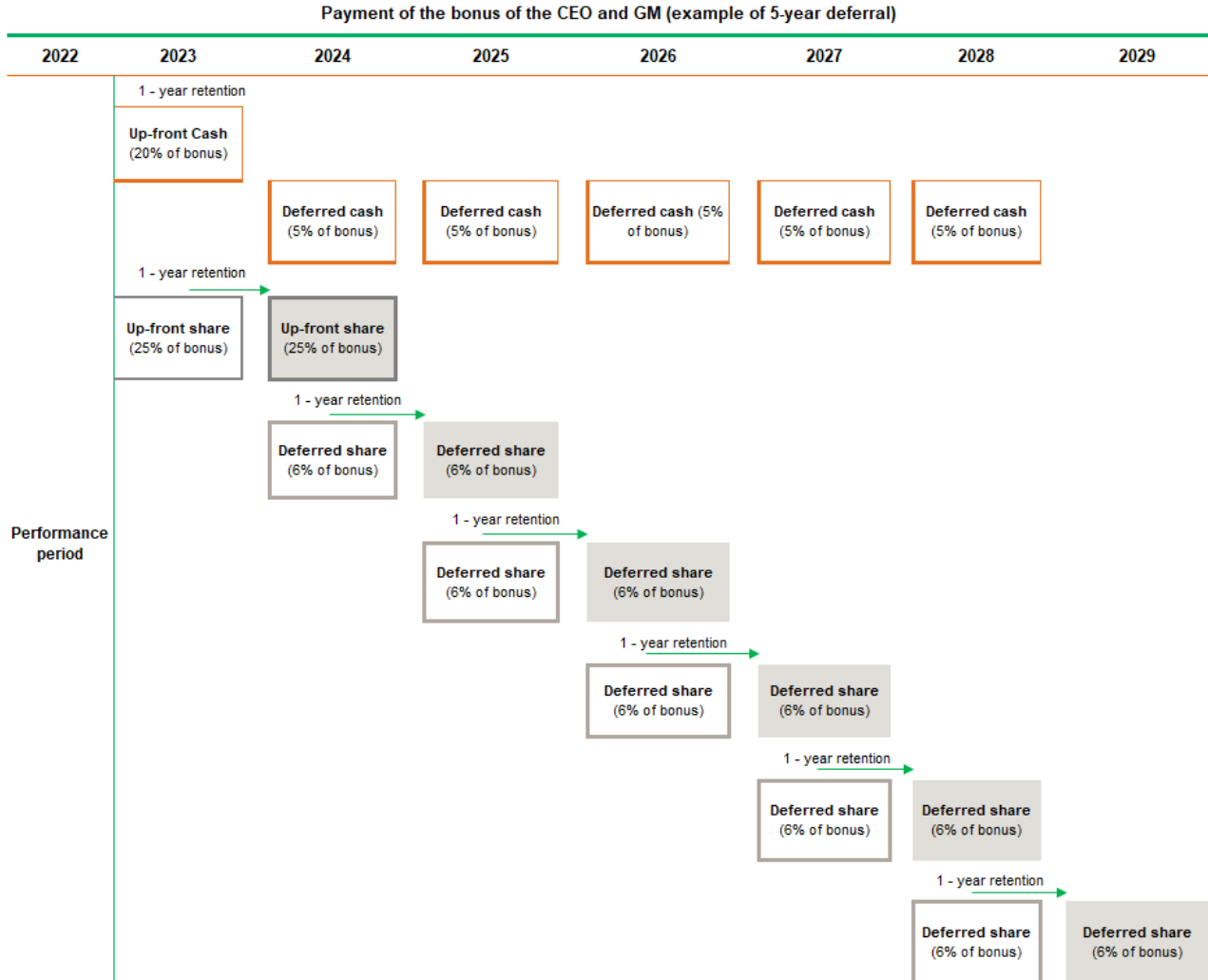
<sup>25</sup> The amount of remuneration based on financial instruments may not be assigned entirely in the form of Shares if the Bank decides to pay a portion by means of other kinds of instrument according to the specific regulations (such as convertible bonds).

<sup>26</sup> "Sell to cover" remains a possibility (i.e. selling sufficient securities to fulfil any tax and social security obligations generated by the delivery of the securities subject to retention) for all amounts that are subject to a retention period.

<sup>27</sup> See the 37th update of Bank of Italy Circular 285: "A particularly high amount" means the lower of: i) 25% of the average total remuneration of Italian high earners resulting from the most recent report published by the EBA; ii) 10 times the average total remuneration of bank employees". In the BPER Banca Group, the level of variable remuneration which represents a particularly high amount is Euro 435,000 and is the lower of i) and ii), deriving from the application of point i). The situation is monitored constantly and updated at least every three years.

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Cash and 20% BPER Banca Shares subject to a 1-year retention period), while the other 60% (25% cash and 35% BPER Banca Shares) gets deferred in equal annual instalments over 5 years with a 1-year retention period (during which the shares cannot be sold).



The variable components are subjected to *ex-post* correction mechanisms (malus and clawback) in order to reflect the performance levels net of the risks actually undertaken or achieved in terms of capital, taking into account individual behaviour.

The deferred instalments are subject to malus rules that can reduce the instalment to zero in the event of failure to achieve the entry gates for the financial year preceding the year of payment of each deferred instalment.

The above mentioned malus mechanism, which can block payment of the deferred portions of the bonus, also acts on activation of the clawback clauses (see the following paragraph). No change-of-control clauses apply to the Chief Executive Officer and General Manager.

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## Variable incentive system – 2022-2025 LTI Plan

In 2022, the Group established a long-term variable incentive plan (the "Plan" or "LTI Plan") based on a multi-year period of performance assessment (2022-2025), consistent with the objectives and duration of the Group's Strategic Plan, in order to:

- recognise an incentive solely in the form of BPER Banca ordinary shares, in a manner consistent with the relevant regulatory instructions and the contents of the Strategic Plan for 2022-2025 approved by the Board of Directors on 9 June;
- align management's interests with the creation of long-term shareholder value;
- motivate management to implement long-term business strategies, whose targets are explained below, presented as part of the 2022-2025 Strategic Plan;
- strengthen key persons' sense of belonging in order to implement the Group's medium-long term strategy;
- reward virtuous behaviour and positive results while penalizing failure to achieve results and any deterioration in the Group's capital, liquidity and profitability by not paying any bonuses.

The Plan envisages clear, predetermined performance conditions that are checked both during the plan period and on termination of it. The bonus is recognised at the end of the performance evaluation period. The Plan applies to about 50 top managers within the Group who are considered fundamental for the success of the 2022-2025 Business Plan<sup>28</sup>. A maximum of 20 additional key personnel may be added later for the achievement of the plan's objectives.

The incentive system provides for the identification of a bonus pool which represents the maximum amount of bonuses that can be paid. The bonus pool for the Chief Executive Officer-General Manager and the MRTs is determined at Group level. The amount of the bonus pool is related to the results achieved and constitutes a maximum limit; its distribution is entirely subject to compliance with certain entry gates, based on indicators of capital strength, liquidity and risk-adjusted profitability.

The entry gates for the 2022-2025 LTI Plan, all of which have to be achieved, are in line with those established for the MBO. Failure to achieve even only one of the entry gates means not paying any bonus under this long-term incentive scheme. If all of these entry gates are achieved, the Plan provides for an assessment of the Group's key performance indicators (KPIs) at the end of the four-year vesting period (2025). Continuous monitoring of the indicators is carried out during the four-year period to verify compliance with the objectives of the Strategic Plan.

Based on this approach, the amount of the bonus is determined in proportion to the results actually achieved. In the event of a recovery resolution by the Board of Directors, this triggers off a suspension of payment of the variable remuneration (both the immediate and the deferred portion). The Board of Directors can decide that, instead of just a suspension, there should be:

- A reduction or elimination of bonuses still to be determined.

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<sup>28</sup> To access the 2022-2025 LTI Plan it is necessary, by the end of the plan period, to hold a position within the scope determined by the Board of Directors of the Parent Company, provided this occurred by April 2025. The bonuses allocated to beneficiaries who have held positions within the scope for only part of the period of the Plan are calculated on a time-apportioned basis.

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- A reduction or elimination of bonuses already determined but not yet paid.
- A reduction or elimination of deferred portions.

The Board of Directors of the Parent Company can also order the reduction or elimination of bonuses attributed to all categories of personnel in the event of particularly low net profitability or a loss, both at consolidated and separate level, in companies in which the combined capital requirements set by the Supervisory Authorities<sup>29</sup> are not complied with.

After checking that the entry gates have been exceeded, the actual allocation of the bonus and the related amount, within the maximum<sup>30</sup> limits set for the variable remuneration, are defined through a process of corporate performance evaluation that includes an analysis of 4 KPIs.

For the four-year period 2022-2025, the scorecard of the LTI Plan, which is the same for all beneficiaries, is made up of objectives of profitability, operating efficiency, credit quality and ESG objectives.

The target values of the KPIs of the Long-Term Incentive Plan, shown below, are consistent with what is defined in the 2022-2025 Strategic Plan<sup>31</sup> (the "Strategic Plan") approved by the Board of Directors on 9 June 2022 and communicated to the market on 10 June 2022.

The updated version of this Report compared with the one approved by the Ordinary Shareholders' Meeting of 20 April 2022, was needed to align the duration of the vesting period of the LTI plan<sup>32</sup> (originally three years) to the four years of the new 2022-2025 Strategic Plan.

The choice of indicators is intended to ensure their full external transparency and ready comparison with peers in the sector.

The measurement and weighting mechanism of the LTI Plan, which is meant to balance the various types of objectives and support the motivation and incentive to achieve company results within a framework of sound and prudent risk management and ESG sustainability, is as follows :

## 2022-2025 LTI scorecard

KPIs	Weight	Target <sup>34</sup>
ROTE <sup>33</sup> at <u>31/12/2025</u>	50%	<u>10%</u>
Cost/income ratio <u>at 31/12/2025</u>	20%	<u>58%</u>
Gross NPE ratio <u>at 31/12/2025</u>	15%	<u>3.6%</u>
ESG	15%	<u>100%</u>

<sup>29</sup> "In the event of non-compliance with the requisites referred to in arts. 141 or 141-ter of the CRD or in the situations referred to in art. 16-bis of Directive 2014/59/EU (BRRD), variable remuneration may be awarded and/or paid within the limits and under the conditions indicated in the provisions implementing these articles." (See Bank of Italy Circular 285 of 17 December 2013 Section V paragraph 2) .

<sup>30</sup>The bonus pool, i.e. the theoretical maximum amount of bonus that can be paid, is the sum of the maximum bonuses that can be received at an individual level.

<sup>31</sup> On completion of the acquisition of 79.418% of the share capital of Banca Carige S.p.A. from the Interbank Deposit Protection Fund ("IDPF") and the Voluntary Intervention Scheme ("VIS") on 3 June 2022.

<sup>32</sup> The amendments to the LTI Plan on the proposal of the Board of Directors, with the positive opinion of the Remuneration Committee, are presented for approval by the same Shareholders' Meeting called on 5 november 2022 in a separate item on the Agenda.

<sup>33</sup> It should be noted that the change in the calculation method, illustrated in detail in the Business Plan, is aimed at aligning the formula with the best market practices, while at the same time giving it further transparency and objectivity. Moreover, internal simulations aimed at comparing the results from the "old" and "new" formula did not show significant deviations.

<sup>34</sup>The quantitative KPI targets were approved by the Board of Directors on 9 June and communicated to the market on 10 June. (see page 2 of the press release): [https://istituzionale.bper.it/documents/133577364/o/BPER\\_Piano\\_Industriale\\_22-25\\_S.pdf](https://istituzionale.bper.it/documents/133577364/o/BPER_Piano_Industriale_22-25_S.pdf).

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In particular, the ESG target (weight 15%) is made up of:

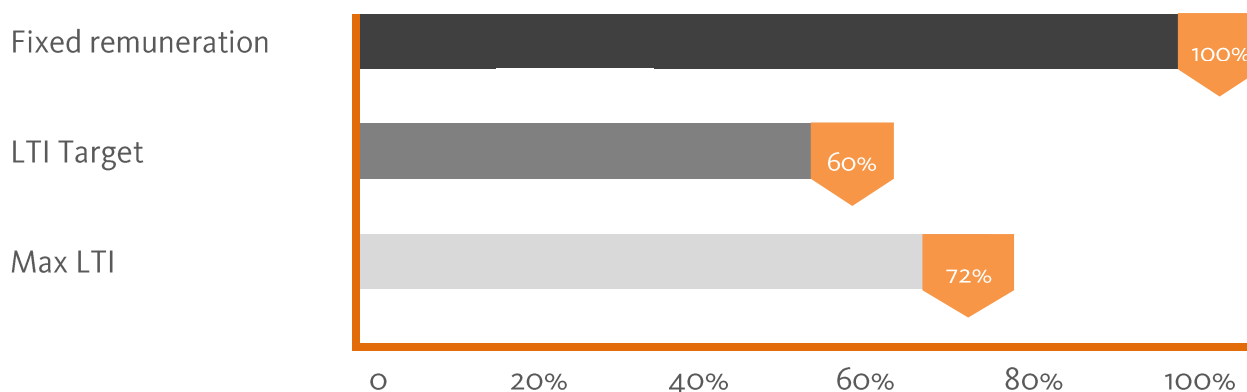
<u>Weight</u>	<u>Area</u>	<u>Objective</u>	<u>Target</u>
25%	<u>Sustainable Finance</u>	<u>Maximum limit of Green Financing</u>	<u>€ 7 billion ESG disbursed to businesses and households by 2025</u>
25%	<u>Energy Transition</u>	<u>Reduction of CO<sub>2</sub> emissions</u>	<u>23% emissions by 2025</u>
25%	<u>Diversity and Inclusion</u>	<u>Gender gaps: less represented gender among middle managers and executives</u>	<u>25% women executives and 33% women managers (Executives and Middle Managers) by 2025</u>
25%	<u>The “Future” Project</u>	<u>Increase of financial education programmes and definition of a youth inclusion project</u>	<u>Qualitative judgement assigned by the Board of Directors<sup>35</sup></u>

The above objectives carrying a percentage weighting within the individual bonus and their assessment is based on increasing thresholds, from minimum to target (between 70% and 100%) and from target to maximum (between 100% and 120%), with an associated linear interpolation mechanism for payouts (70%/100%/120%).

In the event of exceptional or unforeseeable events, the Board of Directors may make necessary or appropriate changes to the structure of the plan, in order to neutralise their effects on the entry gates and the KPIs. The Board may also refine the weightings of the KPIs identified on approval of the business plan.

The maximum annual bonus of the Chief Executive Officer-General Manager is capped at 72%<sup>36</sup> of his fixed remuneration:

### LTI of the Chief Executive Officer and General Manager (calculated on an annual basis)



The method of paying accrued bonuses after the final calculation of the results of the scorecard has been set by the Board of Directors in line with the regulatory requirements<sup>37</sup>, with the dual aim of achieving alignment with the ex-post risk and

<sup>35</sup> Based on the opinion expressed by the Sustainability Committee, on the basis of the evidence for the overall evaluation of the project, produced by an independent external company, or on the basis of an Impact Report with evidence of the SROI of the project and value generated for each stakeholder, also with reference to national and international sustainability standards.

<sup>36</sup> This portion is determined annually over a period of 4 years. The cumulative value is therefore equal to 240% (target) and 288% (maximum).

<sup>37</sup> Bank of Italy Circular 285.

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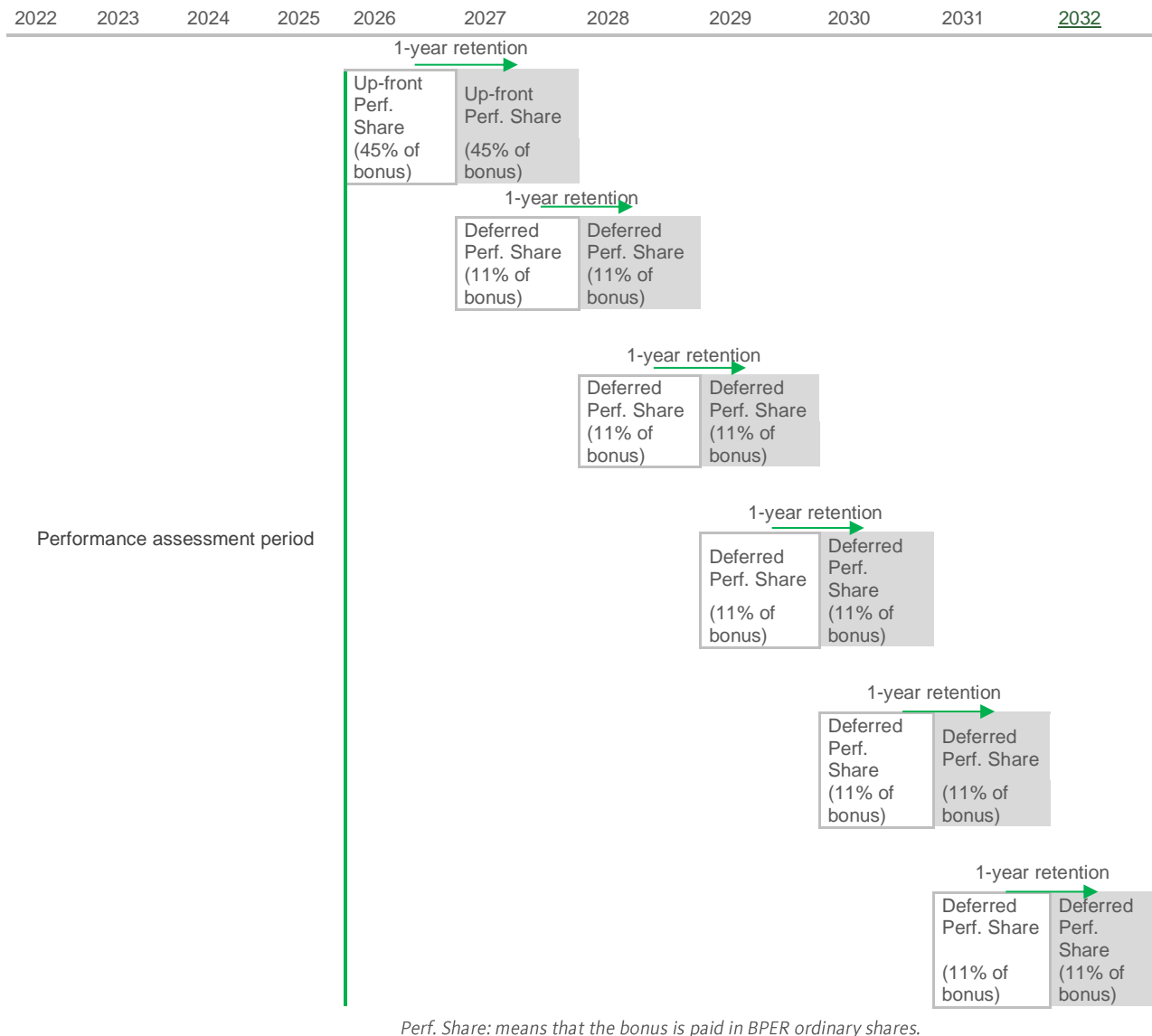
supporting the long-term orientation, as well as managing to correlate the variable component with the actual results and the risks assumed. The Board has also decided to use BPER ordinary shares for 100% of the long-term bonus.

In line with the above, payment of the CEO's bonus is structured as follows.

At the end of the four-year period, in the event of a positive performance, 45% is attributed on the date of assignment of the bonus (up-front quota), but is subject to a retention period of 1 year. The other 55% is deferred in equal annual instalments over 5 years with a 1-year retention period<sup>38</sup>. Bonuses are subject to *ex-post* correction, malus and clawback conditions, as for short-term incentive schemes.

## Payment of the LTI bonus of the CEO and GM

(example of 5-year deferral, if the accrued amount is higher than the maximum variable amount, the up-front portion falls to 40% and the deferred portion rises to 60%)



<sup>38</sup> Without prejudice to the possibility of "sell to cover" (selling securities to pay any tax or social security contributions generated by delivery of the securities subject to retention). For a "particularly high amount", the up-front tranche will be equal to 40% and the five deferred tranches will be equal to 12% of the bonus.

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The free allocation of shares in execution of the Plan will take place using treasury shares that derive from purchases authorised by the Shareholders' Meeting, pursuant to art. 2357 and 2357-ter of the Civil Code.

The target number of shares promised at the start of the Plan's four-year period is calculated based on the ratio between the amount of the target bonus in absolute terms and the value of the stock (a straight average of the official price of the BPER Banca ordinary shares listed on the electronic stock market organised and managed by Borsa Italiana S.p.A. posted in the 30 days preceding the date of the Shareholders' Meeting).

No change-of-control clauses apply to the Chief Executive Officer and General Manager.

## Clawback clauses

All incentives paid<sup>39</sup> are subject to clawback clauses, although their effective application depends on predetermined circumstances taking place:

- types of behaviour that do not comply with the law, regulations and/or the articles of association and/or the code of ethics and/or conduct applicable to the Group, resulting in a significant loss for the Bank and/or for its customers;
- *ex-post* adjustment of the results of the Bank and/or of the person concerned, which gave rise to the pay-out of the bonus, following circumstances not known at the time of the pay-out. In such circumstances, the clause applies in the event that the review of the results involves adjustments exceeding Euro 1 million or if it was made unforeseeable or difficult/impossible because of the deed or fault of the person concerned;
- breaches of the obligations imposed pursuant to art. 26 or, when the employee is the person concerned, of art. 53, paragraphs 4 et seq. of the Consolidated Banking Act or obligations in the field of remuneration and incentives;
- types of behaviour subject to disciplinary initiatives and proceedings that may have led to termination of employment due to just cause or for justified subjective reason and in any case of termination for just cause;
- fraudulent behaviour or gross negligence to the detriment of the Bank or its customers, whether or not they resulted in a third-party sanction.
- implementation of personal hedging or remuneration insurance strategies following *ex-post* controls in order to alter the remuneration systems, undermining the effects of the risk alignment inherent in the remuneration mechanisms.

Specific clawback clauses can be added for individual incentive schemes.

Activation of the clawback clause against the persons concerned differs according to the position held by them at the time of activation of the clause or on termination from the last position held within the BPER Group.

The situations and circumstances underlying activation of the clawback clauses are relevant if they took place or could take place within five years from payment/disbursement of the performance-related benefits.

In the case of the Chief Executive Officer and General Manager, activation of the clause would be on the initiative of the Chairman with the approval of the Board of Directors. The resolution would be drawn up by the Remuneration Committee and the Board of Statutory Auditors, who can work and make pronouncements together or separately and, if necessary, make their own proposal to the Board of

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<sup>39</sup> Including special one-off reward bonuses.

This is a translation into English of the original in Italian. The Italian text shall prevail over the English version.

Directors.

## 8.2. Remuneration of Material Risk Takers

The remuneration of MRTs consists of a fixed component and a short-term variable component that for some key persons may also be long-term. The variable component of the bonus is governed by very strict rules, in accordance with the Bank of Italy's requirements<sup>40</sup> on the remuneration of MRTs.

Note that a variable component of the remuneration may be foreseen on the basis of qualitative objectives and not connected in any way to the financial results for those in control or similar functions (subject to any agreements with the Trade Unions, valid for all employees and also applicable to these professional positions).

For the majority of this category of personnel, the maximum limit on the variable component is maintained within the regulatory limit of 100%<sup>41</sup> of the fixed component, except for top management and specific situations in which that percentage can be raised to the limit defined in a specific shareholders' resolution<sup>42</sup>.

Key personnel are beneficiaries of the MBO variable incentive scheme explained in paragraph 8.1.

Some figures included in the scope of key personnel (excluding control and similar functions) are also recipients of the long-term variable incentive system described in paragraph 8.1 with the additions included in paragraph 8.2.

The MBO scheme generally provides incentive opportunities for MRTs of up to 45% of their fixed remuneration, except in the case of Control Functions, as described below.

Determination of the bonus pool for key personnel follows the same criteria explained in section 8.1 (linked to changes in the reference indicator).

The personal scorecards of Key personnel are linked to results relevant to their respective roles<sup>43</sup> and responsibilities comprising, as in the case of the Chief Executive Officer-General Manager described in section 8.1, both quantitative and qualitative objectives. The qualitative assessment relates to ESG topics, project work or specific functional responsibilities and/or elements subject to management appraisal. Since, in a limited number of cases, it is not feasible to identify quantitative indicators representative of the functions held by certain persons, the parameters applicable to the broader organisations to which they belong are used.

Payment of the accrued variable remuneration takes place consistently with what is provided for in banking regulations<sup>44</sup>. Bonuses are paid in different ways depending on their amount and whether or not the recipient is an MRT belonging to top management (CEO, Chief Executive Officers and/or General Managers of

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<sup>40</sup> Bank of Italy Circular 285.

<sup>41</sup> Subject to the circumstances specified in section 8.

<sup>42</sup> In order to apply all operational drivers to ensure the competitiveness of remuneration packages designed to attract strategic professional skills and ensure the availability of the human resources needed to achieve the established business objectives

<sup>43</sup> Measured using KPIs and corrections that are derived from the Strategic Framework linked to the card shown in paragraph 8.1 with reference to the CEO. The parameters take on different weightings according to the activities that the person concerned performs, the responsibilities that they have been assigned and the operating levers that they manage.

<sup>44</sup> Bank of Italy Circular 285.

"significant<sup>45</sup> business units" with RWA >2% and, for the Parent Company, Deputy General Managers, Executives with strategic responsibilities and C-Level managers reporting directly to the CEO).

**Pay out for top MRTs:**

Variable remuneration > Euro 435 thousand (particularly high amount<sup>46</sup>):

- 40% is attributed at the date the bonus is granted (up-front portion): 20% cash and 20% through BPER Banca shares subject to a retention period of 1 year. 60% (25% cash and 35% through BPER Banca shares) is deferred in equal annual instalments over the 5 years from that of the grant, subject to a retention period of 1 year from the vesting date of each deferred tranche.

Variable remuneration > 50 thousand euro (or 1/3 of total annual remuneration) and ≤ 435 thousand euro:

- 45% is attributed on the date the bonus is granted (up-front portion): 20% cash and 25% through BPER Banca shares subject to a retention period of 1 year. 55% (25% cash and 30% through BPER Banca shares) is deferred in equal annual instalments over the 5 years from that of the grant, subject to a retention period of 1 year from the vesting date of each deferred tranche.

If variable remuneration is ≤ 50 thousand euro and ≤ 1/3 total annual remuneration, the bonus will be paid up-front and 100% in cash.

**Pay out for non-top managers:**

Variable remuneration > Euro 435 thousand (particularly high amount):

- 40% is attributed at the date the bonus is granted (up-front portion): 20% cash and 20% through BPER Banca shares subject to a retention period of 1 year. 60% (30% cash and 30% through BPER Banca shares) is deferred in equal annual instalments over the 4 years from that of the grant, subject to a retention period of 1 year from the vesting date of each deferred tranche.

Variable remuneration > 50 thousand euro (or 1/3 of total annual remuneration) and ≤ 435 thousand euro:

- 60% is attributed at the date the bonus is granted (up-front portion): 30% cash and 30% through BPER Banca shares subject to a retention period of 1 year. 40% (20% cash and 20% through BPER Banca shares) is deferred in equal annual instalments over the 4 years from that of the grant, subject to a retention period of 1 year from the vesting date of each deferred tranche.

If variable annual remuneration is ≤ 50 thousand euro and ≤ 1/3 total annual remuneration, the bonus will be paid up-front and 100% in cash.

Please refer to paragraph 8.1. for the other aspects.

The *ex-post* adjustment mechanisms are similar to those explained for the CEO. The deferred instalments are subject to malus rules that can reduce the instalment to zero in the event of failure to achieve the access thresholds ("entry gates") for the financial year preceding the year of payment of each deferred instalment.

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<sup>45</sup> Based on the EBA's RTS, companies with RWA >2% or marginal contribution to total Group revenues >2% are a "significant operational unit". For the purposes of identifying top management, only companies with RWA >2% are considered: BPER Banca, Banco di Sardegna and Sardaleasing,

<sup>46</sup> As defined by Bank of Italy's Circular 285, 37th update. See note 27.

The malus mechanism, which can block payment of the deferred portions of the bonus, also acts on activation of the clawback clauses. The bonuses paid are subject to the application of clawback clauses in the same manner and circumstances as were defined in paragraph 8.1 above.

Change of control clauses are not currently foreseen for any MRTs.

### 8.3. Remuneration of Control Functions

The remuneration of those performing Control Functions with the MRT perimeter is made up of a fixed component, supplemented by a specific function indemnity and a variable component which can be up to a maximum of 33% of the fixed component. The latter does not depend on meeting financial targets, but is related to the specific objectives of the function, in order to safeguard the independence that is required of these functions<sup>47</sup>. The size of the bonus pool, defined within the MBO incentive scheme, is not related to the economic and financial results achieved, but is set as a fixed amount. Unlike what applies for MRTs, the payment of bonuses for the control functions is subject only to the entry gates based on capital (CET<sub>1</sub>) and liquidity (LCR) ratios.

Once the entry gates have been surpassed, the size of the annual bonus is linked to role-related objectives that may be quantitative and/or qualitative. People in this category have applied to them the rules for deferment of the variable portion, use of financial instruments, the malus and clawback clauses defined for the other Key personnel and described in the paragraph 8.2 above.

### 8.4. Remuneration of managers

The remuneration of managers consists of a fixed element and a variable element. Net of any component resulting from the application of agreements with the Trade Unions, the variable part is of limited amount and within a maximum of 50% of the fixed component<sup>48</sup>, and in any case within the limit set by the law and the articles of association.

In general, management personnel benefit from the MBO plan described in section 8.1, including the qualitative component described for the MBO plans devised for MRTs. The operating rules (e.g. entry gates, KPI, qualitative assessment and corrective action) foreseen for the specific perimeter are applied to MBO recipients subject to specific perimeters (network, private bankers, managers of BPER Credit Management...). In the event that the minimum levels associated with the entry gate parameters applied to MRTs are not reached, the Board of Directors of the Parent Company can decide whether to recognise bonuses of a limited amount, within a buffer that could be significantly lower than the original bonus pool.

The personal scorecards of managers are linked to results that are relevant to their respective roles<sup>49</sup> and responsibilities and are based on quantitative and qualitative objectives. Since, in a limited number of cases, it is not feasible to

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<sup>47</sup>The CHRO is assimilated to the Control Functions as regards the overall rules, without prejudice to the possibility of assigning specific economic and financial objectives to the function.

<sup>48</sup> Except for specific situations in which it is possible to increase that percentage, in order to apply all operational drivers to ensure the competitiveness of remuneration packages designed to attract strategic professional skills and ensure the availability of the human resources needed to achieve the established business objectives.

<sup>49</sup> Measured using KPIs that are derived from the Strategic Framework linked to the scorecard described in paragraph 8.1 with reference to the CEO. The parameters take on different weightings according to the activities that the person concerned performs, the responsibilities that they have been assigned and the operating levers that they manage.



identify quantitative indicators representative of the functions held by certain persons, the parameters applicable to the broader organisations to which they belong are used, considering from a qualitative standpoint, where applicable, their actual contributions to achieving these results.

If the variable remuneration exceeds Euro 50,000 or 50% of the fixed remuneration (in any case, always within the maximum limit), a part will be deferred for at least one year, subject to malus conditions (where not otherwise specified, the malus conditions that apply to MRTs are used).

When a manager participates in the long-term incentive scheme, the conditions envisaged for MRTs under this scheme apply to the manager. The system is described in section 8.1.

As required by the regulations<sup>50</sup>, the variable remuneration paid is subject to clawback clauses in the same manner and circumstances as were explained in section 8.1 above.

In the case of personnel with important responsibilities in control functions (other than those in charge of such functions), who are not included among key personnel, except as required by the National Labour Contract (CCNL) and collective agreements with the Trade Unions, the variable element is related to specific objectives of the function in question and not to the achievement of financial targets.

The provisions of this paragraph apply where an executive director<sup>51</sup> does not belong to the category of MRT and receives variable remuneration.

## 8.5. Remuneration of other personnel

The remuneration of middle managers and professional areas consists of a fixed element and a variable element. Net of any component resulting from the application of agreements with the Trade Unions, the variable part is of limited amount and within a maximum of 50% of the fixed component<sup>52</sup>, and in any case within the limit set by the law and the articles of association. Payments are made on a selective basis, linked to results of particular importance as part of the annual performance appraisal. This approach also applies to those managers who are not recipients of the MBO plan.

If the bonus exceeds Euro 50,000 or 50% of the fixed remuneration (always within the maximum limit), a part will be deferred for at least one year, subject to malus conditions (where not otherwise specified, the malus conditions that apply to MRTs are used).

A significant portion of these categories of personnel benefit from MBO<sup>53</sup> schemes linked to both qualitative and quantitative criteria. The most important relate to the Network, to Private Bankers and to NPE Managers<sup>54</sup>.

In the event that the minimum levels associated with the entry gate parameters applied to key personnel are not reached, the Board of Directors of the Parent Company can decide whether to recognise bonuses of a limited amount, within a buffer that could be significantly lower than the original bonus pool.

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<sup>50</sup> Bank of Italy Circular 285.

<sup>51</sup> Executive directors of companies not defined as significant by the analysis conducted by the CRO.

<sup>52</sup> Except for specific situations in which it is possible to increase that percentage, but not beyond 100%, in order to apply all operational drivers to ensure the competitiveness of remuneration packages designed to attract strategic professional skills and ensure the availability of the human resources needed to achieve the established business objectives.

<sup>53</sup> The assignment of bonuses linked to performance or exceptional situations to integrate what is foreseen by the MBOs is not excluded.

<sup>54</sup> Specific MBO systems are envisaged for some professional figures belonging to the Banks and Companies of the Group.

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As required by the regulations<sup>55</sup>, the bonuses paid are subject to clawback clauses in the same manner and circumstances as were defined in paragraph 8.1 above.

In the case of personnel with important responsibilities in Control functions (other than those in charge of such functions), who is not included among Key personnel, except as required by collective agreements with the Trade Unions, the variable element is related to specific objectives of the function in question and not to the achievement of financial targets.

## Incentive scheme (MBO)

In recent years, an increasing number of employees have been included as beneficiaries of the Group's MBO scheme, clearly with some differences related to the specific nature of the functions and activities performed. The MBO scheme now covers more than 70% of Group employees and almost all those who hold positions in the commercial sphere, in order to ensure greater consistency with the position held. Additional performance indicators have been defined for certain categories of personnel. These are linked to their individual or team ability to generate revenues and supplement the existing entry gates for application of the MBO scheme.

The MBO system requires the entry gates to be exceeded. In order to ensure a link with business performance, the size of each bonus pool - determined for specific clusters of functions or companies - is tied to a specific indicator that is measured with respect to the budget objectives and the overall level of gross profitability achieved. The size of the target bonus is usually determined by the position held, while that for the managers of customer portfolios is usually linked to the size of the portfolio managed. Individual bonuses are linked to achievement of the objectives set in the respective scorecards, which are strictly quantitative in nature, supplemented by qualitative indicators, and the overall management assessment<sup>56</sup>, which is mostly based on qualitative objectives. The results of this work are adjusted by correction factors linked to compliance and quality parameters (known as "compliance breach") that may increase, decrease or cancel the bonus accrued.

In order to ensure ongoing consistency with the objectives laid down in the Plan, individual and Group targets are reviewed during the year.

For some specific figures not belonging to the category of MRTs, extended MBOs are possible over a multi-year period, possibly to supplement the ordinary annual MBO.

## 8.6. Remuneration of external collaborators

Group companies benefit from the contribution of a very limited number of freelancers who do not have a full-time employment contract with the company. They are normally people who have specific skills that are required for a limited period of time, or as part of specific projects, which are complementary and/or of support to the activities performed by employees.

As a rule, the remuneration of external collaborators only consists of a fixed element. However, there is the possibility for variable remuneration to be awarded, still within the limits of 50% of the fixed component<sup>57</sup> and, in any case,

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<sup>55</sup> Bank of Italy Circular 285.

<sup>56</sup> "Performance management" process.

<sup>57</sup> Except for specific situations in which it is possible to increase that percentage, in order to apply all operational drivers to ensure the competitiveness of remuneration packages designed to attract strategic professional skills and ensure the availability of the human resources

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within the limit set by law and the articles of association. The amount of the variable component will be determined each time based on specific indicators for the activity carried on.

Any costs involved in performing their duties are incurred directly by the Bank or Company, or reimbursed to the collaborator.

The activities and remuneration of collaborators are evaluated as part of the process of identifying key personnel for inclusion or exclusion, following specific procedures, in accordance with the relevant regulations.

In order to achieve its strategic objectives and provide services to customers, the Group also makes use of financial advisers, hired under agency contracts (for wealth management services), and financial agents (for consumer credit<sup>58</sup>).

The structure of their remuneration, usually entirely variable due to the autonomous nature of their contracts, distinguishes between a "recurring" component (similar to fixed) and a "non-recurring" component (similar to variable), in line with the Bank of Italy's Instructions.

The former represents the most stable part of the remuneration of the adviser/agent. This relates to the routine activities carried out, reflecting the main characteristics of the agency contract: the payment of percentage commissions agreed in advance between the Bank and the Agent and linked to "conclusion of the business" (e.g. formal agreement to purchase financial products offered by third parties or Group companies) introduced by the adviser/agent.

The latter, on the other hand, represents an incentive linked to the achievement of specified objectives (e.g. net inflows, development of the customer portfolio or banking customers etc.) and, as such, is subject to exceeding specified entry gates, represented by the minimum supervisory requirements for capital adequacy and liquidity, as determined at the time of payment of the commission. In general terms, the "short-term" incentive schemes that reward business development are complemented by "medium-term" schemes that build loyalty and consolidate the relationships with the financial advisers or agents concerned.

These objectives are defined in a manner that does not reward conduct inconsistent with the interests of customers.

Similarly, management of the remuneration and incentive schemes for financial advisers and financial agents dedicates special attention to the evaluation of individual conduct, as well as the control over operational and reputational risks (e.g. compliance with the regulations and internal procedures and transparency in relations with customers). This ensures that the work of financial advisers and agents is focused on satisfaction of the interests of customers, in compliance with sector regulations. "Non-recurring" remuneration is therefore subject to partial or total reduction (malus) and/or repayment (clawback) mechanisms in the event of fraudulent behaviour or gross negligence, without which the bonus would not have been awarded.

Remuneration can be affected by specific quality clauses, examples of which are listed below: audits with adverse or partly adverse outcomes, justified customer complaints about facts attributable to the adviser or agent, penalties levied by supervisory authorities etc.

The activities and remuneration of financial advisers/agents are evaluated as part of the process of identifying key personnel for inclusion or exclusion, following specific procedures, in accordance with the relevant regulations.

The non-recurring remuneration of any financial advisers and/or agents identified

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needed to achieve the established business objectives.

<sup>58</sup> The Group also works with insurance agents, none of whom have been identified as Key personnel and who are always remunerated on a current basis.

as key personnel within the Group is subject to the same rules (entry gates, ratio of non-recurring/recurring components, deferrals, malus and clawback clauses) envisaged for payment of the variable remuneration of other key personnel (see section 8.2).

## **8.7. Remuneration of the Network: focus on transparency in the sale of banking goods and services**

The Banking Group has identified the personnel considered significant for the sale of banking goods and services.

In particular, there are 13,415 people<sup>59</sup> who report to 123 Area Managers or equivalent management figures.

The remuneration of key persons does not provide incentives to work in their own interests or that of the intermediary, to the detriment of the customer. In particular, the variable component of the remuneration:

- is linked to quantitative and qualitative criteria;
- does not incentivise the offer of a specific product or category or combination of products that fails to satisfy the objectives and financial needs of the customer;
- is suitably balance with respect to the fixed component of the remuneration;
- is subject to adjustment mechanisms that allow for its reduction (even significantly) or elimination in the event of conduct that resulted in or contributed to significant losses for customers.

Achievement of the commercial and economic-financial objectives is verified in light of the manager's assessment which includes, as a priority, the contribution to customer satisfaction and loyalty and to the development and dissemination of a team spirit. In order to contain exposures within the limits defined in the risk management policies of the Banking Group, having regard for the applicable regulatory limits, the remuneration and incentive systems for personnel responsible for the assessment of creditworthiness also include indicators that monitor the prudent management of risk, including credit risk in particular.

The overall assessment takes account of monitoring by the functions responsible for checking the propriety of relations with customers, as well as adjustments linked to the assessment of other compliance and quality indicators (e.g. MiFID profiling, mandatory training).

The results of checks carried out by the control functions are also considered.

These elements, used to assess proper personal conduct (compliance with internal regulations and procedures and transparency in relations with customers), are given due consideration when assigning the variable component.

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<sup>59</sup> Persons within the commercial network who work mostly in branches or facilities in direct contact with customers, private bankers, contact centre operators, financial advisers and agents.

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## 8.8. Remuneration of personnel of the SGR and BPER Bank Luxembourg

The Banking Group includes a company operating in the asset management sector (UCITS-AIF) and a bank based in Luxembourg, both subject to specific regulations.

### Asset management companies

Arca SGR is subject to the sector legislation<sup>60</sup> deriving from the transposition into Italian law of Directives 2014/91/EU (UCITS V) and 2011/61/EU (AIFMD), most recently integrated into the Bank of Italy Regulation issued on 5 December 2019 in implementation of arts. 4-*undecies* and 6, c.1, letters b) and c-*bis*), of the CFA and the specific provisions of the broader consolidated banking regulatory framework.

This subsidiary prepares the remuneration and incentives policy for its personnel in application of the principles and objectives embodied in the Group's remuneration policy, including the gender neutrality principle (described in chapter 4), having regard for the applicable regulatory requirements and, in particular:

- the role of the Shareholders' Meeting, the Corporate bodies, the Remuneration Committee and the governance processes at company level, regarding the coordination and control role of the Parent Company<sup>61</sup>;
- identification of key personnel at SGR level and contribution to the process of identifying the key personnel at Group level;
- clear distinction between fixed and variable remuneration;
- short and long-term incentive schemes linked to the performance indicators of the SGR and of the Undertaking for the Collective Investment of Transferable Securities (UCITS) and of the Alternative Investment Funds (AIF), as managed and measured net of any risks associated with their operations, and taking account - via the definition of entry gates<sup>62</sup> and mechanisms for determining the bonus pool - of the capital resources and liquidity needed to finance the activities and investments of the SGR and the funds;
- application of specific deferral procedures for the different categories of risk taker, envisaging assignment of part of the variable remuneration in the form of financial instruments linked to fund units on passing a materiality threshold, set in line with sector practice at Euro 80,000;
- limits on variable remuneration including the definition of the company's own specific bonus pool which includes all personnel belonging to the company, none excluded, also in relation to membership of the Banking Group and the regulations applicable to it pro tempore (see above, section 8 of the Remuneration Policy for 2022 "Ratio of variable remuneration to fixed remuneration" and application of the exception<sup>63</sup> to the limit on the ratio of variable to fixed remuneration);

<sup>60</sup> Joint Bank of Italy and Consob regulation dated 27 April 2017.

<sup>61</sup> The Parent Company prepares the remuneration and incentives policy for the entire Banking Group, ensures its overall consistency, provides guidance for its implementation and checks its proper application, without prejudice to the responsibility of the SGR to comply with those regulations that are directly applicable and to implement properly the guidance provided by the Parent Company.

<sup>62</sup> In addition to the minimum supervisory requirements for the capital adequacy and liquidity of the Banking Group.

<sup>63</sup> In this regard, it should be noted that on 22 April 2020 the Shareholders' Meeting of BPER approved an exception to the limit on the ratio of

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- specific malus conditions<sup>64</sup> and clawback mechanisms;
- specific conditions with regard to severance payments;
- disclosure requirements.

The Parent Company includes SGR personnel in the process followed to identify Key personnel. Inclusion involves adoption of the qualitative criteria envisaged in the Supervisory Provisions, with particular reference to the possibility that the activities of those persons at significant operating units might have a significant impact on the risks faced by the Group, including its economic, financial and/or reputational risks. Inclusion also involves adoption of the quantitative criteria envisaged by the regulations that govern the exclusion mechanisms and procedures.

Consistent with the exceptions envisaged in the 37th update of the Bank of Italy Circular 285, the above criteria also apply to the SGR personnel identified among the Group's MRTs, except for the malus<sup>65</sup> and clawback rules.

With reference to the entry gates, in addition to the SGR-specific conditions and the minimum regulatory requirements for capital adequacy and liquidity, the monetary element of the annual incentive is subject to the capital adequacy and liquidity requirements envisaged for Key personnel within the Group.

The above requirements for persons identified as Key personnel within the Group who also hold a position in the Parent Company supplement the remuneration policy of the SGR and its specific requirements.

## BPER Bank Luxembourg

BPER Bank Luxembourg s.a. provides a full range of banking services (current accounts and liquidity management, custody and administration, etc.) and investment services (asset management, receipt and transmission of orders, management of life insurance policies) to private and corporate customers and institutional investors.

The Bank also makes loans to customers and banks and operates in trade finance.

In accordance with Bank of Italy Circular 285, the remuneration and incentive policies of the BPER Group take into account the characteristics of the Luxembourg bank, which is regulated by the local supervisory authority, Commission de Surveillance du Secteur Financier (CSSF)<sup>66</sup> (i.e. size of the Company, risk level brought to the group, type of activity, presence of specific rules based on the sector that it belongs to). BPER Bank Luxembourg s.a. adopts the Policies developed by the Parent Company in the terms described above, submitting them to its Board of Directors for approval; it remains in any case responsible for compliance with the legislation directly applicable to it and for correct implementation of the guidelines provided by the Parent Company.

In this context, the following aspects are assessed on the basis of the principle of

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variable to fixed remuneration, at the same time raising it to 3:1 compared with the Group cap (2:1) for the Management of Arca Fondi SGR (including those that are considered the Group MRTs) and the resources involved in the investment process and sales and marketing, including the development of digital platforms.

<sup>64</sup> In addition to the malus conditions linked to the minimum supervisory requirements for the capital adequacy and liquidity of the Group.

<sup>65</sup> As for the other MRTs in the Group, the deferred components are subject to the same entry gates for the payment of bonuses, in this case being the capital adequacy and liquidity gates envisaged for Group MRTs that are applied to the cash portion.

<sup>66</sup> In particular, it is subject to CSSF Circular 10/437 (guidelines on remuneration policies in the financial sector); CSSF Circular 11/505 (details relating to the application of the proportionality principle in the definition and application of remuneration policies consistent with sound and effective risk management); CSSF Circular 15/620 (transposition of the CRD IV directive into the Luxembourg regulatory framework) and CSSF Circular 17/658 (adoption of the EBA Guidelines on sound remuneration policies).

proportionality and within the broader consolidated banking regulatory framework:

- role of the corporate bodies of BPER Bank Luxembourg and of governance processes in general;
- identification of the individual MRTs (General Manager, Deputy General Manager and Heads of the Control Functions);
- any applications of specific procedures for deferral and payment of the variable component characterised by greater detail;
- any limits on variable remuneration.

For 2022, the General Manager and Deputy General Manager of Bper Bank Luxembourg s.a. are identified among the Material Risk Takers of the Group, applying the criteria described in chapter 3.

### **8.9. No-competition agreements, notice extension agreements and stability and/or retention agreements**

When the need to safeguard the Group's competitiveness and particular professional skills, as well as to protect commercial goodwill and customers' interests, requires or makes it appropriate, the Group can enter into no-competition agreements with specific categories of personnel and/or on an individual basis, whether in an ongoing working relationship or on severance. These agreements must comply with the Bank of Italy's Supervisory Instructions, jurisprudential interpretations, market practices and the criteria and limits approved at the Shareholders' Meeting.

For similar purposes, the Group can also sign agreements aimed at extending employees' period of notice in the event of resignation. Such agreements, which also aim to satisfy the Group's need to guarantee over time the collaboration of particularly qualified workers, envisage the payment of small amounts for periods of effective respect of the commitment taken on.

Any forms of retention bonuses and/or stability agreements will be governed in accordance with the rules, regulations and labour law applicable at the time.

Payments to remunerate agreements that cover ongoing working relationships<sup>67</sup> must satisfy the entry gates represented by the minimum supervisory requirements for capital adequacy and liquidity, as determined at the time of payment.

The amounts paid under such agreements are subject to the specific provisions laid down in the latest update of the Bank of Italy Circular 285.

### **8.10. Benefits**

The total remuneration package for the various positions can be supplemented by fringe benefits for all employees or for particular positions, depending on the functions that they perform, the level in the organisation or specific limited attributions. The allocation of such remuneration components is regularly compared with the best market practices in order to assess the competitiveness

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<sup>67</sup> In particular, this applies to the amounts paid, in relation to ongoing working relationships, for no-competition agreements, notice extension agreements and stability agreements (and/or retention bonuses).

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of the treatment accorded to Group employees.

### **8.11. Compensation granted up-front or on termination of employment of MRTs**

The Supervisory Provisions on the subject of remuneration provide that the remuneration agreed upon either on the occasion of the early termination of the employment relationship or early termination of the office (so-called "golden parachute" or additional remuneration) are subject to a particular provision contained in the same Supervisory Provisions, to which reference should be made.

Without prejudice to the exemptions foreseen by the Supervisory Provisions (Circular 285 of the Bank of Italy, part 1, title 4, chapter 2, Sec. 3,2.2.3), which will be applied by the Group if the circumstances arise, and without prejudice to the specific regulations envisaged for the various categories of personnel, it should be noted that the following amounts do not form part of the additional remuneration mentioned above:

- amounts paid in lieu of notice, within the limits established by law and collective labour contract;
- amounts paid for non-competition agreements, for the portion that does not exceed the last year of fixed remuneration;
- amounts paid in execution of a decision by an independent third party (judge or arbitrator) on the basis of applicable legislation.

If there are, or are expected to be, cases of termination of employment on the initiative and/or in the interests of the Group, whether in a unilateral or an agreed form, additional compensation may be recognised as a pre-retirement leaving incentive or on various forms of early retirement or to settle a current or potential dispute, in order to avoid the risks associated with legal proceedings and court rulings.

The amount of this additional compensation, which does not include the other payments indicated above, may not exceed 2 years of fixed remuneration deriving from employment as a manager and/or Director or Euro 2.4 million (gross for the employee).

In any case, without prejudice to the foregoing, the total amount of additional remuneration, of any no-competition agreements and amounts paid in lieu of notice to the Chief Executive Officer, the General Manager and Executives with strategic responsibilities cannot exceed 2 years of total remuneration<sup>68</sup>.

As regards the ratio of fixed to variable remuneration, the criteria mentioned in the Supervisory Provisions will be respected (taking into account any exemptions, such as the exclusion - for the purposes of this relationship - of any amounts paid for that part of a no-competition agreement not exceeding the last year of fixed remuneration and the use of a predefined formula).

The remuneration in question will take account of the performance achieved over time and the risks taken on by the person concerned and by the company.

Determination of these additional amounts of remuneration must therefore take into account, in addition to the purposes set out above, an overall assessment of the person's work in the various positions held and the presence or otherwise of individual penalties imposed by the Supervisory Authority, having particular regard for the levels of capitalisation and liquidity of the Group (specifically, at

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<sup>68</sup> The amount of one year's salary used to calculate this total is determined by considering the current fixed remuneration plus the average of the incentives actually awarded in the last three years prior to termination, including the portion of incentives paid in shares.

This is a translation into English of the original in Italian. The Italian text shall prevail over the English version.



the time of signing the agreement on compensation, the Bank's liquidity and capital must exceed the minimum requirements laid down by the Supervisory Authorities)<sup>69</sup>.

These additional amounts of remuneration are subject to the deferral mechanisms and use of financial instruments envisaged for the payment of variable remuneration to MRTs and are subject to the same clawback and related malus clauses, to the extent that they are applicable. Any deferred portions will be subject, by way of further malus clauses, to passing the capital and liquidity gates defined for the annual incentive plans<sup>70</sup>.

The Supervisory Instructions issued by the Bank of Italy also allow the use of a predetermined formula, contained in the Bank's remuneration policy, that defines the amount payable on early termination of the employment relationship or period in office, in the context of an agreement between the bank and its personnel - howsoever reached - in order to settle a current or potential dispute. The additional compensation determined by applying that formula is not included in the calculation of the above maximum limit on the ratio of variable to fixed remuneration.

In the appropriate circumstances regarding the above personnel (MRTs), the Group may apply the following predetermined formula:

- standard incentive (or additional compensation): 18 months of fixed remuneration;
- If over 30 years of service with the Group: 20 months of fixed remuneration;
- if less than 5 years of service: 9 months of fixed remuneration.

The above numbers of months are halved if:

- individual performance in the past 2 years was insufficient<sup>71</sup>
- direct access to standard retirement benefits.

The formula does not apply in the event of negligent or fraudulent conduct identified in the last 5 calendar years.

The formula also does not apply on access to the Solidarity Fund.

All personnel belonging to the category of MRTs, including Control Functions, can adhere to early retirement incentive agreements defined with the Trade Unions, including those for access to the banking sector's Solidarity Fund. In this case, quantification of the incentive is considered a "predefined formula" pursuant to the Supervisory Provisions<sup>72</sup>. In any case, the limits of 2 years of total remuneration envisaged for the amount of additional remuneration for the Chief Executive Officer, the General Manager and Executives with Strategic Responsibilities remain unaffected.

If the above formulas are applied, the resulting amounts are not considered when determining the variable/fixed remuneration ratio.

Similar agreements may be envisaged for managers not deemed to be MRTs, within the limits established in the national labour contract for specific mediation proceedings.

For persons not deemed to be MRTs, the Group can raise the maximum variable/fixed remuneration to 2:1 in order to make payments ahead or at the time

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<sup>69</sup> This requirement also applies to all other personnel.

<sup>70</sup> This requirement also applies to all other personnel.

<sup>71</sup> annual performance score against target was less than 60.

<sup>72</sup> This requirement also applies to all other personnel.

of severance, without prejudice to the specifics envisaged for the personnel of Arca Fondi SGR and embodied in the specific remuneration policies of the Company, while complying in all cases with the maximum limits stated in these policies.

The effects of termination on the rights assigned under the incentive plans based on financial instruments, or payable in cash, are described in the corresponding information document prepared pursuant to art. 114-bis CFA.

### **8.12. Discretionary pension benefits**

There is no provision for discretionary pension benefits for anyone in the company for early termination of employment or office. In the event of an exceptional assignment, the rules provided for under current legislation will be applied.





## SECTION II - 2021 ANNUAL REMUNERATION REPORT

This section has not been updated; please refer to what was already approved by the Shareholders' Meeting on 20 April 2022.



# ATTACHMENT - 2022 ANNUAL REMUNERATION REPORT

Bank of Italy Circular 285/2013 - Section VI – Disclosures and transmission of data – Para. 1 Public disclosure obligations (art. 450 CRR and art. 17 of Implementing Regulation (EU) 637 of 15 March 2021)

**REMA table: Remuneration Policy - qualitative information**

<b>a) Information about the bodies responsible for the supervision of remuneration. Information includes:</b>
<p>— name, composition and mandate of the principal body (administrative body and remuneration committee, if applicable) that supervises remuneration policy and the number of meetings held by that body during the year;</p>
<p>The Remuneration Committee is made up of three non-executive directors, the majority of whom meet the independence requirements envisaged by art. 148, paragraph 3, of the CFA. The Committee plays a consultative, investigative and propositive role in support of the Board of Directors. <b>The Committee met 28 times in 2021.</b> Further details can be found in section 1.3 of the 2022 Report on remuneration policy and compensation paid.</p>
<p>— external consultants used, the body that appointed them and in which field of remuneration;</p>
<p>In carrying out all the activities necessary to ensure the competitiveness and effectiveness of its pay systems, the Group has been supported by external, independent consultancy firms with considerable expertise in this area. In particular, the internal functions concerned have commenced collaboration with international consultancies: Willis Towers Watson, which has helped to revise the incentive schemes, and with Mercer, which has provided support for the benchmarking of salaries at various levels within the employee population.</p>
<p>— description of the scope of application of the remuneration policy adopted by the company (e.g. by region, line of business), with indication of the extent to which it applies to branches and units located abroad;</p>
<p>Group Policy ensures the consistency of the remuneration and incentive systems applied within the Banking Group, having regard for the specific characteristics of the sectors in which Group companies operate, their organisational structures, the regulations applicable to their businesses and their geographical location.</p>
<p>— description of the personnel or categories of personnel whose professional activities have a significant impact on the risk profile of the company</p>
<p>BPER identifies the Group's Material Risk Takers with reference to all companies within the same Group, whether or not subject to banking regulations on an individual basis, ensuring the overall consistency of the identification process and coordination of the varying instructions that apply in the specific sectors served by each Group company. For this purpose and consistent with the applicable regulatory requirements, BPER adopts a policy for identifying the Group's Material Risk Takers that defines: i) the criteria and procedures used to identify Material Risk Takers, ii) procedures for the appraisal of personnel; iii) the roles played by corporate bodies and the relevant business functions in devising, monitoring and reviewing the identification process. Group companies actively participate in the process of identifying the Group's MRTs, as carried out by the Parent Company, providing it with the necessary information in accordance with the instructions received. Further information is available in section 3 of the 2022 Report on remuneration policy and compensation paid ("Identification of Material Risk Takers").</p>

**b) Information about the characteristics and structure of the system for remunerating material risk takers. Information includes:**

— summary of the characteristics and main objectives of the remuneration policy and information about the decision-making process followed for defining the remuneration policy and the roles of the parties involved;

The 2022 Remuneration Policy has been prepared with reference to the important challenges faced by the BPER Group, as identified in the strategic guidelines and considering the evolution of the regulatory framework for the sector.

The BPER Group has established a governance process in order to regulate the definition, implementation and management of its remuneration policies. This process will involve various control bodies and business functions at different levels, according to their sphere of competence: the Report on remuneration policy and compensation paid is approved each year at the Shareholders' Meeting, following approval by the Board of Directors following receipt of the opinion of the Remuneration Committee and relevant consultations with the Control and Risk Committee and the Sustainability Committee. Details are presented in Chapter 1 of the 2022 Report on remuneration policy and compensation paid ("Governance of remuneration and incentive policies").

— information on the criteria used to assess performance and adjust for ex-ante and ex-post risks;

The Group has defined a short-term variable incentive plan to align the interests of management with the creation of value for the shareholders, so as to reward good behaviour and positive results, while penalising, through non-payment of bonuses, both failure to achieve the results and any deterioration in the Group's capital, liquidity and profitability ratios.

The incentive system provides for the identification of a bonus pool which represents the maximum amount of bonuses that can be paid. The bonus pool for the Chief Executive Officer and General Manager and the MRTs is determined at Group level. The amount of the bonus pool for MRTs is correlated with the economic results achieved, in terms of Group gross profit, and represents a maximum limit.

In order to discourage excessive risk-taking which can lead to a deterioration in the Group's "state of health", also in compliance with the Bank of Italy's regulatory requirements, disbursement of the bonus pool, whatever the amount, is without exception subject to compliance with certain indicators, called "entry gates", which are related to the capital, liquidity and risk-adjusted return ratios.

After verification that the entry gates have been achieved, the actual assignment of bonuses and the consequent amount of variable remuneration are defined following an assessment of individual performance. This analyses a wide range of quantitative and qualitative indicators that supplement the checks on compliance with the indicators specified in the Risk Appetite Framework and risk policies.

The Group has also defined a long-term variable incentive system based on a multi-year performance assessment (2022-2025), consistent with the objectives and duration of the Group's Strategic Plan.

Details can be found in sections 8.1, 8.2, 8.3, 8.4 and 8.5 of 2022 Report on remuneration policy and compensation paid.

— if the administrative body or the remuneration committee, if established, has reviewed the remuneration policy during the past year, summarise any changes made, the reasons for them and their impact on remuneration;

Main changes:

**Strengthening the concept of pay for sustainable performance by:**

- revising the pay mix and linking the greater part of total remuneration to the delivery of annual and long-term results, with a particular focus on the longer term, while always respecting the maximum ratio of variable remuneration to fixed remuneration defined in the 2022 Report on remuneration policy and compensation paid;
- incentivising the achievement of «superior» performance, by revising the incentive criteria applying to all Group employees to reflect more closely the annual and medium/long-term priorities and prudent risk management strategies adopted by the Group, having regard for the internal fairness and external competitiveness objectives;
- integrating the ESG priorities into the annual and long-term incentive plans, with a view to creating value for all stakeholders;
- introducing an Long-Term Incentive Plan ([LTI Plan 2022-2025](#)), assigned in BPER shares, linked to business plan targets;
- extending the obligation to retain the financial instruments allocated under the LTI Plan to the Chief Executive Officer-General Manager and the other MRTs, via the introduction of Share Ownership Guidelines consistent with best practices regarding alignment with the interests of investors;
- **introducing checks to guarantee the gender neutrality** of the remuneration policy, consistent with the new Bank of Italy instructions, in confirmation of the commitment to equal treatment and inclusion policies, regardless of gender and other diversities;
- **revising the severance policy** by introducing a predetermined formula, consistent with the practices followed by the Italian Banking Groups, while maintaining unchanged the maximum limits envisaged for amounts and the number of annual payments;

The principal effects on remuneration will mainly be recognisable by a clearer emphasis on rewarding superior performance, resulting in a pay mix in which long-term variable remuneration has a greater weighting.

— information about how the company ensures that personnel with internal control functions are remunerated with reference to the activities checked by them;

The remuneration of those performing Control Functions with the MRT perimeter is made up of a fixed component, supplemented by a specific function indemnity and a variable component which can be up to a maximum of 33% of the fixed component. The latter does not depend on meeting financial targets, but is related to the specific objectives of the function linked to qualitative and quantitative aspects, in order to safeguard the independence that is required of these functions.

The size of the bonus pool, defined within the MBO incentive scheme, is not related to the economic and financial results achieved, but is set as a fixed amount. Unlike what applies for key personnel, the payment of bonuses for the control functions is subject only to the entry gates based on capital (CET1) and liquidity (LCR) ratios.

People in this category have applied to them entry gates and the rules for deferral of the variable portion, use of financial instruments and the malus and clawback clauses defined for the other MRTs.

— policies and criteria applied for the recognition of guaranteed variable remuneration and severance indemnities.

There are no forms of guaranteed variable remuneration. Without prejudice to the exemptions foreseen by the Supervisory Provisions, which will be applied by the Group if the circumstances arise, and without prejudice to the specific regulations envisaged for the various categories of personnel, it should be noted that the following amounts do not form part of the additional remuneration mentioned above:

- amounts paid in lieu of notice, within the limits established by law and collective labour contract;
- amounts paid for non-competition agreements, for the portion that does not exceed the last year of fixed remuneration;
- amounts paid in execution of a decision by an independent third party (judge or arbitrator) on the basis of applicable legislation.

If there are cases of termination of employment on the initiative and/or interest of the Group, in a unilateral or consensual form, additional compensation may be envisaged as a leaving indemnity or in the case of early retirement (for whatever reason) or paid for the settlement of a current or potential dispute, in order to avoid the risk of the court deciding against the Group.

The amount of such additional remuneration cannot exceed 2 years' fixed remuneration - deriving from the executive employment relationship and from any positions as director - and will be subject to a maximum limit of Euro 2.4 million (gross per employee).

In any case, without prejudice to the foregoing, the total amount of additional remuneration, of any no-competition agreements and amounts paid in lieu of notice to the Chief Executive Officer, the General Manager and Executives with strategic responsibilities cannot exceed 2 years of total remuneration.

Details are available in section 8.11 of the 2022 Report on remuneration policy and compensation paid ("Compensation agreed on termination of the employment relationship with Material Risk Takers").

**c) Description of the way in which remuneration processes take account of current and future risks. The information comprises a summary of the principal risks, their measurement and how those measurements affect remuneration.**

In order to discourage excessive risk-taking which can lead to a deterioration in the Group's "state of health", also in compliance with the Bank of Italy's regulatory requirements, disbursement of the bonus pool, whatever the amount, is without exception subject to compliance with certain indicators, called "entry gates", which are related to the capital, liquidity and risk-adjusted return ratios.

The entry gates for 2021, all of which have to be achieved at the same time, are as follows:

**Common Equity Tier 1 (CET 1) – Pillar 1 consolidated ratio (under transitional arrangement) > RAF Tolerance**

**Consolidated Liquidity Coverage Ratio (LCR) > RAF Capacity**

**Consolidated Return On Risk-Weighted Assets (RORWA) > RAF Tolerance**

After measuring the results against the assigned objectives, the system envisages assessment by the Board of Directors of the risk correction parameters derived from those contained in the Risk Appetite Framework (RAF). This assessment applies to all MRTs, except for those responsible for control functions. **These parameters adjust the incentive earned on achievement of the objectives specified in the personal scorecard. If they are not satisfied, the bonus earned may be reduced by a maximum of 50%.**

**d) Ratio of fixed to variable remuneration established pursuant to art. 94, para. 1, letter g), CRD.**



In line with the regulatory requirements and the resolutions adopted at the Shareholders' Meeting held in 2020, the ratio between variable and fixed remuneration is set at 2:1 for all MRTs (except for control and similar functions). This is to have the flexibility to make payments ahead or in the event of early termination of employment or term of office, within the maximum limits stated in this Policy and to attract external resources in order to achieve the Group's objectives.

For the rest of the personnel, a maximum ratio between the components of remuneration of 1:1 is normally adopted, with the exception of MRTs of Corporate Control Functions, for whom their variable remuneration cannot exceed one third of their fixed remuneration.

Nevertheless, the Group also sets the maximum fixed/variable ratio at 2:1 for all other personnel too (excluding the control functions once again) in the following limited circumstances:

- a. to make payments ahead or in the event of early termination of employment or term of office, again within the maximum limits already established in these policies under limited and specific circumstances;
- b. to have appropriate levers to manage in a suitable manner the competitive pressures in the job markets for certain, highly profitable business segments and specific professional families (Wealth Management and Corporate Banking); these professional families comprise a maximum of 739 persons, within which only a very small minority can exceed the 1:1 limit.

Adoption of this 2:1 ratio between variable and fixed remuneration does not have any effect on the Bank's ability to comply with the prudential rules on capital, the requirements regarding own funds in particular.

**e) Description of how the company seeks to link performance in the assessment period with remuneration levels. Information includes:**

— summary of the principal criteria and performance metrics used in relation to the company, its lines of business and individuals;

The “Strategy Sheet”, summary of the priorities of the Strategic Plan for 2022, underpins the MBO plan and the definition of objectives for the entire organisation. From 2021, this document now includes the ESG priorities that are closely correlated with the SDGs (Sustainable Development Goals) identified in the Sustainability Report available at <https://istituzionale.bper.it/sostenibilita/bilancio-di-sostenibilita>.

In addition, the presence of common entry gates to the MBO and LTI plans, linked to risk-weighted capital adequacy, liquidity and profitability parameters, ensures their sustainability from an economic and financial standpoint.

— summary of how the amounts of individual variable remuneration are linked to both individual and company performance;

Individual variable remuneration is based principally on the overall performance of the Group and each Entity/Business Unit, in order to determine the size of the bonus pools available, and then on individual performance.

— information about the criteria used to achieve balance among the various types of instrument recognised, including shares, equivalent participating equity instruments, options and other instruments;

Work to update the pay mix analysed, with assistance from the external advisor, both a peer group and broader market references. As a result, it was decided to shift the variable/fixed ratio significantly, albeit in a prudent manner, by increasing the variable component. In consideration of forecast growth over a medium-term strategic horizon, a decision was taken to privilege the long-term variable component of the remuneration of MRTs.

— information on the measures that the company will adopt to adjust the variable component of remuneration if the performance metrics are weak, including the criteria used by the company to determine that these metrics are “weak”.

In order to discourage excessive risk-taking which can lead to a deterioration in the Group's "state of health", also in compliance with the Bank of Italy's regulatory requirements, disbursement of the bonus pool, whatever the amount, is without exception subject to compliance with certain indicators, called "entry gates", which are related to the capital, liquidity and risk-adjusted return ratios.

Failure to achieve even only one of the entry gates means not paying any bonus under this scheme.

With regard to the CEO-GM, after measuring his results against the assigned objectives, the system provides for assessment by the Board of Directors the application of parameters to adjust for risk, based on those contained in the Risk Appetite Framework (RAF). These parameters act as a corrective with respect to the incentive accrued on the achievement of the objectives set by the individual scorecard of the CEO and GM; If they are not satisfied, the bonus earned may be reduced by a maximum of 50%.

f) Description of how the company seeks to adjust remuneration to take account of long-term performance. Information includes:

— summary of the company policy for the deferral, payment in instruments, retention periods and vesting of variable remuneration, including where this differs between individuals or categories of personnel;

The payment of bonuses to beneficiaries of the long-term incentive plan, including the Chief Executive Officer and General Manager, is structured as follows: at the end of the four-year period, 45% is attributed at the bonus assignment date (up-front portion), but subject to a retention period of one year). The other 55% is deferred in equal annual instalments over 5 years with a 1-year retention period. Bonuses are subject to *ex-post* correction, malus and clawback conditions, as for short-term incentive schemes. If the amount is particularly high, the up-front portion is reduced to 40% and 60% is deferred. The payment of bonuses to the beneficiaries of the short-term incentive plan is described below:

**For senior "Material Risk Takers", including the Chief Executive Officer and General Manager:**

Variable remuneration > Euro 435 thousand ( particularly high amount):

40% is attributed at the date the bonus is granted (up-front portion): 20% cash and 20% through BPER Banca shares subject to a retention period of 1 year (during which the shares cannot be sold). 60% (25% cash and 35% through phantom stock) is deferred in equal annual instalments over the five years from that of the grant, subject to a retention period (during which the shares cannot be sold) of one year from the vesting date of each deferred tranche.

Variable remuneration > 50 thousand euro (or 1/3 of total annual remuneration) and < 435 thousand euro:

45% is attributed on the date the bonus is granted (up-front portion): 20% cash and 25% through BPER Banca shares subject to a retention period of 1 year (during which the shares cannot be sold). 55% (25% cash and 30% through BPER Banca shares) is deferred in equal annual instalments over the 5 years from that of the grant, subject to a retention period (during which the shares cannot be sold) of 1 year from the vesting date of each deferred tranche.

**For non-senior "Material Risk Takers":**

Variable remuneration > Euro 435 thousand ( particularly high amount):

40% is attributed at the date the bonus is granted (up-front portion): 20% cash and 20% through BPER Banca shares subject to a retention period of 1 year. 60% (30% cash and 30% through BPER Banca shares) is deferred in equal annual instalments over the 4 years from that of the grant, subject to a retention period (during which the shares cannot be sold) of 1 year from the vesting date of each deferred tranche. Variable remuneration > 50 thousand euro (or 1/3 of total annual remuneration) and < 435 thousand euro:

60% is attributed at the date the bonus is granted (up-front portion): 30% cash and 30% through BPER Banca shares subject to a retention period of 1 year (during which the shares cannot be sold). 40% (20% cash and 20% through BPER Banca shares) is deferred in equal annual instalments over the 4 years from that of the grant, subject to a retention period (during which the shares cannot be sold) of 1 year from the vesting date of each deferred tranche.

If variable remuneration is  $\leq$  50 thousand euro and  $\leq$  1/3 total annual remuneration, the bonus will be paid up-front and 100% in cash.

— information on the company criteria for making *ex-post* adjustments (malus during the deferral period and return after vesting, if allowed by national laws);

The deferred instalments are subject to malus rules that can reduce the instalment to zero in the event of failure to achieve the entry gates for the financial year preceding the year of payment of each deferred instalment.

— if applicable, any share ownership requirements that may be imposed on key personnel.

The Chief Executive Officer-General Manager and the other Executives with strategic responsibilities of the Parent Company agree not to transfer, while they remain in office and/or as Executives with strategic responsibilities of the Parent Company, respectively 50% and 25% of their shares deriving from the LTI Plan, having respective targets of one year of fixed remuneration for the Chief Executive Officer-General Manager and 50% of the fixed remuneration of the Executives with strategic responsibilities.

**g) Description of the principal parameters and reasons for any variable remuneration plans and all other non-monetary rewards pursuant to art. 450, para. 1, letter f), CRR. Information includes:**

— information about the specific performance indicators used to determine the variable components of remuneration and the criteria used to achieve balance among the various types of instrument recognised, including shares, equivalent participating equity instruments, instruments linked to shares, equivalent non-monetary instruments, options and other instruments.

The annual total variable remuneration of the divisions and business units within the Group, including the portion attributable to Material Risk Takers, is determined with reference to the risk-adjusted economic performance of the divisions concerned.  
A significant part of the variable remuneration is deferred and, in part, paid in equity instruments. This ensures that incentives are linked to the creation of long-term value and that the continuity and sustainability of positive results can be checked. Payments are made annually, on a pro-rata basis, with reference to both the position held and the amount of variable remuneration allocated.  
With regard to the Chief Executive Officer-General Manager, see in particular section 8.1 of the 2022 Report on remuneration policy and compensation paid.

**h) If requested by the relevant member State or competent authority, the total remuneration of each member of the administrative body or top management.**

See the Tables included in Part II and in the attachment to the 2022 Report on remuneration policy and compensation paid.

**i) Information about any exceptions made by the company pursuant to art. 94, para. 3, CRD, and art. 450, para. 1, letter k), CRR.**

— For this purpose, companies that benefit from an exception must indicate if this is based on art. 94, para. 3, letter a) and/or letter b), CRD. They must also indicate to which remuneration principles they apply the exception or exceptions, the number of persons who benefit from the exception or exceptions and their total remuneration, analysed between fixed and variable.

Exception based on letter b): number of Material Risk Takers who benefit from the exception: 61, total remuneration € 10.93 million: € 8.86 million fixed and € 2.07 million variable

**j) Large companies publish quantitative information on the collective remuneration of the administrative body, distinguishing between executive and non-executive members, pursuant to art. 450, para. 2, CRR.**

See the tables provided pursuant to art. 450 CRR and those required by Consob.

Table REM1 Remuneration recognised for the year (amounts in thousands of Euro)

			a	b	c	d
			ADMINISTRATIVE BODY - STRATEGIC SUPERVISION FUNCTION	ADMINISTRATIVE BODY - MANAGEMENT FUNCTION	OTHER MEMBERS OF TOP MANAGEMENT	OTHER MATERIAL RISK TAKERS
1	Fixed remuneration	Number of Material Risk Takers	44	12	13	66
2		Total fixed remuneration	3,036	3,762	2,857	9,891
3		of which cash	3,036	3,762	2,857	9,891
4		(Not applicable in EU)				
EU-4a		of which shares or equivalent equity instruments				
5		of which instruments linked to shares or equivalent non-monetary instruments				
EU-5x		Of which other instruments				
6		(Not applicable in EU)				
7		Of which other types				
8		(Not applicable in EU)				
9	Variable remuneration	Number of Material Risk Takers		10	13	66
10		Total variable remuneration	-	2,013	1,398	4,587
11		of which cash		745	658	2,343
12		Of which deferred		376	145	209
EU-13a		of which shares or equivalent equity instruments		935	740	2,243
EU-14a		Of which deferred		497	406	1,156
EU-13b		of which instruments linked to shares or equivalent non-monetary instruments				
EU-14b		Of which deferred				
EU-14x		Of which other instruments		333		
EU-14y		Of which deferred		200		
15	Of which other types					
16	Of which deferred					
17	Total remuneration (2 + 10)		3,036	5,775	4,256	14,478

**Table REM2: Special payments to personnel whose professional activities have a significant impact on the risk profile of the company (Material Risk Takers) - amounts in thousands of Euro**

		a	b	c	d
		ADMINISTRATIVE BODY - STRATEGIC SUPERVISION FUNCTION	ADMINISTRATIVE BODY - MANAGEMENT FUNCTION	OTHER MEMBERS OF TOP MANAGEMENT	OTHER MATERIAL RISK TAKERS
	Bonuses included in guaranteed variable remuneration				
<b>1</b>	Bonuses included in guaranteed variable remuneration – Number of Material Risk Takers			1	
<b>2</b>	Bonuses included in guaranteed variable remuneration - Total amount			100	
<b>3</b>	Of which bonuses included in guaranteed variable remuneration paid during the year that were not considered in the maximum limit on bonuses			100	
	Severance indemnities recognised in prior periods and paid during the year				
<b>4</b>	Severance indemnities recognised in prior periods and paid during the year - number of Material Risk Takers		1	1	1
<b>5</b>	Severance indemnities recognised in prior periods and paid during the year – Total amount		46	48	95
	Severance indemnities recognised during the year				
<b>6</b>	Severance indemnities recognised during the year - Number of Material Risk Takers		1	3	4
<b>7</b>	Severance indemnities recognised during the year - Total amount		2200	1109	437
<b>8</b>	Of which paid during the year		1365	600	242
<b>9</b>	Of which deferred		835	509	195
<b>10</b>	Of which severance indemnities paid during the year that were not considered in the maximum limit on bonuses		871	373	80
<b>11</b>	Of which the highest amount recognised to a single person		2200	880	195

Table REM3: Deferred remuneration (amounts in thousands of Euro)

	a	a	b	c	d	e	f <sup>73</sup>	EU-g	EU-h
	DEFERRED REMUNERATION SUBJECT TO RETENTION	TOTAL AMOUNT OF DEFERRED REMUNERATION RECOGNISED FOR PRIOR PERIODS OF SERVICE	OF WHICH AMOUNTS VESTED DURING THE YEAR	OF WHICH AMOUNTS THAT WILL VEST IN FUTURE YEARS	AMOUNT OF THE PERFORMANCE CORRECTION MADE IN THE YEAR TO DEFERRED REMUNERATION THAT SHOULD HAVE VESTED DURING THE YEAR	AMOUNT OF THE PERFORMANCE CORRECTION MADE IN THE YEAR TO DEFERRED REMUNERATION THAT SHOULD HAVE VESTED IN SUBSEQUENT YEARS OF SERVICE	TOTAL AMOUNT OF IMPLICITLY EX-POST CORRECTIONS MADE IN THE YEAR (CHANGES IN THE VALUE OF DEFERRED REMUNERATION DUE TO CHANGES IN THE PRICES OF INSTRUMENTS)	TOTAL AMOUNT OF DEFERRED REMUNERATION RECOGNISED PRIOR TO THE YEAR AND PAID DURING THE YEAR	TOTAL AMOUNT OF DEFERRED REMUNERATION RECOGNISED FOR THE PRIOR PERIOD OF SERVICE THAT VESTED BUT WAS SUBJECT TO RETENTION PERIODS
1	<b>Administrative body - strategic supervision function</b>	118	46	72			-10	36	46
2	Cash								
3	Shares or similar equity investments								
4	Instruments linked to shares or equivalent non-monetary instruments	118	46	72			-10	36	46
5	Other instruments								
6	Other types								
7	<b>Administrative body - management functions</b>	647	85	562			-29	70	71
8	Cash	250	14	236				14	
9	Shares or similar equity investments								

<sup>73</sup> total amount of the correction with reference to the deferred portions paid in 2021

10	Instruments linked to shares or equivalent non-monetary instruments	221	71	150			-29	56	71
11	Other instruments	175		175					
12	Other types								
13	<b>Other members of top management</b>	119	14	104			-2	10	14
14	Cash	35		35					
15	Shares or similar equity investments								
16	Instruments linked to shares or equivalent non-monetary instruments	83	14	69			-2	10	14
17	Other instruments								
18	Other types								
19	<b>Other material risk takers</b>	737	214	524			-53	163	189
20	Cash	142	25	117				25	
21	Shares or similar equity investments								
22	Instruments linked to shares or equivalent non-monetary instruments	596	189	406			-53	138	189
23	Other instruments								
24	Other types								
25	<b>Total amount</b>	<b>1621</b>	<b>360</b>	<b>1261</b>			<b>-94</b>	<b>279</b>	<b>321</b>

The sum of certain figures may not square with the total because of rounding differences.



Table REM4: Remuneration of Euro 1 million or more for the year

		a
	EUR	MATERIAL RISK TAKERS WITH HIGH REMUNERATION PURSUANT TO ART. 450, LETTER I), CRR.
1	From 1,000,000 to less than 1,500,000	3*
2	From 1,500,000 to less than 2,000,000	
3	From 2,000,000 to less than 2,500,000	
4	From 2,500,000 to less than 3,000,000	
5	From 3,000,000 to less than 3,500,000	1*
6	From 3,500,000 to less than 4,000,000	
7	From 4,000,000 to less than 4,500,000	
8	From 4,500,000 to less than 5,000,000	
9	From 5,000,000 to less than 6,000,000	
10	From 6,000,000 to less than 7,000,000	
11	From 7,000,000 to less than 8,000,000	

\* The remuneration of two persons includes the amounts recognised on termination of their employment

Table REM5: Information on the remuneration of personnel whose professional activities have a significant impact on the risk profile of the company (Material Risk Takers) - amounts in thousands of Euro

		a	b	c	d	e	f	g	h	i	j	
		Remuneration of the administrative body			Business Areas							
		ADMINISTRATIVE BODY - STRATEGIC SUPERVISION FUNCTION	ADMINISTRATIVE BODY - MANAGEMENT FUNCTION	TOTAL ADMINISTRATIVE BODY	INVESTMENT BANK	RETAIL BANKING UNIT	ASSET MANAGEMENT	BUSINESS FUNCTIONS	INDEPENDENT CONTROL FUNCTIONS	ALL OTHER FUNCTIONS	TOTAL	
1	Total number of Material Risk Takers										135	
2	Of which members of the administrative body	44	12	56								
3	Of which other members of top management				1	3		3	6			
4	Of which other Material Risk Takers				6	40		13	7			
5	Total remuneration of Material Risk Takers	3,036	5,775	8,811	1,960	11,130		3,474	2,169			
6	Of which variable remuneration		2,013	2,013	577	4,014		1,061	333			
7	Of which fixed remuneration	3,036	3,762	6,799	1,383	7,116		2,412	1,837			

Table 1. Aggregate quantitative information on remuneration, broken down by business area.

	Business areas							
BPER BANCA GROUP	Members of the strategic supervisory body	Members of the management body	Investment banking	Retail banking	Asset management	Business functions	Control functions	Other
Staff (number of persons)	53	14						
Staff (FTE)			161	14,785	162	2,577	340	147
Fixed remuneration (€ mn)	3.8	4.0	10.2	701.7	9.9	119.9	17	5.4
Variable remuneration (€ mn)	-	2.0	1.1	41.0	3.5	6.9	1.0	0.2
BPER BANCA	Members of the strategic supervisory body	Members of the management body	Investment banking	Retail banking	Asset management	Business functions	Control functions	Other
Staff (number of persons)	14	5						
Staff (FTE)			139	12,501	31	2,120	323	29
Fixed remuneration (€ mn)	2.1	2.1	9.1	600.2	1.7	99.5	16.1	1.3
Variable remuneration (€ mn)	-	0.8	1.0	33.7	0.1	5.5	0.9	0.0

**Note 1:** the above figures relate to the amounts of taxable income (for social security purposes) for employees of Italian companies and the corresponding amounts for foreign companies at 31 December 2021. With regard to the members of the administrative and control bodies, only the persons in office at 31 December 2021 are counted and the fixed remuneration shown here corresponds to the total paid to Directors actually in office during the year. The members of the management body are the Chief Executive Officer and General Manager and officers with similar functions in other Group banks/companies.

**Note 2:** The figures for staff on secondment have been charged to the company where they were hired (seconding company).

**Table 2.** Information on the total remuneration of the Chairman of the strategic supervisory body and of each member of the management body, the General Manager, Assistant General Managers and Deputy General Managers (figures in thousands of euro)

Banco di Sardegna					
Name	Office	Period in which the position was held	Fixed remuneration	Variable remuneration*****	Total remuneration
Antonio Angelo Arru	Chairman	01/01-31/12	174		174
Giulio Cicognani	Deputy Chairman	01/01-31/12	54		54
Venceslao Stevens	Director	01/01-31/12	41		41
Viviana Ferri	Director	01/01-31/12	52		52
Sabrina Gigli	Director	01/01-31/12	37		37
Alberto Marri *	Director	01/01-31/12	39		39
Grazia Orlandini*	Director	01/01-31/12	**		**
Luca Saba	Director	16/04-31/12	21		21
Giuseppe Cuccurese*	Director	01/01-31/12	**		**
Lavinia Nieddu*	Director	01/01-31/12	38		38
Daniela Petitto	Director	01/01-31/12	37		37
Eugenio Garavini*	Director	01/01-31/12	29**		29**
Paolo Rinaldi	Director	01/01-31/12	41		41
Giuseppe Cuccurese	General Manager	01/01-31/12	519***	391*****	910

Bibanca					
Name	Office	Period in which the position was held	Fixed remuneration	Variable remuneration*****	Total remuneration
Mario Mariani	Chairman	01/01-31/12	50		50
Eugenio Garavini	Deputy Chairman	01/01-31/12	30		30
Michele Luciano Campanardi	Director	15/04-31/12	**		**
Pierpio Cerfogli	Director	01/01-15/04	6		6
Carlo Barbarisi	Director	01/01-31/12	21		21
Giuseppe Cuccurese	Director	01/01-31/12	5**		5**
Gianluca Formenton	Director	01/01-31/12	5**		5**
Angela Mameli	Director	15/04-31/12	14		14
Monica Pilloni	Director	01/01-15/04	6		6
Diego Rossi	General Manager	01/01-31/12	236***	153*****	389

\*Executive Committee members.

\*\* the remuneration awarded to Group personnel for positions held in subsidiaries is reimbursed by the subsidiary to the company that employs them. The reimbursement starts from the date of the new appointment. The reimbursement ends on the termination of employment.

\*\*\* Tax base for contribution to supplementary pension fund.

\*\*\*\* including variable remuneration for the position held at the Parent Company. Inclusive of the long-term incentive (LTI 2019-2021) \*\*\*\*\* Inclusive of the long-term incentive (LTI 2019-2021)



