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thing!



13. Group Termination Payments Policy

Director's Report

April 15, 2021

Ordinary and Extraordinary Shareholders' Meeting

Group Termination Payments Policy

Dear Shareholders,

We have called this Ordinary Meeting to request your approval of an update of the Group Termination Payments Policy (hereinafter also “the Severance Policy” or “the Policy”), set out in the attached document – which forms an integral part of the present Report – in compliance with the regulatory provisions at Title IV, Chapter 2, “Remuneration and Incentive Policies and Practices” of Bank of Italy’s Circular 285 (“Regulatory Provisions for Banks”). Such provisions prescribe that the Shareholders’ Meeting approves, inter alia, *“the criteria for the determination of the amounts to be possibly awarded in case of early termination of the employment or office, thereby including the limits of such amounts in terms of years of fixed compensation and the maximum amount stemming from their application”*.

We recall that the Severance Policy currently into force - and as lastly approved by the Shareholders’ Meeting of 11th April 2019 – foresees, inter alia– that severance payments, including notice, do not exceed 24 months of total remuneration and that their maximum limit is equal to 6 times the fixed compensation and do not anyhow exceed € 7.2 million.

Since such an approval, some facts / situations happened, making now opportune an update of the Severance Policy:

- The “2021 Group Remuneration Policy and Report”, that is submitted to this Shareholders’ Meeting in Ordinary Session, provides for an amendment in UniCredit’s remuneration positioning, aimed at improving the Bank’s competitiveness, consistent with the new medium-term strategy. In particular, the target total compensation positioning is set at market median of our European Peer Group, with the possibility to increase (up to market’s upper quartile) to attract and retain top-class talents.
- Over time, it appeared necessary to regulate some specific cases, such as for example when a person has multiple contracts with the Bank or receives part of his/ her variable remuneration under multi-year plans providing for cliff/ one-off payouts.
- On 10th December 2020, Consob published an update of Issuers’ Regulation nr. 11971, with new provisions, inter alia, on the process for the management of exceptions to remuneration policies.

An updated version of the Severance Policy, that addresses the needs and situations highlighted above is therefore today submitted to this Shareholders’ Meeting in Ordinary Session.

The main features of the proposed update are as follows:

- confirmation of all the main terms of the current Policy and in particular that termination payments, including notice, do not exceed 24 months of total remuneration, that the portion of such payments additional to notice does not in any case exceed 18 months of remuneration and that the maximum limit for termination pay remains at 6 times the fixed compensation, without the possibility of exceptions. Only the maximum absolute amount is increased from € 7.2 million to € 15 million in view of the new competitive pay positioning, that can get in particular cases up to the upper quartile, and of the corresponding remuneration levels expressed by UniCredit European Peer Group for Top Management positions;
- specification that in case of multi-year incentive plans with cliff / one-off payout, the remuneration of reference for the termination payments calculation can conventionally consider the payout as split over the period during which the right to incentive vests and shares are subject to retention;
- specification that for those executives whose total compensation is paid out under different contracts, which anyhow represent the components of an overall and unique framework, the remuneration of reference for the termination payments calculation will be the overall one received under the various contracts, as long as those are terminated at the same time. This applies in particular to the Chief Executive Officer who, customarily, has always had in UniCredit a double relation, both as employee (for the General Manager role) and director;

- specification that in case an exception should be made, versus the normal provisions of the Severance Policy, for a subject belonging to the “Perimetro Unico Parti Correlate”, the relevant decision must be made by Board of Directors, upon proposal of Remuneration Committee and heard the positive opinion of Related Parties Committee.

Resolutions submitted to the Ordinary Shareholders’ Meeting

Dear Shareholders,

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

“The Ordinary Shareholders’ Meeting of UniCredit S.p.A., having heard the Directors’ proposal,

RESOLVES

to approve the Group Termination Payments Policy as outlined in the attached document, which forms an integral part of the present Report, in order to define the general principles, the limits, the criteria and the modalities for the payment of the amounts to be possibly awarded in case of early termination of the employment or office.”