INTESA SANPAOLO

Report on remuneration policy and compensation paid
23 March 2021

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Intesa Sanpaolo S.p.A. Registered Office: Piazza S. Carlo, 156 10121 Torino Secondary Registered Office: Via Monte di Pietà, 8 20121 Milano Share Capital Euro 10,084,445,147.92 Torino Company Register and Fiscal Code 00799960158 "Intesa Sanpaolo" VAT Group representative Vat Code No. 11991500015 (IT11991500015) Included in the National Register of Banks No. 5361 ABI Code 3069.2 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund and Parent Company of the banking group "Intesa Sanpaolo" included in the National Register of Banking Groups.

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Introduction

Over the last few years, international bodies and regulators have paid increasing attention to the issue of remuneration across different industries, including that of listed companies, banks and banking groups, insurance and assets management, with the aim of guiding issuers and operators towards the adoption of remuneration policies and remuneration systems that are consistent with the principles – intensified following the economic and financial crisis – governing the process for drawing up and approving the remuneration and incentive policies, the compensation structure and their transparency.

The regulatory framework has undergone a significant evolution - which is still ongoing - both at the European level and at the national level, in each of the above-mentioned sectors.

With reference to listed companies, Art. 123-ter of the Consolidated Law on Finance (“**CLF**”) provides for the obligation to prepare and make available to the public a report on remuneration, divided into two sections (the first illustrating the company’s policy in relation to remuneration and the procedures used for the adoption and implementation of this policy, the second providing information on the remuneration paid), to be drawn up including the information set out in the Issuers’ Regulation (Consob Regulation 11971 of 14 May 1999 updated with the amendments made by Resolutions 21623 and 21625 of 10 December 2020 and 21639 of 15 December 2020), and to be submitted to the Shareholders’ Meeting resolution. Until 2019, the Shareholders’ Meeting was called upon to issue its opinion with a non-binding vote on the first section of the policy; in 2019, in implementation of the so-called Shareholders’ Rights Directive II (Directive (EU) 2017/828), Art. 123-ter of the CLF was amended thereby requiring, among other things, that the Shareholders’ Meeting cast a binding vote on the first section of the report and a non-binding vote on the second section. The Issuers’ Regulation - in the part relating to the report on the remuneration policy and remuneration paid - was also amended in implementation of the Shareholders’ Rights Directive, with the aim of enhancing transparency vis-à-vis shareholders. Also in terms of self-governance of listed companies, remuneration is the subject of the provisions laid down in the Corporate Governance Code, merged into the new "Corporate Governance Code" in January 2020, which must be applied by the companies intending to adopt it starting from the first financial year after December 31st, 2020.

In the banking sector, remuneration and incentive policies and practices are the subject of specific regulations at European and national level. These regulations have changed significantly over time. More specifically, and among other things, in implementation of the so-called CRD III (Directive 2010/76/EU) and taking into account the guidelines and criteria defined internationally (including the principles and standards of the Financial Stability Board, the methodologies of the Basel Committee on Banking Supervision, and the Guidelines issued by CEBS), the Bank of Italy, with a measure dated March 30th 2011, issued Supervisory Provisions containing a harmonised set of regulations of remuneration policies, systems and practices in banks and banking groups, relating to the drawing up and control processes, the remuneration structure and the disclosure obligations to the public, thereby requiring, among other things, the approval of the remuneration and incentive policies by the shareholders’ meeting, in order to achieve remuneration systems in line with the long-term corporate strategies and objectives linked with company results, appropriately adjusted to take into account all risks, consistently with the capital and liquidity levels required to fulfil the activities undertaken and, in any case, such as to avoid distorted incentives that could lead to regulatory violations or excessive risk-taking for the bank and the system as a whole. The Bank of Italy intervened once again in the matter with the two recommendations contained in the communications dated 2nd March 2012 and 13th March 2013, highlighting in general the need for banks to establish a strategy that is aligned to the objective of preserving the stability of the business, also from a forward-looking perspective, as well as maintaining the conditions of capital strength and prudent management of liquidity risk. Subsequently, in 2014 the Supervisory Provisions on remuneration policies and practices - contained in Bank of Italy Circular no. 285/13 - were revised to implement the regulations contained in the so-called CRD IV (Directive 2013/36/EU). In implementation of CRD IV, in 2014, the European Commission issued the Regulatory Technical Standards (RTS) relating to qualitative and quantitative criteria for the identification of categories of personnel whose professional activities have a material impact on the institution’s risk profile (so-called "Risk Takers"). In December 2015, the EBA, based on the provisions contained in CRD IV, published the update of the “Guidelines on sound remuneration policies”, drawn up by its predecessor CEBS, defining in detail the rules relating to the remuneration structure, remuneration policies and the related governance and implementation processes. The indications of these Guidelines were implemented by the Bank of Italy which, in 2018, updated the regulations on remuneration policies and practices referred to in Circular 285. In 2019, the CRD V (Directive 2019/878/EU) was issued, which the Bank of Italy will implement as part of the next update of Circular 285/2013 (this update has not yet been completed; the only document published by the Bank of Italy is a Consultation Document in November 2020), in addition to Regulation (EU) 2019/876 (CRR II). Moreover in 2020, in application of the provisions of CRD V, the EBA revised the Regulatory Technical Standards (RTS) that specify the criteria for identifying Risk Takers, submitting them to the European Commission (which has not yet published the related Delegated Regulation), and also prepared an updated draft of the Guidelines on remuneration policies (this document has also not yet been published in its final version). Lastly, Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector was published in 2019, which establishes among other things that financial market participants must include information in their remuneration policies on how those policies are consistent with the integration of sustainability risks.

With regard to the insurance sector, ISVAP (now IVASS), with regulation No. 39 of 9 June 2011, laid down the principles regarding the decision-making processes, structure and disclosure obligations for the remuneration policies of insurance companies. Regulation No. 39 was subsequently replaced by IVASS Regulation No. 38 of 3rd July 2018 on corporate governance of insurance companies and groups, which implements the so-called Solvency II (Directive 2009/138/EU) and the guidelines adopted by the European Insurance and Occupational Pensions Authority (so-called EIOPA) on the corporate governance system and incorporates the provisions of ISVAP Regulation No. 39 of 9th June 2011 concerning remuneration policies. Furthermore, on 5th July 2018 IVASS sent a Letter to the market regarding the guidelines on the application of the principle of proportionality in the corporate governance system.

Finally, with regard to the asset management sector, the provisions of the Joint Bank of Italy/Consob Regulation on remuneration (issued pursuant to article 6, paragraph 2-bis, of the Consolidated Law on Finance) – updated on 27 April 2017 to transpose the rules on remuneration and incentive policies and practices set out in Directive 2014/91/EU (UCITS V Directive) into the Italian regulations and included, from December 2019, in the Bank of Italy Regulation implementing Articles 4-undecies and 6, paragraph 1, sub-paragraph b) and c-bis) of the Consolidated Law on Finance – also apply to managers belonging to banking groups in different ways according to whether or not the asset management company (Società di Gestione del Risparmio) is classed as significant.

Art. 123-ter (1), CLF

This Report has been prepared in accordance with the above-mentioned Article 123-ter of the CLF and the Issuers' Regulation, and also takes into account the obligations of disclosure to the Shareholders' Meeting, pursuant to the Supervisory Provisions issued by the Bank of Italy.

Intesa Sanpaolo has always paid particular attention to remuneration matters, the related regulatory compliance and maximum transparency to the market. The Report gathers into a single, well-organised and structured document all the qualitative and quantitative information that until 2011 was separately disclosed by topic in the Report on Corporate Governance and Ownership Structures, in the Supervisory Board report submitted to the Shareholders' Meeting – pursuant to Article 153 of the CLF – and in the financial statements.

Art. 123-ter (2), (3), (3 bis), and (4) CLF

This Report, available in the "Governance" section of the website *group.intesasanpaolo.com*, is divided into two Sections. The first section concerns the remuneration and incentive policies adopted by the Bank for the year 2021 with respect to its corporate bodies, the corporate bodies of its subsidiaries and the employees and other staff of the Group – with a particular focus on the General Manager, Key Managers (i.e. Top Risk Takers) and other Group Risk Takers – together with the procedures for adoption and implementation of these policies. It also describes how the remuneration policy contributes to the business strategy, the pursuit of long-term interests and the sustainability of the company and how it is determined taking into account the remuneration and working conditions of the employees of the company. This section also includes a description of the aims pursued, the principles underpinning them, the changes with respect to the 2020 Remuneration Policy and how the Company has taken into account the votes and observations made by the shareholders at the Shareholders' Meeting of 27th April 2020 that approved the policy. The second section, splitted into three parts, provides a description of each item that makes up the remuneration, together with quantitative, analytical and aggregate information.

With a view to disclosing information in accordance with the regulatory obligations, this document describes the levels of compliance with the provisions on remuneration established by Article 5 of the Corporate Governance Code. In this respect, to facilitate interpretation, specific margin notes citing the related Principles and Recommendations have been provided alongside the text, together with the indications provided in Articles 123-bis and 123-ter of the CLF.

The Appendix to this document contains specific check lists that indicate, on one side, the Principles and Recommendations of the Code and the provisions of Articles 123-bis and 123-ter of the CLF and, on the other side, the page of this Report in which the matter is discussed.
These check lists should be read together with the explanatory notes and details provided in the Report concerning the application of the individual provisions.

Information contained in this Report, unless otherwise stated, refers to the position as at March 23rd, 2021, the date of its approval by the Board of Directors.

The first section of this Report shall be subject to the binding resolution of the Shareholders' Meeting, called pursuant to Article 2364, second paragraph, of the Italian Civil Code, as expressly required by Article 123-ter of the Consolidated Law on Finance and by Bank of Italy in Circular 285/2013, First Part, Title IV, Chapter 2 - "Remuneration and incentive policies and practices", and the second section shall be subject to the non-binding resolution of the Shareholders' Meeting called in accordance with Article 2364, second paragraph, Italian Civil Code.

Art. 123-ter (3-bis), 3-ter, and 6, CLF

Section I – 2021 Group Remuneration and Incentive Policies

1. Procedures for adoption and implementation of the Group Remuneration and Incentive policies

Art. 123-ter (3)(a) and (b) CLF

1.1 The role of corporate bodies

1.1.a Shareholders' Meeting

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Transp. Prov.[1]

The Shareholders' Meeting, on proposal of the Board of Directors, approves:

- the Remuneration and Incentive Policies for the members of the Board of Directors and the remaining personnel of the Group (employees and staff not bound by an employment agreement), which also include the Rules for identifying staff whose professional activities have a material impact on the risk profile of the Intesa Sanpaolo Group and the Banks that do not have their own remuneration policies[2];
- the remuneration plans based on financial instruments;
- the criteria for the determination of any amounts to be awarded in the event of early termination of the employment agreement or early termination of the office, including the limits established for said amounts in terms of fixed annual remuneration and the maximum amount arising from the application of such limits;
- if applicable, with the qualified majorities as defined by the applicable regulations, a variable-to-fixed remuneration cap higher than 100%, but not exceeding the maximum cap established by the regulations;
- if applicable, solely for the Group's key staff identified in the asset management companies (SGR entities), SICAVs and SICAFs and work exclusively for those companies, a variable-to-fixed remuneration cap exceeding 200%.

In addition, the Shareholders' Meeting, upon proposal from the Board of Directors, resolves with a non-binding vote on the annual disclosure of the remuneration paid pursuant to Article 123-ter Consolidated Law on Finance (Section 2 of the Report on Remuneration).
Finally, pursuant to the Articles of Association, the Shareholders' Meeting establishes the remuneration of Board Members (including the additional remuneration for the office of Chairman and Deputy Chairperson) and the remuneration of the Members of the Management Control Committee (determined on a fixed and equal basis for all members, but with a special increase for the Chairman) at the time of appointment and for the entire term of office.

1.1.b Board of Directors

The Board of Directors, in addition to the fixed remuneration set by the Shareholders' Meeting:

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- may set the remuneration of the Board Members to whom the Board assigns further special duties in compliance with the Articles of Association, including the office of Managing Director;
- is responsible for setting the remuneration of the General Manager and of the Manager responsible for preparing the Company's financial reports, pursuant to Article 154-bis of Legislative Decree No. 58 of 24 February 1998, as well as of all other Group Top Risk Takers and the higher-level Executives of the Company Control Functions, in accordance with the provisions of the applicable regulations;
- is responsible for drafting the remuneration and incentive policies of the Group to be submitted to the Shareholders' Meeting and drawing up the remuneration and incentive systems for persons for whom the supervisory regulations require that this task be performed by the body responsible for strategic supervision, including identifying parameters used to evaluate performance targets and setting variable remuneration deriving from the application of said systems.

[1] The grey squares in the Remuneration and Incentive Policy indicate – as required by the Bank of Italy Provisions on "Transparency of the banking and financial transactions and services – correctness of the relations between intermediaries and customers" – Section XI – paragraph 2-quater.1 - the parts of the Policy that implement the rules on remuneration therein provided.

[2] Specifically, the scope includes the non-listed subsidiary Banks of the Intesa Sanpaolo Group that do not produce their own document on Remuneration and Incentive Policies.

1.1.c Remuneration Committee

R. 25 The Remuneration Committee was set up by the Board of Directors in order to support with all activities concerning remuneration.

In particular, the Committee:

- supports the Board of Directors in preparing proposals to submit to the Shareholders' Meeting;
- makes the proposals for the remuneration for the Managing Director and CEO and for the members of the Board of Directors who have been assigned further special duties in compliance with the Articles of Association;
- proposes the remuneration systems for the Group Top Risk Takers and the higher-level Executives of the Company Control Functions, taking into account the opinion of the Risks Committee and the Management Control Committee insofar as within its competence;
- expresses an opinion on the achievement of the performance targets to which the incentive plans are linked and on the setting of the other requirements for the payment of the remuneration.

R. 26 **Focus: Composition of the Remuneration Committee**

In line with the recommendations of the Corporate Governance Code, the Remuneration Committee is composed of non-executive directors, of whom at least the majority are independent. All members of the Committee must have knowledge and experience relating to the areas of competence of the Committee itself and, in line with the Corporate Governance Code, at least one member of the Committee has adequate knowledge and experience in financial matters or remuneration policies, assessed by the Board at the time of appointment and recognised.

1.1.d Risks Committee

Without prejudice to the responsibilities of the Remuneration Committee, the Risks Committee supports the Board of Directors by analysing the Remuneration and Incentive Policies to verify their link with current and prospective risks and the capital strength and levels of liquidity of the Group, with specific regard to the performance targets (KPIs) assigned by the Incentive System to the Top Risk Takers not belonging to the Company Control Functions and similar roles.

In order to strengthen the independence of the Company Control Functions, the Risks Committee, also after the examination in a joint meeting with the Management Control Committee, expresses its opinion on the Incentive System for the Chief Risk Officer and the Head of the Internal Validation and Controls Head Office Department.

R. 30 1.1.e Management Control Committee

In order to strengthen the independence of the Company Control Functions, the Management Control Committee expresses its opinion on the Incentive System for the Top Risk Takers belonging to the Company Control Functions, the higher-level personnel[3] and similar roles[4]. This opinion is expressed in a joint meeting with the Risks Committee with regard to the Incentive System for the Chief Risk Officer and the Head of the Internal Validation and Controls Head Office Department.

1.2 Chief Operating Officer Governance Area

As mentioned above, the Shareholders' Meeting is responsible for approving the Group Remuneration and Incentive Policies upon proposal from the Board of Directors and with the involvement of the Remuneration Committee.

The Chief Operating Officer Governance Area is responsible for drawing up the above-mentioned Policies, which undergo the related approval procedure, involving the following, to the extent of their responsibilities, as required by the Regulations:

- the Planning and Management Control Head Office Department (see paragraph 1.3);
- the Chief Risk Officer Governance Area (see paragraph 1.4);
- the Chief Compliance Officer Governance Area (see paragraph 1.5).

[3] Heads and higher-level personnel of the Company Control Functions means the Head of the Internal Validation and Controls Head Office Department and the Head of the Anti-Financial Crime Head Office Department in his capacity as Head of the Anti-Money Laundering Function.

[4] In this paragraph, "similar roles for the purposes of the remuneration" means the Manager responsible for preparing the Company's financial reports and the Head of the Safety and Protection Head Office Department in his capacity as Data Protection Officer.

The Chief Operating Officer Governance Area is also responsible for implementing the Incentive Systems, plans and initiatives.

1.3 Planning and Management Control Head Office Department

The Planning and Control Head Office Department is involved in drawing up the Group Remuneration and Incentive Policies, in order to ensure that those policies and the resulting Incentive Systems are consistent with:

- the strategic short-and medium-long term objectives of the Companies and of the Group;
- the capital strength and the liquidity level of the Companies and of the Group.
  In that regard, together with the Chief Compliance Officer Governance Area and the Chief Risk Officer Governance Area, it supports the Chief Operating Officer Governance Area in identifying the parameters used to evaluate performance targets, on which to base and link the award of incentives to the Top Business and Governance Risk Takers.

The Planning and Management Control Head Office Department also supports the Chief Operating Officer Governance Area in the periodic monitoring of the parameters set to evaluate the achievement of the performance targets assigned to the Risk Takers.

1.4 Chief Risk Officer Governance Area

The Chief Risk Officer Governance Area:

- verifies, ex ante, *inter alia*, the consistency of the Group Remuneration and Incentive Policies and of the resulting Incentive Systems with the Group Risk Appetite Framework (RAF);
- supports the Chief Operating Officer Governance Area in preparing the list of Risk Takers, providing – insofar as within its competence – additional information.

1.5 Chief Compliance Officer Governance Area

The Chief Compliance Officer Governance Area:

- conducts ex ante verification of compliance of the Remuneration and Incentive Policies with the law, the Articles of Association, the Code of Ethics of the Group and any additional standards of conduct applicable;
- verifies that the list of identified Risk Takers is consistent with the rationales described in the Group Remuneration and Incentive Policies and the regulatory provisions in force from time to time.

1.6 Chief Audit Officer

On an annual basis, the Chief Audit Officer, in accordance with the guidelines of the Supervisory Authority, verifies the compliance of the remuneration implementation practices with the related Policies and, in that context, also checks the correct implementation of the process for identifying Group Risk Takers, reporting to the Board of Directors and the Shareholders’ Meeting on the results of the verifications conducted.

2. Remuneration of the members of the Board of Directors

2.1 Remuneration of Board Members

The Bank's Articles of Association establish that the members of the Board of Directors are entitled, in addition to the reimbursement of expenses incurred due to their office, to a fixed remuneration for the services rendered, which is set for the entire period of their office by the Shareholders' Meeting at the time of their appointment.
The Shareholders' Meeting also sets the additional remuneration for the office of Chairman and Deputy Chairman.

R. 29 The Shareholders' Meeting held on 30 April 2019 set the remuneration as follows for the entire three-year period:

i. at 120,000 euro for the remuneration of each member of the Board of Directors that is not also a member of the Management Control Committee;
ii. at 800,000 euro for the additional remuneration for the post of Chairman of the Board of Directors; and
iii. at 150,000 euro for the additional remuneration for the post of Deputy Chairman of the Board of Directors.

An insurance policy for civil liability has been taken out for the members of the Board of Directors according to the terms illustrated below.

In addition, as required by the Supervisory Provisions on remuneration, the amount of the remuneration paid to the Chairman is consistent with the key role assigned and must not be higher than the fixed remuneration paid to the Managing Director and CEO.

2.2 Remuneration of Management Control Committee members

Pursuant to the Articles of Association, the Shareholders' Meeting is required, at the time of the appointment of the Management Control Committee and for the entire term of office, to set a specific remuneration for the Board Members of that Committee, consisting exclusively of a fixed and equal amount for each Member, but with a special addition for the Chairman.
Without prejudice to the reimbursement of any expenses incurred due to their office, the Shareholders' Meeting held on 30 April 2019 set the specific remuneration at 260,000 euro for each member of Board of Directors that is also a member of the Management Control Committee, without any attendance fees for the actual participation in the meetings of the Committee, and at 65,000 euro for the additional remuneration for the Chairman of the Management Control Committee.

2.3 Remuneration of members of the Board Committees

In terms of the activities that the Board Members are called upon to carry out as members of the additional Committees established within the Board, the Articles of Association assign to the Board of Directors, on proposal from the Remuneration Committee, the task of setting the remuneration for these Members, in addition to the remuneration set by the Shareholders' Meeting, in line with the remuneration policies approved by the Shareholders' Meeting.

This remuneration is set on a fixed and annual basis for the Chairmen of the Committees, plus an attendance fee for each meeting of those Committees actually attended by them.

Specifically, the Board of Directors – taking into account the commitment required to carry out the mandate assigned and the proposal from the Remuneration Committee – supplemented the remuneration for the position of Board Member with an attendance fee of 2,500 euro for the participation of the members in the meetings of the Committees, with an additional annual gross fixed remuneration of 60,000 euro for the Chairmen of those Committees.

R. 25 **Focus: Verification of competitive remuneration of members of Corporate Bodies**

During 2020, at the initiative of the Remuneration Committee, the Bank assigned a specialised company the task of conducting an analysis of the positioning of the salaries of the members of Corporate Bodies of Intesa Sanpaolo in relation to the Peer Group set out in the Remuneration and Incentive Policies (see par. 4.4.2**Errore. L'origine riferimento non è stata trovata.**). The benchmarking analysis confirmed that the salaries paid to said members are highly competitive in relation to the sample used for

Focus: Verification of competitive remuneration of members of Corporate Bodies

comparison. This positioning also considers the extensive work that is carried out by the Board of Directors and, above all, by the Board committees, which translates into a number of meetings much higher than those of their Peer Group, making the unit cost of participation of Directors in each meeting decisively efficient.

2.4 Remuneration of the Managing Director and CEO

In accordance with the Articles of Association, the Managing Director also acts as the General Manager of Intesa Sanpaolo.
In this perspective, in addition to the fixed remuneration relating to the offices of member of the Board of Directors and Managing Director, the Managing Director and General Manager is entitled to receive a fixed and variable remuneration set by the Board of Directors in line with the remuneration policies approved by the Shareholders' Meeting.
Specifically, the Board of Directors, upon the proposal of the Remuneration Committee, confirmed the annual fixed remuneration for the office of Managing Director of 500,000 euro. This amount is in addition to the amount of 120,000 euro due to him as a Board Member.
The Managing Director, in his capacity as General Manager, is also entitled to receive the gross annual remuneration, set by the Board of Directors at 2,000,000 euro, as well as participating in the short- and long-term bonus system for Executive personnel and the supplementary pension scheme, and to receive the additional fringe benefits established in accordance with the Remuneration and Incentive Policies for employees.

2.5 Insurance policy for Board Members and General Managers

In line with the best practice on international financial markets and taking into account the nature, size and operational complexity of the Bank and the Group, following the resolution passed by the Shareholders' Meeting on 3 May 2007, it was decided to take out – and subsequently to renew within the limits set by the above resolution and in line with the best market standards – an insurance policy to cover the administrative liability of the Bank's Directors as well as all members of corporate bodies and key function holders at subsidiaries and associates (D&O – Directors' and Officers' Liability Insurance).

The Shareholders' Meeting of 30 April 2019 confirmed the continuation of that insurance cover, which serves the Bank and the Group's best interests and represents a necessary component of the remuneration policies.

The terms of the D&O policy for 2020 were as follows:

- Effective date: from 30 June 2020 until 30 June 2021
- Limit: 130,000,000.00 euro, for each loss and for each year
- 2020 premium on an annual basis: approximately 2,200,000.00 euro.

2.6 Termination of office; employment termination indemnities

The Members of the Board of Directors, with the exception of the Managing Director who is also General Manager, are not Bank employees.

No agreements exist obliging the Bank to pay Board Members an indemnity in the event of their resignation or revocation of office without just cause or termination of their office following a public takeover bid. Art. 123-bis (1), (i) CLF

The criteria and maximum limits for determining the indemnities payable under the provisions of the personnel remuneration policies shall apply to the Managing Director and General Manager, in the event of early termination of the employment agreement or early termination of the office (see paragraph 4.9.1). R. 27

3. Remuneration policy for the corporate bodies of subsidiaries

Remuneration for members of the corporate bodies of Group companies is set by Intesa Sanpaolo in its capacity as majority shareholder and entity responsible for management and coordination activities, pursuant to the relative statutory and banking regulations.

The remuneration policy for corporate bodies, therefore, complies with the following principles, applied uniformly at Group level, in accordance with the regulatory framework in the various countries in which Intesa Sanpaolo operates through its subsidiaries.

Members of the management and supervisory boards of companies of the Intesa Sanpaolo Group receive remuneration according to their assigned duties and responsibilities.

To ensure uniformity in accordance with Group standards, the remuneration of directors is set specifically based on parameters such as the capital and economic size and organisational complexity of the company concerned, as well as other objective and qualitative elements, such as the nature of the business carried out by the subsidiary and its operational risk profile.

Similar criteria apply to the setting of the remuneration for directors appointed to special offices, pursuant to Article 2389 of the Italian Civil Code and similar provisions in force in foreign countries.

Variable remuneration amounts, bonuses linked to results, profit-sharing clauses or options to buy shares at predetermined prices are not normally envisaged. Exemptions from this principle are envisaged only on an exceptional and justified basis, in accordance with the Group Remuneration Policies and the related supervisory regulations in force.

In general, there are no differences in the remuneration of directors, regardless of the fact they are either Group employees, professionals or independent, etc. The remuneration of Group employees who are appointed as directors in subsidiaries is paid to the company with which the employment agreement is in place.

The remuneration of members of the board of statutory auditors of Italian subsidiaries is set upon appointment for the entire term of office, pursuant to Article 2402 of the Italian Civil Code, with a fixed yearly amount.

The amount paid to statutory auditors is determined through a uniform calculation method at Group level that takes into account objective parameters, namely capital and revenues of the company, in order to identify a specific remuneration amount.

Members of the corporate bodies normally have the right to reimbursement of the expenses incurred as a result of their office.

Finally, an insurance policy is taken out for board members and general managers of subsidiaries (the “D&O policy”).

4. Group remuneration and incentive Policies

Group remuneration and Incentive policies for 2021 reported below were drawn up substantially in line with those for 2020, which had received the favourable vote of most of the participants in the Shareholders' Meeting of 27th April 2020 (votes in favour totalling 89.58% of the participants).

The changes made to the 2020 Policies mainly derive from the need, on one hand, to comply with the approach set out in regulations and, on the other, to strengthen risk monitoring in line with the recommendations of the Supervisory Authority. More specifically, the 2021 Policies consider the provisions of the CRD V (Directive (EU) 2019/878/EU) - though pending its transposition into Italian law (which should have taken place by 28th December 2020) - as well as the Consultation Document on the Bank of Italy Provisions on “Remuneration and incentive policies and practices in banks and banking groups” - though this document is not final - limited to the provisions implementing the CRD V. Please note that the 2021 Policies do not consider either the Draft Guidelines on Sound Remuneration Policies or the Draft Revised Regulatory Technical Standards on Identified Staff for remuneration purposes of the European Banking Authority, as neither of these documents is final.

In particular, the following provisions are noteworthy:

- in line with the CRD V and the related implementing provisions of the Consultation Document on Bank of Italy Provisions, in light of the significant attention that Intesa Sanpaolo has always paid to issues of Diversity & Inclusion, a specific Focus has been created which illustrates the gender neutrality of the Remuneration and Incentive Policies and their application methods within the Group (see paragraph 4.1, *Focus: Gender Neutrality*);
- a specific “ESG” KPI (see paragraph 4.5.3, *Focus: “ESG” Group transversal KPI*) has been introduced among the strategic action objectives that will be assigned to all management, in line with the ever increasing commitment of the Group to social, cultural and environmental sustainability - a founding value in the integration with UBI Banca - with the objective of creating long-term value for the Bank, its people, its customers, communities and the environment, as well as in light of the provisions of Regulation (EU) 2019/2088. The introduction of this new KPI is also connected to the increasing attention on those issues by Regulators, Proxies, Shareholders and Stakeholders of the Group;
- within the methods of payment of variable remuneration (see paragraph 4.6), in application of the CRD V, the materiality threshold for Risk Takers has been changed (from 80,000 euro to 50,000 euro, or one-third of total remuneration) and the payment schedules for Group Risk Takers have been revised, increasing the deferral period from 3 to 4 years (see paragraph 4.6, schedules 3 and 4). Moreover, specific schedules have been introduced for Top Risk Takers of the legal entities classified as significant banks pursuant to Art. 6(4) of the Single Supervisory Mechanism Regulation, providing for the application of a deferral period of 5 years (see paragraph 4.6, *Focus: Principle of proportionality applied to the Group Banks*, schedules 7 and 8);
- with a view to enhancing the governance of risks in line with the evolution of the RAF, two corrective mechanisms have been introduced which act as de-multipliers of the bonus accrued as part of the Incentive System, based on the risks assumed (see paragraph 4.5.3). In particular, for Business and Governance Top Risk Takers a mechanism linked to capital adequacy has been introduced, while for Business Risk Takers operating in the markets area (e.g. HTC/HTCS traders and portfolio managers) a mechanism has been envisaged based on the respect of the limits set in the Risk Appetite Framework for specific risks such as the market risk, the interest rate risk and the plafond on the overall position in Italian government bonds classified as HTC;
- in light of the exogenous and extraordinary events (i.e. the limited dividend distributions in the European banking sector in the context of the Covid-19 pandemic) and with the aim of neutralising their technical effects on the functioning mechanism of the POP Plan, certain amendments concerning the “external”/market conditions of the Plan have been presented for the approval of the Ordinary Shareholders Meeting of 28 April 2021 in order to support the realignment between the Shareholders’ and the Management’s interests, it being understood that no amendments will be made to the Performance Conditions or to the dates on which such Conditions must be met (see par. 4.8.1)

- with a view of systematization of the Risk Taker Identification Rules (par. 4.12.2), the additional criteria defined by the Group have been revised, strengthening the parameters for identifying Business Units treated as Material, as well as introducing a new residual criterion focused on the risks identified in the Group RAF different from those already identified in the qualitative criteria**.**

In the light of the above, in this document Principles, Remuneration and Incentive Systems and Instruments (Section A) and the Risk Taker Identification Rules (Section B) are described; the mentioned Sections, jointly, represent the Group Remuneration and Incentive Policies.

Lastly, it is noted that it is not possible to derogate from any elements of the 2021 Remuneration and Incentive Policies.

Section A – Principles, Remuneration and Incentive Systems and Instruments

This Section describes Principles, Remuneration and Incentive Systems and Instruments defined for 2021 and addressed to all Group personnel and those special categories governed by the agency contract.

Art. 123-ter (3), (a) CLF

4.1 Purposes and principles of the Remuneration and Incentive Policies

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The Intesa Sanpaolo Group Remuneration and Incentive Policies aim to align the management's and personnel's behaviour with all Stakeholders' interests, guiding their action towards the achievement of sustainable medium/long-term objectives within the framework of a prudent assumption of current and prospective risks, as well as contribute to making the Group an "Employer of choice" for its ability to attract, motivate and retain top resources.
In particular, the Intesa Sanpaolo Group Policies are based on the following principles:

STAKEHOLDERS' INTEREST

Alignment of management and personnel conduct with the interests of all **Stakeholders**, with a focus on value creation for **Shareholders**, as well as on the social impact generated on the **Communities**

CORRELATION BETWEEN REMUNERATION AND RISK TAKING

- direction of management and personnel conduct towards the achievement of objectives within a **framework of rules** aimed at controlling corporate risks
- remuneration systems aligned with prudent **financial and non-financial risk** management policies (including legal and reputational risks), in line with what is defined in the Group Risk Appetite Framework
- definition of a sufficiently high fixed component to allow the variable portion to reduce significantly, even down to zero, upon occurrence of specific conditions

ALIGNMENT WUTH MEDIUM AND LONG-TERM OBJECTIVES in accordance with Group Risk Tolerance

- definition of a set of Incentive Systems in order to drive performance over a **multi-year accrual** period and to share the medium-long term results consequent to the implementation of the Business Plan

MERIT

- **remuneration flexibility**: bonuses are linked to the results achieved and the risks undertaken
- **competitiveness**: focus on key staff members with high managerial skills, to whom competitive salary brackets, compared with the reference market, are reserved
- best performers' **recognition** through above-average bonuses

EQUITY

- **correlation** between fixed remuneration and the level of responsibility, measured through the Global Banding System or the seniority/professional role
- **differentiation** of salary brackets and the ratio of the variable component to the total remuneration according to the relevant professional category and/or geographical market, with the Banding bracket or the seniority/professional role being equal

GENDER NEUTRALITY

- **recognition of an equal level of remuneration**, for the same activities carried out, regardless of gender
- attention to the **gender pay-gap** and its **evolution over time**

SUSTAINABILITY: expenses reduction deriving from application of the policies to values compatible with the available economic and financial means

- selective reviews of fixed remuneration based on strict **market benchmarks**
- mechanisms to **adjust allocations** to the total incentive provisions according to the profitability and the results achieved by the Group
- **appropriate caps** on both total incentives and the amount of individual bonuses

REGULATORY COMPLIANCE

- compliance with **legislative and regulatory provisions, with codes of conduct and other self-regulation provisions** with focus on the Group Risk Takers (and among these, on Key Managers, so-called Top Risk Takers), on Legal Entity Risk Takers and on the Corporate Control Functions
- **fairness in customer relations**

Focus: Gender Neutrality

Intesa Sanpaolo pays great attention to the issues of "Diversity & Inclusion" and is committed to implementing and disseminating, within and outside the Group, a policy in favour of the inclusion of all forms of diversity. In this context, in 2020 Intesa Sanpaolo decided to adopt "Principles on Diversity & Inclusion" within which the Bank made specific commitments aimed at ensuring gender equality in HR processes and in people management. Compliance with these commitments is monitored periodically, also in order to set corrective measures.

The Intesa Sanpaolo Group adopts gender-neutral Remuneration and Incentive Policies that contribute to pursuing complete equality among staff. They ensure, for equal work, that the personnel have an equal level of remuneration, also in terms of the conditions for its award and payment.

In particular, the Group guarantees that the definition of the remuneration and incentive systems and the taking of decisions regarding remuneration are independent of gender (as well as of any other form of diversity such as affective-sexual orientation, marital status and family situation, age, ethnicity, religious belief, political and trade union membership, socio-economic condition, nationality, language, cultural background, physical and psychological conditions or any other characteristic of the person also linked to the expression of one's thought) and are based on merit and professional skills and are inspired to principles of fairness.

In order to make it possible to apply gender-neutral Policies and to be able to evaluate their effectiveness, the Group adopts:

1. systems for measuring organizational positions that take into account the responsibilities and complexity managed by the various roles.
   In particular, for the managerial cluster, the Group has adopted the Global Banding System (see below “Focus Global Banding System”) based on grouping in homogeneous categories managerial positions that are similar by levels of complexity/responsibility managed, measured using the international IPE (International Position Evaluation) methodology.
   Instead, the cluster of professionals is segmented on the basis of seniority, i.e. the degree of work complexity that characterizes the supervised activities (5 levels identified, the highest of which corresponds to the role of Coordinator), or of the professional profile, also taking into account the system of roles defined in the second level collective bargaining labour agreement. A mapping model is also being tested for this cluster which provides for the attribution of a career title based on certain criteria that integrate those of seniority (i.e. autonomy, complexity but also skills, economics, impact and exposure) in order to enhance in a more granular way the level of professional contribution provided in their operations and the progressive specialization of skills;
2. for the managerial cluster, market remuneration references associated with each Global Banding bracket and differentiated according to the professional category they belong to and geography. On the other hand, as regards the cluster of professionals at seniority and/or career title levels, market trend references differentiated on the basis of the professional category they belong to and geography are associated;
3. incentive/reward systems linked to objective parameters that therefore allow to recognize merit and performance.

Finally, on an annual basis, the Board of Directors, with the support of the Remuneration Committee, analyses the gender neutrality of the policies and checks the gender pay gap and its evolution over time. In particular, the reasons for the gender pay gap are appropriately documented and, where necessary, corrective measures are taken.

4.2 Segmentation of personnel

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The Intesa Sanpaolo Group Remuneration and Incentive Policies are based on personnel segmentation logics that allow the operational adaptation of the principles of merit, fairness and neutrality in order to suitably differentiate the total remuneration and arrange mechanisms of payment that are specific for the various personnel clusters, with a particular focus also on those of a regulatory importance for which more stringent requirements are set.

The distinction of the population into macro segments also allow to take into account the **remuneration** and **working conditions** of employees both in the declination of policies in **specific** remuneration and incentive systems and in the adoption of remuneration decisions **tailored** to each macro segment.

In application of these logics, three macro segments are identified:
- Risk Takers;
- Middle Managers[5];
- Professionals.

Focus: Risk Takers

The Intesa Sanpaolo Group identifies the personnel whose professional activities have a material impact on the entity's risk profile (so-called "Risk Takers") based on the "Rules for identifying Risk Takers", stated in Section B, which form an integral part of the Remuneration and Incentive Policies.

These Rules were defined on the basis of Regulation (EU) 604/2014[6] supplemented by additional criteria that reflect the specific risks taken by the Group based on the business model and the organisational structure adopted and set out in line with the Global Banding System adopted by Intesa Sanpaolo (see focus below).

Three segments of Risk Takers are identified:
- Top Risk Takers;
- Group Risk Takers;
- Legal Entity Risk Takers.

In particular, the Top Risk Takers segment consists of:
- Managing Director and CEO;
- Heads of the Business Divisions;
- Chief Operating Officer, Chief IT, Digital & Innovation Officer, Chief Cost Management Officer, Chief Financial Officer, Chief Lending Officer, Chief Governance Officer, Chief Risk Officer, Chief Compliance Officer, Chief Institutional Affairs & External Communication Officer and Chief Audit Officer;
- Deputy to the Head of the IMI Corporate & Investment Banking Division;
- Heads of the Head Office Departments that report directly to the Managing Director;
- Head of the Administration and Tax Head Office Department in his capacity as the Manager responsible for preparing the Company's financial reports.

This segment coincides with the so-called Key Managers identified pursuant to Consob Regulation No. 17221 of 12 March 2010 containing provisions relating to transactions with related parties.

With reference to 2020, a total of 519 Group Risk Takers were identified, with an increase of 68 people compared to the number of Risk Takers identified in 2019. In addition, in application of the exclusion criteria set by the Rules for 2020, 301 people were not included in the scope of the Group Risk Takers while, in 2019, 273 people had been excluded.

Furthermore, an additional 655 Legal Entity Risk Takers not included among Group Risk Takers have been identified for 2020.

Consequently, considering the 3 Risk Taker segments – Top, Group and Legal Entity Risk Takers – for 2020 a total of 1,174 subjects have been identified.

[5] These shall mean all Heads of Organizational Units not already included in the cluster of Risk Takers.
[6] As the provisions implementing Directive 2019/878/EU (so-called CRD V) have not been published yet, the criteria provided for by Regulation (EU) No. 604/2014 issued by the European Commission in implementation of CRD IV and still in force have been applied.

Focus: Global Banding System

The Global Banding System adopted by the Intesa Sanpaolo Group is based on the grouping in homogeneous categories of managerial positions that are similar by levels of complexity/responsibility managed, measured using the international IPE (International Position Evaluation) methodology.

In correlation to Global Banding, Intesa Sanpaolo also adopted a job titling system that clearly identifies the responsibilities and the contribution of the roles, overcoming the purely hierarchical-organisational logics.

In particular, the following are identified with the title of:

- Chief, the roles that define and/or exert a strong influence on the Group medium/long-term strategy or define the reference Division/Governance Area strategy, with an impact on the results of the Group in the medium-long term;
- Executive Director, the roles that define and/or exert a strong influence on function/business/country strategies, consistently with the Division/Group strategies, and ensure their implementation even in high-complex contexts;
- Senior Director, the roles that define business/function policies and plans, and drive their implementation, through the managerial responsibility of human and economic resources;
- Head of, the roles that define or contribute to defining programmes and plans for their own organisational structure, also in coordination with other corporate structures, and ensure their implementation by taking managerial responsibility for human resources and, possibly, financial responsibility.

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Focus: "Relevant Persons" and credit intermediaries to which the Provisions regarding "Transparency of the banking and financial transactions and services – correctness of the relations between intermediaries and customers" (Bank of Italy) apply

In line with Bank of Italy Provisions regarding "Transparency of the banking and financial transactions and services – correctness of the relations between intermediaries and customers", the number of relevant persons and credit intermediaries to which the Provisions apply are shown below, based on their role held.

Role	Number as at 31/12/2020
Banca dei Territori Division	
Branch Managers of Retail and Personal Branches	3,138
Managers at Retail and Personal Branches	24,467
Collaborators of Agents4You (Financial Agent) with ancillary role of Team Leader	11
Collaborators of Agents4You (Financial Agent)	86
UBI Banca Geographical Macro-areas	
Branch Managers of Retail Branches	1,183
Managers at Retail Branches	9,558
Financial agents	
Financial agents of Prestitalia	460
Private Banking Division	
Branch Managers of Private Banking Branches	101
Private Bankers	621

Focus: "Relevant Persons" and credit intermediaries to which the Provisions regarding "Transparency of the banking and financial transactions and services – correctness of the relations between intermediaries and customers" (Bank of Italy) apply	
Non-employee Financial Advisors of Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking	4,720
Non-employee Financial Advisors with an accessory contract of Fideuram and Sanpaolo Invest	166
UBI Banca Private Banking	
Branch Managers of UBI Banca Private Banking Branches	25
UBI Banca Private Bankers	265
Non-employee Financial Advisors of IW Bank	610
Non-employee Financial Advisors with ancillary contract of IW Bank	88

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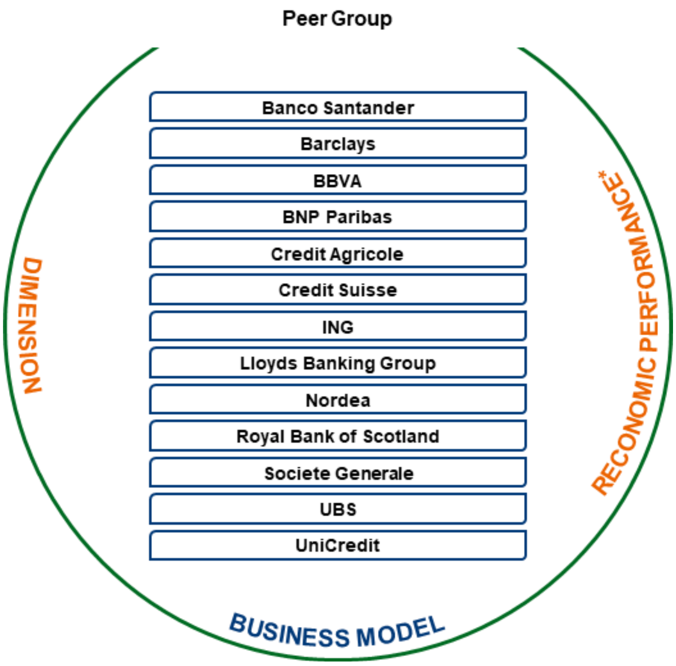
Focus: External competitiveness of remuneration

As part of defining the total remuneration, Intesa Sanpaolo continuously focuses on external competitiveness in order to attract and retain the best resources.
In relation to market data and practices, the Intesa Sanpaolo Group aims to align the overall remuneration with median values, notwithstanding the possibility to make the appropriate differentiations for particularly critical positions and/or resources with high management skills.

Furthermore, the adequacy of the amounts is further verified in comparison to market data, with ongoing participation in national and international remuneration surveys; for management roles and other particular business positions, the comparison is based on specific peer groups, in order to evaluate the competitive alignment with the most appropriate reference market.



* Economic results in terms of Net Income, ROE, and Market Cap

4.3 Remuneration components

Employee remuneration is broken down into the following:

a) fixed component;
b) variable component.

Focus: Remuneration components received by Financial Advisors and Financial Agents other than employees

The remuneration received by Non-employee Financial Advisors and Financial Agents, due to the very nature of their employment as freelancers operating under agency contracts, is entirely variable and is composed primarily of commissions. Pursuant to the provisions laid down by the Supervisory Provisions, commissions are broken down into:

a) a "recurring" component, representing the most stable and ordinary portion of remuneration. This component is equivalent to the fixed remuneration;
b) a "non-recurring" component that has an incentive purpose, specifying that the commission does not in itself have any incentive purpose. This component is equivalent to the variable remuneration.

With particular reference to the remuneration of the employee with mixed contract[7], in the capacity of part-time employee, this consists of both a fixed and a variable portion and, in the capacity of freelancer, of both a recurring and non-recurring component.

4.3.1 Fixed and/or recurring remuneration

Fixed remuneration

The fixed component is the component of the remuneration that is stable and irrevocable in nature and determined on the basis of pre-established and non-discretionary criteria such as: the contractual framework, the role held, the responsibilities assigned, the particular experience and the expertise acquired by the employee.

The following are considered fixed components of remuneration:

- the **gross annual remuneration** which reflects the level of professional experience and seniority of the personnel;
- the **allowances** assigned in a non-discretionary manner and not tied to any kind of performance indicator. This type of fixed remuneration is assigned to the following categories of personnel:
  - Risk Takers (within Italy and some foreign countries[8]) and Middle Managers (within Italy and some foreign countries[9]) belonging to the Company Control Functions[10] and to related roles, (see below), and heads of commercial roles within the scope of the Banca dei Territori Division local network, and is connected to the role held;
  - expatriate personnel in order to cover for any differences in cost, quality of life and/or remuneration levels of the target reference market;
- allowances and/or **compensation deriving from offices held in corporate bodies**, provided that these are not reversed to the companies to which they belong;
- any **benefits** designed to increase employee motivation and loyalty of the resources and assigned on a non-discretionary basis. These may be of a contractual nature (e.g., supplementary pension, health benefits, etc.) or the result of remuneration policy decisions (e.g., company car) and, therefore, have different treatment with respect to different categories of personnel.

As regards the allowances envisaged for Risk Takers and Middle Managers belonging to the Company Control Functions (i.e. Compliance, Risk Management and Audit), the rationale behind their introduction lies in the need to ensure that this role is provided with an adequate level in terms of total remuneration

[7] The Intesa Sanpaolo Group has introduced the mixed employment contract ("lavoro misto"), i.e. an innovative way to carry out the working activity that allows the same person to activate, at the same time, a part-time employment contract and a free-lance employment contract as a financial advisor to carry out the "out-of-branch services", separately, concurrently and in parallel with respect to the employment agreement.
This mixed employment agreement is envisaged for the personnel belonging to the Network of the Banca dei Territori Division and the Private Banking Division.
[8] Slovakia and Croatia.
[9] Egypt and China.
[10] With reference to the insurance sector, the scope of the Company Control Functions coincides with the Key Functions.

with respect to the responsibilities managed, against a limit to the ratio between variable remuneration and fixed remuneration set by the Bank of Italy[11] at 33%, a limit which is not found in similar regulations issued by other European Union countries[12].

Concerning the definition of the amount, the Group Global Banding System graduates the overall remuneration levels by diversifying by title the amount of the allowances to acknowledge the complexity of the responsibilities managed, based on the weight of the role determined with the Mercer International Position Evaluation (IPE).

Please note that allowances are also paid to roles which are considered similar to the Company Control Functions by the Supervisory Provisions on remuneration (Italy scope) since, although regulations do not set a specific cap for these roles, they require the variable component, if present, to be limited. In light of this provision, Intesa Sanpaolo has set, also for the Heads of the Human Resources Function of the Group and the Manager responsible for preparing the Company's financial reports, a ratio between variable remuneration and fixed remuneration limited to 33%, providing the concurrent payment of the above-mentioned role allowance, defined in line with the methodology adopted for the Company Control Functions, based on the positioning inside the Group Global Banding System.

In addition, the Intesa Sanpaolo Group integrates the express requirements of the Supervisory Provisions by assimilating to the Company Control Functions also the Head of the Safety and Protection Head Office Department in his capacity as Group Data Protection Officer, acknowledging their role of compliance monitoring.

Therefore, within the framework of these Remuneration and Incentive Policies, similar roles are the Heads of the Human Resources Function of the Group, the Manager responsible for preparing the Company's financial reports, the Group Head of the Safety and Protection Head Office Department.

As regards the heads of Network commercial roles, their allowance is defined in order to allow the provision of adequate remuneration commensurate with the responsibilities attributed to them under the current service model of the Banca dei Territori Division, while maintaining the remuneration flexibility which has become necessary in view of the turnover rates of the employees called upon to hold these roles.

The allowances paid to expatriate personnel are aimed at ensuring the equity of the net remuneration treatment between the amount received in the country of origin and in the target country, so as to cover for any differences in cost, quality of life and/or remuneration levels of the target reference market.

Recurring remuneration

For Non-employee Financial Advisors and Financial Agents, the "recurring" component consists of commissions which represent the stable and ordinary portion of remuneration.
In particular, for Non-employee Financial Advisors, the commissions that have a "recurring" nature allow to:

- remunerate the Non-employee Financial Advisors for placement, customer assistance and management;
- refund the expenses incurred individually to perform their activity, including the fulfilment of the contribution obligations required by law.

With specific reference to Non-employee Financial Advisors with an accessory contract (i.e. Advisors with the responsibility of commercial coordination and supervision of specific activities and/or groups of Non-employee Financial Advisors), the "recurring" remuneration consists of:

- supervision commissions (so-called "maintenance over") for the activity of coordination and supervision of a group of Non-employee Financial Advisors who operate in the related area;
- development commissions (so-called "development over") for the development and growth of the group of Financial Advisors.

[11] Bank of Italy Circular 285/2013.

[12] Unlike what occurs in Italy and in some specific foreign countries (Egypt, Slovakia and Croatia), the application of the 33% limit to the ratio between variable remuneration and fixed remuneration to personnel belonging to the Company Control Functions operating in international subsidiary banks of the Intesa Sanpaolo Group does not usually represent a critical issue with respect to the safeguarding of adequate levels of total remuneration of such personnel, since the variable remuneration practices in place in those countries provide remuneration levels which are below the limit set by the Bank of Italy. Consequently, it is not deemed necessary to introduce the allowance in other foreign countries.

With reference to the Collaborators of Intesa Sanpaolo Agents4you (Financial Agent), the recurring commissions allow remuneration for the placement of banking and insurance products under mandate.

In addition, with reference to Collaborators with the accessory role of Team Leader, an additional coordination fee is provided for the performance of the task of supervising the commercial activity.
Finally, with regard to Prestitalia's Financial Agents, specialized in pension-backed or salary-backed loans, the recurring remuneration is divided into 3 components:

- *ordinary commissions* ("interest delta") calculated on a portion of the overall interest on the loan;
- *recurring commissions* ("management fee") linked to the maintenance of the existing portfolio;
- *additional commissions by production segments* determined on the basis of forecasts of volumes that will be developed by the agent.

Focus: Fixed and recurring remuneration of employees with mixed contract

The "fixed" remuneration of employees with a mixed contract is represented by the portion of the gross annual remuneration received as a part-time employee. Instead the "recurring" remuneration consists of the commissions of a more stable and ordinary nature.

4.3.2 Variable and/or non-recurring remuneration

Variable remuneration

The variable component is linked to the employee's performance and aligned to the results actually achieved and the risks prudentially taken, and consists of:

- short-term variable component paid through:
  - the annual Incentive Systems (see paragraph 4.5);
  - the Broad-based Short-Term Plan – PVR (see paragraph 4.4.7);
- long-term variable component paid through:
  - the Performance-based Option Plan (POP) addressed to Top Risk Takers, the remaining Risk Takers and Key Managers[13] (see paragraph 4.8.1);
  - the LECOIP 2.0 Plan addressed to Middle Managers (not included in the POP) and the remaining Personnel (see paragraph 4.8.2);
  - any other long-term incentive plans (e.g. Multi-year loyalty plan for some employees from the UBI Top Private Network – see focus in paragraph 4.8.3).
- the Carried Interests, i.e. the share in the profits of the Undertakings for Collective Investment in Transferable Securities (UCITS) or Alternative Investments Funds (AIF) received by personnel as compensation for the management of the UCITS or AIF[14];
- any variable short- and long-term components, tied to the period of employment in the company (stability, non-competition, one-off retention agreements) or extraordinary agreements (entry bonus);
- any discretionary benefits.

The distinction of the variable remuneration component into a short-term portion and a long-term portion encourages the attraction and retention of staff, allowing the performance to be directed on a more than annual accrual period and the medium/long-term results deriving from the implementation of the Business Plan to be shared.

Focus: Carried Interest

With reference to the personnel of the "Investments" area of the asset management companies that manage AIFs, Carried Interest is envisaged, providing the use of equity instruments with strengthened rights (possibly phantom – see below), i.e. that imply a participation in the profits that is proportionally

[13] Key Managers means those among the Executive Directors who are not Risk Takers.
[14] However, the portion of *pro rata* profit assigned to personnel by virtue of any investments made by them in the UCITS or AIF, provided that they are proportional to the actual percentage of participation in the UCITS or AIF and not exceeding the return recognised to the other investors does not constitute remuneration. For a proper implementation of the regulation, managers must therefore be able to clearly identify the portions of profit which exceed the *pro rata* profit of the investments and that qualify as carried interest.

Focus: Carried Interest

greater than that of the other investors. This instrument aims to strengthen the alignment of the management's interest with the interest of shareholders and investors.

Consequently, Carried Interest is subject to the achievement of a minimum return and it is postponed. In line with market best practices, Carried Interest is awarded:

- upon exceeding a certain minimum return threshold (hurdle rate);
- according to the European Waterfall model ("on a whole-fund basis"), i.e. calculated and paid only at the end of the entire investment's life.

It is worth noting that, for the personnel mentioned above, it will be possible to exceed the limit of the ratio between variable and fixed remuneration and up to a maximum of 400% (see paragraph 4.4.2) only through the carried interest. Again in order to strengthen the alignment of management's interests with that of shareholders and investors, incentive plans may alternatively be adopted which provide for the use of phantom equity instruments, aimed at synthetically replicating the effects of a direct investment in shares/units of managed funds and which attribute to the participants the right to accrue a bonus linked to the Carried Interest that would accrue in the case of direct investment, under conditions and with characteristics similar to those indicated above. At present, a plan of this type has been launched in NEVA SGR.

Focus: Guaranteed bonuses

NO granting of guaranteed bonuses is provided.

Focus: Entry Bonus

To attract new personnel, a one-off welcome bonus may be paid upon hiring, without prejudice to the accurate assessment and analysis of market practices.
According to the Supervisory Provisions, this type of bonuses is not subject to any requirement applicable to variable remuneration, including variable remuneration cap and pay-out schemes, if recognized in a single instalment (known as **welcome bonus**). It should be noted that the mentioned bonus can be assigned only once to the same staff member at Group level.

Focus: One-off retention

Any retention bonuses tied to the period of employment of the personnel:

- are paid for a certain period of time or until a given event;
- are awarded not before the end of this period or upon the occurrence of the event;
- contribute to the calculation of the cap between the variable and fixed component of remuneration;
- are subject to the payment methods of the variable remuneration.

As regards retention bonuses, Intesa Sanpaolo – in line with the industry practises – envisages a **minimum duration agreement** (or **stability agreement**), i.e. an agreement with which the beneficiary undertakes not to exercise the right to withdraw from the employment agreement for the duration of the Agreement, against a payment made at the end of such period, and which provides a penalty in case of breach of the commitment.

Focus: Discretionary pension benefits

Should discretionary pension benefits – which are currently NOT envisaged – be introduced, these will be assigned to beneficiaries in accordance with the applicable regulations, according to which they are similar to variable remuneration, and, therefore:

- in the case of resources who are not entitled to receive a pension, they shall be invested in Intesa Sanpaolo shares or other related instruments, held in custody by the bank for a period of at least

Focus: Discretionary pension benefits
five years and subject to *ex-post* adjustment mechanisms related to the Group's performance net of risk; • in the case of resources entitled to a pension, they shall be paid to the employee in Intesa Sanpaolo shares or other related instruments and they shall be subject to a retention period of five years; • they contribute to the calculation of the cap between the variable and fixed component of remuneration.

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Non-recurring remuneration

For Non-employee Financial Advisors, the "non-recurring" component is represented by the commissions paid as annual incentives, with the aim of guiding the sales activity to reach specific targets, taking into account both the long-term company strategies and objectives of the Networks they belong to and the correctness of customer relations.
Moreover:

- a 2018-2021 Long-term Incentive Plan is envisaged for around 5,000 Non-employee Financial Advisors of the Fideuram and Sanpaolo Invest Networks, aiming to back the achievement of the results stated in the Business Plan for the Private Banking Division and ensure these are maintained over time;
- for new Non-employee Financial Advisors of Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest a specific non-recurring component is envisaged as part of the recruitment offer.

The aforementioned forms of remuneration are described in detail in the following Focus.

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Focus: the 2018-2021 Long-term Incentive Plan for Non-employee Financial Advisors of Fideuram and Sanpaolo Invest (SPI) Networks

Beneficiaries	Beneficiaries are divided into two categories:	
	Risk Taker Financial Advisors identified on the basis of qualitative criteria and, for at least two years, based on quantitative criteria	**Remaining Subjects**, including the Risk Takers identified as such based on quantitative criteria for a period not exceeding one year
Financial Instrument	Intesa Sanpaolo ordinary shares	Cash
Gateway conditions	In line with the other Incentive Systems, the following gateway conditions are envisaged at Intesa Sanpaolo Group and Fideuram Group level: 1. Intesa Sanpaolo Group • CET1 ≥ RAF • NSFR ≥ RAF • Positive Gross Income (only for the Risk Takers of the Plan) 2. Fideuram Group • CET1 ≥ RAF • NSFR ≥ RAF • Positive Gross Income In addition to the previous ones, the following individual conditions are envisaged, which are connected to specific good conduct objectives for the financial advice business: 3. Individual Financial Advisor • «quality indicator» ≥% growing each year of the Plan (customers with updated MiFID profile) • «anti-money laundering indicator» ≥% growing each year of the Plan (valid AML Due Diligence Questionnaires) • «riskiness indicator» ≥% growing each year of the Plan (customers appropriate to the MiFID risk profile)	
Performance Accrual Period	In line with the 2018-2021 Business Plan	
Performance conditions	• Performance conditions at corporate level: Net fee and commission income for 2021 generated by Fideuram ISPB and Sanpaolo Invest Networks	

Focus: the 2018-2021 Long-term Incentive Plan for Non-employee Financial Advisors of Fideuram and Sanpaolo Invest (SPI) Networks

	• Performance conditions at individual level: Growth of the Total Net Inflows in the four-year period of the Plan and related prospective profitability (expressed by the ratio between the Total Net Inflows and the Gross Added Value[15])
Correction mechanisms	In order to strengthen the connection of the Plan with particularly significant non-financial risks in this business context, the following were included: • an *ex-ante* mechanism for the correction of the bonus pool (i.e. reduction of the bonus pool up to zero in case of: integrated assessment of the risks exceeding the limits envisaged in the Fideuram Group RAF and/or Operational Losses exceeding the limit envisaged in the Fideuram Group RAF and, in the latter case, proportional to the ratio between the total amount of the Operational Losses and Operating Income (OI) of the Fideuram Group) • mechanism for the *ex-post* correction of the individual bonus (i.e. 25% decrease in the bonus accrued for Financial Advisors towards whom there are two written warnings issued by the Disciplinary Committee during the four-year period 2018-2021)
Payout schedules	Payout starting from 2022 according to the payment schedules envisaged in the Group Remuneration and Incentive Policies for the various clusters
Malus Conditions	Malus conditions may reduce accrued deferred shares not yet vested up to complete forfeiture of the deferrals Malus conditions are symmetrical to the gateway conditions
Individual Compliance Breach and Clawback	Compliance breach: • exclusion of the Financial Advisors who are suspended through a resolution by the Disciplinary Committee, except for those cases that are suitably justified by the Disciplinary Committee • exclusion of the Financial Advisors against whom well-founded complaints with an economic value exceeding 15,000 euro are individually lodged Claw-back mechanisms in line with the provisions of the Group's Remuneration and Incentive Policies
Cost	110 million euro for the 2018-2021 period

Focus: Recruitment offer for Non-employee Financial Advisors of Fideuram, Intesa Sanpaolo Private Banking (ISPB) and SPI

Transp. Prov.

The recruitment of new Financial Advisors has always been one of the pillars of the growth and development of the Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest Networks.

Therefore, in accordance with the Supervisory Provisions, in order to attract the best talents, a recruitment offer that is attractive and competitive vis-a vis the market is provided.

This offer can be differentiated in terms of duration (i.e. between 24-42 months) and provides for:

- a **recurring component** that remunerates Financial Advisor for the management of the assets actually transferred to the Company;
- a **non-recurring component** which represents an additional remuneration aimed at rewarding the effort to acquire assets by Non-employee Financial Advisors and necessary to attract them and remunerate the entrepreneurial risk.

The **recurring** remuneration component consists of monthly amounts determined, by quarter and portfolio range, according to the expected Net Inflows defined on the basis of the declared portfolio and the transfer times historically recorded by the Company.

It should be noted that this remuneration is considered recurring as, for the new Non-employee Financial Advisors, it represents ordinary remuneration, which is not subject to revocation, is not determined on a discretionary basis and has no incentive value.

With reference to the **non-recurring** component, the offer provides for the accrual of annual portions of Bonus based on the Net Inflows recorded at the end of each year with application of rates differentiated by type of Inflows (i.e. Managed and Unmanaged Net Inflows). The annual portions of Bonus recognized

[15] The Gross Added Value (hereinafter GAV) is a synthetic indicator introduced as "proxy" for the profitability of the commercial package of the Financial Advisors, which expresses the prospective incremental value generated in a solar year by the commercial actions.

Focus: Recruitment offer for Non-employee Financial Advisors of Fideuram, Intesa Sanpaolo Private Banking (ISPB) and SPI

in the years following the first year are determined on the basis of the accumulated Net Inflows, or taking into account what has already been transferred in previous years and, therefore, are determined net of any amounts already recognized.

In light of the above, with regard to the payment methods, a "disbursement limit" of 350,000 euro was introduced for the intermediate bonus portions, also in order to mitigate the risk of recognizing significant amounts before the effective consolidation of the Net Inflows transferred.

These intermediate portions, in compliance with the aforementioned “disbursement limit” and the cap on non-recurring remuneration (see paragraph 4.4.2), are paid entirely in cash according to specific payment schemes. In particular, in the event that the amount:

- is equal to or lower than the "materiality threshold" defined in these Policies (see paragraph 4.6), the intermediate portion will be paid entirely upfront;
- is higher than the “materiality threshold” but lower than 100% of the recurring remuneration, 60% of the intermediate portion will be paid up-front and 40% on a deferral time horizon of 2 years;
- is higher than the materiality threshold and at 100% of the recurring remuneration, 50% of the intermediate portion will be paid up-front and 50% on a deferral time horizon of 2 years.

The last portion of the Bonus, recognized at the end of the duration of the recruitment offer according to the accumulated Net Inflows from the induction until the end of the offer itself, will be paid:

- in the event of amounts of less than 350,000 euro, entirely in cash according to the aforementioned payment schedules defined for the intermediate portions;
- in the event of amounts exceeding 350,000 euro, in line with the payment schemes envisaged in the Remuneration and Incentive Policies in force from time to time.

In line with the provisions of these Policies, it should be noted that all the portions of the Bonus are in any case subject to verification of the gateway conditions, individual access conditions and malus conditions.

Lastly, in the particular case of Non-employee Financial Advisors of Fideuram and Sanpaolo Invest, the portions of Bonus are subject to possible partial or total recoveries depending on the maintenance of performance during the control period, or the 2 years following the performance measurement period.

Focus: Variable and non-recurring remuneration of employees with a mixed contract

With regard to the variable remuneration of employees with a mixed contract, this consists of the portion of Broad-based Short-Term Plan (see paragraph 4.4.7) while the non-recurring one is represented by the welcome commissions, reward for behaviour and reward for sales.

4.4 The remuneration pay mix

4.4.1 General criteria

The term "pay mix" refers to the weight of the fixed (or recurring) and variable (or non-recurring) components expressed as a percentage of total remuneration, as described above. R. 27

In accordance with the regulatory guidelines, the Intesa Sanpaolo Group traditionally adopts a pay mix that is appropriately balanced, in order to:

- allow flexible management of labour costs, as the variable portion may significantly decline, even down to zero, depending on the performance actually achieved during the year in question or when the Group was not able to maintain or restore a solid capital base;
- discourage behaviour focused on the achievement of short-term results, particularly if these involve taking on greater risk.

4.4.2 Ratio between variable remuneration and fixed remuneration

In order to achieve the above objectives, it is standard Group practice to establish *ex-ante* limitations in terms of balanced maximums for variable remuneration for all the Group personnel clusters, through the definition of specific caps on the increase of bonuses in relation to any over-performance. **Transp. Prov.** R. 27

This cap to the variable remuneration was determined in general in 100% of the fixed remuneration with the exception of the roles belonging to the Company Control Functions and those similar to them who are assigned a cap of 33% of the fixed remuneration.

Personnel for whom the variable-to-fixed remuneration cap increase up to 200% is required

As approved by the Shareholders' Meeting with a qualified majority, the variable remuneration cap set in the general criteria was increased up to 200%[16] of the fixed remuneration for:

- the Group Risk Takers, except for those belonging to the Company Control Functions and similar roles, the non-executive members of the Board of Directors of Intesa Sanpaolo and the Group Risk Takers operating in Slovakia, Slovenia, Moldova and Romania since the local regulations allow a maximum limit of 100%;
- specific and limited high-profitability professional categories and business segments; this increase was made in line with the principle of external competitiveness (Private Bankers, chains of Investment Banking, Insurance and Private Banking investment managers, Treasury and Finance, commercial chain of the Asset Management Division dedicated to the non-captive market, Heads managing and developing products of the Insurance Division, Heads of the Financial Institutions Department, Global Relationship Managers of the Global Corporate Department and the Financial Institutions Department, Heads of the Corporate and Financial Institutions Desks of the Hubs present in the International Department as well as Mortgage Specialists, Personal Bankers and Senior Customer Advisors within the Všeobecná Úverová Banka (VUB) Network).

The reasons for increasing the cap for the above-mentioned clusters and the related impacts on the Group's capital base remain unchanged with respect to the subject matter of previous shareholders' meeting resolutions.

Furthermore, the ratio between non-recurring and recurring remuneration (cap) is intended to be raised to 2:1 also for Non-employee Financial Advisors of the Group Companies and, more specifically, for those of the Fideuram Group recipients of the recruitment offer aimed at incentivising the acquisition of new assets (see *Focus: Recruitment offer* in paragraph 4.3.2).

It should be noted that, taking into account the annual average figure of new Non-employee Financial Advisors, the Group resources to which the proposed increase in the ratio between non-recurring and recurring remuneration applies are approximately 240 per year.

The aforementioned increase in the ratio between non-recurring and recurring remuneration is justified by the needs of:

- alignment of the recruitment offer to the innovations introduced in terms of entry bonuses by the 2018 update of Circular 285/2013; as well as

[16] In accordance with the right granted by CRD and the Bank of Italy.

- attraction of new Financial Advisors who are fundamental for the growth and development of the Networks because, although they represent on average only 4% of the Network, they significantly affect the total annual average net inflows of the Group.

In particular, it should be noted that, until the 2018 update of Circular 285/2013, the Group provided for the granting of an entry bonus, paid in cash and up-front after an observation period aimed at ensuring the acquisition of new assets by Non-employee Financial Advisors, without cap limitations. With the 2018 update the Regulator stipulated otherwise, namely that the entry bonus contributes to the cap unless it is paid in a single tranche at the time of recruitment. However, payment at the time of recruitment would not allow to verify the actual acquisition of new financial assets and, therefore, it was deemed necessary to review the recruitment offer precisely to ensure this verification.

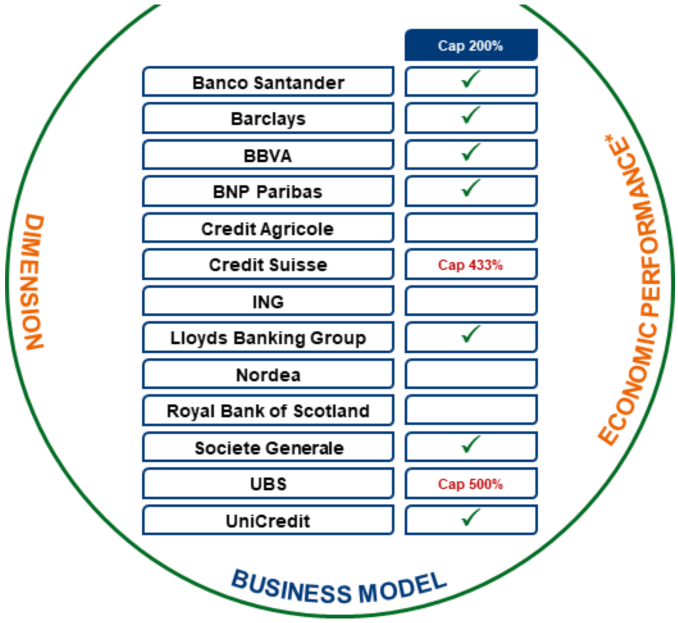
Furthermore, as already described above, since recruitment is one of the pillars of growth and development, it is of primary importance for the Networks to equip themselves with effective tools to attract the best Non-employee Financial Advisors, offering an attractive remuneration package from the time of induction and up to the verification of the acquisition of new assets (approximately 24-36 months from the establishment of the agency relationship, i.e. “recruitment period”). In this regard, it should be noted that, given that during the recruitment period the recurring remuneration of Non-employee Financial Advisors tends to be relatively low and to increase only over time, if the cap were kept at 100%, the non-recurring component would risk being insufficient to ensure recognition of the effort, by the Financial Advisor, to acquire new assets, even with respect to the practices followed up to now by the sector and, within this sector, by those operators who, being smaller in size, will continue to benefit from exemptions with respect to the provisions of Circular 285/2013.

The total number of Group resources to whom the cap increase is applied stands at approximately 3,092, of which 418[17] are Group Risk Takers[18].

Focus: Competitiveness analysis with respect to the introduction of the 200% cap

As illustrated in the image to the right, most of the players with which Intesa Sanpaolo compares itself have increased the cap up to 200% or, where allowed by local legislation (FINMA), the cap was also set above this threshold

Peer Group Analysis to assess the cap increase at 200%



*Economic results in terms of Net Income, ROE, and Market Cap

[17] Figures updated as at 31 December 2020.
[18] From the overall number of Group Risk Takers identified for 2020, the following are excluded: (i) the roles belonging to the Company Control Functions and similar roles; (ii) the non-executive members of the Board of Directors of Intesa Sanpaolo; (iii) the Risk Takers operating in Slovakia, Slovenia, Moldova and Romania since the regulations of the country do not allow the cap to be raised beyond 100%.

Focus: Compliance with the prudential regulations (see paragraph 4.1)

The increase in the cap on the variable remuneration ensures, in any event, compliance with prudential regulations as:

- it does not lead to a proportional increase in the resources allocated to the annual Incentive Systems, since the *ex-ante* funding mechanism of these Systems correlates, with a top-down approach, the resources allocated to the overall bonus pool to a specific Group indicator, currently identified in Gross Income;
- having checked the gateway conditions required by the Regulator and individual access conditions:
  - the bonus allocation is precluded to at least 10% of the entire category of Group Risk Takers if the funding condition envisaged at Group level exceeds the Access Threshold but is below the set target;
  - the incentive system is not activated for Top Risk Takers if the funding condition envisaged at Group level is below the Access Threshold;
  - if the Access Threshold is not reached by the Group and/or the Division, the Incentive System precludes the payment of the bonus for certain clusters depending on the level reached of the Gross Income of the Group and the Division;
- the strong correlation between bonus pay out and prudential requirements in terms of capital and liquidity is guaranteed at multiple levels through the links between the Incentive Systems and the Risk Appetite Framework (RAF) in terms of gateways, malus and target setting of the economic-financial KPIs.

Personnel for whom the variable-to-fixed remuneration cap increase up to 400% is required

With particular reference to the personnel of the "Investment" category of the Group's Asset Management Companies (SGR entities) that carry out their activities exclusively for the same Asset Management Company, in compliance with the right granted by the Supervisory Provisions[19], the ratio between variable and fixed remuneration was increased to above 2:1 and up to a **maximum of 4:1**.

The resources of the Group's Asset Management Companies to which this exception is applied are about **304**, of which **12** Group Risk Takers and 31 subjects identified as key personnel for the individual Companies[20]. It is also highlighted that this increase in the cap does not regard the Top Risk Taker of the Asset Management Division.

For this category of personnel, the increase in this ratio is justified by the following rationale:

- enabling the international expansion of the wealth management, in line with the objectives expressly stated in the 2018-2021 Business Plan, also through transactions with players in foreign countries where there is no variable remuneration cap to be set for personnel who operates in SGR entities;
- attraction and retention of key resources in the countries where the ISP Group is already present (Luxembourg, Ireland, UK, Slovakia, Hungary), where both independent players which do not have constraints, and managers belonging to the local Banking Groups that are exempted from setting the cap in the subsidiaries belonging to the asset management sector (SGR entities) operate;
- attraction and retention of key resources in the domestic Italian market, given the increase in competitive pressure. It is underlined that this increase of the cap up to 4:1 does not imply any impact on the capital of the Intesa Sanpaolo Group since the payment in financial instruments (requested by sector regulations) of the portions of remuneration exceeding the "materiality threshold" for the key personnel of the asset management company (SGR entity), or greater than both the "materiality threshold" and 100% of the fixed remuneration for the remaining personnel, takes place in UCITS, as envisaged by the Regulation implementing Article 4-undecies and Article 6, paragraph 1, letters b) and c-bis) of the Consolidated Law on Finance of the Bank of Italy.

Finally, concerning the economic impact of this increase in the cap up to 4:1, it should be noted that:

- mechanisms are envisaged which ensure economic-financial sustainability since the bonus pool assigned to the asset management companies (SGR entities) is defined top-down as a percentage of the one accrued at Group level, so that, in case the bottom-up need exceeds the availability of the above-mentioned bonus pool, the individual bonuses are reduced proportionally;

[19] Update of 26 October 2018 of Bank of Italy Circular 285/2013.
[20] Figures updated as at 31 December 2020.

- the performance measurement mechanisms adopted as incentive drivers for personnel of the "Investment" category are deterministic and extremely selective with the effect that, historically, even in years of booming markets, only a limited number of employees exceed performance targets;
- the bonus calculation mechanisms and the relevant pay-out schemes were strengthened within the remuneration policies adopted by the asset management companies (see focus *Payment methods of the variable remuneration for the personnel of the "Investment" category of the asset management companies* in paragraph 4.4.6).

The above-mentioned reasons and the related impacts on the Group's capital base remain unchanged with respect to those in 2019 which were the subject matter of a previous shareholders' meeting resolution.

Focus: Contingent reduction of the variable remuneration accruable by Risk Takers for the year 2021
In relation to the aforementioned cap increases up to 2:1 and 4:1, it should be noted that, given the macroeconomic context resulting from the **COVID-19 pandemic**, the Group, as recommended by the Supervisory Authorities, adopts extreme moderation with regard to the definition of the bonuses accruable by Risk Takers for the current year. In particular, this translates into a contingent reduction of the maximum amounts (equal to approximately -40%) of variable remuneration accruable under the short-term Incentive Systems for the year. However, if the macroeconomic context improves, the Group results are confirmed at least in line with budget forecasts and the Supervisory Authorities do not reiterate the recommendations on the adoption of moderation with regard to variable remuneration of Risk Takers (currently effective until September, 30th), during the year, the Group may review the bonuses accruable by Risk Takers in order to restore the ordinary levels.

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4.5 Annual Incentive Systems for Group personnel

The annual Incentive Systems adopted by the Intesa Sanpaolo Group are directed at reaching the medium- and long-term objectives included in the Business Plan, taking into account the Group Risk Appetite and Risk Tolerance – as expressed in the RAF – and aim to encourage objectives of value creation for the current year, in a framework of sustainability, given that the bonuses paid are related to the financial resources available.

Reported below is a summary of the operating mechanisms and the main characteristics of the annual Incentive Systems. Further details are provided in the following paragraphs.

STEP	PURPOSE	MECHANISM	
BONUS POOL	Solidity and sustainability in a prudential approach	Gate and Funding	• **The bonus pool is activated** only if the main capital and liquidity requirements, namely the minimum regulatory conditions of solidity at Group level, are met and if the economic and financial sustainability condition is in place (see para. 4.5.1) • **The funding of the bonus pool** at Group level (quantum) is based on the available resources deriving from the economic and financial results achieved, adjusted for the non-financial risks incurred (see para. 4.5.2)
BONUS ALLOCATION	Alignment of behaviours and managerial conduct with medium and long-term objectives of the Business Plan and within a risk prevention framework	Group Incentive Systems	**INCENTIVE SYSTEMS FOR SPECIFIC CLUSTERS** Incentive System for Risk Takers and Group Middle Managers (see para. 4.5.3) Specific incentive initiatives (see para 4.5.4): • Non-Performing Loans • Team system – Insurance **INCENTIVE SYSTEMS FOR SPECIFIC BUSINESS CATEGORIES (see pars. 4.5.4)** P&C Insurance Excellence System / Private Banking Network / Financial Advisors / Investment Management (Middle Managers and Professionals) / Network of International Subsidiary Banks / Insurance Client Account
BONUS PAY-OUT	Adjustment based on conduct/ monitoring the impact of managerial conduct over time	Individual access conditions	Failure to meet the individual access conditions precludes any bonus pay-out and the settlement of the deferred portions to be paid in the year (see para. 4.5.5)
		Malus conditions	Failure to meet the malus conditions (symmetrical to those envisaged as gate) leads to a reduction, even down to zero, in the deferred portions of the bonus to be paid in the year (see para. 4.5.6)
		Claw-back	Return of bonuses already paid following disciplinary measures imposed in the event of fraudulent behaviour or gross negligence by personnel (see para. 4.5.7)

Focus: Integration of sustainability risks into the Group Incentive Systems (Regulation (EU) 2019/2088)

Intesa Sanpaolo Remuneration and Incentive Policies are also consistent with the provisions on the integration of sustainability risks pursuant to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27th November 2019.

In particular, consistency is guaranteed at annual Incentive Systems level on one hand by attributing specific KPIs to all the management and distribution networks and on the other hand by introducing, for the Investment Management cluster, a corrective mechanism for the bonus linked to the activity performed in terms of sustainability risks management (see paragraph 4.5.4).

With reference to the specific KPIs, it should be noted that:

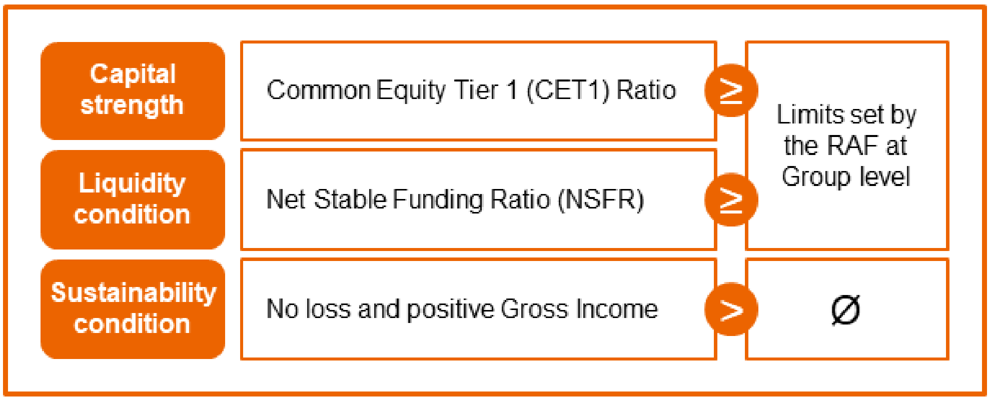
- as part of the Incentive System for Risk Takers and Middle Managers of the Group, an "ESG" KPI has been introduced among the strategic action objectives (see paragraph 4.5.3);
- the Group distribution networks (i.e. Non-employee Financial Advisors and Private Banking Network) a KPI linked to customer profiling within which the ESG preferences of customers are acquired (see paragraphs 4.5.4 and 4.7) has been assigned.

4.5.1 Gateway conditions for annual Incentive Systems

R. 27 All the annual Incentive Systems for the Group personnel are subject to the minimum gateway conditions requested by the Regulator and failure to achieve even only one of those conditions shall result in the non-activation of the annual Incentive Systems for the Group personnel.

These conditions are based, on a priority basis, on the principles envisaged by the prudential regulations concerning **sound capital base** and **liquidity,** represented by the consistency with the limits set as part of the RAF, as well as the principles of **financial sustainability** of the variable component that consist in checking the availability of sufficient economic-financial resources to meet the expenditure requirement.

In the Intesa Sanpaolo Group these conditions are as follows:



In particular, the Gross Income (condition of sustainability) is measured net of:

- profits from the buyback of the Bank's own liabilities;
- fair value of the Bank's own liabilities;
- income components arising from accounting policies following changes to the internal model on core deposits.

Focus: Gate set for the Top Risk Takers

The Group Top Risk Takers are subject to a further gateway condition:

Please note that:

- for those Legal Entities which calculate their limits of sound capital base (CET1 or Total Capital for Banks, Solvency Ratio in the case of insurance companies, as well as the regulatory Capital Requirements in the case of Asset Management Companies) and liquidity (NSFR for Banks), failure to respect these limits constitutes a non-activation condition for all the Incentive Systems addressed to the resources operating in the Legal Entity, also when those of the Intesa Sanpaolo Group may be positively met;
- if sustainability conditions (i.e. no loss and positive Gross Income) at the level of individual Bank are not met, the Head of the Bank and any Risk Takers identified therein shall be excluded from the annual Incentive System, and the economic resources intended to finance the bonus pool of that Bank shall be reduced.

4.5.2 Group Bonus Funding and configuration by Division / Governance Area

Calculating the bonus pool

All the annual Incentive Systems for Group personnel are funded by a structured bonus pool mechanism that, in order to ensure sustainability, is indexed to the level of achievement of a measure of profitability represented by Intesa Sanpaolo's Gross Income at Consolidated Financial Statements level.

In particular, funding the bonus pool at Group level is:

- defined with a **top-down** approach;
- calculated **according to the level of Gross Income;**
- allocated to **finance all the annual Incentive Systems** of the Group and the PVR.

Focus: Funding the Incentive Systems of Non-employee Financial Advisors and Agents

The Incentive Systems of Non-employee Financial Advisors and Agents with the exception of those who work in Agents4You are not financed by the Group bonus pool. These Systems are actually self-funded since these categories of personnel consist of freelance professionals operating under agency contracts whose non-recurring remuneration is represented by commissions defined as a percentage of the gross revenues generated by the Company they belong to.

The portion of Gross Income allocated to fund the Group target bonus pool is determined in advance, on an annual basis, according to an historical analysis and budget forecasts as well as the payout ratio objective set for the dividend distribution.

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Focus: Bonus pool sizing mechanism

Having checked the gateway conditions required by the Regulator, the bonus pool increases progressively starting from when it exceeds the so-called Access Threshold (i.e. the minimum Gross Income target which, though lower than the budget, is deemed acceptable) up to a predefined cap.

In contrast, failure to reach the Access Threshold implies a significant reduction in the resources to service the annual Incentive Systems in both absolute and relative terms and determines the payment of the bonuses accrued only to certain clusters of personnel.

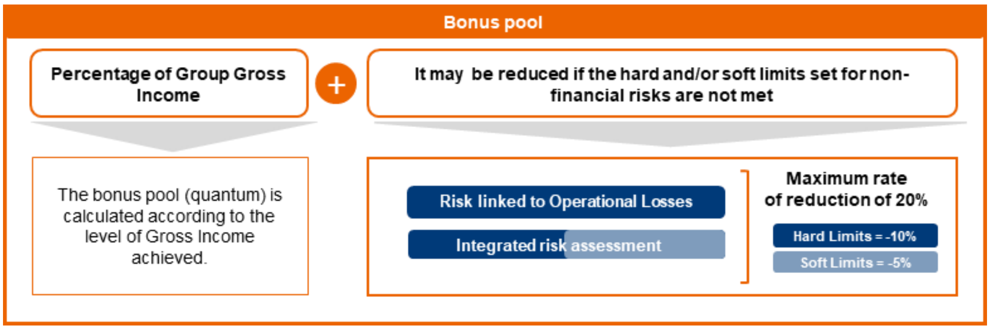
In particular, in the case of:

- a positive Gross Income, though lower than the Access Threshold, a portion of the bonus pool called "Buffer 1" is made available, even though the payment of the bonuses to the Top Risk Takers is in any case precluded, regardless of the performance evaluation achieved;
- a negative Gross income, a portion of the bonus pool called "Buffer 2" of a significantly smaller size than "Buffer 1" is made available, even though the payment of the bonuses is precluded – other than to the Top Risk Takers – also to the other Risk Takers and Middle Managers (i.e. only the bonuses of the Professional best performers are paid).

In any case, the bonus pool calculated according to the rules described is subject to another correction mechanism in order to strengthen the consistency of the Incentive Systems with the Group's Risk Tolerance. This mechanism requires a possible reduction of the bonus pool accrued in case of non-compliance of the limits connected to the non-financial risks defined in the RAF.

Focus: Connection between bonus pool and non-financial risks

The Group Risk Appetite Framework sets specific limits both for financial and non-financial risks; as part of the latter, hard or soft limits are set according to the level of severity implied by the possible breach of one of these limits.
For this reason, the impact in terms of bonus pool reduction of the limits connected to non-financial risks varies according to the nature of the limit and is 10% for hard limits and 5% for the soft limit.



Configuration of the bonus pool by Division/Governance Area

The Group bonus pool is allocated, *ex ante in primis*, to the various Incentive Systems funded by the Group and, in the case of Incentive Systems that involve transversal clusters (e.g. the annual Incentive System for the Risk Takers and Middle Managers), it is subsequently configured at individual Division/Governance Area level.

In line with the principle of financial sustainability, the actual figure (*ex post*) of the bonus pool initially attributed to each Division is "modulated" depending on the level of the Gross Income reached by each Division.
This implies that only the Divisions which exceed their Access Threshold receive the full pool attributed at the beginning of the year (once the Group Gate is activated); whereas, the portion of bonus pool of the Division that does not exceed the Access Threshold may be reallocated among the other Divisions / Governance Areas that have exceeded the Threshold[21] ("additional" bonus pool).

Similarly to the Group bonus pool, also the portion of bonus pool allocated to each Division is subject to an additional correction mechanism that provides a possible reduction in the accrued bonus pool in case of failure to respect the hard and/or soft limits set for non-financial risks found specifically on each Division (i.e. Risk linked to the Operational Losses and Integrated Risk Assessment).

Furthermore, there are limits to the clusters eligible for the annual Incentive Systems in particular cases where, having positively verified the conditions relating to the CET1 and NSFR referred to in the previous paragraph, the Division's Gross Income does not exceed the Access Threshold.
In particular, similarly to what happens at Group level, in the case where:

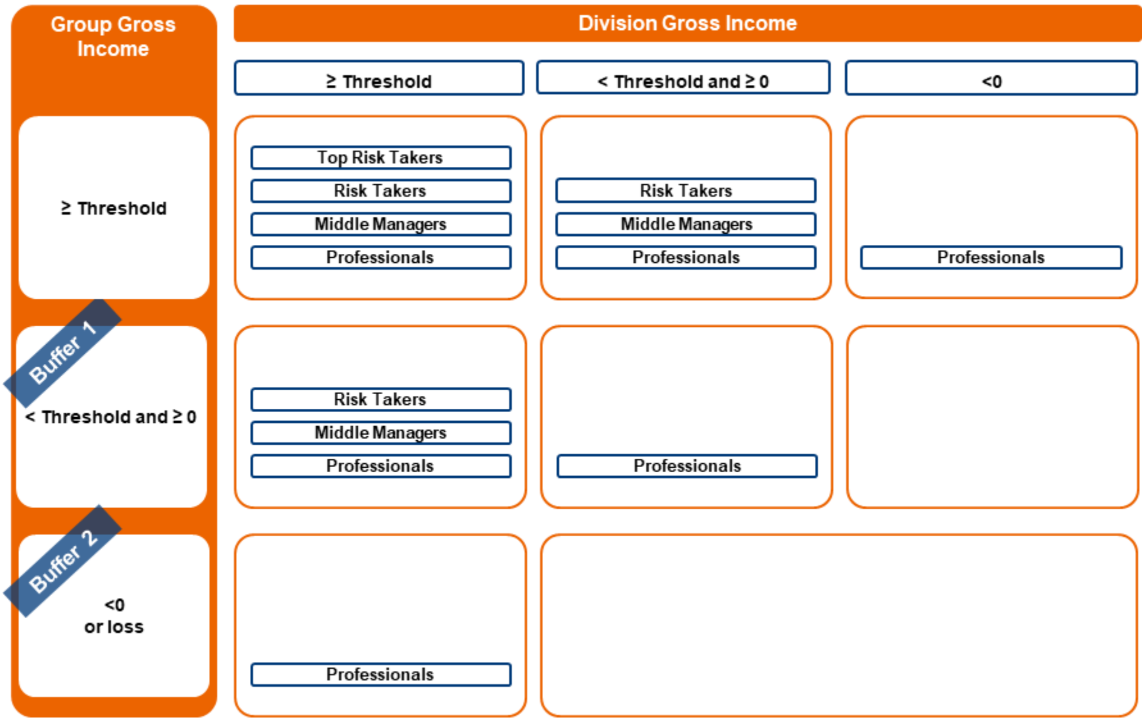
- the Group Gross Income exceeds the Access Threshold and:
  - at Division level, the Gross Income is positive though lower than the Threshold, the payment of the bonus is precluded to the Top Risk Taker of the Division regardless of the performance evaluation achieved;
  - at Division level, the Gross Income is negative, the payment of the bonus is precluded – other than to the Top Risk Taker – also to the Risk Takers and Middle Managers of the Division;
- the Group Gross Income is positive though lower than the Access Threshold ("Buffer 1"), and, at Division level, the Gross Income is positive though lower than the Threshold, the payment of the bonuses is precluded to the Top Risk Taker, the other Risk Takers and the Middle Managers of the Division (i.e. only the Professional best performers are eligible).

In the remaining cases: (i) the Group Gross Income is positive though lower than the Access Threshold and the Gross Income of the Division is negative; (ii) the Group Gross Income is negative and the Gross

[21] For the Governance Areas, the Access Threshold coincides with that of the Group.

Income of the Division is lower than the Threshold, the Incentive Systems are not activated for any of the clusters of personnel.

Below is a summary representation of the **clusters of personnel eligible for the Incentive Systems** according to results of the Group and the Division.



4.5.3 The annual Incentive System for Risk Takers and Middle Managers

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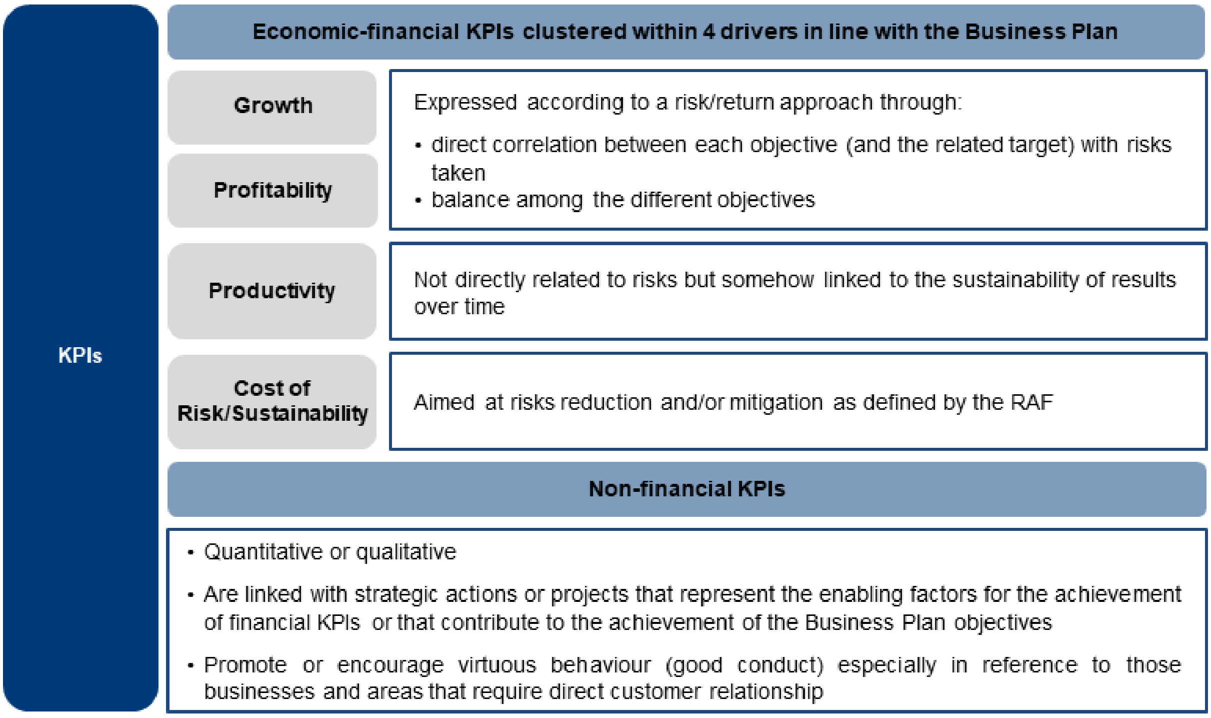
The Incentive System for the Risk Takers and Middle Managers[22] aims to guide the behaviour and managerial actions towards reaching the objectives set in the Business Plan and reward the best annual performance assessed with a view to optimise the risk/return ratio.
This System is formalised through Performance Scorecards.

Performance Scorecards include both KPIs of an economic-financial nature and non-financial KPIs.



Identification of KPIs, on which incentives granting is based, is carried out by the competent functions, considering the most significant economic and financial indicators for achievement of the budget objectives, periodically monitored through internal reporting tools and available at the consolidated level, as well as at division and/or business unit level.
The process used to identify the above-mentioned KPIs involves Chief Risk Officer and Chief Compliance Officer Governance Areas, in order to ensure respectively the consistency of the KPIs with the limits set in the Group RAF as well as their compliance with the regulatory provisions in force from time to time.

This allows the selection of a complex mix of qualitative and quantitative parameters – anyway transparent, objective and measurable – allowing a 360-degree evaluation of company's performance in terms of profitability and risks prudently taken.

[22] In particular, reference is made to the Senior Directors identified according to the Global Banding method adopted by the Group (and, on a transitional basis, to those who have been identified for at least 6 months in 2020 with the title of Director according to the Global Banding system still in force at the end of last year). It is noted that for all business areas and some functional areas of the Group, an extension of the cluster of Middle Managers involved in that annual Incentive System is planned also for the Head of.

Focus: Examples of qualitative and quantitative KPIs contained in the Performance Scorecards

KPIs	**Economic-financial KPIs**	
	Growth	Net Inflows, Gross Banking Product (Loans + Direct Deposits + Indirect Deposits), Insurance Operating Margin
	Profitability	Operating Income/RWA, Revenues/Assets, Insurance Operating Margin/Mathematical Reserves
	Productivity	Cost/Income, Operating Costs reduction, Full Combined Ratio
	Cost of Risk/Sustainability	Gross NPL ratio, Concentration Risk, Gross flows from performing to NPE, Operational Losses/Operating Income, Maintaining LCR levels, Incidence of overdue ratings and reviews on the total portfolio
	Non-financial KPIs	
	Managerial Qualities	Risk Culture – Promoting awareness regarding "emerging" risks (for the Company Control Functions)
	Strategic Actions/Projects	ESG, International growth in Private Banking Project, Customers digitalisation project, Non-Life Insurance Project, UBI Integration Program

The Performance Scorecards have a three-fold structure:

- **Group section**, containing at least one quantitative KPI measured on the Group scope and common to all the Scorecards, except those intended to the Company Control Functions and similar roles. For 2021, in line with the previous year, the Net Income was assigned as Group KPI. Moreover, in the Group Governance Areas, for the Group Risk Takers and those reporting directly to the Chief, also the objective to minimise the Group Cost/Income was provided;
- **structure section**, containing KPIs that are consistent with the strategic drivers of the Group and the levers used by the Risk Taker/Middle Managers. The reporting boundary is the Division/Governance Area or, in any case, the area of responsibility;
- **qualitative section**: containing KPIs relating to the taking of actions envisaged by the Business Plan or the measurement of managerial skills (possibly also individual), whose reporting is usually objectified by identifying project milestones and/or subject to evaluation by the Head based on supporting drivers defined *ex ante*. For 2021, the Group transversal KPI "Environmental, Social and Governance (ESG)" was identified among the strategic actions. Furthermore, for the Company Control Functions, for 2021, in line since 2018, a transversal KPI was confirmed that lies in the objective of "Risk Culture – Promoting awareness at all levels of the organisation regarding *emerging* risks, with a particular focus on the risks related to technological innovation, by means of education, awareness raising and training".

Focus: Group transversal KPI "ESG"

The Intesa Sanpaolo Group is aware of having a significant impact on the social and environmental context in which it carries out its business, choosing to act not only on the basis of profit, but also with the aim of creating long-term value for the Bank, its people, its customers, the community and the environment.

Intesa Sanpaolo aims to be a responsible financial intermediary that generates collective value, aware that innovation, development of new products and services and corporate responsibility can contribute to reducing the impact on society of phenomena such as climate change and social inequalities.

Furthermore, environmental, social and governance factors are issues of increasing interest to Regulators, as well as to the Group's Proxies, Shareholders and Stakeholders.

In light of the foregoing, also considering that attention to the social and environmental context constitutes a founding value for integration with UBI Banca, in keeping with the ever-increasing commitment – also following the COVID-19 pandemic – to strengthen its leadership in social, cultural and environmental sustainability and in line with the provisions of the Regulation (EU) 2019/2088, the

Focus: Group transversal KPI "ESG"

Intesa Sanpaolo Group, starting from 2021, has decided to introduce a specific "ESG" KPI among the strategic action objectives that will be assigned to all managers.

This KPI represents the evolution of the previous Group transversal KPI, i.e. Diversity & Inclusion, which was focused on a specific area related to the Social factor. The new KPI, instead, takes into account several ESG factors and areas in line with specific activities and projects carried out by the Bank.

The evaluation of the ESG KPI takes place both at the Group level, with a view to recognizing the commitment of the Group as a whole, and at the Governance Area / Division level, in order to enhance the areas of action of the individual Group structures. Specifically:

- at Group level, the presence of Intesa Sanpaolo in the sustainability indexes of specialized companies will be assessed;
- at the Governance Area / Division level, the following will be assessed:
    - specific projects/actions in the ESG field (such as, for example, the volume of loans to customers relating to ESG products, the increase in the disbursements of green loans and mortgages, the definition of a stress test framework on climate risk with reference to transition risk);
    - the achievement of the commitments on gender equality expressed in line with the Group Principles on Diversity & Inclusion.

Each KPI is assigned a weight equal to at least 10% to ensure the relevance of the objective, and no more than 30% to guarantee appropriate weighting of the numerous objectives.

The performance evaluation period (accrual period) is annual.

Focus: The structure of the Performance Scorecard

The sum of the weights assigned to the KPIs of each section is equivalent to the overall weight of the section; this weight varies according to the macro-area pertaining to the Risk Takers and Middle Managers.
Below is a summary of the Performance Scorecard for each cluster:

Risk Takers and Middle Managers of the Business and Governance functions:

	Strategic Driver/KPIs	*Weight range on the Performance Scorecard* – BUSINESS	*Weight range on the Performance Scorecard* – GOVERNANCE
Structure Objectives of an economic-financial nature	**Growth** **Profitability** **Productivity** **Cost of risk/Sustainability**	*50% - 70%*	*30% - 50%*
Group Objectives – cross-functional	**Net income** **Cost/Income** (Group Governance Areas: Group Risk Takers and direct reports of the Chief)	*10%*	*10% / 20%[1]*
Qualitative evaluation	**ESG**	*15% - 20%[2]*	*15% - 20%[2]*
	Other managerial skills (if any) **Strategic actions/Projects –** consistent with the Business Plan and measured either through quantitative parameters or on the basis of strategic drivers	*25% - 0%*	*45% - 10%*

(1) if both KPIs are included in the Performance Scorecard
(2) for the CFO and the Head of the Strategic Support Head Office Department as heads of the ESG Control Room.

Risk Takers and Middle Managers of the Company Control Functions and similar roles

	Strategic Driver / KPIs	*Weight range on the Performance Scorecard* – COMPANY CONTROL FUNCTIONS
Non-financial - quantitative objectives	**Productivity** **Cost of risk/Sustainability**	*45% - 75%*
Group Objectives – cross-functional	Profitability	Group economic-financial objective not envisaged
Non-financial - qualitative objectives	**ESG**	*15%*
	Risk Culture – Promoting awareness at all levels of the organisation regarding “emerging” risks with a particular focus on the risks related to technological innovation, through of information, awareness and training	*10% - 15%*
	Other managerial skills (if any) **Strategic actions/Projects –** consistent with the Business Plan and measured either through quantitative parameters or on the basis of strategic drivers	*30% - 0%*

(1) for Chief Compliance Officer Governance Area, Chief Risk Officer Governance Area and Chief Audit Officer

Focus: The 2021 Incentive System for the Managing Director and CEO

Reported below is the Performance Scorecard of the Managing Director and CEO, indicating, for each quantitative KPI, the reference target level and, for the qualitative KPIs, the *ex-ante* evaluation drivers.

	KPI					
	Driver Strategic driver	**KPI**	**Weight (%)**	**Threshold level**	**Target level**	**Maximum level**
GROUP OBJECTIVES	**Profitability**	Net income (billion)	20%	100% of the result of previous year*	Budget	134% of the result of previous year*
		OI / RWA	10%	90% of the result of previous year*	Budget	120% of the result of previous year*
	Productivity	Cost / Income	20%	103% of the result of previous year*	Budget	94% of the result of previous year*
	Cost of Risk	Gross NPL ratio	20%	109% of the result of previous year*	Budget	100% of the result of previous year*
QUALITATIVE EVALUATION (Group scope)	**Strategic Actions from the 2018-2021 Business Plan**	ESG	15%	Evaluation based on the following drivers: 1. Presence of Intesa Sanpaolo in the sustainability indices of specialized companies (number of appearances) 2. Achievement of commitments on gender equity: • in annual hires • in the pool of candidates for first appointment in managerial roles 3. Group initiatives in the ESG area • Support for the green economy and the circular economy: ○ YoY increase in Loans to Customers relating to Green / Transition Loans, Circular Economy Loans and Green Mortgages ○ Reduction of the overall agreements (plafond or lines) towards the carbon energy sector compared to 31/12/2020 • Sustainable finance growth: YoY increase in S-Loans • Growth of Sustainable Investments: Increase in the masses of ESG products managed • Youth and Work Program • Enhancement of the Group artistic and cultural heritage		
		Digitalisation	15%	Evaluation based on the following drivers: 1. Acceleration of the digital transformation Accelerazione in Cloud-ready and Open Digital Bank logic 2. Expansion of sales channels and methods of digital interactions (both online and mobile) to support the Group distribution strategy set out in the 2018-21 Business Plan - YoY Increase		

(*) Consolidated scope including UBI Group

The overall amount for the Managing Director and CEO is awarded based on the evaluation of the results of the individual performance scorecard applying a deterministic calculation.

Specifically, in the current macroeconomic context due to the COVID-19 pandemic, in case of an overall score of:

- 80%, the bonus accruable is equal to 30 % of the fixed remuneration (the bonus percentage is the same also in an ordinary context);
- 100% (target), the bonus accruable is equal to 70% of the fixed remuneration (in an ordinary context the bonus percentage is equal to 100%);
- 120% (cap), the bonus accruable is equal to 100% of the fixed remuneration (in an ordinary context the bonus percentage is equal to 200%, minus the amount pertaining to the year deriving from the POP Plan).

Focus: The 2021 Incentive System for the Managing Director and CEO
For overall scores equal to the percentages that are in between those indicated above, the bonus is determined based on a proportionate scale. Please be reminded that, as anticipated in the “Focus: Contingent reduction of the variable remuneration accruable by Risk Takers for the year 2021”, if the macroeconomic context improves, the Group results are confirmed at least in line with budget forecasts and the ECB does not reiterate the recommendations on the adoption of moderation with regard to the variable remuneration of Risk Takers, in October, the review of the bonus accruable by the Managing Director and CEO may be reviewed up to the levels provided in an ordinary context.

The total amount due is attributed annually based on the evaluation of the results of the individual performance scorecard and is defined with different calculation methods depending on the cluster.
In particular, this calculation is deterministic also for the other Top Risk Takers (consistently with the calculation method provided for the Managing Director and CEO) , is ranking-based for the other Risk Takers and is connected to the evaluation of the results for Middle Managers.

Finally, the accrued bonus is subject to an additional corrective mechanism that measures the residual structure risk level (Q-Factor) and that acts as a possible de-multiplier of the bonus achieved which is reduced by:

- 20% in case of a “very high” Q-Factor;
- 10% in case of a “high” Q-Factor.

The Q-Factor is based on factors relating to the control system and also considers other elements that are useful for the evaluation (Operational Losses, Findings of the Supervisory Authorities, Trends and weights of the critical issues in the Tableau de Bord of the Audit). The evaluation is based on a quantitative scale to which the residual risk judgement corresponds: Very High, High, Medium, Low.

Furthermore, according to the relevant cluster, there are two additional corrective mechanisms which act, similarly to the Q-Factor, as de-multipliers of the bonus, according to the risks taken.
Below is a summary table of these corrective mechanisms.

RECIPIENTS	TYPE of RISK	CORRECTIVE MECHANISM
Business and Governance Top Risk Takers	Capital Adequacy	The mechanism provides for a reduction in the accrued bonus equal to: • 10% in case of failure to reach the expected level of CET1 envisaged in the Group RAF; • 20% if the Early Warning threshold envisaged in the Group RAF is exceeded.
Business Risk Takers operating in the market area (e.g. HTC/HTCS traders and portfolio managers)	Specific risks (market risk, interest rate risk and plafond on the overall position in Italian government bonds classified as HTC)	The mechanism provides for a reduction in the accrued bonus equal to: • 10% if the "soft" limit envisaged in the Group RAF for the VAR, the interest rate risk or the plafond on the overall position in Italian government bonds classified as HTC is exceeded; • 20% if the “soft” limit envisaged in the Group RAF for the Accumulated Other Comprehensive Income (AOCI) reserve is exceeded.

Incentive System for Risk Takers of Banks at a “non-contingent” loss

Within the framework of the annual Incentive Systems, a specific and selective annual Incentive System is envisaged for the Risk Takers belonging to the Group Banks at a "non-contingent" loss.
The System is targeted at Risk Takers specifically appointed to recover/contain the loss from the first year of appointment (and up to a maximum of three consecutive years) and, starting from the second year, in case of improved results according to that set out in the specific long-term recovery plan (Business Plan), it may be extended to the other Risk Takers possibly operating in the Bank.

For the purposes of determining the incentive due, the performance of the Bank at a loss is measured in terms of year-on-year improvement.
With reference to any other Risk Takers the System is extended to starting from the second year, the maximum incentive to be accrued does not exceed 50% of the bonus theoretically due against the outcome of the performance evaluation[23].

Incentive System for Risk Takers and Middle Managers of Legal Entities in "start-up" phase

Similarly to the description above for the Banks at a "non-contingent" loss, there is a specific annual Incentive System for Legal Entities in "start-up" phase.
This System aims to promote the achievement of the growth objectives set in the "start-up" business plan for the period of time necessary for the Company to reach a positive and/or minimum level of income (until a maximum of three consecutive years), in a broader Group framework where the conditions of a sound capital base, liquidity and sustainability are met.
For the purposes of determining the incentive due, the performance of the Company is measured with respect to the achievement of the milestones (i.e. Company Income/Loss) set by the specific long-term plan of the start-up, in line with the medium/long-term objectives that characterise all of the Group Incentive Systems.
In accordance with the principle of sustainability, the maximum incentive that can be accrued is in any case limited and compatible with the economic and financial context of the Company.

4.5.4 Specific incentive initiatives by personnel category and business segment

The Intesa Sanpaolo Group develops incentive initiatives dedicated to either specific clusters or highly profitable and relevant business segments inside the strategy defined at Business Plan level.

In general, the Incentive Systems dedicated to specific clusters aim to support the cooperation and teamwork towards reaching the common objectives measured at team level.

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In contrast, the Incentive Systems dedicated to specific business segments require the recognition of individual bonuses differentiated by role and measured on individual Performance Scorecards with the exception of the retail business (Italy and abroad) for which Branch Performance Scorecards are generally required. The simultaneous presence of economic-financial and non-financial KPIs is normal. For personnel operating in sales networks in direct contact with customers, KPIs regarding customer satisfaction and correctness of customer relations are always envisaged; the KPIs are not linked to the distribution of a specific product and, for the purpose of achieving the objectives, only transactions in line with the needs expressed by customers and with the adequacy checks are taken into account.

In any case, each KPI is assigned a weight equal to at least 10% to ensure the relevance of the objective.

Below is a summary of the main incentive initiatives present in the Group:

[23] Raised to 75% in the particular case of Risk Takers belonging to the Company Control Functions because of the low level of the bonuses due to these Functions.

Incentive System by cluster	Beneficiaries	Main characteristics
Non-Performing Loans	Managers (excluding Risk Takers) and Professionals of the structures of Credit Value Preservation Head Office Department, NPE Head Office Department, core structures of the Credit Governance Head Office Department of the Chief Lending Officer Governance Area, as well as Credit Functions of Regional Governance Centre of the Banca dei Territori Division	Purpose: Support the achievement of the challenging objectives of reducing the gross NPL ratio set out in the 2020-2021 Plan requested by the Authority to the Group with no charges for the Shareholders. Mechanism to calculate the bonus: Individual bonuses differentiated by role and type of contribution to the Plan. Performance conditions: KPIs of an **economic-financial** nature entail the **reduction** of the Group **gross NPL stock** as well as **objectives of governance of flows** between credit stages (e.g. inflows from Performing vs Past Due/UTP, outflows from UTP, outflows from Bad loans...) at Group or Division level. In any case, for the Manager cluster, the System is subject to a corrective mechanism in the event of failure to achieve the **Group gross NPL ratio KPI**.
Team system – Insurance	Operational teams of the areas supporting the business of the Companies in the Insurance Group	Purpose: Support the achievement of the objectives envisaged in the Business Plan for the Insurance Division by guiding the behaviour of the individuals, including those belonging to different organisational units, towards team results. Mechanism to calculate the bonus: Team bonuses not differentiated by role. Performance conditions: The **KPIs** identified at individual Team level may be of an **economic-financial** (e.g. Operational losses/Cash Flow) or of a **non-financial** (e.g. compliance with settlement SLAs, complaints /policies, support tickets, Instant Customer Feedback) nature. The various teams can share the same KPIs to further strengthen their interactions with each other.

Incentive System by business segment	Beneficiaries	Main characteristics
P&C Insurance Excellence System	Sales network of the Banca dei Territori Division	Purpose: Support the aim to develop the Non-Motor P&C Insurance business envisaged by the 2018-2021 Business Plan. Performance conditions: The **economic-financial** KPIs reflect the drivers of **growth** (e.g. Non Motor vs Motor P&C policy premiums) and **profitability** (e.g. revenues from P&C policies) included in the Business Plan for the P&C business. The **non-financial** KPIs are in line with the **service quality** drivers (e.g. contractual documentation validity, P&C policy complaints, IVASS training).
Insurance Client Account	Sales structure of Intesa Sanpaolo Insurance Agency	Purpose: Support the achievement of the commercial objectives of distribution of insurance products for the Group corporate customers. Performance conditions: The **economic-financial** KPIs reflect the funding volumes achieved with reference to the distribution of insurance products (e.g. health, industrial risks, temporary life insurance, social security). **Non-financial** KPIs are aimed at guiding behaviours and ensuring service quality.
Private Banking Network	Italian Network of Intesa Sanpaolo Private Banking (employees and agents)	Purpose: Support the achievement of the Bank's sales and economic-financial targets, taking into account the actual needs of customers and in line with their risk profile. Performance conditions: The **economic-financial** KPIs reflect the typical revenues of the relevant business (e.g. improvement in net interest income) and the increase in assets (e.g. flows of financial assets). The **non-financial** KPIs guide behaviour towards customer retention, operational risk monitoring, customer satisfaction, compliance with the principles of fairness in customer relations and the quality of the service rendered. Sustainability risks:

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		In line with Regulation (EU) 2019/2088, the customer profiling questionnaire will be revised during the year in order to also acquire the customers' **ESG preferences**, as part of the **profiling** updating process, which represents a non-financial KPI of the System. This KPI is a “gateway condition” for the Incentive System, since failure to reach the minimum threshold envisaged for this indicator entails the non-payment of the accrued bonus.
Non-employee Financial Advisors	Sales network of Fideuram Intesa Sanpaolo Private Banking, Sanpaolo Invest and IW Bank	Purpose: Support the achievement of the Company’s sales and economic-financial targets, taking into account the actual needs of customers and in line with their risk profile. Performance conditions: The **economic-financial** KPIs reflect the volumes, profitability and stability of the Net Inflows. The **non-financial** KPIs include measures to guide behaviour towards customer satisfaction, compliance with the principles of fairness in customer relations and decrease in operational risks. Sustainability risks: Similarly to what has been specified for the Private Banking Network, in line with Regulation (EU) 2019/2088, the customer profiling questionnaire will be revised during the year in order to also acquire customers' **ESG preferences**, as part of the **profiling** updating process, which represents a non-financial KPI of the System. This KPI is a “gateway condition” for the Incentive System, since failure to reach the minimum threshold envisaged for this indicator entails the non-payment of the accrued bonus.
Investment Management (Middle Managers and Professionals)	Professional categories of managers in asset management (SGR entities)	Purpose: Support the achievement of the performance targets for the products managed in the interest of the customer, while generating suitable profitability for the asset management company (SGR entity). Performance conditions: The **economic-financial** KPIs mainly relate to the performance adjusted for the risks assumed of the managed products over a multi-year time horizon.

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		The **non-financial** KPIs focus on managerial or professional skills. <u>Sustainability risks:</u> In order to integrate the sustainability risks assumed in the management of portfolios, in accordance with Regulation (EU) 2019/2088, a correction mechanism has been defined for the bonus which enhances the activity undertaken in terms of managing sustainability risks (the so-called "**sustainability corrective mechanism**"). This mechanism is based on a comparison between the "sustainability rating" of the Manager's portfolio (i.e. average score of the products managed by the individual Manager with reference to ESG factors) and the related target level identified (i.e. average score of the parameters – benchmark of the investment product or universe – associated with the Manager). Depending on the deviation of the portfolio sustainability rating from the target, the mechanism can confirm the Manager's bonus determined as part of the Annual Incentive System or act as a corrective factor thereof by increasing it (+5% or +10%) or decreasing it (-5% or -10%).
Network of International Subsidiary Banks	Middle Managers and Professionals of the International Subsidiary Banks	<u>Purpose:</u> Support the achievement of the growth, profitability, credit quality and customer service targets of the Network of International Subsidiary Banks, avoiding the emergence of potential conflicts of interest while reducing the operational risks. <u>Performance conditions:</u> Both **economic-financial** and **non-financial** KPIs are set at Branch and/or individual level, which are differentiated depending on the business specificities, market practises and the regulations in force in the countries where the Group works.

All the Incentive Systems are subject to specific formalisation and approval processes.

4.5.5 Individual access conditions

The payment of the individual bonus is, in any case, subject to the verification of the absence of the so-called individual compliance breaches i.e.: Transp. Prov. R. 27

- disciplinary measures involving suspension from service and pay for a period equal to or greater than one day, including as a result of serious findings received from the control functions;
- in case of breaches specifically sanctioned by the Supervisory Authorities of the obligations as per Article 26 of the Consolidated Law on Banking regarding the requirements of professionalism, integrity and independence or Article 53, paragraph 4, of the Consolidated Law on Banking and following on the matter of transactions with related parties and of the obligations regarding remuneration and incentives referred to in CRD V, if involving a penalty of an amount equal to or greater than 30,000 euro;
- behaviour non-compliant with the legal and regulatory provisions, Articles of Association or any codes of ethics and conduct established *ex ante* by the Group or relevant Company and from which a "significant loss" derived for the Company or the customer.

Focus: Individual access conditions for personnel in the "Investments" category of the Group's asset management companies

With reference to the manager cluster (Risk Takers and not), a further access condition provides that payment of the bonus is subject to the achievement, within the Performance Scorecard, of at least the threshold level with reference to the KPI linked to the performance of the products under management.

Focus: Individual access conditions for Financial Advisors other than employees Transp. Prov.

The Incentive System excludes:

- the Financial Advisors subject to a suspension measure, except for those cases suitably justified by the Disciplinary Committee at the time of taking such measure;
- Financial Advisors against whom well-founded complaints with an economic value exceeding 5,000 euro are individually lodged;
- the Financial Advisors who received 2 written warnings during the year.

In particular, failure to verify the individual access conditions implies both the non-payment of the bonus accrued in the same year in which the compliance breach is committed and the deletion of the deferred portions of the accrual conditions referred to the same year.

4.5.6 Malus Conditions

In case of deferral (see paragraph 4.6), each portion is subject to an *ex-post* adjustment mechanism – the so-called malus conditions – according to which the relative amount recognised and the number of financial instruments assigned, if any, may be reduced, even to zero, in the year in which the deferred portion is paid, in relation to the level of achievement of the minimum conditions set by the Regulator regarding the **sound capital base** and **liquidity**, represented by the consistency with the respective limits set as part of the RAF, as well as the condition of **financial sustainability**. P. XV R. 27

Capital strength	Common Equity Tier 1 (CET1) Ratio	≥	Limits set by the RAF at Group level
Liquidity condition	Net Stable Funding Ratio (NSFR)	≥	Limits set by the RAF at Group level
Sustainability condition	No loss and positive Gross Income	>	∅

In case one of the conditions of sound capital base or of liquidity does not occur individually, the deferred portion is reduced to zero; if the condition of sustainability is not met, the deferred portion is reduced by 50%.

Focus: Malus condition set for Top Risk Takers

For Top Risk Takers, in line with the provisions for activation of the Incentive System, a fourth condition – in addition to the three mentioned above – is also envisaged:

Liquidity condition	Liquidity Coverage Ratio (LCR)	≥	Limits set by the RAF at Group level

For this cluster, if the condition of liquidity is not met, the deferred portion is reduced by 50%.

Similarly with the provisions of the gateway conditions, it is specified that for those Legal Entities which calculate their limits of sound capital base (CET1 or Total Capital for Banks, Solvency Ratio in the case of insurance companies as well as the regulatory Capital Requirements in case of Asset Management Companies) and liquidity (NSFR for Banks), failure to respect these limits and to meet the sustainability conditions (No loss and positive Gross Income) constitutes the malus conditions of all the Incentive Systems addressed to the resources operating in the Legal Entity, also when those of the Intesa Sanpaolo Group may be positively met.

In case one of the conditions of sound capital base or of liquidity does not occur individually, the deferred portion is reduced to zero; if the condition of sustainability is not met, the deferred portion is reduced by 50%.

4.5.7 Clawback mechanisms

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The company reserves the right to activate clawback mechanisms[24], namely the return of bonuses already paid as required by regulations, as part of:

- disciplinary initiatives and provisions envisaged for fraudulent behaviour or gross negligence by personnel, also taking into account the relative legal, contribution and fiscal profiles;
- behaviour non-compliant with the legal and regulatory provisions, Articles of Association or any codes of ethics and conduct established *ex ante* by the Group or relevant Company and from which a “significant loss” derived for the Company or the customer.

These mechanisms may be applied in the 5 years following the payment of the individual portion (up-front or deferred) of variable remuneration.

[24] It should be noted that, with reference to Albania, in line with local regulations, this provision applies only to Group Risk Takers and personnel seconded to the Company.

4.6 Payment methods of the short-term variable remuneration

The remuneration payment methods are governed by specific instructions in the Supervisory Provisions concerning remuneration with particular reference to the deferral obligations, the type of payment instruments and the retention period envisaged for the possible portion paid as financial instruments. R. 27 R. 28

Illustrated below are the methods for the payment of the variable remuneration adopted by the Intesa Sanpaolo Group.

Deferral

Deferred amount

1. **60%** of the variable remuneration is deferred for a period of **5 years** in the case of:
   - remuneration paid to **Top Risk Takers**
   - variable remuneration of a **"particularly high" amount,** regardless of the macro segment to which the receiver belongs
2. **50%** of the variable remuneration is deferred for a period of 4 **years** in the case of remuneration paid:
   - to other **Group Risk Takers** if the amount is higher than both the materiality threshold and 100% of the fixed remuneration[1]
3. **40%** of variable remuneration is deferred for a period of **4 years** in the case of remuneration paid:
   - to other **Group Risk Takers** if the amount is higher than the materiality threshold and equal to or lower than 100% of the fixed remuneration[1]
4. **40%** of variable remuneration is deferred for a period of **3 years** in the case of remuneration paid:
   - to **Middle Managers and Professionals,** if the amount is higher than both the materiality threshold and 100% of the fixed remuneration
5. **40%** of variable remuneration is deferred for a period of **2 years** in the case of remuneration paid:
   - to **Middle Managers and Professionals,** if the amount is higher than the materiality threshold and equal to or to or lower than 100% of the fixed remuneration, or equal to or to or lower than the materiality threshold and higher than 100% of the fixed remuneration

Up-front amount

The remaining amount of the variable remuneration is paid out up-front.

Regardless of the pertinent macro segment, the variable remuneration is entirely paid up-front if the amount is equal to or lower than the materiality threshold and equal to or lower than 100% of the fixed remuneration

[1]These percentages and deferral periods also apply to those employees who are identified as Relevant Personnel but not as Group Risk Takers belonging to the Companies of the insurance sector.

Focus: "Particularly high" amount of variable remuneration

As required by the Provisions of the Bank of Italy, at least every three years Intesa Sanpaolo is obliged to define the "particularly high" amount of variable remuneration, as the lower between:

i) 25% of the average overall remuneration of the Italian high earners, resulting from the most recent report published by the EBA.
This value equals, according to the report published by the EBA with reference to the data of December 2017, 424,809 euro;

ii) 10 times the average overall remuneration of the employees of the Intesa Sanpaolo Group.
Intesa Sanpaolo calculated this amount as the average remuneration paid to employees in 2016, 2017 and 2018, equal to 420,333 euro.

For greater prudence, the latter amount is rounded down and, as a consequence, the variable remuneration exceeding 400,000 euro for the three-year period 2019-2021 is considered particularly high.

Focus: Materiality Threshold

The Intesa Sanpaolo Group has defined its materiality threshold, differentiated by clusters of personnel, beyond which the variable remuneration is considered "significant".

In particular:

- for **Risk Takers**[25], in accordance with the applicable legislation, the variable remuneration is considered "significant" if it exceeds the amount of **50,000 euro**[26] or if it **represents more than one third** of the total remuneration;
- for **Middle Managers and Professionals**, in continuity with Group practices, the materiality threshold of **80,000 euro**, beyond which the variable remuneration is considered "significant", is kept.

Lower thresholds may be envisaged by Group Companies according to local regulations.

Payment instruments

Financial instruments

1. **60%** of the variable remuneration is paid in **financial instruments** for:
   - **Top Risk Takers**, if exceeding 100% of the fixed remuneration
   - those receiving a **"particularly high" amount** which exceeds 100% of the fixed remuneration, regardless of the macro segment to which the receiver belongs
2. **55%** of the variable remuneration is paid in **financial instruments** for:
   - **Top Risk Takers**, if equal to or lower than 100% of the fixed remuneration
   - those receiving a **"particularly high" amount** which is equal to or lower than 100% of the fixed remuneration, regardless of the macro segment to which the receiver belongs
3. **50%** of variable remuneration is paid in **financial instruments** for:
   - other **Group Risk Takers**[1];
   - **Middle Managers and Professionals,** if higher than both the materiality threshold and 100% of the fixed remuneration

Cash

The remaining amount of the variable remuneration is paid in cash.

Regardless of the pertinent macro segment, the variable remuneration is entirely paid in cash if the amount is equal to or lower than the materiality threshold defined by the Group and equal to or lower than 100% of the fixed remuneration

[1] This percentage also applies to those employees who are identified as Relevant Personnel but not as Group Risk Takers belonging to the Companies of the insurance sector.

In compliance with the Supervisory Provisions, the financial instruments used by the Intesa Sanpaolo Group to pay the variable remuneration are Intesa Sanpaolo shares.

There are exceptions to this general rule:

- the Risk Takers of VUB Banka having a local contract, since the portion in shares of Intesa Sanpaolo is replaced by the allocation of units of Certificates of the subsidiary, in compliance with local regulations;
- the Risk Takers of Pravex, Intesa Sanpaolo Brasil and the New York Branch of Intesa Sanpaolo and Intesa Sanpaolo IMI Securities Corporation within the International Department of IMI Corporate and Investment Banking Division, as the portion in Intesa Sanpaolo shares is replaced by the allocation of phantom shares with underlying Intesa Sanpaolo ordinary shares in consideration of the operational complexity or the need to ensure compliance with local regulations;
- the Risk Takers and the personnel accruing a "significant" bonus higher than 100% of the fixed remuneration belonging to asset management companies (SGR entities), since the portion in Intesa

[25] With the exception of the Risk Takers identified in the asset management companies (SGR entities) of the Group who are not identified also at Group level for which the threshold of 80,000 euro is kept. CRD V (Article 109, paragraphs 4 to 5) allows for the non-application of the provisions envisaged for Banks to these roles.

[26] With reference to the London Hub Branch, it should be noted that the threshold is equal to 44,000 English pounds.

Sanpaolo shares is replaced by the allocation of units of the funds managed, as required by the sector regulations (Regulation implementing Article 4-undecies and Article 6, paragraph 1, letters b) and c-bis) of the Consolidated Law on Finance of the Bank of Italy).

Focus: Financial Instruments assigned to the personnel of the asset management companies

The Regulation implementing Article 4-undecies and Article 6, paragraph 1, letters b) and c-bis) of the Consolidated Law on Finance of Bank of Italy as regards Risk Takers belonging to significant asset management companies (SGR entities)[27] provides that a substantial part of the variable remuneration is composed of units or shares of the UCITS or AIFs managed, or of a combination that takes into account as much as possible their proportion, or of equivalent equity interests, instruments linked to units or shares or of other equivalent non-monetary instruments that are equally effective in terms of aligning incentives.
In compliance with such provision:

- the UCITS basket is defined representing the UCITS managed by the company to be allocated to the Top Risk Taker, Head of the Asset Management Division, to the Risk Takers not involved in asset management activities and, to a lesser extent, to the Risk Takers and the remaining personnel accruing a "significant" bonus and higher than 100% of the fixed remuneration involved in asset management activities;
- the principles of selection of additional UCITS to be allocated to the Risk Takers and the remaining personnel accruing a "significant" bonus and higher than 100% of the fixed remuneration involved in asset management activities are identified in terms of representation of the activity performed by each of them.

Alternatively, for closed AIFs it is possible to provide for the assignment of synthetic or phantom instruments that ensure similar effectiveness in terms of aligning incentives.

Retention period

1 Both the **up-front** and **deferred** variable remuneration paid in financial instruments is subject to a retention period of **1 year.**
During the retention period, the related **dividends** are recognised on the portions assigned in shares (including phantom shares).

In accordance with the indications above, the Intesa Sanpaolo Group has defined the following accrual and settlement schedules depending on the category of personnel (Top Risk Takers, other Risk Takers, Middle Managers and Professionals), the amount of the variable remuneration (higher or lower than the particularly high amount or the materiality threshold) and the weight of the variable remuneration compared to the fixed remuneration (greater than or equal to/lower than 100%).

In particular, for the **Group Top Risk Takers** and **all those who**, regardless of the macro-segment they belong to, **accrue a "particularly high" amount of variable remuneration**, the following two schedules are envisaged, depending on the weight of the variable remuneration compared to the fixed remuneration:

1. Schedule 1: if the variable remuneration **exceeds 100% of the fixed remuneration,** 40% of the payment will be up-front (of which 20% in cash and 20% in financial instruments) and 60% (of which 20% in cash and 40% in financial instruments) on a deferral time horizon of 5 years. R. 27 R. 28
   Reported below is the accrual and settlement schedule:

[27] Pursuant to the relevant legislation, the following are significant asset managers: Eurizon Capital SGR, Epsilon SGR, Eurizon Capital SA, Eurizon Asset Management Slovakia, PBZ Invest, Eurizon Capital Real Asset SGR, Pramerica SGR, Fideuram Asset Management SGR and Fideuram Asset Management Ireland.

ACCRUAL SCHEDULE	2022	2023	2024	2025	2026	2027
CASH (40%)	20%			4%	4%	12%
FINANCIAL INSTRUMENTS (60%)	20%	12%	12%	8%	8%	

SETTLEMENT SCHEDULE	2022	2023	2024	2025	2026	2027
CASH (40%)	20%			4%	4%	12%
FINANCIAL INSTRUMENTS (60%)		20%	12%	12%	8%	8%

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2. Schedule 2: if the variable remuneration is **equal to or lower than 100% of the fixed remuneration**, 40% of the payment will be up-front (of which 20% in cash and 20% in financial instruments) and 60% (of which 25% in cash and 35% in financial instruments) on a deferral time horizon of 5 years.
Reported below is the accrual and settlement schedule:

ACCRUAL SCHEDULE	2022	2023	2024	2025	2026	2027
CASH (45%)	20%		4%	4%	5%	12%
FINANCIAL INSTRUMENTS (55%)	20%	12%	8%	8%	7%	

SETTLEMENT SCHEDULE	2022	2023	2024	2025	2026	2027
CASH (45%)	20%		4%	4%	5%	12%
FINANCIAL INSTRUMENTS (55%)		20%	12%	8%	8%	7%

For the remaining segments of personnel that **do not accrue a "particularly high" amount of variable remuneration**, the following four schedules are envisaged, based on the pertinent segment and the weight of the variable remuneration compared to the fixed remuneration:

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3. Schedule 3: for the **other Group Risk Takers** who accrue a variable remuneration **exceeding the materiality threshold and 100% of the fixed remuneration**[28], 50% of the payment will be up-front (of which 25% in cash and 25% in financial instruments) and 50% (of which 25% in cash and 25% in financial instruments) on a deferral time horizon of 4 years.
Reported below is the accrual and settlement schedule:

ACCRUAL SCHEDULE	2022	2023	2024	2025	2026
CASH (50%)	25%		6.25%	6.25%	12.5%
FINANCIAL INSTRUMENTS (50%)	25%	12.5%	6.25%	6.25%	

SETTLEMENT SCHEDULE	2022	2023	2024	2025	2026
CASH (50%)	25%		6.25%	6.25%	12.5%
FINANCIAL INSTRUMENTS (50%)		25%	12.5%	6.25%	6.25%

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4. Schedule 4: for the **other Group Risk Takers** who accrue a variable remuneration **exceeding the materiality threshold** but **equal to or lower than 100% of the fixed remuneration**[29], 60% of the payment will be up-front (of which 30% in cash and 30% in financial instruments) and 40% (of which 20% in cash and 20% in financial instruments) on a deferral time horizon of 4 years.
Reported below is the accrual and settlement schedule:

[28] This schedule also applies to those employees who are identified as Relevant Personnel but not as Group Risk takers belonging to the Companies of the insurance sector.
[29] This schedule also applies to those employees who are identified as Relevant Personnel but not as Group Risk takers belonging to the Companies of the insurance sector.

ACCRUAL SCHEDULE	2022	2023	2024	2025	2026
CASH (50%)	30%		5%	5%	10%
FINANCIAL INSTRUMENTS (50%)	30%	10%	5%	5%	

SETTLEMENT SCHEDULE	2022	2023	2024	2025	2026
CASH (50%)	30%		5%	5%	10%
FINANCIAL INSTRUMENTS (50%)		30%	10%	5%	5%

5. Schedule 5: for **Middle Managers and Professionals** who accrue a variable remuneration **exceeding the materiality threshold and 100% of the fixed remuneration**, 60% of the payment will be up-front (of which 30% in cash and 30% in financial instruments) and 40% (of which 20% in cash and 20% in financial instruments) on a deferral time horizon of 3 years.
   Reported below is the accrual and settlement schedule:

ACCRUAL SCHEDULE	2022	2023	2024	2025
CASH (50%)	30%		7%	13%
FINANCIAL INSTRUMENTS (50%)	30%	13%	7%	

SETTLEMENT SCHEDULE	2022	2023	2024	2025
CASH (50%)	30%		7%	13%
FINANCIAL INSTRUMENTS (50%)		30%	13%	7%

6. Schedule 6: for **Middle Managers and Professionals** who accrue a variable remuneration **equal to or lower than 100% of the fixed remuneration** but **exceeding the materiality threshold,** or **exceeding 100% of the fixed remuneration** but **equal to or lower than the materiality threshold,** all of the payment will be in cash of which 60% up-front and 40% on a deferral time horizon of 2 years.
   Reported below is the accrual and settlement schedule:

ACCRUAL SCHEDULE	2022	2023	2024
CASH (100%)	60%		40%

SETTLEMENT SCHEDULE	2022	2023	2024
CASH (100%)	60%		40%

Focus: Principle of proportionality applied to the Group Banks

In accordance with the principle of proportionality, Intesa Sanpaolo has classified the Group Banks as:

- Banks of greater size or operational complexity, including the listed Banks, as well as significant R. 27
  banks[30]; R. 28
- Medium-sized Banks;
- Banks of smaller size or operational complexity.

This classification was made by adopting the criteria set by the Supervisory Provisions of the Bank of Italy, which require the characteristics, sizes, level of risk and complexity of the activity carried out as well as the pertinence to the Group to be taken into account.

With reference to the methods of payment of the variable remuneration for the Risk Takers identified exclusively at Legal Entity level, the principle of proportionality is applied, which follows the classification

[30] Reference is made to banks considered significant pursuant to art. 6, paragraph 4, of Regulation (EU) 1024/2013 (the so-called Regulation of the Single Supervisory Mechanism)

criteria of the Group Banks, i.e. different payment schedules are envisaged according to the class of Bank to which they belong.

Group Banks of greater size or operational complexity or listed, as well as significant banks

In general, the accrual and settlement schedules set for the Group Risk Takers (see schedules 3 and 4) are applied; with the exception of the so-called Top Risk Takers of Legal Entities[31] for which, even if identified as Group Risk Takers, the following two accrual and settlement schedules are envisaged, depending on the weight of the variable remuneration compared to the fixed one:

- Schedule 7: if the variable remuneration exceeds 100% of the fixed remuneration, 50% of the payment will be up-front (of which 25% in cash and 25% in financial instruments) and 50% (of which 25% in cash and 25% in financial instruments) on a deferral time horizon of 5 years.

ACCRUAL SCHEDULE	2022	2023	2024	2025	2026	2027
CASH (50%)	25%		5%	5%	5%	10%
FINANCIAL INSTRUMENTS (50%)	25%	10%	5%	5%	5%	

SETTLEMENT SCHEDULE	2022	2023	2024	2025	2026	2027
CASH (50%)	25%		5%	5%	5%	10%
FINANCIAL INSTRUMENTS (50%)		25%	10%	5%	5%	5%

- Schedule 8: if the variable remuneration exceeds the materiality threshold and is equal to or lower than 100% of the fixed remuneration, 60% of the payment will be up-front (of which 30% in cash and 30% in financial instruments) and 40% (of which 20% in cash and 20% in financial instruments) on a deferral time horizon of 5 years.

ACCRUAL SCHEDULE	2022	2023	2024	2025	2026	2027
CASH (50%)	30%		4%	4%	4%	8%
FINANCIAL INSTRUMENTS (50%)	30%	8%	4%	4%	4%	

SETTLEMENT SCHEDULE	2022	2023	2024	2025	2026	2027
CASH (50%)	30%		4%	4%	4%	8%
FINANCIAL INSTRUMENTS (50%)		30%	8%	4%	4%	4%

Medium-sized Banks

The accrual and settlement schedules set for the Group Risk Takers are applied though, in compliance with the Supervisory Provisions of the Bank of Italy, with percentages, deferral and retention period that are at least equal to half of those set for the latter. In particular, the pay-out of a variable remuneration exceeding the materiality threshold will be 60% up-front (of which 45% in cash and 15% in financial instruments) and 40% (of which 25% in cash and 15% in financial instruments) on a deferral time horizon of 2 years[32].

Schedule 9:

[31] This cluster includes: executive board members, the general manager, co-general managers, deputy general managers and other similar roles, heads of the main business lines (and those with a higher risk profile, e.g. investment banking), corporate functions or geographical areas, as well as those who report directly to bodies with strategic supervisory, management and control duties

[32] It should also be noted that in none of the medium-sized Banks are their professional categories for which the increase of the limit to the ratio between the variable and fixed remuneration beyond the 1:1 cap is envisaged.

ACCRUAL SCHEDULE	2022	2023	2024
CASH (70%)	45%	5%	20%
FINANCIAL INSTRUMENTS (30%)	15%	15%	

SETTLEMENT SCHEDULE	2022	2023	2024
CASH (70%)	45%	5%	20%
FINANCIAL INSTRUMENTS (30%)		15%	15%

Banks of smaller size or operational complexity
The accrual and settlement schedules for the Group Middle Managers and Professionals are applied.

It should be noted that, in the event that the update of the Supervisory Provisions (Part One, Title IV, Chapter 2) regarding remuneration and incentive policies and practices in banks and banking groups is published during the current year, providing for different Bank classification criteria resulting in new and different methods of payment of the variable remuneration for the Risk Takers identified at Bank level, with the obligation of retroactive application to the 2021 Policies, Intesa Sanpaolo will adapt this paragraph to the regulatory provisions, submitting it to the Board of Directors for appropriate verification and approval.

Focus: Payment methods of the variable remuneration for the personnel of the "Investment" category of asset management companies and for Risk Takers of asset management companies R. 27

In line with the requirements set by the regulations, the payment methods of the variable remuneration for the personnel of the "Investment" category of the eligible asset management companies (SGR entities) with respect to the cap increase to 4:1 are strengthened according to the category of personnel and the weight of the variable remuneration compared to the fixed remuneration.

In particular, for Risk Takers of asset management companies (SGR entities) also identified at Group level and belonging to the "Investment" category who accrue a variable remuneration:

- exceeding **the materiality threshold** and **higher than 300% of the fixed remuneration**, 30% of the payment will be up-front (of which 15% in cash and 15% in quotas of UCIs) and 70% (of which 15% in cash and 55% in quotas of UCIs) on a deferral time horizon of 5 years (see schedule 10 below);[33]

Schedule 10:

ACCRUAL SCHEDULE	2022	2023	2024	2025	2026	2027
CASH (30%)	15%					15%
FINANCIAL INSTRUMENTS (70%)	15%	14%	14%	14%	13%	

SETTLEMENT SCHEDULE	2022	2023	2024	2025	2026	2027
CASH (30%)	15%					15%
FINANCIAL INSTRUMENTS (70%)		15%	14%	14%	14%	13%

- exceeding the materiality threshold and between **200% and 300% of the fixed remuneration**, **schedule 1** above is applied;
- exceeding the materiality threshold and between **100% and 200% of the fixed remuneration**, **schedule 3** above is applied;
- exceeding the materiality threshold but **equal to or lower than 100% of the fixed remuneration**, **schedule 4** above is applied.

[33] Notwithstanding the provisions of schedule 1, for the cluster in question, schedule 10 also applies if the variable remuneration accrued is of a "particularly high" amount.

Focus: Payment methods of the variable remuneration for the personnel of the "Investment" category of asset management companies and for Risk Takers of asset management companies

For the **Risk Takers of asset management companies** (SGR entities) not identified also at Group level and belonging to the "Investment" category who accrue a variable remuneration:

- exceeding both the materiality threshold and **300% of the fixed remuneration**, **schedule 10** above is applied[34];
- exceeding the materiality threshold and between **200% and 300% of the fixed remuneration**, **schedule 1** above is applied;
- exceeding the materiality threshold and between **100% and 200% of the fixed remuneration**, 40% of the payment will be up-front (of which 20% in cash and 20% in quotas of UCIs) and 60% (of which 30% in cash and 30% in quotas of UCIs) on a deferral time horizon of 3 years (see schedule 11 below);

Schedule 11:

ACCRUAL SCHEDULE	2022	2023	2024	2025
CASH (50%)	20%		10%	20%
FINANCIAL INSTRUMENTS (50%)	20%	20%	10%	

SETTLEMENT SCHEDULE	2022	2023	2024	2025
CASH (50%)	20%		10%	20%
FINANCIAL INSTRUMENTS (50%)		20%	20%	10%

- exceeding the materiality threshold but **equal to or lower than 100% of the fixed remuneration**, **schedule 5** above is applied.

Whereas, for **the Middle Managers and the Professionals of the "Investment" category** that accrue a variable remuneration:

- **exceeding both the materiality threshold** and **300% of the fixed remuneration**, **schedule 1** above is applied;
- **exceeding the materiality threshold** and between **200% and 300% of the fixed remuneration**, **schedule 11** above is applied;
- **exceeding the materiality threshold** and between **100% and 200% of the fixed remuneration**, **schedule 5** above is applied;
- **exceeding the materiality threshold and equal to or lower than 100% of the fixed remuneration** or **higher than 100% of the fixed remuneration but equal to or lower than the materiality threshold, schedule 6** above is applied.

Lastly, for the **Risk Takers of asset management companies** (SGR entities) not identified also at Group level and not belonging to the "Investment" category who accrue a variable remuneration:

- **exceeding both the materiality threshold and 100% of the fixed remuneration**, **schedule 11** above is applied;
- **exceeding the materiality threshold but equal to or lower than 100% of the fixed remuneration**, **schedule 5** above is applied**.**

[34] Notwithstanding the provisions of schedule 1, for the cluster in question, schedule 10 also applies if the variable remuneration accrued is of a "particularly high" amount.

4.7 Broad-based Short-Term Plan – PVR (“Premio Variabile di Risultato”)

Transp. Prov.

Within the framework of the Intesa Sanpaolo Group II level National Bargaining Agreement, a Broad-based Short-Term Plan (hereinafter, PVR), addressed to Professionals belonging to all the Control and Governance Areas, as well as those operating in the business retail segment, was introduced.
The Broad-based Short-Term Plan[35] is considered as a productivity bonus envisaged by the National Collective Bargaining Agreement for the Credit Sector and negotiated with the Trade Unions.
The Broad-based Short-Term Plan has both a distribution-ownership purpose, as it is aimed at rewarding employees for the contribution provided collectively upon reaching the results for the year, and an incentive purpose, given that, limited to the so-called excellence portion, it intends to reward in a distinctive manner the team’s merit and performance.

Reported below is a summary of the operating mechanisms and the main characteristics of the PVR.

STEP	PURPOSE	MECHANISM	
POOL	Solidity and sustainability in a prudential approach	Gate and Funding	• **the PVR pool is activated** only if the main capital and liquidity requirements, namely the minimum regulatory conditions of solidity at Group level, are met. (see para. 4.7.1). • the PVR is **funded by a Group bonus pool** through a mechanism that provides for a **gradual increase** of the financial resources serving the PVR up to a maximum amount (cap) if the Group Gross Income exceeds the Access Threshold (see para. 4.7.2)

ALLOCATION	Distributional - Participatory	BASE BONUS	• **differentiated by professional role or seniority and professional category cluster**
			• aimed at:
			  • con una differente gradualità in funzione della professionalità agita
			  • rewarding all Group employees for their collective contribution to achieving Group annual results with a different granularity according to the relative professionalism
			  • supporting, also for internal equity purposes, the lower remuneration

	Incentive	EXCELLENCE BONUS	This bonus **is based on the performance level reached** and: • for **all employees**, it is allocated at the Direct Head's discretion, with priority given to the highest levels of professional evaluation, within the limits of the bonus pool allocated, also having regard to the principle of internal equity • for the professional profiles of the Branches of the **Banca dei Territori** network, it is allocated on the basis of the evaluation reached in relation to the Branch Performance Scorecard • for the personnel of the **Complaints Unit** of Banca dei Territori, it is allocated based on the evaluation reached as part of the relevant Team Performance Scorecard
PAY-OUT	Adjustment based on conduct/monitoring the impact of commercial activities over time	Conditions of individual access	Failure to meet the individual access conditions precludes any bonus accrual and pay-out (see para. 4.7.4)
		Claw-back	Return of bonuses already paid following disciplinary measures imposed in the event of fraudulent behaviour or gross negligence by personnel (see para. 4.7.5)

In order to provide a dimension of the economic value of the PVR, please note that, with reference to 2020, the average of the Base bonus disbursed is less than 1,000 euro.

[35] As defined by Article 52 of the National Collective Bargaining Agreement applied to middle managers and for personnel belonging to professional areas employed by credit, financial and instrumental companies.

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4.7.1 Gateway conditions

The PVR is subject to the minimum gateway conditions requested by the Regulator and non-achievement of even only one of those conditions shall result in non-activation of this system.

These conditions are based, on a priority basis, on the principles envisaged by the prudential regulations concerning **sound capital base** and **liquidity,** as well as the principles of **financial sustainability** of the variable component that consist in checking the availability of sufficient economic-financial resources to meeting the expenditure requirement.

These conditions are as follows:

Capital strength	Common Equity Tier 1 (CET1) Ratio	≥	Limits set by the RAF at Group level
Liquidity condition	Net Stable Funding Ratio (NSFR)	≥	
Sustainability condition	No loss and positive Gross Income	>	Ø

4.7.2 Funding

The Broad-based Short-Term Plan is funded by a Group bonus pool that is indexed to the level of achievement of a level of profitability given by Intesa Sanpaolo’s Gross Income at Consolidated Financial Statements level.

The portion of the Group bonus pool servicing the PVR has a two-fold structure, insofar as it is intended to specifically fund the two bonus components that make up the PVR. This portion of the Group bonus pool is increased progressively starting from exceeding the so-called Access Threshold (i.e. the Group’s minimum Gross Income target which, although lower than the budget, is deemed acceptable) up to a predefined cap.

If, on the other hand, the Group’s Gross Income is positive though lower than the Access Threshold, only the portion of the bonus pool allocated to fully fund the Base bonus is made available.

4.7.3 Incentive function of the Excellence Bonus

The Excellence Bonus is intended to reward individual merit and distinctive contribution made to the team's results, with different modalities for general employees and the professional profiles of the Branches of the Banca dei Territori Network as well as the Complaints Units.

Regardless of the methods to allocate the bonus, only the resources with an evaluation that is at least equal to “in line with expectations” are eligible for the Excellence component.

Transp. Prov.

Focus: The Performance Scorecard of the Banca dei Territori Network

The Performance Scorecards for the professional profiles of the Branches of the Banca dei Territori Network intend to reward the performance of the best Branches and enhance distinctive behaviour, with a focus on achieving sustainable performance over time in terms, among others, of profitability, credit quality, growth, quality of service, customer satisfaction and monitoring of the operational risks.
In particular, also **KPIs of a non-financial nature** must be included, among which at least:

1. the Operational Excellence KPI, with the aim of measuring synthetically compliance with the relevant rules on the exercise of banking and dealing activities, management of conflicts of interest, transparency towards customers and regulations for consumer protection;

Focus: The Performance Scorecard of the Banca dei Territori Network

2. the Service Excellence and Net Promoter Score KPI, with the aim of measuring synthetically the quality of the service provided in terms of efficiency.

Within the limit of the reference bonus pool, the Excellence Bonus is intended to reward an *ex-ante* defined portion of the best branches for each sales region. With reference to calculating the bonus, the Excellence component accrued is defined depending on the score assigned to the Performance Scorecard starting from the minimum score threshold defined each year.

It is also specified that, among the non-financial KPIs, at least the Operational Excellence KPI also has the nature of "**gateway condition**" for the Excellence Bonus since failure to reach the minimum score set for this indicator precludes its payment.

Focus: The Performance Scorecard of the Complaints Units of Banca dei Territori

Transp. Prov.

In line with the Bank of Italy Provisions regarding "Transparency of the banking and financial transactions and services – correctness of the relations between intermediaries and customers", as part of the Broad-based Short-Term Plan, a specific Performance Scorecard for the team of the Complaints Units of Banca dei Territori was introduced.
The Performance Scorecard includes KPIs that reflect the correct management of complaints (e.g. average processing times, percentage of complaints processed outside the terms of regulations).

4.7.4 Individual access conditions

Transp. Prov.

The payment of one or more PVR portions (Base and Excellence bonus) is, in any event, subject to verification for the relevant year of the absence of the so-called individual compliance breach, i.e. the absence of disciplinary measures involving suspension from service and pay for a period equal to or greater than one day, including as a result of serious findings received from the Bank's control functions.

4.8 Long-Term Incentive Plans

The Intesa Sanpaolo Group is always seeking innovative ways to motivate and retain its resources, the involvement and development of which constitute key and enabling factors in the achievement of results at all levels of the organisation.

In line with the principles of inclusiveness and cohesion, the Group believes that employee share ownership encourages identification and alignment with the medium/long-term objectives and constitutes a desirable form of sharing the value created over time.

This took on particular importance during the launch of the 2018-2021 Business Plan, whose implementation requires the commitment and activation of the energy of all individuals working in the Intesa Sanpaolo Group.

It was considered appropriate to clearly differentiate targets, objectives and hence long-term incentive instruments aimed respectively at:

- Top Risk Takers, other Group Risk Takers and so-called Key Managers[36];
- Middle Managers (not Group Risk Takers) and the remaining personnel.

With reference to the Top Risk Takers, other Group Risk Takers and Key Managers, which have a direct impact on the Group's results, it was decided to adopt an instrument specifically linked to the achievement of the Business Plan targets and which has an adequate risk/return profile in respect of the role held and the levels of ambition and challenge of the new Business Plan. On the basis of these rationales, a Long-term Incentive Plan based on performance conditions was formulated using an option vehicle called POP (Performance-based Option Plan).

On the other hand, the Group believed that a Retention Plan in substantial continuity with the 2014-2017 LECOIP is suitable to support the motivation of Middle Managers and the remaining personnel, with the

[36] Key Managers means those among the Executive Directors who are not Group Risk Takers.

aim of continuing the work of strengthening identity and a sense of belonging, consistently with the Group's inclusive organisational culture. In light of these considerations, a Retention Plan was set up for Middle Managers (not included in the POP Plan) and for the remaining personnel called "LECOIP 2.0", which leverages the current market conditions and enhances the experience gained.

4.8.1 The POP Plan

Launched in 2018, the POP Plan is aimed at:

- enhancing the alignment with the long-term objectives of the 2018-2021 Business Plan;
- guaranteeing a close link between the Bank's performance over time and the long-term variable remuneration of Top Risk Takers, other Group Risk Takers and Key Managers;
- rewarding Top Risk Takers, other Group Risk Takers and Key Managers only in case of value creation for shareholders.

In light of the exogenous and extraordinary events (i.e. the limited dividend distributions in the European banking sector in the context of the Covid-19 pandemic) and with the aim of neutralising their technical effects on the functioning mechanism of the POP Plan that, currently, undermine its incentivising value, i.e. the realistic possibility for the POP Plan to be in the money in case the value of the Intesa Sanpaolo share recovers and dividend distributions restart taking place regularly, the following amendments ("Amendments") were presented for the approval of the Ordinary Shareholders Meeting of 28 April 2021:

(i) re-setting the strike price at its value on 20 May 2019, the ex-dividend date with reference to the last dividends that were distributed by Intesa Sanpaolo in an "ordinary" context, fixing it at EUR 2.5455 (in place of EUR 3.0267, its value at the date of the proposal) and recalibrating the strike price adjustment mechanism taking into account the 2020 and 2021 expected dividends; and

(ii) postponing the Averaging Period (as defined below) of one year, providing that it starts on 11 March 2022 (instead of 11 March 2021) and end on 10 March 2023 (instead of 11 March 2022), with the consequent postponement of one year also of the exercise date (10 March 2023), and the related postponement of the dates of delivery of the underlying shares should the POP Plan be in the money.

Summary of the key Features of the POP Plan with evidence of the proposed changes	
Topic	**Features**
Beneficiaries	Top Risk Takers, other Group Risk Takers and Key Managers in Italy (approximately 350 people)
Instrument	Performance Call Option (POP Options)
POP Plan Operating Model	On 11 July 2018, Intesa Sanpaolo (ISP) granted a certain number of call options with underlying ISP ordinary shares. On the due date, physical delivery of the underlying will take place if the option is in the money, gateway conditions are met and performance targets are reached
Methodology for the calculation of value at grant	Fair value at grant defined in accordance with the Bank's Risk Management Policies
Initial Grant	Differentiated according to the organizational level Up to 200% of Fixed Remuneration for the entire period (50% of the Fixed Remuneration on an annual basis) for staff not belonging to the Company Control Functions
Gateway conditions 2018 - 2021	1. Group-level gates: • CET1 ≥ SREP • NSFR ≥ 100% • No Loss and Positive Gross Income • Only for Top Risk Takers LCR ≥ 100% 2. Individual compliance breach absence
Link with performance conditions	• 2021 NPL (Non-Performing Loans) Ratio: 6% • 2021 OI/RWA (Operating Income/Risk Weighted Assets): 6.77% Staff belonging to the Company Control Functions has specific performance conditions
Performance Accrual Period	In line with the 2018-2021 Business Plan

Summary of the key Features of the POP Plan with evidence of the proposed changes	
Topic	**Features**
Strike Price	Average market price of the month preceding grant equal to 2.5416 euro. Such price is subject to technical adjustments that depend on the possible difference between the expected level of dividend distribution and the effective distributions during the Plan. Should the Ordinary Shareholders' Meeting 2021 approve the Amendments, the strike price shall be re-set at its value on 20 May 2019, the ex-dividend date with reference to the last dividends that were distributed by Intesa Sanpaolo in an "ordinary" context, fixing it at EUR 2.5455 (in place of EUR 3.0267, its value at the date of the proposal) and recalibrating the strike price adjustment mechanism taking into account the 2020 and 2021 expected dividends
Exercise Price	ISP share price average relating to the last year of the 2018-2021 Business Plan If this average is higher than the strike price, the POP Option is in the money Should the Ordinary Shareholders' Meeting 2021 approve the Amendments, the Averaging Period shall be postponed by one year, providing that it starts on 11 March 2022 (instead of 11 March 2021) and ends on 10 March 2023 (instead of 11 March 2022), with the consequent postponement of one year also of the exercise date (10 March 2023), and the related postponement of the dates of delivery of the underlying shares if the POP Plan is in the money.
Exercise Day	"Automatic" exercise on a pre-set date: if the option is in the money on the date set as Exercise Day, each right is automatically valued, without any decision or intervention on the employee's side, therefore excluding any possibility of arbitrage
Payout Schedule	Settlement is fully in Intesa Sanpaolo shares[37] Shares are delivered starting from 2022 in 5 years for the Top Risk Takers not belonging to the Company Control Functions and in 3 years for Top Risk Takers belonging to the Company Control Functions, other Group Risk Takers and Key Managers Should the Ordinary Shareholders' Meeting 2021 approve the Amendments, the settlement – subject to all the conditions set in the Plan and to the circumstance that it is in the money - shall start from 2023, instead of 2022.
Malus conditions	Malus conditions may reduce accrued deferred shares not yet vested up to complete forfeiture of the deferrals Malus conditions are symmetrical to the gateway conditions
Individual Compliance Breach and Clawback	In line with the provisions of the Group's Remuneration Policies

The POP in Case of Extraordinary Events	• Eligibility to participate to the POP Plan is lost in case of resignation, termination for cause, or justified reason of the employees involved, consensual termination of the employment relationship and similar situations
	• In case the beneficiary reaches the retirement age, signs up to the pre-retirement solidarity fund "Fondo di Solidarietà" or in case of death, a prorated payment will take place at the natural end of the Plan
	• In case of change of control, depending on the change of control being considered hostile or not by the Board of Directors:
	  ◦ Accelerated pro-rata cash settlement in case of a successful hostile takeover
	  ◦ Settlement at the original end of the Plan in shares of the new Entity in case of a change of control considered non-hostile

[37] For Group asset management companies (SGR entities), 50% of the payment shall be made in UCITS and the remaining 50% in Intesa Sanpaolo shares.

Summary of the key Features of the POP Plan with evidence of the proposed changes	
Topic	**Features**
Settlement	The Plan is settled physically on the Exercise Day (physical delivery) with delivery of ISP shares for a value equal to the net balance of the value of the POP Options In order to fulfil settlement obligation, the Group transferred to a Counterparty (a leading Financial Institution) the obligation to deliver the shares underlying the POP Options to beneficiaries by stipulating a novation agreement under the Italian Civil Law (the "Accollo liberatorio") Should the Ordinary Shareholders' Meeting 2021 approve the Amendments, in order to implement them, the existing novation agreement with the Counterparty will be amended or a new novation agreement will be entered into with another leading Financial institution.
Dilution	No impact
Cost	Overall ca. 130 million euro for the 2018-2021 period Should the Ordinary Shareholders' Meeting 2021 approve the Amendments, in addition to the cost indicated above, a further cost of maximum 65 million euro will be necessary in order to implement the Amendments.

Focus: the rationales for the Amendments

In the context of the Covid-19 epidemic, the European banking sector recorded ~~a~~ limited dividend distribution.

In such context, the Group demonstrated **resilience**, continuing to generate results in terms of **profits**, accelerating on **de-risking**, and **reinforcing its capital**.

Moreover, in 2020, Intesa Sanpaolo completed the **Voluntary Public Purchase and Exchange Offer for UBI Banca shares** with success, building a new institution that will strengthen the Italian financial system and its leading role in the European banking landscape. The synergies achieved through the combination with UBI Banca are expected to be above **EUR 1 billion** per year once fully implemented, exceeding the initial estimates.

Despite an extremely complicated year, the Group was therefore able to create value, part of which - out of 2020 pre-tax profit - was allocated to create favourable conditions for growth in the coming years.

However, due to the limited dividend distributions in the European banking sector in the context of the Covid-19 pandemic, which is entirely exogenous to Intesa Sanpaolo's actual distribution capability vis-à-vis the results it achieved and its capital situation, the Group's resilience and its creation of value cannot be reflected in the POP Plan's pay-out. Indeed, such limited distribution determines a double effect that negatively impacts the POP Plan functioning mechanism:

(i) a technical adjustment of the strike price, adjusting it from EUR 2.5455[38] to the current value of EUR 3.0267, due to the lack of dividend distribution in 2020 with reference to the 2019 financial year;

(ii) a negative impact on the Intesa Sanpaolo share price with respect to its peers, undermining its premium valuation related to the higher shareholder remuneration provided in the Group's dividend policy, based on the Group's sustainable profitability deriving from its capital strength, its resilient business model and from the strategic flexibility in managing operating costs. As a consequence, the **Averaging Period** (11 March 2021 - 11 March 2022) would potentially take place during a continued period of limited dividend distribution in the European banking sector and lead to the aforementioned impacts on the Intesa Sanpaolo share price; therefore, the possibility for the share price to increase would be limited, and, even if the dividends are paid once the conditions for resuming ordinary levels of distribution occur, the recovery of the share price with respect to its peers would have a limited impact on the exercise price, which would have already largely formed.

[38] Value of the strike price on 20 May 2019, ex-dividend date with reference to the last dividends distributed by Intesa Sanpaolo in an "ordinary" context.

Focus: the rationales for the Amendments
Based on the above, it is reasonable to assume that the POP Plan will not be in the money, with the consequence it will lose its incentivising value for the Management. In light of the above, the Amendments described above are aimed at neutralising the limited dividend distributions in the European banking sector in the context of the Covid-19 pandemic on the functioning mechanism of the POP Plan. In particular, the **re-setting of the strike price at EUR 2.5455** (which, it should be noted, is higher than the Intesa Sanpaolo share price on the date of the proposal[39]) and the recalibration of its adjustment mechanism based on the 2020 and 2021 expected dividends would **support the realignment between the Management's and the Shareholders' interest**, incentivising the Management to focus on the **value generated by the Bank from now on**, also thanks to the **growth conditions created in 2020**, **being transferred to the shareholder through the increase of the share price and dividend distributions in line with the expectations**, once the ordinary dividend distribution in the European banking sector is resumed. In this respect, the proposed postponement of the **Averaging Period** would allow the period in which the exercise price is formed to start from a **point in time after** the ordinary dividend distribution in the European banking sector and its effects on the share price are re-established. Please note that **no amendments will be made to the Performance Conditions** or to the dates in which such Conditions must be met. Such Conditions will therefore continue to be aligned with the original objectives of the 2018-2021 Business Plan. Hence the **number of POP Options** that may be **accrued** by each Beneficiary will continue to **depend on the Group results (NPL Ratio and OI/RWA) as at 31 December 2021**, in line with the original expectations of the **2018-2021 Business Plan**.

4.8.2 The LECOIP 2.0 Plan

Transp. Prov.

The LECOIP 2.0 Plan, launched in 2018, in coherence with the Bank's principles of inclusivity and cohesion, is aimed at:

- enhancing the alignment of all employees with the long-term objectives of the 2018-2021 Business Plan;
- enabling the sharing of the value created over time, at every level of the organization, because of the achievement of the above-mentioned objectives;
- fostering the identification (ownership) and the spirit of belonging to Intesa Sanpaolo Group.

Key Features of the LECOIP 2.0 Plan		
Topic	**Features**	
Beneficiaries	Approximately 69,000 employees in Italy belonging to either of the following categories: 1. Middle managers (excluding Top Risk Takers, other Group Risk Takers and Key Managers) 2. Professionals	
Financial Instrument	Manager LECOIP 2.0 Certificates issued by a main Financial Arranger	Professional LECOIP 2.0 Certificates issued by a main Financial Arranger
Participation Model	**Middle Managers** Each beneficiary receives the right to participate to the LECOIP 2.0 Plan. Participation means receiving LECOIP 2.0 Manager Certificates. They have the following features: i. They ensure a Protected Capital from share price volatility equal to 75% of the Initially Allocated Capital ii. Appreciation is calculated on a larger shares base (**8 times larger** than the Initially Allocated Capital)	**Professionals** Each full-time beneficiary is granted the right to receive an advance payment of the 2018 PVR (equal to 1,200 euro) and is given the option to receive the payment in cash or, alternatively, in shares (Free Shares). Those who elect Free Shares are obliged to allocate them towards LECOIP 2.0 Professional Certificates. In this case: i. Beneficiaries receive a higher Protected Capital (from share price volatility) than the capital initially allocated (the Free Shares) ii. Appreciation is calculated on a larger shares

[39] EUR 2.2985, closing price of 22 March 2021.

Key Features of the LECOIP 2.0 Plan		
Topic	**Features**	
		base (**8 times larger** than the Protected Capital)
Amount of the Initially Allocated Capital	• Differentiated by seniority and professional family (i.e. Investment Banking, Asset Management, Governance Functions…) • Equal to the value of the sum of Free and Matching Shares • For Middle Managers and highly remunerated professional families (i.e. Investment Banking, Asset Management, Treasury…): up to 100% of fixed remuneration for the entire period (25% of fixed remuneration on annual basis) • For remaining staff: to be negotiated with Trade Unions	
Trigger Events 2018 - 2021	• CET1 ≥ SREP • NSFR ≥ 100%	Protected Capital (except the portion of Free Shares) is subject to: • CET1 ≥ SREP
Appreciation model	Asian floored: appreciation is calculated on the basis of monthly observations, where each observation is the difference between share price at the time of the observation and share price at grant (any negative differences are calculated as nil and therefore do not result in a decrease in the total net value accrued up to that moment)	
Vesting Period	In line with the 2018-2021 Business Plan	
Payout Schedule	Cash pay-out in 2022 (employees may also elect pay-out in ISP shares)[40] If Certificate value at grant is higher than 80,000 euro, 40% of the amount of the bonus to be paid is deferred in cash	
Individual Compliance Breach and Clawback	In line with the provisions of the Group's Remuneration Policies	
LECOIP 2.0 in case of extraordinary events	• Forfeiture of any rights connected with the LECOIP 2.0 Plan in case of resignation, termination for cause or justified reason of the employees involved, consensual termination and similar situations • In case the beneficiary reaches the retirement age, signs up to the pre-retirement solidarity fund "Fondo di Solidarietà" or in case of death, a prorated payment will take place at the natural end of the LECOIP 2.0 Plan • Prorated payment before the natural end of the Plan in case of change of control	
Source of Shares serving the Plan	• A share capital increase without payment was executed, pursuant to Article 2349, paragraph 1 of the Italian Civil Code, for an amount of 87,959,908.40 euro, through the issue of 169,153,670 ordinary shares • A share capital increase with payment was executed, with the exclusion, pursuant to Article 2441, paragraph 8 of the Italian Civil Code, of the option right in favour of the Intesa Sanpaolo Group's employees, for an amount of 264,112,557.80 euro, through the issue of 507,908,765 Intesa Sanpaolo ordinary shares at a price of 2.1645 euro (applying a discount of 14.837% to the aforementioned arithmetic average of the VWAP recorded in the 30 calendar days preceding 11 July 2018), of which 0.52 euro of nominal value and 1.6445 euro of share premium *(see Intesa Sanpaolo Press Release of 11 July 2018)*	
Impact on CET1	+1,099 million euro, equal to +40 b.p. based on figures at 31 March 2018 *(see Intesa Sanpaolo Press Release of 11 July 2018)*	
Dilution	4.1% of the ordinary share capital of Intesa Sanpaolo after the capital increase *(see Intesa Sanpaolo Press Release of 11 July 2018)*	
Cost	570 million euro for the 2018-2021 period	

4.8.3 Other Long-Term Incentive Plans

[40] For middle managers of Group asset management companies (SGR entities), 50% of the payment shall be made in UCITS, subject to a holding period of at least 1 year, and the remaining 50% in cash, irrespective of the settlement schedule, or:
i. 100% up-front, if Certificate value at grant is equal to or less than 80,000 euro;
ii. 60% up-front and 40% deferred by two years, if Certificate value at grant is higher than 80,000 euro.

The Group may provide for specific long-term incentive plans by personnel category and business segments.
These plans comply with all the rules applicable to variable remuneration (i.e. gateway conditions, individual access conditions, malus and clawback as well as the payment methods).

Focus: Multi-year loyalty plan for employees from the UBI Top Private Network (former Heads of the Private Banking Branches and Private Bankers)

For employees who, before the integration of UBI Banca into the Intesa Sanpaolo Group, held the roles of Heads of the Private Banking Branches and Private Bankers in the UBI Top Private Network, a specific multi-year loyalty plan aimed at managing the reorganisation of portfolios resulting from the sale of UBI Banca branches to Bper Banca is envisaged, in addition to the Incentive System for the Private Banking Network. This Plan has a duration of 30 months (June 2021 – December 2023) and is linked both to the employment at the company, and to the retention and increase in net inflows under management.

4.9 Termination of the employment agreement

The termination of the employment agreement involving personnel with state pension or seniority pension rights and/or "Assicurazione generale obbligatoria" (AGO) pension treatment does not result in loss of the right to payment of the entitled amounts, even deferred. R. 27

In all other cases, the Bank has the right to award any amounts, depending on the specific situations, upon termination of the employment agreement, also through individual mutual settlement agreements.

In recent years, the Bank has signed specific agreements with the Trade Unions with regard to the "solidarity fund", applied to employees of all levels, including executives, which also govern the treatment of sums payable to personnel upon termination of the employment agreement in the event of extraordinary transactions and/or company reorganisations.

Focus: Individual Severance Agreements defined *ex ante*

In compliance with the principles contained in the Group's Code of Ethics, the Intesa Sanpaolo Group does NOT enter into *ex-ante* individual agreements with its employees (i.e. prior to termination of the employment agreement) that govern compensation to be granted in the event of early termination of the employment agreement.

4.9.1 Severance

4.9.1.1 Definition

According to the Regulations on remuneration, the payment agreed in any way and/or form in view of or upon early termination of the employment agreement or early termination of office for the amount exceeding the legal or the National Collective Bargaining Agreement (CCNL) provisions concerning the indemnity in lieu of notice where provided, constitutes the so-called severance. The non-competition agreement is included among these, depending on the total amount paid.

Focus: The severance components pursuant to Bank of Italy Circular 285

NOT included in the *severance amount*:

- **Indemnity for failed notice** as provided **by CCNL**
- **Non-competition agreement** (the portion **equal** to the **last-year fixed remuneration**)

Included in the *severance amount*:

- **Indemnity for failed notice** for the **portion that exceeds CCNL provisions**
- **Settlement agreement**
- **Non-competition agreement** (the portion that **exceeds** the **last-year fixed remuneration**)

With regard to the components that are included in the severance payment, the Supervisory Provisions require that the limits and criteria to be submitted to the approval of the Shareholders' Meeting should be defined *ex ante*.

4.9.1.2 Maximum limits

Based on international and national best practices, the Group has set a maximum limit equal to **24 months of the fixed remuneration**[41] for compensation paid as severance. The adoption of this limit can lead to a maximum disbursement of **5.2 million euro**[42].

Focus: Comparison with the National Collective Bargaining Agreement and national industry practices

It should be noted that the definition of said maximum limit adopted by the Group falls well below the provisions of the sector's National Collective Bargaining Agreement (which allows to issue up to a maximum of 39 monthly payments, including the indemnity for failed notice) and national practices (36 monthly payments, of which up to 24 in excess of the indemnity for failed notice), discounting, *de facto* and *ex ante*, the assumption that the early termination of the employment relationship should not represent a rewarding element, which translates into the containment of the sums payable on that account, in line with the application of the "no reward for failure" principle.

4.9.1.3 Accumulation of severance with variable remuneration

As required by Regulations on remuneration, the compensation paid as severance is included in the calculation of the ratio between the variable remuneration due and the fixed remuneration of the last year of employment at the company.

In particular, the compensation paid as severance is added to the bonus due for the last year of employment at the company, excluding the mandatory amounts paid pursuant to national labour legislation and the amounts agreed and granted:

- based on a non-competition agreement, for the portion which, for each year of duration of the agreement, does not exceed the last year of fixed remuneration;
- within an agreement reached in order to settle a current or potential dispute (wherever reached), if calculated according to a predefined calculation formula approved by the Shareholders' Meeting in advance.

[41] Unless otherwise provided by local laws (i.e. Egypt).

[42] The fixed remuneration includes the gross annual remuneration and any role allowance and/or remuneration received for the office and not transferred.

Intesa Sanpaolo intends to adopt the following **formula** differentiated by cluster of personnel and indexed to the number of years of employment at the company.

Employees assigned a job title as part of the Group's Global Banding System

Company tenure (years)	**Severance**
Up to 2	2 months of fixed remuneration
More than 2 and up to 21	2 months of fixed remuneration + half month for each year of employment (starting from the third year)
More than 21	12 months of fixed remuneration

Remaining personnel

Company tenure (years)	**Severance**
Up to 2	1 month of fixed remuneration
More than 2 and up to 21	1 month of fixed remuneration + a quarter of a month for each year of employment (starting from the third year)
More than 21	6 months of fixed remuneration

In addition, it is specified that in the foreign countries where the local regulations or collective agreements for the industry or business include a specific formula to calculate the severance, the definitions are applied in place of the formula defined by Intesa Sanpaolo.

4.9.1.4 Payment methods

The components included in the severance are considered similar to the variable remuneration and, as such, are subject to the payment methods defined in line with the Supervisory Provisions and depending on the cluster of personnel, the amount and its weight compared to the fixed remuneration (see paragraph 4.4.6).

Said Provisions are also consistent with the provisions laid down by the Regulation implementing Article 4-undecies and Article 6, paragraph 1, letters b) and c-bis) of the Consolidated Law on Finance of the Bank of Italy for the personnel of the asset management companies (SGR entities), without prejudice, for the Risk Takers of the Significant ones, to the assignment – in place of the shares – of units or shares of the UCITS or AIFs managed, or of a combination that takes into account as much as possible their proportion, or of equivalent ownership interests, instruments linked to units or shares or of other equivalent non-monetary instruments that are equally effective in terms of aligning incentives.

4.9.1.5 Criteria

In the Intesa Sanpaolo Group, the principles for the definition of severance – inspired to both the correlation between severance pay and ongoing performance criteria and the control of potential litigation – are:

- protecting the level of sound capital base required by the Regulations;
- "no reward for failure";
- irreproachability of individual behaviour (consistency with compliance breach absence criteria).

Please also note that the same gateway (see paragraph 4.5.1), individual access (see paragraph 4.5.5), malus (see paragraph 4.5.6) and clawback conditions (see paragraph 4.5.7) set for variable remuneration for each cluster are applied to severance.

Focus: Process to determinate severance of the Top Risk Takers

The specific determination of severance for the Group Top Risk Takers, the higher-level Executives of the Company Control Functions and the similar roles for the purpose of the remuneration rules, is subject to assessment and approval, by the Board of Directors, which establishes, within the maximum limit approved by the Shareholders' Meeting, the amount deemed adequate taking into account the overall assessment of the performance of the person in different roles held over time and paying

Focus: Process to determinate severance of the Top Risk Takers

particular attention to the capital, liquidity and profitability levels of the Group[43] and to any individual sanctions imposed by the Supervisory Authority[44]. In terms of process, the Board of Directors bases its assessments on the proposal made by the Remuneration Committee, based on an inquiry conducted by the Chief Operating Officer Governance Area, with the opinion of the Chief Compliance Officer, on the compliance of the proposal to the regulatory provisions in force from time to time and on its consistency with the Remuneration and Incentive Policies.

As provided for by the EBA Guidelines, the payments set for early termination of the employment relationship or for early termination from the office are subject to the aforesaid Regulations only in cases where this would not be contrary to the provisions of law relating to the early termination of the employment relationship in a single country, or to the provisions laid down by the judicial authority or as otherwise specifically represented and agreed upon with the Bank of Italy.

4.10 Prohibition of hedging strategies

Intesa Sanpaolo does not remunerate or grant any payments or other benefits to personnel that in any way constitute a circumvention of the regulatory provisions.

Intesa Sanpaolo requires its personnel, through specific agreements, not to adopt strategies of personal hedging or insurance strategies on remuneration or other aspects that may alter or undermine the effects of the alignment with company risk inherent in the Remuneration and Incentive Policies and in the related remuneration mechanisms adopted by the Group. To this end, as part of the rules to implement the Remuneration and Incentive Policies, Intesa Sanpaolo also defines the types of financial transactions and investments that, if carried out, directly or indirectly, by the Risk Takers could constitute forms of hedging compared to the risk exposure as a consequence of applying the Remuneration and Incentive Policies.

[43] Reference is made, specifically, to the gateway conditions of Incentive Systems:

1. Common Equity Tier 1 Ratio (CET1) at least equal to the limit envisaged in the Risk Appetite Framework (RAF);
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. No loss and positive Gross Income, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

For Top Risk Takers reference is made to a further condition represented by the Liquidity Coverage Ratio (LCR), the level of which must be at least equal to the limit envisaged in the RAF.

[44] "Breaches specifically sanctioned by the Supervisory Authorities of the obligations as per Article 26 of the Consolidated Law on Banking regarding the requirements of professionalism, integrity and independence or Article 53, paragraph 4, of the Consolidated Law on Banking and following on the matter of transactions with related parties and of the obligations regarding remuneration and incentives referred to in CRD V – involving a penalty of an amount equal to or greater than 30,000 euro"

Section B – Rules for identifying Risk Takers

The regulatory provisions on remuneration and incentive policies state that remuneration policies have to be specified and applied proportionally to roles, contribution and impact of the staff on the Group and the individual Legal Entity risk profile.

The criteria to identify staff that have a material impact on the Group's risk profile (so-called "Group Risk Takers") and the individual Legal Entity (so-called "Legal Entity Risk Takers") are defined by Regulation (EU) 604/2014[45] (hereinafter the "Regulation"), which distinguishes between:

- qualitative criteria, related to roles, decision-making power and managerial responsibility of staff, considering also the internal organisation of the Group and of the individual Legal Entity, the nature, scope and complexity of the activities carried out;
- quantitative criteria, related to gross remuneration thresholds, both in absolute and relative terms, and to parameters that enable to place the personnel in the same remuneration range of top management and Risk Takers. Some members of the personnel, identified only on the basis of quantitative criteria, can be excluded from the category of Risk Takers, according to objective conditions and in line with specific restrictions set by the Regulation.

At national level, Circular 285/2013 of the Bank of Italy refers, for the identification of Risk Takers, to the criteria set by the Regulation, highlighting the possibility to set additional criteria when necessary to identify further staff that take significant risks. Circular 285/2013 also specifies that individual banks of a group, if not listed, may not draw up their own policies to identify Risk Takers and apply the Policy prepared by the Parent Company.

The following is highlighted below:

- the rationales that are applied to identify Risk Takers pursuant to qualitative and quantitative criteria set by the above-mentioned Regulation and to the additional criteria established in light of the Group's organisational structure and business;
- the application methods at Group level and at the level of the individual Banks that are not obliged to prepare their own remuneration and incentive policies which the Risk Taker identification rules are part of.

4.11 Scope

Intesa Sanpaolo, in its capacity as Parent Company, identifies staff that have a material impact on the Group risk profile considering all the Group Legal Entities, whether they are subject or not to prudential supervision rules on an individual basis.

The Legal Entities actively participate in the identification process of Group Risk Takers conducted by the Parent Company, provide the latter with the necessary information and follow the instructions received.

With reference to those Banks that do not prepare their own document on Remuneration policies, the identification of staff that have a material impact on the Bank's risk profile is conducted by the Bank itself, based on the criteria outlined in this document and under the supervision of the Parent Company.

The other Group Legal Entities that, in light of sector-specific regulations or the jurisdiction where the Legal Entity is established or mainly works, are obliged to identify Risk Takers on an individual basis adopting the criteria defined by sector-specific regulations or local jurisdiction, in coordination with the Parent Company that ensures the overall consistency of the identification process concerning the entire Group and, to that end, provides for possible additions, where deemed suitable.

In any event, the individual Legal Entities remain responsible for compliance with the provisions directly applicable to them.

[45] As the implementing provisions of Directive 2019/878/EU (so-called CRD V) have not been published yet, the criteria provided by Regulation (EU) 604/2014 issued by the European Commission in implementation of CRD IV and still in force have been applied.

4.12 Application of the Rules at Intesa Sanpaolo Group Level

4.12.1 Qualitative Criteria

For the purposes of the application of the above-mentioned criteria, it is to be noted that:

- the subjects with managerial responsibilities on the areas covered by the Regulation are identified taking into account also the Global Banding System adopted by the Group, based on grouping in homogeneous categories managerial positions that are similar for levels of complexity/responsibility managed, measured using the international IPE (International Position Evaluation) methodology.

  In this regard, the levels of responsibility that indicate managerial responsibilities are identified by the following titles:
  - Executive Director, positions that define and/or exert a strong influence on function/business/country strategies, consistently with the Division/Group strategies, and ensure their implementation even in highly complex contexts;
  - Senior Director, positions that define business/function policies and plans and lead their implementation by taking managerial responsibility for financial and human resources.
- the measurement of the economic capital absorbed by the structures, aiming at the identification of the material business units, is carried out according to the organisational structure used by the Planning and Control Head Office Department for reporting purposes. When business units absorb a percentage of economic capital equal to or higher than 2%, the analysis is also carried out on lower-level structures, to verify the organisational units with an economic capital allocation of at least 2%.

The rationale according to which the Group Risk Takers are identified is described below for each criterion.

1. <u>The staff member is a member of the management body in its management function</u>
   This criterion identifies the members of the Board of Directors of Intesa Sanpaolo.

2. <u>The staff member is a member of the management body in its strategic supervision function</u>
   This criterion identifies the members of the Board of Directors of Intesa Sanpaolo.

3. <u>The staff member is a member of the senior management</u>
   This criterion identifies the Managing Director and CEO, his direct reports, the Chief Audit Officer, the Deputies of the Heads of the Divisions or Governance Areas[46] and the Manager responsible for preparing the Company's financial reports.
   These executives make up to the cluster of the so-called Group Top Risk Takers.

4. <u>The staff member is responsible and accountable to the management body for the activities of the independent risk management function, compliance function or internal audit function</u>
   This criterion identifies the Chief Risk Officer, Chief Compliance Officer and Chief Audit Officer of Intesa Sanpaolo.

5. <u>The staff member has overall responsibility for risk management within a business unit as defined in Article 142(1)(3) of Regulation (EU) No. 575/2013 which has had internal capital distributed to it in accordance with Article 73 of Directive 2013/36/EU that represents at least 2% of the internal capital of the institution (hereafter a "material business unit")</u>
   This criterion identifies the Head of the Risk management function of the material business unit, as reported to Supervisory Authority.

6. <u>The staff member heads a material business unit</u>
   This criterion identifies the Heads of the material business units. If the unit is a Legal Entity, the Heads are the Managing Director, the Deputy CEO(s) and/or the General Manager and Co-General Manager(s) and/or any equivalent executive positions of the Company.

7. <u>The staff member has managerial responsibility in one of the functions referred to in point 4 or in a material business unit and reports directly to a staff member identified pursuant to point 4 or 5</u>
   This criterion identifies those who have a job title that denotes levels of managerial responsibility as defined at the beginning of this paragraph and report hierarchically directly to:

[46] At the time of drafting these Rules, the only appointed Deputy is the Deputy of the Head of IMI Corporate & Investment Banking Division.

- Chief Risk Officer, Chief Compliance Officer and Chief Audit Officer of Intesa Sanpaolo, identified according to criterion No. 4;
- the Heads of the Risk management function, as reported to Supervisory Authority, identified according to criterion No. 5.

8. The staff member has managerial responsibility in a material business unit and reports directly to the staff member who heads that unit
This criterion identifies those who have a job title that denotes levels of managerial responsibility as defined at the beginning of this paragraph and report, at least hierarchically, to the Heads of material business units identified according to criterion No. 6.

9. The staff member heads a function responsible for legal affairs, finance including taxation and budgeting, human resources, remuneration policy, information technology, or economic analysis
This criterion identifies the Heads of Intesa Sanpaolo that deal with managing the legal affairs, administrative, accounting, financial reporting, supervisory and taxation obligations, human resources (in its functions of staff management and development, management of trade union affairs as well as processing and implementation of the Remuneration Policies), management planning and control, treasury management, IT system and data management, computer security as well as financial analysis.

10. The staff member is responsible for, or is a member of a committee responsible for, the management of a risk category provided for in Articles 79 to 87 of Directive 2013/36/EU other than credit risk and market risk[47]
This criterion identifies the members, with voting rights, of the Committees set up at Group level for the management of the above-mentioned corporate risks, as identified in the related Regulations and the Heads of the structures responsible for managing a significant/material portion of the aforementioned corporate risks.

11. With regard to credit risk exposures of a nominal amount per transaction which represents 0.5% of the institution's Common Equity Tier 1 capital and is at least 5 million euro, the staff referred to in points a), b) and c) below are identified
Taking into account that in the Intesa Sanpaolo Group the credit granting powers are generally proportionate and expressed in Risk Weighted Asset (RWA) terms, the 0.5% limit of the Common Equity Tier 1 capital compared to the nominal value of a transaction equals, in terms of RWAs, 0.1% of the Common Equity Tier 1 capital (an average transaction is taken as reference with customers of the corporate regulatory segment).

    a) *the member is responsible for initiating credit proposals, or structuring credit products, which can result in such credit risk exposures; or*
    This criterion identifies the staff that have the power of proposing credit to ordinary customers and Bank/Financial Institution customers for an amount, converted into RWAs, at least equal to 0.1% of the Common Equity Tier 1 capital.

    b) *the member has authority to take, approve or veto a decision on such credit risk exposures; or*
    This criterion identifies the staff that have the power of granting and/or managing credits disbursed to ordinary customers and Bank/Financial Institution customers for an amount, converted into RWAs, at least equal to 0.1% of the Common Equity Tier 1 capital.

    c) *is a member of a committee which has authority to take the decisions referred to under a) or b).*
    This criterion identifies the members, with voting right, of the Committees – established at Group and individual Bank level – with the power of granting and/or managing credit, expressed in RWAs, at least equal to 0.1% of the Common Equity Tier 1 capital.

12. In relation to an institution to which the derogation for small trading book business provided for in Article 94 of Regulation (EU) No. 575/2013 does not apply, the staff member:

[47] Please refer to the following risks: Concentration risk, Risks deriving from securitisations, Interest rate risk arising from non-trading book activities, Operational risk, Liquidity risk and Risk of excessive leverage.

a) *has authority to take, approve or veto a decision on transactions on the trading book which in aggregate meet one of the following thresholds:*
   i. *where the standardised approach is used, an own funds requirement for market risks which represents 0.5% or more of the institution's Common Equity Tier 1 capital; or*
   There are not Risk Takers identified for this criterion since in the Banks of the Group that adopt the standardized method there is no staff that meets this requirement.

   ii. *[…] Where an internal models approach is approved for regulatory purposes, 5% or more of the institution's internal value-at-risk limit for trading book exposures at a 99th percentile (one-tailed confidence interval); or*
   This criterion identifies the staff members who are responsible for the management of a Group trading book, with a Value at Risk (VAR) equal to or higher than the thresholds referred to herein, as identified in the tables prepared by the Chief Risk Officer pursuant to the Group "Market Risk Charter".

b) *[…] Is a member of a committee which has authority to take the decisions set out in point a)*
There are not Risk Takers identified for this criterion since there are no Committees with these powers.

13. The staff member has managerial responsibility for a group of staff members who have individual authorities to commit the institution to transactions and either one of the following conditions is met:
   a) *the sum of these authorities equals or exceeds the threshold set out in point 11 a) or b), or point 12 a) (i)*
   There are no Risk Takers in addition to those previously identified based on criterion 11 a) or b).

   b) *[…] where an internal models approach is approved for regulatory purposes those authorities amount to 5% or more of the institution's internal value-at-risk limit for trading book exposures at a 99th percentile (one-tailed confidence interval). Where the institution does not calculate a value-at-risk at the level of that staff member the value-at-risk limits of staff under the management of this staff member shall be added up*
   There are no Risk Takers in addition to those previously identified based on criterion 12 a) (ii), since the VAR limits are allocated with "top-down" delegations.

14. With regard to decisions to approve or veto the introduction of new products, the staff member:
   a) *has the authority to take such decisions; or*
   There are not Risk Takers identified for this criterion since Intesa Sanpaolo adopts a model for the approval of new products or services according to which the decisions about approving or forbidding their introduction are of a board nature.

   b) *[…] is a member of a committee which has authority to take such decisions.*
   This criterion identifies:
   - the members of the Board of Directors of the Intesa Sanpaolo;
   - the members, with voting rights, of the Committee set at Group level with decision-making powers on the approval or prohibition of the introduction of new products, services and activities;
   - the members of the Division Governance Panels;
   - the members of the Division Technical Panels in restricted composition.

15. The staff member has managerial responsibility for a staff member who meets one of the criteria set out in points 1) to 14)
   This criterion identifies those who report to the staff members identified based on all the previous criteria.

4.12.2 Additional Criteria Adopted by the Intesa Sanpaolo Group

Intesa Sanpaolo has defined specific additional criteria to identify certain roles and organisational structures that are able to affect the Group risk profile and are not detected through the qualitative criteria set by the Regulation.
In particular, the following business units are identified, as they are "core business lines" for the Group and, as such, have a material impact on the risk profiles of the Group despite a level of absorption of economic capital below 2%.

Therefore, the units that meet one of the following requirements are considered similar to the material business units:

1. contribute to the profit of Intesa Sanpaolo Group to an extent at least equal to 5%, calculated on the average of the last 2 years;
2. contribute to the revenue of Intesa Sanpaolo Group to an extent at least equal to 3%, calculated on the average of the last 2 years;
3. contribute to the goodwill of Intesa Sanpaolo Group to an extent at least equal to 10%, calculated on the average of the last 2 years.

With regard to these business units, the logic explained for qualitative criteria 5, 6, 7, 8 and 15 is applied for the identification of the staff members with a material impact on the risk profile.

Likewise, non-banking Companies may be similar to material business units if, by virtue of the characteristics of the business in which they operate, they take specific material risks for the Group based on the risk analysis process conducted by the Risk management function (Risk Appetite Framework).

With reference to the business units which deal with private banking, the following are also identified as Risk Takers:

- the Area Managers of the distribution networks, as requested by Bank of Italy Circular No. 285;
- Financial Advisors who, based on the Incentive Systems defined, become entitled to non-recurring remuneration higher than the recurring remuneration referring to the same year.

Moreover, with reference to the business units that deal with investment banking and structured finance, due to the significant operational and reputational risks associated with the performance of these activities, those who have a title that denotes levels of managerial responsibility such as defined at the beginning of paragraph 4.12.1. are identified as Risk Takers.

In addition, all staff who, in the context of the Global Banding system, have a title equal to the following shall also be identified as Group Risk Taker:

1. Executive Directors, as they define and/or exert a strong influence on the function/business/country in which they operate, consistently with the Division/Group strategies, and ensure their implementation even in highly complex contexts;
2. Senior Directors who manage a significant/material portion of the risks explicitly set out in the Group RAF other than those previously identified in the context of the qualitative criteria.

Finally, in light of the specific responsibilities attributed by the related legislation, the following specific organisational roles belonging to the Company Control Functions or similar are also considered Risk Takers:

- the parties appointed as heads of the anti-money laundering, compliance, internal validation and internal audit functions by the Corporate Bodies of the Legal Entities that are considered material business units, or similar to these according to the analysis above;
- the subject authorised to report suspicious transactions of the Group pursuant to Italian Legislative Decree 90/2017;
- the Head of the Actuarial Function of the insurance companies that are material business units.

4.12.3 Quantitative Criteria

A staff member has a material impact on the risk profile of the institution if he/she meets one of the quantitative criteria specified in Art. 4 of the Regulation, that is, if:

a) <u>the staff member has been awarded total remuneration of EUR 500,000 or more in the preceding financial year;</u>
b) <u>the staff member is within the 0.3% of the number of staff, rounded up to the next integer, who have been awarded the highest total remuneration in the preceding financial year;</u>
c) <u>in the preceding financial year the staff member has been awarded total remuneration that is equal to or greater than the lowest total remuneration awarded to a member of senior management or a staff member that meets any of the criteria in Article 3, points 1, 5, 6, 8, 11, 12, 13 or 14.</u>

These abovementioned quantitative criteria are not deemed to have been met if the professional activities of the staff member do not have a material impact on the risk profile because he/she, or the personnel category to which he/she belongs to:

a) only carries out professional activities and has authorities in a business unit which is not a material business unit; or
b) has no material impact on the risk profile of a material business unit through the professional activities carried out. This condition shall be assessed on the basis of objective criteria which take into account all relevant risk and performance indicators used to identify, manage and monitor risks in accordance with Article 74 of the CRD IV Directive and on the basis of the duties and authorities of the staff member or category of staff and their impact on the risk profile when compared with the impact of the professional activities of staff members identified according to the qualitative criteria of the Regulation.

4.13 Application of the Rules at Individual Bank Level

The process of identifying the staff whose professional activities have a material impact on the risk profile of the Banks (directly or indirectly) controlled by Intesa Sanpaolo that do not prepare their own document on Remuneration Policies is defined by the Parent Company considering, among other things, the size of the Legal Entity and the related operating/organisational complexity.

More specifically, please note that:

- the qualitative criteria set by the Regulation are applied by the individual Banks according to the logics identified at Group level based on their operating/organisational structure;
- in case of outsourcing of the control functions, the staff in charge of the function specifically indicated by the management body are identified as Risk Takers;
- the quantitative criteria pursuant to Article 4, paragraph 1 of the Regulation are applied starting from the results of the process of identifying Group Risk Takers.

Section II – Disclosure on remuneration paid in financial year 2020

Introduction

Section 2 of the Report describes the implementation of the 2020 Remuneration and Incentive Policies, approved by the Shareholders' Meeting on 27 April 2020, as required by both the European regulations on public disclosure obligations (Article 450 of Regulation (EU) No. 575/2013 of 26 June 2013 - Capital Requirements Regulation, CRR, as well as Bank of Italy Circular 285 of 17 December 2013[48]), and by Consob (Article 84-*quater* of the Issuers' Regulation adopted with resolution No. 11971 of 14 May 1999 as amended[49], implementing Legislative Decree No. 58 of 24 February 1998).

Section 2 is structured in parts.

The first part ("General information") is descriptive and aimed at representing the structural components of the remuneration of Board Members, of the Managing Director and CEO, also acting as General Manager, and of the members of the Management Control Committee and the Key Managers, who qualify as Top Risk Takers.

For the purposes of a clearer representation of the elements that make up the short-term variable remuneration of the Managing Director and CEO, also acting as General Manager, of the Key Managers (qualifying as Top Risk Takers), and of the other Group Risk Takers, a summary is provided concerning the implementation of the 2020 Incentive System based on financial instruments, including specifically the fulfilment of the gateway conditions, funding and individual access conditions, as well as the payment methods for the bonus envisaged for each population cluster (i.e. Top Risk Takers, also including the Managing Director and CEO, acting as General Manager; other Group Risk Takers; and the remaining population).

Furthermore, a complete information notice relating to the 2020 Incentive System based on financial instruments is provided pursuant to Article 114-bis of Legislative Decree 58/1998 (Consolidated Law on Finance - CLF) in the Information Document drawn up in compliance with Scheme No. 7 of Annex 3A of the aforesaid Issuers' Regulation and annexed to the resolution in point 3D ("Approval of the 2019 and 2020 Annual Incentive Systems based on financial instruments") of the Shareholders' Meeting of 27 April 2020.

With regard to the 2020 Incentive System based on financial instruments, the sudden and extreme change in the macroeconomic context resulted in the need to set up a 2020 revised budget during the year, as announced by the Managing Director and CEO in May 2020 when presenting the first quarter results.
At the same time, given the macroeconomic context caused by the COVID-19 pandemic, the European Central Bank recommended that credit institutions adopt extreme moderation in assigning bonuses pertaining to 2020, with specific reference to Risk Takers.
Therefore, the Group decided to decrease the resources allocated to the bonus pool of the Annual Incentive System by around 18%, distributing that reduction in a non-linear manner, i.e. making a more than proportionate decrease in the portion of the bonus pool allocated to Risk Takers in relation to the remaining employees.
In particular, for Top Risk Takers, including the Managing Director and CEO, and the remaining Risk Takers, the specific 2020 bonus was decreased by around 60% in relation to the achievement of 100% of the updated Performance Scorecard in line with the levels of the revised budget. Conversely, the amount of financial resources allocated for the company bonus (Broad-based Short-Term Plan - PVR) remained unchanged, also to recognise the particularly extensive effort by the Networks to provide an essential public service in an emergency situation.

[48] 25th update, First Part, Title IV, Chapter 2, Section VI, paragraph 1.
[49] Reference is made to the last update made with resolution no. 21623 of 10 December 2020.

Lastly, in line with the recent regulatory changes, the first part was completed with the representation of the change in 2020 vs 2019 in the remuneration of the Managing Director and CEO, the Members of the management and control bodies, as well as employees, compared with the same change in the Group Gross Income. In particular, with regard to the Managing Director and CEO, the proportion of the fixed and variable components within total remuneration is also explicitly indicated.

The second part ("Quantitative analytical tables"), of a purely quantitative nature, provides disclosure, pursuant to the Consob Regulation and the Bank of Italy Circular mentioned above, regarding the remuneration data for the year 2020, in relation to the Board Members, the Managing Director and CEO, also acting as General Manager, the other Key Managers, as well as the remaining Group Risk Takers.

The third part ("Internal auditing department assessment of the Incentive System") provides an overview of the consistency analysis of operational practices for remuneration with respect to the Policies approved by the Bodies, conducted on an annual basis by the Chief Audit Officer Area.

In conclusion, it is specified that this section was defined by taking account the results of the Shareholders' Meeting vote on the Disclosure on compensation paid in financial year 2019 held on 27 April 2020 (votes in favour totalling 94.55% of the participants).
In light of the high level of appreciation demonstrated, the Group renewed its commitment to provide disclosure to the public that is clear and shareholder-friendly that includes also a detailed representation of the Performance Scorecard of the Managing Director and CEO acting as General Manager, in terms of the level of results achieved and the bonus accrued. At the same time, the section was updated in line with the regulatory changes on the matter of remuneration.

PART I – General information

Representation of the structural components of the remuneration of Board Members, the Managing Director and CEO, also acting as General Manager, and of the Key Managers

The remuneration of Board Members is set as a fixed amount, including the additional remuneration for the office of Chairman, Deputy Chairperson of the Board of Directors, Chairman of the Management Control Committee, Managing Director and CEO, the Chairpersons of Committees other than the Management Control Committee, as well as of the members of the Board Committees, in line with the resolutions adopted by the Shareholders' Meeting on 30 April 2019, and, to the extent applicable, by the Board of Directors. Art. 123-ter (3), (a), (4), (a) CLF

The remuneration related to the attendance fees for participation in Committees other than the Management Control Committee is indicated separately.

The remuneration of the Managing Director and CEO, acting as General Manager, and the other Key Managers (so-called "Top Risk Takers"), in accordance with the policies approved by the Shareholders' Meeting on 27 April 2020, consists of:

a) a **fixed component**, including the gross annual remuneration amount set individually based on the contractual agreement, the role held, the responsibilities assigned, and the specific experience and expertise acquired by the manager, including any allowance;

b) a **short-term variable component**, linked to performance and aligned to the short-term results actually achieved by the Bank and by the Group overall, as well as to the risks prudentially taken, as resulting from application of the 2020 Incentive System based on financial instruments approved by the competent Corporate Bodies, in compliance with the applicable Remuneration and Incentive Policies; R. 27

c) a **long-term variable component**, based on instruments associated with Intesa Sanpaolo shares, introduced during 2018 at the time of launch of the 2018-2021 Business Plan as defined by the "Performance-based Option Plan" (POP) approved by the Shareholders' Meeting on 27 April 2018;

d) a component resulting from valuation of **benefits**, including the amount paid by the company into the manager's supplementary pension fund and the premiums (taxable) paid by the Bank for the related insurance cover; the statements do not include any other benefits awarded to said personnel (for example, company cars) that are not taxable, also due to specific conditions under company policy (for example, because a monetary contribution by the manager is required).

There are no prior agreements governing benefits or severance payments to be made in view of or at the time of the early termination of the office by the Board Members, including the Managing Director and CEO. Likewise, there are no prior agreements governing benefits or severance payments to be made upon early termination of the employment agreement with the Managing Director and CEO, acting as General Manager, and with the other Key Managers, to which, should such cases arise, the provisions of paragraphs 2.6 and 4.9 of Section I of the 2020 Report on remuneration policy and compensation paid apply.

Application of the 2020 Remuneration and Incentive Policies

Given that the 2020 Remuneration and Incentive Policies approved by the Shareholders' Meeting of 27 April 2020 did not provide options of derogation, it is confirmed that during 2020 no derogations were made with reference to the provisions of such document.

The 2020 Incentive System based on financial instruments

The beneficiaries of the 2020 Incentive System based on financial instruments are the Managing Director and CEO, acting as General Manager, the other Key Managers (qualifying as Top Risk Takers), as well as the other Group Risk Takers who accrue a bonus higher than the "materiality threshold" (of 80,000

euro) and those who, among the other Managers or Professionals not identified as Risk Takers, accrue "relevant bonuses" (i.e. of an amount of over 80,000 euro and 100% of the fixed remuneration).
Below is a summary scheme of the execution of the 2020 Incentive System.

STEP	MECHANISM			
BONUS POOL	**Gate**		**Measure**	**On/Off**
		Capital strength condition	Common Equity Tier 1 (CET1) Ratio	
		Liquidity condition	• Net Stable Funding Ratio (NSFR) • Liquidity Coverage Ratio (LCR) *for Top Risk Takers*	
		Sustainability condition	No loss and positive Gross Income	
	Funding	• Gross Income at Group level higher than budget level, resulting in the activation of the Group Bonus Pool for 2020 • Allocation of the bonus pool at each Division/Governance Area level, based on Gross Income level reached and compared to the budget initially allocated • Fulfillment of the RAF limits connected to the non-financial risks (Risk related to Operating Loss and Integrated Risk Assessment) both at Group and Division level, therefore for 2020 it is not envisaged any bonus pool reduction neither at Group nor at Division level		
BONUS ALLOCATION	**Incentive System 2020**	• Determination of individual bonuses based on the score obtained in the Performance Scorecard assigned to each beneficiary		
BONUS PAY-OUT	**Individual access conditions**	• Verification of absence of compliance breach		
	Q-Factor	• Verification of the residual risk level for each organizational structure		

R. 27 It is specified that, during 2020, with regard to the Group Top Risk Takers (i.e. Key Managers), including the Managing Director and CEO, and the remaining Group Risk Takers, no *ex-post* correction mechanisms (known as the malus condition) or clawback mechanisms were applied to the variable remuneration.

Deferral

Deferred amount

① **60%** of the variable remuneration is deferred for a period of **5 years** in the case of:
- remuneration paid to **Top Risk Takers**
- variable remuneration of a **"particularly high" amount***, regardless of the macro segment to which the receiver belongs

② **60%** of the variable remuneration is deferred for a period of **3 years** in the case of remuneration paid:
- to other **Group Risk Takers** if the amount exceeds the materiality threshold defined by the Group and higher than 100% of the fixed remuneration

③ **40%** of variable remuneration is deferred for a period of **3 years** in the case of remuneration paid:
- to other **Group Risk Takers** if the amount exceeds the materiality threshold defined by the Group and equal to or less than 100% of the fixed remuneration
- to **Middle Managers and Professionals,** if the amount exceeds the materiality threshold defined by the Group and higher than 100% of the fixed remuneration

Up-front amount

The remaining amount of the variable remuneration is paid out up-front.

Regardless of the pertinent macro segment, the variable remuneration is entirely paid up-front if the amount is equal to or less than the materiality threshold defined by the Group and equal to or less than 100% of the fixed remuneration

* As provided by Group Remuneration and Incentive Policies, for the three-year period 2019-2021, is considered "particularly high" the variable remuneration exceeding 400,000 €.

Payment instruments

Financial instruments

① **60%** of the variable remuneration is paid in **financial instruments** for:
- **Top Risk Takers**, if exceeding 100% of the fixed remuneration
- those receiving a **"particularly high" amount** which exceeds 100% of the fixed remuneration, regardless of the macro segment to which the receiver belongs

② **55%** of the variable remuneration is paid in **financial instruments** for:
- **Top Risk Takers**, if equal to or lower than 100% of the fixed remuneration
- those receiving a **"particularly high" amount** which is equal to or lower than 100% of the fixed remuneration, regardless of the macro segment to which the receiver belongs

③ **50%** of variable remuneration is paid in **financial instruments** for:
- other **Group Risk Takers**;
- **Middle Managers and Professionals,** if exceeding the materiality threshold defined by the Group and 100% of the fixed remuneration

Cash

The remaining amount of the variable remuneration is paid in cash.

Regardless of the pertinent macro segment, the variable remuneration is entirely paid in cash if the amount is equal to or lower than the materiality threshold defined by the Group and equal to or lower than 100% of the fixed remuneration

Retention period

① Both the **up-front** and **deferred** variable remuneration paid in financial instruments is subject to a retention period of **1 year.**

To provide more transparent reporting on the 2020 Incentive System based on financial instruments, it is noted that the sudden and extreme change in the macroeconomic context resulted in the need to set up a 2020 revised budget during the year, as announced by the Managing Director and CEO in May 2020 when presenting the results of the first quarter.
Moreover, given the pandemic emergency, the European Central Bank recommended the adoption of extreme moderation in assigning bonuses pertaining to 2020, with specific reference to Risk Takers, by limiting the variable component or, alternatively, providing for an increase in the deferred portion and/or the period of deferral and/or the component paid in financial instruments.
Therefore, the Group decided to decrease the resources allocated to the bonus pool of the Annual Incentive System by around 18%, distributing that reduction in a non-linear manner, i.e. making a more than proportionate decrease in the portion of the bonus pool allocated to Risk Takers in relation to the remaining employees. In particular, for Top Risk Takers, including the Managing Director and CEO, and the remaining Risk Takers, the specific bonus for 2020 was decreased by around 60% in relation to achievement of 100% of the updated Performance Scorecard in line with the levels of the revised budget.

The 2020 Incentive System for the Managing Director and CEO acting as General Manager

A breakdown is provided below of the level of achievement of the individual KPIs assigned to the Managing Director and CEO, acting as General Manager, for the year 2020, in relation to the revised budget:

	Strategic driver	KPI	Weight %	Result	Result vs revised budget target[1]
Group objectives	Profitability	Net income (billion)[2]	20%	3.08	target
		Operating Income/RWA	10%	6.03%	
	Productivity	Cost/Income	20%	52.19%	
	Cost of risk	NPL ratio Lordo	20%	4.94%	
	% Group objectives		70%		

[1] revised budget approved by the Board of Directors on 4th August 2020
[2] as disclosed to the market by the CEO on May 2020 during the first quarterly results presentation

	Strategic driver	KPI	Weight %	Evaluation driver	Evaluation
Qualitative evaluation	Managerial skills	Diversity & Inclusion	10%	Evaluation based on the following drivers: • Presence and position in international indexes of specialised and leading firms in Diversity & Inclusion; • Position in the audit survey conducted by an Italian Consulting Company specialised in Diversity & Inclusion management audits	
	Strategic Actions from Business Plan 2018 – 2021	Digitalisation	10%	Evaluation based on the following drivers: • Development of the Group information system in compliance with emerging technological trends (cloud-ready) • Development of strategies for governance and acceleration of "innovation and transformation" projects of Business and Governance structures • Expansion of digital sales channels to support the Group's distribution strategy included in the 2018-2021 Business Plan	
		Impact & ESG	10%	Evaluation based on the following drivers: • Impact finance to promote inclusion (year-on-year growth in loans to students, working mothers and people over 50 with difficulties to access pensions) • Support to the green economy and the circular economy (year-on-year growth in loans) • Youth and Work Program ("*Programma Giovani e Lavoro*" - Number of companies involved; Number of young people recruited; Number of young people trained; % of young people trained and hired) • Enhancement of art and culture (evaluation based on quantity and quality of initiatives, number of visitors, value of "return" initiatives) • Benchmarking on ESG issues (presence in the sustainability indexes of at least 3 specialised companies)	
	% Qualitative evaluation		30%		
	% Total		100%		

Below target
In line with target
Over target
Much higher than target

For the achievement of an overall performance of **115,1%[50] of the target**, the Board of Directors, on proposal by the Remuneration Committee, in the meeting held on 2 March 2021, awarded the Managing Director and CEO a bonus of **€ 1,443 million**.

The following conditions were also met for the purposes of allocation of the bonus:

BONUS PAY-OUT

- **Q-Factor** ✓
- **Absence of individual compliance breach** ✓

According to the payment scheme established by the 2020 Remuneration and Incentive Policies, the bonus accrued will be paid 45% in cash and 55% in shares, taking into account the holding period established by the regulations for the component in shares, as detailed below:

Pay-out €/000	2021	2022	2023	2024	2025	2026
Cash	289		58	58	72	173
Shares (equivalent value)		289	173	115	115	101

It is noted that, in relation to the bonus accrued in 2020, the ratio of fixed remuneration to total remuneration is equal to 64% and the ratio of variable remuneration to total remuneration is equal to 36%.

Information on the annual chance in 2020 vs 2019 in the remuneration and results of the Group

The change in 2020 vs 2019 in the remuneration of the Managing Director and CEO[51], the members of the management and control bodies[52], as well as employees[53], compared with the same change in Group Gross Income[54], is shown below.

Change in 2020 vs 2019		
Total remuneration	Managing Director and CEO	-21.6%
	Members of the management and control bodies	1.91%
Annual average gross remuneration	Employees	3.1%
	Group Gross Income	-23.4%

[50] The performance scale used has minimum, target and maximum levels of 80%, 100% and 120% respectively.
[51] To calculate the total remuneration of the Managing Director and CEO, the 2020 fixed and variable remuneration were considered. With reference to fixed remuneration, the amount indicated in Table 1 ("Remuneration paid to members of the Management and Control bodies, General Managers and other Key Managers") column "fixed remuneration" was considered. With reference to the variable remuneration for the year, the amounts indicated in Table 3A ("Incentive plans based on financial instruments other than stock options, in favour of members of the Board of Directors, General Managers and other Key Managers") column 5 ("Financial instruments awarded during the year – fair value at award date"), Table 3B ("Monetary incentive plans in favour of the members of the Board of Directors, General Managers and other Key Managers"), columns 2a and 2b ("Bonus for the year – payable/paid" and "Bonus for the year – deferred") and Table 2 ("Stock options assigned to members of the Board of Directors, General Managers and other Key Managers"), column 16 ("Options for the year – fair value") were added together.
[52] To determine the total remuneration of members of the management and control bodies, the amounts assigned to the parties listed below, shown in Table 1 ("Remuneration paid to members of management and control bodies, to General Managers, and to other Key Managers"), columns "fixed remuneration" and "attendance fees" were considered. It is also specified that the calculation includes only persons that held the same role for the entire year, both in 2019 and in 2020.
Please note that 14 persons are considered: Gian Maria Gros-Pietro for the roles of Chairman of the Board of Directors, Director and Member of the Nomination Committee; Paolo Andrea Colombo for the roles of Deputy Chairperson of the Board of Directors, Director, Chairman of the Remuneration Committee and Member of the Nomination Committee; Rossella Locatelli for the roles of Director, Chairperson of the Risks Committee and Member of the Committee for Transactions with Related Parties; Livia Pomodoro for the roles of Director and Chairperson of the Nomination Committee; Maria Mazzarella for the roles of Director, Member of the Nomination Committee and Member of the Committee for Transactions with Related Parties; Daniele Zamboni for the roles of Director, Chairman of the Committee for Transactions with Related Parties and Member of the Risks Committee; Franco Ceruti for the roles of Director, Member of the Risks Committee, Chairman and Director of Intesa Sanpaolo EXPO Institutional Contact S.r.l. and Director of Intesa Sanpaolo Private Banking S.p.A.; Bruno Picca for the role of Director and Member of the Risks Committee; Luciano Nebbia for the roles of Director of Intesa Sanpaolo Casa S.p.A. and Deputy Chairman of EQUITER S.p.A.; Alberto Maria Pisani for the roles of Director and Member of the Management Control Committee; Milena Teresa Motta for the roles of Director and Member of the Management Control Committee; Maria Cristina Zoppo for the roles of Director and Member of the Management Control Committee; Paolo Vernero for the roles of Chairman and Full Member of the Surveillance Board; and Franco Dalla Sega for the roles of Full Member of the Surveillance Board and Chairman of BANCOMAT S.p.A.
[53] To calculate the annual average gross remuneration of employees, refer to the amounts indicated in the Consolidated Non-financial Statement, on page 181 for 2019 and page 224 for 2020.
[54] Reference is made to the amounts of Gross Income shown in the Consolidated Annual Report of the Intesa Sanpaolo Group, on page 30 for 2019 and page 50 for 2020.

As shown by the data reported, between 2019 and 2020 the Group Gross Income decreased, due to the sudden and extreme change in the macroeconomic context deriving from the COVID-19 pandemic, which made it necessary to revise the budget during the year.

Likewise, the total remuneration of the Managing Director and CEO decreased, due to the contraction in the target bonus levels decided by the Group following the recommendation of the European Central Bank for credit institutions to adopt extreme moderation in assigning bonuses pertaining to 2020, in relation to the health emergency, and the resulting decrease in the amount of bonuses accrued despite the excellent levels of performance achieved in relation to the revised budget.

With regard to the compensation of members of the management and control bodies - all non-executive - the increase was mainly due to the different number of meetings that the members participated in, which impacts the number of attendance fees paid.

Instead, with regard to employees, the annual average gross remuneration increased due to the combined effect of the measures envisaged by the collective bargaining on the gross annual remuneration and the Group's decision not to decrease the financial resources allocated to reward professionals also in order to recognise the particularly extensive effort by the Networks to provide an essential public service in the COVID-19 emergency situation.

PART II – QUANTITATIVE ANALYTICAL TABLES

Remuneration

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers

(thousands of euro)

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration: Bonuses and other incentives (x)	Non-equity variable remuneration: Profit-sharing	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
Gros-Pietro Gian Maria	Chairman of the Board of Directors (*)	01/01/2020	31/12/2020	700							700		
	Member of the Board of Directors	01/01/2020	31/12/2020	120							120		
	Member of the Nominations Committee	01/01/2020	31/12/2020			33					33		
Colombo Paolo Andrea	Deputy Chairperson of the Board of Directors	01/01/2020	31/12/2020	150							150		
	Member of the Board of Directors (*)	01/01/2020	31/12/2020	110							110		
	Chairman of the Remuneration Committee	01/01/2020	31/12/2020	60		45					105		
	Member of the Nominations Committee	01/01/2020	31/12/2020			33					33		
Messina Carlo	General Manager	01/01/2020	31/12/2020	2,000			649		59		2,708	832	
	Managing Director and Chief Executive Officer	01/01/2020	31/12/2020	500							500		
	Member of the Board of Directors/ Executive Board Member	01/01/2020	31/12/2020	120							120		
Locatelli Rossella	Member of the Board of Directors (*)	01/01/2020	31/12/2020	110							110		
	Chairman of the Risks Committee	01/01/2020	31/12/2020	60		113					173		
	Member of the Committee for transactions with related parties	01/01/2020	31/12/2020			40					40		

Surname and Name	Office	Office held since	End of office	Fixed Re-muneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other re-muneration	Total	Fair value of equity remu-neration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incen-tives (x)	Profit-shar-ing					
Pomodoro Livia	Member of the Board of Directors (*)	01/01/2020	31/12/2020	110							110		
	Chairman of the Nominations Committee	01/01/2020	31/12/2020	60		33					93		
Mazzarella Maria	Member of the Board of Directors (*)	01/01/2020	31/12/2020	110							110		
	Member of the Nominations Committee	01/01/2020	31/12/2020			33					33		
	Member of the Committee for transactions with related parties	01/01/2020	31/12/2020			43					43		
Zamboni Daniele	Member of the Board of Directors (*)	01/01/2020	31/12/2020	100							100		
	Chairman of the Committee for transactions with related parties	01/01/2020	31/12/2020	60		43					103		
	Member of the Risks Committee	01/01/2020	31/12/2020			113					113		
Ceruti Franco	Member of the Board of Directors (*)	01/01/2020	31/12/2020	110							110		
	Member of the Risks Committee	01/01/2020	31/12/2020			113					113		
	Member of the Remuneration Committee	01/01/2020	31/12/2020			45					45		
a)	INTESA SANPAOLO EXPO Institutional Contact S.r.l. – Chairman and Director	01/01/2020	31/12/2020	130							130		
a)	INTESA SANPAOLO PRIVATE BANKING S.p.A. – Director	01/01/2020	31/12/2020	20							20		
b)	SOCIETA' BENEFIT CIMAROSA 1 S.p.A. - Chairman and Director	03/09/2020	31/12/2020	0							0		

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Picca Bruno	Member of the Board of Directors (*)	01/01/2020	31/12/2020	100							100		
	Member of the Nominations Committee	01/01/2020	31/12/2020			33					33		
	Member of the Risks Committee	01/01/2020	31/12/2020			113					113		
a)	UNIONE DI BANCHE ITALIANE S.p.A - Deputy Chairperson and Director	15/10/2020	31/12/2020	38							38		
a)	UNIONE DI BANCHE ITALIANE S.p.A - Member of the Risks Committee	16/10/2020	31/12/2020	11							11		
Nebbia Luciano	Member of the Board of Directors (*)	01/01/2020	31/12/2020	110							110		
	Member of the Remuneration Committee	01/01/2020	31/12/2020			45					45		
a)	INTESA SANPAOLO CASA S.p.A. - Director	01/01/2020	31/12/2020	10							10		
a)	EQUITER S.p.A. - Chairperson	01/01/2020	31/12/2020	35							35		
Stefanelli Maria Alessandra	Member of the Board of Directors (*)	01/01/2020	31/12/2020	110							110		
	Member of the Committee for transactions with related parties	01/01/2020	31/12/2020			40					40		
Sironi Andrea	Member of the Board of Directors (*) (****)	01/01/2020	31/12/2020	90							90		
	Member of the Remuneration Committee	01/01/2020	31/12/2020			45					45		
	Member of the Committee for transactions with related parties	01/01/2020	31/12/2020			35					35		
Gatti Anna	Member of the Board of Directors (*)	01/01/2020	31/12/2020	110							110		
	Member of the Remuneration Committee	01/01/2020	31/12/2020			45					45		

Surname and Name	Office	Office held since	End of office	Fixed Re-muneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Weber Guglielmo	Member of the Board of Directors (*)	01/01/2020	31/12/2020	110							110		
	Member of the Risks Committee	01/01/2020	31/12/2020			113					113		
Pisani Alberto Maria	Member of the Board of Directors and of the Management Control Committee (*)	01/01/2020	31/12/2020	238							238		
	Chairman of the Management Control Committee (*)	01/01/2020	31/12/2020	65							65		
Motta Milena Teresa	Member of the Board of Directors and of the Management Control Committee (*)	01/01/2020	31/12/2020	238							238		
Zoppo Maria Cristina	Member of the Board of Directors and of the Management Control Committee (*)	01/01/2020	31/12/2020	238							238		
Mosca Fabrizio	Member of the Board of Directors and of the Management Control Committee (*)	01/01/2020	31/12/2020	238							238		
Franchini Roberto	Member of the Board of Directors and of the Management Control Committee (*) (***)	27/04/2020	31/12/2020	155							155		
Gatti Corrado	Member of the Board of Directors and of the Management Control Committee (**)	01/01/2020	02/03/2020	-							-		
Vernero Paolo	Chairman of the Surveillance Board	01/01/2020	31/12/2020	10							10		
	Full Member of the Surveillance Board	01/01/2020	31/12/2020	25							25		
Dalla Sega Franco	Full Member of the Surveillance Board	01/01/2020	31/12/2020	25							25		
a)	BANCOMAT S.p.A. - Chairman	01/01/2020	31/12/2020	63							63		

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Cortellazzo Andrea	Full Member of the Surveillance Board	01/01/2020	31/12/2020	25							25		
Key Managers (*****)	Total remuneration and attendance fees awarded by Intesa Sanpaolo			15,259 (c)			2,971		843		19,073 (c)	2,752	
	Total remuneration and attendance fees awarded by subsidiaries and associates			846 (d)			368		39		1,253 (d)	483	

a) Remuneration/Attendance fees in subsidiaries and/or associates
b) The amount does not include the remunerations for the office, equal to euro 3,288, as they have been waived.
c) Additional remuneration for the offices held in subsidiaries and/or associates, which amounts to 799,671 euro, is not comprised in this data, as it is entirely transferred or waived to the subsidiaries. The amount includes 50,000 euro paid to Dr. Micillo as Banca IMI CEO, merged in Intesa Sanpaolo on 20th July 2020.
d) Additional remuneration for the offices held in subsidiaries and/or associates, which amounts to 187,744 euro, is not comprised in this data, as it is entirely transferred or waived to the subsidiaries.

(*) The Members of the Board of Directors in 2020 decided to contribute to the Group initiatives promoted to face the spread of the COVID-19 pandemic, waiving part of their 2020 remuneration.
(**) He initially resigns temporarily form 13th December 2019 and then he officially resigns on 2nd March 2020.
(***) Appointed by the Annual General Meeting on 27th April 2020 as the replacement of Corrado Gatti who resigned from Board of Directors Member office.
(****) Appointed by the Annual General Meeting on 27th April 2020 following the Board of Directors cooptation on 2nd December 2019.
(*****) Remunerations refer to 19 Key Managers as at 31st December 2020.

(x) The data reported refers to the incentive portions assigned, both upfront and deferred, following 2020 performance (please see Table No. 3B for further details).

Table No. 2: Stock options granted to members of administration body, General Managers and other Key Managers

(thousands of euro)

			Options held at the beginning of the year			Options awarded during the year						Options awarded during the year			Options expired during the year	Options held at end of the year	Options for the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2) + (5) - (11) - (14)	(16)
Surname and Name	Office	Plan	Number of options	Exercise price	Possible exercise period (from - to)	Number of options	Exercise price	Possible exercise period (from - to)	Fair Value at the awarding date (x)	Awarding date	Market share price of the shares underlying the award of options	Number of options	Exercise price	Market share price of the shares underlying the exercise date	Number of options	Number of options	Fair value
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Long-term Incentive Plan 2018 – 2021 POP (Performance-based Option Plan) approved on 27/04/2018	21,205,158	3.0267	11/03/2022											21,205,158	2
Key Managers (*)	Total Remuneration awarded by Intesa Sanpaolo		91,035,696	3.0267	11/03/2022											91,035,696	9
	Total Remuneration awarded by subsidiaries		11,010,370	3.0267	11/03/2022											11,010,370	1

(x) The overall Fair Value, intended as an employee benefit, is determined considering also the probability of completion of the service period in the Company, the Fair Value adjustments due to non-negotiability, deferral of the instruments assignment and unavailability constraints on the shares received according to the Plan schedule.

(*) Remuneration refers to 19 Key Managers.

Table No. 3A: Incentive plans based on financial instruments other than stock options, in favour of Managing Director and CEO and other Key Managers

(thousands of euro)

			Financial instruments awarded in previous years and not vested during the year		Financial instruments awarded during the year					Financial instruments vested during the year and not granted	Financial instruments vested during the year and granted		Financial instruments for the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Surname and Name	Office	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at award date	Vesting period	Award date	Market price at award date	Number and type of financial instruments	Number and type of financial instruments	Value at vesting date	Fair value
		Incentive 2015	-								49,638	78	78
		Incentive 2016	125,268	May 2021 - May 2022							62,634	88	88
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Incentive 2017	402,531	May 2021 - May 2023							268,353	375	375
		Incentive 2018	766,795	May 2021 - May 2024									
		Incentive 2019	587,183	May 2021 - May 2025									
		Incentive 2020			(*)	794	May 2021 - May 2026	(*)	(*)				289
		Incentive 2015									82,230	130	130
		Incentive 2016		May 2021 - May 2022							204,670	290	290
Key Managers (**) (Remuneration awarded by Intesa Sanpaolo)		Incentive 2017		May 2021 - May 2023							813,602	1,150	1,150
		Incentive 2018		May 2021 - May 2024									
		Incentive 2019		May 2021 - May 2025									
		Incentive 2020			(*)	3,227	May 2021 - May 2026	(*)	(*)				1,174

			Financial instruments awarded in previous years and not vested during the year		Financial instruments awarded during the year					Financial instruments vested during the year and not granted	Financial instruments vested during the year and granted		Financial instruments for the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Surname and Name	Office	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at award date	Vesting period	Award date	Market price at award date	Number and type of financial instruments	Number and type of financial instruments	Value at vesting date	Fair value
Key Managers (**) (Remuneration awarded by subsidiaries)		Incentive 2015									20,293	32	32
		Incentive 2016	24,655	May 2021 - May 2022							23,431	33	33
		Incentive 2017	28,544	May 2021 - May 2023							14,272	22	22
			8,598.05 1)								6,919.51 2)	231	231
		Incentive 2018	85,689	May 2021 - May 2024									
			20,499.62 1)										
		Incentive 2019	108,450	May 2021 - May 2025									
			15,063.86 1)										
		Incentive 2020			(*)	449 3)	May 2021 - May 2026	(*)	(*)				163 4)

(*) The information related to the shares that will be granted as an incentive with respect to the 2020 Incentive System based on financial instruments will be available following the resolutions of the Ordinary Shareholders' Meeting called on 28 April 2021.
(**) Remuneration refers to 19 Key Managers.

1) Assigned as UCITS units (instead of Intesa Sanpaolo shares) to the former Head of the Asset Management, as he was Chief Executive Officer of the Eurizon Capital Group, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance).
2) UCITS units assigned (instead of Intesa Sanpaolo shares) to the former Head of the Asset Management, as he was Chief Executive Officer of the Eurizon Capital Group, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance), has been updated form the original amount of 5,732.033 units following the UCITS class conversion (form Institutional to Retail).
3) Of which 213 thousand euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the Head of the Asset Management, as Chief Executive Officer of the Eurizon Capital Group, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance).
4) Of which 78 thousand euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the Head of the Asset Management, as Chief Executive Officer of the Eurizon Capital Group, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance).

Note: this information refers to the remuneration assigned by Intesa Sanpaolo or, where indicated, by subsidiaries; the granting of variable remuneration by associates is not envisaged.

Table No. 3B: Monetary incentive plans in favour of Managing Director and CEO and other Key Managers

(thousands of euro)

A	B	(1)	(2)			(3)			(4)
			Bonus of the year			Bonus from previous years			
			(A)	(B)	(C)	(A)	(B)	(C)	
Surname and Name	Office	Plan	Payable / Paid	Deferred	Deferral period	No longer payable	Payable / Paid	Still deferred	Other bonuses
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Incentive 2014					95		
		Incentive 2015						122	
		Incentive 2016						169	
		Incentive 2017						385	
		Incentive 2018					553	325	
		Incentive 2019					455	568	
		Incentive 2020	289	361	May 2021/ May 2026				
Key Managers (*) (Remuneration awarded by Intesa Sanpaolo)		Incentive 2014					92		
		Incentive 2015						203	
		Incentive 2016					155 [1]	400	
		Incentive 2017						1,000	
		Incentive 2018					1,896	1,112	
		Incentive 2019							
		Incentive 2020	1,458	1,467	May 2021/ May 2026				46 [2]

A	B	(1)	(2)			(3)			(4)
Surname and Name	Office	Plan	Bonus of the year			Bonus from previous years			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable / Paid	Deferred	Deferral period	No longer payable	Payable / Paid	Still deferred	
Key Managers (*) (Remuneration awarded by subsidiaries)		Incentive 2014					41		
		Incentive 2015						50	
		Incentive 2016					30 [1)]	33	
		Incentive 2017						144	
		Incentive 2018					207	138	
		Incentive 2019					238	298	
		Incentive 2020	163	204	May 2021/ May 2026				

(*) Remuneration refers to 19 Key Managers.

1) an appreciation of 1% was calculated on the portions paid, in line with market rates.
2) the remuneration refers to the XXV loyalty bonus ex Mediocredito accrued on 2020 by the Chief Operating Officer in application of the agreement signed on 23rd February 2005 – *"premio di fedeltà per il personale proveniente da Banca Carime e per il personale proveniente da Mediocredito Lombardo"*.

Equity

Table No. 1: Equity investments of Members of Board of Directors

Surname and Name	Office	Subsidiary	Number of shares held at the end of prior year (-)	Number of shares purchased	Number of shares sold	Number of shares held at the end of current year (-)
Colombo Paolo Andrea	Deputy Chairperson of the Board of Directors	Intesa Sanpaolo ord. shares	5,494			5,494
		Intesa Sanpaolo ord. shares	5,200 (a)			5,200 (a)
		Intesa Sanpaolo ord. shares	19,047 (b)			19,047 (b)
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Intesa Sanpaolo ord. shares	1,586,732	380,625 (*)		1,967,357
Ceruti Franco	Member of the Board of Directors	Intesa Sanpaolo ord. shares	150,000	50,000		200,000
Mazzarella Maria	Member of the Board of Directors	Intesa Sanpaolo ord. shares		13,000 (a)	3,000	10,000 (a)
Mosca Fabrizio	Member of the Board of Directors	Intesa Sanpaolo ord. shares	5,000	13,000		18,000
Motta Milena Teresa	Member of the Board of Directors	Intesa Sanpaolo ord. shares	20,000 (a)	10,000		30,000 (a)
		Intesa Sanpaolo ord. shares		1,752 (c)		1,752 (c)
		Intesa Sanpaolo ord. shares		2,118 (a,c)		2,118 (a,c)
Nebbia Luciano	Member of the Board of Directors	Intesa Sanpaolo ord. shares	192,281			192,281
Picca Bruno	Member of the Board of Directors	Intesa Sanpaolo ord. shares	383,086			383,086
Pomodoro Livia	Member of the Board of Directors	Intesa Sanpaolo ord. shares	10,000	20,000		30,000
Stefanelli Maria Alessandra	Member of the Board of Directors	Intesa Sanpaolo ord. shares		147 (a)		147 (a)

Surname and Name	Office	Subsidiary	Number of shares held at the end of prior year (-)	Number of shares purchased	Number of shares sold	Number of shares held at the end of current year (-)
Zamboni Daniele	Member of the Board of Directors	Intesa Sanpaolo ord. shares	20,000	30,000		50,000

(-) Or start / end date of the office, if different from the reference period specified.
(a) Shares owned by spouse.
(b) Shares held indirectly.
(c) Shares resulting from UBI Voluntary Public Purchase and Exchange Offer.

(*) Of which 268,353 shares deriving from 2017 Incentive System, as deferred portion in shares, of which 62,634 shares deriving from 2016 Incentive System and of which 49,628 shares deriving from 2015 Incentive System as deferred portion in shares.

Table No. 2: Equity investments of other Key Managers

Number of other Key Managers	Subsidiary	Number of shares held at the end of prior year (*)	Number of shares purchased	Number of shares sold	Number of shares held at the end of current year (*)
19 (**)	Intesa Sanpaolo ord. shares	4,536,511	1,222,042 (***)	200,082	5,558,471

(*) Or start / end date of the office, if different from the reference period specified.
(**) Total number of other Key Managers who do not hold any equity investments yet.
(***) Of which 747,510 shares deriving from the 2017 Incentive System as the up-front portion in shares, of which 102,523 shares deriving from the 2015 Incentive System, 228,101 shares deriving from the 2016 Incentive System and 108,908 shares deriving from the 2017 Incentive System, as deferred portions in shares

Quantitative information broken down by business area pursuant to the Supervisory Provisions of the Bank of Italy

At Group level, thereby considering employees of all grades and employees of the international subsidiaries, the total variable component allocated in the financial statements to reward 2020 results, including the contractual portion (the so-called PVR) and the amount relating to the existing long-term Plans is equal to approximately 3% of the Group's operating income, 0.8% of its shareholders' equity, 0.06% of total assets and 9.3% of the total cost of labour.

More specifically, the above variable component consists of 44% of sums available for the payment of the annual incentive, 17% of the sums payable as company bonus (so-called Broad-based Short-Term Plan - "PVR") and 39% as the 2020 portion of the existing long-term Plans. As in past years, distribution of the amounts allocated in the financial statements for payment of the variable component referring to 2020 results gives priority to resources belonging to the business sectors most exposed to market variables (asset management, finance and investment banking).
With specific reference to the company bonus, please note that, even faced with the significant bonus pool reduction of approximately 18% due to the European Central Bank's recommendation to credit institutions to adopt extreme moderation in assigning 2020 bonuses, in relation to the macroeconomic context caused by the COVID-19 pandemic, the Group decided not to change the amount of financial resources allocated for the PVR, also to recognise the Networks' particularly extensive effort to provide an essential public service in an emergency situation.

COMPARISON OF PERCENTAGE DISTRIBUTION OF STAFF, FIXED COST AND THE VARIABLE COMPONENT FOR 2020			
	Staff	Fixed Cost 2020	Variable Component Cost 2020
Head Office Department (Top Risk Takers included)	16%	19%	25%
Banca dei Territori	49%	56%	32%
IMI Corporate & Investment Banking	5%	7%	17%
International Subsidiary Banks	25%	9%	10%
Private Banking	4%	6%	10%
Insurance	1%	2%	3%
Asset Management	1%	1%	4%

Quantitative information broken down by various categories of "identified staff" in accordance with the supervisory provisions of the Bank of Italy

(thousands of euro)

Cluster (as at 31/12/2020)	No.	Percentage Ratio between Variable Remuneration and Fixed Remuneration		Total Remuneration 2020			Detail of Short-Term Variable Component for 2020				Variable deferred amount from prior years[e]:			Variable deferred amount and up-front shares[d] from prior years paid and granted during 2020[f]
		Theoretical	Actual[a]	Fixed Remuneration[b]	Short-term Variable Remuneration	Long-term Variable Remuneration[c]	Up-front Cash	Up-front Shares[d]	Deferred Cash	Deferred Shares[d]	Vested following 2020 performance	Amount that will vest in the following years	Not vested	
Consigliere Delegato e CEO Direttore Generale (Messina Carlo)	1	Max 200%	105%	2,620	1,443	1,300	289	289	361	505	1,345	3,019		1,189
Altri Dirigenti con Responsabilità Strategiche[1]	14	Max 200%	100%	11,800	6,685	5,219	1,337	1,337[6]	1,671	2,340[7]	4,371[8]	10,975[9]		3,906
Responsabili delle Funzioni Aziendali di Controllo e ruoli assimilati[2]	5	Max 33%	30%	4,530	284	1,095	284	0	0	0	141	93		317
Altri soggetti che individualmente o collettivamente assumono rischi in modo significativo[3]	499[4]	Max 400%[5] Max 200%[5] Max 33%[5]	58%	130,853	52,911	24,810	21,538	12,122[10]	8,923	10,147[11]	19,204[12]	33,040[13]		18,011

[1] Excluding 5 Key Managers who are included under Heads of Company Control Functions and similar roles. Remuneration refers to 14 Key Managers.
[2] Remuneration also refers to 5 Key Managers, 5 of which still in office as at 31 December 2020.
[3] Risk Takers identified according to the – Rules for identifying staff whose professional activities have a material impact on the risk profile of the Intesa Sanpaolo Group and of the Banks that do not have their own remuneration policies drawn up pursuant to the Regulatory Technical Standards - RTS.
[4] Remuneration refers to 499 Group Risk Takers of which 6 outgoing during 2020 and 42 Group Risk Takers remaining in the perimeter ≥ 3 months but not in the role as at 31 December 2020.
[5] Maximum theoretical amounts differentiated by clusters: 400% for personnel of the "Investment" chain of the Group's Asset Management Companies, 200% for Business/Governance roles (when not in conflict with local regulations), or 33% for Company Control Functions or similar roles for the purposes of the Remuneration Discipline.
[6] Of which 78 thousand euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the Head of the Asset Management Division, as Chief Executive Officer of Eurizon Capital Group, as required by the Joint Bank of Italy – Consob Regulation provisions issued on 27 April 2017 and after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance.
[7] Of which 136 thousand euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the Head of the Asset Management Division, as Chief Executive Officer of Eurizon Capital Group, as required by the Joint Bank of Italy – Consob Regulation provisions issued on 27 April 2017 and after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance.
[8] Of which 320 thousand euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the former Head of the Asset Management Division, as he was Chief Executive Officer of Eurizon Capital Group, as required by the Joint Bank of Italy – Consob Regulation provisions issued on 27 April 2017 and after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance.
[9] Of which 513 thousand euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the former Head of the Asset Management Division, as he was Chief Executive Officer of Eurizon Capital Group, as required by the Joint Bank of Italy – Consob Regulation provisions issued on 27 April 2017 and after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance.

[10] Of which 625 thousand euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the Group Risk Takers belonging to significant asset management companies as required by the Joint Bank of Italy – Consob Regulation provisions issued on 27 April 2017 and after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance / of which 70 thousand euro assigned as Certificates of VUB Banka and of which 335 thousand euro assigned as PBZ shares (instead of Intesa Sanpaolo shares) to the Group Risk Takers in loco, in accordance with the local regulations which will be replaced, following the Company delisting, with Intesa Sanpaolo shares at the replacement rate approved by the Board of Directors or, if the delisting occurs before such assignment, directly paid in Intesa Sanpaolo shares.
[11] Of which 417 thousand euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the Group Risk Takers belonging to significant asset management companies as required by the Joint Bank of Italy – Consob Regulation provisions issued on 27 April 2017 and after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance / of which 105 thousand euro assigned as Certificates of VUB Banka and of which 223 thousand euro assigned as PBZ shares (instead of Intesa Sanpaolo shares) to the Group Risk Takers in loco, in accordance with the local regulations which will be replaced, following the Company delisting, with Intesa Sanpaolo shares at the replacement rate approved by the Board of Directors or, if the delisting occurs before such assignment, directly paid in Intesa Sanpaolo shares.
[12] Of which 425 thousand euro assigned in UBI shares that will be replaced with Intesa Sanpaolo shares at the replacement rate approved by the Board of Directors on 5th February 2021 and equal to 2,143 / of which 1,164 thousand euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the Group Risk Takers belonging to significant asset management companies as required by the Joint Bank of Italy – Consob Regulation provisions issued on 27 April 2017 and after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance / of which 269 thousand euro assigned as Certificates of VUB Banka and of which 397 thousand euro assigned as PBZ shares (instead of Intesa Sanpaolo shares) to the Group Risk Takers in loco, in accordance with the local regulations which will be replaced, following the Company delisting, with Intesa Sanpaolo shares at the replacement rate approved by the Board of Directors or, if the delisting occurs before such assignment, directly paid in Intesa Sanpaolo shares.

[13] Of which 1,141 thousand euro assigned in UBI shares that will be replaced with Intesa Sanpaolo shares at the replacement rate approved by the Board of Directors on 5th February 2021 and equal to 2,143 / of which 1,069 thousand euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the Group Risk Takers belonging to significant asset management companies as required by the Joint Bank of Italy – Consob Regulation provisions issued on 27 April 2017 and after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance / of which 81 thousand euro assigned as Certificates of VUB Banka and of which 495 thousand euro assigned as PBZ shares (instead of Intesa Sanpaolo shares) to the Group Risk Takers in loco, in accordance with the local regulations which will be replaced, following the Company delisting, with Intesa Sanpaolo shares at the replacement rate approved by the Board of Directors or, if the delisting occurs before such assignment, directly paid in Intesa Sanpaolo shares.

[a] The actual ratio between variable remuneration to fixed remuneration takes into account all the short or long-term components of the remuneration, insofar as it falls within the reference period.
[b] The amount indicated under the column "Fixed Remuneration" also includes remuneration received (and not transferred or waived) as member of the Board of Directors or paid as role allowances.
[c] The amount shown includes the annual component of the Long-term Incentive Plans POP and LECOIP 2.0.
[d] Intesa Sanpaolo shares, unless otherwise specified.
[e] The amounts shown include the cash value of the stakes and the exchange value, at the time of definition of the incentive, of the financial instruments attributed to Management in previous years as part of the 2015, 2016. 2017, 2018 and 2019 incentive plans, where such financial instruments may actually be granted only in the following years because of the retention period and they are anyway always subject, except in specific cases, to continuation of employment.
[f] The amounts indicated refer to the 2014, 2015, 2016, 2017 and 2018 Incentive Systems.

As shown in the table displayed in the previous page, amounts deriving from bonuses assigned in prior years were settled during 2020. This involved, in particular:

- amounts referring to the 2014, 2016 and 2018 Incentive Systems settled in cash
- amounts delivered in financial instruments assigned as part of the 2015, 2016 and 2017 Incentive Systems.

Welcome bonus

Below are represented the amounts defined as welcome bonuses, having as their beneficiaries the personnel hired for the purpose of holding a Group Risk Taker position disbursed in a single payment at the time of hiring during 2020, in order to aid the attraction thereof. It is noted that no amounts were assigned as welcome bonuses to personnel included in the cluster of the Group's Top Risk Takers (i.e. Key Managers).

Welcome bonus: N. 1
Group Risk Takers
No. 1
Total: 514,000 €

Severance

Below are represented:

- the amounts assigned as severance during 2020 to Group Risk Takers not included in the Group Top Risk Takers:

Severance	
Group Risk Takers	
No. 1	
Total: 600,000 €	
Of which up-front → 240,000 € - Cash: 120,000 € - Financial Instruments: 120,000 €	**Of which deferral → 360,000 €** - Cash: 120,000 € - Financial Instruments: 240,000 €

It is noted that, no people included in the cluster of Group Top Risk Takers (i.e. Key Managers) were assigned a severance amount .

- the portion in cash and / or financial instruments assigned by way of severance in previous years to people belonging to Group Risk Takers, including the Group Top Risk Takers (i.e Key Managers), and liquidated / delivered in 2020:

Severance: 24 PORTIONS* paid in cash/financial instruments to:	
Key Managers	**Group Risk Takers**
No. 7	No. 17
Total cash: 460,000 € **Total financial instruments: 280,000 €**	**Total cash: 90,000 €** **Total financial instruments: 426,400 €**

* It should be noted that the portions refer to severances assigned to 22 people, out of which 7 Group Top Risk Takers (i.e. Key Managers) and the remaining 15 Group Risk Takers

Personnel whose total remuneration is equal to at least 1 million euro

No. employees	Total remuneration* (€)
1	4 – 4,5 mln
1	2.5 – 3 mln
1	2 – 2.5 mln
2	1.5 – 2 mln
29	1 – 1.5 mln
Total: 34	

* Includes both fixed and variable remuneration accrued in the reference year

PART III - INTERNAL AUDITING DEPARTMENT ASSESSMENT OF THE INCENTIVE SYSTEM

The Chief Audit Officer of Intesa Sanpaolo carried out the planned audits, aimed at analysing the operational practices adopted in activating the incentive system for 2020, in accordance with the policies and application profiles approved by the Bodies and the related Provisions issued by the Bank of Italy.

The audit plan was broken down in order to examine the operational phases of the process: quantification and approval of the main components of the incentive system (economic requirements, certification of results achieved, determination of the bonus pool, incentives for Top Risk Takers and Heads of the Control Functions) and the actual payout of incentives, with specific reference to the Group Risk Takers.

As expected, the remuneration policies, the principles of the incentive system, the financing methods for the bonus pool, the activation thresholds, the rules for the identification of staff whose professional activities have a material impact on the risk profile and the objectives assigned to the Top Risk Takers were approved by the Corporate Bodies in 2020, each to the extent applicable.
The structure was assessed as being compliant with the Regulations by the Compliance Department.
For 2020, the regulatory framework of 2019 was confirmed, including the definition of the variable remuneration component for the remaining personnel (PVR – subject of a II level National Bargaining Agreement with the Trade Unions).
In addition and as a result of the expectation set out by the ECB in the communication of 28 July 2020 on "Remuneration policies in the context of the coronavirus (COVID-19) pandemic", in August 2020, the Intesa Sanpaolo Group imposed a significant reduction in the bonus for 2020 (to be paid in May 2021) allocated to Top Risk Takers and the Remaining Risk Takers.
The threshold defined by the Group's bonus pool activation rules was achieved, in line with all expected targets: Net Income (positive), Gross Income, Group RAF indicators (CET1 and NSFR) and respect of the limits set out for non-financial risks. This allowed the funding of the bonus pool according to the application methods and policies.
The results achieved by the Top Risk Takers were quantified, documented in specific schedules and approved by the competent Bodies.

Based on the audits conducted to date, the Chief Audit Officer expresses an opinion on the adequacy of the operational practices adopted, in accordance with the policies and profiles defined.
The audit plan will be completed with the checks on the correctness of the phases of actual payment of the incentives (including the deferred portion), with specific regard to the incentives paid to the Risk Takers, in order to determine their alignment with what was approved by the Corporate Bodies.

As a supplement to the Report on Remuneration presented on 27 April 2020, and as envisaged, an assessment was conducted on the subsequent phases of disbursement of the incentives for the financial year 2019 (including the deferred portion), both on a domestic and an international sample, and they were found to be substantially consistent with the policies and approved application profiles. Small residual areas for improvement were addressed, as also confirmed by the most recent follow-up.

Appendix

Table No. 1: "Art. 5 - Corporate Governance Code"

	Principles and Criteria of the Corporate Governance Code	Page of Report
P. XV	The remuneration policy for directors, members of the control body and the top management contributes to the pursuit of the company's sustainable success and takes into account the need to have, retain and motivate people with the competence and professionalism deemed adequate for their role.	Page 21, 22, 25,37,42,53
P. XVI.	The remuneration policy is developed by the board of directors through a transparent procedure.	Page 13
P. XVII.	The board of directors ensures that the remuneration paid and accrued is consistent with the principles and criteria defined in the policy, considering the results achieved and any other circumstances relevant for its implementation.	
R. 25	The board of directors entrusts the remuneration committee with the task of: a) supporting it in the development of the remuneration policy; b) submitting proposals or expressing opinions on the remuneration of executive directors and other directors who hold specific responsibilities, as well as on the setting of performance objectives related to the variable component of this remuneration; c) monitoring the actual application of the remuneration policy and verifying the effective achievement of the performance objectives; d) periodically assessing the adequacy and overall consistency of the remuneration policy for directors and the top management. In order to have people with adequate competence and professionalism, the remuneration of executive and non-executive directors and of the members of the control body is defined with due consideration of the remuneration practices that are common with regards to the company's reference sectors and size. It also considers comparable international practices, with the possible support of an independent consultant.	Page 14, 16,25
R. 26	The remuneration committee is made up of non-executive directors, the majority of whom are independent, and is chaired by an independent director. At least one member of the committee has adequate knowledge and experience in financial matters or remuneration policies; such skills are assessed by the board of directors before his or her appointment. No director takes part in the meetings of the remuneration committee in which proposals relating to his or her remuneration are made.	Page 14
R. 27	The remuneration policy for executive directors and the top management defines: a) a balance between the fixed and the variable component which is consistent with the company's strategic objectives and risk management policy. Consistency is assessed taking into consideration the business's characteristics and the industry of the company. The variable component has in any case a significant weight on the overall remuneration; b) caps to the variable components; c) performance objectives, to which is linked the payment of the variable components, that are predetermined, measurable and predominantly linked to the long-term 16 horizon. They are consistent with the company's strategic objectives and with the aim of promoting its sustainable success and includes non-financial parameters, where relevant; d) an adequate deferral of a significant part of the variable component that has been already accrued. Such a deferral period is consistent with the company's business activity and its risk profile; e) provisions that enable the company to recover and/or withhold, in whole or in part, the variable components already paid-out or due, where they were based on data which subsequently proved to be manifestly misstated. The	Page 17,21,25,33,37-39, 42, 53-55, 57-59, 61, 64, 71, 83-85

Principles and Criteria of the Corporate Governance Code		Page of Report
	company can identify other circumstances in which such provisions are applied; f) clear and predetermined rules for possible termination payments, establishing a cap to the total amount that might be paid out. The cap is linked to a certain amount or a certain number of years of remuneration. No indemnity is paid out if the termination of the office is motivated by director's objectively inadequate results.	
R. 28	The share-based remuneration plans for executive directors and the top management are aligned with the interests of the shareholders over a long-term horizon, providing that a predominant part of the plan has an overall vesting and holding period of at least five years.	Page 55, 57-59
R. 29	The remuneration of non-executive directors is adequate to the competence, professionalism and commitment required by their role within the board of directors and its committees; this remuneration is not related to financial performance objectives, except for a non-significant part.	Page 16
R. 30	On the occasion of the termination of office and/or dissolution of the relationship with an executive director or general manager, a press release is published as soon as the internal processes that led to the assignment or the recognition of any indemnities and/or other benefits has been concluded. The press release provides for detailed information on: a) a) the assignment or the recognition of indemnities and/or other benefits, the circumstances that justify their accrual (e.g. due to the expiration of the term of office, its termination or a settlement agreement) and the decision-making process followed for this purpose within the company; b) b) the total amount of the indemnity and/or other benefits, the related components (including non-monetary benefits, the vesting of rights connected with incentive plans, the compensation for non-competitive commitments or any other remuneration allocated to any reason and in any form) and the timing of their disbursement (distinguishing the part paid immediately from the part subject to deferral mechanisms); c) c) the application of any claw-back or malus clauses; d) d) the compliance of the elements indicated in letters a), b) and c) consistently with the remuneration policy, with a clear indication of the reasons and the decision-making process followed in the event of non-compliance, even if only partial, with the policy itself; e) e) the procedures that have been or will be followed for the replacement of the executive director or the general manager whose office has been terminated.	Page 14

Table No. 2: "Art. 123-bis - Report on corporate governance and ownership structures"

Art 123-bis - Report on corporate governance and ownership structures	Page of Report
1. The report on operations of issuers with securities admitted to trading on regulated markets shall contain a specific section entitled: "Report on corporate governance and ownership structures", providing detailed information on:	
a) the capital structure, including securities not traded on a regulated market in an EU Member State, with an indication of the different classes of shares and, for each class of shares, the related rights and obligations and the percentage of total share capital represented;	
b) any restriction on the transfer of securities, e.g. limitations in the possession of securities or the need to obtain consent from the company or other securities holders;	
c) significant direct and indirect equity investments, for example through pyramid structures and cross-investments, as stated in reports submitted pursuant to article 120;	
d) if known, the holders of any securities with special control rights and a description of such rights;	
e) the mechanism for the exercise of voting rights in any employee share ownership scheme where voting rights are not exercised directly by the employees;	
f) any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for the exercise of voting rights, or systems whereby, with the company's cooperation, the financial rights attached to the securities are separate from the holding of securities;	
g) agreements known to the company pursuant to article 122;	
h) any significant agreements to which the company or its subsidiaries are parties and which take effect, alter or terminate upon a change of control of the company, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal provisions;	
i) agreements between companies and directors, members of the management board or supervisory board which envisage indemnities in event of resignation or dismissal without just cause, or if their employment contract should terminate as a result of a takeover bid;	Page 17
j) rules applying to the appointment and replacement of directors and members of the management board or supervisory board, and to amendments to the articles of association, if different from those envisaged by legal and regulatory provisions applicable as supplementary measures;	
k) the existence of delegated powers regarding share capital increases pursuant to article 2443 of the Italian Civil Code or powers of the directors or members of the management board to issue equity instruments or to authorise the purchase of own shares.	
[omissis]	

Table No. 3: "Art. 123-ter – Report on the remuneration policy and compensation paid"

Art. 123-ter - Report on the remuneration policy and compensation paid	Page of Report
1. At least twenty-one days prior to the date of the Shareholders' Meeting established by article 2364, paragraph two, or the Shareholders' Meeting established by article 2364-bis second paragraph of the Italian Civil Code, companies with listed shares shall make a report on the remuneration policy and compensation paid available to the public at the company registered office, on its internet website or in any of the other ways established by Consob regulation.	Page 10
2. The report shall be laid out in the two sections envisaged by paragraphs 3 and 4 and shall be approved by the Board of Directors. In companies adopting the two-tier system, the report shall be approved by the supervisory board, upon proposal from the management board, solely for the section envisaged by paragraph 4, letter b).	Page 10
3. The first section of the report shall set out in a clear and comprehensible manner:	Page 10
a) the company's policy on the remuneration of the members of the management bodies, general managers and key managers with reference to at least the following year and, subject to the provisions of Article 2402 of the Italian Civil Code, the members of the control bodies;	Page 13, 21, 83
b) the procedures used to adopt and implement this policy.	Page 13
3-*bis* The remuneration policy shall contribute to the business strategy, the pursuit of long-term interests and the sustainability of the company and shall explain how it makes this contribution. Subject to the provisions of paragraph 3-ter, companies shall put the remuneration policy referred to in paragraph 3 to the vote of shareholders, according to the frequency required by the duration of the policy set in accordance with paragraph 3, letter a), and in any case at least every three years or when amendments are made to the policy. Companies shall award the remuneration only in accordance with the remuneration policy last approved by the shareholders. In exceptional circumstances, companies may temporarily deviate from the remuneration policy, provided the policy sets out the procedural conditions for applying the deviation and specifies the parts of the policy that may be subject to deviation. Exceptional circumstances only means situations where the deviation from the remuneration policy is necessary to pursue the long-term interests and sustainability of the company as a whole or to ensure its ability to stay in the market.	Page 10-11
3-*ter*. The resolution envisaged in paragraph 3-bis shall be binding. If the Shareholders' Meeting does not approve the remuneration policy put to the vote pursuant to paragraph 3-bis, the company shall continue to pay remuneration in accordance with the most recent remuneration policy approved by the Shareholders' Meeting or, if there is no such policy, it can continue to pay remuneration in accordance with existing practices. The company shall put a new remuneration policy to the vote of shareholders at the latest at the next Shareholders' Meeting required by Article 2364, second paragraph, of the Italian Civil Code, or at the Shareholders' Meeting required by Article 2364-bis, second paragraph, of the Italian Civil Code.	page 11
4. The second section of the report, in a clear and comprehensible manner and, by name for the members of the management and control bodies, general managers and in aggregate form, subject to the provisions of the regulation issued in accordance with paragraph 8, for key managers:	Page 10
a) shall provide a suitable representation of each of the items comprising the remuneration, including the treatment provided for in the event of termination of office or termination of employment, detailing the consistency with the company's remuneration policy for the reporting year;	Page 83

Art. 123-*ter* - Report on the remuneration policy and compensation paid	Page of Report
b) shall detail the remuneration paid during the reporting year, for any reason and in any form by the company and by subsidiaries or associates, noting any components of said remuneration that refer to activities performed in years prior to the reporting year, in addition to highlighting the remuneration to be paid in one or more subsequent years in relation to work performed in the reporting year, and specifying any estimated value for components that cannot objectively be quantified in the reporting year;	
b-bis) shall describe how the company has taken into account the vote cast in the previous year on the second section of the report.	
5. Remuneration plans shall be established by article 114-bis are attached to the report, or the report shall specify the section of the company's website where these documents can be viewed.	
6. Without prejudice to the provisions of Articles 2389 and 2409-terdecies, first paragraph, letter a) of the Italian Civil Code and Article 114-bis, the Shareholders' Meeting called in accordance with Article 2364, paragraph two or Article 2364-bis, paragraph two, of the Italian Civil Code, shall resolve in favour or against the second section of the report envisaged by paragraph 4. This resolution shall be non-binding. The outcome of voting shall be made available to the public in accordance with article 125-quater, paragraph 2.	page 11
[omissis]	

Table No. 4: Bank of Italy Provisions on "Transparency of the banking and financial transactions and services – correctness of the relations between intermediaries and customers" - Section XI - paragraph 2-quater "Remuneration policies and practices" and 2-quater.1 "Remuneration policies and practices for relevant persons and credit intermediaries"

Bank of Italy Provisions on "Transparency of the banking and financial transactions and services – correctness of the relations between intermediaries and customers" - Section XI – paragraph 2-quater "Remuneration policies and practices"	Page of Report
This paragraph governs the policies and practices that intermediaries adopt for the remuneration of staff and third parties in the sales network. This is without prejudice to the application of the prudential provisions on remuneration policies and practices[55]. For the purposes of this paragraph: • "remuneration" means any form of payment or benefit (either monetary or non-monetary) paid directly or indirectly by the intermediary to staff and third parties in the sales network; • "products" means transactions and services falling within the scope of Title VI of the Consolidated Law; • "relevant persons" means the staff of the intermediary who offer products to customers and interact with those customers, and the hierarchical superiors of those staff; • "credit intermediaries" means the entities identified in Section VII.	
Intermediaries shall adopt and apply policies and practices for the remuneration of staff and third parties in the sales network: i) consistent with the company's objectives and values and long-term strategies; ii) inspired by criteria of diligence, transparency and fairness in customer relations, containment of legal and reputational risks, customer protection and loyalty, and compliance with any applicable self-disciplinary provisions; and iii) which are not based exclusively on commercial objectives and do not constitute an incentive to place products that are not suitable for the customers' financial needs. Intermediaries shall ensure that the human resource management policies and procedures are consistent with these principles.	Page 21, 30-31, 37, 48, 50, 51, 53, 54, 64, 69, 71
Intermediaries required to establish a remuneration policy under other supervisory provisions may draw up a single document to also implement the rules laid down in this paragraph, provided that the parts that implement these rules are clearly disclosed.	
For the staff responsible for assessing creditworthiness, the remuneration policies and practices shall ensure prudent risk management by the intermediary.	
The remuneration policies and practices for staff responsible for handling complaints shall include indicators that take into account, among other things, the results achieved in handling complaints and the quality of customer relations.	Page 65

[55] These provisions are included: for banks, in the Bank of Italy Circular No. 285 of 17 December 2013 (Part I, Title IV, Chapter 2); and for financial intermediaries entered in the register pursuant to Article 106 of the Consolidated Law, in the Bank of Italy Circular No 288 of 3 April 2015 (Title III, Chapter 1).


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Bank of Italy Provisions on "Transparency of the banking and financial transactions and services – correctness of the relations between intermediaries and customers" – Section XI – paragraph 2-quater.1 "Remuneration policies and practices for relevant persons and credit intermediaries"[56]	**Page of Report**
Intermediaries shall adopt and apply policies and practices for the remuneration of relevant persons and credit intermediaries that take into account the rights and interests of customers in relation to the offering of products. For this purpose, intermediaries shall ensure that:	
a) the remuneration does not create incentives for the relevant persons and credit intermediaries to pursue their own interests or those of the intermediary to the detriment of the customers;	Page 30, 33, 48
b) account is taken of any risk likely to be prejudicial to customers; intermediaries shall take appropriate measures to guard against this risk;	Page 30-31, 37, 48, 50, 51
c) the variable component of the remuneration (if provided) of relevant persons and credit intermediaries:	
i. is anchored to quantitative and qualitative criteria[57];	Page 30-31, 48, 50, 51, 64
ii. does not constitute an incentive to offer a specific product, or a specific category or combination of products (e.g. because it is particularly favourable for the intermediary or the relevant persons or the credit intermediaries), when this may result in a detriment to the customer through the offering of a product that is not appropriate to the customer's financial needs or which results in higher costs than another product that is also suitable, consistent and useful with respect to the customer's interests, objectives and characteristics;	Page 30-31, 48, 50, 51, 63, 64
iii. is suitably balanced with respect to the fixed component of remuneration;	Page 21, 33
iv. is subject to adjustment mechanisms that enable the reduction (including significant reductions) or the reduction down to zero of the remuneration, for example in the event of conduct, by relevant persons or credit intermediaries, which has caused or contributed to causing significant damage to customers or a significant violation of the regulations contained in Title VI of the Consolidated Law, of the related implementing provisions or of codes of ethics or codes of conduct for customer protection applicable to the intermediary.	Page 31, 53, 54, 65, 69-71
The remuneration policies drawn up in accordance with this sub-paragraph shall, in addition to the aspects covered by points a), b) and c), also include: i) a description of the objectives they are seeking to achieve; and ii) details of the number of relevant persons and credit intermediaries they apply to, as well as the role and functions performed by them[58].	Page 21, 24
The remuneration policies shall be duly documented and the related documentation shall be kept for a period of no less than five years. The documentation shall also include a description of how the policies have been implemented, with particular regard to the application of the criteria for setting the variable component of remuneration, where envisaged.	
Intermediaries shall inform the relevant persons and credit intermediaries in a clear and comprehensible manner about the remuneration policies and practices applicable to them, before they are entrusted with the offering of products. The remuneration policies and practices shall be made easily accessible to the relevant persons and credit intermediaries.	

[56] This sub-paragraph implements the European Banking Authority's Guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services of 13 December 2016.
[57] In particular, variable remuneration cannot be based solely on the achievement of quantitative objectives linked to the sale of products but must also take into account other criteria (e.g. customer loyalty and level of customer satisfaction).
[58] For relevant persons, separate details shall be given of the number of persons who offer products to customers by interacting with those customers and the number of their hierarchical superiors.

Bank of Italy Provisions on "Transparency of the banking and financial transactions and services – correctness of the relations between intermediaries and customers" – Section XI – paragraph 2-quater.1 "Remuneration policies and practices for relevant persons and credit intermediaries"[59]	Page of Report
The remuneration policies and practices shall be adopted by the body responsible for strategic supervision – or, if the selection of the latter is not required by the applicable regulations, by the administration body – which is also responsible for their proper implementation and any amendments to them. For the purpose of adopting the remuneration policies, the body shall avail itself of the remuneration committee (where established), the human resources function and the company control functions[60]. Intermediaries shall subject the remuneration policies and practices of relevant persons and credit intermediaries to review at least annually, also for the purpose of ensuring the regular assessment of the adequacy of the measures adopted with respect to the risks referred to in point b) of this sub-paragraph; the compliance function or, in its absence, the internal audit function shall be involved for such purposes. Where, as a result of this review, gaps or inadequacies in remuneration policies and practices are identified, these shall be promptly modified.	Section I – par. 1

[59] This sub-paragraph implements the European Banking Authority's Guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services of 13 December 2016.
[60] The compliance function shall, among other things, certify the compliance of the remuneration policies with the provisions of this paragraph.