INTESA SANPAOLO

Report on remuneration policy and compensation paid

17 March 2020

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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 9,085,663,010.32 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

The issue of remuneration of listed companies and financial intermediaries has been gaining growing attention by international bodies and regulators, aiming to guide issuers and intermediaries towards the adoption of remuneration systems that are consistent with the principles - strengthened following the economic and financial crisis - governing the process for drawing up and approving the Group Remuneration and Incentive policies, their remuneration structure and their transparency.

In particular, according to these principles, remuneration systems must take into account current and future risks and the level of capital strength of each intermediary, and guarantee remuneration based on results actually achieved and sustainable over time.

In accordance with European Union regulations and with effect from 2011, the National Authorities defined a set of key rules on these matters.

The Bank of Italy, with regulation dated 30 March 2011, laid down harmonised rules for bank remuneration policies, systems and practices regarding their design and control, the remuneration structures and the disclosure obligations. The Supervisory Authority further enhanced the disclosure obligations by adding the remuneration systems and practices to the information to be provided in the Pillar 3 disclosure, pursuant to Circular No. 285 of 17 December 2013.

Moreover, 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 the IVASS Regulation No. 38 of 3 July 2018 on corporate governance of companies and insurance groups, which implements Directive 2009/138/EU (Solvency II) and the guidelines adopted by European Insurance and Occupational Pensions Authority - EIOPA - on the corporate governance system and incorporates the provisions of the ISVAP Regulation No. 39 of 9 June 2011 concerning remuneration policies.

In its resolution No. 18049 of 23 December 2011, Consob (through an amendment to the Issuers' Regulation) implemented the provisions contained in Article 123-ter of the Consolidated Law on Finance, which require issuers to draw up and publicly disclose a report on remuneration. In 2019, Article 123-ter of the Consolidated Law on Finance was amended by Legislative Decree 49/2019 in implementation of Directive (EU) 2017/828 (the Shareholders' Rights Directive II), which included the requirement for a binding vote by the Shareholders' Meeting on remuneration and incentive policies and the related adoption and implementation procedures, as well as a non-binding vote on the information relating to the remuneration paid. After Legislative Decree 49/2019 entered into force and in order to complete the process of implementation of the above-mentioned Directive into Italian law, Consob initiated a consultation on the amendments to the Issuers' Regulations concerning the transparency of remuneration. The consultation ended on 1 December 2019 and the final text is currently awaiting publication.

Significant updates were also made in relation to self-governance. In particular, the Corporate Governance Code, which was initially amended (March 2010) for part concerning remuneration, was subject to a complete review that resulted in a new edition published in December 2011.

The Bank of Italy subsequently revisited the topic of remuneration policies with two communications dated 2 March 2012 and 13 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.

In 2014, the European Commission issued Delegated Regulation (EU) No. 604/2014 containing Regulatory Technical Standards (RTS) relating to qualitative and quantitative criteria for the identification of categories of staff whose professional activities have a material impact on the institution's risk profile ("Risk Takers") intended to supplement Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (CRD IV), effective from June 2014.

Subsequently, on 2 December 2014, the Bank of Italy updated and published in the Official Gazette the "Provisions regarding remuneration and incentive policies", Title IV – Chapter 2, Circular 285 of 17 December 2013.

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 content of those Guidelines were adopted by the Bank of Italy which published the 25th update of Circular 285, with particular regard to the provisions of Title IV – Chapter 2, in the Official Gazette on 12 November 2018.

In addition, with regard to the asset management sector, the provisions of the Joint Bank of Italy/Consob Regulation[1] on remuneration – 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 to varying degrees according to whether or not the asset management company (Società di Gestione del Risparmio) is classed as significant (net assets managed in excess of 5 billion euro).

Lastly, in 2019 Directive 2019/878 (CRD V) was issued, which amends CRD IV and which the Bank of Italy shall comply with by 28 December 2020 and apply starting from 2021, as well as Regulation (EU) 2019/876 (CRR II), which amends CRR I. In application of the provisions of CRD V, the EBA is revising the regulatory technical standards (RTS) that specify the criteria for identifying Risk Takers.

Art. 123-ter (1), CLF

This Report has been prepared in accordance with the above-mentioned Article 123-ter of the Consolidated Law on Finance, 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 Meeting – pursuant to Article 153 of the Consolidated Law on Finance – 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 policies adopted by the Bank for the year 2020 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. The second section, split into four parts, provides a description of the each of the items that make up the remuneration, together with the quantitative, analytical and aggregate information.

[1] Issued pursuant to Article 6, paragraph 2-bis of Legislative Decree No. 58 of 25 February 1998 (Consolidated Law on Finance - CLF).

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 6 of the Corporate Governance Code. In this respect, to facilitate interpretation, specific margin notes citing the related Principles and Criteria have been provided alongside the text, together with the indications provided in Articles 123-bis and 123-ter of the Consolidated Law on Finance. 6.C.8

The Appendix to this document contains specific check lists that indicate, on one side, the Principles and Criteria of the Code and the provisions of Articles 123-bis and 123-ter 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 17 March 2020, 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 the 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 – 2020 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

Transp. Prov.[2]

1.1 The role of corporate bodies

1.1.a Shareholders' Meeting

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[3];
- 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).

1.1.b Board of Directors

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

- 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; 6.P.4.
- 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.

1.1.c Remuneration Committee

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;

[2] 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.

[3] 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.

- proposes the remuneration systems for the Group Top Risk Takers and the higher-level Executives of the Company Control Functions, taking into account the proposal 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.

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. Also 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.

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[4] and similar roles[5]. 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:

6.P.2.
- 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).

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;

[4] 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.
[5] 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 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.

6.C.4. 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.

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 Board Members as well as all board members and general managers in the 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 2019 were as follows:

- Effective date: from 31 May 2019 until 31 May 2020
- Limit: 200,000,000.00 euro, for each loss and for each year
- 2019 premium on an annual basis: approximately 1,700,000.00 euro
- Exclusion from insurance cover in the event of wilful misconduct or gross negligence.

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).

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

The present chapter describes Principles, remuneration and Incentive Systems and Instruments (Section A) and 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 (Section B); the mentioned Sections, jointly, represent the Group overall Remuneration and Incentive Policies

Section A – Principles, remuneration and incentive Systems and Instruments

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

This Section describes Principles, remuneration and Incentive Systems and Instruments defined for 2020 and addressed to all personnel of the Group and those special categories governed by the agency contract.

4.1. Purposes and principles of the remuneration and incentive Policies

6.P.2. 6.P.1. **Transp. Prov.**

The Remuneration and Incentive Policies of the Intesa Sanpaolo Group aim to align the management's and personnel's behaviour with the interests of all Stakeholders, 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 to contribute to making the Group an "Employer of choice" for its ability to attract, motivate and retain top resources.

In particular, the Policies of the Intesa Sanpaolo Group are based on the following principles:

4.2. Segmentation of personnel

The Remuneration and Incentive Policies of the Intesa Sanpaolo Group are based on personnel segmentation logics that allow the operational adaptation of the principles of merit and fairness 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. 6.P.1.

In application of these logics, three macro segments are identified:

- Risk Takers;
- Middle Managers[6];
- Professionals.

Focus: Risk Takers

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

These Rules were defined on the basis of the "Regulatory Technical Standards" (RTS) issued for the implementation of CRD IV by the European Commission during 2014 and 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: 6.C.3.

- 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;
- 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 2019, a total of 451 Group Risk Takers were identified, with an increase of 43 people compared to the number of Risk Takers identified in 2018. In addition, in application of the exclusion criteria set by the above-mentioned Rules, 273 people were not included in the scope of the Group Risk Takers while, in 2018, 65 people had been excluded.

Furthermore, an additional 489 Legal Entity Risk Takers not included among Group Risk Takers have been identified for 2019.

Consequently, considering the 3 Risk Taker segments – Top, Group and Legal Entity Risk Takers – for 2019 a total of 940 subjects have been identified.

[6] These shall mean all Heads of Business Units not already included in the cluster of Risk Takers.

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.
Specifically, the following are identified with the title of:

- Chief, the roles that define and/or highly influence the medium-long term strategy of the Group 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 or highly influence the business/function/country strategy, in line with the Division/Group strategies, and ensure their creation;
- Senior Director, the roles that define business/function/country policies and plans, and ensure their implementation, through the managerial responsibility of human and economic resources;
- Director, the roles that define and/or contribute to defining policies and plans for their organisational structure, and ensure their implementation, through the managerial responsibility of human and economic resources;
- Senior Manager, the roles that contribute to defining plans and programmes, and ensure their implementation, through the management of human resources;
- Manager, positions that ensure the implementation of operating programmes and plans, and the achievement of results of their organizational structure, in accordance with set methods, schedules and qualitative standards, through the application of technical knowledge and the coordination of teams/projects.

Transp. Prov.

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 the 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.

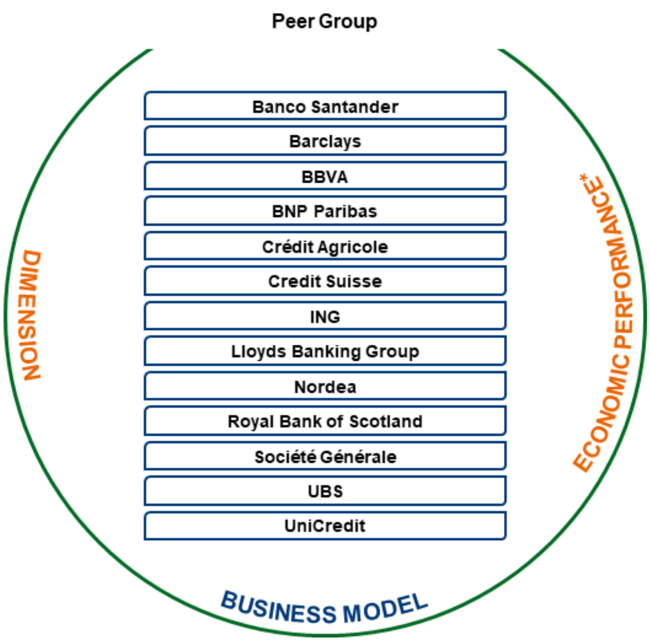
Role	Number as at 31/12/2019
Banca dei Territori Division	
Branch Managers of Retail and Personal Branches	3,738
Managers at Retail and Personal Branches	28,522
Financial agents of Agents4You	8
Private Banking Division	
Branch Managers of Private Banking Branches	109
Private Bankers	1,099
Financial Advisors of Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking	4,755
Financial Advisors with an accessory contract (Regional Managers) of Fideuram and Sanpaolo Invest	130

6.P.1

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 other than employees

The remuneration received by Financial Advisors, 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 specific reference to the remuneration of the employee with mixed contract[7], in the capacity of part-time employee, this consists of both a fixed portion and a variable portion and, in the capacity of freelancer, 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:
  - to the Risk Takers (within Italy and some foreign countries[8]) and Middle Managers (within Italy and Egypt) belonging to the Company Control Functions[9] and for the heads of commercial roles within the scope of the Banca dei Territori Division local network and are connected to the role held;
  - to 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 **remunerations 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, 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 with respect to the responsibilities managed, against

[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] With reference to the insurance sector, the scope of the Company Control Functions coincides with the Key Functions.

a limit to the ratio between variable remuneration and fixed remuneration set by the Bank of Italy[10] at 33%, a limit which is not found in similar regulations issued by other European Union countries[11].

Concerning the definition of the amount, the Group's 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's 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 and the 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 the Financial Advisors and Agents, the "recurring" component consists of commissions which represent the most stable and ordinary portion of remuneration.
In particular, for the Financial Advisors of Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest (SPI), the commissions of a recurring nature are preset percentages of the gross revenues of the Company (recurring and up front, so-called PayOut) deriving from the fees received on products placed/services rendered to customers in the portfolio (so-called PayIn); these percentages are different depending on the type of products or services subscribed and are governed in the agency contract.
These commissions allow to:

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

The "recurring" remuneration of the Financial Advisors with an accessory contract of Fideuram and Sanpaolo Invest (i.e. Advisors with the responsibility of commercial coordination and supervision of specific activities and/or groups of Financial Advisors) also consists of:

- supervision commissions (so-called "maintenance over") for the activity of coordination and supervision of a group of Financial Advisors who operate in the related area, determined on the basis

[10] Bank of Italy Circular 285/2013.
[11] 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 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.

of the role carried out, according to specific PayOut rates applied to the commissions accrued by the supervised Financial Advisors;
- development commissions (so-called "development over") for the development and growth of the group of Financial Advisors, determined on the basis of the role carried out, according to specific PayOut rates applied to the accumulated net funding of the Financial Advisors hired and entered in the supervised structure.

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 4.4.5);
  - the Broad-based Short-Term Plan – PVR (see paragraph 4.0);
- long-term variable component, paid through:
  - the Performance-based Option Plan (POP) addressed to Top Risk Takers, the remaining Risk Takers and Key Managers[12] (see paragraph 4.4.8.1);
  - the LECOIP 2.0 Plan addressed to Middle Managers (not included in the POP) and the remaining Personnel (see paragraph 4.4.8.2);
- the carried interest, i.e. the share in the profits of the UCITS or AIF received by personnel as compensation for the management of the UCITS or AIF[13];
- 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 (SGR entities) that operate in Venture Capital or Private Equity, carried interest is introduced, providing the use of equity instruments with strengthened rights, i.e. that imply a participation in the profits that is proportionally greater than that of the other investors.

The introduction of 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);

[12] Key Managers means those among the Executive Directors who are not Risk Takers.
[13] 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. 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

- 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.

Finally, it is worth noting that, for the personnel mentioned above, it will be possible to reach the limit of the ratio between the variable and fixed remuneration exceeding 200% and up to a maximum of 400% (see paragraph 4.4.2) only through the application of this mechanism.

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 by the bank for a period of at least 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 invested in Intesa Sanpaolo shares or other related instruments and held by the bank for a period of at least five years;
- they contribute to the calculation of the cap between the variable and fixed component of remuneration.

Non-recurring remuneration

Transp. Prov.

For the 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.

In addition, a 2018-2021 Long-term Incentive Plan is envisaged for around 5,000 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.

Transp. Prov.

Focus: the 2018-2021 Long-term Incentive Plan for the Financial Advisors of Fideuram ISPB 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 a 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 company level: Net fee and commission income for 2021 generated by Fideuram ISPB and Sanpaolo Invest Networks • Performance conditions at individual level: Growth of the Total Net Funding in the four-year period of the Plan and related prospective profitability (expressed by the ratio between the Total Net Funding and the Gross Added Value[14])	
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's RAF and/or Operational Losses exceeding the limit envisaged in the Fideuram Group's 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's 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	Compliance breach: • exclusion of the Financial Advisors who are suspended through a resolution by the	

[14] 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: the 2018-2021 Long-term Incentive Plan for the Financial Advisors of Fideuram ISPB and Sanpaolo Invest (SPI) Networks	
Clawback	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: 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 4.0) 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

6.C.1.a) 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.
In accordance with the regulatory guidelines, the Intesa Sanpaolo Group traditionally adopts a pay mix that is appropriately balanced, in order to:

6.C.1.c)
- 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

6.C.1.b)
Transp. Prov.

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.

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 in 2018 by the Shareholders' Meeting with a qualified majority, the variable remuneration cap set in the general criteria was increased up to 200%[15] 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 sectors 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 as well as Heads of the Financial Institutions Department).

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 those in 2018, which were the subject matter of previous shareholders' meeting resolutions.

Moreover, there is the intention to extend the increase to 2:1 of the variable-to-fixed remuneration cap to the **Global Relationship Managers** operating in the Global Corporate Department and in the Financial Institutions Department, to the **Heads of the Corporate and Financial Institution Desks** of the Hubs in the International Department of the Corporate & Investment Banking Division as well as to the **Mortgage Specialists, Personal Bankers and Senior Customer Advisors** belonging to the Všeobecná Úverová Banka (VUB) Network.

There are about 610 additional resources of the Group this increase up to 2:1 is applied to, none of which is identified as a Group Risk Taker.

The increase of this ratio is justified by attraction and retention needs as well as by the need to support the international growth of the Corporate & Investment Banking Division as stated in the 2018-2021 Business Plan.
Specifically:

- the Global Relationship Managers operating in the above-mentioned Departments are in charge of managing businesses that are particularly relevant in current and future terms and, following the reorganisation of the Corporate & Investment Banking Division, play a role that has evolved in

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

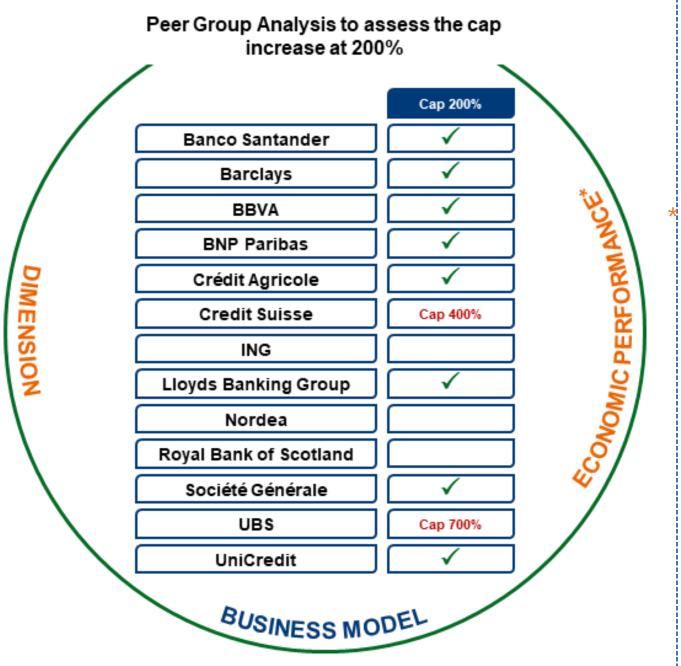
light of a growing internationality and affinity with the activities that characterise Investment Banking. As a consequence, also remuneration for this category is becoming more and more competitive and similar to that of Investment Banking. Therefore, similarly with what is already in place for the Investment Banking category, an increase in the cap up to 2:1 is required also for this cluster;

- the Heads of the Corporate and Financial Institution Desks of the Hubs in the International Department are key for the international development in the markets where the Intesa Sanpaolo brand does not have the same employer value it has in the domestic market;
- Mortgage Specialists, Personal Bankers and Senior Customer Advisors belonging to the VUB Network operate in a market that, close to full employment, recorded an increase in the turnover rate of the most professional populations.

The total number of Group resources to whom the cap increase is applied stands at approximately 2710, of which 352[16] are Group Risk Takers[17].

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



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

Focus: Compliance with the prudential regulations (see paragraph 4.5)

The increase in the maximum limit of the variable remuneration ensures, in any event, compliance with prudential regulations given that:

- 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;

[16] Figures updated as at 31 December 2019.
[17] From the overall number of Group Risk Takers identified for 2019, 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%.

- 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" area 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[18], 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 **222**, of which **10** Group Risk Takers and 23 subjects identified as key personnel of the individual Companies[19]. 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 e retention of key resources in the countries where the ISP Group is already present (Luxembourg, Ireland, UK, Slovakia, Hungary), where they operate as 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);
- attraction and retention of key resources in the domestic Italian market, given the increase in competitive pressure (demonstrated by the acceleration of turnover rates in the last 3 years). 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.

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;
- the performance measurement mechanisms adopted as incentive drivers for personnel of the "Investment" area 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*

[18] Latest update of 26 October 2018 of Bank of Italy Circular 285/2013.
[19] Figures updated as at 31 December 2019.

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.

4.5. Annual Incentive Systems for Group personnel

Transp. Prov.

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’s 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
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)

4.5.1. Gateway conditions for annual Incentive Systems

6.C.1.c) 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.

6.C.1.a) 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:

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

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:

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

Please note that:

- for those Legal Entities which calculate their limits of sound capital base (CET1 or, in the case of insurance companies, the Solvency Ratio) and liquidity (NSFR), failure to respect these limits constitutes a non-activation condition for all the Incentive Systems the resources operating in the Legal Entity are the beneficiaries of, also when those of the Intesa Sanpaolo Group may be positively respected.
- if sustainability conditions (i.e. no loss and positive Gross Income) at the level of individual Bank are not respected, 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's 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 of the Incentive System of the Financial Advisors who are not employees

The Incentive System of the Financial Advisors is the only one not financed by the Group bonus pool. This System is actually self-funded since this category of personnel consists 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 funding the Group's 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.

Focus: Bonus pool sizing mechanism

6.C.1. a)
6.C.1. b)
6.C.1. d)

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.

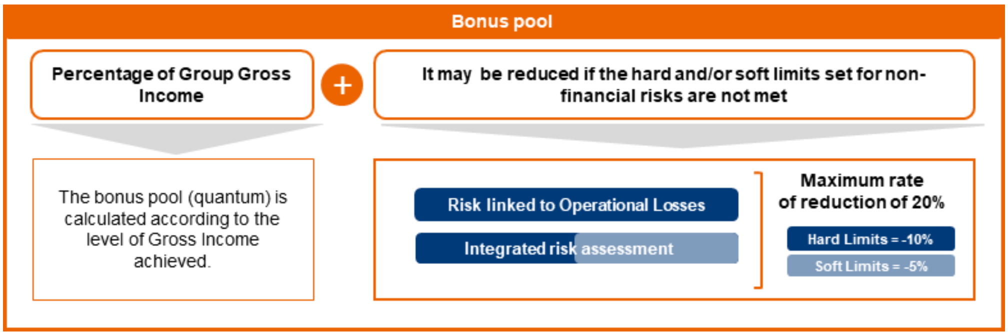
In particular, in the case of:

- 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's Risk Appetite Framework sets specific limits both for the 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's 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[20] ("additional" bonus pool).

Similarly, to the Group's 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 the 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:

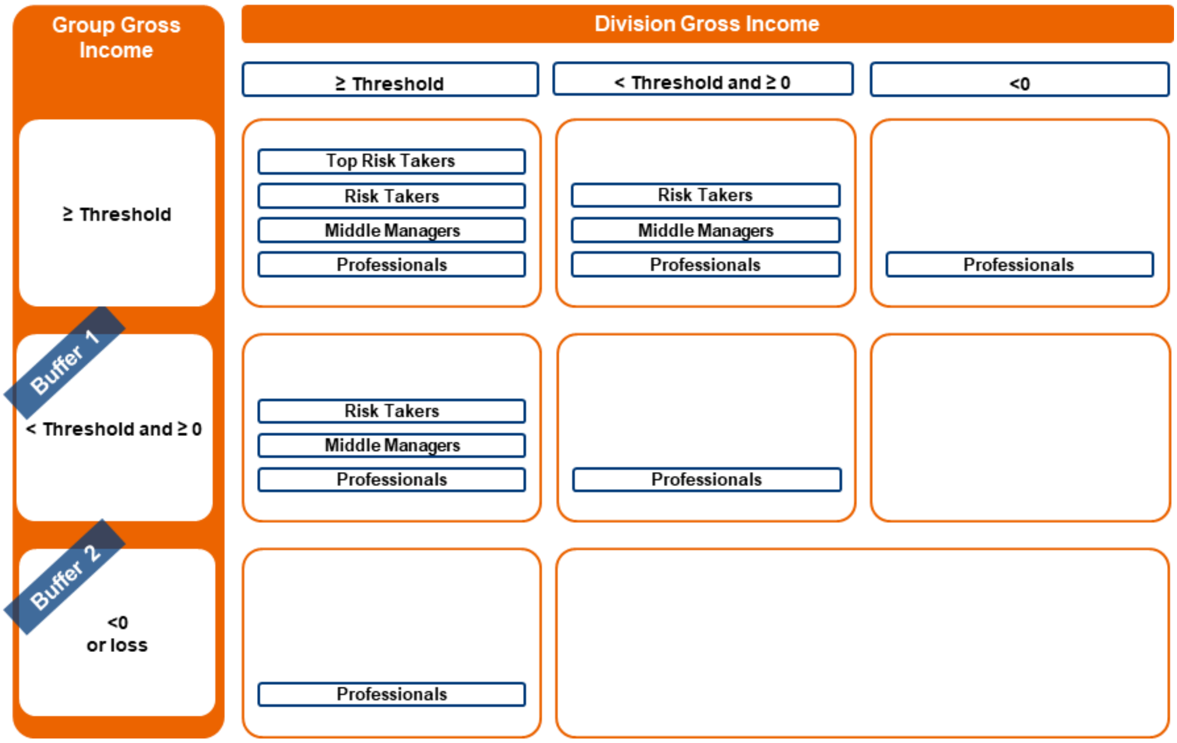
- the Group's Gross Income exceeds the Access Threshold and:
  - at Division level, the Gross Income is positive though lower than the Threshold, the payment of the bonus is precluded to the Top Risk Taker of the Division regardless of the performance evaluation achieved;
  - at Division level, the Gross 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's 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's Gross Income is positive though lower than the Access Threshold and the Gross Income of the Division is negative; (ii) the Group's Gross Income is negative and the Gross

[20] 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 employees 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

The Incentive System for the Risk Takers and Middle Managers[21] 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.

KPIs		
	Economic-financial KPIs clustered within 4 drivers in line with the Business Plan	
	Growth **Profitability**	Expressed according to a risk/return approach through: • direct correlation between each objective (and the related target) with risks taken • balance among the different objectives
	Productivity	Not directly related to risks but somehow linked to the sustainability of results over time
	Cost of Risk/Sustainability	Aimed at risks reduction and/or mitigation as defined by the RAF
	Non-financial KPIs	
	• Quantitative or qualitative • Are linked with strategic actions or projects that represent the enabling factors for the achievement of financial KPIs or that contribute to the achievement of the Business Plan objectives • Promote or encourage virtuous behaviour (good conduct) especially in reference to those businesses and areas that require direct customer relationship	

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's 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.

[21]In particular, reference is made to the Executive Directors, Senior Directors and Directors identified according to the Global Banding method adopted by the Group. It is noted that for certain business/functional areas of the Group, an extension of the cluster of Middle Managers involved in that annual Incentive System is planned also for the Senior Manager levels and, at times, Managers.

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
	Non-financial KPIs	
	Managerial Qualities	Diversity & Inclusion, Risk Culture – Promoting awareness regarding "emerging" risks (for the Company Control Functions)
	Strategic Actions/Projects	International growth in Private Banking Project, Retail Customers digitalisation project, Non-Life Insurance Project, Impact & ESG

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 2020, 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's 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 2020, the Group transversal KPI "Diversity & Inclusion" was identified among the managerial qualities, in line with 2019. Furthermore, for the Company Control Functions, for 2020 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".

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%**
Qualitative evaluation	Diversity & Inclusion	*10%*	*10%*
	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% - 10%*	*40% - 20%*

(*) if both KPIs are included in the Performance Scorecard

Risk Takers and Middle Managers of the Company Control Functions

	Strategic Driver / KPIs	*Weight range on the Performance Scorecard* – COMPANY CONTROL FUNCTIONS
Non-financial - quantitative objectives	Productivity Cost of risk/Sustainability	*40% - 75%*
Group Objectives – cross-functional	Profitability	Group economic-financial objective not envisaged
Non-financial - qualitative objectives	Diversity & Inclusion	*10%*
	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	*40% - 0%*

Focus: The 2020 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.

	OBJECTIVES					
	Strategic driver	**KPI**	**Weight (%)**	**Threshold level**	**Target level**	**Maximum level**
GROUP OBJECTIVES	**Profitability**	Net income (billion)	20%	Result of previous year	Budget	131% of previous year result
		Operating Income/RWA	10%	87% of previous year result	Budget	116% of previous year result
	Productivity	Cost/Income	20%	104% of previous year result	Budget	95% of previous year result
	Cost of Risk	Gross NPL ratio	20%	Result of previous year	Budget	77% of previous year result
QUALITATIVE EVALUATION (Group scope)	**Managerial Qualities**	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 • Spreading and promoting Smart Working initiatives		
	Strategic Actions from the 2018-2021 Business Plan	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)		

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 for the Top Risk Takers, is ranking-based for the other Risk Takers and is connected to the evaluation of the results for Middle Managers. 6.C.1. a) 6.C.1. b)

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.

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[22].

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 compared to the milestones set by the specific long-term business plan and, in any case, in terms of year-on-year improvement, in line with the medium-long term objectives that characterise all of the Group’s 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 segments

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.

Transp. Prov.

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 and, as part of the latter, if the beneficiary of Incentive Systems is a sales network in direct contact with customers, KPIs regarding customer satisfaction and correctness of customer relations are always envisaged.

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

[22] 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.

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

Incentive System by cluster	Beneficiaries	Main characteristics
Non-Performing Loans	Credit Value Preservation Head Office Department, NPE Head Office Department and core structures of the Credit Governance Head Office Department of the Chief Lending Officer Governance Area Credit Functions of Regional Department 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's **gross NPL stock** as well as **objectives of governance of flows** between credit stages (e.g. flows from Performing to Past Due, flows from Past Due to UTP) at Group or Regional Department level. In any case, the System is subject to the achievement of 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	<u>Purpose:</u> Support the aim to develop the Non-Motor P&C Insurance business envisaged by the 2018-2021 Business Plan. <u>Performance conditions:</u> The **economic-financial** KPIs must 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 must be in line with the **service quality** drivers (e.g. contractual documentation validity, P&C policy complaints, IVASS training).
Transsp. Prov. **Private Banking Network**	Italian Network of Intesa Sanpaolo Private Banking	<u>Purpose:</u> 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. <u>Performance conditions:</u> The **economic-financial** KPIs must 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 must guide behaviour towards customer loyalty, monitoring of the operational risks, customer satisfaction and the quality of the service rendered.
Transp. Prov. **Financial Advisors**	Sales network of Fideuram Intesa Sanpaolo Private Banking and Sanpaolo Invest	<u>Purpose:</u> 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. <u>Performance conditions:</u> The **economic-financial** KPIs must reflect the volumes, profitability and stability of the Net Inflows. The **non-financial** KPIs must include measures to guide behaviour towards customer satisfaction, compliance with the principles of correctness in relation with customers and reduction in operational risks.
Investment Management (Middle Managers and Professionals)	Professional sectors of managers in asset management (SGR entities)	<u>Purpose:</u> 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). <u>Performance conditions:</u> The **economic-financial** KPIs must mainly relate to the performance adjusted for the risks assumed of the managed products over a multi-year time horizon.

		The **non-financial** KPIs focus on managerial or professional skills.
Network of International Subsidiary Banks	Middle Managers and Professionals of the International Subsidiary Banks	Purpose: 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. Performance conditions: 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.: 6.C.1. a) 6.C.1. c) 6.C.1. d) Transp. Prov.

- 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;
- 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 IV, if involving a penalty of an amount equal to or greater than 30,000 euro;
- behaviours that do not comply with the provisions of the law, the regulations, the Articles of Association or any other ethical or conduct codes defined *ex ante* by the Group and which produced a "significant loss" for the Bank or for customers.

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

The Incentive System excludes:

- all the Financial Advisors subject to a suspension measure are excluded from the Incentive System, except for those cases that will be 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.

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 4.4.6), 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**. 6.P.2 6.C.1. c) 6.C.1. d) 6.C.2

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	>	Ø

6.C.1. c)

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 set for the 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 population, 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, Total Capital or, in the case of insurance companies, Solvency Ratio) and liquidity (NSFR), 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 the resources operating in the Legal Entity are the beneficiaries of, 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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6.C.1. f)

The company reserves the right to activate clawback mechanisms[23], 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 and from which a "significant loss" derived for the Bank or the customer.

[23] 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.

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

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.

Illustrated below are the methods for the payment of the variable remuneration adopted by the Intesa Sanpaolo Group. 6.C.1 e)

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
4. **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 exceeds the materiality threshold defined by the Group and equal to or less than 100% of the fixed remuneration, or equal to or less than 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

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 date 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 defined by the Intesa Sanpaolo Group

The Intesa Sanpaolo Group has defined its materiality threshold, equal to 80,000 euro, beyond which the variable remuneration is considered "significant".

6.C.2

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

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 is replaced by the allocation of units of Certificates of the subsidiary in compliance with local regulations;
- the Risk Takers of PBZ and its Subsidiaries, since the portion in Intesa Sanpaolo shares is replaced by the allocation of shares issued by PBZ;
- the Risk Takers and the personnel accruing a "significant" bonus that is higher than 100% of the fixed remuneration belonging to asset management companies (SGR entities), since the portion in Intesa 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 requires that Risk Takers belonging to significant asset management companies (SGR entities) be allocated units or shares of UCITS or AIFs managed as a liquidation instrument for a portion of the annual variable remuneration.
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.

Retention period

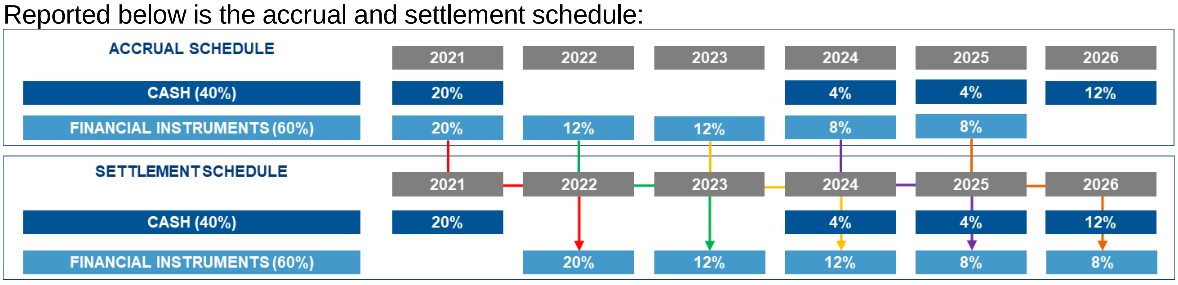
Both the **up-front** and **deferred** variable remuneration paid in financial instruments is subject to a retention period of **1 year**. During the retention period, the related **dividends** are recognised on the portions assigned in shares. 6.C.2

In accordance with the indications above, the Intesa Sanpaolo Group has defined the following accrual and settlement layouts 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 **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:

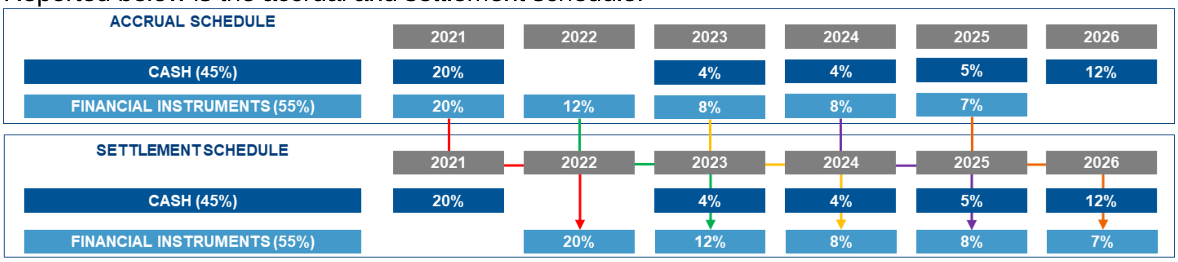
1. Schedule 1: if the variable remuneration **exceeds 100% of the fixed remuneration,** 40% of the payment will be up-front (of which 20% in cash and 20% in financial instruments) and 60% (of which 20% in cash and 40% in financial instruments) on a deferral time horizon of 5 years. 6.C.1 e) 6.C.2

   Reported below is the accrual and settlement schedule:



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. 6.C.1 e) 6.C.2

   Reported below is the accrual and settlement schedule:



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

3. Schedule 3: for the **other Risk Takers** who accrue a variable remuneration **exceeding 100% of the fixed remuneration and higher than 80,000 euro**, 40% of the payment will be up-front (of which 20% in cash and 20% in financial instruments) and 60% (of which 30% in cash and 30% in financial instruments) on a deferral time horizon of 3 years. 6.C.1 e) 6.C.2

   Reported below is the accrual and settlement schedule:

ACCRUAL SCHEDULE	2021	2022	2023	2024
CASH (50%)	20%		10%	20%
FINANCIAL INSTRUMENTS (50%)	20%	20%	10%	

SETTLEMENT SCHEDULE	2021	2022	2023	2024
CASH (50%)	20%		10%	20%
FINANCIAL INSTRUMENTS (50%)		20%	20%	10%

6.C.1 e) 6.C.2

4. Schedule 4: for the **other Risk Takers** who accrue a variable remuneration **equal to or lower than 100% of the fixed remuneration and higher than 80,000 euro** and for **Middle Managers and Professionals** who accrue a variable remuneration **exceeding 100% of the fixed remuneration** and **higher than 80,000 euro,** 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	2021	2022	2023	2024
CASH (50%)	30%		7%	13%
FINANCIAL INSTRUMENTS (50%)	30%	13%	7%	

SETTLEMENT SCHEDULE	2021	2022	2023	2024
CASH (50%)	30%		7%	13%
FINANCIAL INSTRUMENTS (50%)		30%	13%	7%

6.C.1 e)

5. Schedule 5: for **the other Risk Takers** who accrue a variable remuneration **exceeding 100% of the fixed remuneration** but **equal to or lower than 80,000 euro and** for **Middle Managers and Professionals** who accrue a variable remuneration **equal to or lower than 100% of the fixed remuneration** but **higher than 80,000 euro** or **exceeding 100% of the fixed remuneration** but **equal to or lower than 80,000 euro,** 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	2021	2022	2023
CASH (100%)	60%		40%

SETTLEMENT SCHEDULE	2021	2022	2023
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;
- 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.

Focus: Payment method of the variable remuneration for the Legal Entity Risk Takers 6.C.1 e) 6.C.2

With reference to the methods of payment of the variable remuneration for the Risk Takers identified exclusively by the Legal Entities, the principle of proportionality is applied, i.e., to those operating in the:

- Banks of greater size or operational complexity and in listed banks, the accrual and payout schedules set for the Group Risk Takers are applied;
- Medium-sized Banks, the vesting and payout 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 80,000 euro 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[24].

Schedule 6:

ACCRUAL SCHEDULE	2021	2022	2023
CASH (70%)	45%	5%	20%
FINANCIAL INSTRUMENTS (30%)	15%	15%	

SETTLEMENT SCHEDULE	2021	2022	2023
CASH (70%)	45%	5%	20%
FINANCIAL INSTRUMENTS (30%)		15%	15%

To banks of smaller size or operational complexity, the accrual and settlement schedule for the Group Middle Managers and Professionals are applied.

Focus: Payment method of the variable remuneration for the personnel of the "Investment" area of the asset management companies 6.C.1 e) 6.C.2

In line with the requirements set by the regulations, the payment method of the variable remuneration for the personnel of the "Investment" area 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 the Risk Takers of the "Investment" area who accrue a variable remuneration **exceeding 80,000 euro 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 UCITS) and 70% (of which 15% in cash and 55% in quotas of UCITS) on a deferral time horizon of 5 years.

Schedule 7:

ACCRUAL SCHEDULE	2021	2022	2023	2024	2025	2026
CASH (30%)	15%					15%
FINANCIAL INSTRUMENTS (70%)	15%	14%	14%	14%	13%	

SETTLEMENT SCHEDULE	2021	2022	2023	2024	2025	2026
CASH (30%)	15%					15%
FINANCIAL INSTRUMENTS (70%)		15%	14%	14%	14%	13%

In the other cases accrual and settlement layouts are applied that are defined for the Group and, specifically, for the Risk Takers of the "Investments" category that accrue a variable remuneration:

- **exceeding 80,000 euro** and between **200% and 300% of fixed remuneration**, **layout 1** is applied;
- **exceeding 80,000 euro** and between **100% and 200% of fixed remuneration**, **layout 3** is applied;

[24]It should also be noted that in none of the medium-sized Banks are there 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.

Focus: Payment method of the variable remuneration for the personnel of the "Investment" area of the asset management companies

- **exceeding 80,000 euro and equal to or less than 100% of fixed remuneration**, **layout 4** is applied.

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

- **exceeding 80,000 euro** and higher than **300% of fixed remuneration**, **layout 1** is applied;
- **exceeding 80,000 euro** and between **200% and 300% of fixed remuneration**, **layout 3** is applied;
- **exceeding 80,000 euro** and between **100% and 200% of fixed remuneration**, **layout 4** is applied;
- **exceeding 80,000 euro and equal to or less than 100% of fixed remuneration** or **higher than 100% of fixed remuneration but equal to or less than 80,000 euro, layout 5** is applied.

Transp. Prov.

4.7. Broad-based Short-Term Plan – PVR ("Premio Variabile di Risultato")

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[25] 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	BASE BONUS	• **independent from contractual agreement and professional role/seniority** • aimed at rewarding all Group employees for their collective contribution to achieving the annual results as well as at supporting, also for internal equity purposes, the lower remuneration
	Participatory	ADDITIONAL BONUS	• **differentiated by professional role or seniority and professional category cluster** • aimed at enhancing the specific contribution to the Group's results considering the **professional role**
	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 2019, the average of the base and additional bonuses disbursed is less than 1,000 euro.

[25] 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.

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.

6.C.1. a)
6.C.1. d)

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)	≥	Limits set by the RAF at Group level
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 three-fold structure, insofar as it is intended to specifically fund the three 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 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 roles 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 the role's 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;
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.

Focus: The Performance Scorecard of the Banca dei Territori Network

Transp. Prov.

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 Unit 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 Unit 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 bonus, additional bonus 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 Risk Takers and so-called Key Managers[26];
- Middle Managers (not Risk Takers) and the remaining personnel.

With reference to the Top Risk Takers, other 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 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, Risk Takers and Key Managers;
- rewarding Top Risk Takers, Risk Takers and Key Managers only in case of value creation for shareholders.

Key Features of the POP Plan	
Topic	**Features**
Beneficiaries	Top Risk Takers, 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

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

Key Features of the POP Plan	
Topic	**Features**
	• 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 time horizon
Strike Price	Average market price of the month preceding grant equal to 2.5416 euro
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
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.[27] 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 Risk Takers and Key Managers
Malus conditions	Malus conditions may reduce accrued deferred shares not yet vested up to complete forfeiture of the deferrals They 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

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").
Dilution	No impact
Cost	Overall ca. 130 million euro for the 2018-2021 period

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

Transp. Prov.

4.8.2. The LECOIP 2.0 Plan

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. Managers (excluding Top Managers, 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 shares base **eight 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 time horizon	
Payout Schedule	Upfront cash pay-out in 2022 (employees may also elect pay-out in ISP shares).[28] 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	

[28] 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.

Key Features of the LECOIP 2.0 Plan	
Topic	**Features**
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

4.9. Termination of the employment agreement

6.C.1. g) 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.

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*:	**Included in the *severance amount*:**
Indemnity for failed notice as provided **by CCNL**	**Indemnity for failed notice** for the **portion that exceeds CCNL provisions**
	Settlement agreement
Non-competition agreement (the portion **equal** to the **last-year fixed remuneration**)	**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**[29] for compensation paid as severance. The adoption of this limit can lead to a maximum disbursement of **5.2 million euro**[30].

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.
  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

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

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

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).

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[31] ones, to the assignment of units or shares of the UCITS or AIFs managed in place of the shares.

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 4.0), individual access (see paragraph 4.4.5.5), malus (see paragraph 4.4.5.6) and clawback conditions (see paragraph 4.4.5.7) set for variable remuneration for each cluster are applied to severance.

Focus: Process to determine the severance for the Top Risk Takers

The specific determination of the severance for the Group Top Risk Takers, the higher-level Heads of the Company Control Functions and the similar roles for the purpose of the Remuneration Discipline, 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 particular attention to the capital, liquidity and profitability levels of the Group[32] and to any individual sanctions imposed by the Supervisory Authority[33]. 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 of December 2015, 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

[31] It should be noted that no Group Risk Takers have been identified at non-significant asset management company (SGR entity) level

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

1. Common Equity Tier 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.

[33] "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 CRD4, involving a penalty of an amount equal to or greater than 30,000 euro".

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.

Section B – 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

The regulatory provisions on remuneration and incentive policies (Directive 2013/36/EU, so-called CRD IV) 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 (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, 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 process of identifying of Group Risk Takers conducted by the Parent Company and 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 defined 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, adopt 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.

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;
- 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 Management 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 criteria.

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 and the Manager responsible for preparing Intesa Sanpaolo's financial reports.
   These executives make up the cluster of the so-called 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 Executive Directors, Senior Directors and Directors[34] who report hierarchically directly to:
   - 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. <u>The staff member has managerial responsibility in a material business unit and reports directly to the staff member who heads that unit</u>

[34] Executive Director, Senior Director and Director are titles assigned by Intesa Sanpaolo and related to Global Banding System. Each title corresponds to certain levels of responsibility. In particular, the following are identified with the title of:
- 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 high-complex contexts;
- Senior Director, positions that define function/business/country policies and plans and ensure their implementation by taking managerial responsibility for financial and human resources;
- Director, positions that define and/or contribute to defining policies and plans for their own organisational structure and ensure their implementation by taking managerial responsibility for financial and human resources.

This criterion identifies Executive Directors, Senior Directors and Directors who 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[35]
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.

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
Taking into account that in Intesa Sanpaolo the credit granting powers are 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 RWA, 0.1% of the Common Equity Tier 1 capital (an average transaction is taken as reference towards 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 RWA, at least equal to 0.1% of the Common Equity Tier 1 capital.

    b) *has authority to take, approve or veto a decision on such credit risk exposures; or*
    This criterion identifies the subjects that have the powers of granting credit to ordinary customers and Bank/Financial Institution customers for an amount, converted into RWA, 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 with decision-making powers on credit matters, established at Group and individual Bank level, if they have the power to grant the amount, expressed in RWA, 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:
    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 the Intesa Sanpaolo Group has adopted the internal models approach for regulatory purposes.

        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

[35] 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.

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 Committees are not established 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)*
    This criterion identifies the staff members previously identified under 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 are not identified for this criterion Takers 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, with voting rights, of the Division Governance Workgroups;
    - the members of the Division Technical Workgroups in the decision-making sessions.

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. 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) the staff member has been awarded total remuneration of EUR 500,000 or more in the preceding financial year;
b) 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;
c) the staff member was in the preceding financial year 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.

These 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.

4.12.3. 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 material business units are identified that have a material impact on the risk profiles of the Group despite a level of absorption of economic capital below 2% and that, as a consequence, are considered similar to the material business units:

1. business units carrying out asset management activities, whose contribution to the income of the Intesa Sanpaolo Group derives from direct portfolio management is equal to at least 1%, calculated based on the average of the last 3 years;
2. business units carrying out private banking activities with total assets at least equal to 3.5 billion euro[36];
3. Regional Governance Centres of the Banca dei Territori Division.

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 significant 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 network, as requested by Bank of Italy Circular no. 285;
- Financial Advisors who, based on the incentive systems defined, accrue non-recurring remuneration higher than the recurring remuneration referring to the same year.

Instead, with regard to business units carrying out investment banking and structured finance, based on the significant operational and reputational risks connected with carrying out that businesses, the Executive Directors, Senior Directors and Directors that are Heads of those units are identified as Risk Takers.

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 and internal audit functions by the Corporate Bodies of the Legal Entities that are considered material business units, or equivalent 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.

4.13. 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;

[36]This threshold is the one set by Bank of Italy Circular no. 285 to identify the medium-sized Banks.

- 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, taking account of the unchanged automatic exclusion criteria and the nominative exclusion criteria relating to remuneration based on the reference organisational context.

Section II – Disclosure on remuneration paid in financial year 2019

Introduction

Section 2 of the Report describes the implementation of the Remuneration and Incentive Policies for 2019, approved by the Shareholders' Meeting on 30 April 2019, as required by both the European regulations on public disclosure obligations (Article 450 of (EU) Regulation No. 575/2013 of 26 June 2013 - Capital Requirements Regulation, CRR, as well as the Bank of Italy Circular 285 of 17 December 2013[37]), and by Consob (Article 84-*quater* of the Issuers' Regulation adopted with resolution No. 11971 of 14 May 1999 as amended[38], 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 2019 Incentive System based on financial instruments, including in particular the fulfilment of the gateway, funding and individual access conditions, as well as the methods for payment of 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 2019 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 Annual Incentive Systems based on financial instruments") of the Shareholders' Meeting of 27 April 2020.

The second part ("Quantitative analytical tables"), of a purely quantitative nature, provides disclosure, pursuant to Consob Regulation and the Bank of Italy Circular mentioned above, regarding the remuneration data for the year 2019, 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.

[37] 25th update, First Part, Title IV, Chapter 2, Section VI, paragraph 1.
[38] Reference is made to the last update made with resolution No. 18049 of 23 December 2011.

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 Chairman 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 30 April 2019, 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;

6.C.2.

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 2019 Incentive System based on financial instruments approved by the competent Corporate Bodies, in compliance with the applicable Remuneration and Incentive Policies;

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 the provisions of paragraphs 2.6 and 4.9 of Section I of the 2019 Report on Remuneration apply.

The 2019 Incentive System based on financial instruments

The beneficiaries of the 2019 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 in excess of 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 2019 Incentive System.

STEP	MECHANISM			
			Measure	**On/Off**
BONUS POOL	**Gate**	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 2019 • Allocation of the bonus pool at each Division/Governance Area level, based on Gross Income level reached and compared to the budget 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 2019 it is not envisaged any bonus pool reduction neither at Group nor at Division level		
BONUS ALLOCATION	**Incentive System 2019**	• 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		

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.**

The 2019 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 targets assigned to the Managing Director and CEO, acting as General Manager, for the year 2019:

	Strategic driver	KPI	Weight %	Result	Result vs budget target
Group objectives	Profitability	Net income (billion)	20%	4,18	target
		Operating Income/RWA	10%	6.06%	
	Productivity	Cost/Income	20%	51.37%	
	Cost of risk	Gross NPL ratio	20%	7.56%	
	% Group objectives		70%		

	Strategic driver	KPI	Weight %	Evaluation driver	Evaluation
Qualitative evaluation	Managerial skills	Diversity & Inclusion: rewarding female talent	10%	• Improvement of Intesa Sanpaolo placement in at least one of the Gender Equality relevant indicator compared with 2018 (Equileap Gender Equality Global Ranking, Bloomberg Gender-Equality Index) • Position in the audit survey conducted by an Italian Consulting Company specialised in conducting audits on Diversity & Inclusion Management	
	Strategic Actions from Business Plan 2018 – 2021	Digitalisation	10%	• Digitalisation of the customers offering • Percentage of the digitalised activities • HR Digital Transformation • Partnership FinTech	
		Internationalisation	10%	• Foreign Operating Income growth year on year	
	% 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 **110%[39] of the target**, the Board of Directors, on proposal by the Remuneration Committee, in the meeting held on 25 February 2020, awarded the CEO a bonus of **3.274 million euro**.

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 2019 Remuneration and Incentive Policies, the bonus accrued will be paid 40% in cash and 60% in shares, taking into account the holding period established by the regulations for the component in shares, as detailed below:

Pay-out €/000	2020	2021	2022	2023	2024	2025
Cash	655			130.5	130.5	393
Shares (equivalent value)		655	393	393	262	262

[39]The performance scale used has minimum, target and maximum levels of 80%, 100% and 120% respectively.

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 Re-munera-tion	Remunera-tion for par-ticipation in committees	Attend-ance fees	Non-equity variable remuneration		Non-mon-etary ben-efits	Other re-munera-tion	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					
Bazoli Giovanni	President Emeritus (*)	01/01/2019	30/04/2019										
Gros-Pietro Gian Maria	Chairman of the Board of Directors	01/01/2019	31/12/2019	800							800		
	Member of the Board of Directors	01/01/2019	31/12/2019	113							113		
	Member of the Nominations Committee	01/01/2019	30/04/2019			12					12		
		07/05/2019	31/12/2019			20					20		
Colombo Paolo Andrea	Deputy Chairperson of the Board of Directors	01/01/2019	31/12/2019	150							150		
	Member of the Board of Directors	01/01/2019	31/12/2019	113							113		
	Chairman of the Remuneration Committee	01/01/2019	30/04/2019	16		20					36		
		07/05/2019	31/12/2019	39		25					64		
	Member of the Nominations Committee	01/01/2019	30/04/2019			12					12		
		07/05/2019	31/12/2019			23					23		
Carbonato Gianfranco	Member of the Board of Directors	01/01/2019	30/04/2019	33							33		
	Chairman of the Nominations Committee	01/01/2019	30/04/2019	16		12					28		

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					
Locatelli Rossella	Member of the Board of Directors	01/01/2019	31/12/2019	113							113		
	Chairman of the Risks Committee	01/01/2019	30/04/2019	16		30					46		
		07/05/2019	31/12/2019	39		53					92		
	Member of the Committee for transactions with related parties	01/01/2019	30/04/2019			6					6		
		07/05/2019	31/12/2019			23					23		
Costa Giovanni	Member of the Board of Directors	01/01/2019	30/04/2019	33			13 (**)				46		
	Member of the Nominations Committee	01/01/2019	30/04/2019			12					12		
	Member of the Remuneration Committee	01/01/2019	30/04/2019			20					20		
Mangiagalli Marco	Member of the Board of Directors and of the Management Control Committee	01/01/2019	30/04/2019	66							66		
	Chairman of the Management Control Committee	01/01/2019	30/04/2019	16							16		
Gaffeo Edoardo	Member of the Board of Directors and of the Management Control Committee	01/01/2019	30/04/2019	66							66		
Motta Milena Teresa	Member of the Board of Directors and of the Management Control Committee	01/01/2019	31/12/2019	240							240		
Pisani Alberto Maria	Member of the Board of Directors and of the Management Control Committee	01/01/2019	31/12/2019	240							240		
	Chairman of the Management Control Committee	30/04/2019	31/12/2019	44							44		

Surname and Name	Office	Office held since	End of office	Fixed Re-muneration	Remunera-tion for par-ticipation in committees	Attend-ance fees	Non-equity variable remuneration		Non-mon-etary ben-efits	Other re-munera-tion	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					
Zoppo Maria Cristina	Member of the Board of Directors and of the Management Control Committee	01/01/2019	31/12/2019	240							240		
Mosca Fabrizio	Member of the Board of Directors and of the Management Control Committee	30/04/2019	31/12/2019	175							175		
Gatti Corrado	Member of the Board of Directors and of the Management Control Committee (***)	30/04/2019	31/12/2019	161							161		
Pomodoro Livia	Member of the Board of Directors	01/01/2019	31/12/2019	113							113		
	Member of the Nominations Committee	01/01/2019	30/04/2019			12					12		
	Chairman of the Nominations Committee	07/05/2019	31/12/2019	39		23					62		
Gorno Tempini Giovanni	Member of the Board of Directors	01/01/2019	08/11/2019	96							96		
	Member of the Remuneration Committee	01/01/2019	30/04/2019			20					20		
		07/05/2019	08/11/2019			13					13		
	Member of the Committee for transactions with related parties	01/01/2019	30/04/2019			6					6		
		07/05/2019	08/11/2019			20					20		
Gallo Giorgina	Member of the Board of Directors	01/01/2019	30/04/2019	33							33		
	Member of the Remuneration Committee	01/01/2019	30/04/2019			20					20		
	Member of the Committee for transactions with related parties	01/01/2019	30/04/2019			6					6		
Cornelli Francesca	Member of the Board of Directors	01/01/2019	30/04/2019	33							33		
	Member of the Risks Committee	01/01/2019	30/04/2019			28					28		

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					
Mazzarella Maria	Member of the Board of Directors	01/01/2019	31/12/2019	113							113		
	Member of the Nominations Committee	07/05/2019	31/12/2019			23					23		
	Member of the Committee for transactions with related parties	01/01/2019	30/04/2019			6					6		
		07/05/2019	31/12/2019			25					25		
Zamboni Daniele	Member of the Board of Directors	01/01/2019	31/12/2019	113							113		
	Chairman of the Committee for transactions with related parties	01/01/2019	30/04/2019	16		6					22		
		07/05/2019	31/12/2019	39		25					64		
	Member of the Risks Committee	01/01/2019	30/04/2019			30					30		
		07/05/2019	31/12/2019			53					53		
Ceruti Franco	Member of the Board of Directors	01/01/2019	31/12/2019	113							113		
	Member of the Risks Committee	01/01/2019	30/04/2019			30					30		
		07/05/2019	31/12/2019			53					53		
	Member of the Remuneration Committee	07/05/2019	31/12/2019			25					25		
a)	BANCA PROSSIMA S.p.A. – Director	01/01/2019	26/05/2019	6							6		
a)	INTESA SANPAOLO EXPO Institutional Contact S.r.l. – Chairman and Director	01/01/2019	31/12/2019	130							130		
a)	INTESA SANPAOLO PRIVATE BANKING S.p.A. – Director	01/01/2019	31/12/2019	19							19		
a)	MEDIOCREDITO ITALIANO S.p.A. - Director	01/01/2019	10/11/2019	26							26		
Corbella Silvano	Full Member of the Surveillance Board	01/01/2019	30/04/2019	8							8		

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					
Dalla Sega Franco	Full Member of the Surveillance Board	01/01/2019	30/04/2019	8							8		
		24/05/2019	31/12/2019	15							15		
a)	BANCOMAT S.p.A. – Chairman	01/01/2019	31/12/2019	50							50		
Vernero Paolo	Chairman of the Surveillance Board	01/01/2019	30/04/2019	3							3		
		24/05/2019	31/12/2019	6							6		
	Full Member of the Surveillance Board	01/01/2019	30/04/2019	8							8		
		24/05/2019	31/12/2019	15							15		
Cortellazzo Andrea	Full Member of the Surveillance Board	24/05/2019	31/12/2019	15							15		
Messina Carlo	General Manager	01/01/2019	31/12/2019	2,000			1,894		59		3,953	1,422	
	Managing Director and Chief Executive Officer	01/01/2019	31/12/2019	500							500		
	Member of the Board of Directors/ Executive Board Member	01/01/2019	31/12/2019	113							113		
Picca Bruno	Member of the Board of Directors	01/01/2019	31/12/2019	113							113		
	Member of the Remuneration Committee	01/01/2019	30/04/2019			20					20		
	Member of the Nominations Committee	07/05/2019	31/12/2019			23					23		
	Member of the Risks Committee	01/01/2019	30/04/2019			30					30		
		07/05/2019	31/12/2019			53					53		

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					
Nebbia Luciano	Member of the Board of Directors	30/04/2019	31/12/2019	81							81		
	Member of the Remuneration Committee	07/05/2019	31/12/2019			25					25		
a)	BANCA CR FIRENZE S.p.A – Deputy Chairperson	01/01/2019	24/02/2019	14							14		
a)	CASSA DI RISPARMIO DI PISTOIA E DELLA LUCCHESIA S.p.A – Director	01/01/2019	24/02/2019	8							8		
a)	INTESA SANPAOLO CASA S.p.A – Director	01/01/2019	31/12/2019	10							10		
a)	EQUITER S.p.A – Deputy Chairperson	01/01/2019	31/12/2019	35							35		
Stefanelli Maria Alessandra	Member of the Board of Directors	30/04/2019	31/12/2019	81							81		
	Member of the Committee for transactions with related parties	07/05/2019	31/12/2019			23					23		
Sironi Andrea	Member of the Board of Directors	02/12/2019	31/12/2019	10							10		
	Member of the Remuneration Committee	18/12/2019	31/12/2019			3					3		
	Member of the Committee for transactions with related parties	18/12/2019	31/12/2019			-					-		
Gatti Anna	Member of the Board of Directors	30/04/2019	31/12/2019	81							81		
	Member of the Remuneration Committee	07/05/2019	31/12/2019			25					25		

							Non-equity variable remuneration						
Surname and Name	Office	Office held since	End of office	Fixed Re-muneration	Remunera-tion for par-ticipation in committees	Attend-ance fees	Bonuses and other incen-tives (x)	Profit-sharing	Non-mon-etary ben-efits	Other re-muneration	Total	Fair value of equity remu-neration	Indemnity for end of office or termination of the employment agreement
Weber Guglielmo	Member of the Board of Directors	30/04/2019	31/12/2019	81							81		
	Member of the Risks Committee	07/05/2019	31/12/2019			53					53		
a)	INTESA SANPAOLO ASSICURA S.p.A – Deputy Chairperson	01/01/2019	06/05/2019	10							10		
Key Managers (****)	Total remuneration and attendance fees awarded by Intesa Sanpaolo			15,222 b)			6,441		812		22,475 b)	5,591	
	Total remuneration and attendance fees awarded by subsidiaries and associates			950 c)			873		68		1,891 c)	747	

a) Remuneration/Attendance fees in subsidiaries and/or associates.
b) Additional remuneration for offices held in subsidiaries and/or associates, which amounts to 1,030 thousand euro, is not comprised in this data, as it is entirely transferred to the Parent Company.
c) Additional remuneration for offices held in subsidiaries and/or associates, which amounts to 207 thousand euro, is not comprised in this data, as it is entirely transferred or waived to the subsidiaries.

(*) Office not remunerated.
(**) Remuneration refers to the deferred amounts in relation to the position of Deputy Chairman of the Management Board in 2015 and 2016.
(***) Initially self-suspended with effect from 13 December 2019 and subsequently resigned on 2 March 2020.
(****) Remuneration refers to 19 Key Managers, 19 of which still in office as at 31 December 2019.

(x) The amounts shown refer to the portions of the incentives awarded in cash for previous years (deferred amounts of the 2017 and 2018 Incentive System) and up-front portion in cash for the 2019 performance (see table 3B for 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	2.5455	11/03/2022											21,205,158	297
Key Managers (*)	Total Remuneration awarded by Intesa Sanpaolo		95,113,611	2.5455	11/03/2022											95,113,611	1,332
	Total Remuneration awarded by subsidiaries		13,864,910	2.5455	11/03/2022											13,864,910	194

(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
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Incentive 2014									30,546	70	70
		Incentive 2015	49,638	Nov. 2020							49,636	113	113
		Incentive 2016	187,902	May 2020 – May 2022							125,268	287	287
		Incentive 2017	670,884	May 2020 – May 2023									
		Incentive 2018	766,795	May 2021 – May 2024									
		Incentive 2019			(*)	1,964	May 2020 – May 2025	(*)	(*)				655
Key Managers (**) (Remuneration awarded by Intesa Sanpaolo)		Incentive 2014									29.710	68	68
		Incentive 2015	71,271	Nov. 2020							161.777	370	370
		Incentive 2016	439,108	May 2020 – May 2022							499,286	1,144	1,144
		Incentive 2017	1,665,246	May 2020 – May 2023									
		Incentive 2018	2,705,562	May 2021 – May 2024									
		Incentive 2019			(*)	8,020	May 2020 – May 2025	(*)	(*)				2,678

			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 2014									13,279	30	30
		Incentive 2015	37,055	Nov. 2020							37,055	85	85
		Incentive 2016	81,958	May 2020 – May 2022							54,637	125	125
		Incentive 2017	156,818 14,330.08 [1]	May 2020 – May 2023									
		Incentive 2018	98,114 20,499.62 [1]	May 2021 – May 2024									
		Incentive 2019			(*)	915 [2]	May 2020 – May 2025	(*)	(*)				313 [3]

(*) The information related to the shares that will be granted as an incentive with respect to the 2019 Incentive System based on financial instruments will be available following the resolutions of the Ordinary Shareholders' Meeting called on 27 April 2020.
(**) Remuneration refers to 19 Key Managers.

[1] 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).
[2] Of which 661 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).
[3] Of which 220 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			
Surname and Name	Office	Plan	(A)	(B)	(C)	(A)	(B)	(C)	Other bonuses
			Payable / Paid	Deferred	Deferral period	No longer payable	Payable / Paid	Still deferred	
Costa Giovanni (*)	Member of the Board of Directors	Incentive 2015					10	-	
		Incentive 2016					3	3	
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Incentive 2014					-	95	
		Incentive 2015					-	122	
		Incentive 2016					-	169	
		Incentive 2017					654	385	
		Incentive 2018					586	879	
		Incentive 2019	655	655	May 2020 – May 2025				
Key Managers (**) (Remuneration awarded by Intesa Sanpaolo)		Incentive 2014					-	92	
		Incentive 2015					-	176	
		Incentive 2016					-	507	
		Incentive 2017					1,547	959	
		Incentive 2018					2,128	3,106	
		Incentive 2019	2,767	2,690	May 2020 – May 2025				

A	B	(1)	(2)			(3)			(4)
			Bonus of the year			Bonus from previous years			Other bonuses
Surname and Name	Office	Plan	(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					-	91	
		Incentive 2016					-	74	
		Incentive 2017					292	189	
		Incentive 2018					269	403	
		Incentive 2019	313	336	May 2020 – May 2025				

(*) Remuneration refers to the deferred portions of the bonus received as the Deputy Chairperson of the Management Board in the years 2015 and 2016.
(**) Remuneration refers to 19 Key Managers.

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.

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	1,381,282	205,450 (*)		1,586,732
Ceruti Franco	Member of the Board of Directors	Intesa Sanpaolo ord. shares	150,000			150,000
Mangiagalli Marco	Member of the Board of Directors	Intesa Sanpaolo ord. shares	3,720			3,720
Mosca Fabrizio	Member of the Board of Directors	Intesa Sanpaolo ord. shares	5,000			5,000
Motta Milena Teresa	Member of the Board of Directors	Intesa Sanpaolo ord. shares	20,000 (a)			20,000 (a)
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	360,848	45,538 (**)	23,300	383,086
Pomodoro Livia	Member of the Board of Directors	Intesa Sanpaolo ord. shares	10,000			10,000
Zamboni Daniele	Member of the Board of Directors	Intesa Sanpaolo ord. shares	20,000			20,000

(-) Or start / end date of the office, if different from the reference period specified.

(a) Shares owned by spouse.
(b) Shares held indirectly.
(*) Of which 125,268 shares deriving from the 2016 Incentive System, as the up-front portion in shares, of which 30,546 shares deriving from the 2014 Incentive System and 49,636 shares from the 2015 Incentive System, as deferred portion in shares.

(**) Of which 7,996 deriving from 2015 Incentive System, as deferred portion in shares and of which 37,542 shares as deferred portion of the payment agreed upon the termination of the employment agreement.

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	4,385,501	795,744 (***)	247,067	4,934,178

(*) 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 491,958 shares deriving from the 2016 Incentive System as the up-front portion in shares, of which 42,989 shares deriving from the 2014 Incentive System, 198,832 shares deriving from the 2015 Incentive System and 61,965 shares deriving from the 2016 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 2019 results, including the contractual portion (the so-called PVR) and the amount relating to the existing long-term Plans is equal to approximately 3.4% of the Group's operating income, 1.2% of its shareholders' equity, 0.08% of total assets and 10.8% of the total cost of labour.

More specifically, the above variable component consists of 54% of sums available for the payment of the annual incentive, 14% of the sums payable as company bonuses (so-called Broad-based Short-Term Plan - "PVR") and 32% as the 2019 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 2019 results gives priority to resources belonging to the business sectors most exposed to market variables (asset management, finance and investment banking).

COMPARISON OF PERCENTAGE DISTRIBUTION OF STAFF, FIXED COST AND THE VARIABLE COMPONENT FOR 2019			
	Staff	Fixed Cost 2019	Variable Component Cost 2019
Head Office Department (Top Risk Takers included)	15%	18%	26%
Banca dei Territori	50%	57%	33%
Corporate & Investment Banking	5%	7%	15%
International Subsidiary Banks	25%	9%	10%
Private Banking	4%	6%	9%
Insurance	1%	1%	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 31/12/2019)	No.	Percentage Ratio between Variable Remuneration and Fixed Remuneration		Total Remuneration 2019			Detail of Short-Term Variable Component for 2019				Variable deferred amount from prior years[e]:			Variable deferred amount and up-front shares from prior years paid and granted during 2019[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 2019 performance	Amount that will vest in the following years	Not vested	
Managing Director and Chief Executive Officer General Manager (Messina Carlo)	1	Max 200%	175%	2,620	3,274	1,300	655	655	655	1,310	1,363	3,091		1,124
Other Key Managers[1]	14	Max 200%	174%	11,700	14,696	5,644	2,939	2,939 [6]	2,962	5,855 [7]	4,245 [8]	9,844 [9]		3,254
Heads of Company Control Functions and similar roles[2]	5	Max 33%	32%	4,470	345	1,095	140	51	64	90	249	217		407
Other individuals who, individually or collectively, take on significant risk[3]	431[4]	Max 400%[5] Max 200%[5] Max 33%[5]	87%	110,486	69,696	23,190	20,816	15,401 [10]	15,222	18,256 [11]	17,637 [12]	25,101 [13]		16,576

[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 2019.
[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 431 Group Risk Takers of which 9 outgoing during 2019 and 38 Group Risk Takers remaining in the perimeter ≥ 3 months but not in the role as at 31 December 2019.
[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 220 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 441 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 119 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 .
[9] Of which 563 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 .

[10] Of which 979 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 621 thousand euro assigned as PBZ shares (instead of Intesa Sanpaolo shares) to the Group Risk Takers in loco, in accordance with the local regulations.
[11] Of which 1,243 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 122 thousand Euro assigned as Certificates of VUB Banka and of which 598 thousand euro assigned as PBZ shares (instead of Intesa Sanpaolo shares) to the Group Risk Takers in loco, in accordance with the local regulations.
[12] Of which 483 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 140 thousand euro assigned as Certificates of VUB Banka and of which 71 thousand euro assigned as PBZ shares (instead of Intesa Sanpaolo shares) to the Group Risk Takers in loco, in accordance with the local regulations.
[13] Of which 767 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 115 thousand euro assigned as Certificates of VUB Banka and of which 362 thousand euro assigned as PBZ shares (instead of Intesa Sanpaolo shares) to the Group Risk Takers in loco, in accordance with the local regulations.

[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 2014, 2015, 2016 and 2017 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 and 2017 Incentive Systems.

As shown in the table displayed in the previous page, amounts accrued during the year but assigned in prior years (2014 Incentive System for the third deferred portion in cash, 2015 Incentive System for the third deferred portion paid in financial instruments, 2016 Incentive System for the first and second deferred portion paid in financial instruments and for the second deferred portion in cash, 2017 Incentive System for the first up-front portion paid in financial instruments and 2018 Incentive System for the first deferred portion in cash).

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 2019, in order to aid the attraction thereof.

Welcome bonus: N. 1
Group Risk Takers
No. 1
Total: 80,000 €

Severance

Below are represented:

- the amounts assigned as severance during 2019, having as their beneficiaries Group Top Risk Takers (so-called Key Managers) or other Group Risk Takers

Severance: No. 6		
Key Managers	**Group Risk Takers**	
No. 0	No. 6	
	Total: 2,422,500 € (highest amount: 650,000 €)	
	Of which up-front → 1,073,300 € - Cash: 556,900 € - Financial Instruments: 516,400 €	**Of which deferral → 1,349,200 €** - Cash: 514,600 € - Financial Instruments: 834,600 €

- the severance amounts accrued during the year but assigned in prior years, having as their beneficiaries Group Top Risk Takers (so-called Key Managers) or other Group Risk Takers

Severance: N. 17	
Key Managers	**Group Risk Takers**
No. 8	No. 9
Total cash: 1,210,000 € **Total financial instruments: 110,827 €**	**Total cash: 302,931 €** **Total financial instruments: 202,448 €**

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

No. employees	Total remuneration* (€)
1	7 – 8 mln
3	3 – 3.5 mln
1	2.5 – 3 mln
7	2 – 2.5 mln
4	1.5 – 2 mln
31	1 – 1.5 mln
Total: 47	

* 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 2019, 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, and incentives for Top Risk Takers and Senior Heads of the Company Control Functions); and the actual payout of incentives, with specific regard 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 2019, each to the extent applicable.
The structure was assessed as being compliant with the Regulations by the Compliance Department.
The changes introduced in 2019, also in line with the Bank of Italy Provisions issued at the end of 2018, include: the adjustment for non-financial risks in the funding of the bonus pool; new schemes for deferring the short-term variable component of remuneration; a change in the items that contribute to determining the limit on the ratio of variable to fixed remuneration; the identification of the remuneration components that qualify as severance pay; the definition of the cases relating to the activation of clawbacks; and the raising of the limit of the ratio of variable to fixed remuneration to 400% for personnel in the “Investments” segment of the Group’s asset management companies, who carry out their activities exclusively for that Asset Manager. Other changes relate to the revision of the role allowances for the Company Control Functions based on Banding bracket. The variable remuneration component for the remaining personnel (PVR – subject of a level 2 agreement with the Trade Unions) was also established for 2019.
The threshold set by the Group’s bonus pool activation rules was achieved, in line with all targets set: Net Income compatible with the distribution of dividends, Gross Income and Group RAF indicators (CET1 and NSFR), allowing the funding thereof 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 30 April 2019, and as envisaged, a check was conducted on the subsequent phases of disbursement of the incentives for the financial year 2018 (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. 6 - Corporate Governance Code"

Principles and Criteria of the Corporate Governance Code		Page of Report
6.P.1.	The remuneration of directors and key managers shall be established in a sufficient amount to attract, retain and motivate people with the professional skills necessary to successfully manage the issuer.	Page 18, 19, 21
6.P.2.	The remuneration of executive directors and key managers shall be defined in such a way as to align their interests with pursuing the priority objective of the creation of value for the shareholders in the medium-long term. With regard to directors with managerial powers or performing, also de-facto, functions related to business management, as well as with regard to key managers, a significant part of the remuneration shall be linked to achieving specific performance objectives, possibly including non-economic objectives, identified in advance and determined consistently with the guidelines contained in the policy described in principle 6.P.4. The remuneration of non-executive directors shall be proportionate to the commitment required from each of them, also taking into account their possible participation in one or more committees.	Page 12, 18, 43
6.P.3.	The Board of Directors shall establish among its members a remuneration committee, made up of independent directors. Alternatively, the committee can be made up of non-executive directors, the majority of which being independent ones; in this case, the chairman of the committee is selected among the independent directors. At least one committee member shall have an adequate knowledge and experience in finance or remuneration policies, to be assessed by the Board of Directors at the time of his/her appointment.	
6.P.4.	The Board of Directors shall, upon proposal of the Remuneration Committee, establish a policy for the remuneration of directors and key managers.	Page 11
6.P.5.	In case of the end of office and/or the termination of the employment relationship with an executive director or a general manager, the issuer shall disclose, through a press release to the market, detailed information, following the internal process leading to the assignment or recognition of indemnities and/or other benefits.	
6.C.1.	The policy for the remuneration of executive directors and other directors vested with special offices shall define guidelines on the issues and consistently with the criteria detailed below:	
	a) the fixed component and the variable component shall be properly balanced according to issuer's strategic objectives and risk management policy, taking into account the business sector in which it operates and the nature of the business carried out;	Page 28, 32, 33, 39, 43, 52
	b) upper limits for variable components shall be established;	Page 28, 33, 39
	c) the fixed component shall be sufficient to reward the director when the variable component was not delivered because of the failure to achieve the performance objectives specified by the Board of Directors;	Page 28, 32, 44, 45
	d) the performance objectives – i.e. the economic performance and any other specific objectives to which the payment of variable components (including the objectives for the share-based compensation plans) is linked – shall be predetermined, measurable and linked to the creation of value for the shareholders in the medium-long term;	Page 33, 43, 52
	e) the payment of a significant portion of the variable component of the remuneration shall be deferred for an appropriate period of time with respect to the accrual; the amount of that portion and the length of that deferral shall be consistent with the characteristics of the issuer's business and associated risk profile;	Page 45, 47, 48, 49

Principles and Criteria of the Corporate Governance Code		Page of Report
	f) contractual arrangements shall be provided in order to permit the company to reclaim, in whole or in part, the variable components of remuneration that were awarded (or to hold deferred payments), as defined on the basis of data which subsequently proved to be manifestly misstated;	Page 44
	g) any indemnities established by the issuer in case of early termination of directors or non-renewal shall not exceed a fixed amount or fixed number of years of annual remuneration. Termination payments shall not be paid if the termination is due to the achievement of objectively inadequate results.	Page 58
6.C.2.	In preparing plans for share-based remuneration, the Board of Directors shall ensure that: a) shares, options and all other rights granted to directors to buy shares or to be remunerated on the basis of share price movements shall have an average vesting period of at least three years; b) the vesting referred to in paragraph a) shall be subject to predetermined and measurable performance criteria; c) directors shall retain a certain number of shares granted or purchased through the exercise of the rights referred to in paragraph a), until the end of their mandate.	Page 43, 46, 47, 48, 49, 69
6.C.3.	The criteria 6.C.1 and 6.C.2 shall apply, to the extent applicable, also to the setting – by the bodies entrusted with that task – of the remuneration of key managers. Any incentive mechanism for the head of Internal Auditing and for the manager responsible for preparing the Company's financial reports shall be consistent with their role.	Page 19
6.C.4.	The remuneration of non-executive directors shall not be – other than for an insignificant portion – linked to the economic results achieved by the issuer. Non-executive directors shall not be beneficiaries of share-based compensation plans, unless it is so decided by the annual Shareholders' Meeting, which shall also give the related reasons.	Page 14
6.C.5.	The remuneration committee shall: - periodically evaluate the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key managers, also on the basis of the information provided by the managing directors; it shall make proposals to the Board of Directors in that regard; - submit proposals or issue opinions to the Board of Directors for the remuneration of executive directors and other directors vested with special offices as well as for the identification of performance objectives related to the variable component of that remuneration; it shall monitor the implementation of decisions adopted by the Board of Directors and verify, in particular, the actual achievement of performance objectives.	
6.C.6.	No director shall participate in meetings of the remuneration committee in which proposals are formulated to the Board of Directors relating to his/her remuneration.	
6.C.7.	When using the services of a consultant in order to obtain information on market standards for remuneration policies, the remuneration committee shall previously verify that the consultant concerned is not in a position which might compromise its independence.	
6.C.8.	According to principle 6.P.5., the press release should provide: a) adequate information on the indemnity and/or other benefits, including their amount, timing of disbursement – distinguishing both between the component immediately paid out and the one subject to deferral mechanisms and between the	page 9

Principles and Criteria of the Corporate Governance Code	Page of Report
component received as director from the other one related to an employment relationship, if any – and claw-back clauses, if any, in particular with reference to: - indemnities for the end of office or termination of the employment relationship, specifying the circumstances of its accrual (for example, expiry, revocation or settlement agreement); - maintenance of rights related to any incentive plans, monetary or financial instruments based; - benefits (monetary and non-monetary) subsequent to the end of office; - non-competition commitments, describing their main contents; - any other payment assigned for any reason and in any form; b) information about the compliance or non-compliance of the indemnity and/or other benefits with the remuneration policy and, in case of even a partial non-compliance with the remuneration policy, information about internal procedures applied according to Consob related-party transactions regulation; c) information about the application, or non-application, of any mechanism that provides restrictions or corrections to the indemnity in case of termination due to the achievement of objectively inadequate results, as well as whether requests have been formulated for the reclaim of remuneration already paid out; d) information as to whether the replacement of the outgoing executive director or general manager is governed by any succession plan adopted by the company and, in any case, information about procedures that have been or will be applied for the replacement of the director or manager.	

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 15
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 8
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 8
3. The first section of the report shall set out in a clear and comprehensible manner:	Page 8
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 11, 18, 69
b) the procedures used to adopt and implement this policy.	Page 11
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 8, 9
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 9
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 8
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 69

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 9
[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[40].	
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.	
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.	Page 18, 25-26, 31, 40, 42, 43, 44, 52, 56-57
For the staff responsible for assessing creditworthiness, the remuneration policies and practices shall ensure prudent risk management by the intermediary.	Page 53
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.	

[40] 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).

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"[41]	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 25, 28, 40
b) account is taken of any risk likely to be prejudicial to customers; intermediaries shall take appropriate measures to guard against this risk;	Page 25-26, 31, 40, 42, 52
c) the variable component of the remuneration (if provided) of relevant persons and credit intermediaries:	
i. is anchored to quantitative and qualitative criteria[42];	Page 25-26, 40, 42, 52
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 25-26, 40, 42, 51, 52
iii. is suitably balanced with respect to the fixed component of remuneration;	Page 18, 28
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 26, 43, 44, 53, 56-57
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[43].	Page 18, 20
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.	

[41] 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.
[42] 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).
[43] 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"[44]	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[45]. 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

[44] 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.
[45] The compliance function shall, among other things, certify the compliance of the remuneration policies with the provisions of this paragraph.

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