



**Courtesy translation:** in case of discrepancy between the Italian language original text and the English language translation, the Italian text shall prevail

**BANCA MONTE DEI PASCHI DI SIENA S.P.A.**

SHAREHOLDERS' MEETING

12 April 2022 (single call)

EXPLANATORY REPORT BY THE BOARD OF DIRECTORS

CONCERNING ITEM 2) ON THE ORDINARY SESSION OF THE AGENDA

**REPORT ON THE REMUNERATION POLICY AND ON COMPENSATION PAID PURSUANT TO ARTICLE 123-TER OF THE LEGISLATIVE DECREE N. 58 OF 24 FEBRUARY 1998 "CONSOLIDATED FINANCIAL ACT" OR THE "TUF"); INHERENT AND CONSEQUENT DELIBERATIONS: A) BINDING VOTE ON THE FIRST SECTION RELATED TO THE REMUNERATION AND INCENTIVE POLICY E B) NON-BINDING VOTE ON THE SECOND SECTION RELATED TO COMPENSATION PAID.**



Dear Shareholders,

You have been summoned to the ordinary Shareholders' meeting to resolve the following argument, item

2) in the agenda of the Ordinary Session:

**“Report on the remuneration policy and on compensation paid: pursuant to Article 123-ter of the Legislative Decree n. 58 of 24 February 1998 (“Consolidated Financial Act” or the “TUF”); inherent and consequent deliberations: a) binding vote on the first section related to the remuneration and incentive policy e b) non-binding vote on the second section related to compensation paid.”**



## Letter from the Chairperson of the Remuneration Committee

**Raffaele Di Raimo**

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Dear Shareholders,

As Chairman of the Remuneration Committee, I am pleased to present to you the Annual Remuneration Report of Banca Monte dei Paschi di Siena for the year 2022.

Remuneration policies, also within the scope of a prudential approach, are strategically important for the pursuit of multiple objectives, a crucial one of which is to safeguard the Group's capacity to create value and maintain the necessary levels of capital and liquidity for its business, taking into due consideration internal and external restrictions impacting its operations, such as the application of the "salary cap" on individual remuneration, as well as the definition of particularly challenging target operating expense levels, which leave less room for the use of remuneration levers, particularly those relating to variable remuneration incentives.

During the year that just ended, the Covid-19 health and economic crisis continued, causing uncertainty on one hand and considerable change on the other, for both the general public and the global economy, profoundly altering the conduct of both individuals and businesses, with significant repercussions on activities and on the results of credit institutions, which were required to call into question well-consolidated procedures to strengthen their capacity to adapt to change and were also required to prioritise the pursuit of occupational health and safety risk mitigation by making recourse to smart working and launching dedicated communication and training campaigns.

Within this context of widespread suffering of economic operators triggered by policies enacted to combat the pandemic, banks were given a

leading role of great responsibility at the service of the country for the implementation of the support programmes launched by the government including, first and foremost, the National Recovery and Resilience Plan (NRRP).

The decisions made, including on remuneration, were therefore first of all guided by general requirements, moreover expressly highlighted and punctually conveyed by the European regulator. The same requirements assume priority significance for the preparation of the 2022 Remuneration Policy as well.

Notably, the continuing exceptional nature of our times, along with the increasing complexity, specialisation and internationalisation of business, require us to seek out an adequate balance between the need on one hand to limit costs and risks (including legal and reputational risks) and on the other hand to draft and implement a fair and transparent pay policy, suitable to attract new resources from the market; to support and reinforce the motivation of both the management and employees; and to best recognise the qualities of those who contribute and boost the value of the company's assets for shareholders and other stakeholders.

It is also necessary to note the main evolutions of the reference national and European regulatory environment, the dictates of which impacted the content of this document, including the new EBA Guidelines on sound remuneration policies; Delegated Regulation (EU) 2021/923 of 25 March 2021; the "Report on management and supervision of ESG risks for credit institutions



and investment firms”, as well as the 37th update of Circular 285/2013 (“Supervisory Provisions”).

The remuneration model developed for 2022 aims in the first place to consolidate several main elements, including:

- the meritocracy of the remuneration systems;
- the link between the remuneration, risk and sustainability of performance, expanding and reinforcing the integration of ESG objectives within the company’s short- and long-term strategies;
- consistency with reference market practices and compliance with the regulatory framework in force;
- transparency with respect to shareholders and investors.

The intent is to design a policy that does not focus exclusively on economic, financial and equity results but which, upstream, expresses a deep-seated sensitivity to values and principles such as **inclusivity**, as a strategic business driver, and the commitment to creating conditions for entry and progression in order to generate an environment where personal qualities, professional skills and the potential of all employees promoted and valued according to their characteristics. Still, more specifically the following constitute the Bank’s objectives: the promotion of **equal opportunities**, according to the NRRP, a 2021-2026 National Strategy for gender equality must be

adopted as one of the three transversal priorities concerning social inclusion; **listening, engagement** and **participation** of employees; **sustainability**, requiring the inclusion of ESG parameters in personnel remuneration mechanisms. This in a framework denoted by the commitment to achieve a greater consistency of remuneration between comparable roles and responsibilities, also according to their complexity and strategic nature within the Group, in line with the market and with the role covered, with professional experience and individual contribution to company performance, objectively evaluated.

In building this model, the purpose of preventing conflicts of interest, strengthening the culture of compliance with rules and responsible risk management are also relevant.

In conclusion, I would be remiss not to thank the other members of the Committee, Luca Bader, Alessandra Barzaghi, Marco Bassilichi and Paola De Martini: they have all demonstrated ongoing commitment and offered their valuable contributions of critical debate and ideas.

With confidence in the trust and support that you will place in us, I moreover thank all of you shareholders for your contributions and the attention you will devote to the Report, hoping that it will find your full approval at the shareholders’ meeting.

Kindest regards,

**Raffaele Di Raimo**



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## REGULATORY DEVELOPMENTS

The regulations applicable to remuneration and incentive policies and practices in banks and banking groups evolved significantly in the course of 2021.

As regards the European regulatory framework, the following measures are particularly significant:

- 4 March 2021 - the European Commission submitted a proposed Directive to the European Parliament and the Council to strengthen the application of the principle of equal pay between men and women for the same job or jobs of equal value. The proposed Directive pursues the objective of establishing wage transparency within organisations, facilitating the application of key concepts relating to equal pay (including “remuneration” and “work of equal value”) and lastly strengthening their application mechanisms. The Member States need to adopt the Directive within two years of its adoption and notify the Commission of how it will be implemented;
- 9 June 2021 - Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 published in the Official Journal of the European Union, containing new regulatory standards for the identification of the most significant staff (“Identified Staff”) on the basis of the qualitative and quantitative criteria directly applicable in each of the Member States. It incorporates the “Regulatory Technical Standards” defined by the European Banking Authority (EBA) on 18 June 2020 and in force as of June 2021 in application of the new Capital Requirements Directive (CRD V);
- 23 June 2021 - the EBA published the “Report on management and supervision of ESG risks for credit institutions and investment firms” on the management and supervision of environmental, social and governance risks of credit institutions which requires the inclusion of EBA parameters in personnel remuneration and incentive mechanisms;
- 2 July 2021 - the EBA published its new Guidelines on sound remuneration policies (“EBA Guidelines”), to replace those of 2015 and intended to adopt the new provisions of the CRD V, particularly with reference to the gender neutrality of remuneration policies and the application of exemptions on the variable remuneration of Identified Staff. The EBA Guidelines apply as of 31 December 2021 and the Bank of Italy declared that it is in compliance with them;
- 19 July 2021 - the European Securities and Markets Authority (ESMA) published a consultation paper entitled “Consultation Paper. Guidelines on certain aspects of the MiFID II remuneration requirements” (“ESMA Guidelines”), intended for Banks, investment firms, asset managers and UCITs, proposing an overall review of their “Orientations on remuneration policies and practices” issued in June 2013 (pursuant to the “MiFID”) following the adoption of the “MiFID II Directive” (EU Directive 2014/65). The Authority’s aim is to clarify several aspects inherent in the remuneration requirements established by the MiFID II Directive, as well as guarantee its uniform application, in order to strengthen investor protection. The consultation ended on 19 October 2021 and ESMA has proposed the publication of final Guidelines within the first quarter of 2022 and requiring their adoption by mid-2022.

Lastly, with reference to the recommendations issued by the Regulators at the time of the health emergency, please note that on 23 July 2021 the ECB decided not to extend beyond September 2021 the recommendation on the prohibition against the distribution of dividends, in any event requesting the adoption of a prudent policy. In this regard, note that:

- the MPS Group has already applied for some time now the stricter rules established for banks with state aid with extremely limited variable remuneration;
- no distribution of dividends is planned;
- the annual bonus pool is limited in amount.

As regards the national regulatory framework:



- 23 April 2021 - Law no. 53 of 22 April 2021 was published in the Official Gazette on the “Delegation to the government for the adoption of European directives and the implementation of other acts of the European Union - European delegation law 2019-2020”. The Law delegates the government to issue Legislative Decrees for the adoption of European directives and the implementation of other acts of the European Union, including the CRD V and the CRR II;
- 24 November 2021 - following the public consultation which concluded on 31 January 2021, the Bank of Italy published the 37th update of Circular 285/2013 (“Supervisory Provisions”) containing a revision of Provisions on remuneration policies and practices in banks and banking groups. The amendments set forth in the provisions aim to incorporate the new elements introduced on the matter by the CRD V (Directive 2019/878/EU) and the European Banking Authority’s Guidelines implementing the Directive (“EBA Guidelines”). In particular, the main new aspects relate to the proportionate application of the rules, the application of exemptions on deferrals and the use of instruments for the variable remuneration of Identified Staff, the gender neutrality of remuneration policies, the application of the rules at consolidated group level, the criteria for identifying Identified Staff (adopting the provisions of the CRD V, jointly with the provisions of Delegated Regulation (EU) 2021/923 mentioned above) and several aspects linked to variable remuneration (minimum deferral period, retention bonus, sustainability). The new Supervisory Provisions apply starting from the “2022 Remuneration policies”.

Lastly, please note that on 3 December 2021, in the ninth annual report on the application of the Corporate Governance Code, the Chairman of the Corporate Governance Committee sent a letter to listed companies providing a report on the implementation of the recommendations for 2021 as well as formulating specific recommendations for 2022. As concerns remuneration policies, please note the recommendations to: (i) connect variable remuneration to strategic business objectives and sustainable success, evaluating the introduction of non-financial parameters. As regards in particular environmental and social parameters, it must be possible to determine them in advance and they must be measurable; (ii) define clear, measurable rules for the provision of the variable component and the assignment of severance pay.



## Section I – 2022 Group remuneration and incentive policy

### 1. REPORT STRUCTURE AND MAIN UPDATES IN THE 2022 REMUNERATION POLICIES

The Report on the remuneration policy and compensation paid is broken down into two distinct sections: the first regards the Remuneration and incentive policies adopted by the Bank for the year 2022 with reference to the company bodies of the Bank and the subsidiaries and the Group's employees and associates, as well as the processes for implementing such policies, illustrating their contribution to the business strategy, the pursuit of long-term interests and the sustainability of Group operations. The Shareholders' Meeting resolution on the first section is binding.

The second section, accompanied by statements with analytical and aggregated quantitative information, according to the provisions set forth in Scheme 7-*bis* of Annex 3A to the Regulation adopted by Consob with resolution no. 11971 of 14 May 1999, as amended (the “**Issuers' Regulations**”), provides details on the application of that policy with respect to the compensation paid. The Shareholders' Meeting resolution on the second section is non-binding.

The amendments made to the remuneration policy for 2022 are intended primarily to guarantee the full adoption of new regulations. Indeed, no other substantial elements, aside from the cited regulatory updates, were identified to change the policies, also in consideration of the broadly favourable vote expressed by the Shareholders' Meeting during the approval of the 2021 report on the remuneration policy and the approval expressed by institutional investors.

The main new aspects introduced for 2022 regard the “gender pay gap”, with ever increasing attention paid to the construction of a policy that is neutral with regard to personnel gender, through systems for measuring organisational positions that are already in use, so as to ensure that there is no difference in conditions for the recognition and disbursement of remuneration, adopting initiatives to update HR processes as well in that sense; the update of the Process of identifying Identified Staff, on the basis of the requirements of the new EU Delegated Regulation no. 2021/923, within the scope of which the update of the Group Directive on the identification of Identified Staff is also proposed; the obligations to be fulfilled within Pillar III Reporting in order to provide investors and other parties concerned with the appropriate, complete, accurate and timely information that they need to take investment decisions and develop informed opinions on the MPS Group, with the resulting expansion and integration of the information already included in previous policies.



## 2. PURPOSE

The Group's remuneration policies, geared towards improving company performance and the creation of value over time, fully compliant with the risk-governance policies, are designed to:

- **ensure equality of treatment within the company and external competitiveness;**
- **ensure transparency using decision-making systems and structured approaches;**
- **promote merit and increase employee motivation;**
- support the professional growth of employees from a gender neutral perspective, enhancing diversity and fostering inclusion;
- **encourage the loyalty of the resources in the company and attract new skilled professionals;**
- **favour the achievement of short and long-term strategic objectives by strengthening the link between remuneration and performance;**
- **ensure compliance with legal, regulatory and statutory provisions, and any codes of ethics or applicable conduct.**

In its capacity as parent company, the Monte Paschi di Siena Bank (the “**Bank**”) ensures that the remuneration paid within the various **Group companies** is **in line** with the applicable regulatory framework and the principles set forth in these remuneration policies, while taking due account of the characteristics and peculiarities of each company (thus also gradually applying such principles according to the proportionality principle, where and to the extent applicable) and (with regard to foreign companies) in compliance with locally applicable laws and regulations.

Among the above principles, attention should be drawn to those characterising the Group's Strategic Identity: Simplicity, Innovation, Well-being and Listening, through which, aware of its role in society and sustained by its wealth of tradition and history, the Bank is opening itself up to a change in perspective by adopting the approach whereby an enterprise in today's market is no longer only expected to make profits, but also to do so through virtuous behaviour and projects; to pay increasing attention to the needs of people, the communities and the environment in which it operates, undertaking to act more effectively to achieve the values underpinning the concept of Sustainability for its customers, employees and the territories it operates in.

The Bank is constantly committed to guaranteeing adequate working conditions and environments for its personnel, in line with occupational health and safety regulations, with a specific focus on reconciling the objectives and needs of the company with the personal and family requirements of its employees, also through ongoing occasions for listening that solicit ideas and involvement in the creation of new paths.

In defining the remuneration policies for 2022, it was necessary to take into account the situation arising with the continuation of the Covid-19 epidemiological emergency and the continuation of smart working for a much higher number of employees than had applied this arrangement before the start of 2020, while also reinforcing digitalisation, process reviews and the organisation of work.

Over the last two years, it has become clear that the extensive adoption of “smart working” as a tool to protect health, while guaranteeing operational sustainability and at the same time planned productivity, has launched a process of cultural evolution resulting in a transition towards a concept of work based not only on intensity and duration, but also on each person's contribution in terms of actual output and results.

Also, through its remuneration policies, the Bank intends to reaffirm its robust commitment to enhancing diversity and promoting inclusion, basing its criteria for determining professional opportunities, assessments and remuneration on merit and skills (for the specific remuneration criteria, see par. 6.2).

In order to pursue pay equity, the Bank undertakes to offer remuneration aligned with the market and the position held, the skills, capabilities and professional experience of every employee as well as their objectively evaluated individual contribution to company performance, thus guaranteeing the application



of the principle of equal opportunity with no distinction based on age, gender, sexual orientation, civil status, religion, language, ethnic or national origin, physical or mental disability, pregnancy, maternity or paternity status, including adoptive, personal convictions, political opinions, affiliations or trade union activity.

Also in order to make it possible to apply gender neutral policies and monitor their implementation, for some time now the Bank has used systems for measuring organisational positions that take into account the responsibilities and complexities managed by individual roles, a detailed description of which is provided in paragraphs 6.1 and 6.2 below<sup>1</sup>. Also, thanks to the use of the objective approach of weighting positions, the Bank's remuneration policy is general neutral and makes it possible to pursue pay equity.

The Bank undertakes to support the enhancement of diversity and to spread a culture of inclusion with concrete actions. The activities of the MPS Diversity & Inclusion (D&I) Programme are presented in the Non-Financial Statement (NFS) published on the Bank's website.

The Group's remuneration policies also represent important operational leverage for the proper orientation of the management and personnel towards a logic of limitation and prudent management of the risks assumed (including legal and reputational risks); to induce motivation and conduct inspired by moderation and ethics in business dealings, as well as transparency and fairness in customer relations, in order to avoid possible conflicts of interest; for the construction of dialogue and the pursuit of a relationship of trust with all stakeholders, thus strengthening corporate governance.

The purpose is to design a business strategy that best values human, social, relational and environmental capital, inspired by sustainability or gender neutrality and the enhancement of diversity not only in remuneration policies but also in hiring and career development policies, succession planning, access to training, inclusivity and incentivisation of equal opportunities, and which at the same time achieves increasing consistency of remuneration between comparable roles and responsibilities, also with a view to the attraction and retention of key resources, a crucial factor to guarantee the Group's success.

Policies will therefore be focused on the principles of efficiency, equity, transparency and sustainability; on the desire to value merit and correspondence between performance and personal recognitions, while also paying the utmost attention to avoiding conflicts of interest and strengthening the culture of regulatory compliance.

The intent is to increasingly effectively contribute to the pursuit of the Group's long-term economic/financial interests, but also to the company's "sustainable success". The priority objective of creating value for shareholders over a medium/long-term time horizon indeed cannot disregard the pursuit of objectives linked to corporate social responsibility. In this scenario, remuneration policies can play a strategic role in pursuing these objectives, through adequate balancing and sizing of the variable remuneration component with respect to the fixed component, and ensuring that the variable part of remuneration is connected to both financial and non-financial performance parameters, the latter also linked to environmental, social and governance (ESG) targets. Particular attention is paid not only to the results achieved, through a direct link between performance and remuneration, but also an evaluation of the objectivity and measurability of the conditions to which remuneration is subject and the indicators used to measure it. To this end, over the annual horizon of the report, a detailed and balanced framework of objectives is expected to be maintained to guarantee the profitability of the company as a whole and reinforce operational efficiency in traditional business sectors.

The remuneration policy therefore supports the Group's commitment to integrating the requirements of the restructuring plan, which imposes rigorous financial discipline, while ensuring the sustainability of future actions and projects.

The remuneration policies for 2022 have also been defined considering the orientations expressed by shareholders during the shareholders' meeting vote of 6 April 2021 on the 2021 remuneration policies,

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<sup>1</sup> Information provided also pursuant to the "EBA Guidelines" (specifically, see paragraphs 23 to 27).



which received 99.73% of votes in favour for the resolution on the first section of the Report pursuant to art. 123-*ter*, paragraph 3 *bis* of the Consolidated Financial Act (binding vote) and 99.99% for the resolution on the second section of the Report pursuant to art. 123-*ter*, paragraph 6 of the Consolidated Financial Act (non-binding vote), while the performance shares plan for the payment of severance in favour of personnel was approved with 99.73% voting in favour<sup>2</sup>.

The results of the vote confirmed significant approval of the breakdown, general criteria and levels of remuneration set forth in the report, which were taken into account in the consideration and evaluation of updates and improvements made.

The Report on the 2022 Remuneration policies, which has an annual duration, until the next Shareholders' Meeting that will be called upon to decide on the approval of the 2022 financial statements, has been appropriately updated considering the changed legislative and regulatory framework (also in line with the provisions of the Issuers' Regulation, updated in implementation of the Shareholders Rights Directive II, approved and published by Consob in December 2020), includes a clear division between the two sections set forth by the above-mentioned regulation:

- section I: **Remuneration policy**, which (i) indicates how the policies contribute to the business strategy, the pursuit of long-term interests and the company's sustainability and is determined by taking into account the compensation and working conditions of company employees; (ii) defines the various components of remuneration which may be recognised; (iii) specifies the elements of the policy which, in the presence of the exceptional circumstances specified in article 123-*ter*, paragraph 3-*bis* of the Consolidated Financial Act, it is possible to derogate;
- section II: **Compensation paid**, broken down into two parts with a first part that provides a qualitative presentation of the items of remuneration, while the second part includes the compensation paid in the form of a table, in accordance with the provisions laid out in Scheme 7-*bis* of Annex 3A of the Issuers' Regulation.

### 3. GOVERNANCE RULES

The rules of governance and decision-making autonomy regarding remuneration, defined in accordance with the reference legal and regulatory system, are necessary for the correct implementation of the remuneration policies, given they are addressed to all Group personnel based on a consistency approach, although in observance of the different methods of doing business of the individual companies, and extended to all the main management processes which impact them, with special focus on those that concern "**Identified Staff**", i.e. "categories of subjects whose professional activities have or can have a significant impact on the Group's risk profile", as defined by the Supervisory Provisions and Delegated Regulation (EU) 2021/923.

The remuneration regulatory framework finds its primary source in some provisions of the **Articles of Association** of Banca Monte dei Paschi di Siena S.p.A. (hereinafter the "**Articles of Association**"), which are linked to a specific Group policy, approved by the Bank's Board of Directors (hereinafter the "**Board of Directors**"). This policy ensures alignment between regulatory provisions and the internal delegated authority and establishes the duties and responsibilities of the functions involved in defining and implementing the Group remuneration policies.

The task of defining and implementing adequate remuneration and incentive policies is attributed by the company's Articles of Association to the **Shareholders' Meeting** (the "**Shareholders' Meeting**"), which approves the section set forth in article 123-*ter*, paragraph 3 of the Consolidated Financial Act (TUF) and with a non-binding vote the section set forth in article 123-*ter*, paragraph 4 of the Consolidated Financial Act (TUF) with a non-binding vote - and to the Board of Directors.

<sup>2</sup> Indication also provided pursuant to Directive 2017/828/EU ("Shareholder Rights Directive II").



Article 13 of the Articles of Association<sup>3</sup> assigns the following power to the ordinary Shareholders' Meeting:

- determine the fees for directors and statutory auditors;
- approve the remuneration policies and the plans based on financial instruments in favour of the board directors, employees, and other business partners who are not bound by employment relationships with the Bank.
- approve the criteria to calculate the remuneration to be agreed in the event of early termination of employment, or early termination of office (including the limits set for said remuneration in terms of annuality of the fixed remuneration and the maximum amount resulting from application of the criteria).

The Supervisory Provisions also attribute to the Shareholders' Meeting, if provided by the Articles of Association, the responsibility for authorising, within the perimeter of approving the Group remuneration policies, the decision to make any changes to the 1:1 limit (and maximum 2:1) between variable remuneration and fixed remuneration for the Group companies where the staff to whom said decision refers operate, subject to amendment of the Articles of Association.

On the other hand, the **Board of Directors** (articles 17 and 26 of the Articles of Association and its detailed provisions set forth in the Bank's policy) is responsible for drafting the remuneration policies, submitting them to the Shareholders' Meeting for approval and implementing them once approved by the Shareholders' Meeting, firstly, as regards:

- a) the remuneration of directors who hold special positions (including the Chief Executive Officer and the directors who are members of board committees provided by the Articles of Association), and the General Manager;
- b) the provisions on the legal and economic status of the Deputy General Managers, the Managers of the units reporting directly to the Board of Directors or the Chief Executive Officer/General Manager (see article 17, paragraph 2, letter n) of the Bank's Articles of Association), the Division Managers, the Manager responsible for preparing the Company's financial reports and the higher level staff of the Company Control Functions<sup>4</sup>;
- c) the general rules concerning the legal and economic status of the staff, including base salary and allowances, which like any other rules must be approved in accordance with law.

Lastly, with the support of the Remuneration Committee, the Board of Directors initiated an analysis of the neutrality of its remuneration policies with respect to gender, evaluating the gender pay gap and its evolution over time and documenting the motives of any gender pay gap, also in order to adopt targeted mitigation actions.

The **Remuneration Committee**, established within the Bank's Board of Directors and currently composed of five non-executive directors, the majority of whom are independent (including the Chairperson of the Committee), is responsible - also with the support of the Risk Management function, which sees the Chief Risk Manager appropriately involved in the Remuneration Committee meetings - for expressing an independent opinion on remuneration policies and practices and for submitting proposals to the Board of Directors regarding the remuneration and financial treatment of the figures listed above under a) and b), whose remuneration structure falls within the exclusive responsibility of the Board of Directors, as per the Articles of Association and internal policy. The remuneration of the Remuneration Committee, as non-executive directors, is not linked to the Group's economic results and incentive plans of any nature whatsoever are not envisaged for the same (see paragraph 5). The operating

<sup>3</sup> Available on the website of the Bank at the address [www.gruppobpm.it](http://www.gruppobpm.it), section CORPORATE GOVERNANCE - Governance Model.

<sup>4</sup> The aforementioned internal policy (not the Articles of Association) establishes the Board of Directors' independence in defining the legal and economic status of the I level managers of the Company Control Functions units, here intended as the "higher level" staff referred to in the Supervisory Provisions, Part I, Title IV, Chapter 2, Section II, paragraph 2.



rules of the Committee also envisage that, if a member has a personal interest or represents that of others with regard to a matter to be resolved upon, the same should inform the Committee of such and abstain from the same, it being understood that no Director should attend Committee meetings in which proposals are to be made to the Board of Directors regarding the remuneration of said Director<sup>5</sup>.

The Bank's **Risk and Sustainability Committee**, which is composed of five non-executive directors, the majority of whom are independent (including the Chairperson of the Committee):<sup>6</sup>

- assists the Board of Directors in defining the guidelines for the internal control and risk management system and in assessing the adequacy and effectiveness of this system;
- ensures that the incentives underlying the Group's remuneration and incentive system are consistent with the Risk Appetite Framework ("RAF").

The **Chief Executive Officer**, delegated by the Board of Directors, has decision-making autonomy on the legal and economic status of staff of all levels and status, except for the figures mentioned above under a) and b) above, whose remuneration structure falls under the exclusive responsibility of the Board of Directors.

The **Human Resources, Compliance, Risk Management, Planning, Internal Audit and Legal** functions of the Bank, according to their respective responsibilities and in such a manner to ensure their independence, participate in the definition, planning, preparation and any revision of the policies and provide the necessary support to ensure they are in line with the regulatory framework and that they work properly.

Lastly, the Bank's **Human Resources**<sup>7</sup> function implements the policies from a technical and operational view, overseeing their coordination at Group (and individual company) level, regarding both the fixed remuneration component and the variable remuneration component, and ensuring - inter alia - consistency between the policies, the human resource management procedures and the remuneration and incentive systems of the Bank.

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<sup>5</sup> Indication also provided pursuant to Directive 2017/828/EU ("Shareholder Rights Directive II").

<sup>6</sup> On 4 February 2022, Director Olga Cuccurullo, member of the Risk and Sustainability Committee, resigned from her position as Director. The above-mentioned Committee will as a result appoint a new member to ensure that it continues to have five members.

<sup>7</sup> On the basis of the update of the Supervisory Provisions of 23/10/2018, the Human Resources function is no longer considered to be the Company Control Function for remuneration purposes (however, subject to the principles underlying the payment of variable remuneration in the Company Control Functions, and especially the rule whereby variable remuneration should be reduced, also applying to that function). That function "gives support to the compliance function".



#### 4. COMPLIANCE

Compliance of the Group's remuneration policies with the applicable regulatory requirements and at the same time compliance with the commitments undertaken towards stakeholders, with particular emphasis on presiding over the qualitative level of the relationship with customers and implementing effective behaviour for the correct management of this relationship, are ensured by the contributions provided by the Bank's Company Control Functions (Compliance, Risk Management and Internal Audit), which, supporting the Human Resources function, support the company bodies when planning the remuneration policies also in order to ensure they are in line with the Bank's risk appetite and participate in the corresponding implementation processes.

The Bank's **Compliance** function:

- verifies continuously and annually, in time for the remuneration report to be approved by the Shareholders' Meeting, the coherence of the remuneration policies and practices adopted according to the external regulatory framework;
- prepares a Report for the Remuneration Committee in which it highlights any areas of attention for compliance purposes;
- together with the Bank's Human Resources function, it defines the set of requisites that the fore-mentioned function is required to observe in the practical implementation of remuneration policies.

The Bank's **Risk Management** function safeguards the sustainability of remuneration policies by monitoring their consistency and the ensuing incentive systems with the Group's RAF, also producing a report to support the Risk and Sustainability Committee and providing adequate support to the Remuneration Committee.

The Bank's **Internal Audit** function is required to verify, on an annual basis, that the remuneration practices are consistent with the policies approved by the Shareholders' Meeting and applicable legislation, making the Board of Directors and the Shareholders' Meeting aware of the results.

The Bank did not rely on external consultants for the definition of its 2022 remuneration policies<sup>8</sup>.

In the preparation of its remuneration policies, the Bank analysed the practices of the major banking groups and continuously uses the services of the consulting company Willis Towers Watson for benchmarking exercises (see paragraph 6.1)<sup>9</sup>.

#### 5. REMUNERATION OF DIRECTORS AND STATUTORY AUDITORS

At its meeting held on 18 May 2020, the Ordinary Shareholders' Meeting elected the Board of Directors and the Board of Statutory Auditors and approved their gross annual compensation, to the extent due pro tempore, for the 2020-2022 three-year period for the position of Director without delegation powers, Chairman of the Board of Directors, Standing Auditor and Chairman of the Board of Statutory Auditors of the Bank.

For the 2020-2022 three-year period, the remuneration of Directors who have not been delegated with any powers, will envisage a gross fixed annual component, with the option, for the Board of Directors, to approve further gross fixed annual remuneration for the members of the committees within the Board

<sup>8</sup> Information also provided pursuant to Article 450 (1) (a) of EU Regulation 575/2013.

<sup>9</sup> Indication also provided pursuant to Directive 2017/828/EU ("Shareholder Rights Directive II").



of Directors and/or remuneration for specific positions (pursuant to article 2389, paragraph 3 of the Italian Civil Code).

The table below summarises the amounts approved for the 2020-2022 three-year period:

Role	Gross annual remuneration	Daily allowance (**)
<b>Board of Directors:</b>		
Chairman	110,000	-
Chief Executive Officer	- (*)	-
Other Directors (***)	65,000	-
<b>Board of Statutory Auditors:</b>		
Chairman	80,000	-
Statutory Auditors	65,000	-

(\*) At its meeting on 7 February 2022, the Board of Directors approved for Mr Lovaglio a single, comprehensive remuneration for the roles of General Manager and Chief Executive Officer, inclusive of annual compensation as well as any attendance fees due for exercising the powers of Chief Executive Officer. For the entire duration of the Bank's restructuring period (unless specified otherwise by the competent authorities), the overall package of the manager, including benefit components, will be disbursed in compliance with the application of the salary cap based on the commitments assigned by the European Commission (see par. 6.1 for more detailed information on the salary cap).

(\*\*) As can be seen from the above table, no compensation has been envisaged as an attendance fee for the participation in Board of Directors' and Board of Statutory Auditors' meetings and in board committees.

(\*\*\*) Including the Deputy Chairmen.

In its meeting of 12 June 2020, the Board of Directors approved the annual gross remuneration of the directors for their participation in internal committees of the Board of Directors (Risk and Sustainability Committee, Related Party Transactions Committee, Nomination Committee and Remuneration Committee). This pay, lower than that of the main competitors, has been defined in line with the severe remuneration-related policies imposed by the commitments assigned by the European Commission with the approval of the precautionary Bank recapitalisation plan and the financial constraints of the 2017-2021 restructuring plan. Details are provided below:

Role	Gross annual remuneration	Daily allowance
<b>Risk and Sustainability Committee:</b>		
Chairman	25,000	-
Other Members	15,000	-
<b>Related Party Transactions Committee:</b>		
Chairman	15,000	-
Other Members	10,000	-
<b>Nomination Committee:</b>		
Chairman	15,000	-
Other Members	10,000	-
<b>Remuneration Committee:</b>		
Chairman	15,000	-
Other Members	10,000	-



Finally, the following compensation has been decided for the sole Director of the Bank, member of the Supervisory Board pursuant to Law 231/2001:

<b>Role</b>	<b>Gross annual remuneration</b>	<b>Daily allowance</b>
<b>Supervisory Board 231/2001:</b>		
Independent director	10,000	-

With reference to the non-executive directors and the members of the Board of Statutory Auditors, the principle that there be no connection with the economic results achieved by the Group and that no incentive plans of any nature are to be assigned to them, as had previously been approved by the Shareholders' Meeting, is confirmed.

There is no predetermined severance pay for the directors in the event that they leave office.

For members of the Bank's Board of Directors and Board of Statutory Auditors, like the provisions in force for employees, an insurance policy has been taken out to cover professional accidents and healthcare and provide specific coverage for Covid-19.

For the sake of completeness, note that the members of the Board of Directors and the Board of Statutory Auditors of the Bank and the subsidiaries are also beneficiaries of a "Directors & Officers Liability" (D&O) insurance policy, which covers the third-party liability<sup>10</sup> of directors, statutory auditors and managers resulting from illegal acts performed by the same while performing their duties. The D&O policy was taken out for the first time at Group level in implementation of Shareholders' Meeting Resolution of 11 April 2019 and subsequently renewed each year within the limits set forth by the above-mentioned resolution<sup>11</sup>. Activities are currently under way in preparation for the renewal of that policy for a period of one year, effective as of 1 May 2022.

Also for the members of the company bodies of the subsidiaries, the principle has been confirmed that there will be no link established with the economic results achieved by the Group and/or participation in incentive schemes of any nature whatsoever, with the exception of any non-executive directors of those companies who are also employees of another Group company and who, as such, may be beneficiaries of incentive schemes in compliance with what is set forth in par. 6.3.

For the Group's employees who cover non-executive corporate roles on designation of the Parent Company and/or a subsidiary, there is also a waiver to the remuneration established for the role of director or member of the board of statutory auditors (the latter only with reference to the subsidiaries), based on the prior written consent of the employee concerned.

<sup>10</sup> Excluding wilful misconduct.

<sup>11</sup> The above-mentioned resolution authorised the stipulation of the D&O with an annual duration and awarded the most extensive power to the Parent Company's Board of Directors for the annual renewal of this insurance policy, informing the Shareholders' Meeting of the costs actually incurred and the scope of application of the cover.



## 6. PERSONNEL REMUNERATION AND INCENTIVE POLICY

### 6.1 General Principles

The implementation of staff remuneration policies, approved by the Shareholders' Meeting, is the responsibility of the Board of Directors (with the option to sub-delegate specific matters to the Chief Executive Officer in accordance with the Articles of Association and the laws and regulations in force), which will make its choices in pursuit of the objectives described in the second chapter of this section.

Remuneration, pursuant to Circular no. 285/2013 of the Bank of Italy, refers to “all forms of payment or benefit, including any allowances paid, directly or indirectly, in cash, financial instruments or services or fringe benefits in exchange for work or professional services by staff to the Bank or other companies in the Banking Group.<sup>12</sup>”

The remuneration policies are neutral with respect to personnel gender and contribute to pursuing full equality. They ensure, for the same job performed, that personnel have an equal level of remuneration, also in terms of the conditions for its recognition and payment. The Bank ensures that all of the relative working conditions with an impact on remuneration by unit of measurement or hourly rate are gender neutral.

#### ***TOWARDS GENDER NEUTRALITY***

For the Bank, gender equality is understood as the absence of obstacles that prevent the least represented gender from taking on roles of responsibility as well as a policy for the inclusion of all forms of diversity.

The Group therefore aims to create the conditions to be able to **express the full potential of resources** in the company, also with evident external benefits, through:

- the **promotion** of an inclusive work environment open to the values of gender and other diversity;
- the **pursuit** of gender equality at every level of the company;
- the **creation** of the appropriate initiatives to guide and enhance company policies on gender equality;
- the **strengthening** of selection and development methods suitable to promote equal gender opportunities.

In this regard, specific initiatives have been launched guided by the **MPS Diversity & Inclusion** programme, with a view to developing an internal culture of diversity and inclusion, to leverage difference as a value and opportunity. The Group has been a member of “Valore D” since 2015, and in 2017 it signed the “Female Employment Manifesto”. In 2019, it signed the Italian Banking Association’s (ABI) “Women in Banking Charter” to encourage inclusion and equal opportunities, and it follows the Principles for Responsible Banking of the Financial Initiative of UNEP (United Nation Environment Program). In 2020, it signed on to the ABI Memorandum of Understanding for female victims of violence. In 2021, it supported the G20 Empower Pledge. G20 EMPOWER is the entity which, within the G20 system, brings together private sector representatives and governments to promote a common objective for the promotion of gender equality.

<sup>12</sup> In accordance with applicable law “marginal payments or benefits given to staff on a non-discretionary basis may not be included, and which form part of a general policy of the bank, and which do not have effects on the bonus plan when taking on or controlling risks”. Supervisory Provisions, Part I, Title IV, Chapter 2, Section I, par. 3.



The Bank's remuneration policy is influenced by its commitments assigned by the European Commission with the approval of the precautionary Bank recapitalisation plan and therefore also by a restrictive policy in terms of variable remuneration.<sup>13</sup> In particular, on 4 July 2017, with the approval of the above-mentioned plan the European Commission, inter alia, required the Group to make a series of commitments as of that date until the completion, not only temporally speaking, of the plan. Among these is the Group commitments to apply severe executive remuneration policies and, specifically, to ensure that total individual remuneration does not exceed the average employee salary at the beginning of the plan in 2016, multiplied by ten (salary cap). The Bank ensures the application of this commitment with respect to the Chief Executive Officer / General Manager and other top management figures.

Given the above, the remuneration structures are defined in accordance with applicable market practices (see box on 'benchmarking') and comprise a **fixed component** and a **variable component**, a detailed description of which can be found in paragraphs 6.2 and 6.3 below.

The combination of the fixed and variable components (the "**pay mix**") is established ex ante for each staff sub-category, in compliance with the relevant provisions, in order to discourage behaviour oriented towards an excessive undertaking of risks (see paragraphs 7.1 and 7.2).

The basic elements that characterise the salary structure are outlined in the paragraphs below.

### ***GENDER BALANCE AND EQUAL PAY GAP***

For some time now, the Bank has had a Joint Commission on Equal Opportunities, which is responsible for sharing female employment indicators in the company, as well as identifying appropriate enhancement policies in order to **accelerate** concrete solutions aimed at pay equality between men and women across every level of the organisation.

Within the Group, the gender pay gap is **-12.6%** (average total monetary remuneration of women compared to men).

The aggregate results at Group level show how, with respect to a balanced staff composition, women cover 31% of the roles of responsibility. These results reflect a gender balance process undertaken some time ago and also underscore the need for further efforts to create the conditions to strengthen the representation of women in management positions.

In order to orient mitigating actions aimed at gender balance and pay equity and guarantee women's professional development, with a particular focus on their growth in leadership roles, the Bank has shared its commitment to reaching the objective established by the UNEP FI - Principles for Responsible Banking (PRB2), or **35% of the roles of responsibility** covered by women as the S.M.A.R.T (\*) Target of the PRB2 for 2023.

Details relating to the gender pay gap and the Diversity & Inclusion results achieved are provided in the Non-Financial Statement, which should be referred to for additional information.

(\*) Specific, Measurable, Achievable, Relevant and Time-bound.

<sup>13</sup> Indication also provided pursuant to Directive 2017/828/EU ("Shareholder Rights Directive II").



## **BENCHMARKING**

In order to compare the remuneration of the Bank and Group's resources with respect to the external market, specific peer groups have been identified:

- for the top management **positions** of the Board of Directors<sup>(\*)</sup>, a selection of Italian companies drawn from the 2021 **Executive Remuneration Survey - Italy** by Willis Towers Watson, similar to the Montepaschi Group in terms of business model and organisational complexity (12 companies in the banking and insurance segments: Banco BPM, BPER, Banca Carige, Banca IFIS, Banco Posta, Cariparma, Illimity, ING Bank Italia, Mediobanca, Unicredit, Assicurazioni Generali Italia, Aviva Italia);
- for other positions of **responsibility in General Management and Territorial Area**, the 2021 Financial Services Survey Report – Italy by Willis Towers Watson;
- for the **Network and operational positions**, the **Retributiva Credito e Finanza** survey by **ABI** in association with Deloitte Consulting S.r.l. which included 30 of the primary companies/groups in the Italian banking sector in 2021.

<sup>(\*)</sup> With the exception of the positions of Chief Executive Officer and General Manager for whom a restricted peer group of three banking sector companies deemed most comparable is used (currently Banco BPM, BPER and Credito Emiliano).

## 6.2 Fixed remuneration

### 6.2.1 Remuneration definition and policy

**Fixed remuneration is stable and irrevocable** (i.e. it cannot be unilaterally reduced by the Bank, outside the cases set forth by law), and is determined and paid within predefined ranges on the basis of pre-established and verifiable criteria such as levels of professional experience and responsibility, which do not create incentives to assume risks and do not depend on the Bank's performance. Possible modifications are made over time as those criteria change, or in order to achieve a realignment with respect to market salary parameters.

The table levels, provided by applicable laws, in some cases may be integrated with interventions aimed at **enhancing the value of managerial and specialist contribution** expressed, seeking a **better correlation** between the grade of the **position in the organisation** (see box on "Job levelling"), the **associated remuneration levels** expressed by the market, those within the Bank reported for comparable roles and the **fixed remuneration** of the resource.

In general, salary ranges are defined for each grade and updated over time, with midpoint values, percentage breadth, progression (i.e. distance between the grade midpoints) and percentage overlaps between the categories, to guarantee a structured approach to remuneration reviews and to minimise the amount of discretion involved. The position in the applicable category is determined by a series of pre-established factors, including continuous performance, risk culture and the transparency expressed, the strategic nature of the activity overseen, the riskiness of the role covered and lastly the difficulty of finding analogous figures.



In determining remuneration, the Bank takes into consideration, in a neutral gender manner, the weighting of the position and the relative benchmarking, as well as the following aspects<sup>14</sup>: skills and commitment; location of service and relative cost of living; level of formal education; scarcity of personnel available in the job market for specialised positions; the nature of the employment agreement; duration of professional experience; professional certifications.

Furthermore, indemnities may also be attributed to parties in specific positions or roles, characterised by amounts:

- determined ex ante on the basis of specific measurement criteria in accordance with the complexity of the job covered;
- paid to all resources in effectively comparable situations;
- not related to performance, and in any case, not providing an incentive to risk taking;
- not subject to reduction or suspension until the objective condition (position, job, location of office) that determined the attribution of the amount no longer applies or changes considerably;
- in any case, revoked when the person leaves the specific position and/or office that determined the attribution of the amount<sup>15</sup>.

Inconvenience allowance may also be recognised if the attribution of a specific job or the assignment of a workplace imply a significant change of the resource's personal situation. Specifically, reference is made to cases in which the resource must incur higher expenses, including unforeseen, for commuting and cost of living (such as services, utilities, lodging, etc.).

In continuity with last year, company actions on the fixed remuneration component will continue to be characterised, also in view of the cost restrictions set by the restructuring plan and the above-mentioned commitments, by strong selectivity and high "prioritisation" requirements. In this scenario, the above-mentioned benchmarking, job-levelling and remuneration categories defined for each grade will be increasingly functional to seeking the best distribution of available resources.

For financial advisors, the recurring component, which represents the most stable and ordinary element of their remuneration, is deemed equivalent to fixed remuneration and is represented by commission remuneration recognised, based on the individual contracts of each Financial Advisor, in relation to the products and services placed and managed (see paragraph 6.4.2).

### ***JOB LEVELLING***

In order to analyse the positions, the Group engaged the international advisory firm Willis Towers Watson, which uses its proprietary method (the Global Grading System) to create a job levelling system for the main company jobs, which creates a decreasing order of the company jobs.

Each of these **positions** is evaluated based on the **nature and level of complexity of the contribution provided to the business**, through quantitative and qualitative factors, including organisational assessment and risk governance-related factors, which make it possible to identify the relative grade.

Once the grade has been assigned, internal and external equity can be evaluated over time, checking the consistency of the remuneration packages of the resources with the same classification levels, and the external balance can be evaluated by comparing market values. For top positions within the Board of Directors, the analysis is further sophisticated and considers not only the grade but also the role covered through a comparison with the same or the closest roles present in the market and belonging to the same grade or nearby grades, allowing for a more precise assessment of remuneration compared to the applicable market. The **organisational bands**, as sets of contiguous grades, have also been defined and associated with the entire HR value proposition.

<sup>14</sup> Information provided also pursuant to the "EBA Guidelines" (specifically, see paragraph 27).

<sup>15</sup> Following the assignment to a new job and/or position, the fairness of the overall remuneration structure of the owner will be revalued on the basis of the grade of the new position (as identified on the basis of the Global Grading System described under "Job Levelling").



## 6.2.2 Benefits and other compensation

As part of the **fixed remuneration component**, the Group envisages for its employees, various interventions that effectively increase its remunerative offer under a structural profile, enhancing motivation and reinforcing Group identity. The “Welfare MPS” model is consolidated, including through **II level agreements** and the work of **joint committees**, with a view towards economic compatibility and overall sustainability, with the introduction of projects such as “MPSolidale”<sup>16</sup> and “Lavoro Agile”, a system of leave and time off, particularly to support parents.

The institutions that support people include the following:

- the **company’s contribution to the Supplementary Pension Fund**, set forth to the fixed extent of 2.5% of the tax base used for the purposes of employee severance pay in favour of all employees and access to the company’s supplementary pension scheme provided to all employees of the Group companies and their dependants;
- the **Accident Policy (both occupational as set forth in the national collective labour agreement and non-occupational) and Health Coverage**, the latter not only for employees in service, but also for former employees in the Solidarity Fund, including dependant family members. For the year 2022, the possibility of participation for retired personnel with the membership cost under their own responsibility has been renewed. Due to the health emergency, Covid-19 insurance coverage was taken out for 2022 as well;
- **luncheon vouchers**, with more favourable treatment than the national collective labour agreement, both in terms of amount (Euro 6.00 for full-time employees and 5.00 for part-time, compared Euro 1.81 in the national collective labour agreement) and in terms of the staff members who qualify for the benefit (including middle managers at the III and IV remuneration level);
- subsidised **terms for certain bank transactions** (especially loans).

Furthermore, thanks to the actions involving listening to people and continuous dialogue with the Joint Commission, in 2022 the internal Welfare offer was developed to meet the new requirements that the emergency situation has brought to light, particularly in terms of support, informational and advisory services, as well as care in its broadest sense: work-life balance, caring for oneself and one’s loved ones, and parenthood.

The benefits provided on an individual basis, in accordance with pre-established, structured assignment processes, include:

- providing **sublet accommodation** at or near the workplace for personal and family use in the event of transfer upon the company’s decision, or, alternatively, a **commuting allowance**;
- **company car for private and business use**, with expenses charged to the Bank, for staff members in key roles in the organisation, with high mobility requirements and Managers with “personalised” contracts;
- **insurance coverage, including permanent disability from illness and death from illness**, for Managers.

Benefits such as accommodation and a vehicle for private and business use may be maintained for a period not exceeding 3 months following the termination of employment. Health and insurance coverage continue to be effective, for all subjects, until their natural annual expiry<sup>17</sup>.

<sup>16</sup> This scheme is implemented through an annual pool of hours of paid leave, to which employees contribute on a voluntarily basis by donating hours of paid leave, one or more days of holidays or leave or portions of salary by the Executives, for the benefit of the staff in the Professional Areas and Middle Manager categories, who need additional leave with respect to the amount they are individually entitled to, in order to deal with serious and justified personal and/or family situations.

<sup>17</sup> Indication also provided pursuant to Directive 2017/828/EU (“Shareholder Rights Directive II”).



For the sake of comprehensiveness, in implementation of Shareholders' Meeting Resolution of 11 April 2019, for the Group Managers, similar to what has been provided for directors and statutory auditors, the Bank has confirmed the “Directors & Officers Liability” (D&O) insurance coverage for third-party liability<sup>18</sup> resulting from illegal acts performed by the same while performing their duties. The above-mentioned resolution authorised the stipulation of the D&O with an annual duration and awarded the most extensive power to the Parent Company’s Board of Directors for the annual renewal of this insurance policy, informing the Shareholders’ Meeting of the costs actually incurred and the scope of application of the cover.

### 6.2.3 Company Control Function Allowance

The managers of the Company Control Functions<sup>19</sup>, up to the third level of control responsibility and the Financial Reporting Manager are assigned position-related allowance to counterbalance the significant responsibilities of the jobs held, while still maintaining independence.

This allowance is to be assigned, in accordance with the principles and definitions of the Bank of Italy Circular no. 285/2013, to fixed remuneration as:

- it is determined ex ante on the basis of objective, pre-established and non-discretionary criteria, such as in particular the level of responsibility;
- it has a permanent and irrevocable nature as long as the condition that determined it remains (the right of assignment is no longer valid if the beneficiary ceases to hold the position);
- it does not depend on and is not in any way (nor its disbursement or its amount) subordinated to the company and/or individual performance and therefore does not create an incentive to take on risks.

## 6.3 Variable remuneration

### 6.3.1 Definition of variable remuneration

Variable remuneration includes:

- any payment or benefit where assignment or disbursement depends on performance, however it is measured (income targets, volumes, etc.), or other parameters (for example permanence in the company), not including remuneration relating to early retirement, benefits or pay in lieu of notice established by general employment law as described in paragraph 6.3.2;
- discretionary pension benefits and agreements on remuneration relating to early retirement or early termination of office (known as golden parachutes) described in paragraph 6.3.4 below;
- the “Non Core” components described in paragraph 6.3.3.

The relation of the variable component with performance (for forms of variable remuneration that are not linked to different parameters) allows implementation of a **differentiation and meritocracy mechanism** and, no less important, makes it possible to **align the interests of management and employees with those of the Shareholders**.

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<sup>18</sup> Excluding wilful misconduct.

<sup>19</sup> As defined by the Supervisory Provisions, Part I, Title IV, Chapter 2, Section I.



All variable remuneration instruments, aside from being gender neutral:

- are subject, when applicable, to the limits on variable distributions provided by the Supervisory Provisions in application of arts. 141 or 141-*ter* of the CRD V, or in the situations pursuant to article 16-*bis* of Directive 2014/59/EU (BRRD)<sup>20</sup>;
- are activated to the extent to which there is economic capacity in personnel costs, and more specifically the total annual amount allocated to variable remuneration (so-called “bonus pool”) determined in accordance with the Supervisory Provisions and specifically with the provisions established for banks that benefit from state aid<sup>21</sup>;
- are subject to malus clauses and clawbacks upon any occurrence of certain events, as described in paragraph 8.2;
- are designed to incorporate risk-adjusted performance indicators, liquidity and equity, both at Group and individual company entity level, also defined, valued and formalised on the basis of the binding instructions of the Risk Management function, appropriately differentiated in accordance with the type of instrument;
- are subject to the rules set out in paragraphs 7.1 and 7.2 below;
- may not be subject to personal hedging strategies or insurance on remuneration or other aspects that could alter or invalidate the effects of alignment with the risk inherent in the remuneration mechanisms, as set forth in paragraph 8.3 below.

### ***RAF and RAS***

The Risk Appetite Framework aims to ensure consistency on a continuous basis between the Group’s actual risk profile and the risk appetite approved ex ante by the Board of Directors, taking into account any risk tolerance thresholds and in any event within the maximum risk capacity limits deriving from regulatory requirements or other restrictions imposed by the supervisory authorities.

The RAF is formalised at least once per year in a Risk Appetite Statement (“RAS”) approved by the Board of Directors and developed based on a set of key risk indicators defined at Group, legal entity and business unit level, in accordance with processes approved internally by the Board itself.

*Ex-ante* target risk appetite thresholds are established for each indicator, which are more conservative than the risk tolerance thresholds, which in turn are more conservative than the risk capacity thresholds.

The main instruments used to determine the variable remuneration applied by the Group may be logically broken down into four aggregates:

- “Core” components;
- “Non Core” components;
- remuneration related to early termination of employment or early termination of office;
- remuneration of business partners not bound to the Bank by employment relationships.

The following paragraphs describe the variable instruments usable within the Group for each of these aggregates.

### **6.3.2 “Core” components**

The variable instruments that may be theoretically activated include first of all (within the limits of the possibility of activating them) those that can be classified among the “core” components since they are considered to be incentive instruments in the strict sense. Their potential activation is decided each year on the basis of various factors (surrounding conditions, regulatory and legal restrictions, available resources, etc.) and motivated to the Board of Directors in charge of authorising them on the basis of

<sup>20</sup> Pursuant to what is set forth in the Supervisory Provisions, Part I, Title IV, Chapter 2, Section V, par. 2.

<sup>21</sup> Pursuant to what is set forth in the Supervisory Provisions, Part I, Title IV, Chapter 2, Section V, par. 1.



proposals by the Remuneration Committee after obtaining the opinion of the Risk and Sustainability Committee regarding the consistency of the entire structure with the Risk Appetite Framework.

These instruments closely depend on the performance of the Group and the structure, and provide for:

- **formalised and transparent activation and delivery conditions established ex ante** in compliance with the minimum supervisory capital requirements<sup>22</sup>;
- pre-determined quantitative and qualitative **financial and non-financial targets** connected to corporate social responsibility, including the establishment of ESG parameters such so as to permit a constant connection between sustainability over time, risk-adjusted performance, compliance and remuneration<sup>23</sup>;
- **ex ante identification and provision of ex post remodulation mechanisms of the “bonus pools”** in correlation to the financial and equity situation of the Bank;
- **pre-defined individual target bonuses** (by role or aggregated role).

It is deemed that the conditions for activating the variable incentive systems for Group banking employees in the current year are not present.

For the sake of comprehensiveness, within the Group’s non-banking companies, please note that via a supplementary bargaining agreement Magazzini Generali Fiduciari di Mantova SpA has activated a company performance bonus for the 2022-2024 three-year period, to follow that active for the year 2021 and to be paid in 2022. The system is intended for the subsidiary’s employees on the payroll, primarily blue-collar workers, and is linked to the company’s commercial performance.

### 6.3.3 “Non Core” components

Within the scope of “non core” components of variable remuneration, certain instruments are envisaged<sup>24</sup>, disbursed continuously to resources in service, and functional, according to the case, to protect the Bank’s assets if key resources leave the commercial supply chains or to ensure greater stability, retaining strategic resources with high-level skills. More specifically:

#### a) Non-compete covenants.

The non-compete covenant clause is an agreement between the Bank and the employee that limits the right of the employee to carry out professional activities in competition with the Bank following termination of the working relationship, providing, if breached, for payment of a penalty.

A consistent monthly payment, pre-established on a fixed basis, is given to the employee for that commitment (as required under article 2125 of the Italian Civil Code), generally while the employment contract is in place<sup>25</sup>.

The instrument is attributed after an initial observation period in favour of key figures in the network: more specially, it is given to all private bankers/family officers meeting specific requirements and their managers, with the amounts assigned in accordance with pre-established basis portfolio levels.

<sup>22</sup> CRD V arts. 141 or 141-ter or in the situations pursuant to article 16-bis of Directive 2014/59/EU (BRRD)

<sup>23</sup> Indication also provided pursuant to Directive 2017/828/EU (“Shareholder Rights Directive II”).

<sup>24</sup> These instruments are activated and disbursed in accordance with the legislative and regulatory provisions applicable at the time and in compliance with any indications from the competent national and foreign regulatory bodies.

<sup>25</sup> The agreements currently in place with the Bank all provide for the payment while the employment contract is in place. However, the payment can be made after the employment contract has ended (to that end, with reference to the Identified Staff, see what is specified in paragraph 6.3.4. on severance).



The agreement is maintained for the entire period in which the conditions which determined its attribution are met.

#### b) Staff retainment.

These are instruments used for staff retention purposes (therefore not linked to performance), and in particular in the following forms:

- **agreement to extend notice period:** this is an agreement whereby the employee undertakes to agree, in the event of resignation, a longer notice period than that provided for under the applicable collective contract<sup>26</sup>, for a pre-established fixed amount at a certain percentage of the fixed remuneration;
- **stability pact:** this is an agreement whereby the employee undertakes not to leave the job for a pre-established period in exchange for remuneration defined ex ante and with provision for a penalty to be paid by the employee if he/she breaches the commitment.

Both instruments are used primarily for resources in positions where there are retention risks and/or for resources with key skills.

The range of variable remuneration instruments also includes training courses, initiatives that envisage a reward to employees through the provision of specialist training and contests, i.e. campaigns of limited cost, with low individual amounts, that are effective in supporting business activities, also from the point of view of customer acquisition/retention since they incentivise commercial and productivity initiatives in the operating units, in line with customers' financial requirements. With regard to contests, a portion of the amounts may be deferred, also with a view to the retention of key staff, such as for example resources in the private banking segment. The recognition of the amounts depends on permanence in the company on the disbursement date<sup>27</sup> and is made in compliance with the provisions of paragraph 6.3.1. Each time a training course or contest is organised, it must be carefully analysed and specifically regulated, also to ensure that it does not constitute an incentive to push the sale of specific products or financial instruments, and always takes place in compliance with the rules envisaged for all variable remuneration components (see paragraph 6.3.1.) with specific regard also to the regulatory provisions (e.g. Transparency, MIFID II, IDD) and the rules of conduct with respect to the customers. Each initiative provides for exclusion clauses in the event of inadequate individual behaviour such as the presence of disciplinary proceedings or the failure to complete mandatory training.

In extraordinary cases, the Bank may use the following instruments:

- **entry bonuses**, granted only for the first year of employment and only if the prudential requirements have been met at the time of hire, also for attraction purposes (not subject to the rules of variable remuneration and not included in the limit to the variable / fixed ratio of the first year's remuneration only where paid in a single solution upon hiring<sup>28</sup>);
- **one-off payments**, i.e. monetary recognition of a small amount to reinforce the engagement of the individual resources who have been particularly distinguished on an individual level;
- **retention bonuses**, or individual disbursements for justified and documented reasons linked to the opportunity to keep the resource in service as an employee for a pre-established period of time and/or linked to a specific event (for example completion of a company restructuring process or an extraordinary transaction). A staff member cannot be recognised more than one retention bonus except in exceptional and appropriately justified cases (i.e., the payment takes place at different times and there are specific reasons for the recognition of each payment).

With the exception of the specifications above relating to the entry bonuses, all the remaining amounts recognised pursuant to this paragraph (including payment of the non-compete covenants, but only for

<sup>26</sup> More specifically, 6/12 months instead of the period provided under the collective agreement (1 month for the Professional Areas and Middle Managers and 3 months for the Managers).

<sup>27</sup> Indication also provided pursuant to Directive 2017/828/EU ("Shareholder Rights Directive II").

<sup>28</sup> In accordance with the provisions of paragraph 2.1 of Part I, Title IV, Chapter 2, Section III of the Supervisory Provisions.



the amount that exceeds a year of fixed remuneration<sup>29)</sup>, are paid out in accordance with the rules that apply to disbursement of variable remuneration. In particular:

- (i) for employees who are considered to be Identified Staff, the disbursement procedures set out under paragraph 7.1 will be followed (i.e. part of the disbursement deferred and part of it in financial instruments, subject to malus and claw back clauses etc.) in accordance with the cluster they belong to;
- (ii) for the remaining staff, the payment is made entirely up front in cash, but subject to normal claw back mechanisms (see paragraph 8.2).

These amounts will furthermore only be paid if the capital and liquidity levels are sufficient to deal with the Bank's activities.

Discretionary pension benefits are not currently among the instruments that can be set up for Group staff.

The disbursement of these instruments, also functional to assure structural savings on labour costs, is undertaken on the basis of specific, pre-established and well documented decision-making processes, in accordance with the current regulatory framework<sup>30)</sup> and taking into account any indications that may be received from the competent authorities.

#### 6.3.4 Compensation for early termination of the employment

The Articles of Association state that the Ordinary Shareholders' Meeting, in addition to establishing remuneration due to Board members, approves the criteria for the **determination of compensation to be granted in the event of early termination of employment or termination of office**, including limits to the defined compensation in relation to number of years of fixed remuneration and the total maximum amount that results from their application.

Payments for employment termination, in addition to the post-employment benefits established by general law on the work relationship and advance notice (by law and collective labour agreement)<sup>31)</sup>, and not determined by a competent third party such as a judicial authority and/or arbitration authority (the **severance**), is quantified and paid out by the Bank in accordance with the regulatory framework in force at the time, in application of the criteria described below, and always with respect and in pursuit of the best interests of the Company.

There are no arrangements currently in place that pre-establish fixed ex-ante amounts due in the event of early termination of employment, or that provide for the payment of amounts exceeding the treatment provided for in the applicable national collective agreements.

Severance pay can only be given by the Bank in the case of (i) a termination of employment at the company's discretion without just cause; (ii) consensual termination of employment, excluding the case of voluntary resignation and is determined based on the following main criteria:

- age and specific personal conditions of the interested party;
- length of service, with reduction of amount to be paid in the event of short duration of employment;

<sup>29)</sup> In accordance with the provisions of paragraphs 2.2.2 and 2.2.3 of Part I, Title IV, Chapter 2, Section III of the Supervisory Provisions.

<sup>30)</sup> Therefore, by making the payment, among other things, only if compatible with capital and liquidity levels sufficient to cope with the Bank's activities and subject (also including individuals not classified as Identified Staff) to the claw-back mechanisms set forth in paragraph 8.2, as well as, in the case of deferral, the *malus* mechanisms envisaged in paragraph 8.2.

<sup>31)</sup> In particular, the Bank applies the notice periods envisaged by the National Collective Labour Agreement for Credit Executives to managerial staff (with relation to length of service in the company), and applies the notice periods envisaged by the National Collective Labour Agreement for non-managerial staff in the Credit Sector (with relation to length of service in the company and to level).



- performance (not including risks) and the liquidity and capital levels of the Bank;
- professional contribution provided to the Company and performance of the beneficiary (not including risks) in relation to expectations; individual conduct and alignment to values, in the corporate interest and in relation to risk; effective integration in the context and dynamics of the company;
- reasons for the decision to terminate employment (also with reference to the notions of just cause and justification according to parameters in force at the time) in relation to the risk of dispute which the employee may initiate as regards his/her previous employment and related termination, considering, among other things, possible indications provided by competent third parties such as judicial authorities and/or arbitration and/or conciliation.

The above-mentioned criteria are, based on the characteristics of each case, carefully considered and balanced among themselves, and always in pursuit of the best interests of the Company.

Overall, the **number of months related to notice and to severance payment** (where agreed within the company applying the specific formula, and not determined by a competent third party, as described above), **as a rule do not exceed** an amount which corresponds to **24 months' salary**.

In very exceptional circumstances (and never occurred recently for the Identified Staff), if required in the interests of the company, deviation from the above-mentioned amount is not excluded within the limit represented by the maximum number of months due, at the time of the resolution, as supplementary indemnity according to the collective agreement in force at the time. This may only take place following a strict and articulated evaluation process, which includes the issuing of opinions from the relevant company functions (and when necessary external consultants), the formulation of a proposal by the Remuneration Committee and approved by the Board of Directors.

The number of months related to notice and severance pay are calculated considering the mandatory criteria of the law and the collective labour agreement, i.e. the so-called total remuneration (including fixed remuneration, the average variable remuneration paid in the last three years and the value of benefits in kind), which together also incorporate the performance demonstrated by the interested party (as reflected in the average variable remuneration), bringing about a reduction, which can be significant, of the overall amount granted in the event of negative performance.<sup>32</sup> As regards the impact of the termination of employment on the rights allocated under incentive plans based on financial instruments, at the moment, MPS does not have any plans of this nature in place (the only share-based plan currently envisaged is exclusively related to the payment of the severance portion to be paid in financial instruments pursuant to Supervisory Provisions (see paragraph 6.6).

If, after a careful assessment of the cost/benefit ratio in the broader area of the individual negotiations, it is considered useful to pursue the goals regarding the payment of severance pay, this<sup>33</sup> is generally calculated in accordance with the following formula:

#### Requirements:

1. Respect, at Group as well as individual Company level, for the limits on variable distributions provided by the Supervisory Provisions in application of arts. 141 or 141-*ter* of the CRD V, or in the situations pursuant to article 16-*bis* of Directive 2014/59/EU (BRRD);

<sup>32</sup> Considering the request, formulated in the Supervisory Provisions, to set out the limits of severance also in terms of the annual payments of fixed remuneration and maximum amount resulting from their application, it should be noted that:

- within the context of the Bank, where no variable remuneration has been paid to top management in recent years, global remuneration currently corresponds to fixed remuneration and the above-mentioned limit of 24 months' salary does not diverge significantly from two annual payments of fixed remuneration;
- the maximum amount resulting from the application of the afore-stated limits is equal to the highest contractual monthly remuneration recognised from time to time, multiplied by the maximum number of recognisable monthly payments (possibly increased by the number of months of duration of the non-compete clause, in the applicable cases).

<sup>33</sup> Subject to the exception provided for under paragraph 2.2.3, Part I, Title IV, Chapter 2, Section III of the Supervisory Provisions upon the occurrence of which - in compliance with the provisions of the aforementioned Supervisory Provisions - the provisions regarding severance pay pursuant to this paragraph do not apply.



2. no compliance breaches for the potential beneficiary (see to that end, paragraph 8.2) which are serious enough to justify dismissal from the job<sup>34</sup>.

**Factors determining the number of months to be awarded:**

Evaluation factors	Criteria	Number of months
Company seniority	Up to 2 years	0
	Up to 6 years	1
	Up to 10 years	2
	Up to 15 years	3
	Over 15 years	5
Relevance and complexity of the position covered (grade)	Up to Grade 12	0
	Grades 13 and 14	1
	Grades 15 and 16	2
	Grades 17 and 18	3
	Grade 19 and over	5
Age	Up to 40	0
	Up to 45	1
	Up to 55	2
	Over 55 and until pension entitlement	1
	Beyond the right to a pension	0
Individual performance	Low	-2
	Average	2
	High	6
Risk of legal disputes	None/low	0
	Medium	2
	High	4
Performance of the Bank, net of risks	YES	0
	NO	-2
Impact on the contractual remuneration of being subject to a salary cap	Irrelevant	0
	Low	1
	Medium	2
	High	4
Individual conditions of the resource (*)	YES	3 (MAX)
	NO	0

(\*) From a solidarity perspective only relating to the Bank's operating personnel (office staff and middle managers) and as an alternative to the "relevance and complexity of the position covered (grade)" factor, which does not usually apply to these positions, this factor makes it possible to account for, in exceptional and limited cases, any individual circumstances, such as the serious illness of a spouse or of cohabiting relatives, the death of a spouse or of cohabiting relatives or the serious illness of the employee (factor evaluated following formal documented assessment).

In consideration of the presence of State aid, all the parameters indicated above have been defined with a view towards containing costs and calculating them in a prudential manner.

In compliance with the Supervisory Provisions, severance pay, where calculated on the basis of the formula indicated above, within the scope of an agreement aimed at settling a current or potential

<sup>34</sup> If a less serious compliance breach is found, the severance pay will be reduced (at a different percentage on the basis of the degree of materiality of the compliance breach) according to the provisions of the internal procedure on compliance breaches (see paragraph 8.2).



dispute, will not form part of the calculation of the maximum ratio between the variable and the fixed remuneration.

The severance is paid with a method consistent with the regulatory provisions applicable at that time and subject to ad hoc ex-post correction mechanisms (malus and claw back), which are set forth in the exit agreements to cover, inter alia, against fraudulent or gross negligent misconduct that may be detrimental to the Bank and the Group<sup>35</sup> (and, in any way, defined consistently, on the one hand, with the regulatory framework and on the other with the peculiar nature and characteristics of the severance).

With regard to staff who have foreign employment contracts, the formula will be applied to the extent that it is compatible with the specific local regulations that apply.

A **non-compete clause**, agreed upon with the individual managers for the period subsequent to employment termination, may be added to the aforementioned limits, should they reflect an actual and demonstrable business interest (subject to the provisions of the paragraph below). This payment is determined in compliance with article 2125 of the Italian Civil Code - based on the perimeter of the enforced restrictions set forth in the agreement (in terms of subject matter, duration and territory) and, in all cases, it may not exceed, as a maximum limit, the amount of the total annual remuneration paid to the manager calculated on the basis of the duration of the agreement.

In accordance with the Supervisory Provisions, the non-compete clause:

- is not subject to the provisions of this Section for the amount that does not exceed the last yearly fixed remuneration payment to the beneficiary;
- on the other hand, it is subject to the provisions of this Section for the amount that exceeds the last yearly fixed remuneration, but is excluded from the calculation of the limit to the ratio between the variable and fixed remuneration for the portion that, for each year the agreement lasts, does not exceed the last yearly fixed remuneration payment to the beneficiary.

## 6.4 Remuneration of financial advisors

### 6.4.1 Indirect sales channels

Starting from 29 December 2017, the Bank began promoting and placing investment products and services to the public through **indirect sales channels**, using qualified financial advisors who are classified as “employees” of the Bank.

The indirect sales channels relate to the placement of UCITS, portfolio management and the sale of insurance investment policies, and the collection and transmission of orders in administered assets on the secondary market.<sup>36</sup>

At present, the remuneration envisaged for this category of individuals (i.e. employees registered in the Register of Financial Advisors, authorised to offer products and services off-premises and with a specific

<sup>35</sup> In accordance with the Supervisory Provisions, Part I, Title IV, Chapter 2, Section III – paragraph 2.2.3 Exceptions: “The rules provided by paragraphs 1, 2.1, 2.2.1 and 2.2.2, of this Section, do not apply to:

- *golden parachutes pursuant to paragraph 6.3.4 agreed as part of extraordinary transactions (for example mergers) or company restructuring processes provided that they fulfil both the following conditions:*
  - they respond exclusively to a logic of containment of company costs and rationalisation of staff;
  - they do not exceed Euro 100,000;
  - they provide for clawback mechanisms that at least cover fraudulent behaviour or gross negligence to the damage of the Bank;
- redundancy incentives, also related to extraordinary transactions (for example mergers) or company restructuring processes and not paid to identified staff provided that the following conditions are fulfilled:
  - they respond exclusively to a logic of containment of company costs and rationalisation of staff;
  - they encourage people to agree to support the measures provided for by law and collective contracts, for all employees;
  - they do not produce *ex ante* distortive effects on staff behaviour;
  - they provide for clawback mechanisms that at least cover fraudulent behaviour or gross negligence to the damage of the Bank”.

<sup>36</sup> Through the Advisory service defined by the regulations of Banca MPS.



mandate to act on behalf of the Bank) has the same characteristics as that applicable to all employees in general, since there is no commission component attached.

The Bank currently does not use financial advisors operating as agents.

Effective from 29 May 2019, Banca MPS started to promote banking products to the public, as defined by the Resolution of the CICR (Comitato Interministeriale per il Credito ed il Risparmio - Interministerial Committee for Credit and Savings) dated 4 March 2003 and subsequent amendments, through personnel classified as “employees” that meet specific personal requirements defined by the Bank (classified as Middle Manager, specific network positions such a branch manager, attendance of specific training courses on loans). This indirect sales channel regarded only the promotion, but not the sale of these products, which is undertaken at the bank’s branches. The remuneration envisaged for this category of individuals has the same characteristics as that applicable to all employees in general, since - in particular - there is no commission component attached.

The Group also avails itself of the following for the distribution of its own products and third-party products:

- a **network of financial advisors**, acting as agents based on mandates granted by the subsidiary **Widiba** (see paragraph below);
- a **network of AXA agents**<sup>37</sup>, operating in accordance with Widiba mandates, with whom an agency agreement without representation was signed and whose remuneration structure does not provide for any non-recurring component arising from incentive components but a **recurring component exclusively** entailing the payment of sales and management commissions for the distribution of products and services;
- a **network of Leasing Agents**, operating based on a mandate from MPS Leasing & Factoring, with which a single-firm agency agreement is signed, with remuneration consisting exclusively of commission components recognised in relation to the products and services placed, classifiable under fixed remuneration as they are “recurring”.

As regards the networks of Insurance agents and Financial agents, no forms of non-recurring incentives are envisaged.

#### 6.4.2 The Banca Widiba S.p.A. network of financial advisors

The financial advisors are linked to Widiba by an agency contract which permanently engages them (and without representation) to:

- independently and on behalf of Widiba exclusively, promote and place in Italy the financial, banking, insurance and welfare instruments and services indicated in the contract;
- assist the customers acquired and/or assigned under the mandate<sup>38</sup>.

Widiba’s network of financial advisors consists of:

- 1 National Network Manager;
- 537 financial advisors, including:
  - 6 Area Managers, who report directly to the National Network Manager, organised by geographical area, responsible for coordinating the financial advisors reporting to them, for

<sup>37</sup> AXA insurance agents that act as agents for bank products only.

<sup>38</sup> In compliance with current regulatory principles, contractual relationships with the customers that are either acquired by, or assigned to the financial advisor, exclusively take place between the customer and Widiba in any case.



business development in their territory and to achieve the objectives defined by the corporate management;

- 49 District Managers who support the Area Managers in the activities described above.

The remuneration system for financial advisors, unlike the system used for employees, comprises different types of commission in accordance with the type of activities carried out and the products placed.

The overall remuneration<sup>39</sup> of financial advisors is based on the provisions of the Supervisory Provisions, organised as follows:

- a **recurring** component, which can be compared to the fixed remuneration of staff, is the most stable and ordinary element of the advisor's remuneration and is represented by commission remuneration recognised in relation to the products and services placed;
- a **non-recurring** component that can be compared to staff's variable remuneration, providing an incentive to the agents, and essentially comprising incentive and loyalty-building plans. Payment of this component, based on criteria favouring and promoting compliance with the rules of conduct and the interests of the customers served is conditioned upon the achievement of specific commercial results established by Widiba, corrected for risks (including legal and reputational). To this end a specific method has been developed to continuously assess the overall risk profile of the individual financial advisors based on indicators relating to the following profiles:
  - subjective - information and data referring to the advisor which may emerge from controls carried out by the control functions or the analysis of data which indicate anomalous conduct;
  - objective - regarding the transactions carried out with customers, that is, anomaly indicators inferable from the transactions of such customers.

This analysis is performed on an ongoing basis through a platform which identifies the financial advisor's risk index.

### ***SUSTAINABILITY AT WIDIBA***

Banca Widiba is highly committed to carrying out responsible actions and concrete initiatives involving first and foremost its Network of financial advisors. The Bank aims to provide its advisors with all of the tools they need to enhance their skills (hard and soft) and to spread the proper corporate culture, through training hours and individual initiatives, with a view to continuing to guarantee a constant path of growth and a fair, inclusive work environment increasingly attentive to sustainability. Every year, Banca Widiba provides more than 30,000 hours of training to its financial advisors, including in relation to learning and developing financial capabilities and skills. In particular, in 2021 the Skills Academy was inaugurated, a training path aimed at all new advisors and young people just starting out.

<sup>39</sup> The criteria set out under paragraph 100 of the "EBA Guidelines" are used to value it.



### 6.4.3 Focus on the non-recurring component of the remuneration of Widiba financial advisors

The incentive systems in the non-recurring component for financial advisors are in any case funded on a bottom-up basis from the overall gross proceeds obtained by Widiba from customer assistance/management activities (pay-in). These systems are generally monetary, although non-monetary incentives are also possible (e.g. annual contests with prizes in the form of training courses).

These systems, in accordance with the rules, criteria and processes defined for all Group staff and therefore with gender neutrality<sup>40</sup>, are based on the following principles:

- the non-recurring component is **determined ex-ante** based on **defined parameters**;
- the individual and/or group goals to be realised are defined by ensuring that relations with customers are fair, do not create legal and reputational risks and are aimed at contributing to the diversification/reduction of risk;
- the motivating plans must never give an incentive to take on risk to an excessive extent compared to the level of risk appetite provided under company strategies; more specifically, it must be in line with the reference framework for determining the risk appetite (RAF);
- **gates** relating to the following will be added for:
  - capital and liquidity conditions of the Group;
  - specific access conditions relating to Widiba;
  - operational/compliance risk indicators that condition payment of the amounts reserved also upon the occurrence of the above indicated conditions and in compliance with the terms established, causing all rights and/or financial benefits deriving from the system to expire (with the consequent obligation to repay any amounts received under the system) if the indicators materialise within five years of expiry of the system for financial advisors included in Identified Staff and within three years for the remaining advisors;
- the **performance targets** are identified as follows:
  - by considering the customer as the main priority;
  - by implementing long-term bonus systems aligned with Widiba and Group strategic objectives;
  - based on annual results and their impact over time;
  - including elements that reflect the impact of the performance of the individual and/or the group/ business unit on the creation of value of the company as a whole;
  - assessing the individual performance, not only based on financial criteria, but also based on non-financial criteria (for example risk management, behavioural aspects, compliance with company values) and taking account of the specific nature of the role;
- the **deferral**, in accordance with current regulatory provisions, of payment of the bonus in relation to the risk time horizon it refers to, with the option of applying possible **malus mechanisms**. The malus mechanisms can be implemented with respect to the variable remuneration to be paid

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<sup>40</sup> Banca Widiba's social commitment also takes shape in the enhancement of female financial advisory talent through training activities and events. For years now, Banca Widiba has carried out the WOW - Women of Widiba programme, an ambitious project created with a view to spreading awareness of the value of women and the strategic characteristics of women in financial consulting. Banca Widiba is on the front lines in the fight against gender stereotypes and aims to move forward with concrete actions to promote the presence of women in the financial realm. Banca Widiba's Network currently has nearly 100 female financial advisory professionals and its recruitment goals also include further increasing the number of women throughout the country. In line with this positioning, in 2021 Banca Widiba launched a number of initiatives - such as the Women Dreaming Coach social project - to provide concrete aid to support entrepreneurship by women, which also involved the female Financial Advisors in the Network.

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or already recognised but not yet paid, for the year in which the non-compliance breach occurred. If the variable remuneration affected is not enough to ensure an adequate malus mechanism, the reduction may also be applied to other components of the variable remuneration;

- application of claw backs to the extent legally exercisable, to the performance-related bonuses recognised based on assumptions which were subsequently discovered to be incorrect. The situations and circumstances that form the basis for implementing the claw back clauses apply if they occur no later than five years from the payment/disbursement of the related activity/services for financial advisors included in the Identified Staff perimeter and no later than three years for the other advisors;
- addition of **clauses to reduce the bonuses to zero** and/or reduce them in the event of:
  - non-compliant behaviour, disciplinary actions for irregular activities, poor conduct, with special reference to the sale of banking and financial products and services and the failure to honour internal conduct codes, breach of the values;
  - the performance levels of the advisors, considering risks assumed or incurred which have generated anomalies or critical issues in relations with customers.

These mechanisms can lead to a reduction, also to zero out the entire non-recurring remuneration, especially when results are negative or significantly lower than pre-established targets;

- **prohibition** for beneficiaries of the bonuses **to use personal hedging strategies** or insurance on remuneration or other aspects that could alter or invalidate the effects of risk alignment inherent in the remuneration mechanisms (see paragraph 8.3).

Where given to financial advisors who are classified as Identified Staff, the non-recurring remuneration is disbursed in compliance with the rules described herein for the IV cluster in paragraph 7.1 and within the limits of proportionality between the fixed and variable component, outlined below.

### ***LIMIT OF VARIABLE AND FIXED RATIO FOR FINANCIAL ADVISORS INCLUDED IN THE IDENTIFIED STAFF PERIMETER***

The maximum ratio between variable and fixed remuneration for Identified Staff is 1:1<sup>41</sup>. Following the approval of the Group's 2019 remuneration policies, Widiba - as indicated in the latter - launched the regulatory procedure envisaged to raise said ratio to 2:1 for the sole benefit of Widiba financial advisors who are included in the Identified Staff perimeter in order to retain, hire and attract key resources for the business. In 2020 Widiba, after obtaining prior Supervisory authorisation, proceeded with an amendment to its Articles of Association, already approved by the Shareholders' Meeting, introducing the right for it to raise the variable/fixed ratio up to 2:1. Widiba may decide in the future to proceed with this increase by a dedicated shareholders' resolution.

This increase is:

- i) linked to the specific remuneration of these roles;
- ii) in line with market practice as adopted by the main competitors (who have already brought the maximum variable / fixed ratio to 2:1);
- iii) consequently aimed at preserving Widiba's competitiveness in the market and supporting the attractiveness and retention of financial advisors through competitive remunerations.

The aforementioned increase in the variable / fixed ratio is not likely to have any impact, now or in the future, on the Group's and Widiba's ability to continue to comply with all prudential rules, also

<sup>41</sup> As regards the relationship between variable and fixed remuneration for multi-year assessment systems that do not renew annually, the Bank applies the aforementioned "EBA Guidelines" (see specifically Title IV - - Remuneration policy, award and pay out of variable remuneration for identified staff).



considering that the plans (loyalty and/or incentive) relating to the non-recurring components of the remuneration always contain consolidation and payment conditions linked to the achievement of the Bank's business and budget objectives (targets in terms of funding, assets under management, stock increases and Bank profitability) identified and, predominantly, on the basis of multi-year periods.

### ***MAIN BONUS AND LOYALTY-BUILDING SYSTEMS OF THE NETWORK OF FINANCIAL ADVISORS AT WIDIBA***

- **Long Term Incentive (LTI):** this is a loyalty-building and incentive system aimed at the entire network of financial advisors existing as at 31 December 2020 with a duration of 9 years and the possibility of partial settlement every three years. The LTI system is based on sales performance conditions relating to each financial advisor verified at the time of access and on allocation conditions verified annually (minimum thresholds of assets managed and cashflows generated). The observance of all operational/compliance risk indicators is always verified with relation to the allocation and the payment of the amounts accrued. The system is intended for financial advisors as well as the managers of the managed portfolios that they coordinate.
  - **Over Bonus:** bonus recognised to Area and District Managers if the applicable Area achieves the assigned budget targets formalised each year. The amount is determined by applying fixed rates to the Sales and Management pay-out generated by the structure coordinated and which is invoiced in the year under examination.
  - **Extra Management Fee:** attributed to financial advisers from other networks, paid on pre-established deadlines for the achievement of pre-set targets with potential allocation of a higher bonus rate if the ratio of sales commissions and management fees accrued at a specific time to total funding achieved is greater than or equal to a set percentage.
  - **Productivity Bonus - quality bonus:** economic benefit included among the additional benefits referred to in annex E of the Agency Agreement. It calls for the assignment of a bonus rate commensurate with the targets achieved by each advisor, on the basis of the ranking developed based on the objectives identified from year to year. For managers, the fixed bonus is recognised if the Area has reached the established targets.
  - **Bonus System:** includes short-term (1 year) productivity and quality objectives, linked to targets defined each year based on what is set forth in the budget. They may also include non-monetary benefits (e.g., specialised training) based on the achievement of a target defined at the level of overall stock or net cash flows or similar sales targets. This system may also include the annual contests based on the achievement of specific targets consistent with budget targets.
  - **Recruiting Bonus:** for financial advisors who participated in the recruitment process of other advisors hired in the network.
  - **No Ordinary Program (NOP) Personnel:** is an incentive plan (with loyalty objectives) that is based over a multi-year period of time of performance appraisal (accrual period), linked to targets and to the duration of the Bank's strategic plan; it envisages the assignment of a remuneration both on consolidated activities and on annual business development activities. The economic benefit entails a percentage allocation calculated on a fixed portion (consolidated activities - Initial Commission Pool) and a variable portion (new business development - Commission from New Funding); payment is envisaged when the plan expires. On expiry of the NOP, each participant financial advisor is given the right to extend the Plan for a term of one/two years, by deferring the payment of a portion of said Plan (50% and 66% respectively) against recognition of an amount calculated as a function of the duration of the extension.
  - **Stability Pacts:** economic benefit subject to remaining in the Widiba network and the maintenance of the assets managed by the advisor at a specific date. Access to this benefit results, for the stability period, in the automatic suspension of any additional loyalty system in favour of such advisor.
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- **Non-compete covenant clause:** is an agreement between the Bank and the advisor that limits the right of the employee to carry out professional activities in competition with the Bank following termination of the agency relationship, providing, if breached, for payment of a penalty. A consistent payment, pre-established on a fixed basis, is given to the advisor for that commitment and is maintained for the entire period in which the conditions which determined its attribution are met. The instrument is used in favour of key network positions.
- **Fidelity plan:** includes instruments intended to stabilise and/or retain financial consultants, with a duration of at least 12 months, which call for - subject to targets of remaining in the Network for a specific period and/or the maintenance of asset volumes - the recognition of pre-determined amounts or the allocation of sums to be recognised on termination of the mandate due to retirement and/or the suspension of activities. The possible recipients of such instruments are advisors that do not receive loyalty bonuses.
- **Bonus Retention:** benefit recognised to the transferee, in the event of portfolio transfer between advisors, intended to strengthen the retention capacity on transferred customers and subject to the maintenance of the relative funding.
- **Welcome bonus:** variable component guaranteed on a one-off basis to cover costs for terminating the employment relationship with the previous intermediary, which may be paid out on presentation of the relative spending commitments.
- **Expense Reimbursement:** benefit recognised to the advisor, after the achievement of sales targets, as a contribution for:
  - i) the management of a personal office or logistics costs, in areas not yet covered by Banca Widiba, in order to favour the entry of new advisors;
  - ii) the development of recruiting activities;
  - iii) the training activity provided by product specialists in the presence of productivity and quality targets measured over a specific period of time.
- **Management Fee Bonus Increase:** attributed to financial advisors coming from other networks, when pre-established targets are met. The increase is provided as a percentage of the Management Fees paid out in each calendar quarter.

The disbursement of the incentive plans described above is subject to controls carried out every month by the Human Resources function of Widiba and the Parent Company.

## 6.5 The remuneration of business partners not bound to the company by employment relationships

The Bank makes extremely limited use of business partner contracts. These types of contracts are reserved for **specific requirements** (e.g. support for special projects or recommendations) and for professionals characterised by **excellent skills and experience** in specific areas, with a view to maintaining transparent relations with customers and avoiding legal and reputational risk.

The fixed component is determined in relation to the importance of the partnership; where the importance of the same increases, variable forms of incentive (including non-compete covenants) may be provided according to the same methods as those defined for employees.

## 6.6 Financial instruments to service variable remuneration payment

On the basis of the Supervisory Provisions in the Bank of Italy Circular no. 285/2013, the Group is required to use shares or related instruments to pay a percentage of any variable remuneration disbursement to Identified Staff (see paragraph 7.1) (known as balancing). Obligations that may arise in 2022 and which with the exception of what is set forth for Widiba and detailed in the following



paragraph, given the remuneration policies defined for 2022, may refer exclusively to possible severance pay, the Bank will use its performance shares, subject to approval by the Shareholders' Meeting of a plan for the use of performance shares, information regarding which is provided in the informational report published on the website [www.gruppomps.it](http://www.gruppomps.it) – CORPORATE GOVERNANCE – Shareholders Meetings and BoD.

Following the approval by its Shareholders' Meeting of 30 July 2021 of a “Performance Shares Plan prepared in order to meet the obligation of paying Banca Widiba S.p.A.’s Financial Advisors categorised as Identified Staff part of the variable component of their remuneration in financial instruments”, Widiba will use - for the payment of the variable remuneration of the financial advisors included in the Group’s Identified Staff - financial instruments linked to the value of the company, on which the parties concerned may have a more direct and immediate impact through their own actions. These instruments will be converted, with the methods and timing defined by legislative and regulatory provisions, into a specific value in cash correlated with the performance of the value of Widiba. The value of such financial instruments will be calculated through the application of a valuation model validated by the competent Bank functions and bodies.



## 7. 2022 IDENTIFIED STAFF

The scope identified based on the process described in paragraph 8.1 decreased compared to 2021 (228 compared to 257 laid out in the “2021 Report on Remuneration and in compensation paid”).

The staff included in the perimeter are shown in the table below, broken down by identification criteria:

<b>Criteria for identifying Identified Staff - 2022</b>	<b>no.</b>	<b>Fixed remuneration</b>
Chief Executive Officer of the Bank	1 (*)	
Other managers with executive roles		
Non-executive managers	37	
General Manager of the Bank	1	466,250
Division Heads, corporate functions, geographical areas and those who report directly to the corporate bodies	70 (**)	11,896,128
Managers and personnel in charge of the internal control functions	19	2,252,033
Other staff who individually or collectively take on significant risks	70	8,036,809
Highly paid employees and collaborators not included in the criteria above	31	6,807,562
<b>Grand Total</b>	<b>228</b>	<b>29,458,782</b>

(\*) The Chief Executive Officer is also the General Manager

(\*\*) Including the General Managers of the Group Companies

### 7.1 Variable components in the remuneration of the “Identified Staff” - basic rules

In accordance with the legal requirements relating to the variable remuneration paid to the Identified Staff, the remuneration policies of the Bank provide as follows:

- payment of variable remuneration partly in cash and partly in financial instruments subject to retention periods, balancing percentages between the two differentiated components differentiated by Identified Staff cluster;
- deferral of the variable remuneration for different percentage amounts and time periods (as indicated below) in accordance with the relative amount (i.e. depending on whether it is a “particularly high amount” or not) and the position of the beneficiary;
- the determination of the “particularly high amount” of the variable component as Euro 435,011, equal to the lower amount between:
  - 10 times the overall average remuneration of Bank employees (i.e. 10 x Euro 48,714 = Euro 487,140);
  - 25% of the overall average remuneration of Italian high earners as resulting from the most recent report published by EBA<sup>42</sup> (i.e. 25% of Euro 1,740,044 = Euro 435,011).
- the application (as long as the Bank is a beneficiary of State aid) of deferral percentages that are higher than those provided for in other banks, as indicated therein;

<sup>42</sup> EBA “Report on high earners” dated 18 August 2021.



- limitation of the ratio between variable and fixed remuneration at a value that does not exceed 100% (ratio 1:1)<sup>43</sup>;
- the deferred component being subject to the ex post correction mechanisms (malus and clawback) described in paragraph 8.2.

In more detail, disbursement to the Identified Staff of the variable components will be made in accordance with the following parameters subject to approval by the Shareholders' Meeting:

**1) % Limit to the variable/fixed ratio:**

Cluster	Number of persons	max % of variable to fixed
I Cluster	37	-
II Cluster	12	100%
III Cluster	81	80%
IV Cluster	13	100% (*)
V Cluster	85	60%
Total	<b>228</b>	

(\*) In the current year, Widiba may also submit, on the basis of the approvals already received from the competent authorisations, the introduction of the max variable/fixed ratio of 200% for financial advisors falling within the scope of Identified Staff to its shareholders' meeting for approval.

**2) Percentage balance between cash and financial instruments of the variable component<sup>44</sup>:**

Amount	Cluster	Cash	Financial instruments
All the amounts	II Cluster <sup>45</sup>	48%	52%
	III Cluster		
	IV Cluster	50%	50%
	V Cluster		

**3) Percentage deferral of the variable component differentiated by type<sup>46</sup>:**

Since the Bank is currently classified as a bank that benefits from State aid, the deferral percentages of the variable remuneration must be defined - as noted above - to a higher extent than those established for the other banks. Therefore, the Bank's policy provides for increases in the deferral percentages of the variable remuneration. These increases are differentiated according to the types of variable remuneration so as to take account the different motives, characteristics and purposes of the various components.

<sup>43</sup> Except for that illustrated above in paragraph 6.4.3 relating to Widiba financial advisors.

<sup>44</sup> Above the materiality threshold indicated by cluster in this paragraph where present.

<sup>45</sup> For cluster II, what is specified in Bank of Italy Circular no. 285/2013 shall apply: "If the percentage of financial instruments is higher than 50% of the total variable remuneration, the part in financial instruments to defer is higher than the part in up-front financial instruments".

<sup>46</sup> To be defined for the Group at values higher than those normally provided for by other banks since State aid is given (see Supervisory Provisions, Part I, Title IV, Chapter 2, Section V).



Amount	Cluster	Incentive variable (**)	Severance	Other variable components
Particularly high amount (> Euro 435,011)	II, III, IV and V	70%	At least 62% (*)	At least 62% (*)
	II Cluster	60%	At least 52% (*)	At least 52% (*)
Other amounts	III Cluster			
	IV Cluster	50%	At least 42% (*)	At least 42% (*)
	V Cluster			

(\*) Any increase in the percentage indicated will be evaluated on a case by case basis, also considering the Bank's situation at the time of payment/agreement, as well as the state of progress of the restructuring plan and the amount of the transaction to be paid. Furthermore, in the case of severance pay, convenience for the bank to conclude a transaction with the employee will also be taken into account.

(\*\*) Including the non-recurring component of the financial advisors.

#### 4) Years of deferral and holding periods:

Cluster	Years of deferral	Years between evaluation and payment of the first portion	Up-front component holding period	Deferred component holding period
II Cluster	5			
III Cluster		1	2	1
IV Cluster	4			
V Cluster				

- 5) **Malus** mechanisms, operating both if a compliance breach is found (more detail in paragraph 8.2) and each time a deferred portion is paid. For the payment of the deferred portion, the following conditions, measured on the closest possible date to the payment in question, must be simultaneously met. If they are not met, the deferred portion will not be paid:<sup>47</sup>

Malus
Tier1 Ratio > Risk capacity RAF 2022
NSFR > Risk capacity RAF 2022
RAROC > Risk capacity RAF 2022

With regard to the non-recurring component of financial advisors of Widiba bank, specific access conditions illustrated in paragraph 6.4.3. will be applied.

- 6) **Clawback mechanisms** operating if a compliance breach is found (more detail in paragraph 8.2).

In 2021, for Identified Staff, the Bank adopted the new significance thresholds, below which each payment is fully in cash and up-front, established in Bank of Italy Circular 285, in implementation of the CRD V<sup>48</sup>, and therefore:

- for cluster II, III, IV and V of Identified Staff, a **threshold of significance of the variable component**<sup>49</sup> of **Euro 50,000** per year and jointly equal to or less than 1/3 of the total annual remuneration has been established.

<sup>47</sup> Without prejudice to the fact that if the requirements set forth in Articles 141 or 141-ter of the CRD are not met or in the situations pursuant to Article 16-bis of directive 2014/59/EU (BRRD), variable remuneration may be recognised and/or paid within the limits and under the conditions laid out in the provisions implementing the above-mentioned articles.

<sup>48</sup> Article 94, par. 3 letter b of the CRD V.

<sup>49</sup> The threshold does not apply to severance pay, for which the provisions set forth in par. 6.3.4 apply.



## 7.2 Variable components in the remuneration of the remaining personnel - basic rules

For all of the **other personnel** not included in the Identified Staff perimeter, the **maximum percentage of the variable component in relation to the fixed component is 50%**.

The malus and claw back rules pursuant to the paragraph above also apply to staff who are not included in the Identified Staff perimeter (if there are any deferred payments).

The Bank does not apply said limit to the **Widiba** network of financial advisors, not categorised as Identified Staff, given the specificity of the relative remuneration system, essentially divided into recurring fees based on volumes managed/under administration and non-recurring components, please refer to paragraphs 6.4.2 and 6.4.3).

## 7.3 The elements of the policy which may be derogated for personnel belonging to the perimeter of Managers with strategic responsibilities

In exceptional circumstances, the possibility is provided to not apply specific policy elements, provided they establish the procedural conditions based on which an exemption is possible and indicate the elements of the policy which may be derogated, without prejudice to the binding provisions of Circular 285. In compliance with the provisions laid out in Scheme 7-*bis* of Annex 3A of the Issuers' Regulation, exceptional circumstances are only those in which derogation of the remuneration policy is required to pursue the company's long-term interests and sustainability as a whole or to ensure its staying capacity in the market. This being said, the Bank has established the possibility of applying certain exemptions to the policies for personnel belonging to the perimeter of Managers with strategic responsibilities. Within the scope of remuneration initiatives:

- it may be possible to use a different grade than that formally assigned, within the maximum limit of 1 grade of difference with respect to the grade assigned by Willis Towers Watson, or the possibility to use a positioning above the relative remuneration bracket defined for the grade and in any event no higher than the ninth decile of the same grade;
- as concerns severance, the definition of an amount **higher than 24 months' pay** and **what is set forth in the specific formula** (see paragraph 6.3.4) provided within a limit represented by the maximum number of months' pay due at the time of termination by way of supplementary indemnity pursuant to the collective labour agreement in force over time (22 months' pay, plus any additional months for age due based on the national collective labour agreement).

Any exemptions may be applied only following a **strict and articulated evaluation process**, which includes the issuing of opinions from the relevant company functions (and when necessary also external consultants), through a proposal by the Remuneration Committee and a Board of Directors resolution. Any application of the exemptions will be reported in compliance with the reporting provisions set forth in the Issuers' Regulation.



## 8. FOCUS ON CERTAIN KEY PROCESSES

### 8.1 Process of identifying Identified Staff

In accordance with the provisions of the Supervisory Provisions, the Bank has adopted a specific company Directive “Group Directive on the identification of Identified Staff”, which is an integral part of this remuneration policy. In particular, the staff, whose professional activities may have a significant impact on the risk profile of the entity, is identified annually on the basis of a structured and formalised assessment defined<sup>50</sup> according to EU Delegated Regulation 2021/923 and the criteria introduced by the 37th update of the Supervisory Provisions, which for the first time, in implementation of the CRD V, identifies the categories of personnel to be considered Identified Staff.

Within the perimeter of the process guidelines:

- the Parent Company’s **Risk Management** function provides the applicable elements to identify the thresholds for the qualitative criteria of the above-mentioned Regulatory Technical Standards pursuant to points b), c), d) and e) of article 5 both at Parent Company level and for Group Companies classified as “Credit Institutions” within the scope of Directive 2013/36/EU (art. 73) and which have a centralised Risk Management Function (according to formal SLAs);
- the Parent Company’s **Planning** function identifies and provides the findings relating to the allocation/distribution of the internal capital both at Group level and for Group companies classified as “Credit Institutions”;
- the Parent Company’s **Organisation** function oversees the development of the Group organisational model and reports any significant changes to it. In collaboration with the Human Resources function, and with the other relevant Functions in terms of delegated powers, it identifies the roles/positions in the perimeter resulting from the application of the thresholds identified with regard to criteria pursuant to points c) to f) of article 5 the above-mentioned “Regulatory Technical Standards”;
- the Parent Company’s **Human Resources** function identifies the members of staff with responsibility in the relevant operational / company units identified during the assessment process and processes the data pursuant to articles 1 to 5 (“quantitative criteria”) and 6 (“calculation of the remuneration attributed”) of the above-mentioned “Regulatory Technical Standards”;
- the Parent Company’s **Compliance** and **Legal** functions support the various functions involved in the proper interpretation and application of the prevailing laws;
- the Parent Company’s **Internal Audit** function controls the identification process and its results, including any requested exclusions therein.

The Group companies, classified as Credit Institutions, carry out their own self-evaluations at individual level, with the support of the Parent Company where required, while the Group companies that are smaller and less complex which therefore do not fall under the provisions of the Directive 2013/36/EU, are included in an identification process on a consolidated basis, delegating the consolidating entity to apply the identification process at an individual level. The Parent Company is responsible for ensuring the overall consistency of the identification process for the whole Group.

<sup>50</sup> In particular, see what is set forth in paragraphs 6 and 6.1 of Part I, Title IV, Chapter 2, Section I of the Supervisory Provisions.



### **FINANCIAL ADVISORS**

There is a structured evaluation process for financial advisors based on qualitative and quantitative criteria aimed at identifying the parties whose activities could have a substantial impact on its risk profile (Identified Staff). The following criteria are considered to this end:

- contribution to the risk to Widiba and the Group and verification of the contribution to the results on a prospective basis;
- analysis of the responsibilities, the level and the individual authorisations provided for;
- amount and structure of the remuneration received.

In more detail, with reference to the qualitative criteria, the process includes the National System Manager and the Area Managers as Identified Staff, included in accordance with the provisions pursuant to Section IV of the Supervisory Provisions. Banca MPS also believes that the financial advisors that satisfy at least one of the following thresholds should be included in the perimeter of Identified Staff:

- an overall value of the overall portfolio over 150 million;
- number of customers higher than 2% of the total of the entire network of financial advisors of Widiba.

With regard to the quantitative criteria, the process provides for automatic inclusion in the Identified Staff category of financial advisors whose total remuneration amounted to or was higher than Euro 750,000 the previous year (article 6 paragraph 1, letter a of the EU Delegated Regulation 923/2021).

On the other hand, a structured evaluation process assesses whether or not there is a substantial impact on the risk profile for financial advisors whose remuneration is higher than Euro 500,000, but less than Euro 750,000. A specific calculation based on an algorithm that takes account of a series of indicators and parameters that represent the degree of riskiness of the activities of the financial advisors is applied. Upon completion of that process, an overall numerical score is defined for each financial advisor with a specific risk level attached (known as the “gross risk profile”).

In order to ensure a risk evaluation that is proportional to the operations and the impact of the individual financial advisor with respect to the overall network, starting from the gross risk profile (based on qualitative parameters), the overall risk profile is calculated by weighting with two quantitative corrective-type parameters for the individual financial advisor:

- the value of the total portfolio managed;
- the number of customers managed.

Therefore, Identified Staff includes the financial advisors with an overall risk profile exceeding medium-low and remuneration exceeding Euro 500,000.

The results of the Identified Staff identification process are examined by the **Remuneration Committee**. With regard to any exclusions, the Chief Executive Officer of the Parent Company decides whether to submit potential exclusions from the Identified Staff to the Remuneration Committee for subsequent proposal to the Board.

Once the Remuneration Committee obtains the opinion of the Risk and Sustainability Committee, it submits the proposal of approval of the perimeter to the Board, including any proposals for exclusion.

The perimeter identified each year is **updated every quarter** by the **Human Resources** function following new hires/exits from roles, or in the case of any significant organisational changes or significant changes to the internal capital distribution on the basis of what was reported by the designated Parent Company functions.



The Identified Staff is divided into five clusters through an analysis of the qualitative and quantitative criteria pursuant to EU Delegated Regulation 923/2021:

Cluster	Type of roles included in the cluster
I Cluster	Non-executive directors of the Group companies
II Cluster	Chief Executive Officer of Banca MPS, Chief Audit Executive, Chief Risk Officer, Chief Operating Officer, Chief Human Capital Officer, Chief Commercial Officer, Chief Lending Officer, Chief Financial Officer, Chief Safety Officer, Chief Compliance Executive, Group General Counsel Manager and Managing Director of the Group Consorzio Operativo
III Cluster	Top management (apart from the Managing Director of the Group Consorzio Operativo included in Cluster II), Division heads of the companies, Parent Company 1st Level Managers, Territorial General Managers, Head of Territorial Lending, Heads of I level Company Control Functions
IV Cluster	Area Managers and Widiba financial advisors
V Cluster	Other staff who individually or collectively take on significant risks

## 8.2 Compliance breach management process

The malus and clawback correction mechanisms will be applied in the event of compliance breaches, which refer to:

- conduct that does not comply with the law, regulations or articles of association or any codes of ethics or conduct that could apply to the Bank, resulting in a significant loss for the Bank or for customers;
- other conduct that does not comply with the law, regulations or articles of association or any codes of ethics or conduct that could apply to the Bank, in the cases they may provide for;
- breaches of obligations pursuant to article 26 or when the party is an interested party, according to article 53 paragraphs 4 et seq. of the Consolidated Banking Law or obligations on remuneration and incentives;
- other fraudulent behaviour or gross negligence to the damage of the Bank.

The Bank drafted a dedicated procedure relating to the assessment of compliance breaches and the resulting enactment of ex post correction mechanisms, which applies to all personnel, including financial advisors and the former resources of the Group and other companies, including abroad (compatible with the local regulatory framework), whether or not they belong to Identified Staff.

This procedure governs, inter alia, the following:

- (i) the duties of the various functions and company bodies in the different phases of identifying and assessing any compliance breaches;
- (ii) the times and procedures for that process;
- (iii) the application procedures of the resulting malus and clawback measures, affecting variable remuneration, also differentiated on the basis of an assessment of the degree of “materiality” of the compliance breaches, to be conducted in accordance with certain pre-established criteria. The procedures in question also governs the effects of any disciplinary proceedings on the application of the ex post correction mechanisms, providing in general for the suspension of payments due if there are disciplinary proceedings in place, up to its conclusion and the internal proceeding of assessment of the compliance breach.



The times defined by the Bank for the exercise of the claw back clauses (that are reflected in the above-mentioned procedure) are:

- 5 years from disbursement of the variable remuneration for Identified Staff;
- 3 years from disbursement of the variable remuneration for the remaining staff.

Without prejudice to the time limits for the application of the claw back laid out above, the following variable remuneration is subject to reduction/elimination:

- for all employees currently in service, all variable remuneration already paid out, or accrued but not yet paid, included within the scope of “core” and “non-core” variable remuneration (see par. 6.3.2 and 6.3.3) accrued for the year (or years, in the case, for example, of conduct extended over time) in which the compliance breach was committed;
- for Widiba’s financial advisors, the non-recurring remuneration component (see par. 6.4.3) accrued for the year (or years, in the case, for example, of conduct extended over time) in which the compliance breach was committed;
- for personnel who have left the company, aside from the variable remuneration identified as set forth above, any severance (see 6.3.4) provided within an agreement for the consensual termination of the employment relationship;
- all variable remuneration referring to years subsequent to that in which the compliance breach was committed;
- only if the compliance breach has resulted or is expected to result in a financial loss for the Bank (for example, considering the penalty or judicial proceedings initiated but not yet completed, or for legal cases or complaints made against the Bank), all variable remuneration referring to years prior to that in which the compliance breach was committed.

### 8.3 Verification process to assure absence of hedging strategies

The principles and criteria of the Supervisory Provisions provide - also in order to avoid any possible behaviour that defies the law - that the bank ensures that its staff are not remunerated, or do not receive payments or other benefits through vehicles, instruments or procedures that do not comply with the Supervisory Provisions. To that end, the staff may not rely on personal hedging strategies or insurance on remuneration or other aspects that could alter or invalidate the effects of alignment with the risk inherent in the remuneration mechanisms.

In order to ensure that this prohibition is complied with, the Bank has provided for the following:

- the Compliance Control Function, in association and with the support of the Human Resources function:
  - define and update the operating processes to carry out the activities needed for that end;
  - identify the types of transactions and financial investments that are directly or indirectly carried out by the Identified Staff that could affect the risk alignment mechanisms, and more generally, the pursuit of the purposes of the regulations;
  - carry out **checks** on internal custody and administration accounts **of Identified Staff**.
- the Identified Staff are required **to communicate the transactions and financial investments carried out** that fall under the categories defined above;



- the Identified Staff and individuals closely linked to them, through specific agreements, are required to **communicate the existence or the activation of custody and administration accounts with other intermediaries.**

The Bank takes account of the information received when adjusting the staff remuneration and incentive systems, with special regard to the risk alignment mechanisms and the financial and income position of the bank (for example duration of the deferral period, malus and clawback systems, etc.).

## SECTION II – Compensation paid (Part I)

### 1. IMPLEMENTATION OF REMUNERATION POLICIES IN 2021

#### 1.1 Governance

At the date of approval of this document, the Remuneration Committee consists of the Chairman Raffaele Di Raimo and Directors Alessandra Barzagli, Paola De Martini, Luca Bader and Marco Bassilichi. The majority of the Committee members (including the Chairman) are currently independent pursuant to article 148, paragraph 3 of Italian Legislative Decree no. 58/98 (“Consolidated Financial Act” - “TUF”) and meet the independence requirements set forth in the Code, which coincide with those laid out in the Articles of Association.

In 2021 the Remuneration Committee met 16 times<sup>51</sup>.

#### 1.2 Compensation of Directors and Statutory Auditors

The compensation paid was recognised to the extent established by the Shareholders' Meeting on 18 May 2020 for members elected for the 2020-2022 three-year period. The members of the Board and the Board of Statutory Auditors benefit from an insurance policy covering professional accidents and healthcare and providing specific coverage for Covid-19, in addition to “Directors & Officers Liability” (D&O), which covers third-party liability. For the latter, renewal was approved by the Bank’s Board of Directors at its meeting held on 22 April 2021, for a cost of Euro 6.06 mln, including taxes and accessory costs with a maximum of Euro 100 mln for a one-year duration, effective 1 May 2021 and expiring on 30 April 2022. In 2021, the D&O coverage did not give rise to any insurance compensation in favour of the Bank.

#### 1.3 Changes in the “Identified Staff” perimeter

In 2021, the Identified Staff perimeter decreased from 257 to 228 positions following the application of the updating process set out in paragraph 8.1. The request for exclusion from the 2021 Identified Staff perimeter of Widiba financial advisors, sent to the competent authorities on 25/6/2021, was accepted.

**Statement A - Quantitative information on the remuneration of the “Identified Staff” (Bank of Italy)** reports the data on a like for like basis in order to facilitate the understanding and representation of all the amounts paid.

<sup>51</sup> Information also provided pursuant to Article 450 (1) (a) of EU Regulation 575/2013.



## 1.4 Remuneration trends

Pay level trends were influenced in 2021 by the re-composition of the headcount, characterised by the termination of the employment contracts of 431 resources, including 25 managers.

For **Managers**, in addition to the above-mentioned manoeuvres and the provisions of the national collective labour agreement on contribution to the “FOC”<sup>52</sup>, there is also the following:

- the voluntary donation to MPSolidale of one or more days holidays or percentages of wages<sup>53</sup>;
- the restructuring, introduced in 2013, of the holiday entitlement (to facilitate management of working time in relation to targets rather than attendance, in consideration of the managerial independence that distinguishes this category, with the consequential waiver of any unused holiday entitlement).

To pursue pay alignment, with a particular focus on critical positions for the business and in compliance with restrictions of economic compatibility, in 2021 actions were taken for roughly 0.8% of the employees.

As regards the new hires in the Group, the employment agreements for managerial positions (only 2, in line with what was done in the previous three-year period), prepared in compliance with the policies approved by the Shareholders’ Meeting, were positioned in terms of remuneration around median market levels, with equal weight of the organisational positions, and also in line with internal median levels.

The table below shows the average remuneration levels of the Group employees regarding the recurring remuneration component (staff and organisational charts as at 31/12/2021 and 31/12/2020; amounts in Euro):

<b>Employees</b>	<b>Number of employees as at 31/12/2021</b>	<b>Average remuneration as at 31/12/2021</b>	<b>Number of employees as at 31/12/2020</b>	<b>Average remuneration as at 31/12/2020</b>
Managing Director and Top Management (*)	12	329,646	19	277,833
Other Managers	212	120,919	229	115,579
Middle Managers and Professional Areas	21,020	47,825	21,184	46,188
<b>Total Employees</b>	<b>21,244</b>	<b>48,714</b>	<b>21,432</b>	<b>47,135</b>

(\*) The reduction in the number of resources in “Managing Director and Top Management” derives from the revision of the Bank’s organisational structure in the course of 2021, also resulting in an apparent increase in the relative average pay. On a like-for-like basis (12 resources), the change in average pay between 2020 and 2021 was +2%.

Average remuneration levels in the Group were up slightly in 2021 (+3%), mainly due to remuneration increases from the provisions of the national collective labour agreement for Professional Areas and Middle Managers, and limited remuneration actions taken.

With reference to high earners, i.e., those individuals whose total remuneration amounts to at least Euro 1 million per year (moreover subject to periodic reporting to the supervisory bodies), in the entire Group only one Widiba financial advisor surpassed that threshold, operating as an Agent on the basis of a specific mandate; in the Euro 1 million - Euro 1.5 million remuneration bracket<sup>54</sup>.

<sup>52</sup> National Fund to Support Employment.

<sup>53</sup> Donation also possible by other employees.

<sup>54</sup> Information pursuant to article 450 (1) (i) of Regulation (EU) no. 575/2013.



Below is a representation of the remuneration of Group employees by business segment:

Customer segment	Number of employees as at 31/12/2021	Sum of remuneration as at 31/12/2021	Average remuneration as at 31/12/2021
Private	15,636	730,444,018	46,716
Corporate	669	35,917,965	53,689
Finance	171	10,401,919	60,830
Service and Corporate Centre	4,768	258,113,801	54,135
<b>Total Employees</b>	<b>21,244</b>	<b>1,034,877,702</b>	<b>48,714</b>

### 1.5 2021 variable remuneration

In 2021, in order to contribute to the achievement of the cost targets, the variable bonus plan systems, described as the core components of the Variable Performance-Related Bonus for Middle Managers and Professional Areas, and MBO for the Managers, were not activated. As a result, there was and will be no disbursement in relation to these systems.

In 2021, the Bank used specific targeted instruments with a low impact on costs for the Bank (contest, see paragraph 6.3.3) effective in motivating and rewarding excellent network resources.

To protect the Bank's interests in cases of departures of key resources from the private banking supply chain, it continued to make use of **non-compete covenants**. In the course of 2021, 22 new agreements were entered into in favour of private consultants.

In 2021, as part of the remuneration actions taken, 7 agreements were also activated to extend the prior notice period.

No **retention bonuses** were given and no **one-off payments** were recognised in 2021.

No **entry bonuses** were given for the 143 new hires completed during the year (including 2 managers).

As concerns the **non-recurring remuneration** component of the Widiba financial advisors, in 2021 the incentive systems were settled linked to the extra management fee and the recruiting bonus defined by the contracts formalised with new advisors (25 financial advisors), the bonus system (46 financial advisors) and the long-term incentive plan (agreed to in 2015) named "No Ordinary Program", which involved 57 advisors.

With respect to the incentive system activated by Magazzini Generali Fiduciari di Mantova SpA, a company operating in the non-banking sector, in 2021 bonuses were provided for roughly Euro 22,000, distributed to 9 employees, of which 7 blue-collar workers.

With regard to the **remuneration paid for the early termination of the employment contract**, within the scope of 165<sup>55</sup> consensual employment contract terminations completed during the year (including 20 managers), 48 **amounts exceeding the advance notice cost** were paid. In this area, in 2021, with reference to Identified Staff only, 9 employment relationships were terminated consensually - again as part of the ongoing company restructuring process, and to meet cost reduction objectives and resource streamlining needs; 7 amounts exceeding the notice cost and 1 non-compete agreement were recognised; the average incentive paid for these terminations (excluding the average cost of the advance notice due by law, equal to Euro 205,695), was Euro 58,739. These amounts were disbursed in accordance with the terms and methods laid out by regulations in force and in any event no severance paid out surpassed the amount of Euro 100,000. These amounts, disbursed in compliance with current legislation and the contractual provisions for the category, were defined within the perimeter of specific policies adopted

<sup>55</sup> In 2021, 4 managers with strategic responsibilities left their positions, and were recognised amounts for severance pay - please refer to Table 1 pursuant to part II of this Section for the details (information provided pursuant to EU Directive 2017/828, the "Shareholder Rights Directive II").



by the Board of Directors and consistent with the resolutions of the Shareholders' Meeting, aimed at limiting discretion when determining the amounts to be granted and guaranteeing equal treatment.

In view of the above, with reference to the performance share plan approved by the Shareholders' Meeting in 2021, as well as the plans from 2017 to 2020, to serve severance payment requirements, in view of the amounts paid out in the previous year for such terminations (which always took place as part of the ongoing company restructuring process, and based on cost reduction and resource streamlining requirements), since a single severance payment of higher than the relative exemption threshold of Euro 100,000 had never been made, it was not necessary to use the above-mentioned balance between cash and financial instruments; therefore no use was made with respect to the plan.

With respect to a former manager who left his position in 2016, in continuity with what was carried out for the 2020 deferred share, in response to a compliance breach, the provision of the deferred share for 2021 was suspended (of which Euro 124,746 cash and 5,340 performance shares). For the same reasons, due to the approaching deadline of the relative time limit, in 2021 the Bank exercised the claw back on the severance components disbursed in the 2016-2018 period, equal to Euro 725,002.

For the sake of completeness, instead, with regard to the performance share plan for 2016:

- of the original 32,806 deferred performance shares, in the course of 2021 1,220 were settled; the remaining 11,906 performance shares continue to be accounted for, following the settlements and cancellations taking place to date, and will be settled each year over a five-year time horizon starting one year after the relative assignments. These assignments are subject to the verification of pre-established malus conditions.

With regard to the share of the variable component to be paid in financial instruments to Widiba's financial advisors included in Identified Staff, during the year 225,048 performance shares were assigned, for a nominal value of Euro 177,647.92. Furthermore, 219,452 performance shares assigned in previous years were settled, for a total value of Euro 168,627.11.

## SECTION II – compensation paid (Part II)

This section analytically illustrates the remuneration paid or in any case assigned in 2021 financial year to the Directors, Statutory Auditors and Managers with strategic responsibilities (pursuant to article 123-ter paragraph 4 of the TUF), as set forth in article 84-ter of the Issuers' Regulations, as well as data regarding the Identified Staff, pursuant to the Supervisory Provisions.

In this regard, it should be noted that Consob imposes the obligation to report payments made to those subjects who have held, during the year or a fraction thereof, the office of Director, General Manager or Managers with strategic responsibilities.

Moreover, **no stock option plans are active** at Group level.

This section also includes the Pillar III information that the Bank is required to publish pursuant to article 450 of Regulation (EU) no. 575/2013. Indeed, as of 30 June 2021 new provisions are in force on the Pillar III Disclosures of intermediaries, which are used to reinforce the role of entity disclosures in promoting market discipline.

Pillar III is based on the assumption that Market Discipline contributes to strengthening capital regulation and promoting the stability and solidity of Banks and the financial sector, and provides investors and other interested parties with the appropriate, complete, accurate and timely information that they need to take investment decisions and develop informed opinions on the MPS Group.



On the basis of art. 434 of the CRR, which provides the possibility to refer to another public disclosure, the Group is taking advantage of that possibility to complement the information, by providing specific references to the paragraphs of the Remuneration Policies that address the relative required information.

**List of the information included in this Section:**

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Table 1	Remuneration paid to the Members of the Board, Statutory Auditors, General Managers, Deputy General Managers and other Managers with strategic responsibilities Comparative information of the annual changes of the remuneration of directors, of the company's results and of the average remuneration of employees	Consob
Table 3A	Remuneration plans based on financial instruments, other than stock options, for members of the Board of Directors, the General Manager, the Deputy General Managers and other Managers with strategic responsibilities.	Consob
Table 3B	Monetary incentive plans in favour of Members of the Board, Statutory Auditors, General Managers, Deputy General Managers and Managers with Strategic responsibilities.	Consob
Schedule 7-ter	Shareholdings of the Members of the Board of Directors and Statutory Auditors, General Managers, Deputy General Managers and Managers with Strategic responsibilities.	Consob
Statement A	Quantitative information on the remuneration of "Identified Staff"	Bank of Italy
EU REMA Table	Remuneration policy Reconciliation table with references to paragraphs in the Remuneration Policies.	450 of the CRR-EBA
EU REM1 Template	Remuneration awarded for the financial year	450 of the CRR-EBA
EU REM2 Template	Special payments to staff whose professional activities have a material impact on institutions' risk profile (Identified staff)	450 of the CRR-EBA
EU REM3 Template	Deferred remuneration	450 of the CRR-EBA
EU REM4 Template	Remuneration of 1 million EUR or more per year	450 of the CRR-EBA
EU REM5 Template	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	450 of the CRR-EBA

**Table 1 - Remuneration paid to the members of the board, statutory auditors, general managers, deputy general managers and other managers with strategic responsibilities**

pursuant to the Consob Resolution no. 11971 of 14 May 1999 and subsequent amendments

data refers to period 1/1 - 31/12/2021

Surname and Name	Office	Period for which office was held	Termination of office	Fixed remuneration	Remuneration for the participation in committees	Non equity variable pay		Non monetary benefits (*)	Other remuneration	Total	Fair value of the equity remuneration	Severance pay
						Bonuses and other incentives	Profit sharing					
<b>GRIECO Maria Patrizia</b>												
Chairperson												
		1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				110.000,00	-	-	-	1.817,70	-	111.817,70		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				<b>110.000,00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.817,70</b>	<b>-</b>	<b>111.817,70</b>	<b>-</b>	<b>-</b>
<b>BETTIO Francesca</b>												
Deputy Chairman												
		1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				65.000,00	10.000,00	(1)	-	-	1.817,70	76.817,70		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				<b>65.000,00</b>	<b>10.000,00</b>		<b>-</b>	<b>-</b>	<b>1.817,70</b>	<b>76.817,70</b>	<b>-</b>	<b>-</b>
<b>D'ECCLESIA Rita Laura</b>												
Deputy Chairman												
		1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				65.000,00	15.000,00	(2)	-	-	1.817,70	81.817,70		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				<b>65.000,00</b>	<b>15.000,00</b>		<b>-</b>	<b>-</b>	<b>1.817,70</b>	<b>81.817,70</b>	<b>-</b>	<b>-</b>
<b>BASTIANINI Guido</b>												
CEO												
		1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements										-		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>BADER Luca</b>												
Director												
		1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				65.000,00	20.000,00	(3)	-	-	1.817,70	86.817,70		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				<b>65.000,00</b>	<b>20.000,00</b>		<b>-</b>	<b>-</b>	<b>1.817,70</b>	<b>86.817,70</b>	<b>-</b>	<b>-</b>
<b>BARZAGHI Alessandra Giuseppina</b>												
Director												
		1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				65.000,00	20.000,00	(4)	-	-	1.817,70 €	86.817,70		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				<b>65.000,00</b>	<b>20.000,00</b>		<b>-</b>	<b>-</b>	<b>1.817,70</b>	<b>86.817,70</b>	<b>-</b>	<b>-</b>
<b>BASSILICHI Marco</b>												
Director												
		1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				65.000,00	10.000,00	(5)	-	-	1.817,70	76.817,70		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				<b>65.000,00</b>	<b>10.000,00</b>		<b>-</b>	<b>-</b>	<b>1.817,70</b>	<b>76.817,70</b>	<b>-</b>	<b>-</b>
<b>BOCHICCHIO Francesco</b>												
Director												
		1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				65.000,00	10.000,00	(6)	-	-	1.817,70	76.817,70		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				<b>65.000,00</b>	<b>10.000,00</b>		<b>-</b>	<b>-</b>	<b>1.817,70</b>	<b>76.817,70</b>	<b>-</b>	<b>-</b>

(\*) For the members of the Bank's Board of Directors and Board of Statutory Auditors, the item includes an insurance policy to cover professional accidents, health as well as a specific protection for Covid-19. For the Chief Executive Officer and the other Managers with Strategic Responsibilities, the item includes an insurance policy to cover professional accidents, health as well as the Long Term Care policy, a fixed amount contribution of 2,5% to the complementary pension fund and fringe benefits if support of the person.

- (1) Francesca Bettio, amounts recognised for the participation in board committees:  
€ 10.000,00 for the participation in the "Related Party Transactions Committee"
- (2) Rita Laura D'Ecclesia, amounts recognised for the participation in board committees:  
€ 15.000,00 for the participation in the "Risk and Sustainability Committee"
- (3) Luca Bader, amounts recognised for the participation in board committees:  
€ 10.000,00 for the participation in the "Nomination Committee"  
€ 10.000,00 for the participation in the "Remuneration Committee"
- (4) Alessandra Barzaghi, amounts recognised for the participation in board committees:  
€ 10.000,00 for the participation in the "Related Party Transactions Committee"  
€ 10.000,00 for the participation in the "Remuneration Committee"
- (5) Marco Bassilichi, amounts recognised for the participation in board committees:  
€ 10.000,00 for the participation in the "Remuneration Committee"
- (6) Francesco Bochicchio, amounts recognised for the participation in board committees:  
€ 10.000,00 for the participation in the "Related Party Transactions Committee"

**Table 1 - Remuneration paid to the members of the board, statutory auditors, general managers, deputy general managers and other managers with strategic responsibilities**

pursuant to the Consob Resolution no. 11971 of 14 May 1999 and subsequent amendments

data refers to period 1/1 - 31/12/2021

Surname and Name	Office	Period for which office was held	Termination of office	Fixed remuneration	Remuneration for the participation in committees	Non equity variable pay		Non monetary benefits (*)	Other remuneration	Total	Fair value of the equity remuneration	Severance pay
						Bonuses and other incentives	Profit sharing					
<b>CASTELLANO Rosella</b>	<b>Director</b>	1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				65.000,00	25.000,00	(7)	-	-	1.817,70	-	91.817,70	
(ii) Fees from subsidiaries and affiliates												
(iii) Total				<b>65.000,00</b>	<b>25.000,00</b>		-	-	<b>1.817,70</b>	-	<b>91.817,70</b>	-
<b>CUCCURULLO Olga</b>	<b>Director</b>	1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				65.000,00	15.000,00	(8)	-	-	1.817,70	-	81.817,70	
(ii) Fees from subsidiaries and affiliates												
(iii) Total				<b>65.000,00</b>	<b>15.000,00</b>		-	-	<b>1.817,70</b>	-	<b>81.817,70</b>	-
<b>DE MARTINI Paola</b>	<b>Director</b>	1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				65.000,00	20.000,00	(9)	-	-	1.817,70	-	86.817,70	
(ii) Fees from subsidiaries and affiliates												
(iii) Total				<b>65.000,00</b>	<b>20.000,00</b>		-	-	<b>1.817,70</b>	-	<b>86.817,70</b>	-
<b>DI RAIMO Raffaele</b>	<b>Director</b>	1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				65.000,00	30.000,00	(10)	-	-	1.817,70	-	96.817,70	
(ii) Fees from subsidiaries and affiliates												
(iii) Total				<b>65.000,00</b>	<b>30.000,00</b>		-	-	<b>1.817,70</b>	-	<b>96.817,70</b>	-
<b>GIORGINO Marco</b>	<b>Director</b>	1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				65.000,00	35.000,00	(11)	-	-	1.817,70	-	101.817,70	
(ii) Fees from subsidiaries and affiliates												
(iii) Total				<b>65.000,00</b>	<b>35.000,00</b>		-	-	<b>1.817,70</b>	-	<b>101.817,70</b>	-
<b>MAIONE Nicola</b>	<b>Director</b>	1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				65.000,00	15.000,00	(12)	-	-	1.817,70	-	81.817,70	
(ii) Fees from subsidiaries and affiliates												
(iii) Total				<b>65.000,00</b>	<b>15.000,00</b>		-	-	<b>1.817,70</b>	-	<b>81.817,70</b>	-
<b>RAO Roberto</b>	<b>Director</b>	1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				65.000,00	25.000,00	(13)	-	-	1.817,70 €	-	91.817,70	
(ii) Fees from subsidiaries and affiliates												
(iii) Total				<b>65.000,00</b>	<b>25.000,00</b>		-	-	<b>1.817,70</b>	-	<b>91.817,70</b>	-

(\*) For the members of the Bank's Board of Directors and Board of Statutory Auditors, the item includes an insurance policy to cover professional accidents, health as well as a specific protection for Covid-19. For the Chief Executive Officer and the other Managers with Strategic Responsibilities, the item includes an insurance policy to cover professional accidents, health as well as the Long Term Care policy, a fixed amount contribution of 2,5% to the complementary pension fund and fringe benefits if support of the person.

(7) Roberta Castellano, amounts recognised for the participation in board committees:

€ 10.000,00 for the participation in the "Nomination Committee"

€ 15.000,00 for the participation in the "Risk and Sustainability Committee"

(8) Olga Cuccurullo, amounts recognised for the participation in board committees:

€ 15.000,00 for the participation in the "Risk and Sustainability Committee"

(9) Paola De Martini, amounts recognised for the participation in board committees:

€ 10.000,00 for the participation in the "Related Party Transactions Committee"

€ 10.000,00 for the participation in the "Remuneration Committee"

(10) Raffaele Di Raimo, amounts recognised for the participation in board committees:

€ 15.000,00 for the participation in the "Remuneration Committee"

€ 15.000,00 for the participation in the "Risk and Sustainability Committee"

(11) Marco Giorgino, amounts recognised for the participation in board committees:

€ 10.000,00 for the participation in the "Nomination Committee"

€ 25.000,00 for the participation in the "Risk and Sustainability Committee"

(12) Nicola Maione, amounts recognised for the participation in board committees:

€ 15.000,00 for the participation in the "Nomination Committee"

Does not include € 10,000.00 received for the participation in the Supervisory Body L.231/2001

(13) Roberto Rao, amounts recognised for the participation in board committees:

€ 10.000,00 for the participation in the "Nomination Committee"

€ 15.000,00 for the participation in the "Related Party Transactions Committee"

**Table 1 - Remuneration paid to the members of the board, statutory auditors, general managers, deputy general managers and other managers with strategic responsibilities**

*pursuant to the Consob Resolution no. 11971 of 14 May 1999 and subsequent amendments*

*data refers to period 1/1 - 31/12/2021*

Surname and Name	Office	Period for which office was held	Termination of office	Fixed remuneration	Remuneration for the participation in committees	Non equity variable pay		Non monetary benefits (*)	Other remuneration	Total	Fair value of the equity remuneration	Severance pay
						Bonuses and other incentives	Profit sharing					
<b>CIAI Enrico</b>	<b>Chairperson of the Board of Statutory Auditors</b>	1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				80.000,00	-	-	-	1.817,70	-	81.817,70		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				<b>80.000,00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.817,70</b>	<b>-</b>	<b>81.817,70</b>	<b>-</b>	<b>-</b>
<b>BASTIANI Alessia</b>	<b>Statutory Auditor</b>	1.01 - 26.01.21										
(i) Fees in the company that prepares the Financial Statements				4.694,44	-	-	-	1.458,46	-	6.152,90		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				<b>4.694,44</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.458,46</b>	<b>-</b>	<b>6.152,90</b>	<b>-</b>	<b>-</b>
<b>SOPRANO Luigi</b>	<b>Statutory Auditor</b>	1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				65.000,00	-	-	-	1.817,70	-	66.817,70		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				<b>65.000,00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.817,70</b>	<b>-</b>	<b>66.817,70</b>	<b>-</b>	<b>-</b>
<b>VITALI Piera</b>	<b>Statutory Auditor</b>	26.01 - 6.04.21										
(i) Fees in the company that prepares the Financial Statements				12.638,89	-	-	-	1.493,21	-	14.132,10		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				<b>12.638,89</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.493,21</b>	<b>-</b>	<b>14.132,10</b>	<b>-</b>	<b>-</b>
<b>CEVASCO Luisa</b>	<b>Statutory Auditor</b>	6.04 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				47.847,22	-	-	-	1.715,53	-	49.562,75		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				<b>47.847,22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.715,53</b>	<b>-</b>	<b>49.562,75</b>	<b>-</b>	<b>-</b>
<b>BASTIANINI Guido (role of General Manager)</b>	<b>General Manager</b>	1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				466.249,94				16.727,42	(14)	482.977,36		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				<b>466.249,94</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16.727,42</b>	<b>-</b>	<b>482.977,36</b>	<b>-</b>	<b>-</b>
<b>MANAGERS WITH STRATEGIC RESPONSIBILITY</b>		1.01 - 31.12.21										
(i) Fees in the company that prepares the Financial Statements				4.108.306,19				248.571,98		4.356.878,17		1.097.515,00 (16)
(ii) Fees from subsidiaries and affiliates									330.629,65 (15)	330.629,65		
(iii) Total				<b>4.108.306,19</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>248.571,98</b>	<b>330.629,65</b>	<b>4.687.507,82</b>	<b>-</b>	<b>1.097.515,00</b>

(\*) For the members of the Bank's Board of Directors and Board of Statutory Auditors, the item includes an insurance policy to cover professional accidents, health as well as a specific protection for Covid-19. For the Chief Executive Officer and the other Managers with Strategic Responsibilities, the item includes an insurance policy to cover professional accidents, health as well as the Long Term Care policy, a fixed amount contribution of 2,5% to the complementary pension fund and fringe benefits if support of the person.

(14) Guido Bastianini, non-monetary benefits include ancillary costs for accommodation, approved by the Board of Directors at the time of appointment

(15) Amounts paid by subsidiaries of which €307.616,95 deposited to Banca MPS SpA

(16) Amount paid upfront as notice in addition to a residual portion as severance for the resolution of n. 4 employment relationships following the corporate restructuring process and functionally to cost containment and resource rationalization needs. The amount indicated does not include n. 1 non-compete covenant, to be paid over the next two years, stipulated as part of the termination of the employment relationship with one of the n. 4 managers, for an amount less than one annuity of the fixed remuneration.

**Table 1 - Comparative information of the annual changes of the remuneration of directors, of the company's results and of the average remuneration of employees (first detection 2019) pursuant to the EU Directive no. 2017/828**

	2021			2020			2019	
	HC	Amounts	Var %	HC	Amounts	Var %	HC	Amounts
CEO/General Manager					465.652	-0,1%	1	466.250
<b>Morelli Marco</b>								
CEO General Manager				1	178.729	-62%	1	466.250
<b>Bastianini Guido</b>								
CEO General Manager	1	466.250	63%	1	286.923			
Directors and Statutory Auditors	<b>19</b>	<b>1.415.181</b>	<b>0,9%</b>	<b>31</b>	<b>1.402.833</b>	<b>5,8%</b>	<b>16</b>	<b>1.326.000</b>
Directors (*)	14	1.205.000		25	1.192.250	7%	13	1.116.000
Statutory auditors (*)	5	210.181		6	210.583	0%	3	210.000
Managers with strategic responsibilities and Deputy General Managers	<b>19</b>	<b>4.108.306</b>	<b>-13,4%</b>	<b>20</b>	<b>4.742.597</b>	<b>-4,3%</b>	<b>20</b>	<b>4.956.026</b>
Managers with strategic responsibilities (**) Deputy General Managers	19	4.108.306	-13,4%	20	4.742.597	-4,3%	20	4.956.026
<b>Average remuneration of employees</b>	<b>21.244</b>	<b>48.714</b>	<b>3,3%</b>	<b>21.432</b>	<b>47.135</b>	<b>0,6%</b>	<b>22.040</b>	<b>46.870</b>
Net Income (in €/mln)		<b>310</b>	<b>n.s.</b>		<b>-1.689</b>	<b>n.s.</b>		<b>-1.033</b>

No incentive systems have been activated for CEO, Deputy General Manager and Managers with strategic responsibilities in the past five years

(\*) During 2020 the Board of Directors and the Board of Statutory Auditors were renewed; the total number of Executives is shown in column HC.

(\*\*) In the years 2021, 2020 and 2019, the perimeter of the Managers with strategic responsibilities underwent changes during the year; the total number of Executives is shown in the column HC.

**Table 1 - Comparative information of the annual changes of the remuneration of directors, of the company's results and of the average remuneration of employees**

*pursuant to the EU Directive no. 2017/828 (data from 1° January 2019)*

<b>Directors and Statutory Auditors details</b>				
<b>Name and Surname</b>	<b>Office</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Stefania Bariatti</b>	<b>Chairperson</b>		<b>44.500</b>	<b>108.500</b>
Maria Patrizia Grieco	Chairperson	110.000	68.139	
<b>Antonino Turicchi</b>	<b>Deputy Chairman</b>		<b>34.500</b>	<b>57.500</b>
Francesca Bettio	Deputy Chairman	75.000	46.431	
Rita Laura D'Ecclesia	Deputy Chairman	80.000	49.514	
Alessandra Giuseppina Barzagli	Director	85.000	52.597	
Luca Bader	Director	85.000	52.597	
Marco Bassilichi	Director	75.000	46.431	
Francesco Bochicchio	Director	75.000	46.431	
<b>Maria Elena Cappello</b>	<b>Director</b>		<b>32.500</b>	<b>90.000</b>
<b>Roberta Casali</b>	<b>Director</b>		<b>30.667</b>	<b>80.000</b>
Rosella Castellano	Director	90.000	55.681	
Olga Cuccurullo	Director	80.000	49.514	
Paola De Martini	Director	85.000	52.597	
Raffaele Di Raimo	Director	95.000	58.764	
Marco Giorgino	Director	100.000	100.181	100.000
<b>Fiorella Kostoris</b>	<b>Director</b>		<b>34.500</b>	<b>90.000</b>
<b>Roberto Lancellotti</b>	<b>Director</b>		<b>34.500</b>	<b>90.000</b>
Nicola Maione	Director	80.000	87.444	85.000
<b>Stefania Petruccioli</b>	<b>Director</b>		<b>36.417</b>	<b>95.000</b>
<b>Salvatore Fernando Piazzolla</b>	<b>Director</b>		<b>28.750</b>	<b>75.000</b>
Roberto Rao	Director	90.000	55.681	
<b>Angelo Riccaboni</b>	<b>Director</b>		<b>36.417</b>	<b>95.000</b>
Michele Santoro	Director		28.750	75.000
Giorgio Valerio	Director		28.750	75.000
<b>Elena Cenderelli</b>	<b>Chairperson of the Board of Statutory Auditors</b>		<b>30.667</b>	<b>80.000</b>
Enrico Ciai	Chairperson of the Board of Statutory Auditors	80.000	49.556	
<b>Alessia Bastiani</b>	<b>Statutory Auditor</b>	4.694	40.264	
Luisa Cevasco	Statutory Auditor	47.847		
<b>Paolo Salvadori</b>	<b>Statutory Auditor</b>		<b>24.917</b>	<b>65.000</b>
<b>Raffaella Fantini</b>	<b>Statutory Auditor</b>		<b>24.917</b>	<b>65.000</b>
Luigi Soprano	Statutory Auditor	65.000	40.264	
Piera Vitali	Statutory Auditor	12.639		
	<b>Total</b>	<b>1.415.181</b>	<b>1.402.833</b>	<b>1.326.000</b>

**Table 3A - Incentive plans based on financial instruments, not including stock options, in favour of members of the board, statutory auditors, general managers, deputy general managers and managers with strategic responsibilities**  
pursuant to the Consob resolution no. 11971 of 14 May 1999 and subsequent amendments  
data refers to period 1/1 - 31/12/2021

Surname and Name	Office	Plan	Financial Instruments assigned in previous exercises and not vested during the year		Financial instruments assigned during the exercise					Financial Instruments vested during the year and not assigned	Financial Instruments vested during the year and attributable		Financial Instruments relevant to the year	
			Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at assignment date	Vesting period	Assignment date	Market price at assignment date	Number and type of financial instruments	Number and type of financial instruments	Value at accrual date	Fair value	
(I) Compensation in the company that prepares the Financial Statements		Plan A	//	-	//	-	-	//	-	//	-	-	-	-
		Plan B	//	-	//	-	-	//	//	-	-	-	-	-
		Plan C	//	-	//	-	-	//	//	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A	//	-	//	-	-	//	//	-	-	-	-	-
		Plan B	//	-	//	-	-	//	//	-	-	-	-	-
		Plan C	//	-	//	-	-	//	//	-	-	-	-	-
(III) Total						-					-	-		
(I) Compensation in the company that prepares the Financial Statements		Plan A	//	-	//	-	-	//	-	//	-	-	-	-
		Plan B	//	-	//	-	-	//	//	-	-	-	-	-
		Plan C	//	-	//	-	-	//	//	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A	//	-	//	-	-	//	//	-	-	-	-	-
		Plan B	//	-	//	-	-	//	//	-	-	-	-	-
		Plan C	//	-	//	-	-	//	//	-	-	-	-	-
(III) Total						-					-	-		
(I) Compensation in the company that prepares the Financial Statements		Plan A	//	-	//	-	-	//	-	//	-	-	-	-
		Plan B	//	-	//	-	-	//	//	-	-	-	-	-
		Plan C	//	-	//	-	-	//	//	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A	//	-	//	-	-	//	//	-	-	-	-	-
		Plan B	//	-	//	-	-	//	//	-	-	-	-	-
		Plan C	//	-	//	-	-	//	//	-	-	-	-	-
(III) Total						-					-	-		

No plan activated or paid out

**Table 3B - Monetary incentive plans in favour of members of the board, statutory auditors, general managers, deputy general managers and managers with strategic responsibilities**

*pursuant to the Consob resolution no. 11971 of 14 May 1999 and subsequent amendments  
data refers to period 1/1 - 31/12/2021*

Surname and name	Office	Plan	Annual Bonus			Bonus from previous years			Other Bonuses
			Payable/paid out	Deferred	Deferment period	No longer payable	Paid out/to be paid out	Still deferred	
(I) Compensation in the company that prepares the Financial Statements		Plan A //	-	-	//	-	-	-	-
		Plan B //	-	-	//	-	-	-	-
		Plan C //	-	-	//	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A //	-	-	//	-	-	-	-
		Plan B //	-	-	//	-	-	-	-
		Plan C //	-	-	//	-	-	-	-
(III) Total		-	-		-	-	-	-	
(I) Compensation in the company that prepares the Financial Statements		Plan A //	-	-	//	-	-	-	-
		Plan B //	-	-	//	-	-	-	-
		Plan C //	-	-	//	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A //	-	-	//	-	-	-	-
		Plan B //	-	-	//	-	-	-	-
		Plan C //	-	-	//	-	-	-	-
(III) Total		-	-		-	-	-	-	
(I) Compensation in the company that prepares the Financial Statements		Plan A //	-	-	//	-	-	-	-
		Plan B //	-	-	//	-	-	-	-
		Plan C //	-	-	//	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A //	-	-	//	-	-	-	-
		Plan B //	-	-	//	-	-	-	-
		Plan C //	-	-	//	-	-	-	-
(III) Total		-	-		-	-	-	-	

No plan activated or paid out

## Chart 7-ter - Shareholding held in MPS by members of the board of directors, board of statutory auditors and general managers

data at 31/12/2021

Surname and Name	Office	Company in which stake is held	Number of shares held at the end of the previous financial year	Number of shares acquired	Number of shares sold	Number of shares held at the end of the financial year underway
<b>Grieco Maria Patrizia</b>	Chairperson	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>Bettio Francesca</b>	Deputy Chairman	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>D'Ecclesia Rita Laura</b>	Deputy Chairman	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>Bastianini Guido</b>	CEO/General Manager	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>Bader Luca</b>	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>Barzaghi Alessandra Giuseppina</b>	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>Bassilichi Marco</b>	Director	Banca Monte dei Paschi di Siena S.p.A.	105	=	=	105
<b>Bochicchio Francesco</b>	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>Castellano Rosella</b>	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>Cuccurullo Olga</b>	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>De Martini Paola</b>	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>Di Raimo Raffaele</b>	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>Giorgino Marco</b>	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>Maione Nicola</b>	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>Rao Roberto</b>	Director	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>Ciai Enrico</b>	Chairperson of the Board of Statutory Auditors	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>Soprano Luigi</b>	Statutory Auditor	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>Cevasco Luisa</b>	Statutory Auditor	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>Vitali Piera</b>	Standing Auditor	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>Fallacara Francesco</b>	Standing Auditor	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=
<b>Bastiani Alessia</b>	Ex Statutory Auditor	Banca Monte dei Paschi di Siena S.p.A.	=	=	=	=

**Chart 7-ter - Shareholding in MPS held by managers with strategic responsibilities***data at 31/12/2021*

<b>Number of managers with strategic responsibilities</b>	<b>Company in which stake is held</b>	<b>Number of shares held at the end of the previous financial year</b>	<b>Number of shares acquired</b>	<b>Number of shares sold</b>	<b>Number of shares held at the end of the financial year underway</b>
<b>19</b>	Banca Monte dei Paschi di Siena S.p.A.	1.226	=	=	1.226 <sup>(1)</sup>

*of which in office at 31/12/2021*

<b>11</b>	Banca Monte dei Paschi di Siena S.p.A.	987	=	=	987
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<sup>(1)</sup> of which 122 held by family members

**Statement A - Quantitative information on the remuneration of “identified staff”**

Personnel	N°	Fixed Remuneration (*)	Variable Remuneration				Severance pay
			Cash	Shares	Instruments connected to shares	Other types	
CEO	1 (1)						
Other managers with executive positions	-						
Non-executive managers	36	1.700.022					
General Manager	1 (1)	466.250					
Division Heads, Corporate functions, Geographical Area Heads and those who report directly to the corporate bodies	86	14.631.056				301.063 (2)	260.038 (3)
Managers and personnel in charge of the internal control functions	22	2.549.824 (4)					
Other staff who individually or collectively take on significant risks	92	9.638.455	307.818 (5)		140.589 (6)	69.300 (2)	60.706 (7)
Highly paid employees and collaborators not included in the criteria above	20	5.084.532	286.041 (8)			38.900 (2)	101.366 (9)

(\*) It includes the fixed component (notice) of the overall amounts recognized in the context of early termination agreements of no. 9 employment relationships.

(1) Mr. Guido Bastianini held both the position of Chief Executive Officer and the position of General Manager for the entire year.

(2) Total amount relating to no. 14 recipients of non-compete covenants and attributions linked to permanence in the company, as well as no. 1 non-compete covenant entered into with a former executive on termination of the employment relationship.

(3) Total amount relating to no. 3 severance payments recognised in the context of early termination agreements of the employment relationship (amount max. € 100.000).

(4) Includes the position-related allowance for "Control Functions".

(5) Relating amounts to the non-recurring component of total remuneration awarded to the Financial Advisors within the Identified Staff perimeter and no. 1 payment for non-core components.

(6) Relating amounts to shares in financial instruments of the non-recurring component of the remuneration accrued during the year by the financial advisors within the Identified Staff perimeter.

(7) Total amount relating to no. 1 severance payment recognised in the context of early termination agreements of the employment relationship.

(8) Relating amounts to the non-recurring component of total remuneration awarded to the Financial Advisors within the Identified Staff perimeter and no. 2 payments for non-core components.

(9) Total amount relating to no. 3 severance payments recognised in the context of early termination agreements of the employment relationship (amount max. € 47.700).

## Table EU REMA - Remuneration policy

Institutions shall describe the main elements of their remuneration policies and how they implement these policies. In particular, the following elements, where relevant, shall be described:	
Qualitative disclosures	
Information relating to the bodies that oversee remuneration. Disclosures shall include:	
a)	<ul style="list-style-type: none"> <li><b>name, composition and mandate of the main body (management body or remuneration committee as applicable) overseeing the remuneration policy and the number of meetings held by that main body during the financial year;</b> With reference to the Remuneration Committee see to that end Section II - Compensation paid Part I, paragraph 1.1 - Governance. For the Board of Directors see to that end Table 1 - Remuneration paid to the members of the board, statutory auditors, general managers, deputy general managers and other managers with strategic responsibilities.</li> </ul>
	<ul style="list-style-type: none"> <li><b>external consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework;</b> In 2021 the Bank didn't use external consultants for the implementation of the Remuneration Policies and for 2022 no company has been appointed.</li> </ul>
	<ul style="list-style-type: none"> <li><b>a description of the scope of the institution's remuneration policy (eg by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries;</b> See to that end Section I, Chapter 2 - Purpose.</li> </ul>
	<ul style="list-style-type: none"> <li><b>a description of the staff or categories of staff whose professional activities have a material impact on institutions' risk profile.</b> See to that end Section I, Chapter 7 - Identified Staff.</li> </ul>
Information relating to the design and structure of the remuneration system for identified staff. Disclosures shall include:	
b)	<ul style="list-style-type: none"> <li><b>an overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders;</b> See to that end Section I, Chapter 8 - Process of identifying Identified Staff.</li> </ul>
	<ul style="list-style-type: none"> <li><b>information on the criteria used for performance measurement and ex ante and ex post risk adjustment;</b> Variable remuneration of the Group, including shares attributable to Identified Staff, is determined based on Group and business unit risk-adjusted economic performance. For details, see Chapter 6 paragraph 6.3.2 - "Core" components in Section I and Chapter 7 - Paragraph 7.1 - Variable components in the remuneration of the "Identified Staff" - basic rules.</li> </ul>
	<ul style="list-style-type: none"> <li><b>whether the management body or the remuneration committee where established reviewed the institution's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration;</b> The amendments made to the remuneration policy for 2022 are intended primarily to guarantee the full adoption of new regulations. Indeed, no other substantial elements, aside from the cited regulatory updates, were identified to change the policies, also in consideration of the broadly favourable vote expressed by the Shareholders' Meeting during the approval of the 2021 report on the remuneration policy and the approval expressed by institutional investors. For details, see Section I, Chapter 1 - Report structure and main updates in the 2022 remuneration policies.</li> </ul>
	<ul style="list-style-type: none"> <li><b>information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee;</b> See to that end Section I, Chapter 6, paragraphs 6.1 - General Principles, 6.2 - Fixed remuneration and 6.2.3 - Company Control Function Allowance.</li> </ul>
	<ul style="list-style-type: none"> <li><b>policies and criteria applied for the award of guaranteed variable remuneration and severance payments.</b> See to that end Section I, Chapter 6, paragraph 6.3.4 - Compensation for early termination of the employment.</li> </ul>
c)	<p><b>Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration.</b></p> <p>The Risk &amp; Sustainability Committee has the task of assisting the Board of Directors in defining the guidelines for the internal control and risk management system and in assessing the adequacy and effectiveness of this system and to ascertain that the incentives underlying the Group's remuneration and incentives system are consistent with the Risk Appetite Framework ("RAF"), the objectives of which are described in paragraph 6.3.2 - "Core" components - of Section I.</p>
d)	<p><b>The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD.</b></p> <p>The limitation of the ratio between variable and fixed remuneration at a value that does not exceed 100% (ratio 1: 1), as indicated in Section I of Chapter 7, Paragraph 7.1 - Variable components in the remuneration of the "Identified Staff" - basic rules. Also for Widiba's Financial Advisors, see also the Focus in Chapter 6 on the Ratio Limit Between Variable and Fixed for Financial Advisors belonging to the Identified Staff of Section I.</p>
Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration. Disclosures shall include:	
e)	<ul style="list-style-type: none"> <li><b>an overview of main performance criteria and metrics for institution, business lines and individuals; at paragraph 6.3.2 - "Core" components it is said that "It is deemed that the conditions for activating the variable incentive systems for Group banking employees in the current year are not present". Therefore, to date, the related performance criteria and metrics have not been envisaged.</b></li> </ul>
	<ul style="list-style-type: none"> <li><b>an overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance; see to that end Chapter 6, paragraph 6.3.1 - Definition of variable remuneration which illustrates the gate system on all forms of variable remuneration.</b></li> </ul>
	<ul style="list-style-type: none"> <li><b>information on the criteria used to determine the balance between different types of instruments awarded including shares, equivalent ownership interest, options and other instruments; see to that end paragraph 7.1 - Variable components in the remuneration of the "Identified Staff" - basic rules, Section I.</b></li> </ul>
	<ul style="list-style-type: none"> <li><b>information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining "weak" performance metrics. At Section I paragraph 6.3.2 - "Core" components it is said that "It is deemed that the conditions for activating the variable incentive systems for Group banking employees in the current year are not present".</b></li> </ul>
Description of the ways in which the institution seeks to adjust remuneration to take account of longterm performance. Disclosures shall include:	
f)	<ul style="list-style-type: none"> <li><b>an overview of the institution's policy on deferral, payout in instrument, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff;</b> See to that end Chapter 7, paragraph 7.1. This matter is applied only to "Identified Staff".</li> </ul>
	<ul style="list-style-type: none"> <li><b>information of the institution' criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law);</b> See to that end Section I Chapter 8, paragraph 8.2 - Compliance breach management process.</li> </ul>
	<ul style="list-style-type: none"> <li><b>where applicable, shareholding requirements that may be imposed on identified staff.</b> See to that end Section I Chapter 8.3 - Verification process to assure absence of hedging strategies.</li> </ul>

**Table EU REMA - Remuneration policy**

The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR. Disclosures shall include:	
g)	<ul style="list-style-type: none"> <li><b>Information on the specific performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded, including shares, equivalent ownership interests, share-linked instruments, equivalent non cash-instruments, options and other instruments.</b> See to that end Section I, paragraphs 6.3 - Variable remuneration, 6.4 - Remuneration of financial advisors and 6.6 - Financial instruments to service variable remuneration payment</li> </ul>
Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management.	
h)	See to that end annex Table 1 - Remuneration paid to the members of the board, statutory auditors, general managers, deputy general managers and other managers with strategic responsibilities. The table shows the disclosure on members of the BoD, CEO, GM and at an aggregate level for the other managers with strategic responsibilities
Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR.	
i)	<ul style="list-style-type: none"> <li><b>For the purposes of this point, institutions that benefit from such a derogation shall indicate whether this is on the basis of point (a) and/or point (b) of Article 94(3) CRD. They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.</b> Exemption based on letter b) <i>a staff member whose annual variable remuneration does not exceed EUR 50 000 and does not represent more than one third of his total annual remuneration</i> - Number of staff members benefiting from the exemption: No. 20. Total remuneration: EUR 5,264,248, of which fixed Euro 4,683,937, of which Euro 580,311 variable</li> </ul>
Large institutions shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members in accordance with Article 450(2) CRR.	
j)	The information is contained in Section II, Statement A - Quantitative information on the remuneration of "identified staff"

**Table EU REM1 - Remuneration awarded for the financial year**

		a	b	c	d	
		Management body Supervisory function	Management body Management function	Other senior management	Other identified staff	
1	Fixed remuneration	Number of identified staff	33	1	11	173
2		Total fixed remuneration	1.659.253	466.250	3.421.634	23.614.116
3		Of which: cash-based	1.659.253	466.250	3.421.634	23.614.116
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7		Of which: other forms				
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff			4	26
10		Total variable remuneration			516.705	1.094.615
11		Of which: cash-based			516.705	954.026
12		Of which: deferred				70.295
EU-13a		Of which: shares or equivalent ownership interests				
EU-14a		Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments				140.589
EU-14b		Of which: deferred				70.295
EU-14x		Of which: other instruments				
EU-14y		Of which: deferred				
15	Of which: other forms					
16	Of which: deferred					
17	Total remuneration (2 + 10)		<b>1.659.253</b>	<b>466.250</b>	<b>3.938.339</b>	<b>24.708.731</b>

**Table EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)**

	a	b	c	d
	Management body Supervisory function	Management body Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff			
2	Guaranteed variable remuneration awards -Total amount			
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap			
Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff		2	1
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount		50.069	34.839
Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff		3	4
7	Severance payments awarded during the financial year - Total amount		260.038	162.072
8	Of which paid during the financial year		260.038	162.072
9	Of which deferred			
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap			
11	Of which highest payment that has been awarded to a single person		100.000	60.706

Table EU REM3 - Deferred remuneration

		a	b	c	d	e	f	EU-g	EU-h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	Management body Supervisory function								
2	Cash-based								
3	Shares or equivalent ownership interests								
4	Share-linked instruments or equivalent non-cash instruments								
5	Other instruments								
6	Other forms								
7	Management body Management function								
8	Cash-based								
9	Shares or equivalent ownership interests								
10	Share-linked instruments or equivalent non-cash instruments								
11	Other instruments								
12	Other forms								
13	Other senior management								
14	Cash-based								
15	Shares or equivalent ownership interests								
16	Share-linked instruments or equivalent non-cash instruments								
17	Other instruments								
18	Other forms								

Table EU REM3 - Deferred remuneration

		a	b	c	d	e	f	EU-g	EU-h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
19	Other identified staff	903.873	97.423	502.760	-	-	8.603	165.734	85.637
20	Cash-based	451.937	81.420	130.836				81.420	
21	Shares or equivalent ownership interests								
22	Share-linked instruments or equivalent non-cash instruments	451.937	16.002	371.924			8.603	84.314	85.637
23	Other instruments								
24	Other forms								
25	<b>Total amount</b>	<b>903.873</b>	<b>97.423</b>	<b>502.760</b>	<b>-</b>	<b>-</b>	<b>8.603</b>	<b>165.734</b>	<b>85.637</b>

**Table EU REM4: Remuneration of EUR 1 million or more per year**

		a
	<b>EUR</b>	<b>Identified staff that are high earners as set out in Article 450(i) CRR</b>
1	1 000 000 to below 1 500 000	1
2	1 500 000 to below 2 000 000	
3	2 000 000 to below 2 500 000	
4	2 500 000 to below 3 000 000	
5	3 000 000 to below 3 500 000	
6	3 500 000 to below 4 000 000	
7	4 000 000 to below 4 500 000	
8	4 500 000 to below 5 000 000	
9	5 000 000 to below 6 000 000	
10	6 000 000 to below 7 000 000	
11	7 000 000 to below 8 000 000	

**Table EU REM5: Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)**

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										218
2	Of which members of the management body	33	1	34							
3	Of which other members of senior management					1		7	3		
4	Of which other identified staff					99	1	59	14		
5	Total remuneration of identified staff	1.659.253	466.250	2.125.503		16.570.492	149.783	9.781.769	2.145.026		
6	Of which variable remuneration					1.069.287		535.366	6.667		
7	Of which fixed remuneration	1.659.253	466.250	2.125.503		15.501.205	149.783	9.246.403	2.138.359		



## 1. Resolution proposal

Dear Shareholders,

in relation to the above We invite you to approve the following proposal:

*“The Ordinary Shareholders’ Meeting*

- *having examined the “REPORT ON THE REMUNERATION POLICY AND ON COMPENSATION PAID” prepared by the Board of Directors pursuant to Article 123-ter of the Legislative Decree n. 58 of 24 February 1998 (“Consolidated Financial Act”), Article 84-quater of the Consob Issuers Regulation 11971/1999, the provisions of the Bank of Italy Circular n. 285/2013 and Article 13 paragraph 3 lett. e) of the Bank’s By-Laws (the “Report”);*
- *having examined, in particular, the Section 1 of the above Report, prepared pursuant to Article 123-ter, paragraph 3 and 3-bis of the Consolidated Financial Act and related to (i) company policy for 2022 in remuneration matters of all staff (including members of the administrative bodies and without prejudice to the provisions of Article 2402 of the Italian Civil Code, of the members of the control bodies), (“2022 Policy”), (ii) the procedures used for the adoption of and implementation of the policy and (iii) the criteria for determining the remuneration to be granted in the event of early termination of employment;*
- *considering that, pursuant to Article 123-ter, paragraph 3-ter, of the Consolidated Financial Act the Shareholders’ Meeting is called to express a binding vote on the aforementioned Section 1 of the Report,*

### RESOLVES

- *to approve Section I of the Report, pursuant to Article 123-ter, paragraph 3-ter, of the Consolidated Financial Act;*
- *to give a mandate to the Chief Executive Officer, with the right to sub delegate, for the implementation of the 2022 Policy.*

*In compliance with the obligations arising from the Supervisory Provisions, the Shareholders’ Meeting must be periodically informed regarding the implementation of the policies adopted.”*



## 2. Resolution proposal

Dear Shareholders,

in relation to the above We invite you to approve the following proposal:

“The Ordinary Shareholders’ Meeting,

- *having examined the “REPORT ON THE REMUNERATION POLICY AND ON COMPENSATION PAID” prepared by the Board of Directors pursuant to Article 123-ter of the Legislative Decree n. 58 of 24 February 1998 (“**Consolidated Financial Act**”), Article 84-quater of the Consob Issuers Regulation 11971/1999, the provisions of the Bank of Italy Circular n. 285/2013 and Article 13 paragraph 3 lett. e) of the Bank’s By-Laws (the “**Report**”);*
- *having examined, in particular, the Section 2 of the Report, related to the reporting of the remuneration paid in 2021, prepared pursuant to Article 123-ter, paragraph 4 of the Consolidated Financial Act;*
- *considering that pursuant to Article 123-ter, paragraph 6, of the Consolidated Finance Act, the Shareholders’ Meeting is called to cast a non-binding vote on the aforementioned Section 2 of the Report,*

RESOLVES

*positively the Section 2 of the Report, prepared pursuant to Article 123-ter paragraph 6 of the Consolidated Financial Act.”*

Siena, 11 March 2022

On behalf of the Board of Directors  
Maria Patrizia Grieco  
Chairperson of the Board of Directors