



**REMUNERATION POLICY**  
**OF UNICREDIT INTERNATIONAL**  
**BANK (LUXEMBOURG) S.A.**

**ONLY FOR INTERNAL USE WITHIN UCI**  
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## 1. COMMON RULES

Remuneration for employees within the collective agreement is based on the applicable collective agreements and the works agreements as well as the individual employment agreement.

For employees out of the collective agreement provisions of the individual contracts are applied. The fixed salary is agreed in the employment contract. Employees out of the collective agreement are not entitled to special allowances or overtime compensation.

The total annual salary (fixed salary plus possible incentive opportunity) is reviewed and if necessary adjusted yearly, usually in the 1st quarter with effect from January.

At UniCredit International Bank (Luxembourg) S.A. the fixed monthly salary is paid on the 25th of the month.

Although there are different kinds of labour contracts (without the payment of a bonus, with the payment of an absolutely discretionary bonus or with a bonus within the remuneration system "13 + 1"), the rules set out here in this remuneration policy are mandatory for every employee.

The ratio between fix and a possible variable remuneration is limited. The variable remuneration must not exceed 100 % of the fix remuneration.

**For deferred compensations the following rule must be applied: If remuneration is risk-oriented, the latter must not be restricted or eliminated by hedging or other countermeasures.**

**2. COMPENSATION SYSTEM FOR EMPLOYEES WITHIN AND OUT OF THE COLLECTIVE AGREEMENT OF UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) S.A.**

**2.1. SYSTEM STRUCTURE**

The compensation system for employees within and out of the collective agreement is based on 13 salaries or on "13 + 1", unless the individual contract sets the rules for another payment. For purposes of possible variable compensation the system rests on four pillars (see chart) that are equally applicable to all employees within and out of the collective agreement. Exceptions apply only to employees with Total Compensation contracts and those that are covered by a separate agreement for compensation.

|                         |  |
|-------------------------|--|
| Target Bonus            | The base value of variable compensation is fixed for each employee   |
| Success Factor          | The extent of the total pool must take account of value added in the course of the year, not only locally, but also group wide |
| Individual Performance  | The individual performance must be taken into account within the scope of the performance review process (appraisal)           |
| Individual Bonus Amount | Amount disbursed within the bonus bandwidths, taking account of a management decision  |

**2.2. THE BASIS OF THE SYSTEM: "13 + 1"**

**2.2.1. EMPLOYEES OUT OF THE COLLECTIVE AGREEMENT**

Bank employees out of the collective agreement within the system "13 + 1" – whether they work for sales or non-sales divisions – receive an annual salary consisting of 12 monthly gross salaries per year, a 13<sup>th</sup> month of 1 monthly gross salary and a bonus which is based as a rule on one gross monthly salary. "13+1" thus stands for 12 monthly gross salary payments and a 13<sup>th</sup> month as a fixed salary component plus a bonus base value equal to one month gross salary as a variable salary component (explained under point 2.3).

**2.2.2. EMPLOYEES WITHIN THE COLLECTIVE AGREEMENT**

Bank employees within the collective agreement within the system "13 + 1" – whether they work for sales or non-sales divisions – receive an annual salary consisting of 12 monthly gross salaries per year, special payments including one gross monthly salary (due to the regulations of the collective agreement) and a bonus which is based as a rule on 1 gross monthly salary. "13+1" thus stands for 12 monthly gross salary payments, the payments according to the rules of the collective agreement as a fixed salary component plus a bonus base value equal to 1 month gross salary as a variable salary component (explained under point 2.3).

### 2.3. VARIABLE COMPENSATION

The basis for a possible variable compensation is the bonus base value. As described above, if applicable, it will generally amount to one gross monthly salary. For market reasons, higher base values may be agreed individually in some divisions or Corporate Center units.

The bonus base value is determined as a rule by the gross salary drawn by the employee in the last month of the year for which the bonus is paid (for employees who leave in the course of the year, the last gross salary received serves as the basis). In case of employees whose employment begins or ends during the year (e.g. hiring, leaving, retirement, early retirement, transfer within the group, start / end of parental leave or suspension of employment for other reasons) the bonus base value will be calculated on the basis of the resulting cumulative working time factor (i.e. on a pro rata basis). This applies accordingly in case of a change to working hours in the course of a calendar year (e.g. a switch from full-time to part-time work).

The bonus will be determined each year. In all cases, the bonus shall be determined in accordance with the bonus base value and the employee's individual attainment of objectives and the available bonus budget based on the Bank's performance.

Annual bonus budgets are thus made available to the divisions and the Corporate Center units. The bonus budgets of the sales divisions are determined on the basis of the performance of the respective divisions over the past financial year. The bonus budgets for the GBS and Corporate Center units are calculated as the average of the sales division budgets (excluding positive and negative special effects).

To calculate the annual budget, the Management Board of UniCredit S.p.A. determines a success factor for each segment on the basis of the business success of UniCredit S.p.A., taking sustainability factors into account (risks incurred, capital and liquidity costs). The success factor is in a range from 0.5 to 1.5 if the entry conditions at UniCredit S.p.A group level are met. The success factor can be zero in case UniCredit S.p.A. makes a financial loss. In case the entry conditions at UniCredit S.p.A group level are not met there is the possibility to determine a reduced success factor of 0.5. The Management Board thus decides, based on how well the various divisions have achieved their targets, on how the overall bonus budget will be allocated to the divisions and the Corporate Center units.

Within UniCredit International Bank (Luxembourg) S.A., the budget is distributed downward to the successive reporting levels by the Management of UniCredit International Bank (Luxembourg) S.A., taking into account their business success and / or contributions to the Bank's performance. Some spreads in allocations are possible.

Employees and their supervisors generally specify targets at the beginning of each business year at a performance review meeting (appraisal). These targets serve as the basis for assessing individual performance and success (usually at the end of the year). The agreed targets may differ among divisions. They take into account the individual requirements of the division and their respective strategies and objectives. When setting quantitative and

qualitative targets, legal and regulatory requirements must be complied with; this applies to the Bank's monitoring functions, among other areas, where the focus must be on qualitative targets. The annual performance review meeting must be documented in the relevant system by April 30<sup>th</sup> each year at the latest.

In the annual performance review (appraisal), individual performance and success are rated on a five-point scale. For purposes of the bonus system, these five ratings are converted into three rating levels as shown in the following diagram.

|   |  |  |                    |                      |   |
|---|--|--|--------------------|----------------------|---|
| A<br>P<br>P<br>R<br>A<br>I<br>S<br>A<br>L | Below expectations                           | Almost meets expectations                      | Meets expectations | Exceeds expectations | Greatly exceeds expectations                    |
| B<br>O<br>N<br>U<br>S                     | Level 1<br>0 % - 50 %<br>of bonus base value | Level 2<br>70 % - 130 %<br>of bonus base value |                    |                      | Level 3<br>130 % - 200 %<br>of bonus base value |

The manager determines the individual bonus amount within the applicable bonus range, taking the available budget into account.

In summary, the amount to be paid is calculated in a single step by multiplying the bonus base value by the applicable success factor. This value is now multiplied by the percentage set by the manager – on the basis of the assessment in the performance management (appraisal) – within the bonus ranges.

With a success factor of 1.0, the share of total compensation accounted for by the variable compensation with reference to the bonus base value maximal amounts to approximately 8% and, with reference to the maximum, to approximately 15% within the remuneration system “13 + 1”. With regard to the regulatory requirements for variable compensation, it therefore cannot be claimed that compensation depends to a significant extent on variable compensation; the compensation system is, as a whole, properly structured in accordance with the definition.

For the payout structure the current applicable regulations will apply (Deferral schemes). Any bonuses equal to or higher than € 50.000,- will be deferred according to the rules of UniCredit Group.

In the event of a significant individual violation of values or compliance rules the bank has the right to request from the employee the back-payment of the variable payment of the concerned period.

## Targets

Individual goals of **employees in control functions** reflect primarily the performance of their own position. To avoid conflicting interests, they are independent of the success of the controlled units. Therefore financial goals have to be avoided wherever possible in order to guarantee the independence from the controlled units.

**Quantitative and qualitative targets** have to be used in a balanced way as criteria for the objective agreements for each individual employee. For front units there should be a maximum of 2 thirds of quantitative goals, for non front units a maximum of 1 third.

## Qualitative targets

- External and internal client orientation (quality and service orientation, customer satisfaction)
- Social skills (team orientation and team commitment, interpersonal skills, constructive cooperation, ability to deal with conflicts)
- Performance (focus on results and quality, strategic thinking, responsible acting, being proactive)
- Leadership (management skills, role model function, change management, requests of the Group, following of employee related regulations, use of existing leadership tools)
- Risk / Profit (entrepreneurial thinking, risk awareness)
- Structures (following of Group policies, improvement of workflows and teamwork)

## Quantitative targets

- External and internal client focus (acquisition, volume, client satisfaction)
- Risk / Profit (profit, use of capital resources, observance of budgets, productivity, savings, entrepreneurial thinking, risk awareness, gross operating profit, managed assets, number of clients)

The rules of the “UniCredit Global Performance Management” apply.



### **3. COMPENSATION SYSTEM FOR EMPLOYEES OF UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) S.A. BEING GROUP EXECUTIVE VICE PRESIDENT / EVP OR GROUP SENIOR VICE PRESIDENT / SVP**

#### **3.1. COMPOSITION**

Compensation for employees being at Management Board level (EVP / SVP) comprises a fixed salary and variable compensation.

#### **3.2. FIXED SALARY**

The fixed salary amounts to 12 monthly gross salaries per year.

A total compensation approach is in effect, i.e. the value of the additional benefits is included in the fixed salary.

#### **3.3. VARIABLE COMPENSATION**

The extent of the variable compensation is determined according to the currently valid Group Incentive System of Unicredit S.p.A.

##### **3.3.1. ASSESSMENT OF IMPACT OF NEGATIVE PERFORMANCE CONTRIBUTIONS BY THE EMPLOYEE**

Negative performance contributions by the employee shall reduce the extent of the variable remuneration, or lead to a complete forfeiture. This applies in the following cases:

- (i) in cases of non-achievement of goal settings (quantitative and qualitative goals), especially when KPIs related to remuneration components have not been reached or when performance contributions, results and goal achievements of past years are not sustainable; as well as
- (ii) in cases of employee behaviour which is contrary to duty and/or immoral, especially compliance breaches and other breaches against contractual obligations. Misconduct takes place e.g. in form of transgression of competencies, disproportionate high risk taking or negligence. The fact that misconduct has led to a disciplinary measure is not crucial.

This applies both to the respective determination of the variable remuneration and to the subsequent performance evaluation that could lead to a reduction or to complete forfeiture of the variable remuneration retained from preceding evaluated performance periods. If an initially positive performance contribution was taken into account during the determination of the bonus but with course of time becomes significantly negative and this negative performance contribution was caused by the employee, the respective retained remuneration has to be reduced or forfeits completely. In particular, in cases where a breach of obligation

resulted to be very serious and lead to the termination of the employment relationship, a complete forfeiture of the variable remuneration/deferral may occur.

If the Employee is involved in or responsible to a decisive degree for any behaviour that leads to a substantial loss being sustained by the Bank or a regulatory sanction being imposed on the Bank or the Employee, the full loss will apply if:

- (i) both of partial amounts already vested as an entitlement and
- (ii) partial amounts not yet being vested as entitlements of the individual bonus granted for the year in which such behaviour took place

A regulatory sanction applies if circumstances arise in which a fine is payable according to regulatory provisions and/or formal measures under supervisory law are taken by the supervisory authority against the Employee or the Bank on account of behaviour in which the Employee participated or for which he or she was responsible to a decisive degree.

The full loss of partial amounts of a bonus governed in the preceding paragraph shall equally apply if the Employee violates any external or internal regulations regarding suitability and behaviour to a serious degree.

### 3.3.2. **CLAW BACK**

If the Employee's entitlement to variable remuneration arises only pro rata temporis (several annual partial entitlements, i.e. deferrals and payments in shares apply) and if the Employee is involved in or responsible for behaviour resulting in a substantial loss being sustained by UniCredit International Bank (Luxembourg) S.A. or a regulatory sanction being imposed on UniCredit International Bank (Luxembourg) S.A. or the Employee, UniCredit International Bank (Luxembourg) S.A. shall be entitled to claim back all annual partial amounts of the variable remuneration already disbursed to the Employee in full from the latter. A regulatory sanction applies if circumstances arise in which a fine is payable according to regulatory provisions and/or formal measures under supervisory law are taken by the supervisory authority against the Employee or UniCredit International Bank (Luxembourg) S.A. on account of behaviour in which the Employee participated or for which he or she was responsible.

The right to such clawback extends to include all annual partial claims of variable remuneration already disbursed that were granted for the year in which the decisive behaviour occurred. The right to clawback arises with the disbursement of the non-retained portion of the decisive variable remuneration and shall end generally within 4 years after each instalment. In case new remuneration regulations will come into force in the future and should provide an extended clawback period, it will be applied accordingly.

The right to clawback governed by the paragraph above shall equally apply if the Employee violates any external or internal regulations regarding suitability and behaviour to a serious degree.

If UniCredit International Bank (Luxembourg) S.A. exercises its right to clawback, the following shall apply to the partial amounts concerned that have already been disbursed:

- (iii) All partial amounts of variable remuneration disbursed in cash must be refunded (gross) in cash.
- (iv) All partial entitlements to variable remuneration granted in the form of shares are to be refunded in cash; for purposes of determining the cash amount to be refunded, the gross number of shares that the employee received on maturity of the respective partial entitlement and the share price at the time at which the employee was able to freely dispose of the shares for the first time will be used as a basis.

The clawback clauses can be activated also in case of employment termination and/or office termination.

### **3.4. MISCELLANEOUS**

This explanation is not a part of the employment contracts and is provided for information purposes only. The only basis for claims are the provisions in individual contracts.