



# 2022 REPORT ON REMUNERATION POLICY AND COMPENSATION PAID

## *Executive Summary*



# Letter from the Chairman of the Remuneration Committee

Shareholders.

In bringing to your attention the 2022 Remuneration Policies of the BPER Group, we re-propose the document approved by the Shareholders' Meeting on 20 April 2022 with evidence of the necessary updates in order to align the duration and objectives of the 2022-2025 Long-Term Incentive Plan as defined in the 2022-2025 Group Business Plan approved last June.

Ours is an Italian Banking Group that bases its strength on a policy of concrete, responsible growth, sharing the values of the communities in which we operate. We make integrity, sustainability and inclusion our hallmarks. BPER's Remuneration Policy is our key tool for attracting, retaining and motivating people who reflect these high standards and who act on a day-to-day basis according to the principles of collaboration, courage, conscience, dialogue and results.

At BPER we consider human capital our main competitive value.

The Committee therefore proposes to orientate its decisions in line with the strategic and operational needs of the Bank and from this perspective we consider constant and transparent dialogue with shareholders and investors a cornerstone of our way of operating.

It is therefore with great pleasure that I present to you for the first time, as Chairman of the Remuneration Committee, the BPER Group's 2022 Annual Report on Remuneration and Compensation Paid.

The major issues that characterised 2020 continued to be a challenging terrain, both at system level and within the Group. The need to offer ready answers to the changed scenario resulting from the pandemic appeared in all its importance, with the precise purpose of having to guarantee operations, dedicating the utmost attention to the safety and protection of our human resources and to customers alike.

The conditions in which we find ourselves acting as financial operators today, even if aggravated by the recent international political-economic instability, are counting on the PNRR and the investments it conveys to which we intend to offer our contribution; but we are also counting on the transversal - and by now essential - importance of ESG issues, which we decided to address at Group governance level with the creation of the Sustainability Committee and the ESG Strategy Office, more specifically in matters of remuneration.

Moreover, the extraordinary transactions on which our Group has focused strengthen our competitive position in the national market by growing in size and improving all our business indicators. The will to expand externally too demonstrates dynamism and determination in presenting BPER in a position of leadership in the most productive areas of Italy, bringing with it the need to equip ourselves quickly and effectively with structures that are suitable for the growth path that we want to achieve.

In this sense, the remuneration policy is aligned with the strategic objectives of the Group in both the short and long term, being designed to

create value for shareholders, employees, customers and other stakeholders. The purpose, as always, is to ensure a close correlation and consistency between remuneration, results, development guidelines, sustainable initiatives, sound and prudent risk management and compliance with the law.

In line with the objectives of the next business plan, which covers the period 2022-2025, our intention was to strengthen the concept of “Pay for Sustainable Performance”, introducing some innovative improvements having analysed and taken into account the results of previous years. Of these, the main ones involve:

- reviewing the pay-mix and the link between the main part of overall remuneration to the achievement of annual and long-term results, with a particular focus on a multi-year horizon;
- integrating the ESG priorities into the annual and long-term incentive plans, focusing on creating value for all stakeholders;
- introducing a Long-Term Incentive Plan (2022-2025 LTI Plan), assigned in the form of BPER Shares, aimed at incentivising the achievement the targets of the Strategic Plan in 2025, the extension of the obligation to hold onto the shares deriving from the LTI Plan with the introduction of Share Ownership Guidelines for the Chief Executive Officer and the other Executives with Strategic Responsibilities;
- introducing safeguards to guarantee the gender neutrality of the Remuneration Policy;
- a revision of the severance policy by introducing a predefined formula in line with the practices observed by other Italian Banking Groups, while maintaining the maximum limits already envisaged.

We also pay constant attention to ensure that policies are aligned from a regulatory point of view and consistent with a constantly evolving national and European legislative framework; such as the use of criteria for identifying Material Risk Takers in line with the Delegated Regulation updated in March 2021; or the confirmation of stringent deferral mechanisms, mix of financial instruments and materiality threshold, in line with the 37th Update of Circular 285 of the Bank of Italy.

I would like to conclude by thanking the members of the Committee who remained in office from the beginning of last year until the Shareholders' Meeting, for the activities that they carried out during the first part of the year and in previous years. And I would also like to thank the members of the current Remuneration Committee and the entire structure.

On behalf of the Committee, I thank you for the attention you have given us and I invite you to read the Report on the following pages, very much hoping that your feedback at the Shareholders' Meeting will be positive.

*Maria Elena Cappello*

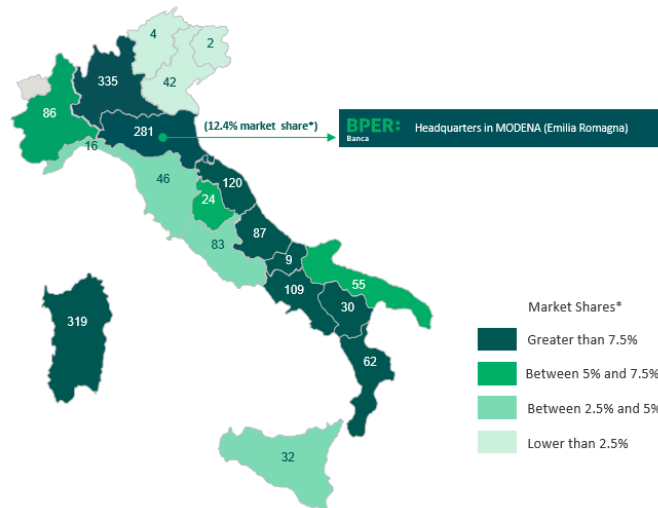
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<sup>1</sup> The 2022-2025 Strategic Plan was approved by the Board of Directors of BPER Banca on 9 June 2022 and communicated to the market on 10 June 2022. Following the approval of the new 2022-2025 Business Plan, the Board of Directors resolved to submit to the Shareholders' Meeting the amendment (i) of the Long-Term Incentive Plan (LTI Plan) approved by the Shareholders' Meeting of 20 April 2022, to bring it into line with the objectives of the Business Plan and its four-year duration (2022-2025), as well as (ii) the Remuneration Policy approved by the same Shareholders' Meeting on 20 April, to the extent necessary. The possibility of giving an even wider disclosure to the objectives to which the LTI Plan is linked responds to the company's decision to give maximum transparency to the market in the belief that it will meet the favour of those stakeholders who indicated that this practice was needed to comply with their governance policy

# Group profile

## Deep roots and distant vision

### Widespread national presence and strong multi-regional footprint



Commercial banks	# branches
BPER Banca	1,414
Banco di Sardegna	328
<b>Total</b>	<b>1,742</b>

Geographic areas	# branches
North	766
Centre	360
South & Islands	616
<b>Total</b>	<b>1,742</b>

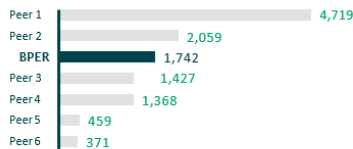
- The Group has a presence in 19 Regions of Italy, with 1,742 branches as of 31 December 2021
- Group employees are 18,128
- The headquarters of BPER Banca is in Modena (Emilia-Romagna region)

Data as of 31.12.2021  
\* Data as of November 2021

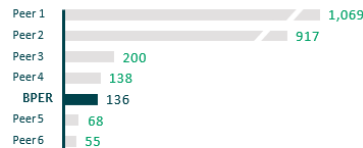
### One of the largest Banking Groups in Italy

#5 in Italy by total assets and #3 by branches, focused on retail and SMES customers

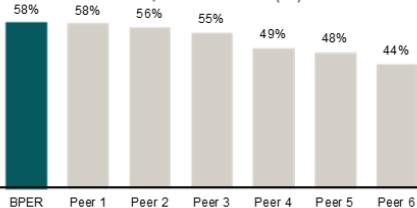
Number of Italian branches



Total assets (€/bn)

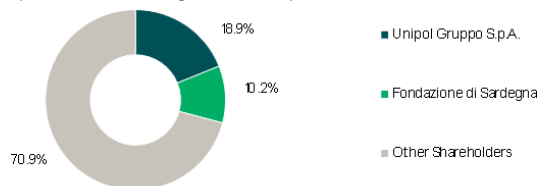


Customer loans / Total assets (%)



Main shareholders

(Current shares outstanding: # 1,413,263,512)



Source: Company information  
Data as of 31.12.2021  
Peers sample: IntesaSP, Unicredit, BancoBPM, Credem, MPS, BP Sondrio, Creval

# Principles, purposes & governance

## Principles and purposes of the remuneration policy

The competitive position of the BPER Group strengthened significantly during 2021, with increased market share in the most productive and dynamic areas of the country and a rise of more than 50% in the number of customers.

The rapid and effective actions carried out, that involved external growth as well, have resulted in a structural increase in core profitability, as well as a major improvement in asset quality and the maintenance of a solid financial position.

The path taken by the Group is also marked by considerable efforts in the area of corporate social responsibility with, in terms of governance, creation by the Board of an internal Sustainability Committee and constant work by the various business functions. This has resulted in significant progress in ESG terms, as reflected in the principal domestic and international ratings.

2022 is marked by major challenges and by the commitment to pursue the current growth path, continuing to improve the fundamentals of the Bank by laying down strategic guidelines in the context of the new business plan. presented to all of the Group's stakeholders following the closing of the contract signed by BPER for the acquisition of a controlling stake in Carige, which took place on 3 June.

Within the above framework, the objective of the 2022 remuneration and incentive policy of the BPER Group is to support the strategic guidelines for growth and sustainability, to be presented as part of the new strategic plan, and stimulate the generation of value for the benefit of all stakeholders at the same time. Thanks to this position, the BPER Group can found its activities on solid and shared principles and on objectives based on the generation of long-term sustainable value.

### PRINCIPLES - Creating value for:

customers	<ul style="list-style-type: none"> <li>Awareness of customers' different needs</li> <li>Products offered in an appropriate way to each segment or market.</li> <li>Attention to the quality of the relationship.</li> <li>Discouraging any conduct that is considered pure speculation or financial gambling.</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>Increase in profitability and investment value over time.</li> <li>Balanced development.</li> <li>Diversification and expansion of the markets served, pursuing opportunities for both organic growth and external acquisitions</li> <li>Conscious management of risk.</li> </ul>
Group personnel	<ul style="list-style-type: none"> <li>The adoption of remuneration treatments based on equity and the enhancement of merit, without any discrimination of diversity.</li> <li>The use of neutral, objective and inclusive criteria for the performance assessment.</li> <li>Incentives for the achievement of superior performances and the development of distinctive skills.</li> <li>Stimulation of human and professional growth.</li> <li>Implementation of a transparent and effective communication system.</li> <li>The implementation of a process of continuous training, structuring career paths intended to support professional growth and the development of skills, with a particular focus on the presence of women in managerial positions (and those of strategic importance).</li> </ul>
Environment and the social context	<ul style="list-style-type: none"> <li>Adoption of a business approach designed to create value for all stakeholders, with a positive effect on the Environment, the Community as a whole and Governance (ESG factors).</li> </ul>

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### GOALS – Generation of sustainable value

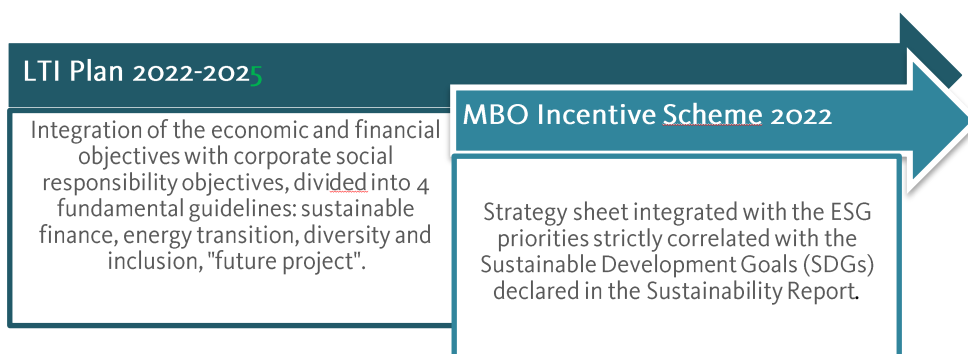
- Incentivise** the achievement of challenging annual and medium/long-term results, with a focus on the longer time horizon
- Guide** conduct towards growth and sustainability objectives, making key ESG factors an integral part of the economic-financial objectives
- Sustain** a healthy, prudent approach to risk management
- Ensure** the application of responsible, proper and transparent remuneration mechanisms that recognise merit and the generation of value, safeguarding the fairness of remuneration both internally and externally, confirming the careful management of payroll costs and paying attention to the working conditions of all employees;
- Attract and retain** key professional skills for achievement of the value creation objectives over both the short and medium-long terms
- Support** conduct consistent with the code of ethics and current rules and regulations
- Develop** and improve the quality of services offered to customers

## ESG goals in the remuneration policy

The path taken by the Group is marked by considerable efforts in the area of corporate social responsibility with, in terms of governance, creation by the Board of an internal Sustainability Committee and constant work by the various business functions. This has resulted in significant progress in ESG terms, as reflected in the principal domestic and international ratings (CDP, MSCI, Standard Ethics and Vigeo Eiris).

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The enhancement of people and the creation of value for the entire ecosystem in which BPER operates underpin the social responsibility policy of the Group and, therefore, the systems designed to incentivise the achievement of our short and long-term objectives in a sustainable manner, as can be seen below.



## Governance of the remuneration and incentive policies

The BPER Group has established a governance process in order to regulate the definition, implementation, and management of its remuneration policies. This process will involve various control bodies and business functions at different levels, according to their sphere of competence. Every so often, the Group also makes use external independent consultancies with recognised expertise in the field of remuneration and incentives.

### Definition of the remuneration and incentive policies

CORPORATE BODIES	BUSINESS FUNCTIONS
Shareholders' Meeting	CHRO - Human Resources
Board of Directors	Planning and Control Management
Remuneration Committee	CRO - Risk Management
Control and Risk Committee	CCO - Compliance
Sustainability Committee	CAO - Internal Audit

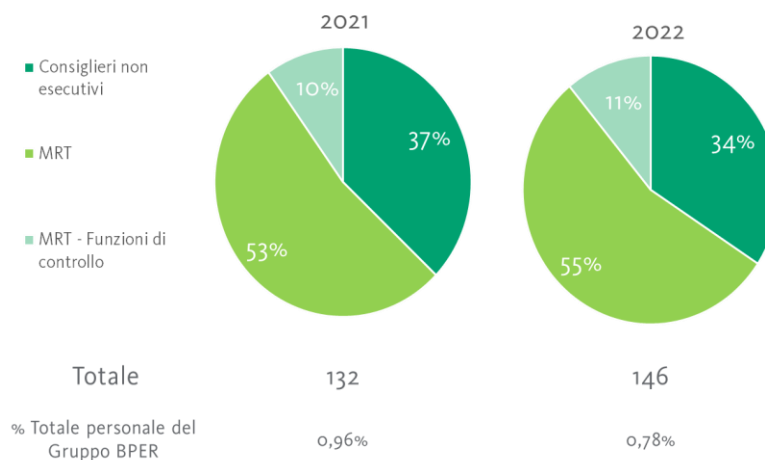
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# Remuneration policy

## Recipients

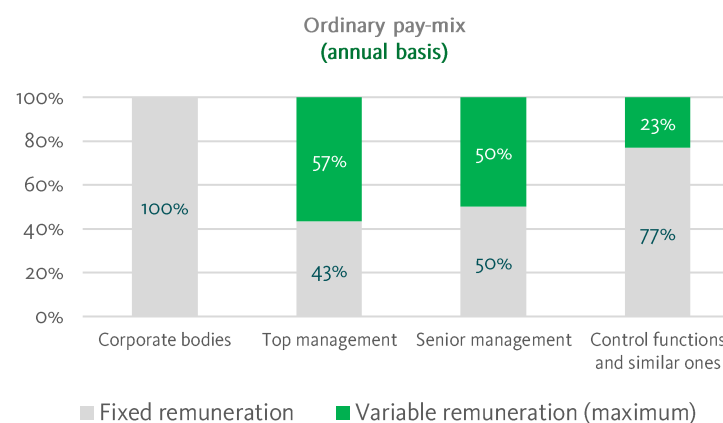
The remuneration policies, differentiated by category of personnel, are structured in such a way as to ensure maximum effectiveness depending on the function and its objectives. The recipients of the remuneration policies are:

- Corporate bodies;
- Material Risk Takers;
- Managers;
- "Other staff";
- External collaborators;
- SGR personnel



## Pay-Mix

Remuneration packages are defined in order to ensure an adequate balance between fixed and variable components, with a view to a strong alignment between managerial behaviour and the creation of value for shareholders in the medium to long term.



Part of the variable remuneration, as foreseen in current legislation, is paid in financial instruments.

## Benchmarking

In defining its remuneration policies, with particular reference to the monitoring of the main practices of the market, the Group typically compared itself with a panel of listed companies belonging to the same business sector and with economic dimensions such as to ensure that the panel is balanced and suitable for the needs of the analysis.

**BPER:**

- Intesa Sanpaolo
- UniCredit
- Banco BPM
- Banca Mediolanum
- FincoBank
- CREDEM
- Mediobanca
- Banca Generali
- Banca Popolare di Sondrio

## Fixed remuneration

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Envisaged for all levels of responsibility and calibrated according to specific factors such as the complexity of the role, measured by adopting appropriate valuation methodologies, individual responsibilities, professionalism and experience.

The fixed remuneration, which is constantly monitored for internal and external equity, is determined with reference to the members of the Board of Directors, also in relation to the particular positions held in the various Group companies and participation in Board Committees.

The definition of remuneration levels is conducted in compliance with the principle of sound and prudent management of the Bank, with a view to sustainability.

Fixed remuneration may be complemented by fringe benefits that, depending on the type, may be given to all employees or just to certain specific positions or roles. For non-executive directors and the Board of Statutory Auditors, it represents the total amount of remuneration paid annually.

## Variable remuneration

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The variable incentive schemes, particularly with reference to key personnel, are structured so as to ensure maximum consistency with the Bank's medium/long-term strategic objectives in accordance with the regulations. In particular, depending on the amount of the accrued bonuses, the MBO system provides different methods of payment and deferral.

Incentive systems are also envisaged for the control functions and those in charge of preparing accounting and corporate documents. For these resources, the incentive schemes are linked to the objectives of the role and, in any case, they are not related to economic performance, which apply to all employees and are applicable also to these professional roles.

In line with the regulatory requirements and the resolutions adopted at the Shareholders' Meeting held in 2020, the ratio between variable and fixed remuneration is set at 2:1 for all MRTs (except for personnel belonging to the Group's SGR for whom the regulations envisage the possible application of different limits), not including control and similar functions. This is to have the flexibility to make payments ahead or in the event of early termination of employment or term of office, within the maximum limits stated in the Remuneration Policies; and to apply all operational drivers in order to ensure the competitiveness of remuneration packages designed to attract strategic professional skills and ensure the availability of the human resources needed to achieve the company's objectives.

For other personnel, a maximum ratio between the components of remuneration of 1:1 is normally adopted, except for the MRTs of control and similar functions, whose variable remuneration cannot exceed one third of their fixed remuneration.

In limited and specific circumstances, it is possible for the fixed/variable ratio to reach a maximum of 2:1 for all other personnel too (again excluding the control functions).

The table below shows the short and long-term variable incentive levels (target and maximum) defined for MRTs and for Control Functions. These limits apply in normal circumstances, without prejudice to any specific situations in which the Bank may decide to use the full regulatory limit of 200%.



	Short-term target bonus		Long-term target bonus <u>on an annual basis<sup>2</sup> (four-year data in brackets)</u>	
	Target bonus (% GAI)	Maximum bonus (% GAI)	Target bonus (% GAI)	Maximum bonus (% GAI)
Top Management	40%-45%	52%-59%	60% (240%)	72% (288%)
Senior Management	30%-40%	39%-52%	40% (160%)	48% (192%)
MRT – high level	25%-30%	33%-39%	-	-
Other MRT	15%	20%	-	-
Control functions	15%-30%	15%-30%	-	-

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## Entry gates

In order to discourage excessive risk-taking which can lead to a deterioration in the Group's "state of health", also in compliance with the Bank of Italy's regulatory requirements, disbursement of the bonus pool, whatever the amount, is without exception subject to compliance with certain indicators, called "entry gates", which are related to the capital, liquidity, and risk-adjusted return ratios.

The entry gates for 2022, all of which have to be achieved at the same time, are as follows:

Entry gate	Minimum threshold
Common Equity Tier 1 (CET 1) – consolidated ratio	> RAF Tolerance
Consolidated Liquidity Coverage Ratio (LCR)	> RAF Capacity
Consolidated Return On Risk-Weighted Assets (RORWA)	> RAF Tolerance

Failure to achieve even only one of the entry gates means not paying any bonus under the short-term incentive scheme (MBO).

<sup>2</sup> The opportunity of an annual bonus remains unchanged

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# Variable remuneration of the Chief Executive Officer and General Manager

## Short-term MBO incentive plan

The MBO incentive scheme provides for the identification of a bonus pool which represents the maximum amount of bonuses that can be paid. The bonus pool for the Chief Executive Officer and General Manager and the MRTs is determined at Group level. The amount of the bonus pool for MRTs is correlated with the economic results achieved, in terms of Group gross profit, and represents a maximum limit.

Quantitative targets (85%)	weight
Group gross profit (€/Mn)	30%
Gross NPE ratio (%)	20%
Group commercial volume (€/mln)	20%
CET 1 ratio Fully Phased (%)	15%

ESG qualitative objectives (15%)
<p>Metric comprising six ESG-related objectives considered strategic in the short term (*):</p> <ul style="list-style-type: none"> <li>• <b>Loans and Finance:</b> definition of ESG policies on credit granting and own investments</li> <li>• <b>ESG offer to customers:</b> definition and inclusion of the "Green Loan" in the product catalog intended for corporate customers</li> <li>• <b>GOVERNANCE:</b> revision of the organizational model according to the ESG criteria defined in the Group strategy</li> <li>• <b>Reduction in climate-changing emissions:</b> complete the transition towards the use of electricity from renewable sources as part of strategies aimed at reducing greenhouse gas emissions</li> <li>• <b>Value for society (culture):</b> redevelopment and enhancement of the artistic and real estate assets owned by the Group</li> <li>• <b>Value for society (social):</b> implementation of planned initiatives aimed at younger generations regarding higher education, financial education and youth empowerment.</li> </ul>

After checking that the entry gates have been exceeded as already discussed, the bonus allocation and the extent of the variable remuneration are defined by evaluating individual performances using a process that includes the analysis of various qualitative and quantitative indicators. The scorecard of the Chief Executive Officer and General Manager for 2022 comprises both quantitative and

qualitative targets, as shown in the box.

The above objectives carrying a percentage weighting within the individual bonus and their assessment is based on increasing thresholds, from minimum to target (between 50% and 100%) and from target to maximum (between 100% and 120%).<sup>3</sup>

For the ESG objectives, the minimum, target, and maximum thresholds are represented, respectively, by the achievement of 4, 5 or 6 objectives. Each objective is on/off. So the pay-out curve is 50% - 100% - 120%.

Once the results have been measured by the Board of Directors, the system provides for the application of parameters to adjust for risk, based on those contained in the Risk Appetite Framework (RAF). These parameters (see chart below) adjust the incentive earned on achievement of the objectives specified in the CEO and GM's personal scorecard. If they are not satisfied, the bonus earned may be reduced by up to 50%.

The short-term bonus opportunity of the Chief Executive Officer and General Manager is capped at 59% of his fixed remuneration.

Correctives (shown in order of impact priority)
LCR (%)
CET1 % Transitional
Economic Capital Adequacy Ratio
MREL TREA %

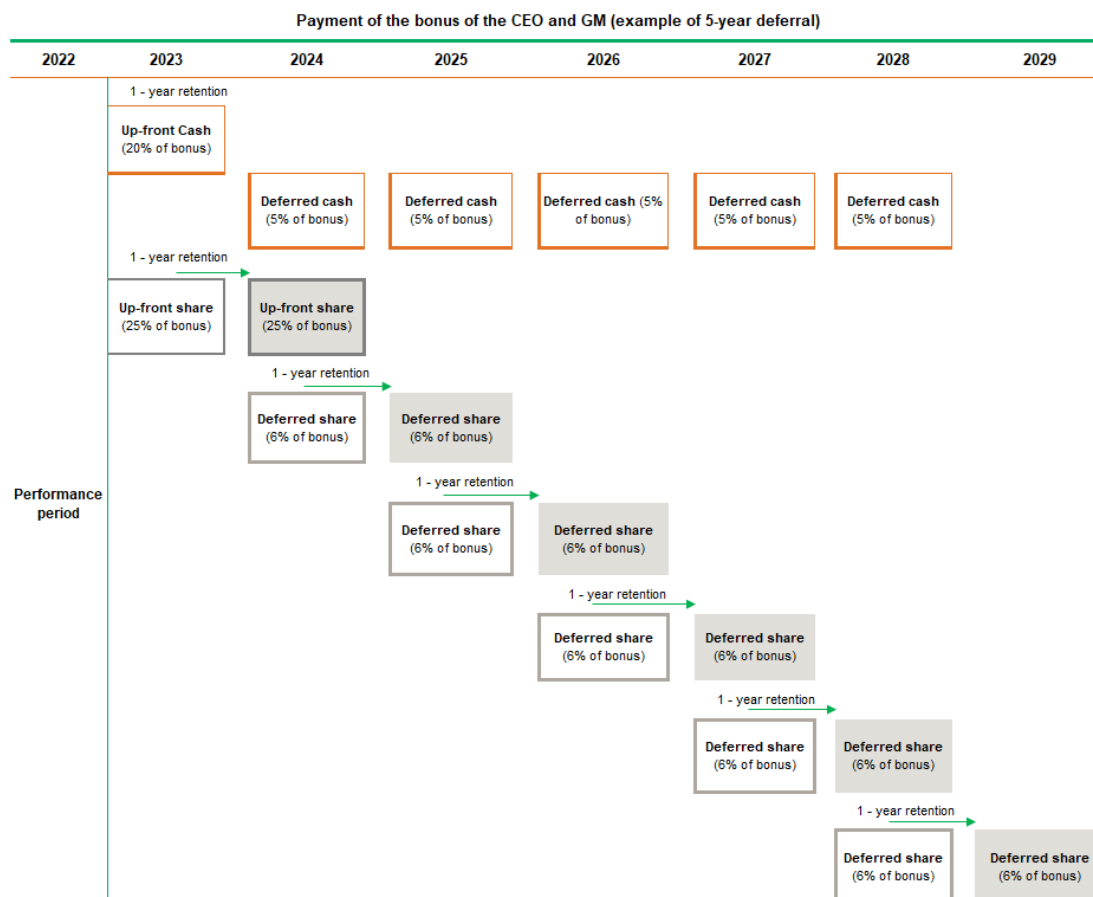
(\*) The stage of completion of these projects, with the support of the Sustainability Committee, will be monitored by the Board of Directors as part of the Group's overall sustainability strategy. The actual results will be mentioned in the consolidated Non-Financial Report for the year 2022.

<sup>3</sup> With the exception of the "Group Gross Profit" and "Group Commercial Volumes Handled" for which the maximum level is 150% and 130% respectively.

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The method of paying accrued bonuses after the final calculation of the results of the scorecard has been set by the Board of Directors in line with the regulatory requirements, with the dual aim of achieving alignment with the ex-post risk and supporting the medium and long-term orientation, as well as managing to correlate the variable component with the actual results and the risks assumed. The Board also decided to use BPER Banca shares in order to align the MBO plan with the best market practices and the requests of investors and proxy advisors, starting from 2021.

Payment of a bonus to the Chief Executive Officer and General Manager, in line with the above, provides that 45% (40% in the case of a "particularly high amount") is assigned on the date of accrual of the bonus (the up-front quota), while the other 55% (60% in the case of a "particularly high amount") is deferred in equal annual instalments over 5 years, as shown below:



The variable components are subjected to *ex post* correction mechanisms (malus and claw-back) in order to reflect the performance levels net of the risks actually undertaken or achieved in terms of capital, taking into account individual behaviour.

The deferred instalments are subject to malus rules that can reduce the instalment to zero in the event of failure to achieve the entry gates for the financial year preceding the year of payment of each deferred instalment.

## 2022-2025 LTI Plan

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The Group established a long-term variable incentive plan based on a multi-year period of performance assessment (2022-2025), consistent with the objectives and duration of the Group's Strategic Plan approved.

The LTI Plan envisages clear, predetermined performance conditions that are checked both during the plan period and on termination of it. The bonus is recognised at the end of the performance evaluation period.

The incentive system provides for the identification of a bonus pool which represents the maximum amount of bonuses that can be paid. The bonus pool for the Chief Executive Officer-General Manager

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and the MRTs is determined at Group level. the amount of the bonus pool is related to the results achieved and constitutes a maximum limit; its distribution is entirely subject to compliance with certain entry gates, based on indicators of capital strength, liquidity and risk-adjusted profitability.

The entry gates for the 2022-2025 LTI Plan, all of which have to be achieved, are in line with those established for the MBO Plan.

Failure to achieve even only one of the entry gates means not paying any bonus under this long-term incentive scheme. If all of these entry gates are achieved, the LTI Plan provides for an assessment of the Group's key performance indicators (KPIs) at the end of the four-year vesting period (2025). Continuous monitoring of the indicators is carried out during the four-year period to verify compliance with the objectives of the Strategic Plan.

Based on this approach, the amount of the target bonus is determined in proportion to the results actually achieved.

After checking that the entry gates have been exceeded, the actual allocation of the bonus and the related amount, within the maximum limits set for the variable remuneration, are defined through a process of corporate performance evaluation that includes an analysis of 4 KPIs.

For the four-year period 2022-2025, the scorecard of the LTI Plan, which is the same for all beneficiaries, is made up of objectives of profitability, operating efficiency, risk management and ESG objectives.

The KPI targets of the LTI Plan shown below, are consistent with what is defined in the 2022-2025<sup>4</sup> Strategic Plan, approved by the Board of Directors on 9 June 2022 and communicated to the market on 10 June 2022<sup>5</sup>.

The measurement and weighting mechanism of the LTI Plan, which is meant to balance the various types of objectives and support the motivation and incentive to achieve company results within a framework of sound and prudent risk management and ESG sustainability, is as follows :

### 2022-2025 LTI scorecard

KPIs	Weight	Target*
ROTE at 31/12/2025	50%	10%
Cost/income ratio at 31/12/2025	20%	58%
Gross NPE ratio at 31/12/2025	15%	3.6%
ESG	15%	100%

\*the quantitative KPI targets were approved by the Board of Directors on 9 June and communicated to the market on 10 June (see page 2 of the press release); [https://istituzionale.bper.it/documents/133577364/9/BPER\\_Piano\\_Industriale\\_22-25\\_S.pdf](https://istituzionale.bper.it/documents/133577364/9/BPER_Piano_Industriale_22-25_S.pdf).

In particular, the ESG target (weight 15%) is made up of:

Weight	Area	Objective	Target
25%	<u>Sustainable Finance</u>	<u>Maximum limit of Green Financing</u>	<u>€ 7 billion ESG disbursed to businesses and households by 2025</u>
25%	<u>Energy Transition</u>	<u>Reduction of CO<sub>2</sub> emissions</u>	<u>23% emissions by 2025</u>
25%	<u>Diversity and Inclusion</u>	<u>Gender gaps: less represented gender among middle managers and executives</u>	<u>25% women executives and 33% women managers (Executives and Middle Managers) by 2025</u>
25%	<u>The "Future" Project</u>	<u>Increase of financial education programmes and definition of a youth inclusion project</u>	<u>Qualitative judgement assigned by the Board of Directors<sup>6</sup></u>

<sup>4</sup> On completion of the acquisition of 79.418% of the share capital of Banca Carige S.p.A. from the Interbank Deposit Protection Fund ("IDPF") and the Voluntary Intervention Scheme ("VIS") on 3 June 2022.

<sup>5</sup> The update of this document, as well as of the remaining documentation presented to the Shareholders' attention, was necessary in relation to the need to align the duration of the vesting period of the ILT Plan (originally divided into three years) with the orientation of four years of the new Strategic Plan 2022-2025. The amendments to the ILT Plan on the proposal of the Board of Directors, with the positive opinion of the Remuneration Committee, are presented for approval, in a separate item on the Agenda, by the same Shareholders' Meeting called on 5 November 2022.

<sup>6</sup> Based on the opinion expressed by the Sustainability Committee, on the basis of the evidence for the overall evaluation of

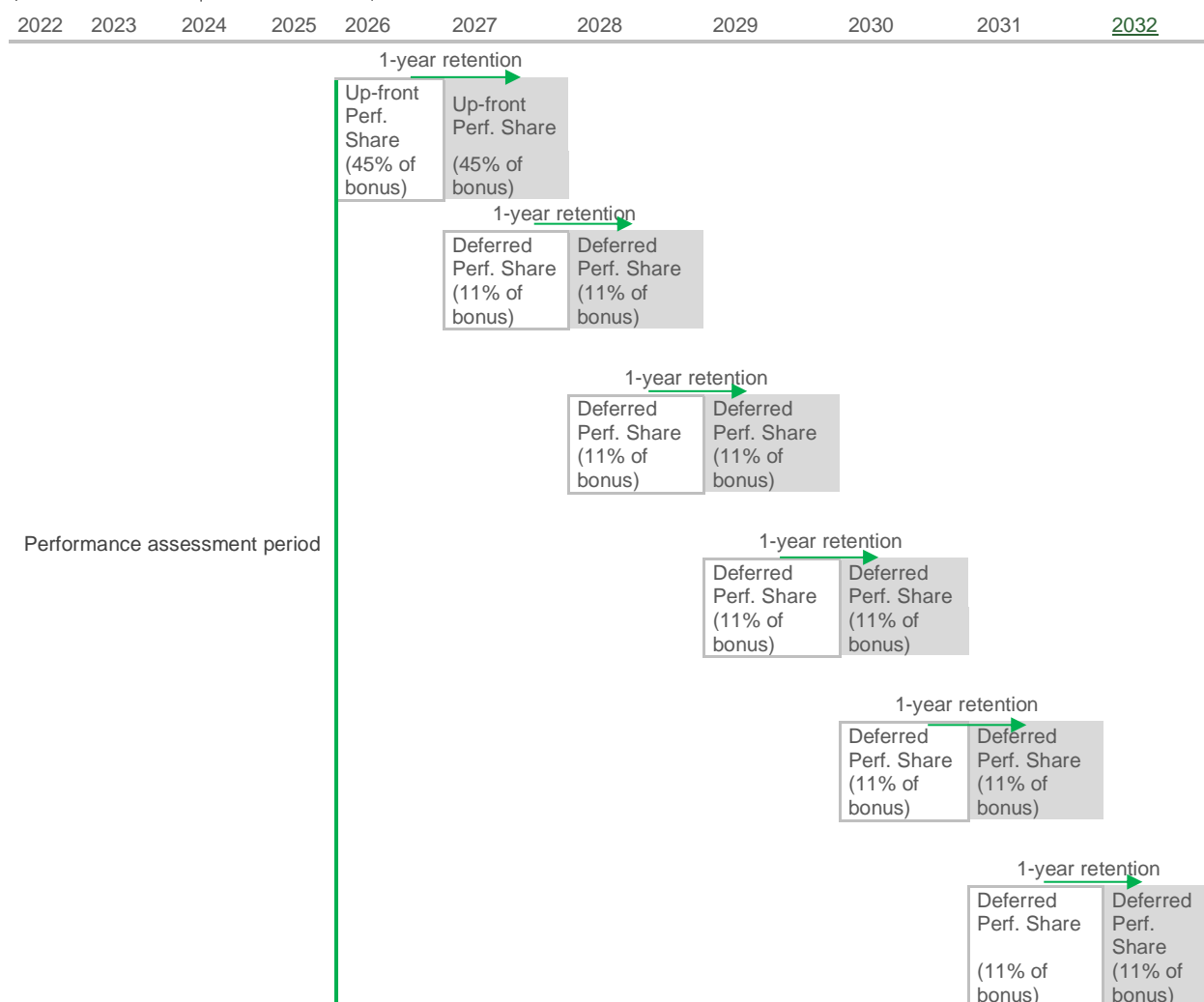
The above objectives carrying a percentage weighting within the individual bonus and their assessment is based on increasing thresholds, from minimum to target (between 70% and 100%) and from target to maximum (between 100% and 120%), with an associated linear interpolation mechanism for payouts (70%/100%/120%).

In line with the above, payment of the bonus to the CEO and GM is structured as follows.

At the end of the four-year period, in the event of a positive performance, 45% is attributed at the bonus assignment date (up-front portion), but subject to retention period of one year (as per current regulations). The other 55% is deferred in equal annual instalments over 5 years with a 1-year retention period. Bonuses are subject to ex-post correction, malus and claw back conditions, as for short-term incentive schemes. The following page shows the above in graphic form.

## Payment of the LTI bonus of the CEO and GM

(example of 5-year deferral, if the accrued amount is higher than the maximum variable amount, the up-front portion falls to 40% and the deferred portion rises to 60%)



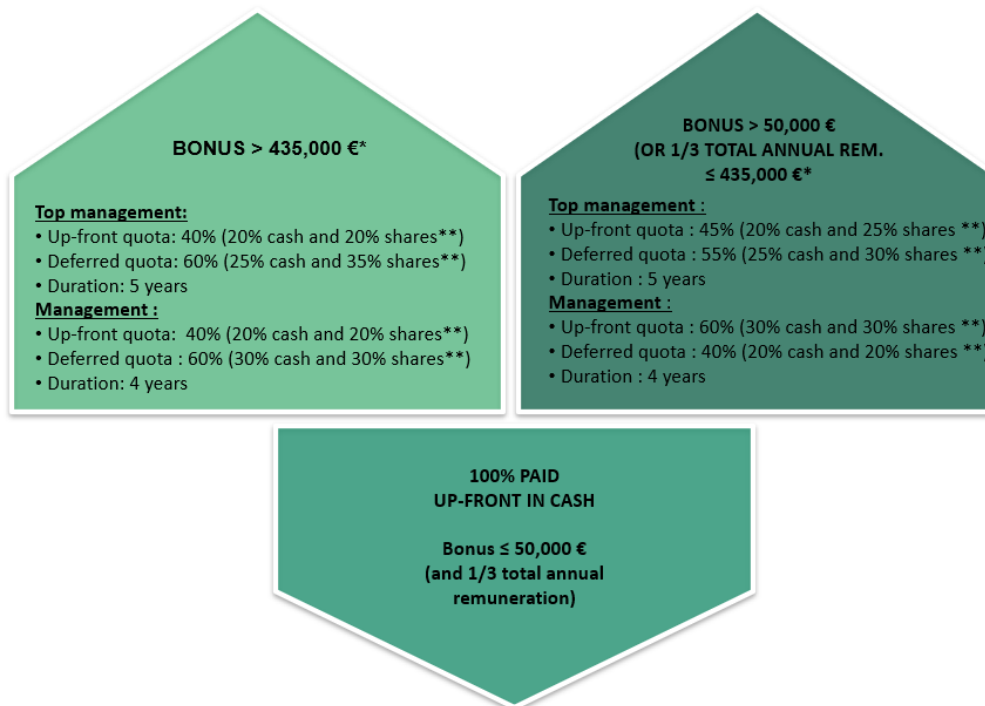
Perf. Share: means that the bonus is paid in BPER ordinary shares.

the project, produced by an independent external company, or on the basis of an Impact Report with evidence of the SROI of the project and value generated for each stakeholder, also with reference to national and international sustainability standards.

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The resources falling within the perimeter of MRTs are recipients of the MBO 2022 system, as well as the Chief Executive Officer and General Manager. Some figures are also recipients of the long-term variable incentive system (2022-2025 LTI Plan). The MBO scheme generally provides incentive opportunities for MRTs of up to 45% of their fixed remuneration, except in the case of Control Functions, as described below. Similarly to the provisions of the Chief Executive Officer and General Manager, the individual scorecard of each MRT is linked to results that are consistent with their role and responsibilities and is based on quantitative and qualitative objectives. The qualitative assessment relates to ESG topics, project work or specific functional responsibilities and/or elements subject to management appraisal. In a limited number of cases, it is not feasible to identify quantitative indicators representative of the functions held by certain persons, the parameters applicable to the broader organisations to which they belong are used.

Bonuses are paid in different ways depending on the total amount of the variable remuneration and on whether or not the recipient is an MRT belonging to top management, according to the following chart:



\* Considered a "particularly high amount"

\*\* The shares are subject to a retention period of one year (when they cannot be sold)

No discretionary bonuses are awarded. All of the incentives that have vested are subject to malus and claw-back clauses

# Remuneration of Control Functions

The remuneration of those performing Control Functions with the MRT perimeter is made up of a fixed component, supplemented by a specific function indemnity and a variable component which can be up to a maximum of 30% of the fixed component. The latter does not depend on meeting financial targets, but is related to the specific objectives of the function, in order to safeguard the independence that is required of these functions. The size of the bonus pool, defined within the MBO incentive scheme, is not related to the economic and financial results achieved, but is set as a fixed amount. Unlike what applies for MRTs, the payment of bonuses for the control functions is subject

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only to the entry gates based on capital (CET1) and liquidity (LCR) ratios.

Once the entry gates have been surpassed, the size of the annual bonus is linked to role-related objectives that may be quantitative and/or qualitative. People in this category have applied to them entry gates and the rules for deferment of the variable portion, use of financial instruments and the malus and clawback clauses defined for the other Key personnel.

## Remuneration of personnel of the SGR

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The Banking Group includes a company operating in the asset management sector (UCITS-AIF) subject to specific regulations and to the specific provisions of the broader consolidated banking regulatory framework.

This subsidiary prepares the remuneration and incentives policy for its personnel in application of the principles and objectives embodied in the Group's remuneration policy, including the gender neutrality principle, having regard for the applicable regulatory requirements.

For SGR personnel who are among the Group's MRTs, according to the exceptions provided for by the current version of the Bank of Italy's Circular no. 285, the criteria defined in this Remuneration Policy apply with particular reference to: deferral rules (percentages and time horizon for deferral); percentage of financial instruments awarded in fund units, in accordance with sector rules; materiality threshold for the application of deferrals and quotas in financial instruments; malus and claw-back rules; remuneration policy in the event of termination of the employment relationship or office of MRTs.

## Compensation granted up-front or on termination of employment of MRTs

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If there are, or are expected to be, cases of termination of employment on the initiative and/or in the interests of the Group, whether in a unilateral or an agreed form, additional compensation may be recognised as a pre-retirement leaving incentive or on various forms of early retirement or to settle a current or potential dispute, in order to avoid the risks associated with legal proceedings and court rulings.

The amount of such additional remuneration cannot exceed 2 years' fixed remuneration - deriving from the executive employment relationship and from any positions as director - and will be subject to a maximum limit of Euro 2.4 million (gross per employee).

In any case, without prejudice to the foregoing, the total amount of additional remuneration, of any no-competition agreements and amounts paid in lieu of notice to the Chief Executive Officer, the General Manager and Executives with strategic responsibilities cannot exceed 2 years of total remuneration.

The remuneration in question will take account of the performance achieved over time and the risks taken on by the person concerned and by the company.

Determination of these additional amounts of remuneration must therefore take into account, in addition to the purposes set out above, an overall assessment of the person's work in the various positions held and the presence or otherwise of individual penalties imposed by the Supervisory Authority, having particular regard for the levels of capitalisation and liquidity of the Group (specifically, at the time of signing the agreement on compensation, the Bank's liquidity and capital must exceed the minimum requirements laid down by the Supervisory Authorities).

The Supervisory Instructions issued by the Bank of Italy also allow the use of a predetermined formula, contained in the Bank's remuneration policy, that defines the amount payable on early termination of the employment relationship or period in office, in the context of an agreement between the bank and its personnel - howsoever reached - in order to settle a current or potential dispute. The additional compensation determined by applying that formula is not included in the calculation of the above maximum limit on the ratio of variable to fixed remuneration.

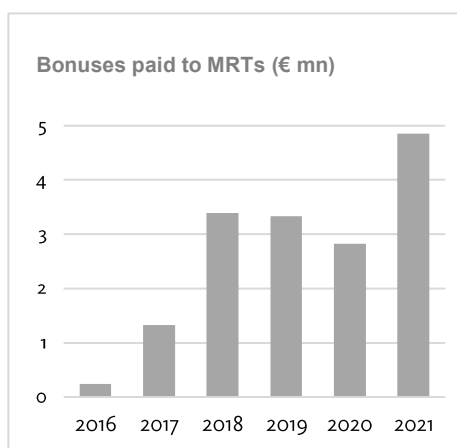
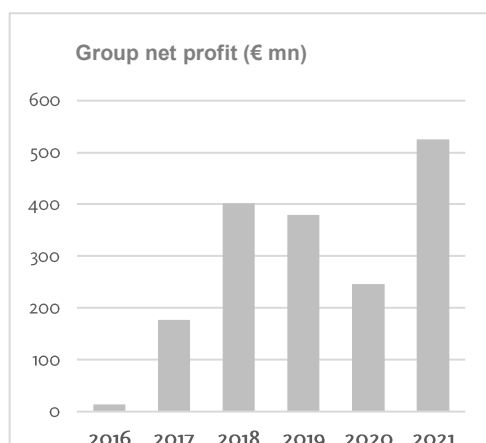
In the presence of certain conditions and for the personnel in question (the Material Risk Takers), the Group will therefore be able to apply the predefined formulas that are set out in paragraph 8.11 of the 2022 Report on the Remuneration Policy, to which reference should be made for details.

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Remuneration policies are designed with the aim of ensuring an alignment between the results actually achieved and the remuneration paid. In this sense, the BPER Group policy envisages variable incentive schemes based on measurable performance indicators that are clear and directly related to Group and individual objectives, with different methods and weightings depending on the role, responsibilities and professional level.

Net profit for 2021 amounted to € 525.1 million, up sharply from the previous year, due to the excellent commercial performance and significant strengthening of the competitive position.

As in prior years, implement of the 2021 remuneration policy has confirmed the reasonableness of the incentives earned with respect to the results achieved, as shown in the following tables for MRTs.



## MBO System Results 2021

With specific reference to the Chief Executive Officer and General Manager, the result achieved in 2021 is described in the following tables. Firstly, achievement of the Group entry gates and the size of the bonus pool, linked to the performance of the Post Provisions Profit PI, were checked:

### Calculation of the bonus of the Chief Executive Officer and General Manager

Group performance	Entry gates	Common Equity Tier 1 Ratio (CET1) – Pillar 1					✓
		Return On Risk-Weighted Assets (RORWA)					✓
		Liquidity Coverage Ratio (LCR)					✓
	Bonus pool (Cluster KPIs)	No bonus pool	Base	Target	Maximum		
	Post Provisions Profit (net of extraordinary items)						

Secondly, with regard to the individual performance section, bear in mind that the 2021 MBO scheme for the Chief Executive Officer and General Manager is based on eight specific indicators. Of these, just one did not reach the minimum threshold needed to generate a bonus, while the other seven exceeded the budget levels required to participate in the incentive plan, generally coming in between the target threshold and the maximum achievable: chart details are shown below.



## Scorecard for the Chief Executive Officer and General Manager

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INDIVIDUAL PERFORMANCE	Quantitative assessment (weight 100%)	Indicator	Weight	Result with respect to target <sup>7</sup>	Not reached	Target	Max	Result	
		Post Provisions Profit (Group)	25,50%	142% (+217.2 €/mn)				✓	120%
		Gross NPE ratio (Group)	21,25%	112% (-0.64 p.p.)				✓	120%
		Net inflows asset management/life policies (Group)	12,75%	107% (+144.6 €/mn)			✓		107%
		Net private and corporate customers (Group)	12,75%	100% <sup>8</sup>			✓		100%
		CET 1 ratio fully loaded (Group)	12,75%	101% (-0.14 p.p.)			✓		103%
		Definition of a framework for the structuring of ESG bonds (Green and Social) and the placement of social bonds by the end of 2021 (Group)	5%	100% <sup>9</sup>			✓		100%
		Support gender diversity in the Talent Pipeline	5%	100% <sup>10</sup>			✓		100%
		Maintenance of top rankings in ESG indices (at least EE - Standard Ethics Rating (SER) an at least A - Carbon Disclosure Project (CDP)) (Group)	5%	0% <sup>11</sup>	✓				0%
		<b>Management assessment</b>	<i>The Board of Directors approved an assessment of excellence for the results achieved and oversight of the managerial responsibilities of the Chief Executive Officer and General Manager, confirming the bonus earned.</i>						

The corrective measures related to the RAF did not reveal any critical issues.

Correction factors	Gross NPL Ratio (Group) ICAAP (Internal Capital Adequacy Assessment Process)	✓
	LCR (Group)	✓
	CET 1% Transitional (Group)	✓
	Economic Capital Adequacy Ratio (as part of ICAAP) (Group)	✓
	MREL (Group)	✓

Overall performance for 2021 is 105.6%. The total bonus assigned to the Chief Executive Officer and General Manager, pro-rata considering the months in office, was Euro 311,102, being 25% of his total remuneration. Fixed remuneration was therefore 75%. The incidence of his variable remuneration is also limited due to the fact that, having assumed office in 2021, he was not a beneficiary of the 2019-2021 LTI long-term incentive plan.

<sup>7</sup> BPER Banca does not announce the annual targets on individual indicators. Absolute values are not specified, but the percentage level of achievement of the budgets is disclosed. This, based on the individual rules of performance linked to each indicator, gives rise to the summary performance of the MBO.

<sup>8</sup> Variance from target not reported as it is not material (less than 100 customers)

<sup>9</sup> In 2021, the framework for the structuring of ESG (Green and Social) bonds was defined and placement of the first issue of social bonds was successfully completed.

<sup>10</sup> This refers to exceeding the target threshold (45%) relating to the participation of the less represented gender in the managerial development initiative "Exempla 2".

<sup>11</sup> The EE rating in Standard Ethics was confirmed, but the A rating in the Carbon Disclosure Project was not maintained.

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## Contacts



This document is a summary of the 2022 Report on Remuneration Policy and Compensation Paid by the BPER Group. For further information, please consult this document on the website [www.bper.it](http://www.bper.it).

In the event of discrepancies between the two documents, the 2022 Report on Remuneration Policy and Compensation Paid by the BPER Group prevails.

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