

15. REMUNERATION POLICY

15.1 Description of Remuneration Policy

The Bank's remuneration policies are represented by the Human Resources Policy, Compensation Policy and the Rules on Remuneration – Compensation and Benefits.

The Bank's remuneration policies are approved by the Supervisory Board, upon the recommendation of the Remuneration Committee and are accessible to all employees. The Remuneration Committee has a consultative role and is responsible for preparing the decisions on remuneration topics that need to be taken by the management body.

The Remuneration Committee of the Bank was set up by the Supervisory Board and is composed of 3 members chosen from amongst the members of the Supervisory Board. The Chairman of the Remuneration Committee is appointed by the Supervisory Board.

In 2021, the Remuneration Committee had the following composition:

Nr. Crt.	Remuneration Committee	Position	2021 evolution
1	PASQUALE GIAMBOI	President	01.01.2021 – 21.12.2021
	HUSEYIN FAİK AÇIKALIN	Member	
	LUBOŠLAVA URAM	Member	

In the 2021, the Remuneration Committee was convened in five (5) ordinary and extraordinary sessions.

In accordance with the provisions of NBR Regulation no. 5/ 2013, the remuneration practices for the members of the management body and identified staff are presented in a separate policy – i.e. Policy regarding the structure, composition, assessment of suitability and remuneration of management body and assessment of suitability for key function holders.

UniCredit ensures the alignment between remuneration and risk profile through policies that support risk management, through rigorous governance processes based on informed decisions taken by corporate bodies and by defining compensation plans that include the strategic risk appetite defined by the Risk Appetite Framework, the time horizon and the individual behaviors.

UniCredit uses a compensation mix formed of fixed and variable remuneration.

The performance assessment process is subject to separate regulation setting out the steps of this process, the evaluation criteria and provides for a standardized framework for ongoing assessments.

According to the Rules on Remuneration – Compensation and Benefits, the performance bonus is approved by the Management Board considering the following criteria:

- The financial performance of UniCredit Group;
- The overall outcome of the whole group activity and of the bank considered;
- The performance of the group / department the employee belongs to;
- The sustainable individual performance of the employee;

Variable remuneration can be adjusted and even reduced to zero (*malus* clause) if the Group and Bank benchmark performance criteria are not met. Performance remuneration takes into account both individual and collective performance, setting both individual and collective goals.

General rules for goal setting:

- Part of the goals should contribute to the sustainability of results;

- Business performance criteria is risk adjusted;
- Individual criteria for performance assessment include competency assessment, respecting the values of the Group and the goals set;
- There is at least one indicator pertaining to Risk;
- There is a balance between financial and non-financial goals.

Economic goals must be avoided for Company Control Functions – Internal Audit, Risk Management and Compliance – and individual goals set for employees in these functions shall reflect primarily the performance of their own function and be independent of results of monitored areas.

At individual level, evaluation criteria include qualitative and quantitative elements. Among the qualitative ones, there are included qualifications obtained by employee, compliance with systems and regulatory framework represented by the Bank's internal procedures, involvement in actions or significant projects and contribution to team's performance.

In addition to the above criteria, there are also used prudential criteria for risk adjustment, such as cost of capital and the income obtained after provisioning.

Remuneration package of persons with key management functions includes both fixed and variable elements, in order to achieve a balance and a motivation and retention tool:

- Fixed remuneration component compensates the role of the person and reflects the experience and skills needed for the respective position, as well as the demonstrated excellence level and overall contribution to the objectives of the organization.
- Variable remuneration component is designed to reward results and is correlated with both short-term goals and the long-term goals. Performance measurements consider both the overall performance of the Group and of the Bank, of the Business Area / Competence Line in which the person operates, as well as the individual sustainable results.

In accordance with NBR Regulation 5/ 2013 the variable remuneration offered to an employee will not be higher than 100% of the fixed total remuneration of each employee.

Remuneration policy and structure of compensation packages for persons with executive responsibilities are subject to annual approval of the Supervisory Board, based on the consultative opinion issued by the Remuneration Committee.

Supervisory Board ensures that remuneration policies are compliant to the culture, goals and long-term strategy of the bank and to its control environment, through the following actions:

- Approves remuneration policies;
- Approves, after consultation with the Remuneration Committee constituted for this purpose, the remuneration practice for the Board members;
- Approves the remuneration practices for the coordinators of the risk functions, for the directors of Internal Audit and Compliance departments.

For the Management Board members, the performance measurement used to calculate the variable remuneration component includes an adjustment for all current and potential risk types and also considers the cost of capital and required liquidity.

For Management Board members, at least 50% of variable remuneration consists in non-cash instruments and at least 40% of variable remuneration is deferred for a period of at least 4-5 years.

Exception to the above rules: staff whose annual variable remuneration does not exceed EUR 30,000 and does not represent more than 1/3 of the total annual remuneration of the respective staff members.

The Bank applies a performance adjustment practice, which enables the adjustment of the part (up to 100%) from an employee's bonus (Clawback clause) if:

- there is reasonable evidence that the employee participated in or was responsible for conduct which resulted in significant losses to the credit institution;
- there is reasonable evidence that the employee failed to meet appropriate standards of fitness and propriety;
- the Bank or the relevant operational unit suffers a material downturn in its financial performance; or
- the Bank or the relevant operational unit suffers a material failure of risk management.

The remuneration policies and practices of the Group are also implemented at level of the directly controlled entities.

The Bank did not have any employee who benefited from a total remuneration of at least 1 million euro / financial year.

Information about the remuneration for the Bank's and its consolidated subsidiaries' identified staff

	Members of the management body in its Supervisory function	Members of the management Board	Investment banking	Retail banking	Asset management	Support functions	Independent control functions	All others
Number of members of personnel	6	9	-	11	-	7	6	2
Number of Identified Staff, in full time equivalent	-	9	-	11	-	7	6	2
Total NET profit - RON								
Total Remuneration - RON	319,656	13,186,031	-	6,838,508	-	3,124,718	3,269,068	1,120,282
Of which Total Variable Remuneration - RON	-	5,266,145	-	1,022,632	-	626,703	386,799	165,510

Information related to remuneration of Identified Staff

Special payments	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management	0	0	0	0	0	0
Other material risk-takers	0	0	0	0	0	0

RON equivalent	Senior management	Other material risk takers
Number of Identified Staff, in full time equivalent	15	26
Total fixed remuneration (lei), of which:	8,239,542	12,594,934
- cash	8,239,542	12,594,934
- shares and other share-linked instruments	-	-
- other type of instruments	-	-
Total variable remuneration (lei), of which:	5,266,145	2,201,644
- cash	2,519,641	1,840,360
- shares and other share-linked instruments	2,746,504	361,284
- other type of instruments	-	-
Total variable remuneration (lei) awarded in year N and postponed, of which:	3,745,232	505,797
- cash	998,729	144,513
- shares and other share-linked instruments	2,746,504	361,284
Total variable remuneration (lei) postponed, due and unpaid, awarding in previous years - art.450 (1) h) from EU Reg.no.575/2013, of which:	3,887,246	736,872
- cash	1,538,495	306,637
- shares and other share-linked instruments	2,348,750	430,235

		a	b	
		Remuneration amount	Senior management	Other material risk-takers
1	Fixed remuneration	Number of employees	15	26
2		Total fixed remuneration (rows 3 + 5 + 7)	8,239,542	12,594,934
3		Of which: cash-based	8,239,542	12,594,934
4		Of which: deferred	-	-
5		Of which: shares or other share-linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	-	-
8		Of which: deferred	-	-
9	Variable remuneration	Number of employees	12	26
10		Total variable remuneration (rows 11 + 13 + 15)	5,266,145	2,201,644
11		Of which: cash-based	2,519,641	1,840,360
12		Of which: deferred	998,729	144,513
13		Of which: shares or other share-linked instruments	2,746,504	361,284
14		Of which: deferred	2,746,504	361,284
15		Of which: other forms	-	-
16	Of which: deferred	-	-	
17	Total remuneration (rows 2 + 10)		13,505,687	14,796,578

	a	b	c	d	e
Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management	3,887,246	3,887,246	-	-	2,825,443
Cash	1,538,495	1,538,495	-	-	924,283
Shares	2,348,750	2,348,750	-	-	1,901,160
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Other material risk-takers	736,872	736,872	-	-	730,454
Cash	306,637	306,637	-	-	208,702
Shares	430,235	430,235	-	-	521,752
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Total	4,624,118	4,624,118	-	-	3,555,897

See also Consolidated and Separate Financial Statements for December 2021 - Note 12 "PERSONNEL EXPENSES"

15.2 Description of the UniCredit Bank management composition in Romania

The management of the entities in the UniCredit Group is governed by a two-tier system, by the Management Board and, respectively, by the Supervisory Board, in accordance with the prerogatives provided by the Constitutive Deed and within the authority levels given by the General Assembly of Shareholders. The members of the Management Board exercise their responsibilities under the oversight of the Supervisory Board.

UniCredit Bank

The number of mandates held by the members of management structures of UniCredit Bank S.A. is detailed below.

Members of the Management Board on 31 December 2021:

- Catalin Rasvan Radu held 1 executive mandate (Executive President of UniCredit Bank S.A.) and 2 non-executive mandates within the UniCredit Group (counted as 1 mandate as per Emergency Ordinance no. 99/2006) and 3 mandates within non-profit organizations (countless according to GEO No. 99/2006);
- Philipp Gamauf held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.) and 1 non-executive mandate within the UniCredit Group (counted as 1 mandate under the Emergency Ordinance no. 99/2006) and 1 non-executive mandate outside UniCredit Group;

- Nicola Longo Dente held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.) and 1 non-executive mandate within the UniCredit Group (counted as 1 mandate under the Emergency Ordinance no. 99/2006);
- Andrei Bratu held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.) and 2 non-executive mandates within the UniCredit Group (counted as 1 mandate under the Emergency Ordinance no. 99/2006);
- Carlo Driussi held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.);
- Feza Tan held 1 executive mandate (First Executive Vice President of UniCredit Bank S.A.) ;
- Antoaneta Curteanu held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.) and 1 non-executive mandate within the UniCredit Group (counted as 1 mandate under the Emergency Ordinance no. 99/2006) ;
- Diana Ciubotariu held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.);
- Dragos Birlog held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.);

Members of the Supervisory Board on 31 December 2021:

- Pasquale Giamboi held 3 non-executive mandates within the UniCredit Group one as President of the Supervisory Board of UniCredit Bank S.A, (counted as 1 mandate under Emergency Ordinance no. 99/2006);
- Luboslava Uram held 2 non-executive mandates, one as Vice-Chairman of the Supervisory Board of UniCredit Bank S.A., and 1 mandate within the UniCredit Group (counted as 1 mandate under Emergency Ordinance no. 99/2006);
- Faik Huseyin Acikalin held 2 non-executive mandates within the UniCredit Group (out of which one as member of the Supervisory Board of UniCredit Bank S.A. and member of Supervisory Board in UniCredit Russia counted as 1 mandate under Emergency Ordinance 99/2006), 2 non-executive mandates outside of UniCredit Group;
- Nazan Somer Ozelgyn Zeynep held 4 non-executive mandates, 2 non-executive within the UniCredit Group (one as a member of the Supervisory Board of UniCredit Bank S.A and one as Supervisory Board member in UniCredit Croatia, counted as 1 mandate under Emergency Ordinance no. 99/2006) and 2 non-executive mandates outside the UniCredit Group and 3 non-executive mandates within non-profit organizations (countless according to GEO No. 99/2006);
- Grazziana Mazzone held 1 non-executive mandate (member of the Supervisory Board of UniCredit Bank S.A.);
- Riccardo Roscini held 1 non-executive mandate (member of the Supervisory Board of UniCredit Bank S.A.).

Policy regarding the selection and appointment of board members

The Nomination Committee (CN) is a permanent committee established by the Supervisory Board of UniCredit Bank. It is responsible, among others, to identify and recommend to the Supervisory/Management Board, for approval, candidates to occupy the vacant seats within the management body and to assess the balance of knowledge, skills, diversity and experience within the management body.

Once the Nomination Committee has identified a candidate for Supervisory/Management Board position, it assesses the respective candidate according to a "Fit & Proper" internal procedure (Rules for the selection and assessment of Management Board and Supervisory Board members and for assessing the suitability of key function holders) based on at least the following documents: Curriculum Vitae, information about job-specific expertise, personal reliability and good repute, extract from criminal records, and governance criteria: information about availability (time resources), information about relations to the credit institution and about relation with other entities.

A revaluation is done once a year for every member of the Management Body (Management Board and Supervisory Board).

At the end of 2021 the Nomination Committee had 3 members.

The Policy regarding Diversity in the Selection of People in the Management Structures

As of the year end of 2021, there were 6 women in the management of UniCredit Bank (3 of 9 members of Management and 3 out of 6 members of Supervisory Board).

The Group Policy on the structure, composition and remuneration of the Corporate Bodies of Group Companies states that, for the purpose of increasing the number of women on the Corporate Bodies of leading Group Companies and with the aim to maintain the representation at a minimum of 45% at the level of the Supervisory Board and respectively of 35% at the Management Board level, the Parent Company having adopted the promotion of women to Corporate Bodies as best practice within the Group.