Main elements and usual practice of 2019 Remuneration and Incentives

PRAMERICA MANAGEMENT COMPANY S.A.
(“Pramerica”)

Introductory note

The asset management sector has been subject in recent years to a process of intense regulatory change designed to ensure that incentive mechanisms are consistent with sound and prudent risk management.

More specifically, Directive 2014/91/EU of the European Parliament and Council of 23rd July 2014 (hereinafter "UCITS V") amended Directive 2009/65/EC on the co-ordination of legislative, regulatory and administrative provisions regarding certain undertakings for collective investment in transferable securities in order to take account of market developments and to strengthen the harmonisation of rules and practices at European level.

The implementation in Italian law of *UCITS V* and the *ESMA* guidelines on remuneration and incentive policies of 14th October 2016 led to amendments to the Joint Bank of Italy-Consob (Italian securities authority) Regulation, published on 27th April 2017.

The purpose of this document is to illustrate Pramerica Management Company S.A.'s (Pramerica) remuneration and incentive policies and to provide a reference framework for: the main decision-making processes, characteristics and procedures used to ensure that remuneration is linked to results; the main performance indicators employed; the reasons behind the choice of variable remuneration schemes; and the other non-monetary schemes. That framework is designed to be consistent with the Parent, UBI Banca's remuneration and incentive policies, while nevertheless taking appropriate account of the independent nature and specifics of the business in question.

In this respect, we report that these policies incorporate updates required by the 25th update of Bank of Italy Circular No. 285 of 23rd October 2018 on "Remuneration and incentive policies" for banking groups.

I. Principles and aims

Remuneration and incentive policies are a key tool used to support the medium and long-term strategies of the Company and the Group. Their purpose is to attract, motivate and retain staff, creating a sense of identity and developing a culture linked to performance and merit. The key principles on which our policies are based, and which are applied throughout the organisation, are as follows:

Rewarding merit	Our objective is to recognise the merit of each individual, and at the same time to encourage team spirit and a sense of belonging, relating the objectives and results of each person to their own business unit and company and to the Group.
Fairness	Remuneration is set consistent with the role and level of responsibility held in order to foster virtuous conduct and ensure equal development and career opportunities, where the annual "*Merit Plan*" is one of the prime examples of its application.
Competitiveness	Continuous comparison with best practices and national and international market trends with analysis of the comparative remuneration. The attention paid to market trends arises from the conviction that it is possible to improve the ability of the company to attract, motivate and retain staff by also making comparisons with the external context.. The objective is to position Company wages in line with the market, with the aim of rewarding staff with the best performance, the greatest potential or those in key and strategic positions with remuneration in the highest brackets of the benchmark.
Prudence and compliance with the applicable legislation and regulations	The Company is attentive to risk and constantly seeks compliance with regulatory requirements, to ensure sustainable growth over time. The Group Risk Appetite Framework (RAF) contained in the document "UBI Banca Group RAF - Risk appetite – Risk Appetite Statement 2019"[1], is an important source of information on which policies are based. It is used to determine the preliminary trigger conditions ("gates") of the incentive schemes and to define conditions and limits, so that the total amount of variable remuneration is such that it does not limit levels of capitalisation and is adequate for the risks taken, providing for significant reductions or possibly the elimination of the variable components of remuneration in the event of below forecast or negative performance levels.

[1] That internal document sets out strategic Group guidelines in relation to the measurement of current and future capital adequacy and its risk-taking and risk management policies.

II. Regulatory framework

Remuneration and incentive policies have been formulated with consideration given to the following:

- the amendment to the Joint Bank of Italy and Consob Regulation to implement Directive 2014/91/EU ("UCITS V"), published in the Official Journal on 9th May 2017, on the organisation and controls of intermediaries that provide investment and collective asset management services;
- the European Securities and Market Authority ("ESMA") Guidelines on sound remuneration policies in accordance with the UCITS V Directive of the 14th October 2016.

In consideration of the Company's membership of the UBI Banca Banking Group, the policies were also set on the basis of Bank of Italy Circular No. 285 – 25th update of 23rd October 2018, which implemented the Directive of the European Parliament 2013/36/EU ("CRD IV") and the Commission Delegated Regulation of the European Commission No. 604 of 4th March 2014 containing technical standards for the identification of *"Material Risk Takers" ("MRT")* or *"Identified Staff" ("IS")*, as well as the recommendations given in the EBA guidelines dated 21st December 2015.

III. Governance process and principal protagonists

Governance systems and rules have been defined with the aim of ensuring clarity, transparency and effectiveness in the definition and management of remuneration and incentive policies. This is also done by regulation of the main internal processes on the subject.

The principal protagonists are:

- Pramerica Shareholders' Meetings
- the Pramerica Board of Directors
- the UBI Banca's Remuneration Committee which is assigned the duties of the Company's Remuneration Committee
- the UBI Banca's Board of Directors[2]
- Pramerica's Risk Management, Compliance and Internal Audit functions as well as UBI Banca's and Pramerica SGR's Human Resources and Compliance functions, acting as control functions

The Remuneration Committee examines the key specific aspects of Pramerica's remuneration and incentive policies to check that they are consistent with Group policies. More specifically, Pramerica's Board of Directors, having considered the guidelines provided by the committee, formulates a proposal for remuneration and incentive policies to submit to UBI Board of Directors.

Once the resolutions have been passed by the Parent, the Company's remuneration and incentive policies are approved and adopted by Pramerica's Board of Directors.

On the basis of a proposal from the Company's Board of Directors, a Shareholders' Meeting of Pramerica approves the Company's remuneration and incentive policies and the remuneration schemes based on financial instruments for employees not bound to the Company by subordinated employment relationships. It also approves the criteria and limits for setting remuneration in the event of the early termination of an employment relationship or corporate office, consistent with the Parent's policies.

The corporate control functions of the Company (the Compliance Function and the Risk Management Function in particular) and the Parent are involved beforehand and work together to ensure the adequacy and regulatory compliance of the policies and practices adopted, and carry out subsequent monitoring of their proper functioning and application.

[2] These policies have been formulated by following the procedure laid down in the Parent's two-tier governance model. Nevertheless a description of the protagonists and the responsibilities of each of them has been furnished below that is consistent with the new one-tier governance system approved by the Board of Directors of the Parent, UBI Banca, on 19th October 2018, which is set to become effective from the date of the 2019 Annual General Meeting.

IV. Persons concerned, comparative remuneration and pay mix

Beneficiaries

Three categories to which these remuneration policies apply have been identified:

- the *"Material Risk Takers"* (*"MRT"*) or *"Identified Staff"* (*"IS"*),;
- the *"Other staff"* of the Company;

The identification of the *"Identified staff"* is subject to two separate analyses:

i. in compliance with sector regulations (UCITS V), self-assessment of Pramerica is carried out on the basis of recommendations provided by the Parent which take into consideration the impact on risk at the level of the Company;

ii. in compliance with banking Group regulations (CRD IV), the consolidated analysis is carried out by the Parent which considers the impact on risk at the level of the Group.

Overall, the scope of "*Identified Staff*" of Pramerica in 2019 encompassed 5 positions. In detail:

- 5 "Members of the Board of Directors", not in receipt of variable remuneration for those positions and belonging to the "Members of Governing Bodies" perimeter at Group level. 4 of those members of the Board of Directors are not employed in the UBI Banca Group; 1 of those is identified as "*Risk Takers*" at Group level (Chief Executive Officer and General Manager of Pramerica SGR, belonging to the "*Top Identified Staff*" perimeter).

Identification of that perimeter has been performed on the basis of legislation and regulations in force and in application of specific internal Group methods approved by the competent Governing Bodies.

Comparative remuneration

The Group sets itself the objective of positioning itself at remuneration levels that are in line with the market, partly with a view to retention and taking results into account, with the aim of assigning the highest pay brackets of the remuneration benchmarks to the highest performing staff, those with the most potential, and those who are in strategic positions and at market risk.

Differentiated and competitive remuneration packages have been defined on the basis of the category of personnel, in terms of fixed and variable components and benefits.

Pay mix

The ratio of the fixed to variable components of remuneration is appropriately balanced, precisely calculated and carefully assessed in relation to different categories of personnel, especially for those belonging to the *"Identified Staff"* category, both for staff identified at Group level, for which a ceiling of 2:1 is set for that ratio, and also for those identified at company level.

Variable remuneration does not exceed the fixed component.

The ratio between the variable and fixed component for the control functions does not exceed the limit of one third.

V. Remuneration Policies for Governing Bodies

The remuneration of the Pramerica's Governing Bodies is defined in compliance with the current regulatory framework and in accordance with the Remuneration Policies of the Parent, based on best practices and national guidelines and in future on European guidelines.

The purpose of the policies is to attract the best skill sets; they are based on principles of both fair remuneration for similar roles and differentiation between roles on the basis of the levels of responsibility and risk involved. They also take account of the professional skills required, the time and commitment employed, and market competitiveness.

No "attendance token" payments exist for meetings of the Governing Bodies.

Members of the Governing Bodies classified as senior management may receive forms of remuneration linked to results, while all the other members of the Governing Bodies of the Group receive no variable remuneration.

No member of the Governing Bodies may unilaterally decide to waive their right to part or all of their remuneration and no guaranteed bonuses or leaving bonuses exist.

1. Board of Directors

Directors' fees are set by the Parent on the basis of the range of importance in which the Company falls, defined in a special internal classification and they are consistent with those of the Governing Bodies of the Parent in accordance with the principles of proportionality.

Remuneration paid for positions held on boards to senior managers who are employees of other Group companies is paid back to the company to which they belong. Provision has, however, been made, given the considerable commitment and responsibilities undertaken, for the payment to those concerned of a special allowance limited to a maximum sum, related to the positions occupied and subject to specific regulations, as a separate item of remuneration. The payment of this allowance ceases at the time when the position is no longer held. The sum is calculated on the basis of the amount of the cumulative remuneration due to the senior manager/employee for the positions held, up to the above maximum amount set in advance of €20 thousand and in accordance with principle of proportionality, which takes account of the importance, type of activity and risk of the company in question.

2. Chief Executive Officer and General Manager [3]

The remuneration packages of the Chief Executive Officer and General Manager are comprised of both fixed and variable components.
While capital and liquidity stability at Group level ("gates") and risk-adjusted profitability indicators must be satisfied, annual performance is measured on the basis of operating and financial profit indicators, on risk-adjusted performance indicators for managed investment products and on qualitative indicators of "managerial effectiveness".
With regard to the contribution to Group results, the bonus earned is linked also to risk-adjusted Group profitability indicators.

[3] Role not effective as of Policy approval

VI. Remuneration structure

The remuneration package offered to staff is targeted at the achievement of medium to long-term objectives, and balanced depending on the relevant category, on the basis of the following components:

- fixed remuneration;
- a variable remuneration incentive, which rewards performance over a short-term time horizon for all personnel and over a long-term time horizon for the Chief Executive Officer and the General Manager only;
- other retention and attraction tools, which depending on the type, are classified as either fixed or variable remuneration;
- benefits, normally associated with the fixed component of remuneration;
- benefits in view of or at the time of early retirement from an office or an employment relationship, which form part of variable remuneration.

Finally, parts of remuneration may be paid in financial instruments and welfare goods and services.

1. Fixed remuneration

The fixed component of remuneration is set as a proportion of total remuneration such that it is able to remunerate staff fairly and adequately, even in cases when they do not receive the variable component. This therefore discourages the adoption of a particularly high risk-taking behaviour.

Fixed remuneration comprises those items of wages that are of a stable and irrevocable nature, determined and paid on the basis of criteria set in advance and not discretionary. It is defined in particular on the basis of the level of the contract, the position filled, responsibilities held and the expertise acquired by employees during the course of their careers.

Remuneration earned for positions held in Governing Bodies, possible allowances for roles associated with specific positions within the organisation chart and other tools with remuneration and retention functions all form part of the fixed component.

2. Performance-based variable remuneration

The variable component of remuneration is mainly based on performance measurement, on both an annual and long-term basis.

The objective is to involve and motivate staff to pursue medium and long-term policies and also to reward team and individual contributions.

In order to ensure a more direct correlation between results and rewards a bonus pool procedure has been adopted, to which access is gradual on the basis of the satisfaction of preliminary trigger conditions ("gates") by the Group and the achievement of risk-adjusted profit targets set at the level of both the Group and the individual business entity.

Measurement is based on risk-adjusted income statement and balance sheet indicators, the performance of managed investment products adjusted for the risk attaching to them, "internal" client satisfaction levels, projects and assessments of the effectiveness of behaviours.

The following form part of performance-based variable remuneration:

- short-term incentive schemes;
- long-term year incentive schemes for the Chief Executive Officer and the General Manager in particular;

- other forms of remuneration which form part of variable remuneration, details of which are given in the table below.

The methods for paying bonuses may be both monetary and in other specific forms, including in relation to the Group's "welfare" scheme, an increasingly common practice that makes it possible to take advantage of goods and services in the areas of education, healthcare, and recreation.

3. *Other features of the remuneration scheme*

Type	Fixed remuneration	Variable remuneration
The Company Productivity Bonus or Result Bonus		The conditions and payment criteria of which are laid down annually
Other retention and attraction tools	Promotions and increases in the fixed component of wages, that correlate with career paths and professional development, managed as part of the "Merit Plan", usually on an annual basis.	
	Allowances associated with specific positions within the governance and control structures that are functionally linked to the role occupied.	
		Minimum job-security agreements (retention bonus), paid in exceptional circumstances – to retain professionals in high demand on the labour market.
		Schemes to enhance the commercial contribution made by staff from the external market, making it possible to provide economic rewards (e.g. for the acquisition of new customers or assets).
Benefits	Specially regulated supplementary collective pension[4], health and insurance plans, infancy welfare services and canteen services, sports and recreational activities and discounts on products and services provided by the Bank/Company. The provision is made within the Group of company cars for business and personal use and of guest accommodation.	

[4] Normally, pension benefits are not paid on a discretionary basis. Should they be paid, then the rules set by the legislation and regulations in force will apply.

VII. Remuneration and incentive policies for staff with employee contracts

1. Bonus pool

Each year, if the capital stability, liquidity and risk-adjusted profit conditions are met, a budget is allocated to a bonus pool to be used for incentive schemes, as part of the Group budgeting process.

This budget is allocated at Group, company and business unit level, taking into consideration the expected profitability, the number and type of staff, the relative theoretical bonus levels, the type of business or context and the capacity to remunerate capital.

If significant revisions to the budget are made during the year in question, the bonus pool may be subject to changes by the Board of Directors, after prior consultation with the Remuneration Committee.

At the final results stage, the bonus pool may be increased, without prejudice to the adjusted remuneration of capital and liquidity, up to a predetermined maximum, or reduced down to zero (a "malus"), both at Group and Company level, on the basis of the performance compared with the budget approved each year by the UBI Banca's Board of Directors.

The bonus pool may be reduced to zero in the event of failure to achieve the trigger conditions ("gates"), or if the financial statements show a loss on normalised figures.

If the available budget allocation is overrun, criteria have been set for the bonuses to be redistributed, down to the level of the budget allocated.

On the basis of a proposal from the Remuneration Committee, having first consulted the Risk Committee and taking account of recommendations formulated by the Company's management bodies, the Parent's Board of Directors may consider increasing or reducing the bonus pool, in order to take account of extraordinary events unforeseen at the time of budget, such as, but not limited to, mergers, capital increases and extraordinary accounting normalisations.

2. Entry conditions ("gates")

The incentive schemes are triggered upon satisfaction of the conditions ("gates") set at Group level to ensure compliance with capital and liquidity stability ratios as defined in the document "RAF UBI Banca Group - Risk appetite – 2019 Risk Appetite Statement". The values for these indicators are verified at the end of the period, as at 31/12/2019 for the short-term incentive scheme, and they are updated as at 31/12 at the end of each year of the scheme, consistent with the "Risk Appetite Framework", for long-term incentive schemes.

Incentive schemes are not triggered if the financial statements of the Group or the Company show a normalised loss except (in the presence of unforeseeable or non-determinable events and variables, including those of an exogenous nature) for the possibility of granting a portion, distributable, up to a maximum of 15% of the total Group bonus pool, to be submitted to the Board of Directors for approval, on the basis of a proposal from the Remuneration Committee.

3. Short-term incentive schemes

The short-term incentive schemes are designed to achieve annual targets and to support value generation over time by the Company, by rewarding the achievement of risk-adjusted objectives, while maintaining adequate levels of capital and liquidity and preventing incentives from conflicting with the interests of the Company, its shareholders and its clients.

The parameters used for incentives schemes are mainly quantitative and measurable by means of result targets, but nevertheless with room for qualitative measurement of performance and correlation normally with skill development goals.

The calculation methods are designed to allow graduated payment of bonuses, depending on the degree to which targets are reached and also to prevent conduct that places the Company at risk.

Bonuses are related to the complexity of the role and the results achieved at individual, team, Company and Group level.

There are no guaranteed bonuses, without prejudice to exceptions allowed by legislation and regulations limited to the first year of employment.

As concerns the incentive scheme for *"Other Staff"*, the targets are linked to the relative team and the relative activities (costs, revenues, standards of service, effectiveness, efficiency and projects) and they are set at individual level as part of the professional assessment process.

The bonuses are set following a structured process defined by the direct superior, on the basis of reference bonuses formulated for different roles/job families in accordance with qualitative assessments and consistent with the results of the "Professional Assessment".

In order to guarantee fairness and transparency, proposals for bonuses made by managers must be validated at senior management level.

Access to bonuses is withdrawn if company regulations or instructions are violated, as ascertained by the imposition of disciplinary measures, or following adverse findings made by the Group Internal Audit Function, as set out generally in the company regulations to implement them.

4. *Incentive Scheme for Material Risk-Takers ("Identified staff")*

Material Risk Takers, with the exception of the control functions, for which there are no indicators linked to financial and operating objectives, are governed by profit indicators, in addition to targets of effective and efficient management of their relative activities and the successful completion of projects assigned to them.

In line with the principles laid down in the regulatory framework, the structure of the bonus payout is such that at least 50% of the bonus is converted into financial instruments and subject to retention clauses that align the incentives with the Company's long-term interests.

The quota paid in financial instruments is linked to the performance of the Company's products and services, on the basis of a balanced basket of these instruments that are representative of the principal investment strategies followed.

The percentage of bonuses that is deferred varies from 40% to 60.

In order to ensure capital and liquidity stability over time, consistent with long-term strategic objectives, the deferred portion is paid on condition that specific company capital stability and profitability targets, measured as at 31/12 of the year prior to the grant of the bonus, are met.

No interest or dividends are paid on deferred portions of the bonus.

It has been established that for the annual amounts of variable components of remuneration paid, inclusive of those paid as part of job-security agreements, total annual amounts of less than Eur 80,000 will be paid exclusively on an up front and "monetary & welfare" basis.

Unless expressly indicated otherwise, participants in the incentive schemes who terminate their employment contracts before the bonus payment dates set out for each model, even considering retention, will lose all rights to bonuses earned and not yet paid.

5. *Clawback clause*

The variable component of remuneration is subject to clawback mechanisms for the repayment of bonuses that have already been disbursed.

Clawback has a particular impact on incentives earned by and/or paid to staff, whether they are "Material Brisk Takers" or other staff, who have caused or played a role in:

- behaviours leading to a significant loss for the Company;
- violations of the relevant Luxembourg laws applicable to the asset management industry
- additional behaviours non-compliant with the provisions of the law, regulations, articles of association and any ethical codes of conduct or other codes of conduct applicable to the bank, in the cases provided for by the bank;

- violations of the obligations under article 26 or, when the subject is an interested party, article 53, subsections 4 and following of the Italian Consolidated Banking Act or obligations relating to remuneration and incentives; violations of the provisions of the Italian Consolidated Finance Law with regard to obligations under article 6, paragraphs 2-*septies*, 2-*octies* and 2-*novies*, or article 13, or obligations concerning remuneration and incentives according to Art. 190-*bis*;
- fraudulent behaviour or gross negligence that could damage the Company.

These provisions are independent of any compensation or disciplinary issues.

The above involves the termination of any bonuses currently vesting and of payments of deferred components earned in previous years and not yet granted (a "malus").

The clawback may take place for bonuses paid up to a period of five years prior to the date on which the charge of misconduct indicated above was brought.

6. Personal hedging and avoidance strategies

The Company pays remuneration to its staff solely in accordance with regulations governing remuneration and incentive policies and it excludes the use of vehicles, instruments or payment procedures which may be used to avoid compliance with legislation and regulations on remuneration and may contain incentives to take risks.

The Company expressly asks its staff, by means of specific agreements, to not make recourse to personal hedges or insurance strategies applied to remuneration or other aspects which might alter or impair the effects of alignment with the risk intended with these policies. In order to achieve this, sample checks are made on the internal custody and administration accounts of "*Identified Staff*" held with Group banks and they are required to inform the Company of the existence or opening of custody and administration accounts with other intermediaries.

Furthermore, Pramerica defines the types of financial transactions and investments which might impact on procedures designed to align risks in special internal regulations and asks "*Identified Staff*", by means of specific agreements, to notify the Company of financial transactions and investments carried out that are classified as belonging to those types of transactions and investments, identified, where possible, along the same lines as other internal regulations governing investments (e.g. Code of Conduct, Code of Ethics, Policy on Personal Transactions) and which will be considered for the calibration of remuneration and incentive schemes.

7. Post-employment benefits

The amounts that may be agreed for all personnel in the event of the early termination of an employment relationship or vacation of a corporate office (i.e. termination of employment payments) may as a general rule be made to staff whose employment contracts are terminated on the initiative and/or in the interest of the Company and they must comply, in accordance with the supervisory regulations for banks on remuneration and incentives, with the criteria and limits laid down in this section and with the more stringent regulations governing variable remuneration such as: (i) being linked to qualitative and quantitative indicators that reflect actual long-lasting results; (ii) the use of financial instruments subject to retention; (iii) the division into an up-front quota and a deferred quota; and (iv) being subject to ex post adjustment procedures (malus and claw back).

More specifically, agreements entered into in view of or at the time of the early termination of an employment relationship or vacation of a corporate office, which involve possible payments or grant of other benefits to "Identified Staff" are defined as "golden parachutes" and also include: (i) the amounts paid as part of an agreement for a current or potential dispute, no matter by which means that agreement is reached; (ii) an indemnity for failure to give notice, in an amount that exceeds the amount of the indemnity calculated in accordance with the law.

Termination of employment payments also include job-security agreements to extend periods of notice and non-competition agreements, even though they are paid during the employment relationship. Nevertheless, the more stringent rules for variable remuneration regarding the quota that does not exceed the last year's payment of fixed remuneration do not apply for non-competition agreements.

Golden parachutes are included in the calculation of the limit on the ratio of variable to fixed remuneration relating to the last year of an employment relationship or occupation of a corporate office, with exception made for amounts agreed and paid:

- on the basis of a non-competition agreement, in the amount that for each year of the duration of the agreement does not exceed the last year's payment of fixed remuneration;
- as part of an agreement between the bank and staff, however that may be reached, to settle a current or potential dispute, if it satisfies the criteria and limits set out in the next paragraph.

Payments for the termination of an employment relationship are not considered and therefore the amounts calculated are not subject to restrictive rules, applicable outside a negotiated agreement, set by an independent third party (judge or arbitrator), neither are accessory items of limited material value considered.

The above rules do not apply to amounts agreed in view of or at the time of the early termination of an employment relationship or vacation of a corporate office occurring as part of extraordinary operations (e.g. mergers) or company restructuring processes and redundancy incentives connected with similar operations in accordance with the provisions of point 2.2.3 - Exceptions under Bank of Italy Circular 285, which regard, amongst other things, "*Identified Staff*" according to the terms, conditions and limits set as part of collective bargaining rules including those for companies, which is to say by laws applicable also to senior management.

VIII. Description of terms, initials and acronyms

Bonus pool: total allocated budget for incentive schemes.

Cap: maximum achievable level for an objective.

Cash: cash component of variable remuneration.

Clawback: mechanism that provides for the repayment of a bonus that has already been paid out.

CRD IV: *Capital Requirements Directive IV* - Directive 2013/36/EU of the European Parliament in force since 1st January 2014 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

EBA: European Banking Authority supervising the banking sector.

ESMA: European Securities and Markets Authority - the European authority for financial instruments and markets, supervising the securities market.

"Gate": condition required to trigger incentive schemes, related to Group capital stability and liquidity indicators.

Golden parachute: special payments, in addition to what is required by law or under the national trade union agreement, relating to the early termination of an employment relationship or of an office held.

Malus: ex post adjustment mechanisms on the basis of which the bonus pool and/or the bonuses earned may be reduced, even to zero.

MRT: *Material Risk Takers* or *Identified Staff*, defined in Commission Delegated Regulation (EU) No. 604/2014, which supplements CRD IV and provides the qualitative and quantitative criteria for the identification of members of staff whose activities have a material impact on the Bank's risk profile. Within the UBI Group, *MRTs* have been divided into three groups, with different treatments, in accordance with principles of proportionality, with particular regard to procedures for the payment of the bonuses earned.

Pay mix: the various components of remuneration (fixed and variable) as a percentage of total remuneration.

Pay out: structure and procedures for the payment of bonuses.

Performance share: UBI Banca shares linked to performance intended for the payment of a portion of the bonuses earned by Identified Staff, pursuant to legislation and regulations in force.

Accrual period: performance measurement period.

Retention period: period during which shares earned by individuals on the basis of performance must be kept and cannot be sold.

IS: Identified Staff or *Material Risk Takers*. See "*MRT*" above.

RAF: *Risk Appetite Framework*, the reference framework for determining the risk appetite of UBI Group.

Up-front: procedure for the payment of bonuses linked to the relative performance and not subject to deferral conditions.