

Disclosure of UniCredit Bank AG's Remuneration Policy in relation to the integration of sustainability risks

Disclosure in accordance with
Article 5 of Regulation (EU) 2019/2088
as at 10 March 2021

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1 REMUNERATION POLICY ALIGNMENT TO SUSTAINABILITY STRATEGY

1.1 Introduction

Regulation (EU) 2019/2088 relating to disclosure on sustainability in the financial services sector defines sustainability risk as an environmental, social or governance (“ESG criteria”) event or condition which, if it occurs, could cause a significant actual negative impact or potential on the value of the investment.

With reference to investment products, the Bank provides a remuneration policy¹ for its commercial network aimed at directing the same towards the formulation of investment proposals relating to products that comply with the ESG criteria described above, relevant for the purposes of managing sustainability risks.

The following explanations provide an overview of how the bank anchors the integration of sustainability risks in its remuneration policy.

1.2 Overview and principles

In UniCredit value creation means more than just generating financial values. It also means integrating sustainability into the business strategies in terms of human capital, society and environment.

In the fourth quarter of 2019, UniCredit announced new ESG targets as part of the long-term commitment to sustainability – part of the Group’s DNA and a key component of the business model of UniCredit. Building a sustainable future is an important challenge for both people and businesses. Every company has to do more than ‘business as usual’ – it is time to act and make an impact.

The remuneration policy contributes to the UniCredit strategy, the pursuit of long-term interests and the sustainability over time. UniCredit has in place a remuneration structure that is based on risk-adjusted/related performance and does not encourage excessive risk-taking, including with respect to sustainability risks.

Also, one of the pillars of the Group Remuneration Policy addresses the sustainable pay for sustainable performance, by maintaining consistency between remuneration and performance, and between rewards and long-term stakeholder value creation, as well as enhancing both the actual result achieved and the means by which they are achieved.

Several processes and initiatives support the link between the remuneration policy and the sustainability.

The **2020-2023 LTI Plan** aims at aligning Top and Senior Management interests to the long-term value creation for the shareholders. The LTI Plan, aligned with Team 23 Strategic Plan, has a Sustainability lever weighting 10 % of the overall Scorecard to increase the alignment of business goals with sustainable conduct. The KPIs considered – ESG rating, Customer Satisfaction and People Engagement – assure a balance between how UniCredit is perceived by employees and customers and what is an ESG rating agency’s view of UniCredit.

The **Group Incentive System** is supported by the annual performance management assuring coherence, consistency and clarity of performance objectives with business strategy. The process of setting annual objectives (so-called Goal Setting) is a key phase and is supported by a structured framework, namely **KPI Bluebook**. The KPI Bluebook, reviewed and updated annually with the involvement of relevant Group key functions, is a dashboard of Group certified KPIs, mandatorily to be utilized for assigning goals to the Group Material Risk Takers, and allows for consistent goal setting with regulatory requirements and Group standards.

The **Goal setting** structure considers economic goals and non-economic goals and is characterized by:

- at least 50 % goal flagged as risk adjusted/related;
- around half of the goals flagged as sustainable/long term related (i.e. Tone from the Top to spread compliance and risk culture,
- “Ethics and Respect” values and staff integrity and Human Capital Value & Inclusion, which addresses the gender balance and pay equity, as well as the safety and wellbeing of employees and the transition towards remote working);
- specific KPIs on “Environment”, based on ESG Strategy commitment, added to Strategic Plan Delivery goal, such as reducing environmental impact through carbon emissions reduction and use of renewable energy as well as expanding ESG product/advisory offering;
- renewed focus on Diversity & Inclusion, embedded in “Human Capital Value & Inclusion” (i.e. gender pay gap/balance targets, gender diversity initiatives).

¹ Following the Group process of UniCredit Group, the bank will adopt an update of the remuneration policy for its commercial network in the second quarter of 2021.

Goals represent “**what**” to achieve to contribute to UniCredit’s business strategy success, while the behaviors acted to achieve them represent the “**how**”.

In this regard, **UniCredit capabilities** describe the behaviors UniCredit expects from people to support and meet Group ambitious goals and respond to the stakeholders’ needs “doing the right thing”, guaranteeing a homogeneous and unique standard for people evaluation, at all levels in the Group. The UniCredit Capabilities (two for each of the Five Fundamentals²) indicate the behaviors colleagues should demonstrate while working towards their goals, clarifying expectations about how to apply Five Fundamental and Ethics & Respect values in their daily activities and reach individual and team results in a responsible manner.

Finally, the **diversity and inclusion** policies are a cornerstone of the human capital strategy of UniCredit’s business model, which has successfully delivered value creation over time. Promoting gender equality and inclusion is a way to improve the well-being of individuals and make the business strategies more sustainable in the long-term.

Within the framework provided by the Group Remuneration Policy, UniCredit is committed to ensure fair treatment in terms of remuneration on the basis of the role covered, the scope of responsibilities, performance outcomes and the overall quality of the contribution to business results, regardless of gender or any other diversity traits.

For years now, UniCredit has developed a methodology to evaluate and to monitor gender pay gap which results are presented and discussed in the Diversity & Inclusion committees. This methodology is valid for the whole Group. Moreover, specific targets on gender pay gap/balance and on gender diversity initiatives have been assigned to Top Management.

Additionally, since 2017 UniCredit publishes the UK GPG as requested by the Gender Pay Gap Regulations in Great Britain.

² The “Five Fundamentals” are: Customers First, People Development, Cooperation & Synergies, Risk Management, Execution & Discipline. The “Five Fundamentals” are the main pillars of UniCredit culture and are at the basis of the UniCredit Competency Model that describes those behaviors that are expected from all UniCredit people and through which all employees are assessed in performance management processes.

Disclaimer

The purpose of this disclosure report is solely to meet the applicable disclosure requirements. The contents of this disclosure report relate to 10 March 2021 as the reporting date.

The contents of this disclosure report are based – unless explicitly stated otherwise – on the existing legal situation as of the reporting date. The interpretation of the legal situation may be subject to changes in the future or be further concretized by regulatory requirements (regulatory standards, etc.). Therefore, future disclosure reports may be structured differently, have different contents and/or be based on other data and are hence not comparable with previous publications.

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