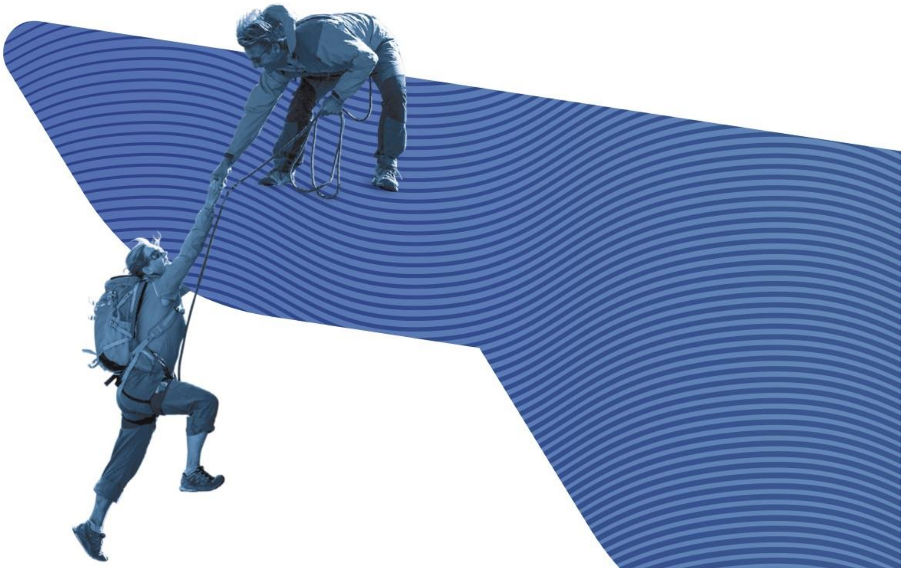
2020

RELAZIONE SULLA POLITICA IN MATERIA DI REMUNERAZIONE 2021 E SUI COMPENSI CORRISPOSTI 2020



CATTOLICA ASSICURAZIONI
DAL 1896

GRUPPO CATTOLICA ASSICURAZIONI

Cattolica Assicurazioni Group

2021 Report on Remuneration Policy and 2020 Remuneration

Prepared pursuant to IVASS Regulation No. 38 of July 2018

2020/2021

CONTENTS

INTRODUCTION

This 2021 Report on Remuneration Policy and 2020 Remuneration (hereinafter the "Report") has been prepared in accordance with the laws and regulations in force, with particular reference to IVASS Regulation No. 38 of 3 July 2018 (hereinafter the "Regulation") and Article 275 of EU Regulation 2015/35 relating to remuneration policies in insurance companies, and, where applicable, in accordance with Consob Regulation No. 21624 of 10 December 2020 regarding related party transactions and the Regulation for Issuers issued by Consob in implementation of the provisions of Article 123-*ter* of the Consolidated Law on Finance by Resolution No. 11971 of 14 May 1999 as amended, as updated by Resolution No. 21623 and Resolution No. 21625 of 10 December 2020 and Resolution No. 21639 of 15 December 2020.

The document also takes into account:

- Articles 57 and articles 2, 17, 19 and 29 of Directive (EU) 2016/97 on insurance distribution, transposed in Italy by Legislative Decree No. 68 of 21 May 2018;
- Chapter II of Commission Delegated Regulation (EU) 2017/2359 of 21 September 2017 with regard to information requirements and conduct of business rules applicable to the distribution of insurance-based investment products (IBIPs);
- IVASS Regulation No. 40/2018 on insurance and reinsurance distribution, supplemented and amended by IVASS Order No. 97 of 4 August 2020;
- EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector.

Pursuant to the Regulation, the Parent Company develops the remuneration policies of the entire Group, ensures their overall consistency and provides the necessary guidelines for their implementation, it being understood that the Group Companies remain responsible for compliance with the provisions directly applicable to them in terms of remuneration and the correct implementation of the remuneration guidelines provided by the Parent Company itself.

The Report also follows the principles set forth in the latest version of the Corporate Governance Code for Listed Companies, where possible, and is divided into the following sections:

- SECTION I: contains information on the principles and guidelines according to which Società Cattolica di Assicurazione determines the Remuneration Policy for the 2021 financial year, as well as information on the procedures used to adopt this policy and the general structure of the incentive systems;

- SECTION II: report on the implementation of the 2020 Remuneration Policies with reference to the parties indicated in the Regulation.

SECTION I - 2021 REPORT ON THE REMUNERATION POLICY

1 – INTRODUCTION TO THE REMUNERATION POLICIES

1.1 Definitions

For the purposes of these Policies, the following definitions have been adopted (in alphabetical order):

- ***Senior Management*** – refers to the Chief Executive Officer, the General Manager and the Deputy General Managers, where present;
- ***Bonus*** – the value of variable remuneration, calculated as a percentage of gross annual salary, paid on achievement of the objectives set in the incentive plans;
- ***Parent Company*** – Società Cattolica di Assicurazioni – Società Cooperativa
- ***Clawback*** - a contractual clause allowing for the possibility of seeking the return, in whole or in part, of the remuneration paid on the basis of results that have proved to be non-lasting or ineffective as a result of wilful misconduct or gross negligence;
- ***Corporate Governance Code*** – the Code approved by the Corporate Governance Committee in January 2020 and intended for all companies with shares listed on the Mercato Telematico Azionario ("MTA") managed by Borsa Italiana;
- ***Deferral*** – the deferral for a pre-established period of the payment of part of the variable component of the remuneration with respect to the incentive vesting date, the disbursement of which may be subject to the malus and claw-back regime;
- ***Executives with Strategic Responsibilities*** – refers to executives with strategic duties, i.e. the General Manager and the Deputy General Managers where present and acting within the individual Companies;
- ***Key Functions*** – the Audit, Risk Management, Compliance and Actuarial Functions, pursuant to IVASS Regulation No. 38 of 3 July 2018, as well as any additional functions that may be established according to the Company's policies;
- ***Gate***: a basic target to be achieved in order to activate the incentive plan; below the established threshold, the plan does not allow any incentive to be paid;
- ***Key Performance Indicators (KPIs)*** – qualitative and quantitative measures identified and defined during the construction of incentive plans (both short-term and long-term), designed to enable measurement of the actual achievement of the targets assigned;
- ***Long Term Incentive (LTI)*** – an incentive system based on results achieved against fixed long-term targets.
- ***Malus -*** a contractual clause that provides for the possibility of not paying all or part of any deferred variable remuneration accrued, if, after the deferral period, the failure to achieve the *goals set* has been verified or if there has been a significant deterioration in the company's financial position or cash flows;
- ***Management by Objectives (MbO)*** - an incentive system correlated to results achieved against fixed annual targets.
- ***Key Staff*** – refers to the category of persons defined in letter m) of Article 2, paragraph 1, of the Regulation;
- ***Insurance-based Investment Product (IBIP)*** – an insurance product with a maturity or redemption value that is exposed in whole or in part, directly or indirectly, to market fluctuations;
- ***Control Body*** – refers to the Board of Statutory Auditors or, where applicable, the Management Control Committee;
- ***Remuneration*** – any form of payment or benefit paid, directly or indirectly, including through financial instruments or fringe benefits, for work or professional services provided to the Company by the beneficiaries of the Policies. Payments relating to institutions covered by national and supplementary collective agreements, including, but not limited to, supplementary social security benefits and variable company premiums, are excluded;

- ***Gross Annual Salary*** – the sum of the fixed annual remuneration (equal to the sum of the 14 monthly instalments excluding the national collective bargaining agreement and any typical remuneration that can be considered fixed);
- ***Group Companies -*** the Parent Company and its subsidiaries;
- ***Subsidiaries -*** Group Companies subject to the control of the Parent Company in accordance with current laws;
- ***Insurance Subsidiaries -*** Group Companies that conduct insurance business under the control of the Parent Company;
- ***Non-Insurance Subsidiaries -*** Group Companies that do not conduct insurance business and which are controlled by the Parent Company;
- ***Relevant Person*** – refers to the category of persons defined in Article 2, paragraph 1.1 of Commission Delegated Regulation (EU) 2017/2359.

1.2 Reference principles and guidelines

All those who play an important role in the management or control of the undertaking must be remunerated in accordance with the general principles of the Regulation, which read, *inter alia*, "*Undertakings shall adopt Remuneration Policies in written form consistent with sound and prudent risk management and in line with the strategic objectives, profitability and long-term equilibrium of the undertaking. Companies shall avoid Remuneration Policies that are exclusively or predominantly based on short-term results, encouraging excessive exposure to risk or the assumption of risks that exceed the risk tolerance limits set by the Board of Directors."*

In accordance with legislative provisions and best market practice, the Remuneration Policies have also been defined in accordance with the values and principles of corporate social responsibility that have always characterised the Company and the Group.

The remuneration of Directors and Executives, in particular executive Directors and Executives with Strategic Responsibilities, must therefore be established while taking into account the need for profitable and sustainable management. The Group's Remuneration Policies are therefore consistent with the Group's risk and solvency management and assessment policy.

Incentive plans generally include indicators designed to guide the behaviour of beneficiaries in relation to the types of risk typical of the sector.

Furthermore, the provisions of Article 17 of Directive (EU) 2016/97 apply to entities involved in distribution activities. Accordingly, the payment of compensation and the assessment of the services of both employees of the Company involved in distribution activities and of the distribution network takes into account the duty of such entities to act in the best interests of customers in all cases. To this end, in view of the provisions of the Conflicts of Interest Management Policy, which forms an integral part of this document, the Group Companies:

- do not provide for compensation, sales targets or other targets that could incentivise their employees or distribution network to offer or recommend to customers a particular insurance product where a different insurance product would better meet their requirements;
- have introduced within their incentive systems qualitative performance assessment criteria that take account of both the quality of the service provided to customers with a view to continuous improvement and encourage the collection of information useful for designing and offering products more in line with customer needs, according to a vision that incorporates the POG (product oversight governance) process.

In light of the above, the incentive plans of the Group Companies for parties involved in distribution (including relevant persons) provide indicators that are intended to guide behaviour so that these parties always act honestly, fairly and professionally in the best interests of the customer.

The persons covered by the Remuneration Policies are required not to use personal or insurance hedging strategies that might alter or undermine the risk alignment effects embedded within the variable remuneration mechanisms.

Furthermore, in accordance with its history, its corporate nature and the principles on which its activities are based, the Group aims to link and comply with the following principles in determining its Remuneration Policies:

- uniform economic treatment in the presence of equivalent roles and responsibilities to safeguard differences in origin and gender;
- a balance between the company remuneration level and that of the reference market;
- a gradual application of the bonus system that guides long-term results and behaviour.
- improvement of the correct balance between fixed and variable remuneration components in accordance with solvency levels and attention to risk.

The Group's variable incentive systems are increasingly oriented towards taking account, in addition to aspects related to business strategies and the results expected from the Business Plan, of sustainability-related issues, which have become a fundamental element, including in the pursuit of the strategic objectives of the new Business Plan.

Accordingly, among the objectives useful for the achievement of these variable remuneration quotas, the approach adopted in recent years of placing alongside business indicators certain sustainability-related indicators that include both aspects relating to environmental issues and aspects relating to social and human resources issues, has continued.

The foregoing is based on the belief that, by defining and applying Remuneration Policies consistent with the above principles, it is possible to:

- help to create long-term value for all stakeholders;
- support long-term business strategies set out in strategic/business plans;
- safeguard the image and reputation of the Group Companies, in accordance with the provisions of their Code of Conduct;
- motivate directors, managers and staff to respond with professionalism to the targets that the Group has set itself, facilitating their full achievement.
- improve customer service quality, increasing the level of trust in the Group Companies and in the network to create a healthy, solid and lasting relationship;

1.3 Scope

These Remuneration Policies are a guidance and coordination tool for all the Subsidiaries of the Group and confirm the Parent Company’s role in defining, formulating and identifying guidelines and application and assessment criteria that are valid for the entire Group, in accordance with the provisions, in general terms, of Article 2497 *et seq*. of the Italian Civil Code, and in compliance with the provisions of the Regulation, including with regard to the Group's risk management strategy and policy, while ensuring that they are commensurate with the specific characteristics of the Group Companies.

It is also generally confirmed that, as in previous years, the staff of the Group Companies fall within the scope of the Remuneration Policies of the Company of which they are directly employed, including with regard to cases of appointment or positions held at other Group Companies or companies in which the Group has a financial interest.

In the case of staff with a concurrent position in a corporate body or with another type of appointment or position within the Group, the remuneration package (Gross Annual Salary, MbO and other components described in this policy) received by the individual includes compensation for the position assigned since any compensation for positions held within the corporate bodies or any compensation relating to another position is devolved to the Company with which the employee has the employment relationship.

This role of direction and coordination of the Parent Company also applies to the non-insurance companies of the Group and to foreign companies within the limits of, and in compliance with, the reference legislation of each

Company, taking into account the specific characteristics of remuneration institutions, regulations and practices in force in each country.

As expressly required by the Regulation for companies incorporated in Italy, the parties covered by these Policies are the members of the Board of Directors, the members of the Control Body, the “Key Staff” and the other parties provided for, i.e. insurance and reinsurance intermediaries and, in general, all parties involved in distribution activities (with particular regard to insurance investment products) and outsourcers.

It should also be noted that, due to the above, these Policies are also formally sent to the Group's foreign insurance companies, while the legislative references, definitions, remuneration structures and the consequent application process relate solely to the insurance companies incorporated in Italy.

2 – GOVERNANCE OF REMUNERATION POLICIES

Under Italian law, the establishment and approval of the Remuneration Policies and their control and correct implementation entail specific responsibilities and active behaviour for a series of parties involved in various capacities in the general remuneration governance system relating to Italian insurance companies.

The role and responsibilities of the bodies involved in the process of defining and controlling the Remuneration Policy and in the phase relating to the Remuneration Report are governed by the Regulation, along with the specific responsibilities defined by the specific governance regime of each Company.

Due to the overall structure of the Group and the guidance and coordination role played by the Parent Company, it should be noted that some of the Parent Company entities also play a part in the process of defining the Remuneration Policies of the Subsidiaries. It should also be noted that some of the entities indicated in this section are only established at the Parent Company level.

For a detailed description of the responsibilities of each governance entity in the Remuneration Policies, please refer to the respective Remuneration Reports of the individual Companies that make up the Group and/or the respective Internal Regulations governing the activities of these entities.

The main information on the individual entities concerned is provided below.

2.1 The Shareholders' Meeting

According to the Company's Articles of Association, valid as of 1 April 2021, the duties of the Parent Company's Shareholders' Meeting include, *inter alia*:

a) the appointment and dismissal of members of the Board of Directors according to the procedures set out in Articles 22 and 23 of the Articles of Association;
b) the appointment and dismissal, with due cause, of the members of the Management Control Committee and the election of its Chairman, according to the procedures set out in Articles 22, 23 and 30 of the Articles of Association;
c) the determination, for the entire duration of their office, of the total compensation due to members of the Board of Directors and the Management Control Committee, including compensation for participation in the Board Committees and for special mandates determined by the Board of Directors, with the exception of any mandate of the Chief Executive Officer, remuneration for which is remitted to the Board of Directors, as well as the attendance allowance referred to in paragraph 29.4 of the Articles of Association, without prejudice to the provisions of Article 29 of the same Articles of Association;
d) authorisations for carrying out acts of the Board of Directors on related party transactions, in the event of a negative opinion from the Related Parties Committee according to the procedures and time limits referred to in Article 13 of the Articles of Association;
e) the approval of the remuneration policies for Company bodies and staff, including remuneration plans based on financial instruments;
f) the adoption and amendment of the procedural rules for Shareholders' Meetings;
g) any other resolution assigned to the purview of the Ordinary Shareholders' Meeting by the legislation in force.

The Ordinary Shareholders' Meeting of the insurance subsidiaries incorporated in Italy is responsible for:

- the determination, for the entire duration of their office, of the total compensation due to members of the Board of Directors, without prejudice to the provisions of Article 2389 of the Civil Code for special mandates;
- the determination of the annual remuneration of the standing members of the Control Body at the time of their appointment and for the entire duration of their office;
- the determination of the amount of the attendance allowance for Directors and Statutory Auditors, where present, for each meeting of the Board of Directors and of any Committee established by the same;
- the approval of the remuneration policies for Company bodies and Key Staff, including remuneration plans based on financial instruments.

2.2 The Board of Directors

In accordance with Article 42 of the Regulation, the Board of Directors is responsible for defining and reviewing the Company's Remuneration Policies, for the purposes of approval by the Ordinary Shareholders' Meeting.

Furthermore, the Board of Directors of the insurance subsidiaries incorporated in Italy:

- resolves on the distribution of the total compensation approved by the Shareholders' Meeting for members of the Board of Directors and on the procedures relating to reimbursements of expenses due to them;
- resolves, having consulted the Control Body and the Remuneration Committee, on the remuneration of Directors vested with specific duties, where present;
- presents an annual document constituting the disclosure to the Shareholders' Meeting pursuant to Article 59 of the Regulation;
- ensures, with the support of the Parent Company's Remuneration Committee and Control and Risks Committee, the correct application of the Remuneration Policies, making use of the general implementation aspects of Senior Management and the operational aspects of the Human Resources Function, and obtaining the results of the controls carried out by the Group's Key Functions;
- ensures that the decision-making processes relating to the Remuneration Policies are clear, documented and transparent and include measures to avoid conflicts of interest;
- determines the compensation and attendance allowances and reimbursement of expenses of the members of the Supervisory Body pursuant to Law 231/2001, where present;

In line with the Regulation and the Articles of Association in force as of 1 April 2021, the Parent Company's Board of Directors:

- resolves on the distribution of the total compensation approved by the Shareholders' Meeting for members of the Board of Directors and on the procedures relating to reimbursements of expenses due to them;
- presents an annual document constituting the disclosure to the Shareholders' Meeting pursuant to Article 59 of the Regulation;
- ensures, with the support of the Remuneration Committee and the Control and Risks Committee, the correct application of the Remuneration Policies, making use of the general implementation aspects of Senior Management and the operational aspects of the Human Resources Function and of the other functions involved in the process, and obtaining the results of the controls carried out by the Key Functions;
- ensures that the decision-making processes relating to the Remuneration Policies are clear, documented and transparent and include measures to avoid conflicts of interest.
- determines the compensation and attendance allowances and reimbursement of expenses of the members of the Supervisory Body pursuant to Law 231/2001;
- defines the compensation due to the Financial Reporting Officer;
- defines the reimbursement of expenses due to members of the Ethics and Disciplinary Committee.

The new regulations of the Board of Directors of the Parent Company provide that each Director may hold no more than two positions on the Company's Committees.

In accordance with the Articles of Association of the Parent Company, the Chairman of one of the Board Committees may not simultaneously chair any other Committee. The Chairman of the Board of Directors and the Chairman of the Management Control Committee may not assume the chairmanship of or be a member of the Board Committees but may, by agreement with their respective chairmen, assist with the work of the Committees, without prejudice to any provisions on corporate governance or internal regulations relating to the Chairman of the Management Control Committee.

Directors without executive powers of the Parent Company may hold the office of members of the Board of Directors or committees of subsidiaries only if this position is functional to the pursuit of sound and prudent management of the group. This function must be adequately justified and approved by the Board of Directors of the Parent Company, on the basis of the positive opinion of the Corporate Governance, Sustainability and Value Generation Committee and the Control and Risks Committee.

As provided for in Article 123-*ter*, paragraph 3-*bis* of the TUF, updated in 2019, and in the update of the Regulation for Issuers of December 2020, in exceptional circumstances – i.e. exclusively situations in which derogation from the Remuneration Policy is necessary for the purposes of pursuing the long-term interests and sustainability of the Company as a whole, or to ensure its ability to remain on the market – the Board of Directors, having consulted the Remuneration Committee, may temporarily derogate from the Remuneration Policy, subject to compliance with legislative and regulatory restrictions and, with reference to the Chief Executive Officer, General Manager and Executives with Strategic Responsibilities, in accordance with the Related Party Transactions Procedure.

In the subsequent Remuneration Report, information is provided on any derogations applied, showing the elements subject to derogation, the exceptional circumstances, and the functionality with respect to the pursuit of the long-term interests and sustainability of the Company as a whole or to ensure its ability to remain on the market, and then the procedure followed.

The elements of the policy that may be derogated from, in the circumstances and applying the procedural process described above, in accordance with legislative and regulatory constraints, are the 2021 MbO Plan and the 2021-2023 LTI Plan. For example, in the event of unforeseeable changes in macroeconomic conditions or a worsening of the financial situation, the Board of Directors, in line with the procedure described, reserves the right to reassess the fairness and consistency of the incentive systems.

2.3 The Remuneration Committee

The Remuneration Committee [1] has investigative, advisory and proposal-making functions regarding the Remuneration Policies and the compensation of Directors and Executives and Strategic Responsibilities, without prejudice to the powers granted to the Chief Executive Officer and/or other Committees established within the Board of Directors of the Parent Company.

The Committee is composed of three or five Directors appointed by resolution of the Board of Directors of the Parent Company – which also determines their number – from among the non-executive members that do not sit on the Management Control Committee, the majority of whom meet the independence requirements, as recognised by the Company pursuant to the Corporate Governance Code and in any case in accordance with applicable laws or regulations.

Committee members must collectively have adequate knowledge, skills and professional experience of remuneration policies and practices and risk management and control activities, in particular as regards the mechanism for aligning the remuneration structure with risk and capital profiles. The Committee members act with independent judgement

[1] established by resolution of the relevant Board of Directors of the Parent Company on 23 March 2001.

to formulate assessments of the adequacy of policies and their implications for risk taking and management. At least one Committee member must have adequate knowledge and experience of financial matters, as established by the Board of Directors at the time of his or her appointment.

The Chairman of the Committee is appointed by the Board of Directors in accordance with the provisions of the Articles of Association and the Regulations of the Board of Directors and is selected from among the members meeting the independence requirements.

The Committee makes the relevant decisions according to the collegiate method and by a majority of the members present. In the event of a tie, the position expressed by the Chairman or, in any case, by the person chairing the meeting shall prevail.
The Chairman of the Committee, or his or her replacement, reports to the first Board of Directors after each Committee meeting on the meetings held by the Committee and its decisions and work.

Information on the work of the Committee will be specifically provided to the Board of Directors at least once a year with a report approved by the Committee. In any case, the Committee chairman reports to the Board of Directors on any request or requirement relating to the activities of the Committee that is formulated at Board meetings.

The Committee's tasks are as follows:

- it carries out advisory and proposal-making functions as part of the definition of the Remuneration Policies. To this end, it coordinates with the Control and Risks Committee in order to verify the consistency of the remuneration and incentive systems with the Risk Appetite Framework;
- it formulates proposals or expresses opinions regarding the compensation of each Director with specific duties and regarding the setting of performance targets related to the variable component of that remuneration;
- it verifies the congruity of the overall remuneration scheme and the proportionality of the remuneration of the Chief Executive Officer, where appointed, with respect to the Key Staff of the undertaking; [it verifies that the Company has taken into account the compensation and working conditions of its employees and/or the employees of the Group in determining the Remuneration Policy;
- it periodically checks the remuneration policies to ensure that they continue to be appropriate including in the event of changes to the company's operations or to the market environment in which the company operates;
- it identifies potential conflicts of interest and the measures taken to manage them;
- it monitors the concrete application of the Remuneration Policy and verifies, in particular, the actual achievement of the conditions for the payment of incentives to executive Directors, Executives with Strategic Responsibilities and Key Staff;
- it provides adequate information to the Board of Directors on the effective operation of the Remuneration Policies;
- it supports the Board of Directors in cases where external consultants are used to determine Remuneration Policies, by verifying in advance that these persons are not in situations which compromise their independent judgement;
- it makes proposals to the Board of Directors concerning the remuneration to be paid to the members of committees and bodies;
- it expresses a prior opinion on the contents of the Remuneration Report to be provided to the public under current provisions and on any other information document on remuneration intended for the public;
- in accordance with the Related Party Transactions Procedure, it expresses a prior opinion pursuant to Article 7 of the Consob Regulations on decisions concerning the awarding of remuneration and economic benefits, in any form, to members of administrative bodies and Executives with Strategic Responsibilities (as defined in the Consob Regulations), other than those resolved upon by the Shareholders' Meeting, and performs other duties that may be assigned to it by company procedures on related party transactions;

- it periodically assesses the criteria adopted for the remuneration of the corporate bodies of the Subsidiaries and issues opinions and recommendations to the Board of Directors in this regard;
- for variable or financial instrument-based remuneration for the heads of the Company's Key Functions, it expresses an opinion to the BoD on their consistency with the tasks assigned, and ensures that they are independent of the results achieved by the operating units controlled by those functions and linked to the achievement of targets related to the effectiveness and quality of control action, and that they are not a source of conflicts of interest;
- it performs any additional duties that are assigned to it by the Board of Directors, company procedures or legislative or corporate provisions.

2.4 The Control and Risks Committee and the Director responsible for monitoring the risk management system

The Control and Risks Committee, where present, is a method by which the Board of Directors enhances the effectiveness of its functions with regard to the internal control and risk management system. It pays particular attention to the activities instrumental to the proper and effective determination of the Risk Appetite Framework (RAF) and risk governance policies by the Board of Directors.

Without prejudice to the purview of the Parent Company's Remuneration Committee, the Control and Risks Committee, where present, supports the Board of Directors in ascertaining that the incentives underlying the remuneration and incentive system are consistent with the RAF and generally take risks into account.

It should also be noted that, as provided for in the Regulation, in companies with simplified regimes, a Director responsible for monitoring the risk management system is appointed.

2.5 Senior Management

In addition to implementing the Policies approved by the Shareholders' Meeting, for matters within its purview, according to the guidelines of the Board of Directors, Senior Management ensures that the criteria and principles for defining the Remuneration Policies are in line with those established by the Parent Company, assessing their consistency with the approved targets, including with regard to the remuneration of insurance and reinsurance intermediaries and outsourcers.

The Parent Company's Senior Management is also tasked with ensuring the overall implementation, maintenance and monitoring of the Group's Remuneration Policies.

2.6 The Human Resources – Organisation Function

The Remuneration Policies for Key Staff are coordinated for the Cattolica Assicurazioni Group by the Group Human Resources Function.

Therefore, with regard to the staff concerned by the Regulation and in accordance with the instructions received from the Board of Directors and the provisions of the Regulation, the Human Resources Function:

- participates in the process of identifying "Key Staff" and ensures that it is formalised;
- defines the structure of variable remuneration and the methods of disbursement with specific regulations;
- helps to identify the KPIs and the relevant target levels, with the support of the Compliance, Risk Management and Planning and Management Control Functions, each for part within its purview;
- verifies the achievement of performance targets for the calculation of variable remuneration, on the basis of data provided and validated, according to the relevant areas of activity, by the Compliance, Risk Management, Planning and Management Control, Administration, Actuarial Assessments and Actuarial Functions;
- informs MbO and LTI recipients of the criteria for calculating variable remuneration, through the delivery of the regulations and the target allocation form and, at the end of the period, and according to the deferment timescales set, pays the bonus on the final statement of the level of targets achieved.
- formally sends the Policy to the foreign companies so that they can formulate their own in line with the Parent Company.

2.7 The Key Functions

Internal Audit Function – In accordance with the principles of independence of the Function, established by legislation and international audit standards, the Internal Audit Function verifies the correct application of the Remuneration Policies approved by the Parent Company's Shareholders' Meeting on the basis of the guidelines established by the Parent Company's Board of Directors.

In particular, reporting to the Board of Directors, it:

- verifies that the Key Staff have been identified in accordance with the criteria set out in the Policies;
- verifies the correct application of the criteria and processes defined in the Policies based on the guidelines defined with a view to efficiency and the safeguarding of assets;
- verifies, including by means of spot checks, that variable components of remuneration have been provided in accordance with the Remuneration Policies;
- verifies that information flows relating to the indicators used to determine the variable component are correct and integral and subject to adequate validation procedures;
- verifies that the Compliance and Risk Management Functions have expressed an opinion on the proposed annual review of the Policies that the Board of Directors will submit to the Shareholders' Meeting;
- verifies planning for annual audits, including partial audits, of remuneration definition and payment processes;
- communicates the results of its controls not only to the Remuneration Committee but also to the usual recipients of audit reports including the Control and Risks Committee, and specifically to the Board of Directors;

Compliance Function – In accordance with the principles of its independence, the Compliance Function, carries out *ex ante* controls to ascertain whether the remuneration policies are consistent with the provisions of the relevant legislation in order to prevent and contain legal and reputational risks. The Function also helps to define the criteria for identifying Key Staff and the Policy for managing conflicts of interest relating to distribution activities and the relevant procedures, and reports on the results of its controls to the Board of Directors so that any measures can be taken to correct the Policies. Specifically:

A.1. *Applicable Policies:* the Compliance Function carries out *ex ante* controls to ascertain whether the process is in line with the policies adopted.

- that the structure of the proposed objectives is consistent with the provisions of the applicable Policies;

- that the system regulations and ancillary documentation to be delivered to the recipients of the incentive system are complete and reflect the implementing principles set out in the applicable Policies.

A.2. *Proposed amendments to the Policies:* if it is deemed necessary to propose amendments to the adopted and applicable Remuneration Policies to the Shareholders' Meeting, the Compliance Function:

- carries out *ex ante* controls to ascertain that the proposed amendments comply with the current regulations in force, making – where deemed appropriate – suggestions for amendments before the resolution of the Board of Directors to be proposed to the Shareholders' Meeting;
- makes specific assessments as to the suitability of the Remuneration Policies proposed in order to avoid conflict of interest situations.

Risk Management Function - Reporting to the Board of Directors, in accordance with the principles of its independence, the Risk Management Function makes a substantial contribution to defining the scope of Key Staff and helps to define risk indicators so that the performance targets take risks into consideration. It also assesses the risks associated with the adoption of the Remuneration Policies and the overall consistency of the Policies with the Group's risk appetite as defined by the Board of Directors. Specifically:

B.1. *Applicable Policies:* the Risk Management Function carries out *ex ante* controls within its purview to ascertain whether the implementing process is in line with the policies adopted. In particular, it will verify:

- that the structure of the proposed objectives is consistent with the provisions of the applicable Policies, with particular attention paid to the appropriate consideration of the size of the risks;
- that the thresholds established for the performance and risk objectives are consistent with the risk appetite defined by the Board of Directors.

B.2. *Proposed amendments to the Policies:* if it is deemed necessary to propose amendments to the adopted and applicable Remuneration Policies to the Shareholders' Meeting, the Risk Management Function carries out *ex ante* controls, performing its own assessments, to ascertain that the Policies, as amended, are consistent with the corporate risk management strategies and the general context, making – where deemed appropriate – suggestions for amendments before the resolution of the Board of Directors to be proposed to the Shareholders' Meeting.

Actuarial Function – The Actuarial Function certifies actuarial data, coordinates the calculation of technical provisions and ensures the adequacy of the underlying methods and models; it coordinates the definition of methodologies and assumptions for the calculation of technical provisions and carries out *ex post* controls to ensure their correct application; it verifies and certifies compliance with the requirements used in the calculation of technical provisions.

2.8 The other Corporate Functions

The Group Business Plan Review and Plan Monitoring, Administration and Financial Statements, Actuarial Assessments, Extraordinary Transactions and Corporate Compliance Functions and the Company Secretariat are involved, each within their own purview, in the process of verifying the achievement of objectives, certifying to the Human Resources Function the data relating to each quantitative indicator for the variable remuneration systems for both Key Staff and all other variable incentive systems. The data processed by Actuarial Assessments are certified in advance by the Actuarial Function. The Business Plan Review and Plan Monitoring Function is also involved in the process of determining the relevant performance indicators and the relevant target values, certifying their consistency with the budget objectives.

The Extraordinary Transactions and Corporate Compliance Functions and the Company Secretariat manage, together with the Tax Affairs Service, the production of data on the compensation of the corporate officers.

3 – THE 2021 REMUNERATION POLICIES

The main changes in the 2021 Remuneration Policy relate to:

- the proposed alignment of the compensation of the Directors and the offices they hold with market benchmarks. Through the analysis of a panel of companies in the insurance and financial sector with characteristics similar to those of the Parent Company, a proposal has been submitted for the approval of the Shareholders' Meeting to review the compensation of the Directors and the positions they hold on the various Board Committees and for the other specific functions;
- the strengthening, for both the short-term and long-term variable remuneration systems provided for in the applicable Policies, of the link between the Group's performance and its solvency level. As better specified in the dedicated sections, this strengthening consists of increasing the frequency of measurement of the gate for the soft limit of the Solvency II Ratio and introducing a further clause to verify the solvency level at the time of actual recognition of the portions of variable remuneration due to the Beneficiaries;
- as indicated by the Supervisory Authority, and again in order to strengthen the link between remuneration and the Group's solvency capital limits, the clarification of the conditions relating to the recognition of other exceptional remuneration components, for which a maximum payout percentage was also introduced.

3.1 Remuneration of the Directors of the Parent Company

3.1.1. Directors of the Parent Company (other than members of the Management Control Committee)

The Directors are divided between executive Directors (with management powers) and non-executive Directors; for the Parent Company, only the Chief Executive Officer, where appointed, is categorised as executive. The remuneration of the Directors complies with the provisions of the Company's Articles of Association.

The Company's Articles of Association, approved by the Shareholders' Meeting on 31 July 2020 and supplemented after the exercise of the mandate for a capital increase by the Board of Directors on 4 August 2020 with effect from 1 April 2021, provide, *inter alia*, that:

- members of the Board of Directors shall be entitled to reimbursement of expenses - which may also be predetermined by the Board of Directors in a fixed contractual amount - as well as overall remuneration determined by the Shareholders' Meeting, for both members of the Board of Directors and for participation in the Board Committees and for the special mandates determined by the Board of Directors, with the exception of the Chief Executive Officer, whose remuneration is remitted to the Board of Directors; the Board of Directors is also authorised to allocate the total amount determined by the Shareholders' Meeting.
- the Shareholders' Meeting establishes specific compensation for the members of the Management Control Committee, which is determined at a fixed rate and at the same per capita rate, but with a higher rate for the Chairman of the Management Control Committee.
- the Directors are also entitled to an attendance allowance, the amount of which is determined by the Shareholders' Meeting, in accordance with the terms of Article 12 of the Articles of Association, for each meeting of the Board of Directors, the Management Control Committee and any other Committee established by the Board of Directors.

This remuneration, which – without prejudice to what is specified below – constitutes the remuneration of non-executive Directors, takes into account the effort made, including in terms of the time required to prepare for Board meetings, the study of supporting documentation for meetings and legislative and regulatory updates, as well as the responsibilities assumed with the position, and is not expressly linked to the future economic results of the Company and/or the achievement of specific targets previously indicated by the Board or by the delegated bodies respectively.

No variable remuneration or non-monetary benefits in any form are provided for non-executive Directors.

They are provided with civil liability insurance cover (the Directors’ and Officers’ Liability or D&O policy: please see the Shareholders’ Meeting resolution of 27 April 2002).

No indemnity is provided for non-executive Directors in the event of early termination of their office.

It should be noted that the Group’s Shareholders’ Meeting of 14 May 2021 will be presented with a proposal for an overall review of the Directors' remuneration starting in 2021.

This proposal, also drawn up with reference to best market practice, relates to the total remuneration for the Directors of the Board of Directors of the Parent Company as well as other remuneration provided for special mandates and for participation in Board Committees. The benchmark used to review remuneration takes account of the Group structure and the instructions set out in the Remedial Plan prepared by the Company in response to recent findings by the Supervisory Authority.

The Chief Executive Officer of the Parent Company

On 4 August 2020, the Board of Directors of the Parent Company unanimously resolved to appoint Carlo Ferraresi as Chief Executive Officer of the Company, while continuing to act as General Manager.

By virtue of his appointment as Chief Executive Officer, in addition to the remuneration structure related to his position as General Manager - as explained in Section 3.3 - and the remuneration due to him in relation to his position as Director and Member of the Corporate Governance and Sustainability Committee, Carlo Ferraresi was also compensated for his position as Supervisory Director, as resolved upon by the Board of Directors.

3.2 Remuneration of the Directors of the subsidiaries incorporated in Italy

<u>The Directors of the insurance Subsidiaries incorporated in Italy</u>

As a rule, for companies incorporated in Italy, the Directors are divided into executive Directors (with management powers) and non-executive Directors; in these companies, only the Chief Executive Officer, where appointed, is categorised as executive.

Non-executive Directors: the basic remuneration of non-executive, independent and non-independent Directors is generally established by the Shareholders' Meeting as a predetermined total fixed amount, which is then individually distributed by resolution of the Board of Directors. There may also be an individual attendance allowance for attending each meeting, which is also set by the Shareholders’ Meeting.

This remuneration, which - without prejudice to what is specified below - constitutes the remuneration of non-executive Directors, takes into account the effort made and the responsibilities assumed with the position, and is not expressly linked to the future economic results of the Company and/or the achievement of specific targets previously indicated by the Board or by the delegated bodies respectively.

Additional remuneration may also be provided for Directors who carry out specific duties within the Board, which is also established in a fixed amount.

For participation in the activities of the Board Committees, where these exist, provision may be made for a fixed amount of remuneration – possibly increased for the Director who is Chairman of the Committee – in addition to the individual attendance allowance for each Committee meeting.

No variable remuneration or non-monetary benefits in any form are provided for non-executive Directors. They may also be provided with civil liability insurance cover (the Directors' and Officers' Liability or D&O policy).

No indemnity is provided for non-executive Directors in the event of early termination of their office.

In general terms, and in accordance with the general principles established at Group level, it should be noted that if an employee of the Parent Company or other Group Companies holds the role of Director of one of the Group Companies, he or she will not receive any specific remuneration for that appointment, since his or her remuneration is determined as an overall amount by the employing Company. The remuneration package received by the individual concerned includes compensation for the position assigned, since any compensation for the positions held within the corporate bodies or any compensation relating to another position is devolved to the Company with which the employee has the employment relationship.

With regard to the compensation of the corporate officers of the Subsidiaries, starting with the assumption that the current situation regarding the compensation of the corporate officers of these companies is the result of a stratification that has taken place over time, which meets needs that have evolved and contingent situations arising from time to time that, in some cases, no longer exist, the Parent Company's Remuneration Committee has warned of the need to formulate a proposal to review this compensation, in order to adopt a compensation system based on objective criteria that can be applied to standardised and comparable categories in relation to the size of the individual company concerned and its activities, and in compliance with the findings of the Supervisory Authority.

In the case of joint ventures with banking partners (i.e. Banco BPM for Vera Vita, Vera Assicurazione and Vera Protezione and ICCREA Banca for BCC Vita and BCC Assicurazioni), the proposal must be agreed in advance with the minority shareholder, in compliance with any specific existing agreements on this subject between the shareholders.

This proposal for a compensation review, formulated by the Remuneration Committee of the Parent Company, was approved by the Board of Directors of the Parent Company and will now be proposed for approval by the Shareholders' Meetings of the individual Subsidiaries.

<u>The Chief Executive Officer of the Subsidiaries incorporated in Italy</u>.

This person receives a fixed fee as an executive Director. If the Chief Executive Officer is an executive of the Parent Company, it should be noted that this person does not receive any compensation as a Director, since this compensation is contractually included in his remuneration as an executive of the Parent Company. The variable compensation system provided for the Parent Company's executives therefore applies. His or her remuneration is therefore set and paid by the Parent Company itself. Emoluments for Chief Executive Officers who have employment relationships within the reference groups of the Company's Members will be paid in accordance with the cost-reimbursement policies in place.

Generally speaking, if such roles are held by staff belonging to the reference groups of the Company's Members, the remuneration structure for these persons will be regulated by the Remuneration Policies of their respective Companies. In any case, any other individual agreements may be confirmed, or different methods of composition of the variable remuneration structure may be established according to agreements between the reference groups of the Company's Members, always in compliance with applicable legislation.

It should be noted that no indemnity is provided for Chief Executive Officers in the event of early termination of their office.

Any exceptions to the Directors' remuneration with respect to the general criteria described in this section are proposed by the Remuneration Committee of the Parent Company to the Board of Directors of the Company and approved at the Shareholders' Meeting.

Again, more details about the variable components of the Chief Executive Officers' compensation, including how they are paid out, deferred and conserved, can be found in the Remuneration Reports of the Group's insurance companies incorporated in Italy.

3.3 The control bodies

The emoluments of members of the Control Body are determined in advance as a fixed amount. Provision may also be made for an attendance allowance for each meeting of the Board of Directors and for any other internal Board Committee. No provision is made for variable or performance-related remuneration or for forms of remuneration based on financial instruments. As is the case for the Directors, civil liability insurance cover is provided.

The emoluments for the members of the Management Control Committee of the Parent Company and of Tua Assicurazioni are determined by the Shareholders' Meeting as a fixed amount as well as a per capita amount, but with a specific additional amount for the position of Chairman of the Committee. The Articles of Association also provide for the payment of an attendance allowance for each meeting of the Board of Directors, the Management Control Committee and any other Committee established by the Board of Directors attended by members. No provision is made for variable or performance-related remuneration or for forms of remuneration based on financial instruments. As is the case for the Directors, civil liability insurance cover is provided.

3.4 Identification of "Key Staff"

Key Staff, *whose activities may have a material impact on the risk profile of the undertaking,* consist of the following individuals employed by the individual Company concerned:

- General Managers;
- Executives with Strategic Responsibilities – refers to executives with strategic duties, i.e. the General Manager and the Deputy General Managers where present and acting directly within the individual Companies;
- Heads of Key Functions (Internal Audit, Risk Management, Compliance and Actuarial) acting directly within the individual Companies;
- *other categories of staff duly identified*

This latter category, unlike the others, which automatically fall under the "Key Staff" definition as the provision expressly includes them, must be identified by undertakings using objective criteria. The Company therefore identifies, at least once a year, the roles and categories of parties that fall into this category in accordance with internal regulations.

Pursuant to Article 59, paragraph 1, letter b) of the Regulation, these Policies state that the process of identifying Key Staff was carried out with the Group's Risk Management and Compliance Functions and resolved upon by the Parent Company's Board of Directors, taking into account, *inter alia*, the indicators relating to the position held, the level of responsibility, the level of hierarchy, the activity carried out, the powers conferred, and the possibility of generating profits or affecting accounting entries for material amounts and of underwriting risk positions.

At the end of this assessment process, carried out according to the above criteria, which made it possible, *inter alia*, to focus more strongly on the Group's "strategic" roles in addition to the Key Staff expressly provided for in the Regulation applicable to the Group's Italian insurance companies, also taking into account the provisions of the general principles relating to the applicability to each interested party of the Policies of the Company by which he or she is directly employed, only members of the Parent Company's Management Committee and the Parent Company's executives who report directly to the Chief Executive Officer and the General Manager of the Parent Company, have been identified as an additional "Key Staff" category. It should also be noted that the higher-level staff of the Key

Functions have not been included in Key Staff, due to considerations regarding the classification and the level of risk managed with reference to the Group's organisational model.

3.5 The General Manager of the Parent Company

The Board of Directors has provided for the subdivision of the remuneration into a fixed and a variable component of equal amounts for the General Manager of the Parent Company, appointed with effect from 1 November 2019. The variable compensation component consists of a component linked to the achievement of short-term annual results (MbO) and the remaining component is linked to the three-year results of the Business Plan (LTI) as summarised below:

a) the monetary MbO short-term variable component corresponds to 40% of the gross annual salary paid to the General Manager.
b) the share-based long-term component (LTI) corresponds to 60% of the gross annual salary paid to the General Manager for each year of the Plan.

The General Manager's pay mix is therefore divided as follows: the fixed component makes up 50% of the compensation, the short-term variable component makes up 20% and the long-term variable component makes up the remaining 30%.

For both components:

- the actual activation of the short-term and long-term incentive plans depends on these gates being passed through:
    - The Group capital stability gate – the Group Solvency II Ratio soft limit, measured quarterly when the financial documents are presented, calculated net of new capital increases other than those already approved, including if they have not yet been carried out, and after taking distributed profit into account.

      If there is a breach of this limit, the gate will still be considered exceeded if this breach occurs no more than once in each year of the vesting period and provided that it is recovered within the following quarter.
    - The gate relating to the presence of profit that may be distributed to shareholders;
- in any case, the payment of both short- and long-term systems is also subject to the surpassing of a performance threshold and may have values higher than the maximum percentage defined, with a maximum of 150% of the hypothetical target provided for in any event;
- financial, collective and individual indicators are established, to which the performance of each beneficiary is linked.

In order to align the incentives paid with the long-term interests, at least 60% of the variable remuneration structure consists of financial instruments, partly subject to deferred payment systems in accordance with applicable legislation. Furthermore, an obligation to retain ownership of 5% of the portion allotted will be applied to the shares actually allotted for a period linked to the duration of the mandate and in any case for no less than one year.

Only if the objectives set are achieved, and without prejudice to the surpassing of the access thresholds defined at the beginning of the plan, 40% of the actions initially envisaged and the remaining 60% will be allotted at the end of the total deferral period, i.e. five years after the start date of the Plan.

It should also be noted that the observation period for the targets assigned as part of the LTI component are the duration of the Business Plan: they will therefore be calculated at the end of 2023.

The respective MbO Plan and LTI Plan Regulations define the specific methods for their application.

More details about the variable component based on the traditional MbO (Management by Objectives) model and the Long-Term Incentive (LTI) system are provided in the sections below, dedicated to the same remuneration structures of the Key Staff.

Pursuant to Article 48 of the Regulation, malus and clawback clauses apply to amounts paid out or payable by way of variable compensation.

<u>The severance indemnity of the General Manager of the Parent Company</u>

The provisions of law and, where not in conflict with these provisions, the collective agreement applied by the Company in the version in force from time to time apply to the General Manager of the Parent Company.

If the employment relationship is terminated and in order to prevent or end a dispute, the Company, in accordance with the delegations from time to time in force, may enter into settlement agreements in addition to the notice required by law or contract, where due, that entail the payment of pre-determined amounts in return for the waiver of any appeal against the termination of the relationship and of any other request relating to the employment relationship. It is also possible to establish a non-compete clause and/or a ban on the transfer of employees, together with any additional non-monetary sums or benefits.

Amounts paid in settlement and accepted by the interested party include and fully replace any supplementary indemnity provided for in the collective bargaining agreement applied; the relevant financial amount is identified having in mind the reasons for termination of the relationship and the general legal context, taking into account in particular the provisions of the industry regulations.

In the event of termination of the relationship with the General Manager, as a permanent member of the Management Committee, the total amount of the sums subject to the agreement will be equal to twenty-four months' salary with the addition of twelve months' prior notice calculated in accordance with Article 2121 of the Italian Civil Code with the part relating to MbO calculated at the theoretical target value.

For the purposes of calculating the above amount relating to the settlement agreement, salary refers to the gross annual salary as provided for by Article 2121 of the Italian Civil Code, increased by the target value recognised for components of short-term variable remuneration (MbO).

The amounts referred to in this article will be paid in accordance with the rules and provisions, including internal rules and provisions, in force on the date of termination.

<u>Other components of the remuneration package of the General Manager of the Parent Company</u>

As well as instruments appropriate and/or useful for performing the role, the General Manager's remuneration package also includes certain benefits, including a company car, welfare scheme, insurance providing healthcare, life, sickness and accident cover, and a supplementary pension scheme as provided for by the national collective bargaining agreement in force for executives of insurance undertakings and by the Company Regulation that applies to Group Executives.

It will also be possible to provide for additional remuneration components as specified in the following sections for additional salary components valid for all employees, it being understood that, as provided for in the Regulations for Issuers, the relevant resolutions will be adopted by the Board of Directors, on the recommendation of the Remuneration Committee and in accordance with the Related Parties Procedure.

Due to the increasing complexity of the duties incumbent on corporate officers, particularly in listed companies, as well as the potential risks associated with these roles, appropriate civil liability insurance cover will also be provided (the Directors' and Officers' Liability or D&O policy: please see the Shareholders' Meeting resolution of 27 April 2002).

3.6 Remuneration of Key Staff

Considering that, as already mentioned in this document, all the staff of the Group Companies fall within the scope only of the Remuneration Policies of the Company by which they are directly employed, it is confirmed that the remuneration of Key Staff consists of a fixed component and a variable component, designed to orient the performance of resources towards the targets of the individual Companies and of the Group.

The two components (the pay mix) have been appropriately rebalanced, particularly for top management functions, to reward performance and merit, according to the strategic objectives and the risk management policy.

The fixed component is sufficient to remunerate the service if the variable component of remuneration is not paid out due to failure to achieve the target.

It should be noted that the Board of Directors, having consulted the Control Body and the Remuneration Committee, may decide, according to the relevant procedures, to take account, for the purposes of assessing the level of achievement of the gates and targets, of extraordinary events, including legislative and regulatory changes that significantly affect the structure and method of calculating the values of the parameters of the targets assigned, as well as in the event of unforeseeable exceptional changes in macroeconomic conditions or a significant deterioration of the financial environment (the “Market Adverse Change” clause).

Generally speaking, also in cases where Key Staff include staff belonging to the reference groups of the Company’s Members, the remuneration structure for these persons will be regulated by the Remuneration Policies of their respective Companies. In any case, any other individual agreements may be confirmed, or different methods of composition of the variable remuneration structure may be established according to agreements between the reference groups of the Company's Members, always in compliance with applicable legislation. This operating method may also be used for non-Key Staff.

The variable component is structured as a short-term, monetary incentive system based on the traditional MbO (Management by Objectives) model, with percentages calculated according to the level of responsibility held, with a target level of between a minimum of 25% and a maximum of 40% of the gross annual salary/individual emolument.

For the heads of the Group’s Key Functions – Internal Audit, Compliance, Risk Management and Actuarial – and for the heads of the other Group Control Functions, an incentive scheme is provided which, in view of their role, has specific characteristics designed to ensure the absence of any possible conflict of interest. The portion of the variable remuneration paid to these persons, amounting to 30% of gross annual salary, consists of the MbO system appropriately revised in accordance with applicable legislation, which establishes, *inter alia*, that such persons cannot be incentivised on the basis of results connected with the recipients’ responsibilities in the area of the Internal Control System, and that this incentive should be disconnected from the economic and financial performance of the areas subject to their control activities. In particular, in accordance with the Regulation, it is confirmed that such persons will only have individual targets *“independent of the results achieved by the operating units under their control and linked to the achievement of targets related to the effectiveness and quality of the control action, always provided that they are not in any case a source of conflicts of interest”.*

The Parent Company’s Board of Directors will assign targets to the Heads of the Group’s Key Functions and subsequently ascertain the extent to which they have been achieved.

In line with market best practices, the MbO system assigns performance indicators, including:

- The Group capital stability gate – the Group Solvency II Ratio soft limit, measured quarterly when the financial documents are presented, calculated net of new capital increases other than those already approved, including if they have not yet been carried out, and after taking distributed profit into account.

If there is a breach of this limit, the gate will still be considered exceeded if this breach occurs no more than once in each year of the vesting period and provided that it is recovered within the following quarter.

- The gate relating to the presence of profit that may be distributed to shareholders;
- Collective targets related to the actual achievement of operating profit, which excludes the most volatile components (e.g. disposals, write-downs, other one-offs) from the consolidated income statement in accordance with IAS/IFRS with a view to giving more evidence of business performance, as provided for in the budget, as well as the annual level of Return on Risk-Adjusted Capital (RORAC);
- Individual efficiency and project development targets, depending on the role held in the company by the assignee and in any case predetermined, measurable and linked to the Business Plan.

Also with regard to the provisions of EU Regulations 2019/2088 and 2020/852 on sustainability reporting in the financial services sector, it is confirmed that certain indicators relating to sustainability and corporate social responsibility will be progressively and gradually included in the identification of individual targets of the MbO system.

The division of targets into collective, area and individual targets is consistent with established practice, as it embodies the principle that every role at the company, on the basis of its responsibilities, contributes not only to the achievement of individual targets, but also those of the team to which the person belongs and then to those of the company and the Group.

The short-term incentive system adopted provides for:

- the passing through of the gates, as defined above, as basic conditions for payment of the bonus;

- that the overall performance level used for the payment of the premium is based on the scenarios specified below which apply both to the measurement of the percentage of achievement of each individual target and to the calculation of overall performance, it being understood that below the minimum threshold no value will be counted either on the individual indicators or at the overall level, and that the maximum performance percentage to be calculated will be 130% of the target values assigned both at the individual indicator level and at the overall level.

The performance scenarios may therefore be:
1) an insufficient performance below the threshold level (no value will therefore be counted);
2) a threshold performance (minimum acceptable – for most indicators equal to 90% of the target level);
3) a target performance equal to the full achievement of the targets;
4) an overperformance that exceeds the targets set.

Single indicator performance level	**% of performance**
Less than minimum threshold	0%
Minimum threshold	90%
Target level	100%
Overperformance	130%

The payout curve, calculated on the basis of overall performance, given by the sum of the percentage of the individual indicators appropriately weighted (as defined above), is determined as follows;

1) insufficient **overall** performance and therefore a bonus level of zero;

2) an **overall** performance threshold of 80% with a bonus level of 50% of the target value;

3) an **overall** performance level of 100%, equal to full achievement of the targets, with a bonus level of 100% of the target value;

4) an **overall** performance of 130% that exceeds the targets set (overperformance) with a bonus level of up to 150% of the target value.

Overall performance level	**% of overall performance (sum of weighted individual performance indicators)**	**% payout**
Less than minimum threshold	< 80%	0%
Minimum threshold	80%	50%
Target level	100%	100%
Overperformance	130%	150%

In any event, the actual payout of the short-term remuneration system (MbO) will take place, in addition to compliance with any provisions and recommendations by the Supervisory Authority or other competent authorities, also on condition that on the scheduled payout date, the Company's Solvency II Ratio soft limit has been complied with; if this limit is breached, the tranche will be assigned in the month following the first financial report certifying the return within the Company's Solvency II Ratio soft limit.

The payout methods and the relevant timescales are duly governed by the regulations of the relevant plan.

Provision is also made for a closed long-term share-based incentive system (the Long Term Incentive or LTI system) linked to performance targets over a multi-year time horizon, in line with the term of the Business Plan, with assignment percentages ranging from 30% to 60% of gross annual salary for each year of the Plan.

In accordance with the new organisational structure defined at the end of last year, the scope of the beneficiaries of the Long Term Incentive (LTI) Plan consists of key individuals in strategically responsible roles – General Manager and Deputy General Managers –, other members of the Management Committee and other executives who report directly to the Chief Executive Officer and the General Manager.

Additional categories of executives and non-executives may also be included among the beneficiaries, appropriately identified by the Company according to specific criteria including their classification, role and organisational position and the level of responsibility assigned to them, or other employees who are beneficiaries of such an arrangement according to individual commitments or previous agreements.

On the recommendation of the Chief Executive Officer and following a resolution of the Board of Directors, having consulted the Remuneration Committee, the long-term variable incentive system may also be reserved for certain categories of employees with high organisational and digital skills who have demonstrated ongoing superior performance.

The long-term variable component consists of a three-year plan at the end of which, subject to the achievement of pre-determined targets, shares of the Parent Company will be allotted free of charge (performance shares) according to the procedures set out in the relevant Plan Regulations. Specifically, the number of shares potentially allotted to each recipient is determined at the beginning of the Plan as the ratio between the target incentive bonus amount (defined as a percentage of gross annual salary) and the share value calculated as provided for in the Plan Regulations.

The LTI system indicators are:

- the Group capital stability gate – the Group Solvency II Ratio soft limit, measured quarterly when the financial documents are presented, calculated net of new capital increases other than those already approved, including if they have not yet been carried out, and after taking distributed profit into account. If there is a breach of this limit, the gate will still be considered exceeded if this breach occurs no more than once in each year of the vesting period and provided that it is recovered within the following quarter.
- the gate relating to the presence of profit that may be distributed to shareholders;
- a target linked to the Parent Company stock: Total Shareholder Return (TSR), with a weighting of 30%, which relates to the growth in the Cattolica share price in the period 2021-2023 plus dividends in the event of their reinvestment, compared with the performance of the Eurostoxx Europe 600 Insurance index in the same period;
- the Operational ROE target envisaged in the Business Plan with a weighting of 70%.

The long-term incentive system adopted provides for:
- the passing through of the gates, as defined above, as basic conditions for payment of the bonus;
- each of the indicators contributing **independently** to defining the overall performance level, it being understood that for both indicators, a threshold level, a target level and an overperformance level will be established.

At the end of the final accounting, there can therefore be four performance scenarios relating to each indicator, and the sum of the payout values, calculated on the individual indicators and appropriately weighted, will determine the overall payout, as shown in the following table:

RoE	% of performance	% payout	% weight	**% weighted payout**
Less than minimum threshold	< 90%	0	70%	**0**
Minimum threshold	90%	50%		**35%**
Target level	100%	100%		**70%**
Overperformance	130%	150%		**105%**

TSR	% of performance	% payout	% weight	**% weighted payout**
Less than minimum threshold	< 90%	0	30%	**0**
Minimum threshold	90%	50%		**15%**
Target level	100%	100%		**30%**
Overperformance	130%	150%		**45%**

As provided for by the applicable provisions, in order to align the incentives awarded with the company's long-term interests, an obligation to retain ownership of 5% of the allotment will also be applied to the shares actually allotted for a period of 12 months from the allotment date.

These constraints also remain after the relationship with the beneficiary has ended, without prejudice to the right of the Board of Directors to redefine the time limits and procedures for all the lock-up constraints indicated above.

In any event, the actual transfer of the shares will take place, in addition to compliance with any provisions and recommendations by the Supervisory Authority or other competent authorities, also on condition that on the allotment date of each tranche of shares, the Company's Solvency II Ratio soft limit has been complied with; if this limit is breached, the tranche will be assigned in the month following the first financial report certifying the return within the Company's Solvency II Ratio soft limit.

In addition, in compliance with the relevant legislation, both incentive systems include *ex-post* malus and clawback corrective actions, the application criteria for which are described in the respective Regulations.

More details about the variable components of remuneration, including how they are paid out, deferred and conserved, can be found in the Report on the Remuneration Policy of the Group's insurance companies incorporated in Italy.

The payout methods and the relevant timescales are duly governed by the regulations of the relevant plan.

3.7 Other components of the remuneration package for all staff

Within each area of competence, the dedicated corporate bodies and the Organisation and Human Resources Department are entitled, according to the powers assigned to them and the implementation processes in place within the Group, which comply, where applicable, with the provisions of the Regulations for Issuers on related party transactions, to define for employees, including non-Key Staff, the payment of specific one-off amounts during the hiring phase (e.g. entry bonus/stay bonus/guaranteed bonus, additional benefits), by way of compensation for any loss of incentives accrued at the previous employer or to attract new talent and acquire professionalism present on the market.

It will also be possible to grant supplementary and improvement benefits in addition to the individual pay structure for certain types of staff, including those that are not Key Staff. These benefits will be granted according to specific criteria and assessments relating, for example, to particular organisational positions, the achievement of the performance targets assigned, participation in development projects or growth paths, retention actions, the level of experience and expertise gained, the ability to use and develop other management levers, participation in particular corporate projects, or other reasons of an extraordinary nature. Such supplementary and improvement benefits may take the following forms, by way of example:

- "one-off" benefits;
- supplementary benefits to be paid for non-ordinary events;
- considerations for retention shares;
- other extraordinary reasons;
- a non-compete or stability agreement in accordance with best market practice;
- components of the variable portion of short- or long-term remuneration, including with the possibility of providing for a "guaranteed" payment for a certain period;
- annual or multi-year compensation packages;
- improvement and/or supplementary benefits provided for under applicable legislation;
- allotment of fringe benefits;
- adjustments to compensation levels according to market benchmarks or to align them with median internal salaries;
- further benefits to be assessed according to specific cases and in line with best market practice, by adapting or supplementing the remuneration and benefits systems in place in order to also promote high performance levels not provided for in the normal bonus systems.

In addition, the above benefits may be granted for the specific purpose of retaining "qualified" staff or for other extraordinary reasons.

The Company may also pay any exceptional bonuses in connection with extraordinary transactions and/or results (such as, for example, divestments, acquisitions, mergers, reorganisation or streamlining processes), that are significant enough to have a substantial impact on the value and volumes of the Company's business and/or on its profitability and for which the variable remuneration systems are unlikely to be adequate, such as to justify the additional disbursement.

In any case, the above payouts:

- are payable only if they are compatible with the company's capital and solvency situation and, in particular, compliance with the Solvency II Ratio soft limit from time to time in force;
- are properly justified and defined in line with the decision-making processes for individual beneficiaries and may not be paid more than once on the same grounds;
- if extraordinary bonuses are paid to Strategic Executives or Key Staff, are subject to malus and clawback clauses in the 5 years following payout in the event of a breach of codes of ethics or if the financial and solvency conditions subsequently prove to be unfounded.

The maximum value of supplementary and improvement benefits to the individual remuneration structure – excluding the short- and long-term variable remuneration system and payments made during the hiring phase – to be paid to each beneficiary concerned for each year, may not normally exceed 50% of the gross fixed annual remuneration. In specific cases where the value of the payment exceeds the percentages indicated above, a specific opinion of the Remuneration Committee and a consequent resolution of the Board of Directors on the reasons for this exception will be required, provided that the soft limit of the Solvency II Ratio in force from time to time is complied with. In the event of payment to Executives with Strategic Responsibilities, the relevant resolution is adopted by the Board of Directors, having consulted with the Remuneration Committee, in accordance with the Related Party Transaction Procedure.

They complete the remuneration package for staff who are not Key Staff: accommodation allowance, company car for mixed use, as defined in the company's Car Policy, and supplementary benefits in addition to that provided for in the national collective bargaining agreement, in relation to health and social care, together with improvement benefits relating to supplementary pensions, through the payment of a higher percentage of company contributions than provided for in the national collective bargaining agreement, without prejudice to any individual more favourable agreements. In addition, given the increasing complexity of management tasks, especially in listed companies, as well as the potential risks attributable to these positions, appropriate civil liability insurance cover is provided. Provision is also made for the package to be supplemented by dedicated forms of corporate welfare.

For non-executive staff who are not Key Staff, some of the above arrangements may apply, and conditions are also provided that are more favourable than the national collective bargaining agreement for that category in the field of health and social care and supplementary pensions. The Group Supplementary Agreement governs arrangements that include the benefits and cover provided for by the national collective bargaining agreement and increase the percentage of the company contribution to the supplementary pensions paid through a Group Pension Fund.

3.8 Remuneration of other persons under the regulations and other employees subject to variable remuneration

For any clarifications about the remuneration structure for some “specific individuals” that may be present in some Group Companies, please refer to the documentation of these Companies.

3.8.1 Other employees subject to variable remuneration

In addition to what has been specified, both short-term and long-term variable remuneration systems can be set up within the Group, for both executive staff and other categories of employees and officers, including those who are not Key Staff, and staff who have particularly important roles and/or specific skills.

At the end of an analysis that took into account the hierarchical level, organisational positioning and the assessment of the position held, some non-executive organisational positions deemed critical for the continuity and development of the Company's business were identified. For these individuals, a specific incentive system is provided, in addition to the allocation of a company car for mixed use, which entails the payment of annual variable remuneration of a monetary nature (MbO) equal to 25% of the gross fixed annual remuneration, according to the criteria and methods provided for in the MbO regulations in force for the other categories of beneficiaries of this arrangement.

In the interests of completeness of information, it should also be noted that following the application of the performance assessment system, also for this year a specific incentive system is provided for the entire non-executive population of the companies incorporated in Italy, linked to targets and projects previously assigned and the assessment of organisational behaviours recognised as a fundamental guide to the activities of each employee.

The aforementioned incentive schemes are based on general principles and where applicable on the application criteria already present in the current Policies and may consist of financial or share-based remuneration as well as dedicated company welfare or other benefits.

3.8.2 The supervisory body

The financial benefits payable to executives who are internal members of the Supervisory Body are included in the remuneration package (Gross Annual Salary, MbO and other components described in this policy) for executives of the Parent Company. The financial benefits of external members are defined by the BoD.

3.8.3 Insurance and reinsurance intermediaries

The remuneration policies established for intermediaries are established by the Company in accordance with the principles of the Group's remuneration policy, using an approach designed to define compensation and incentives consistent with the principles of sound and prudent management and alignment with the overall strategy through objectives and incentive systems designed to reward the contribution made to the achievement of the Group's targets, the profitability and equilibrium of the company concerned in the long term and not incentivising conduct contrary to the obligation to behave correctly with regard to policyholders.

3.8.4 Outsourcers

In the case of outsourcing, companies adopt remuneration policies consistent with sound and prudent management and in line with their strategic objectives, profitability and equilibrium. They also avoid remuneration policies that are exclusively or predominantly based on short-term results that encourage excessive exposure to risk.

3.9 Severance payments

In the event of termination of the employment relationship of the Deputy General Managers of the Parent Company and the other members of the Management Committee of the Parent Company (for the General Manager, please see the specific rules described above), except in the case of dismissal for just cause, settlement agreements will be entered into that provide for the payment of a predetermined amount equal to twenty-four months' salary, in addition to the notice required by law or contract.

For the purposes of calculating the above amount, “salary” refers to the gross annual salary as provided for by Article 2121 of the Italian Civil Code, increased by the average value, in the last three years or any shorter period of services rendered, of the accrued components of short-term variable remuneration (MbO). The provisions of the Plan regulations will apply to long-term variable remuneration.

The payment of this sum provided for in the settlement agreement is in any case subject to the waiver by the executive, to be ratified in a protected location as provided by law, of any appeal against the termination of the employment relationship, i.e. its express irrevocable acceptance, and of any other request for any reason relating to the employment relationship, and any current and/or potential litigation against the employing Company and the Cattolica Group. Within the settlement agreement it is also possible to establish a non-compete clause and/or a ban on the transfer of employees, together with any additional non-monetary sums or benefits.

The amount recognised and accepted by the interested party in the context of the above general novative transaction includes and fully replaces any additional indemnity provided for in the collective agreement applied and any other benefits, however named, of a compensatory and/or replenishing nature, with the exception of the notice period, as indicated above, and the other severance entitlements established by law or by contract.

The amounts referred to in this article will be paid in accordance with the rules and provisions, including internal rules and provisions, in force on the date of termination.

The provisions of law and, where not in conflict with these provisions, the collective agreement applied by the Company in the version in force from time to time apply to remaining staff, including non-Key Staff.

If the employment relationship of such additional staff is terminated, in order to prevent or end a dispute, the Organisation and Human Resources Department, in accordance with the delegations from time to time in force, may enter into settlement agreements in addition to the notice required by law or contract, where due.

3.10 Communication of the variable remuneration system

Due to the multiple corporate functions involved, appropriate channels and information flows need to be prepared.

The starting point of the internal communication process is the Board of Directors of each Group insurance company, which periodically reviews the Remuneration Policies approved by the Shareholders’ Meeting, proposing appropriate amendments to the same, also in the light of the experience of application.

On the basis of what was approved in the Remuneration Policies and any further application guidelines received from the Board of Directors, the Group Organisation and Human Resources Department involves the other relevant corporate functions, each within its own area of competence. Specifically:

- it coordinates with the other functions dedicated to this for the targets and the relevant performance indicators, with the Risk Management Function for the identification of staff and to ensure that the performance targets take account of risk and with the Compliance Function for the targets and the relevant compliance indicators;
- it proposes the overall incentive system and the relevant regulations, for *ex ante* verification by the Risk Management and Compliance Functions. Following the controls and approvals, the Human Resources Function informs the recipients of the incentive system of its characteristics (for example the criteria used to assign the targets, the ratios of these targets, the methods used to calculate variable remuneration and the verification and

payout procedures), by delivering the target information sheet, the appropriate regulations and the relevant accompanying and explanatory letter;

- at the end of the period of observation of each incentive system, it receives adequate information flows on whether or not the entry gate and individual target thresholds have been reached by the following functions, each within its own area of competence: P: The VGM CFO, the P&C, CDG and Capital Management Department and the Business Plan Review and Plan Monitoring, Administration, Actuarial Assessments (subject to certification by the Actuarial Function), Risk Management and Compliance Functions;
- calculates, for each recipient, the variable component, where actually accrued.

3.11 Remuneration Policy audits

The Remuneration Policies and the procedures through which they are implemented are audited by the Group's Key Functions, as expressly provided for in Article 58 of the Regulation.

These controls are usually carried out *ex ante* for the Risk Management and Compliance Functions, and typically, *ex post*, on a sample basis, for the Internal Audit Function.

The Key Functions report, as part of their periodic reporting, on the results of the controls carried out, each according to its own competence and procedures, to the Remuneration Committee and to the Control and Risks Committee, where present, and to the Board of Directors.

SECTION II – 2020 REMUNERATION

1.1 Premises and principles of implementation of the 2020 Remuneration Policy

The Remuneration Policies and their implementation are based on the fundamental principles of fairness and ethics, strategic consistency and adaptation to sound and prudent risk management. The remuneration payments made during the year were consistent with the general principles and the remuneration structures set out in the Remuneration Policies in force in each Group insurance company. Conformity to these principles is assessed each year by the Group's Key Functions in relation to the measures taken to implement the Policies.

1.2 2020 Remuneration

With regard to compensation paid during 2020, it should be noted that:

- the payment of the short-term variable component (MbO) for the 2019 results was suspended for all recipients, including the General Manager, as the Board of Directors has incorporated IVASS recommendations on dividend distribution and remuneration policies;
- with regard to the short-term and long-term variable remuneration components for 2020, it is confirmed that: the capital stability gates and the presence of distributable profit allotted in the incentive system were achieved;
- in accordance with the opinions issued by the competent European and national supervisory bodies - with reference, *inter alia*, to the IVASS recommendation of 29 December 2020, the payment of variable remuneration components not yet paid out for 2019 and 2020 has been suspended. The relevant payout will be made according to criteria of prudence and attention to the level of risk and after prior consultation with the Supervisory Authority;
- on completion of the extraordinary project for the implementation of the partnership agreement with Assicurazioni Generali, an extraordinary one-off premium, divided into two tranches, was defined in 2020 for staff with significant involvement in drawing up this agreement, in view of the substantial additional contribution made to the relevant project activities. The first tranche was paid in 2020;
- the second tranche, which relates to the achievement of the benefits of the partnership agreement, in accordance with the guidance received from the Supervisory Authority, has been suspended. Whether it is appropriate, and the possible consequent payout method, will be assessed by the Board of Directors, having regard to compliance with the recommendations received, as well as the criteria of prudence and attention to the level of risk.
- In order to maximise the Company's human capital, in 2020 also, part of the long-term share-based incentive plan (LTI) was reserved for employees who, although not in the category of Key Staff, had high-level organisational and digital skills and demonstrated ongoing superior performance. These persons were granted a variable incentive of 25% of the gross annual salary to be paid according to the criteria, methods and conditions established for the other beneficiaries of the 2018-2020 Share Plan, including with reference to the provisions of the Supervisory Authority relating to the payout of this incentive.

For completeness of information, it should be noted that, in accordance with the current Policies, a monetary short-term variable remuneration system was activated during 2020 for executive staff not in the category of Key Staff, using the same methods and with the same criteria as the short-term remuneration system (MbO) already described for Key Staff. In this case also, the payout will take place according to the methods, criteria and conditions established for the other beneficiaries of the 2020 MbO Plan, including with reference to the provisions of the Supervisory Authority.

It should also be noted that, following the application of the specific performance assessment system for non-executive staff, in 2020 beneficiaries were paid the amounts provided for by this incentive system according to the level of performance achieved, linked to previously assigned targets and projects and the assessment of organisational behaviours recognised as a fundamental guide to the activities of each employee.

More details on Remuneration in 2020, including the methods of disbursement, deferral and evidence of organisational movements affecting key staff, can be found in the 2021 Report on Remuneration Policy and 2020 Remuneration of the Group's Italian insurance companies. Without prejudice to the above, it should be noted that on 4 August 2020 the Board of Directors of the Parent Company unanimously resolved to appoint Carlo Ferraresi as Chief Executive Officer of the Company, while continuing to act as General Manager.

1.3 Controls carried out by the Key Functions in 2020

The Group's Key Functions, and in particular the Internal Audit, Risk Management and Compliance Functions, each within their own area of competence and in accordance with the Remuneration Policies of the individual Group Companies approved by the Shareholders' Meeting, have carried out controls on the definition and application of these policies.