



Remuneration  
Report  
Poste Italiane SpA  
**2017**

**Posteitaliane**



# Remuneration Report Poste Italiane SpA **2017**

*This document has been translated into English solely for the convenience of the international reader. In the event of inconsistency between the terms used in the Italian version of the Report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.*

**Posteitaliane**

# Statement from the Chairman of the Remuneration Committee

Dear Shareholders,

I should like to begin by stressing that the work carried out, over the last year, by the Remuneration Committee I chair was aimed at achieving the following goals:

- to put in place remuneration and incentive systems designed to reward the creation of stakeholder value;
- to support the achievement of strategic objectives;
- to reinforce conduct oriented towards sustainable growth;
- to attract and motivate Poste Italiane's best people.

In keeping with last year, the Remuneration Committee worked to consolidate and continually improve the Group's remuneration and incentive policies, aligning them not only with the related statutory requirements, but also increasingly with best market practices.

The composition of the Remuneration Committee changed during 2016, with the arrival of Mimi Kung as one of its members. Umberto Carlo Maria Nicodano left the Committee and I should like to express my personal thanks to him for his hard work.

As in 2015, 2016 witnessed many firsts:

- a. Poste Italiane's first ever Remuneration Report was presented to the Annual General Meeting, with 99.3% of shareholders voting in favour of the First Section of the Report .
- b. A long-term equity-based incentive plan was implemented for the first time by Poste Italiane. We believe that this will help to further align the interests of management with those of shareholders.
- c. Development of the Guidelines for BancoPosta RFC's remuneration and incentive policies continued with the objective of bringing them into line with the need to ensure a prudent approach to risk and sustainable growth in this area of operation.

The Remuneration Report for 2017 aims to provide the utmost transparency regarding the Group's remuneration policies, in order to assist our stakeholders in understanding Poste Italiane's remuneration and incentive systems.

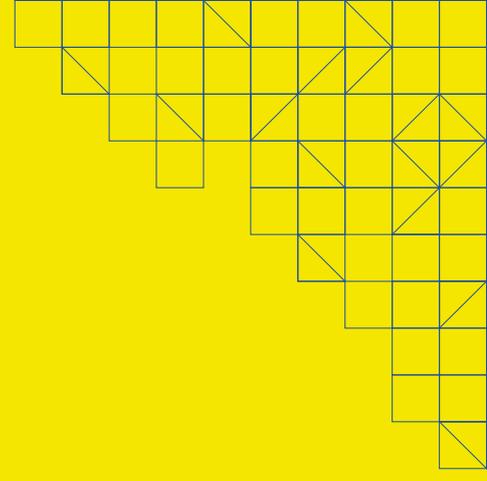
I wish to thank our investors and Proxy Advisors for the time they have dedicated to discussion of issues surrounding remuneration. This process of sounding out opinion and assessing expectations has helped us to identify improvements in our remuneration policies, for the benefit of all our stakeholders.

Finally, on behalf of my colleagues on the Remuneration Committee, Mimi Kung and Elisabetta Fabri, I should like to thank you, the shareholders, for the time you will take to read this document and for the support which, I hope, you will give for the policies it sets out to present.

FILIPPO PASSERINI  
*Chairman of the Remuneration Committee*  
*Poste Italiane SpA*



# General Index



Remuneration Report 2017  
Poste Italiane SpA

**06**

Annex:  
Guidelines for BancoPosta RFC's remuneration  
and incentive policies for 2017

**48**





# Contents

## Remuneration Report 2017 Poste Italiane SpA

---

<b>1. INTRODUCTION</b>	<b>10</b>
<b>2. SUMMARY</b>	<b>12</b>
<b>3. SECTION ONE</b>	<b>14</b>
3.1 Implementation of remuneration and incentive policies	14
3.1.1 General Meeting of Shareholders	14
3.1.2 Board of Directors	15
3.1.3 Remuneration Committee	15
3.1.4 Board of Statutory Auditors	17
3.1.5 Independent experts	18
3.1.6 Other entities	18
3.2 Purposes and general principles	18
3.3 Market practices	19
3.4 Remuneration and incentives policies for 2017	19
3.4.1 Fixed remuneration	19
3.4.2 Variable remuneration	20
3.4.2.1 Short-term incentive plan (MBO)	20
3.4.2.2 Long-term incentive plan (LTIP)	22
3.4.3 Severance payments due on termination of employment	24
3.4.4 Benefits	25

3.5	Remuneration of Directors, Statutory Auditors and Key Management Personnel	25
3.5.1	Chairwoman of the Board of Directors	25
3.5.2	Non-executive Directors	26
3.5.3	Board of Statutory Auditors	26
3.5.4	Chief Executive Officer and General Manager	26
3.5.4.1	Short-term incentive plan (MBO)	27
3.5.4.2	Long-term incentive plan (LTIP)	29
3.5.5	Key Management Personnel	31
3.6	Pay mix	32
3.7	Clawback provisions	33
<b>4.</b>	<b>DEFINITIONS</b>	<b>34</b>
<b>5.</b>	<b>SECTION TWO</b>	<b>36</b>
5.1	Remuneration paid in 2016	36
5.2	Tables – CONSOB Form 7- <i>bis</i>	40
5.3	Tables – CONSOB Form 7- <i>ter</i>	45
	Annex required by art. 84- <i>bis</i> of the CONSOB’s Regulations for Issuers – Long-term incentive plan 2016-2018 (LTIP) – Phantom Stock Plan	46

# 01 Introduction

This document has been prepared by Poste Italiane SpA (“Poste Italiane”, “the Parent Company” or “the Company”) in accordance with Legislative Decree 58/1998 – art. 114-*bis* and 123-*ter* – and the Regulations for Issuers – art. 84-*quater*. It is divided into two sections:

- **section one**, which describes the remuneration and incentive policies for 2017, drawn up in line with the Company’s governance model and in keeping with the provisions of the Corporate Governance Code;
- **section two**, which provides information on the remuneration paid in 2016 (by name in the case of members of the Board of Directors and Board of Statutory Auditors and in aggregate form for Key Management Personnel).

As regards personnel identified as working for BancoPosta RFC and, in particular, those classified as the Parent Company’s Material Risk Takers<sup>(1)</sup>, details are provided in the Annex “*Guidelines for BancoPosta RFC’s remuneration and incentive policies for 2017*”, prepared in accordance with Bank of Italy Circular 285 of 17 December 2013 (as amended) and article 450 of EU Regulation 575 issued by the European Parliament and Council on 26 June 2013 (the so-called Capital Requirements Regulation, or “CRR”).

The remuneration policies described in section one apply to Poste Italiane SpA and its subsidiaries (“the Group” or “Poste Italiane Group”). The policies are to be used as guidance in the case of subsidiaries subject to specific regulatory requirements (such as, for example, Poste Vita SpA) that adopt remuneration policies compliant with those regulatory requirements.

Poste Italiane’s remuneration and incentive policies are based on the statutory requirements from time to time in effect and comply with the recommendations of the Corporate Governance Code, which the Company adopted by Board of Directors’ resolution of 31 July 2015.

In preparing this document and the Annex, Poste Italiane SpA has engaged the services of EY as consulting firm in order to draw up its remuneration and incentive policies and present the quantitative disclosures provided in the tables, in line with the applicable statutory requirements and best market practices.

The principal changes with respect to section one of the Remuneration Report 2016, with particular regard to the Chief Executive Officer and General Manager (“CEO-GM”) are:

- **Short-term incentive plan (MBO):**
  - 50% of both up-front and deferred payments are equity-based. The chosen instruments are **phantom stocks**, with each stock representing the value of a Poste Italiane SpA share. The phantom stocks awarded are subject to retention periods of two years (for the up-front portion) or one year (for the deferred portions).
  - **Increase in the deferred portion and deferral period:** 60% of the variable component will be subject to deferral for a period of 5 years.
  - In order to take account of customer centricity, a **Customer Experience** indicator is to be included in the KPIs used for the Plan.
  - The 3 performance hurdles (Group EBIT, BancoPosta RFC’s CET 1 and LCR) will also be used in 2017, raising the levels (from a cap to a hurdle) with respect to BancoPosta RFC in keeping with the risk appetite framework (“RAF”).

(1) The term “Material Risk Taker” or “MRT” refers to categories of staff falling within the scope of application of the remuneration and incentive policies of BancoPosta whose activities have a material impact on the entity’s risk profile, as identified by the Company in accordance with Delegated Regulation (EU) 604 of 4 March 2014 (see Annex: “*Guidelines for BancoPosta RFC’s remuneration and incentive policies for 2017*”).

- **Long-term incentive plan (LTIP):** in line with the above, a further hurdle is to be introduced into the plan from the second award cycle, in addition to the three used for the first cycle (Cumulative Group EBIT over a Three-year period, BancoPosta RFC's CET1 and LCR at period end), linked to BancoPosta RFC's RORAC; the aim is to reinforce the link with the risks associated with the CEO-GM's variable pay under the LTIP.
- **Severance payments on termination of employment:** these will be subject to the same rules applied to the variable component of remuneration, with regard to the manner of deferral, equity-based payments and the assessment of compliance with BancoPosta RFC's minimum capital and liquidity requirements (both for up-front and deferred portion).

Compared with the remuneration and incentive policies for 2016, this document also provides more information on the Performance Indicators used in the short- and long-term variable incentive plans, whilst giving more information on ex post adjustments in section two.

Finally, it should be noted that the CEO does not take part in Board of Directors' meetings when discussion of his remuneration and the related performance targets takes place.

## 02 Summary

The remuneration policies establish the principles and guidelines to be applied in determining the compensation payable to members of the Board of Directors, with particular regard to the Chief Executive Officer and General Manager (“CEO-GM”), and the Board of Statutory Auditors, and the criteria for establishing the remuneration payable to Poste Italiane’s other Key Management Personnel, generally meaning the heads of the various functions reporting directly to the CEO-GM, as well as the Manager Responsible for Financial Reporting.

In line with the principles and objectives defined, the remuneration policies may be summarised as follows:

COMPONENT	PURPOSE	KEY CHARACTERISTICS
<b>Fixed remuneration</b>	<p>Fixed pay reflects the complexity of the role, the responsibilities assigned and the expertise needed for each position.</p> <p>The adequacy of pay is assessed on the basis of considerations regarding the principles of internal equity and external competitiveness.</p>	<p>Fixed pay is generally benchmarked with comparable roles in terms of responsibility and complexity, using:</p> <ul style="list-style-type: none"> <li>– a job evaluation framework regularly monitored by the Company and certified periodically by an independent international company that owns the evaluation methodology;</li> <li>– specific pay benchmarking, conducted with the support of an independent consulting firm in order to compare remuneration with market rates;</li> <li>– qualitative assessments of personnel, with regard to individual performance, the person’s importance to the business and his or her potential.</li> </ul> <p>Market benchmarking is generally conducted with reference to median levels of pay.</p>
<b>Short-term incentive plan (MBO)</b>	<p>Short-term variable remuneration aims to strengthen the focus on the creation of value, in keeping with the Company’s strategies and the budget, linking the payment of annual bonuses with actual performance in the relevant year.</p>	<p>The plan involves <b>hurdles that trigger payment</b>:</p> <ul style="list-style-type: none"> <li>– Group EBIT for Key Management Personnel as a whole;</li> <li>– in addition, appropriately defined hurdles for specific personnel – including the CEO-GM – subject to specific regulatory requirements.</li> </ul> <p><b>Management is incentivised to achieve targets relating to financial performance, customer experience and in relation to their function.</b></p> <p>The Internal Auditing function and the Manager Responsible for Financial Reporting are not set financial targets.</p> <p>Specific targets and methods of payment are used for personnel subject to specific regulatory requirements.</p> <p><b>A maximum level of over performance</b> has been set, above which the incentive remains constant, as has a hurdle, below which the incentives do not apply (and there is therefore no payment due).</p> <p><b>Payment</b> takes place, under the different methods, after approval of the annual financial statements.</p> <p><b>60%</b> of the <b>CEO-GM’s</b> short-term variable component is <b>deferred</b> for a period of <b>5 years</b> (pro-rata). 50% of both up-front and deferred payments are made in the form of equity-based payments subject to a retention period.</p> <p><b>Clawback provisions apply.</b></p>

COMPONENT	PURPOSE	KEY CHARACTERISTICS
<b>Long-term incentive plan (LTIP)</b>	Long-term variable remuneration aims to focus personnel's attention on the achievement of strategic objectives and value creation over the long term, linking the payment of bonuses with actual performance over a period of several years.	<p>The long-term incentive plan involves the <b>award</b> to beneficiaries of <b>phantom stocks</b> granting them the right to receive stock representing the value of Poste Italiane SpA's shares at the end of a <b>performance period of three years</b> for each award cycle.</p> <p>Award of the incentives is linked to achievement of a predetermined hurdle for <b>cumulative Group EBIT</b> (the performance hurdle) over the <b>three-year period</b>.</p> <p>The performance indicators assessed on a three-year basis are:</p> <ul style="list-style-type: none"> <li>– <b>cumulative Group EBIT</b></li> <li>– Poste Italiane's <b>Total Shareholder Return (TSR)</b> compared with the <b>FTSE MIB TSR</b>.</li> </ul> <p>Certain personnel operating in roles subject to specific regulatory requirements also have to meet certain Qualifying Conditions and specific performance indicators that are aligned with the regulations.</p> <p>Payment is made at the end of the vesting period, with the exception of certain personnel – including the CEO-GM – subject to specific regulatory requirements, for whom a further one-year retention period applies.</p> <p><b>Clawback provisions apply.</b></p>
<b>Benefit</b>	Benefits further supplement the remuneration package as a whole, making it competitive with the market.	Benefits are in line with market practices and are provided on the basis of the role held and the responsibilities assigned.
<b>Termination of employment</b>	Severance payments in the event of early termination of employment or office are determined within pre-established limits, in line with the remuneration received and with overall performance over the medium to long term, in terms of value creation.	<p>Severance payments in the event of early termination of employment are determined, on the basis of specific individual provisions/agreements, in line with existing statutory requirements and practice for comparable roles in terms of responsibilities and complexity.</p> <p>The amount resulting from application of these provisions/agreements may not, in any event, exceed the number of monthly salary payments due under the contractual period of notice, plus up to 24 months of effective global compensation.</p> <p>The amounts payable in the case of non-competition agreements (where provided for in the case of persons in key roles, whose termination may expose the Company to certain risks) are capped at one year's gross annual salary for each year covered by the agreement. Agreements generally have a duration of one year.</p> <p>Certain persons occupying roles subject to specific regulatory requirements are subject to specific methods of payment, involving deferral over several years and equity-based payments.</p>

## 03 Section one

### 3.1 Implementation of remuneration and incentive policies

The process of drawing up Poste Italiane's remuneration and incentive policies involves a number of different entities in line with the requirements established by law, the By-laws and the Company's organisational and governance model.

Information on the corporate governance processes applicable to the remuneration and incentive policies adopted for BancoPosta RFC is provided in the Annex "*Guidelines for BancoPosta RFC's remuneration and incentive policies for 2017*".

With regard to the subsidiaries subject to supervision by the Bank of Italy or the insurance regulator (IVASS), reference should be made to the remuneration and incentive policies drawn up and approved in keeping with the subsidiaries' own corporate governance processes.

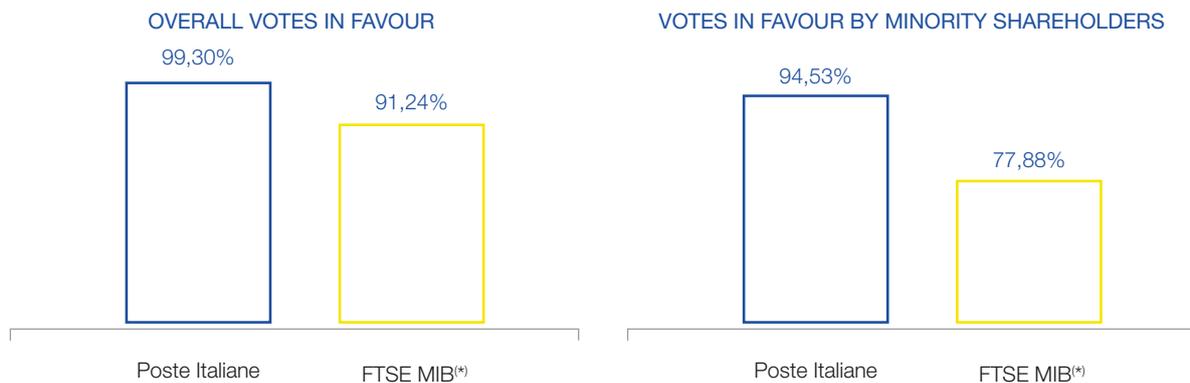
#### 3.1.1 General Meeting of Shareholders

With regard to remuneration, the General Meeting of Shareholders ("General Meeting"):

- determines the compensation payable to members of the Board of Directors and the Board of Statutory Auditors at the time of their election and throughout their term of office, in accordance with art. 2389, paragraph 1 of the Italian Civil Code;
- votes on any equity-based plans for Directors, employees or other staff, in accordance with art. 114-bis of Legislative Decree 58/1998;
- holds a non-binding vote to approve section one of Poste Italiane SpA's Remuneration Report, in accordance with art. 123-ter of Legislative Decree 58/1998.

The first Annual General Meeting, following the listing of Poste Italiane SpA's ordinary shares on Italy's screen-based trading system (Mercato Telematico Azionario or "MTA"), was held on 24 May 2016. The Remuneration Report was presented for the first time at this meeting. The response was positive both overall and in terms of the votes of non-controlling shareholders. The following graphs show the related results:

**FIGURE 1. AGM VOTE ON SECTION ONE OF THE REMUNERATION REPORT FOR 2016 – SOURCE: GEORGESON**



(\*) Based on a comparable peer group of FTSE MIB companies.

### 3.1.2 Board of Directors

With regard to remuneration, the Board of Directors, with the support of the Remuneration Committee:

- determines the remuneration policies and levels of pay for Directors with delegated powers, in consultation with the Board of Statutory Auditors, the Head of the BancoPosta function and the Manager Responsible for Financial Reporting;
- sets financial and other performance targets linked to variable remuneration for executive Directors and assesses achievement of these performance targets, and of those linked to the incentive plans for Key Management Personnel; as required by law, Directors with delegated powers must abstain during votes regarding decisions on their remuneration and not take part in discussions on this matter;
- approves the remuneration policies for Directors and Key Management Personnel and submits them for approval by the General Meeting of Shareholders;
- approves any equity-based plans and submits them for the vote by the General Meeting of Shareholders.

*Matters relating to the implementation of remuneration policies were dealt at 5 Board of Directors' meetings in 2016. In particular, at the meeting of 22 March 2016, the Board was called on to approve the Remuneration Report for 2016 (including the Annex "Guidelines for BancoPosta RFC's remuneration and incentive policies for 2016"), the long-term phantom stock Plan and the related Information Circular prepared in accordance with Art. 84-bis of the Regulations for Issuers.*

### 3.1.3 Remuneration Committee

The Remuneration Committee is responsible for researching, providing advice and making recommendations regarding remuneration and incentive schemes. Its composition, term of office, powers and procedures are governed by specific terms of reference approved by the Board of Directors of Poste Italiane SpA at their meeting of 22 September 2015.

#### Members

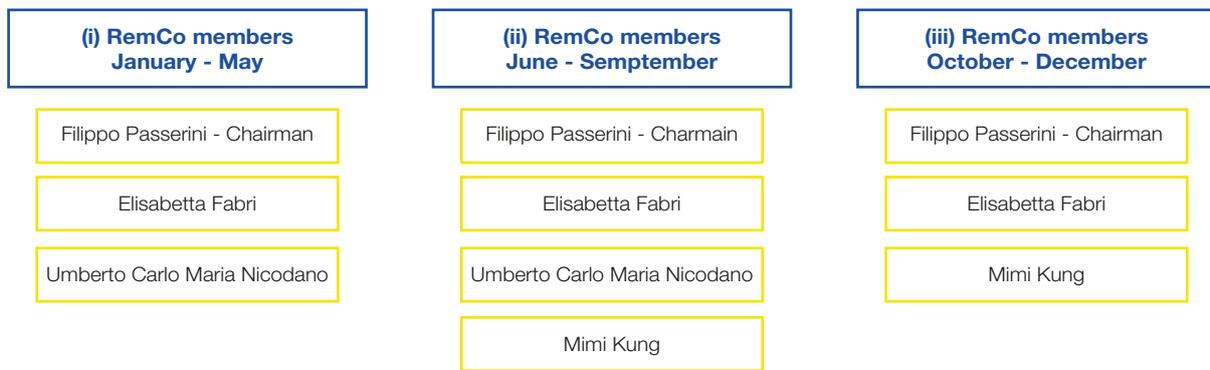
In general, Poste Italiane's Remuneration Committee consists of at least three non-executive Directors, one of whom with the role of Chair. The majority of members, including the Chair, must meet the independence requirements provided for in art. 148, paragraph 3 of Legislative Decree 58 of 24 February 1998. In addition, at least one Committee member has appropriate expertise and experience in financial matters or remuneration policies and risk management.

Committee meetings are attended by the Board of Statutory Auditors and, by invitation, other competent corporate bodies and functions.

The following were members of the Remuneration Committee in 2016: (i) Filippo Passerini (in the role of Chairman), Elisabetta Fabri and Umberto Carlo Maria Nicodano from the beginning of the year until May 2016; (ii) Filippo Passerini (in the role of Chairman), Elisabetta Fabri, Mimi Kung and Umberto Carlo Maria Nicodano from June 2016 until September 2016; and (iii) Filippo Passerini (in the role of Chairman), Elisabetta Fabri and Mimi Kung from October 2016 until the end of the year and through to the date of editing of this Report. All current members of the Committee are non-executives and meet the related independence requirements. The Committee has the necessary number of members in possession of the specific expertise and experience required by both supervisory regulations and the Corporate Governance Code.

The following figure shows changes in membership of the Committee in 2016:

**FIGURE 2. MEMBERSHIP OF THE REMUNERATION COMMITTEE IN 2016**



**Scope of activities**

The Committee has been assigned the following advisory and consultative role:

- to make recommendations to the Board of Directors regarding remuneration and incentive policies for Directors and Key Management Personnel, as required by regulatory provisions, periodically assessing the adequacy, overall consistency and effective implementation of the policies adopted, using the information provided by the CEO-GM as regards implementation of the policies;
- to present recommendations and give opinions to the Board of Directors on the remuneration of the CEO-GM and on the setting of performance targets linked to the variable component of pay, monitoring implementation of the decisions taken by the Board of Directors and assessing achievement of the above targets;
- to make recommendations regarding fixed and variable remuneration for the Head of Poste Italiane SpA's Internal Auditing, in agreement with the Audit and Risk Committee;
- to make recommendations regarding remuneration for Poste Italiane SpA's Manager Responsible for Financial Reporting;
- to examine the annual remuneration report prior to its publication in readiness for the Annual General Meeting of Shareholders called to approve the financial statements.

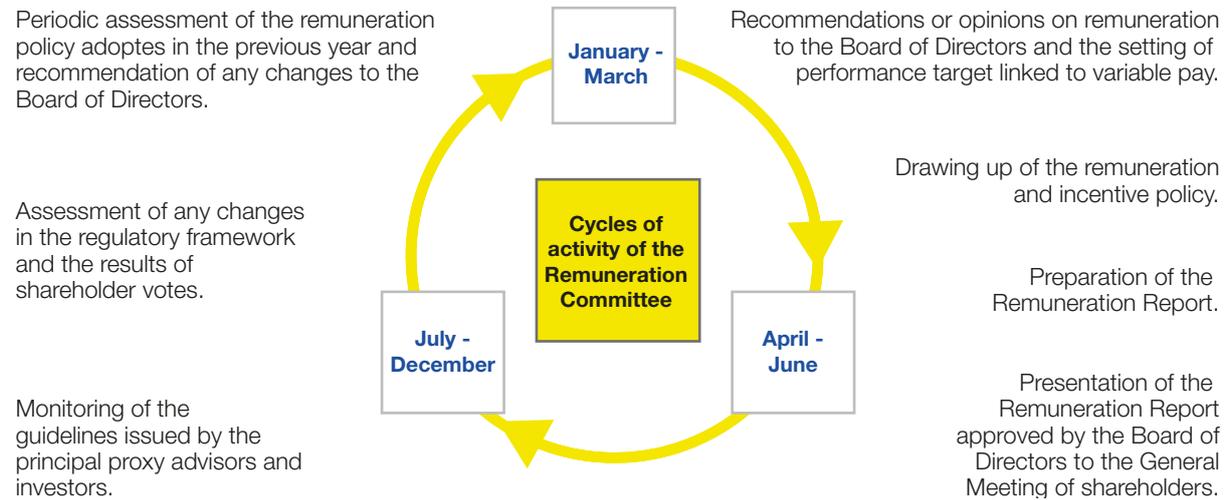
The Committee, through its Chair, reports to the Board of Directors on its activities as they take place usually at the earliest possible Board meeting, and at least once a year when it presents the Board with a periodic report on the Committee's activities also with the aim of establishing a suitable channel for communication with shareholders and investors.

The Committee has the right to access – within the limits of its assigned responsibilities – the information and corporate functions necessary in order to fulfil its role and may avail itself of independent experts in accordance with the provisions of paragraph 3.1.5 below, in accordance with the terms established by the Board of Directors and in keeping with the approved budget.

### Cycles of activity

The Committee meets periodically and with sufficient frequency to enable it to carry out its duties, in accordance with an annual calendar normally divided into the following three cycles of activity:

**FIGURE 3. CYCLES OF ACTIVITY OF THE REMUNERATION COMMITTEE**



The Remuneration Committee met on twelve occasions in 2016, focusing on the following issues relating to Poste Italiane SpA:

**FIGURE 4. MATTERS DEALT WITH BY THE REMUNERATION COMMITTEE IN 2016**

February	• Definition of the short-term incentive plan (MBO) for 2016 for the CEO-GM and Key Management Personnel
	• Definition of the long-term incentive plan (LTIP) for Poste Italiane's management
	• Definition of the remuneration policies for Directors and Key Management Personnel in 2016
March	• Approval of the proposed Remuneration Report 2016 for later approval by the Board of Directors
	• Approval of the proposed Information Circular prepared in accordance with art. 84-bis of the Regulations for Issuers regarding the «Long-Term Incentive Plan for 2016-2018 (LTIP) -Phantom Stock Plan» for later approval by the Board of Directors
April-May	• Assessment of performance for the short-term incentive plan (MBO) for 2016 and determination of the bonuses payable to the CEO-GM
June-July	• Implementation of the first cycle of the long-term incentive plan (LTIP)
October-November	• Definition of the proposal to submit to the Board of Directors regarding compensation to be paid to members of the newly formed Related and Connected Parties Committee
	• Overall presentation of existing remuneration and incentive plans at Poste Italiane and initial discussion of the remuneration policies for 2017 for the CEO-GM
December	• Assessment of performance for the second tranche of the IPO Bonus
	• Report on the levels of pay (and the potential for resulting action) of Key Management Personnel

### 3.1.4 Board of Statutory Auditors

The Board of Statutory Auditors attends Remuneration Committee meetings, providing the opinions required by law and, with regard to the remuneration of Directors with delegated powers in accordance with art. 2389, paragraph 3 of the Italian Civil Code, also checking consistency with the general policies adopted by the Company.

### 3.1.5 Independent experts

The Remuneration Committee may avail itself - within the limits of its assigned responsibilities and in accordance with the terms established by the Board of Directors - of independent experts at the Company's expense, within the limits of the approved budget, in order to obtain expert support in matters relating to risk management. Should the Committee decide to avail itself of the services of a consulting firm in order to conduct a market benchmarking of the Company's remuneration policies, the Committee must obtain prior assurance that the consulting firm is not in a situation that may compromise its effective independence of judgement.

Furthermore, the Human Resources and Organisation department, operating within the Human Resources, External Relations and Services function ("Human Resources and Organisation") may avail itself of independent experts with regard to matters relating to remuneration, with particular regard to market benchmarking, independent external certification of the job evaluation gradings assigned to different roles, the structuring of specific incentive schemes and remuneration policies.

### 3.1.6 Other entities

The Human Resources and Organisation department, following discussion with the Deputy General Manager for Human Resources, External Relations and Services and in agreement with the CEO-GM, draws up proposed remuneration policies to submit to the Remuneration Committee, without prejudice to the need to comply with the specific requirements for BancoPosta RFC and those applicable to Group companies subject to supervision with regard to the related remuneration and incentive policies.

At the request of the Remuneration Committee, Human Resources and Organisation also provides expert assistance in preparing the material necessary for the Committee to carry out its duties.

The Chief Financial Office contributes to the process of setting and assessing achievement of the financial indicators on which incentive schemes are based and assesses their sustainability.

When required by internal regulations and corporate governance processes, specific issues relating to remuneration and incentives are discussed by the Audit and Risk Committee and/or the Related and Connected Parties Committee in order to provide an opinion. The committees may, if necessary, avail themselves of the relevant internal functions.

With regard to BancoPosta RFC, reference should be made to the Annex "*Guidelines for BancoPosta RFC's remuneration and incentive policies for 2017*" for information on the duties and responsibilities of the Head of BancoPosta RFC and the related control functions.

## 3.2 Purposes and general principles

Poste Italiane's remuneration policies are designed to attract, motivate and retain high calibre professionals and management personnel capable of contributing to achievement of the primary goals of delivering sustainable results over time and creating shareholder value.

The remuneration policies play a key role in pursuit of the Company's strategic objectives by focusing on three guiding principles:

- **reward for merit and performance**, in order to encourage conduct and behaviours in keeping with the Company's values, the principles in its Code of Ethics and its strategic objectives;
- **external competitiveness and internal equity**, in order to align remuneration packages with best practices and ensure that they reflect the complexity and responsibilities involved in the various roles;
- **alignment with the Company's medium- to long-term strategic objectives**, in accordance with the risk profile, in order to direct personnel towards achievement of short-, medium- and long-term objectives in line with the expectations of shareholders and stakeholders in general.

These remuneration and incentive policies, taking into account the specific characteristics of each role, are applicable to both executive and non-executive Directors of Poste Italiane SpA and the Board of Statutory Auditors and to Key Management Personnel.

### 3.3 Market practices

The Company regularly monitors the market environment through salary benchmarking conducted by specialist international companies, in order to ensure the external competitiveness of its remuneration packages.

The businesses included in the peer group used are major Italian and international listed and unlisted companies and the markets used are differentiated on the basis of the role being analysed, as follows:

- with regard to the CEO-GM's remuneration package, the companies included in the salary benchmark were Assicurazioni Generali, Autogrill, Banca Monte Paschi di Siena, Enel, Eni, Fiat Chrysler Automobiles, Intesa Sanpaolo, Leonardo, Luxottica, Prysmian, Telecom Italia, UniCredit and UnipolSai;

The peer group consists of large Italian companies, given the domestic dimensions of Poste Italiane, and the fact that it consists of multiple businesses, given that the businesses in which the Group operates regards integrated delivery services, logistics and parcels, financial services, eCommerce, mobile telecommunications and digital communication. Moreover, given the ownership structure of Poste Italiane, the peer group includes companies that are direct or indirect investees of the Ministry of the Economy and Finance.

- the benchmark for non-executive Directors refers to companies included in Borsa Italiana's FTSE MIB index, in addition to use of a benchmark consisting of companies that are direct or indirect investees of the Ministry of the Economy and Finance;
- the salary benchmarking process for Key Management Personnel is based on a group of companies operating in various sectors; where deemed significant, reference may be made to industry groupings.

### 3.4 Remuneration and incentives policies for 2017

In general, total remuneration breaks down into fixed and variable pay, structured in such a way as to achieve a balance between the two, and benefits.

The pay mix between fixed and variable remuneration is linked to the role held and the responsibilities assigned.

In terms of overall pay, the Company's benchmarking is conducted with reference to market medians.

Remuneration is generally higher as the degree of responsibility connected with the role increases.

#### 3.4.1 Fixed remuneration

Fixed remuneration is aligned with the role held and the scope of the responsibilities assigned, reflecting the experience and skills required for each position, the degree of excellence demonstrated and the overall quality of the individual's contribution to the Company's performance.

Poste Italiane SpA uses a job evaluation framework for the various roles, certified periodically by an independent consulting firm. The evaluations reflect the scope, impact and complexity of the role. The gradings assigned to each role enable a like-for-like comparison of remuneration packages among the different roles within the Company and with the external market.

Managers' fixed pay is monitored, usually on an annual basis, and may be periodically adjusted as part of the salary review process, based on its positioning with respect to the relevant market and an overall assessment of the duties carried out. Any adjustments must take account of the available budget to ensure the sustainability of the related costs.

The salary review process provides for selective changes to fixed remuneration or one-off payments, whilst guaranteeing adequate levels of market competitiveness, internal equity and motivation for personnel. Proposed adjustments to fixed pay follow a structured process, as defined in the Remuneration Committee terms of reference, and are based on objective, non-discretionary criteria.

The remuneration of non-executive Directors and members of the Board of Statutory Auditors is restricted to a fixed component, as determined by General Meeting, and a fee established by the Board of Directors, on the recommendation of the Remuneration Committee, payable to Directors in respect of the particular position held or for membership in a Board Committee.

## 3.4.2 Variable remuneration

In line with the Company's policies, variable remuneration is directly linked to Company and individual performance. The variable component of remuneration is also determined on the basis of the scope and nature of the responsibilities assigned, and with reference to market practices.

Variable pay is capped.

Variable pay is awarded on the basis of objective, transparent and verifiable criteria.

With a view to ensuring sustainability and the creation of value over the medium to long term, variable remuneration for Key Management Personnel may include a short-term (annual) and a long-term component (over a three-year period).

As variable pay is by nature not guaranteed, but is subject to the achievement of predetermined levels of performance, the various forms of variable remuneration are subject to clawback provisions, as described in greater detail in paragraph 3.7.

No variable component is paid to employees whose conduct, during the performance period, has breached Poste Italiane's Code of Ethics.

In exceptional circumstances, newly hired personnel may receive specific awards, including a signing bonus, in line with best market practices.

### 3.4.2.1 Short-term incentive plan (MBO)<sup>(2)</sup>

The aim of the short-term incentive (MBO) plan is to link the variable component of remuneration with the Company's strategic objectives and actual performance over the annual period. The plan is also a useful way of reinforcing the focus on value creation, management by objectives and the culture of integration and efficiency.

The plan is based on a structured process for defining incentives and the associated objectives. A maximum level of over performance has been set, above which the incentive remains constant, as has a hurdle, below which the incentives do not apply and there is, therefore, no payment due.

#### Performance Gate

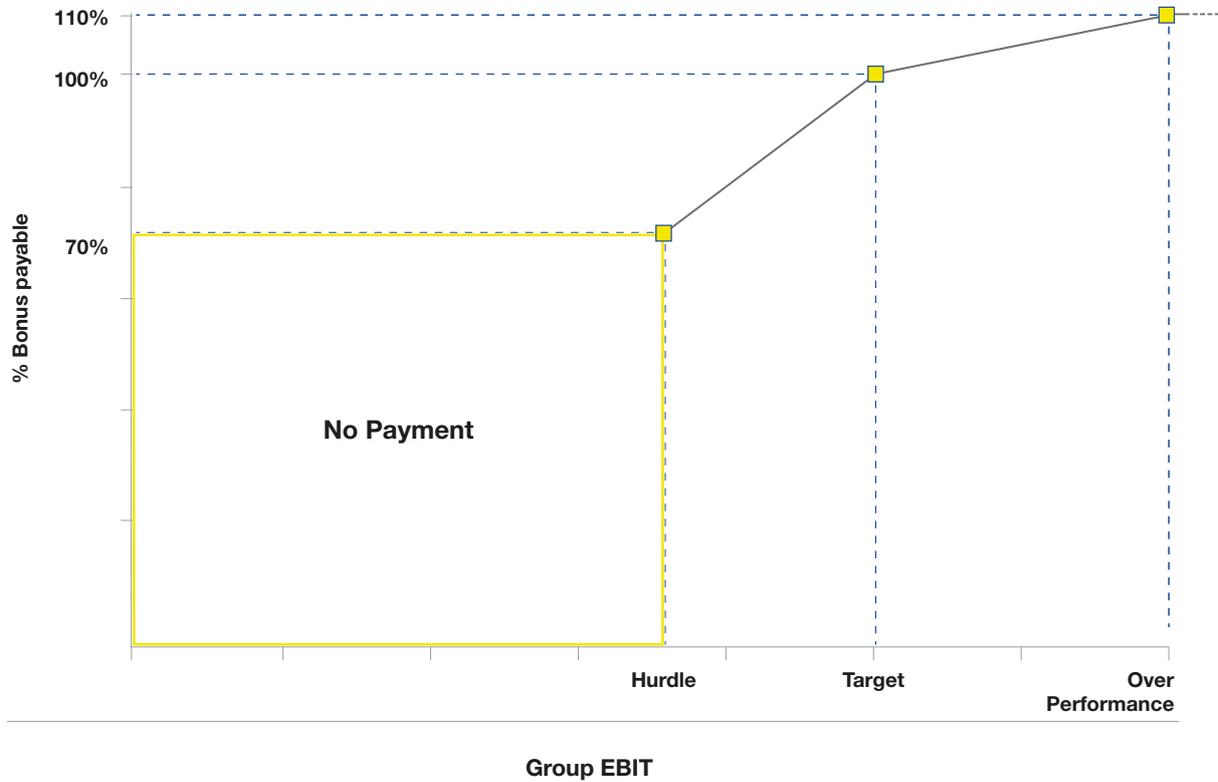
The plan links incentives to the Group's performance through the use of hurdles, represented by the Poste Italiane Group's EBIT, achievement of which enables participants to access the bonuses vesting as a result of achievement of the objectives assigned. The value of the hurdle is recommended annually by the Chief Financial Office, in keeping with the budget, and set by the Remuneration Committee for subsequent approval by the Board of Directors.

The CEO-GM abstains during votes resulting in determination of the hurdle represented by the Poste Italiane Group's EBIT and of all the other hurdles/targets/over-performance for KPI's involved in the short- and long-term incentive plans, whenever there is an impact on his remuneration.

(2) In addition to the CEO-GM and Key Management Personnel, the beneficiaries of this plan include approximately 1,300 Group personnel.

The bonus payable if the performance gate is achieved corresponds to 70% of the bonus payable. Over performance if the target for EBIT results in payment of up to 110% of the bonus payable, as shown below:

**FIGURE 5. PERFORMANCE GATES**



Performance gates are structured in such a way as to ensure the financial sustainability of the short-term incentive plan.

For certain personnel, or those subject to specific regulatory requirements, the hurdles are aligned with the regulations in question.

## Objectives

The objectives assigned to participants in the MBO plan are set out in a matrix and fall within the following macro-categories:

- **Financial:** linked, generally, to revenue, cost and profit targets.
- **Customer Experience:** based on customer satisfaction with reference to both channels and specific business segments.
- **Role-related:** relating to measurable objectives for projects or objectives linked to the role held.

Specific personnel are assigned targets that are in line with the related regulations.

When assessing achievement, the incentive is awarded if the overall percentage achievement of the objectives in the matrix is at least equal to the predetermined hurdle. The individual bonus may also increase up to the cap in the event of over performance.

The bonus is also based on each participant's performance, measured via the Company's annual appraisal process, based on a solid, structured process. Payment of the bonus is dependent on meeting the Company's expectations in full; otherwise, the bonus payable is reduced (by 50%) or is not paid. With effect from 2017, the performances of senior management are assessed using a 180° appraisal process. These individuals are also assessed by their peers, even if, for the purposes of the short-term incentive plan (MBO), only the appraisal conducted by each immediate superior is taken into account.

The individual bonus payable is paid in cash in a lump sum, unless otherwise provided for in the case of certain personnel subject to specific regulatory requirements, such as, for example, the CEO-GM, for activities relating to BancoPosta RFC, as described in paragraph 3.5.4.

### 3.4.2.2 Long-term incentive plan (LTIP)<sup>(3)</sup>

The long-term incentive plan, set up in line with market practices, aims to link a portion of the variable component of remuneration to the achievement of earnings targets and the creation of shareholder value over the long term.

The purpose of the plan is to encourage the Group's management:

- to deliver on Poste Italiane's strategic objectives, in accordance with the risk profile;
- to create value and long-term synergies across the Group;
- to ensure alignment of the Group's overall interests with those of shareholders, over the long term;
- to develop a common identity by pursuing shared objectives.

Finally, the plan aims to ensure management continuity over the long term through retention.

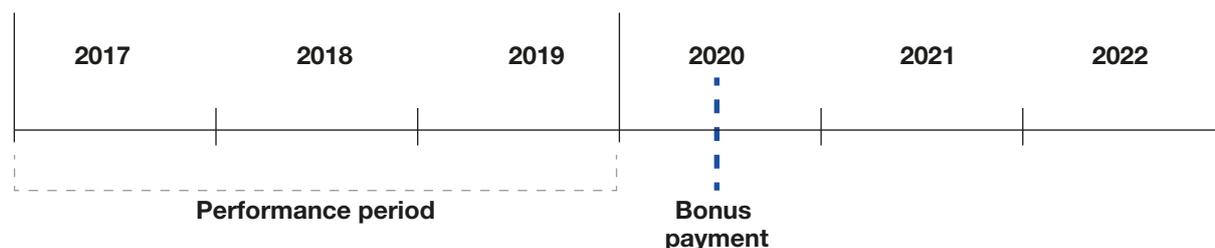
Under the plan, beneficiaries are awarded phantom stocks granting them the right to receive stock representing the value of Poste Italiane's shares at the end of a vesting period. The number of phantom stocks awarded to beneficiaries at the end of the vesting period, for the second award cycle, is linked to performance over the three-year period 2017-2019.

Each phantom stock represents the value of a Poste Italiane SpA share. The stocks are awarded if the related performance targets are achieved and are converted at the same time into a cash bonus, based on the market value of the shares defined through the arithmetic average of the market value of the shares in the thirty stock exchange trading days prior to the grant date for the phantom stocks, except in the case of certain personnel subject to specific regulatory requirements, such as, for example, the CEO-GM, for activities relating to BancoPosta RFC, as described in paragraph 3.5.4.

The following chart shows the timing for awards:

**FIGURE 6. LTIP AWARDS**

*Second award cycle 2017-2019*



The price of Poste Italiane's shares has a material impact on the value of the bonus, in that the more the share price rises, the greater the cash value of the phantom stocks awarded to beneficiaries.

The potential maximum individual bonus reflects, for each cycle, the complexity and responsibilities involved in the beneficiary's role and their strategic importance.

Beneficiaries are selected on the basis of a structured process which, in line with the Group's corporate governance processes, takes into account the complexity and responsibilities involved in the beneficiary's role, ongoing performance appraisals, the person's importance to the business and his or her future potential for succession plans, also taken into account in compliance with any statutory and/or regulatory restrictions.

<sup>(3)</sup> The plan is for a total of up to 100 beneficiaries.

## Hurdle

The plan includes a hurdle provision (represented by the Poste Italiane Group's cumulative EBIT over a three-year period), with awards under the LTIP dependent on achievement of the hurdle.

The value of the hurdle is recommended by the Chief Financial Office, in keeping with the budget, and set by the Remuneration Committee for subsequent approval by the Board of Directors. The CEO-GM abstains during votes resulting in determination of the hurdle represented by the Poste Italiane Group's EBIT over a three-year period, as this indicator is common to all beneficiaries.

## Objectives

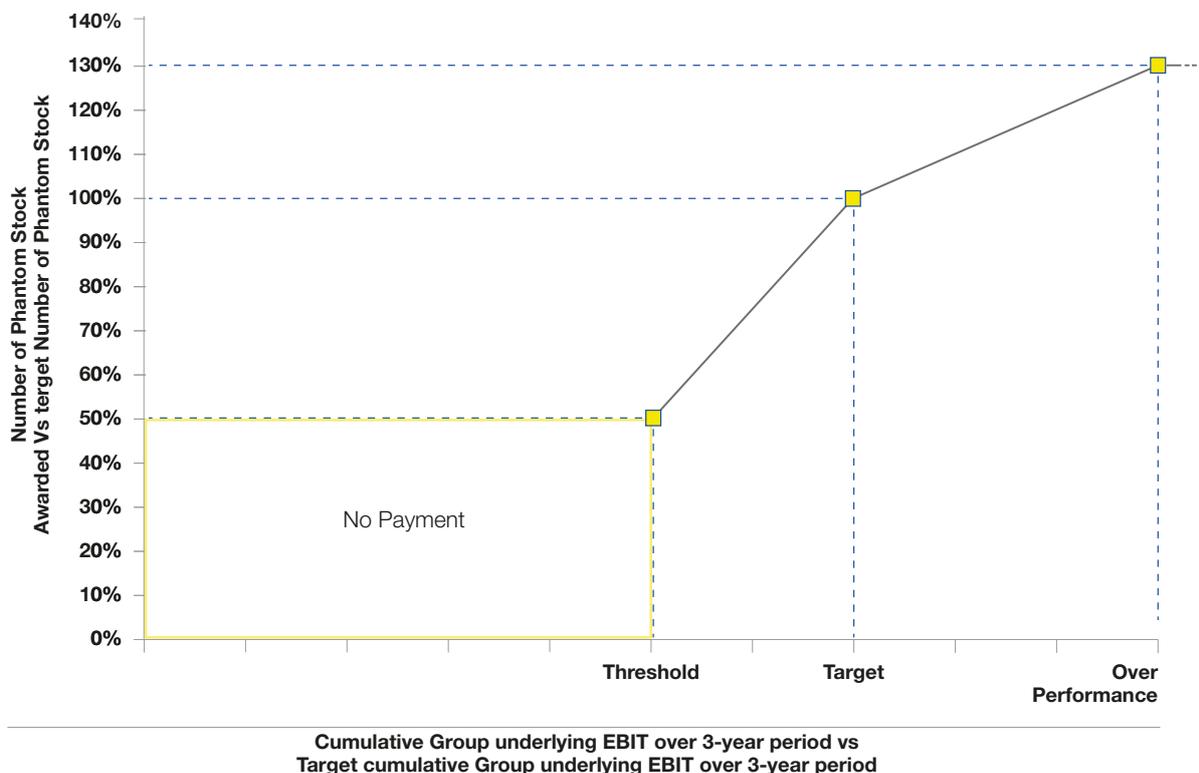
The objectives for the LTIP may be summarised as follows:

**TABLE 1. LTIP PERFORMANCE INDICATORS**

Indicator of earnings	Indicator of shareholder value creation
<b>Cumulative Group EBIT over 3-year period</b>	<b>Total Shareholder Return (TSR)</b>
Cumulative Group EBIT over a 3-year period is used to account for the continuity and sustainability of earnings over the long term.	TSR is used to measure performance based on the value created for Poste Italiane's shareholders compared with other FTSE MIB-listed companies.
The indicator of earnings measures the effective contribution of personnel to achieving the overall objectives over a predetermined period.	TSR measures the effective shareholder return and serves to motivate personnel to work together as a team in order to increase the overall value of the Company.
<b>WEIGHTING</b>	<b>WEIGHTING</b>
<b>60% of the stocks awarded (at target)</b>	<b>40% of the stocks awarded (at target)</b>

The incentive curve, as regards cumulative Group EBIT over a three-year period, provides for the following links between the performance delivered and the number of phantom stocks awarded:

**FIGURE 7. INCENTIVE CURVE BASED ON CUMULATIVE GROUP EBIT OVER A THREE-YEAR PERIOD<sup>(4)</sup>**



24

Poste Italiane’s Total Shareholder Return (TSR) is compared with the TSR for the FTSE MIB index over the relevant period; only if the value of Poste Italiane’s TSR is equal to or higher than the TSR for the FTSE MIB index will the target be considered to have been achieved.

Certain personnel operating in roles subject to specific regulatory requirements also have to meet certain Qualifying Conditions in addition to the performance hurdle, specific performance indicators and forms of payment required by the regulations, as described in the relevant remuneration and incentive policies.

### 3.4.3 Severance payments on termination of employment

In accordance with the Company’s policies, it is possible to stipulate provisions/agreements governing ex-ante the aspects of the early termination of employment in line with the Company’s strategies, values and long-term interests.

These provisions/agreements establish the applicable financial terms, based on individual situations (for example, seniority and individual performance) and the reasons that have led to the termination of employment, with particular reference to the organisational role held, the risks assumed and the duties carried out. These agreements also take into account all the applicable statutory requirements, collective or individual contracts and market practices.

The amount resulting from application of these provisions/agreements may not, in any event, exceed the number of monthly salary payments due under the contractual period of notice, plus up to 24 months of effective global compensation, including gross annual salary, the average of the amount received in variable pay for the last three years (or for the period of employment, if shorter) and usually the value of any benefits awarded.

(4) This is a three-year plan, based on three cycles, each granted separately in the period between May and July. In this period of the year, the hurdles, targets and over-performance indicators are set and approved by the Board of Directors. As a result, with regard to the second award cycle, these values are not yet available at the time of preparation of this document.

In the event of termination due to dismissal, the legislation from time to time in effect and the national collective labour agreement apply.

In the case of managers in key roles, whose termination may expose the Company to certain risks, the Company reserves the right to enter into, on a case-by-case basis, non-competition agreements that provide for payment of a sum in respect of the duration and scope of the restrictions resulting from the agreement.

Payments for non-competition agreements are capped at the gross annual salary for each year covered by the agreement. Agreements generally have a duration of one year.

The above principles apply on termination of employment even if there have been no specific ex ante agreements.

In the case of certain personnel operating in roles subject to specific regulatory requirements, use is made of specific forms of payment required by the regulations, as described in the relevant remuneration and incentive policies. As described in the Annex to this Remuneration Report, 40% or 60% of remuneration payable to certain categories of BancoPosta RFC personnel on termination of employment must be deferred for a period of 3 or 5 years, with 50% of the amount due to be paid in the form of an equity-based payment subject to retention provisions. Such payments are also covered by clawback provisions.

### 3.4.4 Benefits

The final component of the remuneration package consists of additional benefits in line with market practices and in accordance with the applicable statutory requirements.

Benefits are subject to specific guidelines, which require the application of common criteria based on the complexity of the roles held.

## 3.5 Remuneration of Directors, Statutory Auditors and Key Management Personnel

The General Meeting of Shareholders continues to have the power to determine the remuneration, as defined by art. 2389, paragraph 1 of the Italian Civil Code, payable to members of the Board of Directors on their election. The Company's By-laws also grant the new Board of Directors, which will take office after the Annual General Meeting called to approve Poste Italiane SpA's Annual Report for 2016, responsibility for determining a remuneration package for Directors with delegated powers, as defined by art. 2389, paragraph 3 of the Italian Civil Code, on the recommendation of the Remuneration Committee and in consultation with the Board of Statutory Auditors.

As required by law, Directors with delegated powers must abstain during votes regarding decisions on their remuneration and not take part in discussions on this matter.

No attendance fees are currently payable for participation in Board of Directors' meetings or the meetings of Board Committees.

With respect to the term of office from 2017 to 2019, the Board of Directors will establish the parameters for remuneration falling within its purview, in line with this document, the approval procedures adopted by the Company and the applicable statutory requirements.

### 3.5.1 Chairwoman of the Board of Directors

The remuneration of the Chairwoman of the Board of Directors consists of a fixed component, approved by the General Meeting of Shareholders in accordance with art. 2389, paragraph 1 of the Italian Civil Code, for the full term of office.

In addition to the above, the Board of Directors may opt to pay the Chairwoman – in view of the non-executive powers assigned to her – further remuneration in accordance with art. 2389, paragraph 3 of the Italian Civil Code, for the full term of office. There are no forms of variable remuneration linked to performance. In accordance with art. 2389, paragraph 3 of the Italian Civil Code, the Chairwoman's remuneration for the term of office from 2014 to 2016 was approved by the Board of Directors on 22 July 2014.

The Chairwoman is also reimbursed for any out-of-pocket expenses incurred in carrying out the duties strictly related to her role, within the limits established by the Board of Directors.

As mentioned in the introduction, with respect to the term of office from 2017 to 2019, the General Meeting of Shareholders and the Board of Directors will, each according to their purview, establish the parameters on which the Chairwoman's remuneration will be based, in line with these guidelines, the approval procedures adopted by the Company and the applicable statutory requirements.

### 3.5.2 Non-executive Directors

The remuneration of non-executive Directors consists of a fixed component. This remuneration is approved by the General Meeting of Shareholders for the full term of office. There are no forms of variable remuneration linked to performance.

The Board of Directors, on the recommendation of the Remuneration Committee, may provide for additional fees for Directors who are members of Board Committees.

Non-executive Directors are also reimbursed for any out-of-pocket expenses incurred in carrying out the duties strictly related to their role, within the limits established by the Board of Directors.

As mentioned in the introduction, with respect to the term of office from 2017 to 2019, the General Meeting of Shareholders and the Board of Directors will, each according to their purview, establish the parameters on which the remuneration of non-executive Directors will be based, in line with these guidelines, the approval procedures adopted by the Company and the applicable statutory requirements.

### 3.5.3 Board of Statutory Auditors

The Statutory Auditors' remuneration is in no way linked to Poste Italiane's performance. The fees paid to Statutory Auditors consist solely of a fixed component, determined on the basis of the commitment required in order to carry out their duties.

The Board of Statutory Auditors was re-elected by the Annual General Meeting called to approve the Annual Report for 2015 and will remain in office for three years (2016-2018). When electing the Board of Statutory Auditors, the General Meeting of 24 May 2016 approved fees – for each year in office – for the Chair and for each standing Auditor.

No attendance fees are payable for participation in meetings.

Statutory Auditors have the right to be reimbursed for any duly documented travel expenses incurred in carrying out their duties.

### 3.5.4 Chief Executive Officer and General Manager

The CEO-GM's remuneration package, for the financial years 2014, 2015 and 2016, was approved by the Board of Directors – on the recommendation of the then Compensation Committee and in consultation with the Board of Statutory Auditors – on 17 November 2014. On this occasion, the restrictions introduced by art. 23-bis, paragraph 5-quater of Law Decree 201/2011 (converted into law by art. 1, paragraph 1 of Law 21 of 22 December 2011, as amended by art. 84-bis, paragraph 1 of Law Decree 69 of 21 June 2013, converted in to law by Law 98 of 9 August 2013) were applied, which imposed a reduction in the overall pay, in whatever form, of the chief executive officers and chairs of the boards of directors of companies directly or indirectly controlled by public entities, applicable only to the first re-election of the Board of Directors following the entry into effect of the legislation.

The following description of the CEO-GM's remuneration package relates to the remuneration approved by the Board of Directors on 17 November 2014 and the long-term incentive plan approved by the General Meeting of Shareholders on 24 May 2016.

The Board of Directors' resolution of 17 November 2014 established that, in the event of termination of the CEO position and/or the withdrawal of the powers assigned prior to the expiry of his term of office for reasons other than just cause, or due to behaviour amounting to gross misconduct, or in the event of dismissal from the position of Chief Executive Officer for just cause, the Company would pay a sum equal to the fixed total all-inclusive remuneration for the position of Chief Executive Officer payable through to the expiry of his term of office.

The CEO-GM's fixed remuneration consists of a component relating to the position of Director (fees as defined by paragraphs 1 and 3 of art. 2389 of the Italian Civil Code) and one relating to his position as a manager of the Company in his role as General Manager.

The CEO-GM's position as General Manager is governed by the provisions of the national collective labour agreement for the management personnel of companies producing goods and services (the "NCLA"). In the event of termination of his position as GM due to dismissal, the provisions of the national collective labour agreement from time to time in effect would apply.

The variable remuneration, paid in relation to his position as a manager in his role as Poste Italiane's General Manager, consists of the short-term variable incentive plan (MBO) and the long-term variable incentive plan (LTIP).

The incentive payable is capped at a ratio of 1:1 between variable and fixed pay.

These components are subject to ex post risk adjustments (malus and clawback provisions) that, based on individual performance or conduct, may result, on the one hand, in a significant reduction in the amount payable (potentially to zero), and, on the other, under certain conditions, in the application of a clawback provision.

As a member of the Board of Directors, the Chief Executive Officer is also reimbursed for any out-of-pocket expenses incurred in carrying out the duties strictly related to his role, within the limits established by the Board of Directors.

The final component of the remuneration package consists of additional benefits in line with market practices and in accordance with the applicable statutory requirements.

As noted above in the "Introduction" to this Report, from 2017 a number of changes have been made to the short- and long-term incentive plans for the CEO-GM; further details are provided in paragraphs 3.5.4.1 and 3.5.4.2. These changes have been made in view of the fact that the Poste Italiane Group's CEO-GM, for activities relating to BancoPosta RFC, is included in the scope of application of the "*Guidelines for BancoPosta RFC's remuneration and incentive policies for 2017*" and is subject to existing supervisory standards for banks.

With regard to severance payments in the event of early termination of employment, from 2017, such payments, where due, will be made in accordance with the following conditions:

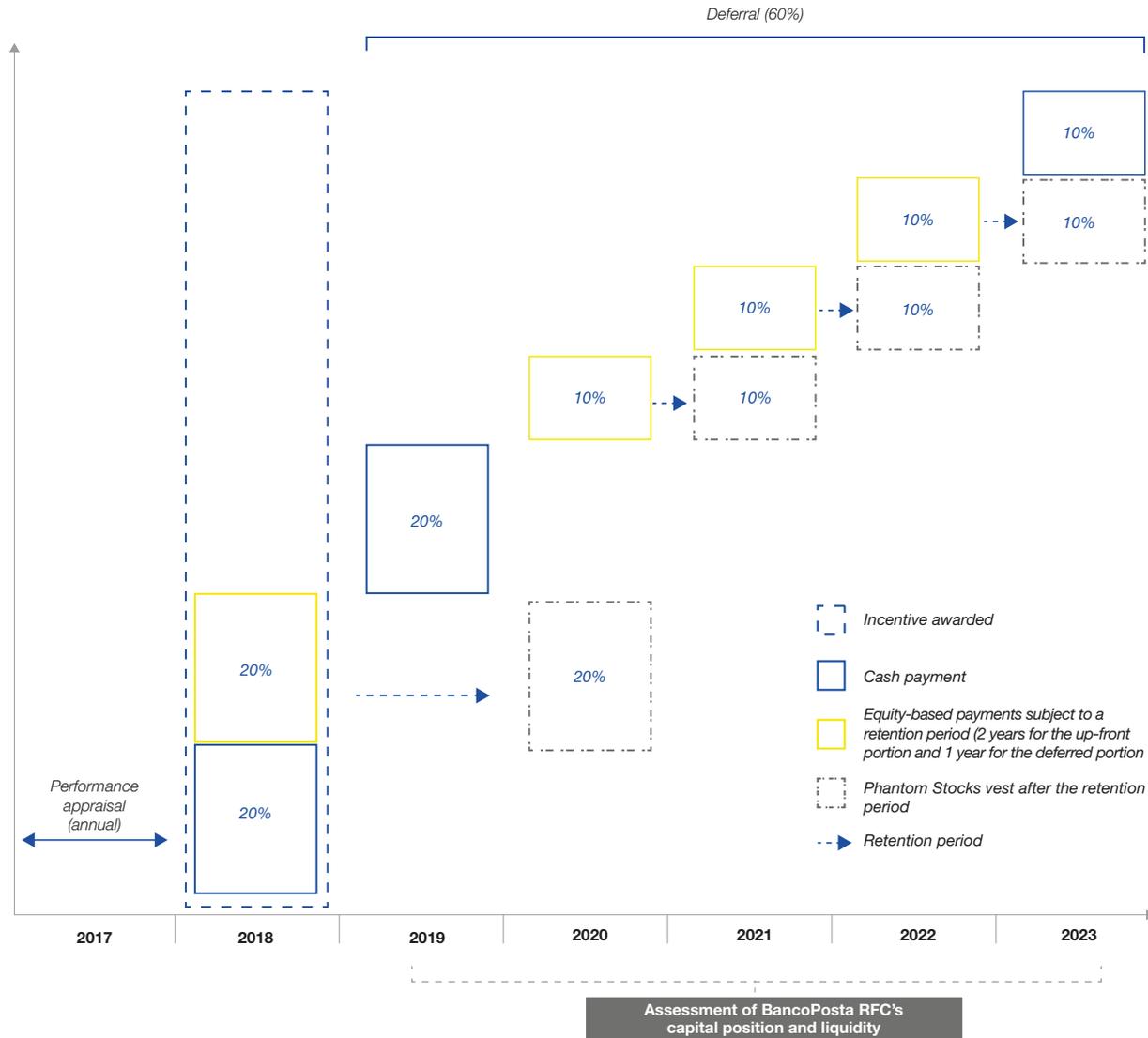
- 40% of any payment due on termination of employment is payable as follows: 50% in cash and the remaining 50% in the form of an equity-based payment (phantom stocks, representing the value of Poste Italiane's shares), subject to a two-year retention period; this amount is subject to verification of BancoPosta RFC's minimum capital and liquidity requirements;
- 60% of any remuneration payable on termination of employment is to be deferred over a period of 5 years (pro-rata according to the following scheme: after the first year of deferral, a portion equal to one third of the amount payable is paid in cash; one sixth of the amount payable is paid in phantom stocks in the second, third and fourth years; the final portion, equal to one sixth of the amount payable, is paid in cash in the fifth and final year) and is payable as follows: 50% in cash and the remaining 50% in the form of a financial instruments-based payment (phantom stocks); the deferred portions are subject to assessment of compliance with BancoPosta RFC's minimum capital and liquidity requirements, whilst the equity-based component is subject to a one-year retention period;
- at the end of the retention period (two years for the up-front portions and one year for the deferred portions), having verified compliance with BancoPosta RFC's minimum capital and liquidity requirements, the phantom stocks will be converted into a sum determined through the arithmetic average of the market value of the shares in the thirty stock exchange trading days prior to the date of conversion of the phantom stocks;
- the total amount payable is subject to malus and clawback provisions, applicable up to the entire amount paid within the time limit set by the related statute of limitations and under the circumstances defined in the guidelines for remuneration and incentive policies from time to time in effect.

### 3.5.4.1 Short-term incentive plan (MBO)

In relation to his position as a manager of the Company in his role as Poste Italiane's General Manager, the CEO-GM participates in a short-term variable incentive plan (MBO) linked to targets approved annually by the Board of Directors on the recommendation of the Remuneration Committee, in keeping with Poste Italiane's Business Plan and budget.

The 60% of the short-term variable component is subject to deferral for a period of 5 years (pro-rata), to ensure that the remuneration takes into account the evolution of the risks assumed by the Company over time. The 50% of the award is in the form of an equity-based payment (phantom stocks), as shown in the chart below:

**FIGURE 8. CHART SHOWING DEFERRAL OF THE SHORT-TERM INCENTIVE PLAN FOR THE CEO-GM**



28

The phantom stocks are awarded in accordance with the above procedures and are subject to a retention period of two years (for the up-front portion) or one year (for the deferred portions). At the end of the retention period, having verified compliance with BancoPosta RFC's minimum capital and liquidity requirements, the phantom stocks will be converted into a sum determined through the arithmetic average of the market value of the shares in the thirty stock exchange trading days prior to the date of conversion.

It should be noted that, in view of the use of equity-based payments, the Company will ask the Annual General Meeting of Shareholders to be held on 27 April 2017 to approve the "Short-term equity-based incentive plan for 2017 for material risk takers employed by BancoPosta RFC", in accordance with art. 114-bis of Legislative Decree 58 of 24 February 1998, as amended.

Payment of the deferred portion will take place each year, provided that BancoPosta RFC's minimum capital and liquidity requirements.

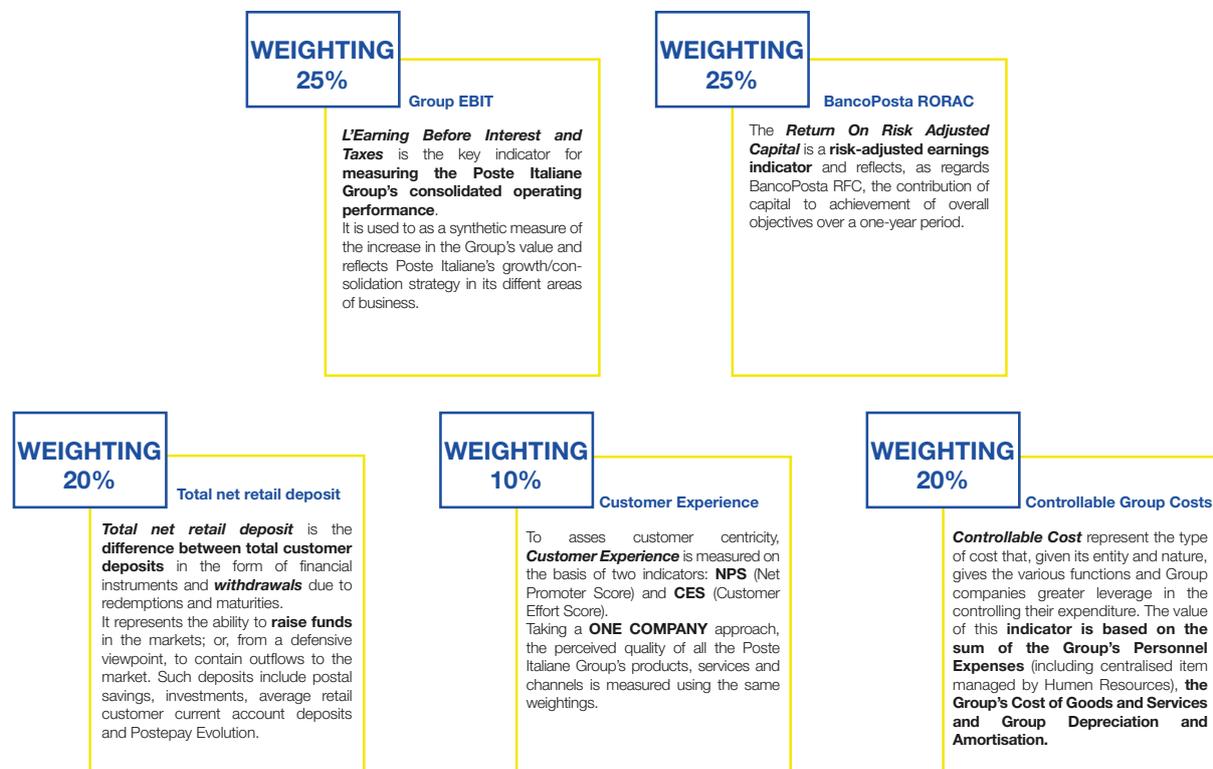
In line with the applicable statutory requirements, the CEO-GM, for activities relating to BancoPosta RFC, has to meet both the performance hurdle, relating to Group EBIT, and the following Qualifying Conditions to qualify for the short-term incentive plan (MBO). All these conditions must be met at the same time:

**TABLE 2. MBO PLAN HURDLE AND QUALIFYING CONDITIONS FOR THE CEO-GM**

HURDLE AND QUALIFYING CONDITIONS
Group earnings: EBIT
Capital adequacy: CET 1, risk tolerance level approved in the Risk Appetite Framework (RAF)
Short-term liquidity: LCR, risk tolerance level approved in the Risk Appetite Framework (RAF)

The performance indicators for the CEO-GM in respect of the short-term incentive plan for 2017 (MBO) are as follows:

**FIGURE 9. MBO PLAN PERFORMANCE INDICATORS FOR THE CEO-GM'S FOR 2017<sup>(5)</sup>**



### 3.5.4.2 Long-term incentive plan (LTIP)

In keeping with the approach used for the short-term incentive plan, the long-term incentive plan has also been devised in relation to the CEO-GM's position as a manager of the Company in his role as Poste Italiane's General Manager, and in line with the principles forming the basis for the supervisory standards for banks, for activities relating to BancoPosta RFC.

The long-term incentive plan (LTIP) for the CEO-GM involves the award of phantom stocks granting the right to receive stock representing the value of Poste Italiane's shares at the end of a vesting period.

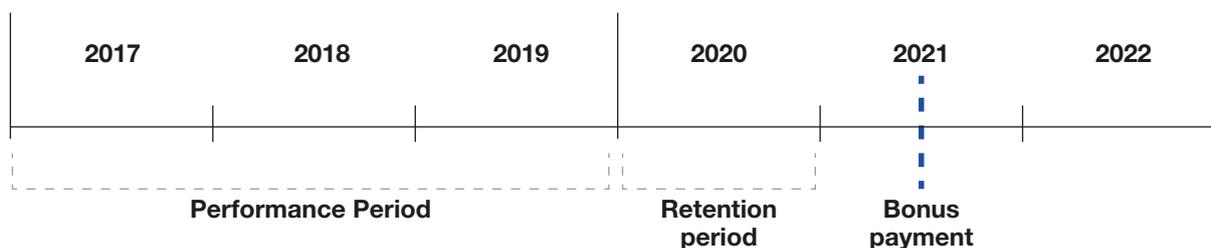
(5) The Customer Experience indicators are based on a new model for surveying Poste Italiane's customers. The process follows a metric applied by numerous companies at international level and is conducted by an external market research institute that, using an objective and transparent approach, conducts thousands of interviews with expert personnel and provides Poste Italiane with certified indicators.

The number of phantom stocks is determined at the time of the grant and is linked to performance indicators over a three-year period (for the second plan cycle, to be granted in 2017, the performance period corresponds with the years 2017/2019).

The number of phantom stocks will be quantified at the end of the three-year performance period within the cap to be determined at the time of the grant. The phantom stocks will be awarded at the end of a one-year retention period and will thus be converted into a sum determined through the arithmetic average of the market value of the shares in the thirty stock exchange trading days prior to the date of conversion of the phantom stocks.

**FIGURE 10. TIMING OF AWARDS FOR THE CEO-GM UNDER THE LTIP**

*Second award cycle 2017-2019*



In line with the applicable regulatory requirements, the CEO-GM, for activities relating to BancoPosta RFC, has to meet the Group performance hurdle and the Qualifying Conditions specific to BancoPosta RFC to qualify for the long-term incentive plan (LTIP). These conditions must all be met at the same time:

30

**TABLE 3. LTIP HURDLE AND QUALIFYING CONDITIONS FOR THE CEO-GM**

HURDLE AND QUALIFYING CONDITIONS
Group earnings: cumulative Group EBIT over 3-year period
Capital adequacy: CET 1, risk tolerance level at the end of the period
Short-term liquidity: LCR, risk tolerance level at the end of the period
Risk-adjusted earnings: RORAC, risk tolerance level at the end of the period

CET 1, LCR and RORAC are determined on the basis of BancoPosta RFC’s “Risk Appetite Framework” (“RAF”), which is in turn determined in line with the strategic objectives, and represent the conditions to be met under the supervisory standards for banks in order to qualify for award of the bonus.

The plan is also subject to a hurdle linked to cumulative Group EBIT over a three-year period, achievement of which grants the effective right to qualify for the long-term incentive, whilst guaranteeing its sustainability at Group level.

To reinforce the link with the risks associated with the CEO-GM’s variable pay under the LTIP, from the second cycle, BancoPosta RFC’s RORAC (the risk tolerance level at the end of the period) has been included as a further Qualifying Condition, in addition to the existing conditions. This change to the CEO-GM’s LTIP was approved by the Board of Directors in a resolution adopted at their meeting on 15 March 2017, in line with the provisions of the Information Circular for the phantom stock plan approved by the General Meeting of Shareholders on 24 May 2016. Paragraph 3.3 of the Information Circular states that: “The Board may, at its sole discretion, make any changes to the Plan as deemed appropriate to align the Plan with the legal rules and regulations and remedy any inconsistencies, defects or omissions in the Regulation and/or Plan”. The introduction of BancoPosta’s RORAC as a Qualifying Condition is a change in line with the authority granted to the Board of Directors with a view to strengthening the plan in line with regulatory requirements.

It should also be noted that assessment of whether or not the risk tolerance level for the Qualifying Conditions, linked to capital adequacy and liquidity of BancoPosta RFC, have been met also takes place at the end of each retention period.

The performance indicators for the CEO-GM in respect of the long-term incentive plan (LTIP) are as follows:

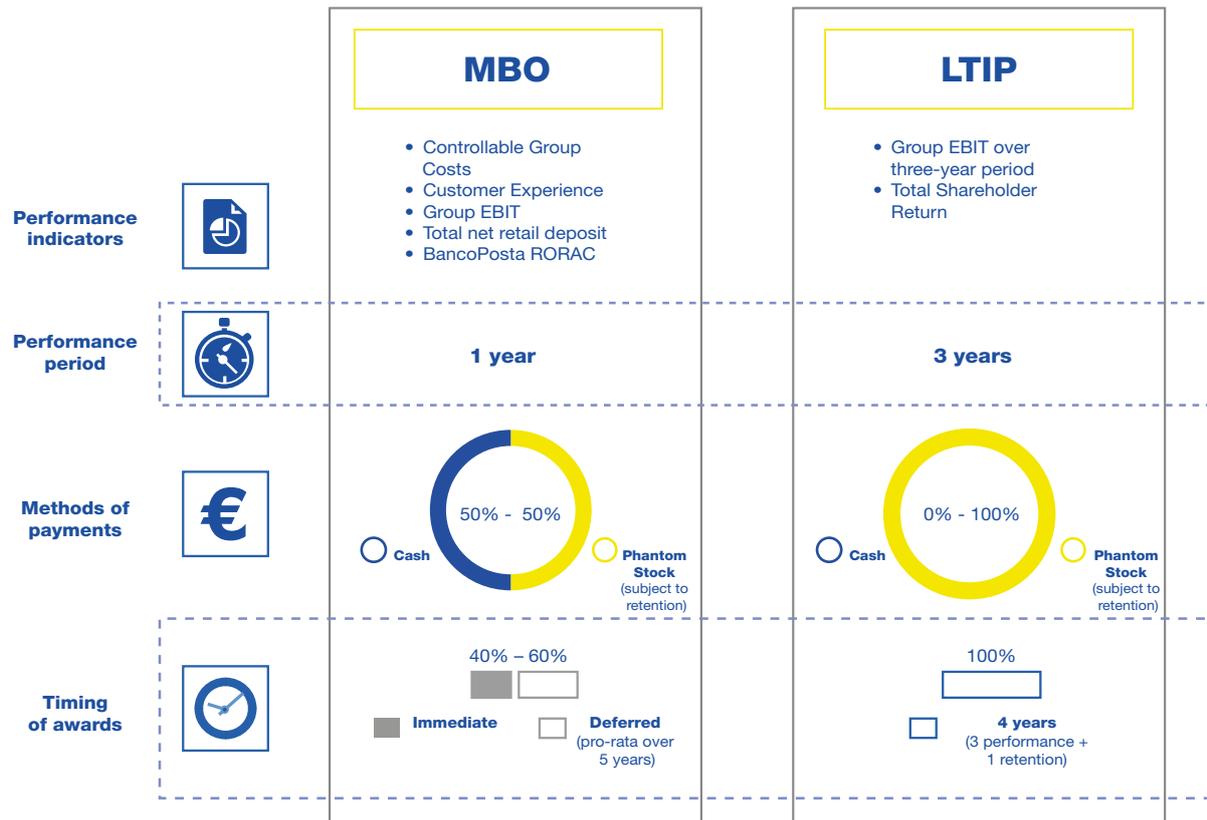
**TABLE 4. LTIP PERFORMANCE INDICATORS AND WEIGHTINGS FOR THE CEO-GM**

Indicator of earnings	Indicator of shareholder value creation
<b>Cumulative Group EBIT over 3 –year period</b>	<b>Total Shareholder Return (TSR)</b>
Cumulative Group EBIT over a 3-year period is used to account for the continuity and sustainability of earnings over the long term.	TSR is used to measure performance based on the value created for Poste Italiane’s shareholders compared with other FTSE MIB-listed companies.
<b>WEIGHTING: 60% of the stocks awarded (at target)</b>	<b>WEIGHTING: 40% of the stocks awarded (at target)</b>

The choice of performance indicator is aligned with the responsibilities assigned to the Poste Italiane Group’s CEO-GM and is in line with the basic principles on which the long-term incentive plan is based.

The short- and long-term incentive plans for the CEO-GM should be summarized in the figure shown below:

**FIGURE 11. SUMMARY OF THE MBO PLAN AND LTIP PLAN FOR THE CEO-GM**



### 3.5.5 Key Management Personnel

As described in paragraph 2, the term Key Management Personnel (KMP), within the context of the Company, refers to the heads of the various functions reporting directly to the CEO-GM, as well as the Manager Responsible for Financial Reporting.

The remuneration package for these personnel consists of fixed and variable remuneration, involving participation in the short-term incentive plan (MBO) and the long-term incentive plan (LTIP) described in this document, unless otherwise provided for in the case of certain personnel subject to specific regulatory requirements, as described in the related remuneration and incentive policies.

The **short-term** incentive plan (MBO) for Key Management Personnel is organized according to the characteristics and the operational mechanisms already described in paragraphs 3.4.2 and 3.4.2.1, to which reference should be made.

The targets assigned in the framework of that system are shown in the chart below and are in part common to all Key Management Personnel, subject to compliance with specific regulatory requirements and the requirements of the remuneration and incentive policies specifically designed to comply with these regulations and in the Group’s corporate governance processes.

**FIGURE 12. SUMMARY OF SHORT-TERM INCENTIVE PLAN (MBO) COMMON AND FUNCTION-SPECIFIC INDICATORS FOR KEY MANAGEMENT PERSONNEL IN 2017**



32

The **long-term** incentive plan (LTIP) is subject to the same conditions, objectives and targets for all beneficiaries, as shown above in paragraph 3.4.2 and 3.4.2.2.

Certain personnel subject to specific regulatory requirements must meet predetermined qualifying conditions in addition to the hurdle, performance targets and specific conditions aligned with the regulations in question, as described in the relevant remuneration and incentive policies.

The final component of the remuneration package consists of additional benefits in line with market practices and in accordance with the applicable statutory requirements.

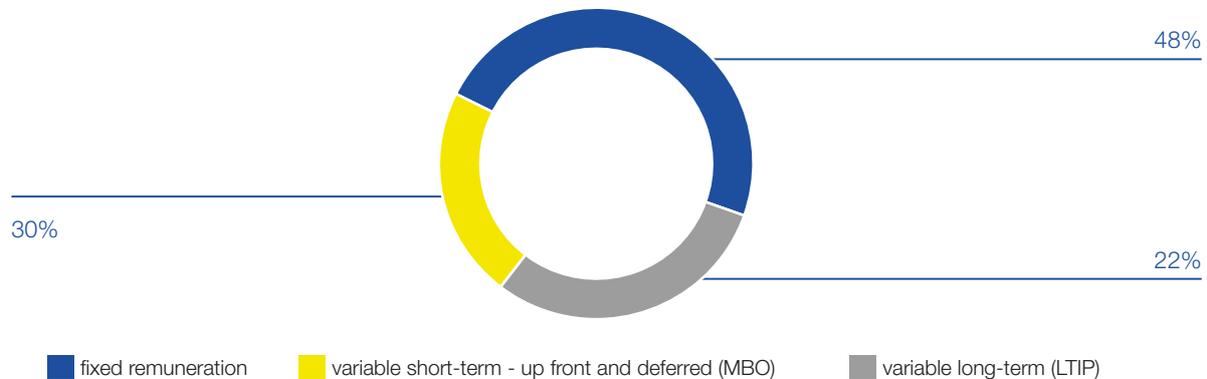
### 3.6 Pay mix

The General Meeting of Shareholders is responsible for determining the remuneration defined by art. 2389, paragraph 1 and the new Board of Directors will be responsible for deciding on the remuneration package for the Chief Executive Officer, as defined by art. 2389, paragraph 3 of the Italian Civil Code. In the light of this, it should be noted that the CEO-GM’s pay mix for the term of office from 2017 to 2019 cannot be described in this document, as it will result from the remuneration package to be determined in accordance with the Group’s corporate governance processes.

The weighting assigned to the variable component for the CEO-GM will, in any event, be capped at a ratio of 1:1 between variable (both short- and long-term) and fixed pay, in compliance with the supervisory standards for banks, for activities relating to BancoPosta RFC.

The following pay mix for Key Management Personnel is calculated on the basis of the median for both fixed remuneration and the two variable components (short- and long-term), assuming achievement of all the performance indicators at maximum level.

**FIGURE 13. MEDIAN PAY MIX FOR KEY MANAGEMENT PERSONNEL BASED ON ACHIEVEMENT OF ALL PERFORMANCE INDICATORS AT MAXIMUM LEVEL**



The cap on the ratio between variable and fixed pay also applies to Key Management Personnel subject to specific regulatory requirements.

### 3.7 Clawback provisions

In line with best market practices and applicable statutory requirements, variable remuneration is subject to clawback provisions.

Given that variable pay is not guaranteed, but it is subject to the achievement of predetermined performance targets linked to the Company's risk profile, there are a number of specific circumstances, described below, in which ex post risk adjustments to variable pay are applicable. Such provisions apply to the beneficiaries of short- and long-term variable incentive plans.

In compliance with statutory requirements, clawback provisions may apply, also taking into account the related legal, social security and tax considerations.

The process of applying clawback provisions is carried out in accordance with the related internal procedure adopted by the Company. This procedure involves the interdisciplinary participation of multiple functions with different skills involved in the different stages of the process that are: activation, assessment, finalization of the information report, closure of the procedure and mandatory requirements. The functions/entities responsible for the decision vary according to the profile of the individual involved in the procedure.

Without prejudice to the right to claim for any further damages, following disbursement of the bonus payable, and within the time limit set by the related statute of limitations, the Company may request repayment of any amounts disbursed, up to the entire amount paid. This applies, regardless of whether or not employment is ongoing or has been terminated, in the event of:

- fraud or gross misconduct on the part of the beneficiary to the detriment of the Company or another Group company;
- violation of the obligations set out in article 26 or, where applicable, article 53, paragraphs 4 et seq. of the Consolidated Law on Banking or of the obligations in respect of remuneration and incentives;
- conduct that has resulted in a significant deterioration in the financial position or reputation of the Company or another Group company;
- payment of the bonus on the basis of information that was subsequently revealed to be inaccurate and/or misleading.

## 04 Definitions

The following definitions apply to Poste Italiane for the purposes of this document:

**Board Committees:** committees whose members are also members of the Board of Directors, in accordance with articles 4-7 of the Corporate Governance Code and, given the specific nature of the Company, Bank of Italy Circular 285 of 17 December 2013, as amended. The Committees' members must be independent Directors or, alternatively, 3 non-executive Directors, with a majority of them being independent, in which case the Chair must be independent. The specific Committees are the Remuneration Committee, the Nominations Committee, the Audit and Risk Committee and the Related and Connected Parties Committee.

**Board of Directors:** the collective body assigned responsibility for management of the Company. It is, among other things, the body with responsibility for approving the remuneration policies recommended by the Remuneration Committee, to be submitted for approval by the General Meeting.

**Board of Statutory Auditors:** the Company's oversight body, which has the role of overseeing compliance with the law, the Company's By-laws and with correct corporate governance principles, also verifying the adequacy of the organisational structure and administrative and accounting systems adopted by the Company and their functionality.

**Consolidated Law on Finance (CLF):** the "Consolidated Law on Finance" or Legislative Decree 58 of 24 February 1998 (as amended).

**Corporate Governance Code:** as defined by Borsa Italiana in December 2011, and as amended in July 2015, the "Corporate Governance Code for listed companies". The document contains a series of recommendations on best practices for the organisation and governance of listed Italian companies, subject to the "comply or explain" principle, meaning that Poste Italiane, having adopted the Code, must inform the market of its degree of compliance with the Code.

**Directors with delegated powers:** Directors who play a particular role within the Board of Directors (for example, the Chairwoman of the Board of Directors).

**Executive Directors:** members of the Board of Directors with executive powers (for example, the Chief Executive Officer).

**Fixed pay:** pay as defined by articles 2389, paragraph 1 and 3, and the Gross Annual Salary, meaning the gross fixed annual component of remuneration for employees, consisting of monthly pay plus any other remuneration deemed to be fixed, in accordance with national collective labour agreements and any supplementary agreements.

**General Meeting of Shareholders:** a gathering at which the shareholders discuss and vote on matters relating to the Company. All the holders of voting rights can attend the meetings, either in person or via a proxy. The meeting has all the powers attributed to it by law and the By-laws. In accordance with art. 123-ter of Legislative Decree 58 of 24 February 1998 (the "Consolidated Law on Finance" or "CLF"), the General Meeting holds a non-binding vote, within the context of the Company's remuneration policies, to approve Section I of the Remuneration Report.

**Key Management Personnel:** in accordance with the CONSOB Regulations for Related Party Transactions, these managers have the direct or indirect authority and responsibility for planning, managing and overseeing the Company's operations. As a rule, this category includes all first-line managers reporting to the CEO-GM and the Manager Responsible for Financial Reporting.

**Manager Responsible for Financial Reporting:** this role was introduced by savings protection legislation (Law 262 of 28 December 2005, as amended by Legislative Decree 303 of 29 December 2006, which introduced the new article 154bis) into the Consolidated Law on Finance.

**Material Risk Takers (“MRTs”):** staff, including personnel falling within the scope of application of BancoPosta’s remuneration and incentive policies, whose activities have a material impact on the entity’s risk profile, as identified by the Company in accordance with Delegated Regulation (EU) 604 of 4 March 2014 (see Annex: “*Guidelines for BancoPosta RFC’s remuneration and incentive policies for 2017*”).

**Non-executive Directors:** Directors who do not have executive powers.

**Pay mix:** the mix of the various components of pay (fixed, short-term variable and long-term variable) that make up the total remuneration.

**Regulations for Issuers:** the CONSOB Regulations for Issuers (Regulation 11971 of 14 May 1999 – as amended –, containing regulations for entities that issue financial instruments).

**Variable pay:** any form of pay or benefit of a variable amount payable to personnel, normally linked to the achievement of certain results (the short-term incentive plan – MBO – and long-term incentive plan - LTIP).

## 05 Section two

This section aims to describe the compensation paid in 2016 and to present quantitative disclosures in the form of tables in accordance with Annex 3A to the Regulations for Issuers, Forms 7 *bis* and 7 *ter*.

It provides an appropriate description of each component of remuneration, including any severance indemnity payable at the end of a term of office or on termination of employment, and a list of the shareholdings of members of the Board of Directors and Board of Statutory Auditors, general managers and Key Management Personnel.

The remuneration paid to the Chairwoman of the Board of Directors, non-executive Directors, the CEO-GM and Key Management Personnel in 2016 is thus described below. The disclosures relate to the period in which they were in office (the variable pay shown in the tables is based on an estimate of the amount payable at the time of preparing this document, whilst awaiting approval of the Company's financial statements).

In 2016, the Company implemented a form of long-term variable remuneration based on equity-based payments. Table 3A has, therefore, been completed.

36

With regard to the Long-term incentive plan (*LTIP*) approved by the General Meeting of Shareholders on 24 May 2016, the part of the Information Circular setting out the conditions and purposes of the plan includes Table 1 of Form 7 (Chart 1 – Section 1) prepared in accordance with art. 84-*bis* of the CONSOB's Regulations for Issuers. This form includes a description of phantom stock awards to 55 beneficiaries in the first cycle (2016-2018) of the Plan in 2016.

The Information Circular also specified that: *"The potential Beneficiaries of the Plan may also include: (omissis) up to a maximum of 100 Managers for each Cycle, who may also be selected from among the Subsidiaries of Poste Italiane pursuant to the specific regulatory requirements applicable to them"*. The Circular also stated that *"The Beneficiaries will be identified by name, following the General Meeting of Shareholders approval of the Plan"*.

### 5.1 Remuneration paid in 2016

#### Chairwoman of the board of directors

The Chairwoman of the Board of Directors was paid €60,000 gross per annum in 2016, representing fixed remuneration approved by the General Meeting of Shareholders of 2 May 2014, in accordance with art. 2389, paragraph 1 of the Italian Civil Code, for her full term of office.

In addition to the above, on 22 July 2014 the Board of Directors, on the recommendation of the then Compensation Committee and in consultation with the Board of Statutory Auditors, voted to pay the Chairwoman – in view of the non-executive powers assigned to her – further fixed remuneration of €178,000 gross per annum, in line, moreover, with the related recommendations made by the above General Meeting of 2 May 2014.

The Chairwoman was also provided with personal accident insurance.

## Non-executive directors

Non-executive Directors in office for the period 2014-2016 received pro rata payment of the exclusively fixed pay determined by the General Meeting of 2 May 2014, amounting to €40,000 gross per annum as basic fixed remuneration. Additional fees were also paid on a pro rata basis in return for membership in Board Committees, as set out below:

**TABLE 5. FEES PAYABLE TO MEMBERS OF BOARD COMMITTEES**

	Audit and Risk Committee	Remuneration Committee	Nominations Committee	Related and Connected Parties Committee
<b>Chair</b>	€ 30,000	€ 20,000	€ 20,000	€ 20,000
<b>Member</b>	€ 20,000	€ 15,000	€ 15,000	€ 15,000

The fees paid to members of the Audit and Risk Committee, the Remuneration Committee and the Nominations Committee were approved on the basis of the resolution passed by the Board of Directors at its meeting of 11 December 2015, whilst those paid to members of the Related and Connected Parties Committee were approved by the Board of Directors on 11 October 2016, but with effect from 1 October 2016 (the date on which the Committee was established).

Non-executive Directors were also provided with personal accident insurance.

## Board of statutory auditors

The Board of Statutory Auditors was re-elected by the Annual General Meeting called to approve the Annual Report for 2015 and will remain in office for three years (2016-2018). Therefore the General Meeting of May 24, determined – for each year in office – the remuneration for the Chairman, equal to €80,000 gross per annum, and the remuneration for each standing Auditor equal to €70,000 gross per annum.

## Chief executive officer and general manager

### Fixed pay

The Chief Executive Officer and General Manager, elected on 7 May 2014, received remuneration for his role as a member of the Board of Directors, as determined on 2 May 2014, and fixed pay as Chief Executive Officer and General Manager, as determined by the Board of Directors on 17 November 2014.

### Variable incentives

The following tables relating to the CEO-GM show amounts regarding the up-front portion of the short-term incentive plan (MBO) received for the 2016 performance period and amounts for the deferred portion payable over a three-year period. The objectives set by the Board of Directors for 2016 are contained in the Remuneration Report for 2016, approved by the General Meeting of Shareholders. These are listed below, showing the level of achievement for each objective, as confirmed by the Board of Directors at their meeting on 15 March 2017.

The Hurdle and the Qualifying Conditions for the MBO Plan for 2016 (EBIT, CET 1 and LCR) were all met, thereby activating the Plan in full.

**TABLE 6. ASSESSMENT OF MBO OBJECTIVES FOR 2016**

Objectives	Weighting	Actual	Level of achievement of objective
Group EBIT	25%	1.041€/millions	>
Total net retail deposits	25%	7.089€/millions	>
Industrial net fund/(net debt)	25%	(893)€/millions	>
BancoPosta RFC's RORAC	25%	58,6%	>

Below target < OI target = Above target >

In 2015, the Company implemented a plan – called the “IPO Bonus” – designed to reward exceptional contributions from specific Group personnel within the scope of the IPO process, which resulted in the listing of the Company’s shares on the screen-based trading system (*Mercato Telematico Azionario* or “MTA”) organised and managed by Borsa Italiana SpA, as approved by the Board of Directors, on the recommendation of the Remuneration Committee, having consulted the Audit and Risk Committee. This plan involved payment of an initial tranche following the successful outcome of the IPO and payment of a second tranche, equal to 50% of the total bonus, after one year, and following the achievement of certain objectives shown below. The following chart shows the level of achievement for each objective, as confirmed by the Board of Directors at their meeting on 13 December 2016:

**TABLE 7. ASSESSMENT OF OBJECTIVES FOR II TRANCHE OF IPO BONUS**

Objectives	Weighting	Achievement of objective
Continuous improvements to Corporate Governance	20%	●
Operating cash flow (FFO-CAPEX)	40%	●
EPS Relative Growth	40%	●

Not achieved ● Partially achieved ● Achieved ●

The IPO Bonus was paid following an assessment of BancoPosta RFC’s capital adequacy and liquidity.

As shown in the tables on the following pages, following full achievement of all the related objectives, the CEO-GM was paid the first part of the second tranche (equal to 30% of the total IPO Bonus). A further two portions of an equal amount are to be deferred (each being equal to 10% of the total IPO Bonus) until December 2017 and December 2018, subject to an assessment of BancoPosta RFC’s capital and liquidity position.

Finally, with regard to the long-term incentive plan (LTIP), in accordance with the provisions of the Information Circular approved by the General Meeting of Shareholders in 2016, the stocks relating to the first cycle (2016 – 2018) of the plan were granted to the CEO-GM.

The following table shows the related fair value, including the vested amount for 2016, as required by international accounting standards.

## Benefits

The CEO-GM received additional benefits in line with market practices for similar roles and in compliance with the applicable statutory requirements.

## Key management personnel

### Fixed pay

During the salary review conducted in 2016, the fixed remuneration payable to existing Key Management Personnel was subject to selective adjustments, generally for personnel whose pay was deemed to be below market medians.

### Variable incentives

The tables show amounts for the short-term bonuses paid to Key Management Personnel for the 2016 performance period. As noted in last year's Remuneration Report and without prejudice to compliance with the existing statutory requirements, the MBO plan envisages a number of objectives that are in common with those assigned to all KMP, being Industrial net fund/(net debt) and Total net retail deposits, each having a 50% weighting with respect to the total bonus. These objectives, as noted previously, were also assigned to the CEO-GM and, therefore, reference should be made to table 6 for an assessment of their achievement.

As regards the IPO Bonus, a second tranche was due to be paid to Key Management Personnel<sup>(6)</sup> on achievement of the same objectives assigned to the CEO-GM and, therefore, reference should be made to table 7 for an assessment of their achievement.

Finally, the stocks relating to the first cycle (2016 – 2018) of the long-term incentive plan (LTIP) were granted to Key Management Personnel, in accordance with the provisions of the Information Circular referred to above.

The following table shows the related fair value, including the vested amount for 2016, as required by international accounting standards.

The methods of payment applicable to personnel subject to specific regulatory requirements are described in the relevant remuneration policies.

## Benefits

Key Management Personnel received additional benefits in line with market practices for similar roles.

(6) Key Management Personnel in office at the date of award of the IPO bonus (in December 2015).

## 5.2 Tables – CONSOB Form 7-bis<sup>(7)</sup>

### TABLE 1: REMUNERATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL

Name and surname or category	Position	Period in office	Expiry of term of office (approval of financial statements for)	Fixed pay	Fee for Board Committee membership	Variable non-equity payments Bonuses and other incentives	Profit sharing	Benefits in kind	Other remuneration	Total	Fair Value of equity-based payments	Severance indemnity payable at end of term of office or on termination of employment
(A)	(B)	(C)	(D)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1	Luisa Todini Chairwoman	1 Jan 2016- 31 Dec 2016	2016	€ 238,000				€ 2,013		€ 240,013		
	(i) Remuneration from the company preparing the financial statements											
	(ii) Remuneration from subsidiaries and associates											
	<b>(iii) Total</b>			<b>€ 238,000</b>				<b>€ 2,013</b>		<b>€ 240,013</b>		
2	Francesco Cabo Chief Executive Officer and General Manager	1 Jan 2016- 31 Dec 2016	2016	€ 1,104,886		€ 350,655		€ 13,401		€ 1,468,952	€ 101,788 <sup>(i)</sup>	
	(i) Remuneration from the company preparing the financial statements											
	(ii) Remuneration from subsidiaries and associates											
	<b>(iii) Total</b>			<b>€ 1,104,886</b>		<b>€ 350,655</b>		<b>€ 13,401</b>		<b>€ 1,468,952</b>	<b>€ 101,788</b>	
3	Filippo Passerini Director	1 Jan 2016- 31 Dec 2016	2016	€ 40,000	€ 36,250			€ 803		€ 77,053		
	(i) Remuneration from the company preparing the financial statements											
	(ii) Remuneration from subsidiaries and associates											
	<b>(iii) Total</b>			<b>€ 40,000</b>	<b>€ 36,250</b>			<b>€ 803</b>		<b>€ 77,053</b>		
4	Roberto Rao Director	1 Jan 2016- 31 Dec 2016	2016	€ 40,000	€ 43,750			€ 803		€ 84,553		
	(i) Remuneration from the company preparing the financial statements											
	(ii) Remuneration from subsidiaries and associates											
	<b>(iii) Total</b>			<b>€ 40,000</b>	<b>€ 43,750</b>			<b>€ 803</b>		<b>€ 84,553</b>		
5	Elisabetta Fabri Director	1 Jan 2016- 31 Dec 2016	2016	€ 40,000	€ 15,000			€ 803		€ 55,803		
	(i) Remuneration from the company preparing the financial statements											
	(ii) Remuneration from subsidiaries and associates											
	<b>(iii) Total</b>			<b>€ 40,000</b>	<b>€ 15,000</b>			<b>€ 803</b>		<b>€ 55,803</b>		

Notes:

(1) The fair value, in respect of the portion recognised in the financial statements for 2016, of the Phantom Stocks relating to the First Cycle of the long-term incentive plan for 2016-2018 (LTIP) approved by the General Meeting of Shareholders on 24 May 2016.

(7) The amounts included in the tables are computed on an accruals basis in respect of fixed pay and the short-term incentive plan (MBO). The variable pay shown in the tables is based on an estimate of the amount payable at the time of preparing this document, whilst awaiting approval of the Company's financial statements.

Name and surname or category	Position	Period in office	Expiry of term of office (approval of financial statements for)	Fixed pay	Fee for Board Committee membership	Variable non-equity payments		Benefits in kind	Other remuneration	Total	Fair Value of equity-based payments	Severance indemnity payable at end of term of office or on termination of employment
						Bonuses and other incentives	Profit sharing					
(A)	(B)	(C)	(D)	(1)	(2)	(3)	(3)	(4)	(5)	(6)	(7)	(8)
6 Chiara Palmeri	Director	1 Jan 2016 - 31 Dec 2016	2016	€ 40,000	€ 35,000			€ 803		€ 75,803		
(i) Remuneration from the company preparing the financial statements												
(ii) Remuneration from subsidiaries and associates												
<b>(iii) Total</b>				<b>€ 40,000</b>	<b>€ 35,000</b>			<b>€ 803</b>		<b>€ 75,803</b>		
7 Umberto Carlo Maria Nicodano	Director	1 Jan 2016 - 31 Dec 2016	2016	€ 40,000	€ 41,230					€ 81,230		
(i) Remuneration from the company preparing the financial statements												
(ii) Remuneration from subsidiaries and associates												
<b>(iii) Total</b>				<b>€ 40,000</b>	<b>€ 41,230</b>					<b>€ 81,230</b>		
8 Giovanni Azzone	Director	24 May 2016 - 31 Dec 2016	2016	€ 24,153	€ 18,935					€ 43,088		
(i) Remuneration from the company preparing the financial statements												
(ii) Remuneration from subsidiaries and associates												
<b>(iii) Total</b>				<b>€ 24,153</b>	<b>€ 18,935</b>					<b>€ 43,088</b>		
9 Mimi Kung	Director	24 May 2016 - 31 Dec 2016	2016	€ 24,194	€ 11,875			€ 469		€ 36,537		
(i) Remuneration from the company preparing the financial statements												
(ii) Remuneration from subsidiaries and associates												
<b>(iii) Total</b>				<b>€ 24,194</b>	<b>€ 11,875</b>			<b>€ 469</b>		<b>€ 36,537</b>		
Key Management Personnel (20 people <sup>(1)</sup> )												
(i) Remuneration from the company preparing the financial statements				€ 5,944,107		€ 3,819,121		€ 114,526		€ 9,877,753	€ 539,461 <sup>(2)</sup>	€ 3,215,221
(ii) Remuneration from subsidiaries and associates												
<b>(iii) Total</b>				<b>€ 5,944,107</b>		<b>€ 3,819,121</b>		<b>€ 114,526</b>		<b>€ 9,877,753</b>	<b>€ 539,461</b>	<b>€ 3,215,221</b>

## Notes:

- (1) There is no requirement, under existing regulations, for disclosure on an individual basis, given that, in 2016, none of the Key Management Personnel received total compensation in excess of the highest amount of total compensation paid to members of management and oversight bodies or general managers. As a result, the information is provided in aggregate form for 20 Key Management Personnel, including 4 who held their position for only a fraction of the year in 2016. There were 16 Key Management Personnel at 31 December 2016.
- (2) The fair value, in respect of the portion recognised in the financial statements for 2016, of the Phantom Stocks relating to the First Cycle of the long-term incentive plan for 2016-2018 (LTIP) approved by the General Meeting of Shareholders on 24 May 2016.
- (3) Compensation paid for directorships and specific positions at Group companies, as defined by paragraphs 1 and 3 of art. 2389 of the Italian Civil Code, amounting to a total of € 698,139, are paid entirely to Poste Italiane SpA.
- (4) Compensation paid for specific positions at Group companies, as defined by paragraph 3 of art. 2389 of the Italian Civil Code, amounting to € 47,522, is paid entirely to Poste Italiane SpA.

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
						Variable non-equity payments Bonuses and other incentives	Profit sharing					
Name and surname or category	Position	Period in office	Expiry of term of office (approval of financial statements for)	Fixed pay	Fee for Board Committee membership	Variable non-equity payments		Benefits in kind	Other remuneration	Total	Fair Value of equity-based payments	Severance indemnity payable at end of term of office or on termination of employment
1	Benedetta Navarra Chairwoman of the Board of Statutory Auditors Remuneration from the company preparing the financial statements Remuneration from subsidiaries and associates <b>(10) Total</b>	1 Jan 2016 - 24 May 2016	2015	€ 20,601						€ 20,601		
2	Maurizio Bastoni Standing Auditor Remuneration from the company preparing the financial statements Remuneration from subsidiaries and associates <b>(10) Total</b>	1 Jan 2016 - 24 May 2016	2015	€ 16,441						€ 16,441		
3	Nadia Fontana Standing Auditor Remuneration from the company preparing the financial statements Remuneration from subsidiaries and associates <b>(10) Total</b>	1 Jan 2016 - 24 May 2016	2015	€ 16,441						€ 16,441		
4	Maurizio Bastoni Standing Auditor Remuneration from the company preparing the financial statements Remuneration from subsidiaries and associates <b>(10) Total</b>	24 May 2016 - 31 Dec 2016	2018	€ 42,268						€ 42,268		
5	Mauro Lonardo Chairman of the Board of Statutory Auditors Remuneration from the company preparing the financial statements Remuneration from subsidiaries and associates <b>(10) Total</b>	24 May 2016 - 31 Dec 2016	2018	€ 48,306						€ 48,306		
6	Alessia Bastiani Standing Auditor Remuneration from the company preparing the financial statements Remuneration from subsidiaries and associates <b>(10) Total</b>	24 May 2016 - 31 Dec 2016	2018	€ 42,268						€ 42,268		

**TABLE 3A: SHARE-BASED INCENTIVE PLANS, OTHER THAN STOCK OPTIONS, FOR MEMBERS OF THE BOARD OF DIRECTORS, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL**

Name and surname	Position	Plan	Financial instruments awarded in previous years that did not vest during the year			Financial instruments awarded during the year			Financial instruments vesting during the year and not awarded	Financial instruments vesting during the year and awardable	Financial instruments attributable to the year		
			Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at grant date	Vesting period	Grant date	Market price on grant date	Number and type of financial instruments	Value at grant date	Fair value	
(A)	(B)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Francesco Cao	General Manager (employment contract)												
(I) Remuneration from the company preparing the financial statements		Long-term incentive plan 2016-2018 (LTIP) – Phantom Stock Plan			N. 58,739								
		Shareholder resolution of 24 May 2016			Phantom Stock	€ 380,002 <sup>(i)</sup>	2016 - 2018	28/06/2016	€ 6,469 <sup>(ii)</sup>				€ 101,788 <sup>(i)</sup>
(II) Remuneration from subsidiaries and associates													
<b>(III) Total</b>						<b>€ 380,002</b>							<b>€ 101,788</b>
Key Management Personnel													
(I) Remuneration from the company preparing the financial statements		Long-term incentive plan 2016-2018 (LTIP) – Phantom Stock Plan			N. 295,705								
		Shareholder resolution of 24 May 2016			Phantom Stock	€ 1,913,014 <sup>(i)</sup>	2016 - 2018	28/06/2016	€ 6,469 <sup>(ii)</sup>				€ 539,461 <sup>(i)</sup>
(II) Remuneration from subsidiaries and associates													
<b>(III) Total</b>						<b>€ 1,913,014</b>							<b>€ 539,461</b>

## Notes:

- (1) Corresponds to the value of the Phantom Stocks at the grant date.
- (2) The arithmetic average of the market value of Poste Italiane's shares in the thirty stock exchange trading days prior to the grant date (in line with the Information Circular approved by the General Meeting of Shareholders held on 24 May 2016), by convention fixed as 28 June 2016, the date on which the Board of Directors approved the level of the related targets and the terms and conditions of the Plan.
- (3) The fair value of the portion recognised in the financial statements for 2016.

**TABLE 3B: CASH INCENTIVE PLANS FOR MEMBERS OF THE BOARD OF DIRECTORS, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL**

A Name and surname and category	B Position	(1) Plan	(2) Bonus of the year		(3) Bonus for previous years		(4) Other bonuses
			(A) Payable/Paid	(B) Deferred	(A) No longer payable	(B) Payable/Paid	
Francesco Cabo	General Manager (employment contract)						
(I) Remuneration from the company preparing the financial statements		MBO 2016	€ 191,694	€ 127,796		€ 47,923	€ 47,923
(I) Remuneration from the company preparing the financial statements		MBO 2015				€ 74,026	€ 74,026
(I) Remuneration from the company preparing the financial statements		IPO Bonus 2015				€ 158,962	€ 121,949
<b>(III) Total</b>			<b>€ 191,694</b>	<b>€ 127,796</b>			
Key Management Personnel							
(I) Remuneration from the company preparing the financial statements		MBO 2016	€ 2,856,625	€ 229,244		€ 61,499	€ 86,576
(I) Remuneration from the company preparing the financial statements		MBO 2015				€ 755,803	€ 21,600
(I) Remuneration from the company preparing the financial statements		IPO Bonus 2015				€ 11,505	€ 11,505
(I) Remuneration from the company preparing the financial statements		MBO 2014				€ 8,680	
(I) Remuneration from the company preparing the financial statements		MBO 2013					
<b>(III) Total</b>			<b>€ 2,856,625</b>	<b>€ 229,244</b>		<b>€ 837,496</b>	<b>€ 118,681</b>
							<b>€ 125,000</b>

## 5.3 Tables – CONSOB Form 7-ter

**TABLE 1: INTERESTS HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS AND GENERAL MANAGERS**

Name and surname	Position	Company invested in	No. of shares held at end of 2015	No. of shares purchased in 2016	No. of shares sold in 2016	No. of shares held at end of 2016	Title
Luisa Todini	Chairwoman of the Board of Directors	POSTE ITALIANE SPA	2,000	100 <sup>(1)</sup>	0	2,100	Ownership
Francesco Caio	Chief Executive Officer and General Manager	POSTE ITALIANE SPA	5,000	255 <sup>(1)</sup>	0	5,255	Ownership
Elisabetta Fabri	Director	POSTE ITALIANE SPA	10,000	0	0	10,000	Ownership
Filippo Passerini	Director	POSTE ITALIANE SPA	3,691 <sup>(2)</sup>	0	0	3,691 <sup>(2)</sup>	Ownership

Notes:

- (1) Shares granted free of charge, as an incentive to purchase shares resulting from participation in the IPO in 2015.
- (2) Shares held through a spouse, following their purchase by an asset management company, without any instruction from the interested party.

**TABLE 2: INTERESTS HELD BY KEY MANAGEMENT PERSONNEL**

No. of Key Management Personnel	Position	Company invested in	No. of shares held at end of 2015	No. of shares purchased in 2016	No. of shares sold in 2016	No. of shares held at end of 2016	Title
16 <sup>(1)</sup>	Key Management Personnel	POSTE ITALIANE SPA	58,100 <sup>(2)</sup>	4,545 <sup>(3)</sup>	0	62,645 <sup>(4)</sup>	Ownership

Notes:

- (1) The information is provided in aggregate form and only with respect to Key Management Personnel in office at 31 December 2016.
- (2) Including 55,100 held personally by interested parties and 3,000 held by the spouses of two Key Management Personnel.
- (3) Including (i) 2,000 shares purchased in the market, and (ii) 2,545 shares (150 of which to the spouses of two Key Management Personnel) granted free of charge, as an incentive to purchase shares resulting from participation in the IPO in 2015.
- (4) Including 59,495 held personally by the interested parties and 3,150 held by the spouses of two Key Management Personnel.

## Annex required by art. 84-bis of the CONSOB's Regulations for Issuers – Long-term incentive plan 2016-2018 (LTIP) - Phantom Stock Plan

With regard to the "Long-term incentive plan 2016-2018 (LTIP) – Phantom Stock Plan" approved by the General Meeting of Shareholders on 24 May 2016, subject to the conditions and for the purposes described in the Information Circular available for consultation on the Company's website (<http://www.posteitaliane.it/it/governance/remunerazione>), the following table shows, in accordance with art. 84-bis (Annex 3A, Form 7) of the CONSOB's Regulations for Issuers, details of the grant made in 2016 under the Phantom Stock Plan.

Name and surname or category	Position	CHART 1					
		Financial instruments other than stock options					
Section 1							Vesting period
Instruments relating to outstanding plans approved on the basis of previous shareholder resolutions							
Date of shareholder resolution	Type of financial instrument	Number of financial instruments	Grant date	Eventual purchase price of instruments	Market price at grant date		
Francesco Caio	General Manager (employment contract)	58,739	28 June 2016		€ 6.469 <sup>(1)</sup>	2016 - 2018	
Key Management Personnel (13)	Phantom Stock	295,705	28 June 2016		€ 6.469 <sup>(1)</sup>	2016 - 2018	
Other senior management within the Group (41 <sup>(2)</sup> )	Phantom Stock	352,199	28 June 2016		€ 6.469 <sup>(1)</sup>	2016 - 2018	

Notes:

- (1) The arithmetic average of the market value of Poste Italiane's shares in the thirty stock exchange trading days prior to the grant date (in line with the Information Circular approved by the General Meeting of Shareholders held on 24 May 2016), by convention fixed as 28 June 2016, the date on which the Board of Directors approved the level of the related targets and the terms and conditions of the Plan.
- (2) Including 4 senior managers at Poste Vita SpA.



Annex:  
Guidelines for  
BancoPosta RFC's  
remuneration and  
incentive policies  
for 2017

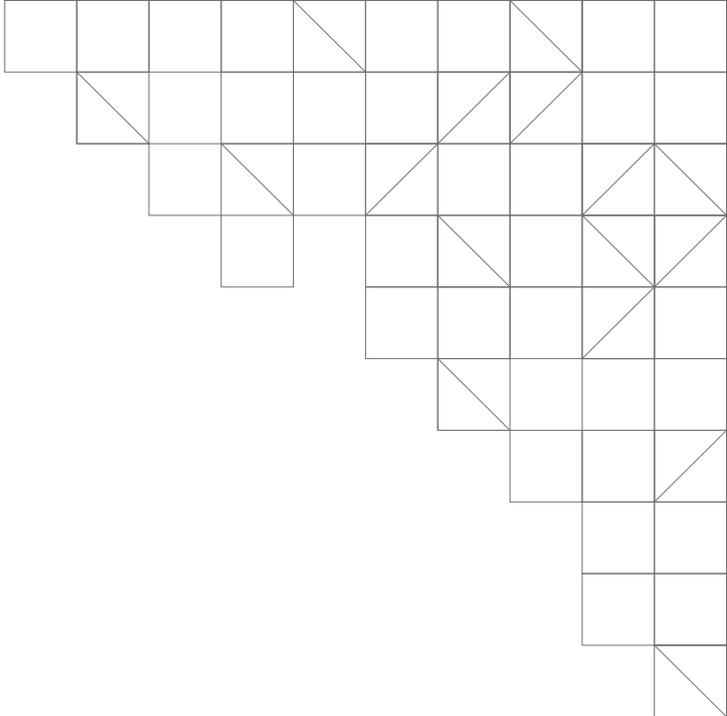


# Contents

## **Annex: Guidelines for BancoPosta RFC's remuneration and incentive policies for 2017**

---

<b>INTRODUCTION</b>	<b>52</b>
<b>1 STATUTORY AND REGULATORY FRAMEWORK AND SCOPE OF APPLICATION</b>	<b>53</b>
1.1 Preamble – Aim of this document	53
1.2 Statutory and regulatory framework	53
1.3 Definitions	54
1.4 Scope of application	55
<b>2 IMPLEMENTATION AND OVERSIGHT OF REMUNERATION AND INCENTIVE POLICIES</b>	<b>56</b>
2.1 Role of the General Meeting of Shareholders	56
2.2 Role of the Board of Directors	56
2.3 Role of the Remuneration Committee	56
2.4 Duties and responsibilities of the other functions involved	57
2.5 Process for determination and oversight of remuneration policies: summary	58
<b>3 GUIDELINES FOR REMUNERATION AND INCENTIVES</b>	<b>60</b>
3.1 Principles and objectives of the remuneration and incentive policies	60
3.2 Identification of Material Risk Takers	60
3.3 Components of Material Risk Takers' remuneration	61
3.3.1 Fixed remuneration	61
3.3.2 Variable remuneration	62
3.3.3 Benefits	63
3.4 Severance payments on termination of employment	63
3.5 Ex post adjustments (malus and clawback provisions)	65



<b>4</b>	<b>BANCOPOSTA RFC'S REMUNERATION AND INCENTIVE POLICIES</b>	<b>67</b>
4.1	Chairwoman of the Board of Directors	67
4.2	Non-executive Directors	68
4.3	Board of Statutory Auditors	68
4.4	Chief Executive Officer and General Manager	68
4.4.1	Short-term incentive plan (MBO)	70
4.4.2	Long-term incentive plan (LTIP)	71
4.5	Material Risk Takers	73
4.5.1	Short-term incentive plan (MBO)	73
4.5.2	Long-term incentive plan (ILT)	76
4.6	The Company's control functions	78
4.7	Remuneration for other BancoPosta personnel (non-Risk Takers)	78
<b>5</b>	<b>REMUNERATION PAID IN 2016</b>	<b>79</b>
5.1	Ex post tables	79

---

# Introduction

This document – in line with the first section of the Remuneration Report published by Poste Italiane SpA (“Poste Italiane”, “the Parent Company” or “the Company”) – describes the remuneration and incentives for the Company’s personnel who work for *Patrimonio BancoPosta* (“BancoPosta Ring-fenced Capital” or “BancoPosta RFC”) and who therefore fall within the scope of application described in greater detail below. The above remuneration and incentives are aligned with: (i) BancoPosta RFC’s organisational and management model; (ii) the existing organisational structure; and (iii) the Company’s By-laws and the BancoPosta RFC Regulation. Part IV, Chapter 1 “BancoPosta” of Bank of Italy Circular 285 of 17 December 2013 requires application of the regulations for banks in respect of “*remuneration and incentive policies and practices*”, as contained in the same Bank of Italy Circular 285/2013 (Part I, Section IV, Chapter 2) and in the EBA guidelines and EBA Regulatory Technical Standard (RTS) from time to time in effect, to personnel falling within the above scope.

In keeping with the information provided in the “*Guidelines for BancoPosta RFC’s remuneration and incentive policies for 2016*”, a number of changes were made in 2017 with a view to continually ensuring a sound and prudent approach to the management of risk and the achievement of sustainable growth.

Existing statutory requirements state that the General Meeting of Shareholders (General Meeting) must be annually provided with “*a clear and full description of the remuneration and incentive policies and practices to be adopted, with the aim of explaining: the rationale, purposes and procedures for implementing the remuneration policies, the relevant controls, the nature of the pay structure, the policies’ consistency with the established guidelines and objectives, their compliance with the applicable statutory requirements, any changes with respect to previously approved policies, developments with regard to pay, including in relation to industry trends*”. The General Meeting of Shareholders must also be provided, on at least an annual basis, with a report on the procedures by which the remuneration policies have been implemented.

---

# 01 Statutory and regulatory framework and scope of application

## 1.1 Preamble – Aim of this document

This document, in keeping with statutory requirements and the relevant regulatory framework in effect and with section one of Poste Italiane's Remuneration Report, describes the remuneration and incentives for BancoPosta RFC personnel, as defined below, in accordance with the Company's long-term strategies, strategic objectives and performance. In this regard, the following provisions require, above all, that the variable component of remuneration is sustainable in respect of BancoPosta RFC's financial position and does not limit its ability to maintain and achieve adequate levels of capital and liquidity.

## 1.2 Statutory and regulatory framework

Poste Italiane SpA conducts BancoPosta's operations – as governed by Presidential Decree 144 of 14 March 2001, as amended – through an entity with ring-fenced capital, called BancoPosta RFC, created by the General Meeting of Shareholders held on 14 April 2011, in implementation of art. 2, paragraphs 17-octies et seq. of Law Decree 225 of 29 December 2010, converted with amendments into Law 10 of 26 February 2011. The same General Meeting also approved the BancoPosta RFC Regulation, containing the rules governing its organisation, management and control. BancoPosta RFC, which has been separated from Poste Italiane's capital outside the ring-fence, constitutes a collection of assets and contractual rights to be used exclusively to meet obligations arising as a result of the operations of BancoPosta RFC and representing the scope of application for the Bank of Italy's relevant prudential supervisory standards.

On 27 May 2014, the Bank of Italy issued specific Supervisory Standards for BancoPosta RFC (Part IV, Chapter I, "BancoPosta" including in Circular 285 of 17 December 2013 "Prudential supervisory standards for banks") which, in taking into account BancoPosta RFC's specific organisational and operational aspects and those of Poste Italiane SpA, has extended application of the prudential standards for banks to include BancoPosta. This includes the standards relating to the corporate governance of banks (Part I, Section IV, Chapter I "Corporate governance" in the above Circular 285) and matters relating to remuneration and incentive policies (Part I, Section IV, Chapter 2 "Remuneration and incentive policies and practices" in the above Circular 285).

Based on its experience of implementation, on 18 November 2014, the Bank of Italy issued supervisory standards for "remuneration and incentive policies and practices" for banks and banking groups. The regulations, inserted into Circular 285 of 17 December 2013 ("Circular 285/2013"), apply the provisions of EU Directive 2013/36/EU ("CRD IV") and international guidelines (EBA and FSB)<sup>(8)</sup>.

The above regulations should be viewed as an integral part of the rules governing organisational arrangements and corporate governance, forming part of a much broader regulatory framework that also includes specific regulations for listed companies and investment services and activities.

---

(8) In December 2015, the EBA published an updated version of its "Guidelines on sound remuneration policies", providing detailed guidance on the structure of remuneration, remuneration policies and the related governance and implementation processes.

## 1.3 Definitions

The following definitions apply to BancoPosta RFC for the purposes of this document:

- **BancoPosta personnel:** the Chief Executive Officer and General Manager in his latter role, the Head of the BancoPosta function, BancoPosta's internal controls and people assigned to BancoPosta's cost centres, in relation to the BancoPosta function. This definition excludes Company personnel, employed under the Operating Guidelines required by the Supervisory Standards, entered into by Poste Italiane and BancoPosta RFC.
- **Board Committees:** committees whose members are also members of the Board of Directors, in accordance with the Corporate Governance Code and, given the specific nature of the Company, Bank of Italy Circular 285 of 17 December 2013, as amended. The Committees' members must be independent Directors or, alternatively, non-executive Directors, with a majority of them being independent, in which case the Chair must be independent.
- **Board of Directors:** the collective body assigned responsibility for management of the Company. It is, among other things, the body with responsibility for approving the remuneration policies recommended by the Remuneration Committee, to be submitted for final approval by the General Meeting with respect to BancoPosta RFC.
- **Board of Statutory Auditors:** the Company's oversight body, which has the role of overseeing compliance with the law, the Company's By-laws and with correct corporate governance principles, also verifying the adequacy of the organisational structure and administrative and accounting systems adopted by the Company and their functionality.
- **Company:** Poste Italiane SpA.
- **Control functions:** BancoPosta RFC's Compliance, Anti-money Laundering, Internal Auditing, Risk Management and, solely with regard to the policies described in this document, BancoPosta RFC's HR Business Partner functions.
- **Directors with delegated powers:** Directors who play a particular role within the Board of Directors, specifically the Chairwoman and the Chief Executive Officer.
- **Executive Directors:** members of the Board of Directors with executive powers, specifically the Chief Executive Officer.
- **Financial instruments:** equity or equity-linked instruments, whose value reflects the Company's economic value.
- **Fixed pay:** pay as defined by paragraphs 1 and 3 of art. 2389 of the Italian Civil Code, and the Gross Annual Salary, meaning the gross fixed annual component of remuneration for employees, consisting of monthly pay plus any other remuneration deemed to be fixed, in accordance with national collective labour agreements and any supplementary agreements.
- **General Meeting of Shareholders:** a gathering at which the shareholders discuss and vote on matters relating to the Company. All the holders of voting rights can attend the meetings, either in person or via a proxy. The meeting has all the powers attributed to it by law and the By-laws. In accordance with Bank of Italy Circular 285/2013 (as amended) the Meeting approves the remuneration and incentive policies for members of the management and oversight bodies and all other personnel.
- **Manager Responsible for Financial Reporting:** this role was introduced by savings protection legislation (Law 262 of 28 December 2005, as amended by Legislative Decree 303 of 29 December 2006, which introduced the new article 154-bis into the Consolidated Law on Finance).
- **Material Risk Takers ("MRTs"):** staff, including personnel falling within the scope of application of BancoPosta's remuneration and incentive policies, whose activities have a material impact on the entity's risk profile, as identified by the Company in accordance with Delegated Regulation (EU) 604 of 4 March 2014.
- **Non-executive Directors:** Directors who do not have executive powers, specifically all the Directors except for the Chief Executive Officer.
- **Operating Guidelines:** documents governing the contracting out of BancoPosta's corporate functions to Poste Italiane, in accordance with the "General Guidelines governing the process of contracting out BancoPosta's corporate functions to Poste Italiane", as required by the new Supervisory Standards for BancoPosta issued by the Bank of Italy on 27 May 2014.
- **Personnel falling within the scope of application of the "Guidelines for BancoPosta RFC's remuneration and incentive policies":** members of the Board of Directors (the Chairwoman, Chief Executive Officer and General Manager, and Directors), the Board of Statutory Auditors, Poste Italiane's Manager Responsible for Financial Reporting, the Head of the BancoPosta function, BancoPosta's internal auditors and people assigned to BancoPosta's cost centres. This definition excludes Company personnel, employed under the Operating Guidelines required by the Supervisory Standards, entered into by Poste Italiane and BancoPosta RFC.
- **Supervisory Standards:** the standards issued by the Bank of Italy for application by BancoPosta RFC.
- **Variable pay:** any form of pay or benefit of a variable amount payable to personnel.

## 1.4 Scope of application

In view of the particular nature of BancoPosta RFC and its relations with Poste Italiane functions, the remuneration and incentive policies described in this document apply to the following entities, insofar as their activities relate to BancoPosta RFC:

- Poste Italiane's Board of Directors (the Chairwoman, the Chief Executive Officer and General Manager and non-executive Directors);
- Poste Italiane's Board of Statutory Auditors;
- Poste Italiane's Manager Responsible for Financial Reporting;
- the Head of the BancoPosta function;
- BancoPosta's internal control function personnel;
- other Material Risk Takers;
- other BancoPosta personnel not identified as Material Risk Takers.

## 02 Implementation and oversight of remuneration and incentive policies

The process of drawing up BancoPosta RFC's remuneration and incentive policies involves a number of different entities, as follows:

- the General Meeting of Poste Italiane's shareholders;
- Poste Italiane's Board of Directors;
- Poste Italiane's Remuneration Committee;
- Poste Italiane's Chief Executive Officer and General Manager ("CEO-GM");
- the Head of the BancoPosta function, the heads of BancoPosta RFC's HR Business Partner, Risk Management, Compliance and Internal Auditing functions;

### 2.1 Role of the General Meeting of Shareholders

The Ordinary General Meeting, with regard to BancoPosta RFC, in keeping with what has been determined with reference to Poste Italiane, approves:

- the remuneration and incentive policies, having the power to raise the ratio of individual variable to fixed remuneration to above 1:1 on the recommendation of the Board of Directors and in compliance with the conditions established by Circular 285/2013;
- equity-based plans;
- the criteria for determining the severance payments in the event of early termination of employment or office, including the limits on such payments in terms of the number of years of remuneration payable and the maximum amount resulting from their application.

### 2.2 Role of the Board of Directors

Poste Italiane's Board of Directors, with regard to BancoPosta RFC, on the recommendation of the Remuneration Committee:

- draws up the remuneration and incentive policies to submit, at least annually, to the General Meeting for Shareholders' approval;
- determines the remuneration and incentives for the Material Risk Takers identified by the Company, based on the Supervisory Standards.

The Board of Directors, on the recommendation of the Remuneration Committee and in accordance with the Committee's terms of reference, determines the remuneration payable to the CEO-GM, the Head of the BancoPosta function and the Manager Responsible for Financial Reporting.

### 2.3 Role of the Remuneration Committee

The membership, duties, powers and related procedures of the Committee in question are governed by specific terms of reference, in keeping with the requirements contained in the Supervisory Standards.

Poste Italiane's Remuneration Committee currently consists of three non-executive Directors, all of whom meet the independence requirements provided for in art. 148, paragraph 3 of Legislative Decree 58 of 24 February 1998 and of article 3 of the Corporate Governance Code. The Committee has the required number of members with appropriate expertise and experience in financial matters or remuneration policies and risk management.

Committee meetings are attended by the Board of Statutory Auditors and, by invitation of the Chair, other members of the Board of Directors, the Head of BancoPosta and external parties, whose presence is designed to enable the Committee to carry out its role in the best possible manner. When matters regarding remuneration involve concerns relating to risk, sustainability and the capital position, the Head of BancoPosta RFC's Risk Management function is invited to attend.

In keeping with these requirements, Poste Italiane's Board of Directors has established the Remuneration Committee with responsibility for researching, providing advice and making recommendations regarding remuneration and incentive plans.

In addition to its responsibilities in respect of Poste Italiane, with regard to those relating to BancoPosta RFC, the Committee:

- is responsible for making recommendations to the Board of Directors regarding remuneration and incentive schemes for the Company's senior managers, based on the requirements in the Supervisory Standards, and the compensation payable to the Head of the BancoPosta function;
- advises the Board of Directors on matters relating to determination of the criteria to be used in determining the remuneration of all Material Risk Takers, identified as such in accordance with the Supervisory Standards;
- directly oversees the correct application of the rules governing the remuneration of the heads of BancoPosta's control functions, in close consultation with the Board of Statutory Auditors;
- prepares the documentation to be submitted to the Board of Directors for the related decisions;
- cooperates with the Audit and Risk Committee and the Nominations Committee, established by the Board of Directors;
- ensures the involvement of the relevant corporate functions in the process of determining and overseeing remuneration policies and practices;
- expresses an opinion, based also on information received from the relevant corporate functions, on achievement of the performance targets to which the incentive plans are linked on satisfaction of the other conditions to which the payment of compensation is subject;
- reports on its activities to the various corporate bodies, including the General Meeting of Shareholders.

The Committee, through its Chair, reports to the Board of Directors on its activities as they take place usually at the earliest possible Board meeting, and at least once a year when it presents the Board with a periodic report on the Committee's activities with the aim of establishing a suitable channel for communication with shareholders and investors.

The Committee has the right to access – within the limits of its assigned responsibilities – the information and corporate functions necessary in order to fulfil its role, in accordance with the provisions of paragraph 2.5, and may avail itself of independent experts within the limits of its assigned responsibilities, in accordance with the terms established by the Board of Directors and in keeping with the approved budget.

## 2.4 Duties and responsibilities of the other functions involved

In accordance with their respective responsibilities, the following BancoPosta RFC functions contribute to the process of determining the remuneration and incentive policies and to the process of identifying Material Risk Takers. They are tasked with ensuring ongoing compliance with the related regulatory requirements and the correct functioning of the policies and practices adopted.

In keeping with the guidelines issued by Poste Italiane, the **Head of the BancoPosta function**, with the agreement of the CEO-GM, establishes, if necessary with the support of the HR Business Partner function and other internal functions, the guidance to be applied in determining the remuneration and incentive policies for BancoPosta personnel, which are then presented to the Remuneration Committee.

This does not affect the role of the Board of Directors in determining, on the recommendation of the Remuneration Committee and in accordance with the Committee's terms of reference, the remuneration payable to the CEO-GM, the Head of the BancoPosta function and the Manager Responsible for Financial Reporting.

The **Head of the BancoPosta** function also ensures oversight and implementation of the “*Guidelines for BancoPosta RFC's remuneration and incentive policies*”, in keeping with those of the Company, via the following support.

The **HR Business Partner** function is responsible for recommending the “*Guidelines for BancoPosta RFC's remuneration and incentive policies*” and ensuring their alignment with the Company's remuneration and incentive policies.

The **Compliance** function checks the consistency and suitability of the “*Guidelines for BancoPosta RFC's remuneration and incentive policies*” and of the objectives assigned in respect of the relevant regulatory requirements and the BancoPosta RFC Regulation.

The **Risk Management** function, with the support of BancoPosta's Administration, Planning and Control, contributes to determining the risk-adjusted financial indicators to which incentive plans are linked, in line with BancoPosta RFC's capital and liquidity position, the risks assumed as part of its operations and the resulting levels of performance achieved. The Risk Management function also, therefore, provides the Remuneration Committee with the information that the Committee deems necessary in order to ensure consistency with BancoPosta RFC's Risk Appetite Framework (RAF). The Head of the Risk Management function<sup>(9)</sup> is thus invited to Remuneration Committee meetings when matters having an impact on BancoPosta RFC's risk management and capital and liquidity position are dealt with.

The **Internal Auditing** function assesses, at least once a year, the conformity of remuneration practices with the Company's policies, the policies approved and the relevant regulatory requirements. It is responsible for reporting any critical issues to the corporate bodies and the competent functions, so as to enable the necessary corrective action to be taken. The results of the assessment conducted must be reported on, at least once a year, to the General Meeting of Shareholders.

## 2.5 Process for determination and oversight of remuneration policies: summary

The decision-making process involved in determining the remuneration and incentive policies for BancoPosta personnel takes the following form:

1. The Head of the BancoPosta function, in keeping with the Company's policies, with the support of the HR Business Partners, establishes the guidance to be applied in determining the remuneration and incentive policies. This guidance, which is validated by Compliance and Risk Management in order to ensure its compliance with the relevant regulatory requirements and risk policies, is then, with the agreement of the Chief Executive Officer and General Manager, submitted to the Remuneration Committee.
2. The Remuneration Committee has the role of making recommendations to the Board of Directors regarding BancoPosta RFC's remuneration and incentive policies, availing itself of the support of BancoPosta RFC's HR Business Partner, Compliance and Risk Management functions and of external consultants, where deemed necessary. The Committee provides advice on matters relating to remuneration and incentives for persons falling within the scope of application of BancoPosta's remuneration and incentive policies, in addition to examining this document prior to its publication in preparation for the General Meeting of Shareholders in accordance with the required timing.
3. The Audit and Risk Committee checks that the incentives underlying BancoPosta RFC's remuneration and incentives are consistent with BancoPosta RFC's Risk Appetite Framework, partly on the basis of information received from the Head of the Risk Management function. The Related and Connected Parties Committee, in line with the provisions of the “*Guidelines for the management of transactions with Related Parties and Connected Persons*” adopted by Poste Italiane, may be requested to provide an opinion on matters relating to remuneration solely when there are concerns of an exceptional nature, such that there is a lack of consistency with the guidelines BancoPosta RFC's remuneration and incentive from time to time in effect.
4. The Board of Directors submits the remuneration and incentive policies for BancoPosta personnel to the General Meeting and reviews them at least once a year (with particular reference to the provisions relating to Material Risk Takers), and is responsible for their correct implementation. It may take into account the opinions of the above functions, the Remuneration Committee and the Audit and Risk Committee, provided that compliance with the Company's policies and BancoPosta RFC's overall approach, in terms of risk appetite, strategies, long-term objectives, corporate governance model and internal controls.

(9) The Head of the Risk Management function attended eleven of the twelve meetings held by the Remuneration Committee in 2016.

Directors with delegated powers must abstain during votes regarding decisions on their remuneration and not take part in discussions on this matter.

5. At the end of the above process, the General Meeting of Shareholders approves the remuneration and incentive policies.
6. Once a year, the Internal Auditing function assesses the conformity of remuneration practices with the policies approved, following the procedure “sub 4” and the relevant regulatory requirements. The results of the assessment are brought to the attention of the corporate bodies and the competent functions, so as to enable the necessary corrective action to be taken.

## 03 Guidelines for remuneration and incentives

### 3.1 Principles and objectives of the remuneration and incentive policies

BancoPosta's remuneration and incentive policies – which must be aligned with those of the Company - play a key role in pursuit of strategic objectives and are designed:

- (I) to form a part of the rewards for merit and performance;
- (II) to create value and direct personnel towards achievement of short-, medium- and long-term objectives within a set of rules established to ensure appropriate management of the related risks;
- (III) to align the conduct of Material Risk Takers and of other BancoPosta RFC personnel with the interests of stakeholders, medium- to long-term strategies and the entity's objectives, within a set of rules established to ensure appropriate management of current and future risks and adequate levels of liquidity and capital;
- (IV) to attract, motivate and retain high calibre professionals;
- (V) to ensure internal equity, linking remuneration with responsibilities and rewarding everyone's contribution to the achievement of the targets set;
- (VI) to ensure external competitiveness through a continuous process of market benchmarking, conducted with the support of specialist consulting firms who provide the related benchmarks;
- (VII) to ensure that the remuneration and incentive policies are sustainable in terms of BancoPosta RFC's operating performance and financial position.

In pursuing the objectives of profitability and financial stability over the medium to long term, BancoPosta RFC is committed to adopting remuneration policies based on the principles of transparency and the sound and prudent management of risk, effectively managing any potential conflicts of interest and its capital and liquidity positions.

### 3.2 Identification of Material Risk Takers

For the purposes of these policies, within the above-defined scope of application, certain persons have been identified as Material Risk Takers ("MRTs"), whose activities have or may have a material impact on BancoPosta RFC's risk profile.

The process of identifying MRTs is based on an exact assessment of the position held by each individual within the organisation, used to assess the importance of each person in terms of the assumption of risk. Identification follows a structured assessment process, based on qualitative and quantitative criteria, in line with the regulatory requirements introduced by the EBA's Regulatory Technical Standard (RTS).

Identification of BancoPosta RFC's MRTs is coordinated by the Head of the BancoPosta function, with the assistance of the HR Business Partner, Risk Management and Compliance functions.

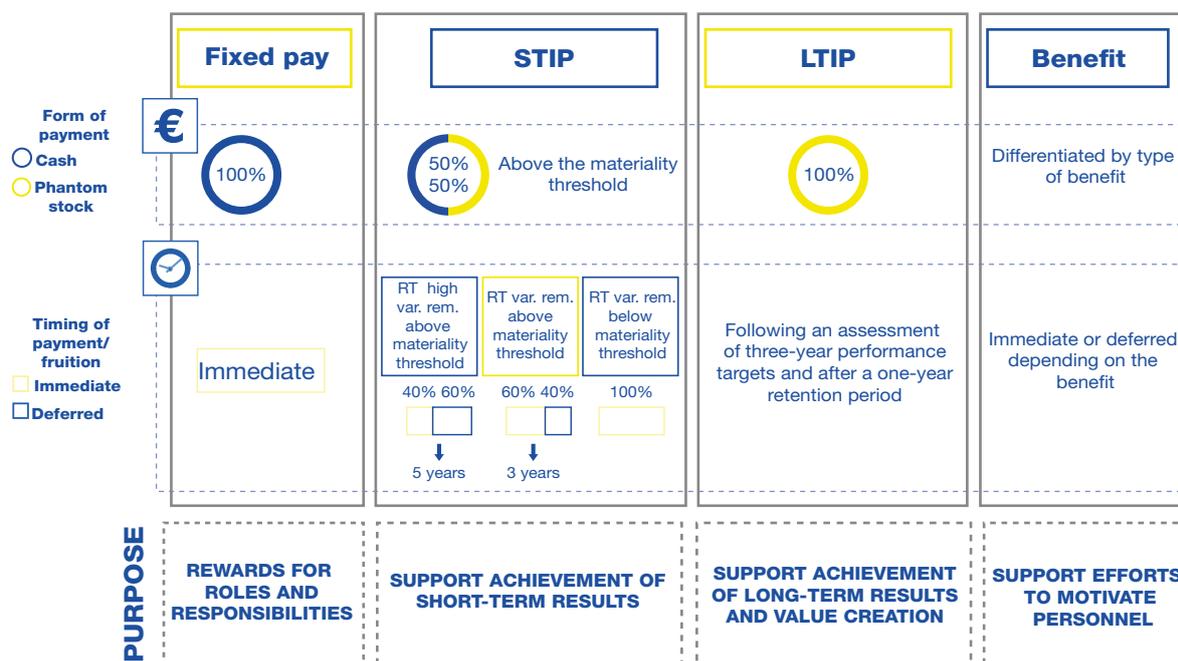
Combined application of the qualitative and quantitative requirements of Delegated Regulation (EU) 604/2014 has led to the identification of 89 MRTs.

### 3.3 Components of Material Risk Takers' remuneration

Total remuneration is determined in order to reflect the effective degree of responsibility and performance, in the certainty that correct remuneration and incentive policies generally have a positive impact on the conduct of personnel and align individual goals with strategic and risk management objectives.

The following chart summarises the key components of material Risk Takers' remuneration:

**FIGURE 1. CHART SHOWING COMPONENTS OF MATERIAL RISK TAKERS' REMUNERATION**



BancoPosta personnel identified as MRTs, in accordance with the Supervisory Standards issued by the Bank of Italy, are required not to take out personal insurance, income protection or any other form of cover that may modify or affect the impact of risk alignment in variable pay plans. The above is confirmed via specific agreements with BancoPosta personnel.

#### 3.1.1 Fixed remuneration

In line with the Company's policies, **fixed pay** is aligned with the role held and the scope of the responsibilities assigned, reflecting the experience and skills required for each position, the degree of excellence demonstrated and the overall quality of the individual's contribution to BancoPosta RFC's performance. The adequacy of fixed pay is also assessed with reference to relevant market benchmarks.

Given that BancoPosta RFC's remuneration and incentive policies are approved by the General Meeting of Poste Italiane's shareholders, fixed remuneration is determined as follows:

- for members of the Board of Directors, as defined by art. 2389, paragraph 1 of the Italian Civil Code, by the General Meeting of Poste Italiane's shareholders;
- for members of the Board of Statutory Auditors, by the General Meeting of Poste Italiane's shareholders;
- for the Chairwoman, by the Board of Directors on the recommendation of Remuneration Committee;
- for the Chief Executive Officer and General Manager, by the Board of Directors on the recommendation of Remuneration Committee;
- for the Manager Responsible for Financial Reporting, by the Board of Directors on the recommendation of the Remuneration Committee;

- for the Head of the BancoPosta function, by Poste Italiane's Board of Directors on the recommendation of the Remuneration Committee.

### 3.3.2 Variable remuneration

In line with the Group's policies, **variable pay** is directly linked to Company and individual performance, taking into account the risks assumed in conducting operations (it may, therefore, be significantly reduced, potentially to zero); variable remuneration is awarded or disbursed provided that the Company has not failed to meet its capital adequacy requirements after the cost of the variable remuneration itself.

The following forms of variable remuneration are used:

- Short-term incentive plan (MBO), which, in respect of BancoPosta RFC, applies to the following persons:
  - the Chief Executive Officer and General Manager in his latter role;
  - the Head of the BancoPosta function;
  - the Manager Responsible for Financial Reporting;
  - other executive and middle managers with formal roles within the organisation.

The aim of the MBO plan is to link the variable component of remuneration with the Company's short-term results and those of the various functions and individuals. In addition, the plan is closely linked to performance, including with regard to required standards of conduct. The plan is based on a structured process for defining incentives and the associated objectives.

A maximum level of over performance has been set, above which the incentive remains constant, as has a hurdle, below which the incentives do not apply and there is, therefore, no payment due.

Where the incentive is greater than the materiality threshold (€50,000), the plan envisages award of 50% of the incentive in the form of phantom stocks representing the value of Poste Italiane's shares. 60% of the award is deferred for a 5-year period (pro-rata) in the case of Material Risk Takers with a high level of variable remuneration, being personnel who are beneficiaries of both the short- and long-term incentive plans with regard to maximum percentages under the MBO plan. 40% of the award is deferred for a 3-year period (pro-rata) for the remaining Material Risk Takers, where the incentive is above the materiality threshold.

Except for application of the good leaver / bad leaver clauses defined in the plan terms and conditions, the accrued bonus will be normally paid on condition that employment is ongoing at the time of actual payment of the bonus and the contractual period of notice is not being served.

It should be noted that, in view of the use of equity-based payments, BancoPosta RFC will ask the Annual General Meeting of Shareholders to be held on 27 April 2017 to approve the "*Short-term equity-based incentive plan for 2017 for material risk takers employed by BancoPosta RFC*", in accordance with art. 114-bis of Legislative Decree 58 of 24 February 1998, as amended.

- Long-term incentive plan (LTIP) based solely on equity-based payments, which, in respect of BancoPosta RFC, applies to the following persons:
  - the CEO-GM;
  - the Head of the BancoPosta function;
  - beneficiaries that may include a limited number of other managers falling within the scope of application of the "*Guidelines for BancoPosta RFC's remuneration and incentive policies*".

The purpose of the plan is to encourage the Group's management:

- to deliver on Poste Italiane's strategic objectives, in accordance with the risk profile;
- to create value and long-term synergies across the Group;
- to ensure alignment of the Group's overall interests with those of shareholders, over the long term;
- to develop a common identity by pursuing shared objectives.

Finally, the plan aims to ensure management continuity over the long term through retention. Under the plan, beneficiaries are awarded phantom stocks granting them the right to receive stock representing the value of Poste Italiane's shares at the end of a three-year performance period and a retention period of one year.

In the event of termination of the contract before payment of the bonus, the beneficiaries will automatically lose all their rights (or any phantom stocks already granted to them), which will become ineffective and the beneficiaries will have no further right to receive any remuneration or compensation for any reason from the Company.

- Signing bonuses payable, in exceptional circumstances, to newly hired personnel in line with best market practices; the bonus is not payable more than once to the same person, it may be deferred and is included when determining the cap on the ratio of variable to fixed remuneration for the first year of hiring.
- One-off payments, permitted in exceptional cases and limited solely to specific situations, such as the management of major projects, the achievement of extraordinary results or the need to retain key personnel. These payments must comply with the statutory requirements in effect (for example, but not limited to, the pay mix) and the guidelines for remuneration and incentives.

### 3.3.3 Benefits

The final component of remuneration for BancoPosta RFC personnel consists of additional benefits in line with the Company's policies, offered in order to aid in motivating personnel.

Benefits are subject to specific guidelines, which require the application of common criteria based on both the complexity of the role held and the specific category of employee.

## 3.4 Severance payments on termination of employment

In accordance with the Company's policies, it is possible to stipulate provisions/agreements governing *ex-ante* the aspects of the early termination of employment in line with the Company's strategies, values and long-term interests.

These provisions/agreements establish the applicable financial terms, based on individual situations (for example, seniority and individual performance) and the reasons that have led to the termination of employment, with particular reference to the organisational role held, the risks assumed and the duties carried out. These agreements also take into account all the applicable statutory requirements, collective or individual contracts and market practices.

The amount resulting from application of these provisions/agreements may not, in any event, exceed the number of monthly salary payments due under the contractual period of notice, plus up to 24 months of effective global compensation, including gross annual salary, the average of the amount received in variable pay for the last three years (or for the period of employment, if shorter) and the value of any benefits awarded.

In the event of termination due to dismissal, the legislation from time to time in effect and the national collective labour agreement apply.

In the case of managers in key roles, whose termination may expose the Company to certain risks, the Company reserves the right to enter into, on a case-by-case basis, non-competition agreements that provide for payment of a sum in respect of the duration and scope of the restrictions resulting from the agreement.

Payments for non-competition agreements are capped at the gross annual salary for each year covered by the agreement. Agreements generally have a duration of one year.

All payments linked to the early termination of employment are made in accordance with the procedures for short-term variable remuneration with regards to deferral, equity-based payments and assessment of compliance with BancoPosta RFC's minimum capital and liquidity requirements.

In the case of Material Risk Takers with a high level of variable remuneration, being personnel who are beneficiaries of both the short- and long-term incentive plans, taking into account the caps with regard to maximum percentages under the MBO plan, the following conditions apply:

- 40% of the payment due on termination of employment is payable as follows: 50% in cash and the remaining 50% in the form of equity – based payments (phantom stocks, representing the value of Poste Italiane's shares), subject to a two-year retention period; this proportion is subject to verification of the minimum regulatory capital and liquidity requirements for BancoPosta RFC;

- 60% of any remuneration payable on termination of employment is to be deferred over a period of 5 years (pro-rata) and is payable as follows: 50% in cash and the remaining 50% in the form of equity-based payments (phantom stocks); the deferred portions are subject to assessment of compliance with BancoPosta RFC's minimum capital<sup>(10)</sup> and liquidity<sup>(11)</sup> requirements;
- the pro-rata deferred payment over 5 years is structured as follows:
  - after the first year of deferral, a portion equal to one third of the amount payable is paid in cash;
  - one sixth of the amount payable is paid in phantom stocks in the second, third and fourth years;
  - the final portion, equal to one sixth of the amount payable, is paid in cash in the fifth and final year;
- deferred portions paid in the form of equity-based payments are subject to a one-year retention period;
- at the end of the retention period (two years for the up-front portions and one year for the deferred portions), having verified compliance with BancoPosta RFC's minimum capital and liquidity requirements, the phantom stocks will be converted into a sum determined through the arithmetic average of the market value of the shares in the thirty stock exchange trading days prior to the date of conversion of the phantom stocks;
- the total amount payable is subject to clawback provisions, applicable up to the entire amount paid within the time limit set by the related statute of limitations and under the circumstances defined in the guidelines for remuneration and incentive policies from time to time in effect.

Severance payments to other Material Risk Takers, not included among the recipients of high variable remuneration, on termination of employment follow the 3-year deferred payment procedure used for the MBO incentive plan described below (see 4.5.1), including the use of equity-based payments for 50% of the amount payable.

In application of the Supervisory Standards relating to remuneration, regarding determination of severance payments linked to the early termination of employment of Material Risk Takers, any compensation payable to an individual on termination of employment, as described above, is capped at €4.5 million, based on the highest level of the pay scale<sup>(12)</sup>. This payment is calculated on the basis of the maximum pay for personnel falling within the scope of application of these guidelines, applying the maximum amount due for all the possible components of remuneration payable in the event of early termination.

The process of determining the amounts payable on termination of employment is structured in such a way as to ensure the economic sustainability of a contemporaneous early termination of a number of individuals "in key roles".

The amount resulting from application of the above principles may lead to payments linked to the overall remuneration paid to the person concerned in proportion to the role held and the scope of the responsibilities assigned, reflecting the experience and skills required for each position, the individual's performance and the overall quality of their contribution to the Company's performance.

Severance payments payable on early termination of the CEO-GM, the Head of the BancoPosta function and the Manager Responsible for Financial Reporting is reviewed by the Board of Directors, on the recommendation of the Remuneration Committee.

Severance payments to other Material Risk Takers on early termination of employment are reviewed by the CEO-GM and the Head of the BancoPosta function in accordance with the policies agreed with the Remuneration Committee.

Both the Board of Directors, on the one hand, and the CEO-GM, on the other, in agreement with the Head of the BancoPosta function, within the cap determined by the General Meeting of Shareholders, evaluate the above in view of the individual's performance in the various roles held over time and having particular regard to BancoPosta RFC's capital and liquidity position.

(10) "Minimum capital requirements" for BancoPosta RFC currently means a CET1 Ratio at least equal to 10.5%, determined as the sum of the minimum requirement for TCR (8%) and the capital conservation buffer in scheme (2.5%). The above for the reason that, in accordance with the Supervisory Standards applicable to BancoPosta (Circ. 285/2013, Part IV, Chapter 1, Section II, Par. 3), BancoPosta RFC's equity consists exclusively of retained earnings and, therefore, the CET1 ratio and TCR coincide.

(11) "Minimum liquidity requirements" for BancoPosta RFC currently mean a Liquidity Coverage Ratio (LCR) at least equal to 100%.

(12) The following example is described only to comply with the regulatory requirement introduced by the Bank of Italy in its VII revision of Circular 285. The Circular requires banks to set a cap for severance payment, also in terms of the number of years of fixed compensation as well as an absolute amount. In this case, BancoPosta RFC applies the maximum 1:1 ratio between variable and fixed remuneration. In the theoretical event that a person, in the three years prior to termination, has always received an amount of variable pay equal to 100% of his or her fixed remuneration, and that, all the provisions of this policy regarding severance are applied to this person to the maximum, they might receive severance pay equal to the theoretical maximum of 5.5 years of annual fixed remuneration. The value of the severance payment, thus determined, will not in any case exceed €4.5 million, as specified above.

No amount is payable under one or more of the circumstances provided for in paragraph 3.5 with regard to ex post adjustments. In particular, the Company may request return of the entire amount paid within the time limit set by the existing statute of limitations.

The above principles apply on termination of employment even if there have been no specific ex ante agreements.

### 3.5 Ex post adjustments (malus and clawback provisions)

In line with best market practices and applicable statutory requirements, variable remuneration is not guaranteed, but is subject to the achievement of predetermined performance targets linked to BancoPosta RFC's risk profile, there are a number of specific circumstances, described below, in which ex post risk adjustments to variable pay are applicable. Such provisions apply to the beneficiaries of both the short- and long-term incentive plans (MBO and LTIP) and also, where applicable, to personnel not included among Material Risk Takers.

#### Clawback

Clawback provisions may apply, also taking into account the related legal, social security and tax considerations.

The process of applying clawback provisions is carried out in accordance with the related internal procedure adopted by the Company. This procedure involves the interdisciplinary participation of multiple functions with different skills involved in the different stages of the process that are: activation, assessment, finalization of the information report, closure of the procedure and mandatory requirements. The functions/entities responsible for the decision are differentiated according to the profile of the individual involved in the procedure.

Without prejudice to the right to claim for any further damages, following disbursement of the bonus payable, and within the time limit set by the related statute of limitations, the Company may request repayment of any amounts disbursed, up to the entire amount paid. This applies, regardless of whether or not employment is ongoing or has been terminated, in the event of:

- fraud or gross misconduct on the part of the beneficiary to the detriment of the Company, including BancoPosta RFC, or another Group company;
- violation of the obligations set out in article 26 or, where applicable, article 53, paragraphs 4 *et seq.* of the Consolidated Law on Banking or of the obligations in respect of remuneration and incentives;
- conduct that has resulted in a significant deterioration in the financial position or reputation of the Company, including BancoPosta RFC, or another Group company;
- payment of the bonus on the basis of information that was subsequently revealed to be inaccurate and/or misleading.

#### Malus

Occurrence of one or more of the above circumstances also results in the application of malus provisions to any deferred portions of incentives yet to be paid. This applies to both cash and equity-based payments.

The malus provisions result in the reduction of any deferred portion of incentives, potentially to zero, including in the event of failure to meet the capital adequacy and liquidity requirements determined in compliance with BancoPosta RFC's Risk Appetite Framework ("RAF") from time to time in effect.

#### Other adjustment provisions

Occurrence of one or more of the above four circumstances (fraud or gross misconduct on the part of the beneficiary to the detriment of, the Company, including BancoPosta RFC or another Group company, etc.), results in non-payment of the portions subject to retention periods.

In addition, the vested bonus awarded in the form of short-term variable remuneration, following the achievement of the assigned targets, may be reduced, potentially to zero, if the performance is deemed to have been inadequate following the annual performance appraisal, which also takes into account qualitative aspects and conduct. With effect from 2017, the performances of senior management are assessed using a 180° appraisal process. These individuals are also assessed by their peers, even if, for the purposes of the short-term incentive plan (MBO), only the appraisal conducted by each immediate superior is taken into account.

No variable component is paid to employees whose conduct, during the performance period, has breached Poste Italiane's Code of Ethics.

---

## 04 BancoPosta RFC's remuneration and incentive policies

The following remuneration and incentive policies for the Chairwoman of the Board of Directors, non-executive Directors, the Board of Statutory Auditors and the Chief Executive Officer and General Manager, coincide with those described in Poste Italiane's Remuneration Report, of which this document, "*Guidelines for BancoPosta RFC's remuneration and incentive policies*", is an Annex. The above bodies are responsible for the management, strategic oversight and control of BancoPosta RFC, without receiving any further remuneration in addition to that received as Directors or Statutory Auditors of Poste Italiane SpA.

The General Meeting of Shareholders continues to have the power to determine the remuneration, as defined by art. 2389, paragraph 1 of the Italian Civil Code, payable to members of the Board of Directors on their election. The Company's By-laws also grant the new Board of Directors, which will take office after the Annual General Meeting called to approve Poste Italiane SpA's Annual Report for 2016, responsibility for determining a remuneration package for Directors with delegated powers, as defined by art. 2389, paragraph 3 of the Italian Civil Code, on the recommendation of the Remuneration Committee and in consultation with the Board of Statutory Auditors.

As required by law, Directors with delegated powers must abstain during votes regarding decisions on their remuneration and not take part in discussions on this matter.

No attendance fees are currently payable for participation in Board of Directors' meetings or the meetings of Board Committees.

It is the sole responsibility of the Ordinary General Meeting of Shareholders to approve the "*Guidelines for BancoPosta RFC's remuneration and incentive policies for 2017*" or any changes thereto.

With respect to the term of office from 2017 to 2019, the Board of Directors will establish the parameters for remuneration falling within its purview, in line with these guidelines, the approval procedures adopted by the Company and the applicable statutory requirements.

### 4.1 Chairwoman of the Board of Directors

The remuneration of the Chairwoman of the Board of Directors consists of an initial fixed component, approved by the General Meeting of Shareholders in accordance with art. 2389, paragraph 1 of the Italian Civil Code, for the full term of office.

In addition to the above, the Board of Directors may opt to pay the Chairwoman – in view of the non-executive powers assigned to her – further remuneration in accordance with art. 2389, paragraph 3 of the Italian Civil Code, for the full term of office. There are no forms of variable remuneration linked to performance. In accordance with art. 2389, paragraph 3 of the Italian Civil Code, the Chairwoman's remuneration for the term of office from 2014 to 2016 was approved by the Board of Directors on 22 July 2014.

The Chairwoman is also reimbursed for any out-of-pocket expenses incurred in carrying out the duties strictly related to her role, within the limits established by the Board of Directors.

As mentioned in the introduction, with respect to the term of office from 2017 to 2019, the General Meeting of Shareholders and the Board of Directors will, each according to their purview, establish the parameters on which the Chairwoman's remuneration will be based, in line with these guidelines, the approval procedures adopted by the Company and the applicable statutory requirements.

## 4.2 Non-executive Directors

The remuneration of non-executive Directors consists of a fixed component. This remuneration is approved by the General Meeting of Shareholders for the full term of office. There are no forms of variable remuneration linked to performance.

The Board of Directors, on the recommendation of the Remuneration Committee, may provide for additional fees for Directors who are members of Board Committees.

Non-executive Directors are also reimbursed for any out-of-pocket expenses incurred in carrying out the duties strictly related to their role, within the limits established by the Board of Directors.

As mentioned in the introduction, with respect to the term of office from 2017 to 2019, the General Meeting of Shareholders and the Board of Directors will, each according to their purview, establish the parameters on which the remuneration of non-executive Directors will be based, in line with these guidelines, the approval procedures adopted by the Company and the applicable statutory requirements.

## 4.3 Board of Statutory Auditors

The Statutory Auditors' remuneration is in no way linked to Poste Italiane's performance. The fees paid to Statutory Auditors consist solely of a fixed component, determined on the basis of the commitment required in order to carry out their duties.

The Board of Statutory Auditors was re-elected by the Annual General Meeting called to approve the Annual Report for 2015 and will remain in office for three years (2016-2018). When electing the Board of Statutory Auditors, the General Meeting of 24 May 2016 approved fees – for each year in office – for the Chair and for each standing Auditor.

No attendance fees are payable for participation in meetings.

Statutory Auditors have the right to be reimbursed for any duly documented travel expenses incurred in carrying out their duties.

## 4.4 Chief Executive Officer and General Manager

The CEO-GM's remuneration package, for the financial years 2014, 2015 and 2016, was approved by the Board of Directors – on the recommendation of the then Compensation Committee and in consultation with the Board of Statutory Auditors – on 17 November 2014. On this occasion, the restrictions introduced by art. 23-bis, paragraph 5-quater of Law Decree 201/2011 (converted into law by art. 1, paragraph 1 of Law 21 of 22 December 2011, as amended by art. 84-bis, paragraph 1 of Law Decree 69 of 21 June 2013, converted in to law by Law 98 of 9 August 2013) were applied, which imposed a reduction in the overall pay, in whatever form, of the chief executive officers and chairs of the boards of directors of companies directly or indirectly controlled by public entities, applicable only to the first re-election of the Board of Directors following the entry into effect of the legislation.

The following description of the CEO-GM's remuneration package relates to the remuneration approved by the Board of Directors on 17 November 2014 and the long-term incentive plan approved by the General Meeting of Shareholders on 24 May 2016.

The Board of Directors' resolution of 17 November 2014 established that, in the event of termination of the CEO-GM's position and/or the withdrawal of the powers assigned prior to the expiry of his term of office for reasons other than just cause, or due to behaviour amounting to gross misconduct, or in the event of dismissal from the position of Chief Executive Officer for just cause, the Company will pay a sum equal to the fixed total all-inclusive remuneration for the position of Chief Executive Officer payable through to the expiry of his term of office.

The CEO-GM's fixed remuneration consists of a component relating to the position of Director (fees as defined by paragraphs 1 and 3 of art. 2389 of the Italian Civil Code) and one relating to his position as a manager of the Company in his role as General Manager.

The CEO-GM's position as General Manager is governed by the provisions of the national collective labour agreement for the management personnel of companies producing goods and services (the "NCLA"). In the event of termination of his position as GM due to dismissal, the provisions of the national collective labour agreement from time to time in effect would apply.

As a member of the Board of Directors, the Chief Executive Officer is also reimbursed for any out-of-pocket expenses incurred in carrying out the duties strictly related to his role, within the limits established by the Board of Directors.

The final component of the remuneration package consists of additional benefits in line with market practices and in accordance with the applicable statutory requirements.

The Poste Italiane Group's CEO-GM falls within the scope of application of BancoPosta RFC's remuneration and incentive policies and is subject to the existing supervisory standards for banks. The short- and long-term incentives for the CEO-GM have been determined taking into account both the principles set out in Bank of Italy Circular 285/2013 and the fact that the Poste Italiane Group's businesses are not limited to the provision of financial services, but also include the offer of integrated delivery, logistics and parcels services, e-commerce, insurance, mobile telecommunications and digital communication throughout Italy.

The short- and long-term incentive plans for the CEO-GM, described below in paragraphs 4.4.1 and 4.4.2, comply with the following principles:

- the incentive payable is capped at a ratio of 1:1 between variable and fixed pay;
- the variable component is subject to ex post risk adjustments (malus and clawback provisions) that, based on individual performance or conduct, may, on the one hand, result in a significant reduction in the amount payable (potentially to zero), and, on the other, under certain conditions the return of amounts already paid (see paragraph 3.5);
- the variable component is linked to performance indicators measured after adjusting for risk and in line with the indicators used by the Risk Management function (so-called *ex-ante* risk adjustments);
- 60% of the short-term variable component is subject to deferral for a period of 5 years (pro-rata), whilst 50% of both the up-front and deferred components takes the form of equity-based payments, so as to take into account the risks assumed by BancoPosta RFC over time (so-called malus provisions);
- limits are placed on variable remuneration if BancoPosta RFC does not meet specific capital and liquidity requirements;
- the variable component is linked to performance indicators that reflect the individual's decision-making power.

Finally, with regard to severance payments in the event of early termination of employment, from 2017, such payments, where due, will be made in accordance with the following conditions applicable to short-term variable remuneration:

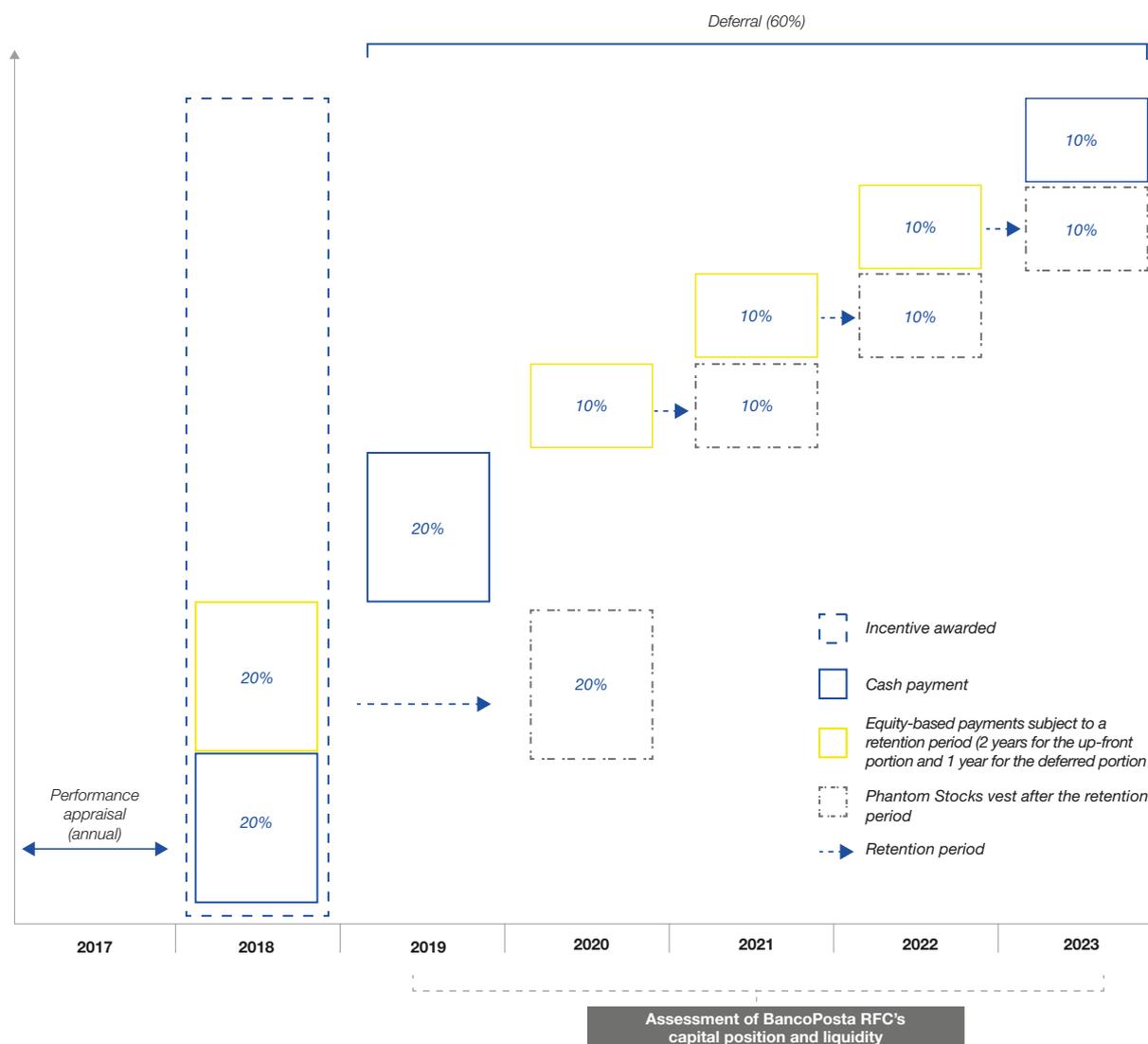
- 40% of any payment due on termination of employment is payable as follows: 50% in cash and the remaining 50% in the form of equity-based payment (phantom stocks, representing the value of Poste Italiane's shares), subject to a two-year retention period; this amount is subject to verification of BancoPosta RFC's minimum capital and liquidity requirements;
- 60% of any remuneration payable on termination of employment is to be deferred over a period of 5 years (pro-rata according to the following scheme: after the first year of deferral, a portion equal to one third of the amount payable is paid in cash; one sixth of the amount payable is paid in phantom stocks in the second, third and fourth years; the final portion, equal to one sixth of the amount payable, is paid in cash in the fifth and final year) and is payable as follows: 50% in cash and the remaining 50% in the form of equity-based payment (phantom stocks); the deferred portions are subject to assessment of compliance with BancoPosta RFC's minimum capital and liquidity requirements, whilst the equity-based component is subject to a one-year retention period;
- at the end of the retention period (two years for the up-front portions and one year for the deferred portions), having verified compliance with BancoPosta RFC's minimum capital and liquidity requirements, the phantom stocks will be converted into a sum determined through the arithmetic average of the market value of the shares in the thirty stock exchange trading days prior to the date of conversion of the phantom stocks;
- the total amount payable is subject to malus and clawback provisions, applicable up to the entire amount paid within the time limit set by the related statute of limitations and under the circumstances defined in the guidelines for remuneration and incentive policies from time to time in effect.

### 4.4.1 Short-term incentive plan (MBO)

In relation to his position as a manager of the Company in his role as Poste Italiane’s General Manager, the CEO-GM participates in a short-term variable incentive plan (MBO) linked to targets approved annually by the Board of Directors on the recommendation of the Remuneration Committee, in keeping with Poste Italiane’s Business Plan and budget.

The 60% of the short-term variable component is subject to deferral for a period of 5 years (pro-rata), to ensure that the remuneration takes into account the evolution of the risks assumed by the Company over time. The 50% of the award is in the form of equity-based payment (phantom stocks), as shown in the chart below:

**FIGURE 2. CHART SHOWING DEFERRAL OF THE SHORT-TERM INCENTIVE PLAN FOR THE CEO-GM**



70

Each phantom stock represents the value of a Poste Italiane SpA share. The phantom stocks are awarded in several tranches and are subject to a retention period of two years (for the up-front portion) or one year (for the deferred portions). At the end of the retention period, having verified compliance with BancoPosta RFC’s minimum capital and liquidity requirements – also taking into account the total cost of the variable remuneration – the phantom stocks will be converted into a sum determined through the arithmetic average of the market value of the shares in the thirty stock exchange trading days prior to the date of conversion.

It should be noted that, in view of the use of equity-based payments, the Company will ask the Annual General Meeting of Shareholders to be held on 27 April 2017 to approve the “Short-term equity-based incentive plan for 2017 for

material risk takers employed by BancoPosta RFC", in accordance with art. 114-bis of Legislative Decree 58 of 24 February 1998, as amended.

Payment of the deferred portion will take place each year, provided that BancoPosta RFC's minimum capital and liquidity requirements are met.

In line with the applicable statutory requirements, the CEO-GM has to meet both the performance hurdle, relating to EBIT, and the following Qualifying Conditions to qualify for the short-term incentive plan (MBO). All these conditions must be met at the same time:

**TABLE 1. MBO PLAN HURDLE AND QUALIFYING CONDITIONS FOR THE CEO-GM**

HURDLE AND QUALIFYING CONDITIONS
Group earnings: EBIT
Capital adequacy: CET 1, risk tolerance level approved in the Risk Appetite Framework (RAF)
Short-term liquidity: LCR, risk tolerance level approved in the Risk Appetite Framework (RAF)

The performance indicators for the CEO-GM in respect of the short-term incentive plan for 2017 (MBO) are as follows:

**TABLE 2. MBO PLAN PERFORMANCE INDICATORS FOR THE CEO-GM FOR 2017**

PERFORMANCE INDICATORS	WEIGHTING
Group EBIT	25%
BancoPosta RORAC	25%
Total net retail deposits	20%
Controllable Group Costs	20%
Customer Experience	10%

#### 4.4.2 Long-term incentive plan (LTIP)

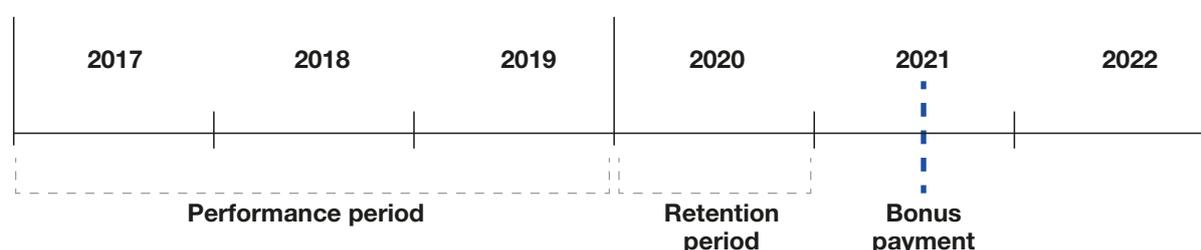
In keeping with the approach used for the short-term incentive plan, the long-term incentive plan has also been devised in relation to the CEO-GM's position as a manager of the Company in his role as Poste Italiane's General Manager, and in line with the principles forming the basis for the supervisory standards for banks.

The long-term incentive plan (LTIP) for the CEO-GM involves the award of phantom stocks granting the right to receive stock representing the value of Poste Italiane's shares at the end of a vesting period. The number of phantom stocks is determined at the time of the grant and is linked to performance indicators over a three-year period (for the second plan cycle, to be granted in 2017, the performance period corresponds with the years 2017/2019).

The number of phantom stocks will be quantified at the end of the three-year performance period within the cap to be determined at the time of the grant. The phantom stocks will be awarded at the end of a one-year retention period and will thus be converted into a sum determined through the arithmetic average of the market value of the shares in the thirty stock exchange trading days prior to the date of conversion of the phantom stocks.

**FIGURE 3. TIMING OF AWARDS FOR THE CEO-GM UNDER THE LTIP**

Second award cycle 2017-2019



In line with the applicable regulatory requirements, the CEO-GM has to meet the Group performance hurdle and the Qualifying Conditions specific to BancoPosta RFC to qualify for the long-term incentive plan (LTIP). These conditions must all be met at the same time:

**TABLE 3. LTIP HURDLE AND QUALIFYING CONDITIONS FOR THE CEO-GM**

HURDLE AND QUALIFYING CONDITIONS
Group earnings: cumulative Group EBIT over 3-year period
Capital adequacy: CET 1, risk tolerance level at the end of the period
Short-term liquidity: LCR, risk tolerance level at the end of the period
Risk-adjusted earnings: RORAC, risk tolerance level at the end of the period

CET 1, LCR and RORAC are determined on the basis of BancoPosta RFC’s “Risk Appetite Framework” (“RAF”), which is in turn determined in line with the strategic objectives, and represent the conditions to be met under the supervisory standards for banks in order to qualify for award of the bonus. The Qualifying Conditions are in line with the indicators used by the Risk Management function (so-called *ex-ante* risk adjustments).

The plan is also subject to a Hurdle linked to cumulative Group EBIT over a three-year period, achievement of which grants the effective right to qualify for the long-term incentive, whilst guaranteeing its sustainability at Group level.

To reinforce the link with the risks associated with the CEO-GM’s variable pay under the LTIP, BancoPosta RFC’s RORAC (the risk tolerance level at the end of the period) has been included, starting from the second cycle, as a further qualifying condition, in addition to the existing conditions. This change to the CEO-GM’s LTIP was approved by the Board of Directors in a resolution adopted at their meeting on 15 March 2017, in line with the provisions of the Information Circular for the phantom stock plan approved by the General Meeting of Shareholders on 24 May 2016. Paragraph 3.3 of the Information Circular stated that: “*The Board may, at its sole discretion, make any changes to the Plan as deemed appropriate to align the Plan with the legal rules and regulations and remedy any inconsistencies, defects or omissions in the Regulation and/or Plan*”. The introduction of BancoPosta’s RORAC as a Qualifying Condition is a change in line with the authority granted to the Board of Directors with a view to strengthening the plan in line with regulatory requirements.

It should be noted that assessment of whether or not the minimum regulatory requirements for the conditions, linked to capital adequacy and risk-adjusted earnings, have been met also takes place at the end of each retention period.

It should also be noted that, in line with the other personnel falling within the definition of Material Risk Takers, variable remuneration (both short- and long-term) may be awarded or paid to the CEO-GM provided that the Company has not failed to meet its capital adequacy requirements after the cost of the variable remuneration itself (limited to personnel covered by these “*Guidelines for BancoPosta RFC’s remuneration and incentive policies*”).

The performance indicators for the CEO-GM in respect of the long-term incentive plan (LTIP) are as follows:

**TABLE 4. LTIP PERFORMANCE INDICATORS AND WEIGHTINGS FOR THE CEO-GM**

Indicator of earnings	Indicator of shareholder value creation
<b>Cumulative Group EBIT over 3 – year period</b>	<b>Total Shareholder Return (TSR)</b>
Cumulative Group EBIT over a 3-year period is used to account for the continuity and sustainability of earnings over the long term.	TSR is used to measure performance based on the value created for Poste Italiane’s shareholders compared with other FTSE MIB-listed companies.
<b>WEIGHTING</b>	<b>WEIGHTING</b>
<b>60% of the stocks awarded (at target)</b>	<b>40% of the stocks awarded (at target)</b>

The choice of performance indicator is aligned with the responsibilities assigned to the Poste Italiane Group’s CEO-GM and is in line with the basic principles on which the long-term incentive plan is based.

## 4.5 Material Risk Takers

In addition to fixed pay, the purposes of which are described in paragraph 3.3.1, and benefits, BancoPosta RFC's Material Risk Takers also participate in the short-term incentive plan (MBO). In addition, a limited number of managers classed as Material Risk Takers may be included among the beneficiaries of the long-term incentive plan (LTIP), accounting for a minimal proportion of the total number of the Poste Italiane Group's LTIP beneficiaries<sup>(13)</sup>.

In compliance with existing statutory requirements and the Company's policies, the variable component for Material Risk Takers has the following characteristics:

- (I) it is determined using performance indicators measured taking into account the level of risk assumed and must be in keeping with the risk appetite framework ("RAF") and the risk governance and management policies adopted;
- (II) it is subject to ex post risk adjustments (malus and clawback provisions), that, based on individual performance or conduct, may result in a significant reduction in the amount payable, potentially to zero.

The variable component awarded to Material Risk Takers may not exceed a ratio of 1:1 with the fixed component (0.33:1 for the Company's control functions), as described in paragraph 4.6).

### 4.5.1 Short-term incentive plan (MBO)

#### The link to performance

In keeping with the Company's policies, short-term variable remuneration for Material Risk Takers is based on objective, transparent and verifiable criteria. The objectives pursued when deciding on remuneration policies, with particular regard to the determination of variable pay, are as follows:

- (I) to determine simple and readily assessed performance targets;
- (II) to ensure, in determining the above targets, convergence between personal and business objectives;
- (III) to put merit first.

These criteria also aim to provide the maximum in customer satisfaction.

The variable component of remuneration is linked to indicators that enable performance to be measured on a number of bases, both quantitative (earnings, growth, productivity, cost of risk/sustainability) and qualitative (conduct, strategic projects), with a focus on risk-adjusted performance indicators.

The objectives assigned to participants in the short-term incentive plan are set out in a matrix and, in line with the specific needs of the business and the nature of their role, fall within the following macro-categories:

- **Financial:** linked, generally, to revenue, cost and profit targets.
- **Customer Experience:** based on customer satisfaction.
- **Role-related and/or Operational:** relating to measurable objectives for projects or objectives linked to the role held.

The following **qualifying conditions** apply to the above incentives:

- (I) **Performance gates:** participation in management incentive plans is tied to the achievement of specific financial targets determined annually at Group level and follows the same mechanism described in section one of Poste Italiane's Remuneration Report.
- (II) **Compliance with the risk appetite framework:** the conditions set by existing regulatory requirements are based on the financial sustainability of the variable component of remuneration and take the form, therefore, of an assessment of the "quality" of the risk adjusted measures of profitability achieved and of compliance with the capital adequacy and liquidity requirements established within the context of the Risk Appetite Framework ("RAF").

(13) Further details are provided in paragraph 3.4.2.2 in Poste Italiane's Remuneration Report for 2016, which specifies that the maximum number of beneficiaries for the Group as a whole and for each cycle is 100 managers.

Details are shown below:

**TABLE 5. “COMPLIANCE WITH THE RISK APPETITE FRAMEWORK”**

<b>Capital adequacy</b> <i>Common Equity Tier 1</i>	Risk tolerance level approved by Poste Italiane’s Board of Directors for inclusion in BancoPosta RFC’s Risk Appetite Framework (RAF).
<b>Operational liquidity</b> <i>Liquidity Coverage Ratio</i>	Risk tolerance level approved by Poste Italiane’s Board of Directors for inclusion in BancoPosta RFC’s Risk Appetite Framework (RAF).

(III) **Individual objectives:** having met the two previous conditions, payment of the individual bonus is linked to the degree to which the assigned performance targets have been achieved and, in any event, is subject to the absence of any conduct in breach of Poste Italiane’s Code of Ethics. On assessment, the incentive is paid if the overall percentage achievement of the objectives in the MBO matrix is at least equal to the hurdle.

The individual bonus may also increase up to the cap in the event of over performance.

This arrangement ensures a strong link between the performances of Poste Italiane and BancoPosta RFC and the payment of variable remuneration based on those performances.

Each participant’s performance is also measured via the Company’s annual appraisal process, based on a solid, structured process. Payment of the bonus is dependent on meeting the Company’s expectations in full; otherwise, the bonus payable is reduced (by 50%) or is not paid.

It should be noted that, with effect from 2017, the performances of senior management are assessed using a 180° appraisal process. These individuals are also assessed by their peers, even if, for the purposes of the short-term incentive plan (MBO), only the appraisal conducted by each immediate superior is taken into account.

**Balance between the cash and equity-based components of the short-term incentive plan**

The 50% of both up-front and deferred payments are equity-based. The chosen instruments are phantom stocks, with each stock representing the value of a Poste Italiane SpA share. The phantom stocks awarded are subject to retention periods of two years (for the up-front portion) or one year (for the deferred portions). At the end of the retention period, having verified compliance with BancoPosta RFC’s minimum capital and liquidity requirements the phantom stocks will be converted into a sum determined through the arithmetic average of the market value of the shares in the thirty stock exchange trading days prior to the date of conversion.

It should be noted that, in view of the use of equity-based payments, BancoPosta RFC will ask the Annual General Meeting of Shareholders to be held on 27 April 2017 to approve the “*Short-term equity-based incentive plan for 2017 for material risk takers employed by BancoPosta RFC*”, in accordance with art. 114-bis of Legislative Decree 58 of 24 February 1998, as amended.

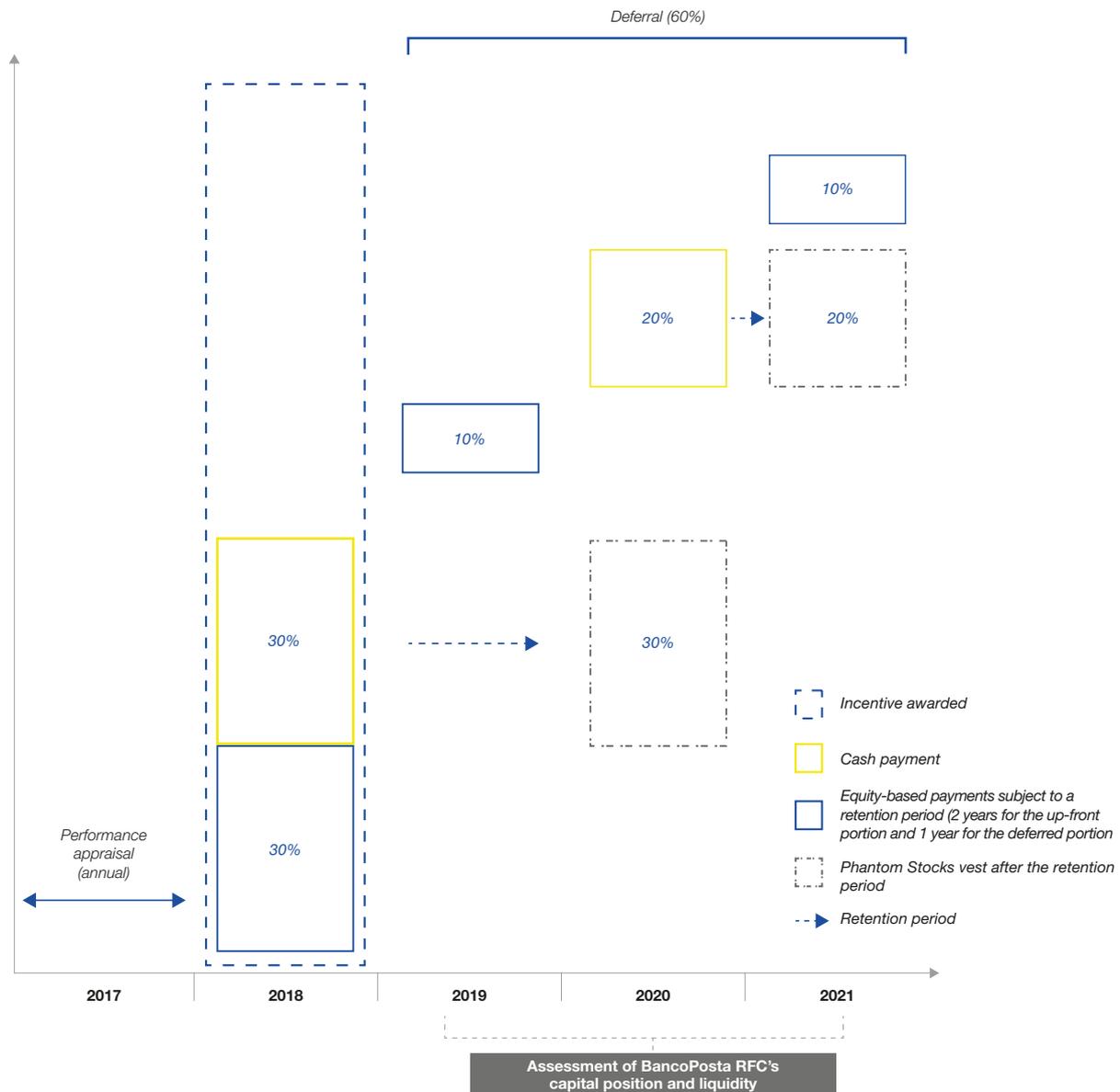
**Deferral of the short-term variable portion**

There are two alternative forms of deferral for Material Risk Takers.

60% of the short-term variable component is deferred for a 5-year period in the case of Material Risk Takers with a high level of variable remuneration, being personnel who are beneficiaries of both the short- and long-term incentive plans, taking into account the caps with regard to maximum percentages under the MBO plan. This is done to take into account the evolution of the risks assumed by the Company over time. The variable portion of remuneration is thus subject to the same form of deferral as applied to the CEO-GM (see figure 2 in this annex).

In the case of the remaining Material Risk Takers, where the incentive is above the materiality threshold, 40% of the award is deferred for a 3-year period, so as to take into account the evolution of the risks assumed by the Company over time. The following chart shows the timing of deferrals:

**FIGURE 4 CHART SHOWING DEFERRAL OF THE MBO PLAN FOR THE REMAINING MATERIAL RISK TAKERS<sup>(14)</sup>**



Payment of the deferred portion will take place each year, provided that payment of the deferred portion is sustainable in respect of BancoPosta RFC's financial position, without limiting its ability to maintain or achieve adequate levels of capital and liquidity in relation to the risks assumed; moreover the deferred portion is paid if there is no reason to apply the malus provisions.

The same conditions are necessary for the payment of portions subject to retention.

The deferral provisions and equity-based payments will be applied for variable pay in excess of €50,000 (otherwise referred to as the "materiality threshold").

(14) This refers to Material Risk Takers who are beneficiaries of the MBO plan and not included among the beneficiaries of the LTIP plan. The selection process takes into account the caps with regard to maximum percentages under the MBO plan.

## 4.5.2 Long-term incentive plan (ILT)

The long-term incentive plan, set up in line with market practices, aims to link a portion of the variable component of remuneration to the achievement of earnings targets and the creation of sustainable shareholder value.

The beneficiaries of the plan are a small number of senior managers at BancoPosta RFC<sup>(15)</sup>. Under the plan, beneficiaries are awarded phantom stocks granting them the right to receive stock representing the value of Poste Italiane’s shares at the end of a vesting period. The number of phantom stocks is determined at the time of the grant (when, that is, the beneficiary is included in the long-term incentive plan) and is linked to performance indicators over a three-year period (for the second plan cycle, to be granted in 2017, the performance period corresponds with the years 2017/2019).

The number of phantom stocks will be quantified at the end of the performance period within the cap to be determined at the time of the award. The phantom stocks will be awarded at the end of a one-year retention period, which is in addition to the three-year performance period, in line with the applicable regulatory requirements. They will be converted into a sum defined through the arithmetic average of the market value of the shares in the thirty stock exchange trading days prior to the date of conversion of the phantom stocks. The timing of awards in the second award cycle is summarised in figure 3 in this annex.

The potential maximum individual bonus reflects, for each cycle, the complexity and responsibilities involved in the beneficiary’s role and their strategic importance.

### Hurdle and Qualifying Conditions

Implementation of the plan is closely linked to meeting the specific qualifying conditions for BancoPosta RFC, designed to ensure the stability of BancoPosta RFC’s capital and liquidity position, in compliance with the limits in the RAF.

The plan also includes a hurdle provision for the Poste Italiane Group as a whole. Achievement of the hurdle effectively grants participants the right to benefit from the long-term incentive plan, provided that it is, as a whole, sustainable. The Hurdle and Qualifying Conditions are summarised in the following tables:

**TABLE 6. HURDLE AND QUALIFYING CONDITIONS FOR THE LTIP FOR MATERIAL RISK TAKERS**

HURDLE AND QUALIFYING CONDITIONS
Group earnings: cumulative Group EBIT over 3-year period
Capital adequacy: CET 1, risk tolerance level at the end of the period
Short-term liquidity: LCR, risk tolerance level at the end of the period

(15) As described in detail in paragraph 4.6, personnel belonging to the Company’s control functions are not included among LTIP beneficiaries.

## Objectives

The objectives for the LTIP are as follows:

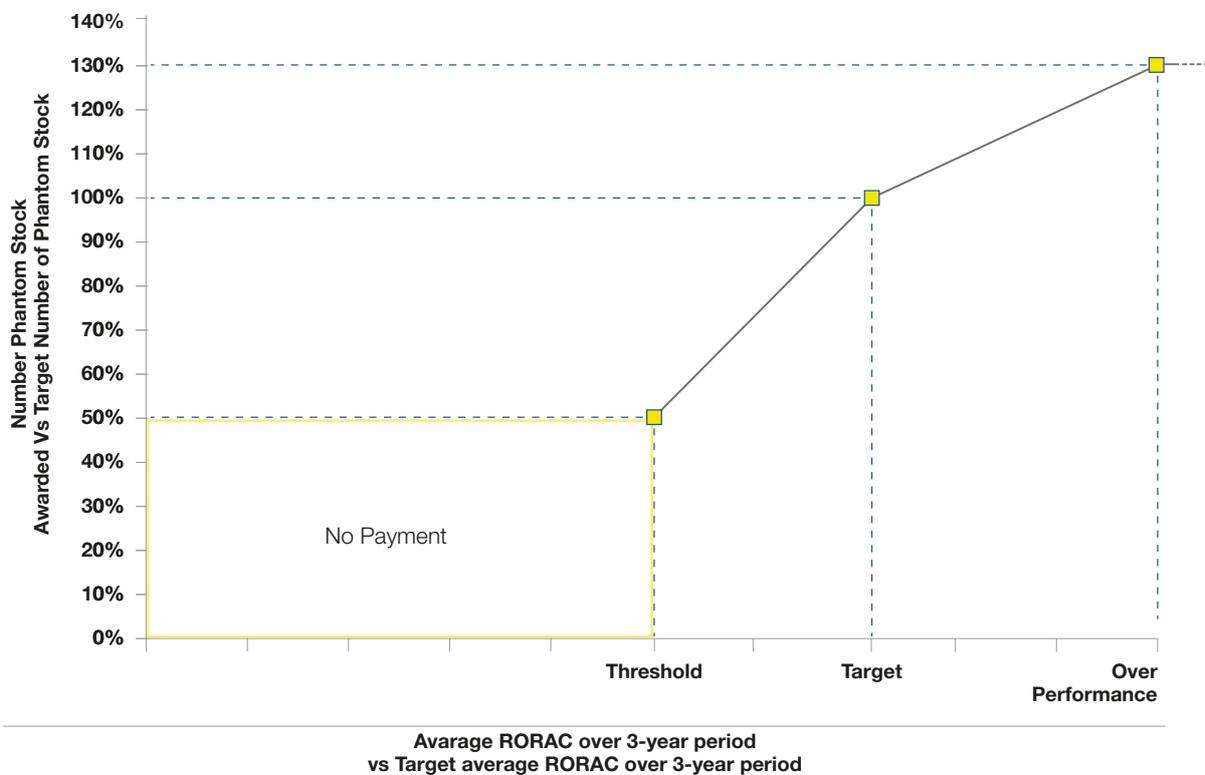
**TABLE 7. LTIP PERFORMANCE INDICATORS FOR BENEFICIARIES AMONG BANCOPOSTA PERSONNEL**

Risk-adjusted earnings indicator	Indicator of shareholder value creation
<b>BancoPosta RFC RORAC</b>	<b>Total Shareholder Return (TSR)</b>
The three-year RORAC is used for the LTIP with the aim of taking into account the continuity and sustainability of the long-term performance after appropriately adjusting for risk.	TSR is used to measure performance based on the value created for Poste Italiane's shareholders compared with other FTSE MIB-listed companies.
<b>WEIGHTING</b>	<b>WEIGHTING</b>
<b>60% of the stocks awarded (at target)</b>	<b>40% of the stocks awarded (at target)</b>

The choice of performance indicator is aligned with the responsibilities of the personnel falling within the scope of BancoPosta RFC. The risk-adjusted earnings indicator reflects the contribution of capital to the achievement of overall objectives over a determinate period.

The incentive curve, as regards BancoPosta RFC's average three-year RORAC, provides for the following links between the performance delivered and the number of phantom stocks awarded:

**FIGURE 5. INCENTIVE CURVE BASED ON BANCOPOSTA RFC'S AVERAGE RORAC OVER A THREE-YEAR PERIOD**



Poste Italiane's Total Shareholder Return (TSR) will be compared with the TSR for the FTSE MIB index over the relevant period; only if the value of Poste Italiane's TSR is equal to or higher than the TSR for the FTSE MIB index will the target be considered to have been achieved.

TSR measures the effective shareholder return. It serves to develop a common identity across the Group and motivate personnel to work together as a team in order to increase the overall value of the Company.

## 4.6 The Company's control functions

In line with the Company's policies, Material Risk Takers in the control functions have:

- (I) fixed remuneration of an amount that is adequate to reflect the significant responsibilities and commitment connected with their role;
- (II) short-term incentive schemes that reflect the duties assigned, assigning them qualitative objectives that are not linked to the Company's and BancoPosta RFC's performances (except for application of the Hurdle and Qualifying Conditions); constant support in developing a strong, sustainable compliance and risk management culture and in delivering on projects in their areas of responsibility are the key objectives assigned to personnel belonging to the control functions within the scope of the short-term incentive plan (MBO);
- (III) variable pay that accounts for a lower proportion of total remuneration than the proportion generally applied in the case of Material Risk Takers. The variable component of the remuneration paid to personnel belonging to the Company's control functions may not, therefore, exceed one third of the fixed component.

Personnel belonging to the Company's control functions do not participate in the long-term incentive plan (LTIP). The nature of the plan is not compatible with the need to determine incentive schemes in keeping with the responsibilities assigned and not linked to BancoPosta RFC's operating performance and financial position. In addition, the need to ensure that the variable component of remuneration does not exceed one third of the fixed component represents a very tight restriction, given that these personnel are included among the beneficiaries of the short-term incentive plan (MBO).

## 4.7 Remuneration for other BancoPosta personnel (non-Risk Takers)

In line with the Company's policies, fixed pay is aligned with the role held and the scope of the responsibilities assigned, reflecting the experience and skills required for each position, the degree of excellence demonstrated and the overall quality of the individual's contribution to BancoPosta RFC's performance. The adequacy of fixed pay is also assessed with reference to relevant market benchmarks.

In line with the Group's policies, **variable pay** is directly linked to Company and individual performance, taking into account the risks assumed in conducting operations (it may, therefore, be significantly reduced, potentially to zero). The following forms of variable pay are used:

- **short-term incentive plan (MBO):** this is in line with certain characteristics of the plan for Material Risk Takers described in paragraph 4.5.1, involving the same qualifying conditions (performance gates, compliance with the RAF and individual Qualifying Conditions). There are no equity-based payments or deferrals of any bonuses awarded<sup>(16)</sup>. Beneficiaries consist of a small number of heads of department (not included among Material Risk Takers);
- **performance-related bonus:** the national collective labour agreement leaves matters relating to performance-related bonuses to be dealt with in supplementary agreements. The bonus is paid on the basis of the overall performance in terms of increases in productivity;
- **one-off payments:** these are determined, within the scope of the Company's remuneration policies, in keeping with the budget and market practices, in order to ensure internal equity, the sustainability of costs and alignment with market benchmarks for remuneration. Such payments are intended to reward contributions based on individual performance and the conduct observed. They are included in the computation of overall variable pay;
- **signing bonus:** in exceptional circumstances, such a bonus may be payable to newly hired personnel, in line with best market practices.

Specific **incentive plans** may also apply to non-Risk Takers, among professionals, based on the fulfilment of objectives and the payment of bonuses with the aim of helping to retain personnel and to reward outperformance by personnel in certain positions based on qualitative and quantitative measures.

(16) In 2017, no potential beneficiary included among BancoPosta's non-Risk Takers, has access to maximum potential incentives above the materiality threshold established; the size of any one-off payments may not be such as to make it possible to exceed the above threshold.

## 05 Remuneration paid in 2016

A description of the remuneration paid to the Chairwoman and members of the Board of Directors, the Chief Executive Officer and General Manager, the control functions and other Material Risk Takers is provided below (the variable pay shown in the tables is based on an estimate of the amount payable at the time of preparing this document, whilst awaiting approval of the Company's financial statements). In addition, quantitative disclosures of the remuneration paid to personnel falling within the scope of application of BancoPosta's remuneration and incentive policies are provided on a role by role basis.

Assessments of the method of the implementing remuneration and incentive policies and practices for BancoPosta RFC personnel in 2016 have revealed a general level of adequacy, partly in view of the changes made to the guidelines described in this Annex.

### 5.1 Ex post tables

In accordance with the remuneration disclosure requirements in Circular 285 of 17 December 2013, VII, as amended on 18 November 2014, and art. 450 of Regulation 575 of 26 June 2013 (the so-called CRR), the following tables have been provided.

The aggregated amounts shown in the following tables reflect BancoPosta RFC's organisational structure at 31 December 2016.

**TABLE A (AS PER ART. 450, PARAGRAPH 1, LETTER G): AGGREGATE QUANTITATIVE DISCLOSURE OF REMUNERATION BY ROLE**

Role	Number of beneficiaries	Total remuneration for year ended 31 December 2016
Members of supervisory board	8	€ 688,387
Members of management board	1	€ 1,424,385
Marketing functions	181	€ 10,899,306
Company functions	1407	€ 45,075,983
Control functions	212	€ 10,635,675
Other	10	€ 636,111

Notes to Table A:

**Total remuneration** indicates the sum of:

- **Fixed remuneration** (for Directors, pay as defined by paragraphs 1 and 3 of art. 2389 of the Italian Civil Code and for membership of Committees; for employees, the gross annual salary for the year ended 31 December 2016);
  - **Variable remuneration** (estimated short-term MBO incentive plan – up-front and deferred –, the Performance-Related Bonus and One-Off Payment).
- Amounts for "Members of the supervisory board" have been included on an accruals basis.

In terms of **roles**:

- **Members of the supervisory board:** Non-executive Directors of Poste Italiane SpA;
- **Members of the management board:** Executive Directors of Poste Italiane SpA;
- **Marketing functions:** these are the functions responsible for developing and managing BancoPosta RFC's product and service offering and growing the related customer base;
- **Company functions:** these are the other BancoPosta RFC functions with cross-departmental responsibilities or who are responsible for back-office activities and the handling of complaints about BancoPosta products and services.

**TABLE B (AS PER ART 450, PARAGRAPH 1, LETTER H, I-II): AGGREGATE QUANTITATIVE DISCLOSURE OF REMUNERATION FOR SENIOR MANAGEMENT AND PERSONNEL WHOSE ACTIVITIES HAVE A MATERIAL IMPACT ON THE ENTITY'S RISK PROFILE**

Category	Number of beneficiaries	Fixed pay	Variable pay	Forms of variable component divided into			
				Cash	Shares	Equity-based instruments	Other instruments
Executive Directors	1	€ 1,104,896	€ 319,490	€ 319,490			
Non-executive Directors	8	€ 688,387					
Senior management	11	€ 2,047,263	€ 815,847	€ 815,847			
Control functions	26	€ 2,669,124	€ 629,133	€ 629,133			
Other Material Risk Takers	43	€ 4,144,251	€ 962,357	€ 962,357			

Notes to Table B:

**Fixed and Variable Remuneration:** see the notes to Table A.

The category "**senior management**" includes the Head of the BancoPosta function, the Manager responsible for financial reporting and the managers reporting directly to the Head of BancoPosta at 31 December 2016, whilst the heads of the "**Control functions**" are included in the specific category together with their control teams.

The beneficiaries of the "Long-term incentive plan 2016-2018 (LTIP) - Phantom Stock Plan" approved by the General Meeting of Shareholders on 24 May 2016, subject to the conditions and for the purposes described in the Information Circular available for consultation on the Company's website (<http://www.posteitaliane.it/en/governance/remuneration>), include the CEO-GM and 4 members of the senior management team. The rights attaching to the phantom stocks have yet to vest. To provide full disclosure, the fair value of the portion recognised in the financial statements for 2016 for the CEO-GM amounts to €101,788, whilst the amount for beneficiaries in the senior management team is €66,192.

**TABLE C (AS PER ART 450, PARAGRAPH 1, LETTER H, III-IV): AGGREGATE QUANTITATIVE DISCLOSURE OF REMUNERATION FOR SENIOR MANAGEMENT AND PERSONNEL WHOSE ACTIVITIES HAVE A MATERIAL IMPACT ON THE ENTITY'S RISK PROFILE**

Category	Total deferred remuneration	Of which		Deferred remuneration awarded during the year	
		Vested	Unvested	Target	Paid and reduced through performance conditions <sup>(*)</sup>
Executive Directors	€ 408.707	€ 158.962	€ 249.745	€ 158.962	€ 158.962
Non-executive Directors					
Senior management	€ 437.189	€ 69.822	€ 367.367	€ 69.822	€ 69.822
Control functions	€ 56.286		€ 56.286		
Other Material Risk Takers	€ 22.669		€ 22.669		

Notes to Table C:

(\*) The performance conditions were verified in previous periods. Compliance with BancoPosta RFC's capital adequacy and liquidity requirements was assessed during the year

"**Total Deferred Remuneration**" means all components of deferred variable remuneration, including amounts for previous years.

"**Unvested**" means all the deferred components of variable remuneration, including those for previous years, for which the deferral period has yet to expire.

**TABLE D (AS PER ART 450, PARAGRAPH 1, LETTER H, V-VI): AGGREGATE QUANTITATIVE DISCLOSURE OF REMUNERATION FOR SENIOR MANAGEMENT AND PERSONNEL WHOSE ACTIVITIES HAVE A MATERIAL IMPACT ON THE ENTITY'S RISK PROFILE**

Category	Signing bonus		Severance indemnities				
	Number of beneficiaries	New payments made during the year	New payments made during the year		Payments awarded during the year		
			Number of beneficiaries	Amount	Number of beneficiaries	Amount	Largest amount awarded per person
Executive Directors							
Non-executive Directors							
Senior management					1	€ 695,750	€ 695,750
Control functions	2	€ 20,000					
Other Material Risk Takers							

Notes to Table D:

“**Signing bonus**” means the signing bonuses paid during the year, including any deferred portions.

“**Severance pay**” means the payments awarded on termination paid during the year linked to severance.

**TABLE E (AS PER ART 450, PARAGRAPH 1, LETTER I): NUMBER OF PEOPLE PAID A DETERMINATE AMOUNT**

Number of beneficiaries	Total remuneration
1	≥ €1 million per annum; Between €1 and 5 million divided into tranches of €500 thousand
1	Between €1 and €1.5 million Between €1.5 and €2 million Between €2 and €2.5 million
0	≥ €5 million divided into tranches of €1 million

Notes to Table E:

“**Total remuneration**” (“Total”) is described in the notes to Table A.

This refers to the CEO-GM, whose total remuneration is in excess of €1 million and, in particular, is between €1 and 1.5 million, as shown in Table F.

**TABLE F (AS PER ART 450, PARAGRAPH 1, LETTER J): DISCLOSURE OF TOTAL REMUNERATION**

Category	No.	Total remuneration		
		Fixed component	Variable component	Total
Chair of supervisory board	1	€ 238,000		€ 238,000
<i>Each member of management board:</i>				
Chief Executive Officer and General Manager	1	€ 1,104,896	€ 319,490	€ 1,424,385
General Manager				
Joint General Managers				
Deputy General Managers				

Notes to Table F:

“**Total remuneration**” (“Total”) is described in the notes to Table A.

## **Poste Italiane SpA**

Registered office: Viale Europa, 190 - Rome  
Fully paid-up share capital: €1,306,110,000.00  
Tax Code and Rome Companies' Register no. 97103880585/1996  
Business Registration Number in Rome: REA 842633  
VAT no. 01114601006

**Edited by**  
RURES  
*Communication*

**April 2017**

This document is available for inspection on the Company's website at [www.posteitaliane.it/en](http://www.posteitaliane.it/en)

**Graphic design, layout and printed by**



This book is printed on FSC forest friendly paper.  
The FSC logo identifies products that contain paper from forests managed according to strict environmental, economic and social defined by the Forest Stewardship Council





**Posteitaliane**

**Poste Italiane SpA**

Registered office: Viale Europa, 190  
00144 Rome – Italy  
[www.posteitaliane.it/en](http://www.posteitaliane.it/en)