

DELIVERING RESPONSIBLE GROWTH

REMUNERATION REPORT POSTE ITALIANE SPA

2019

Posteitaliane

DELIVERING RESPONSIBLE GROWTH —

REMUNERATION REPORT POSTE ITALIANE SPA

2019

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.

Statement from the Chairman of the Remuneration Committee



Carlo Cerami

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Chairman of the Remuneration Committee
Poste Italiane SpA

Dear Shareholders,

As Chairman of the Remuneration Committee, I am pleased to present Poste Italiane SpA's Remuneration Report and the Guidelines for BancoPosta RFC's remuneration and incentive policies for 2019.

In carrying out its role, the Committee has conducted an in-depth analysis with a view to further consolidating and refining the Poste Italiane Group's remuneration and incentive policies. It has closely followed developments in market practices at both national and international level, whilst at the same time making sure that the relevant statutory and regulatory requirements are complied with. In this latter regard, the Committee has sought to ensure compliance with the standards contained in the XXV revision of Bank of Italy Circular 285/2013, as they apply to operations falling within the scope of the Bank's supervisory standards.

In keeping with the previous year, the Committee focused on aligning the Group's remuneration and incentive schemes with the "Deliver 2022" Strategic Plan over the medium to long term. As a result, long-term incentives have been supplemented with the addition of the "Performance Share LTIP", based on Poste Italiane SpA's ordinary shares and including an appropriate lock-up/ retention period in line with best international practices.

It is worth remembering that, in addition to keeping an overall sustainability of remuneration, the variable incentive plans will be self-financed in 2019. This is because the performance hurdles set match the budget targets established in the Strategic Plan and announced during the Capital Markets Day in 2019. This is consistent with a diligent, balanced approach, designed to deliver both performance and economic and financial sustainability over the medium to long term.

In confirming the Poste Italiane Group's commitment to responsible business practices, the Committee has carefully weighed the need to achieve a balance in the incentive scheme targets between objectives linked to financial results and those aligned with environmental and social sustainability.

Moreover, in order to provide greater clarity and transparency and to increase the level of market disclosure, it was decided to include more detailed information on the Company's business objectives and how they tie in with the incentive schemes adopted.

On behalf of the Remuneration Committee I chair, I should like to thank our stakeholders who have made a significant contribution to the discussion of matters relating to remuneration. The suggestions received have played an important part in helping us to further improve the Company's remuneration policies for the benefit of our "people", our customers and our investors.

I wish to once again express my personal gratitude to my fellow Directors, Giovanni Azzone and Roberto Rossi who, as members of the Remuneration Committee, have played a major role in developing this Report, which I trust will meet with your approval.

Best regards,

Carlo Cerami

Chairman of the Remuneration Committee
Poste Italiane SpA

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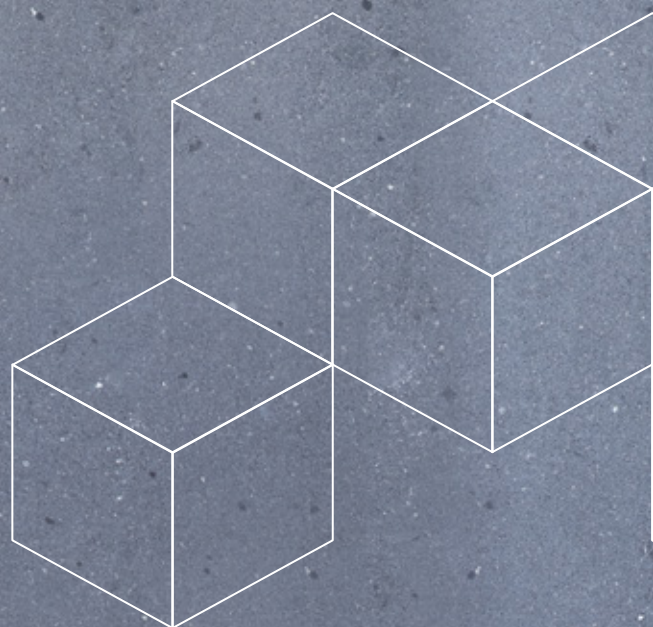
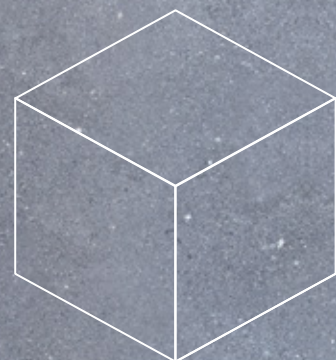


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01

INTRODUCTION AND CHANGES FOR 2019

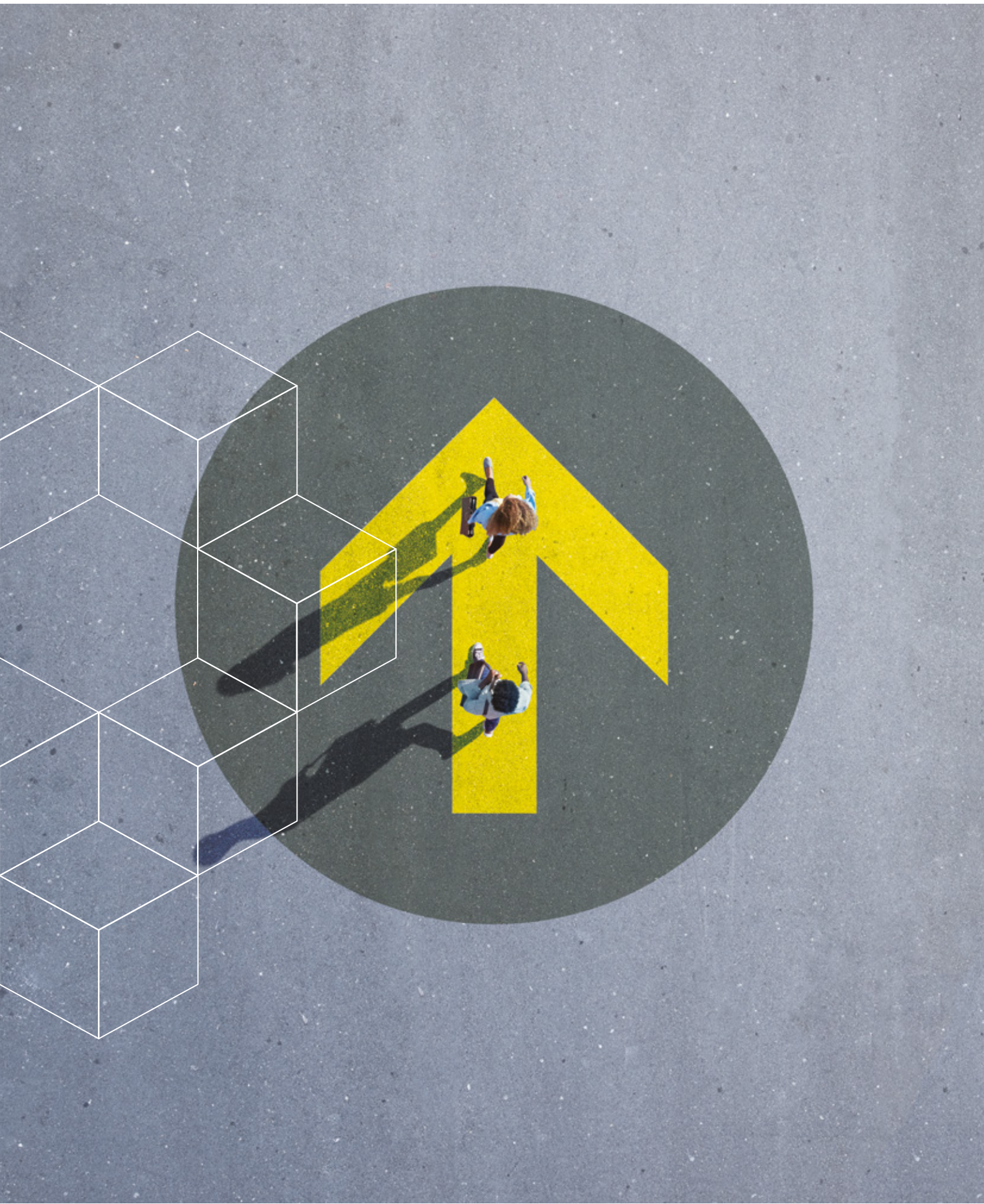




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Introduction

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

- **“Section I”**, which describes the remuneration and incentive policies for 2019, drawn up in line with the Company’s governance model and in keeping with the provisions of the Corporate Governance Code for listed companies (“Corporate Governance Code”);
- **“Section II”**, which provides information on the remuneration paid in 2018 (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), in accordance with the provisions of the Regulations for Issuers.

The two sections begin with a description of the principal changes to the remuneration policy for 2019 and a summary of the main information, prepared in order to provide the market and investors with an immediate overview of the key elements of the remuneration and incentive policies for 2019. This part focuses in particular on the structure of the remuneration of Poste Italiane SpA’s Chief Executive Officer and General Manager, which, given the specific requirements associated with the Group’s businesses, is subject to the banking sector regulations.

As regards personnel identified as working for Patrimonio BancoPosta (“BancoPosta Ring-Fenced Capital” or “BancoPosta RFC”) and, in particular, those classified as the Parent Company’s Material Risk Takers (“MRTs”), details are provided in the Annex, *“Guidelines for BancoPosta RFC’s remuneration and incentive policies for 2019”*, prepared in accordance with XXV revision of 23 October 2018 of Bank of Italy Circular 285/2013 (“XXV revision of Bank of Italy Circular”) 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”).

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.

The policies described 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 or BancPosta Fondi SGR SpA) that adopt remuneration policies compliant with those regulatory requirements.

In preparing this document and the Annex, Poste Italiane was supported by the consulting firm, Willis Towers Watson.

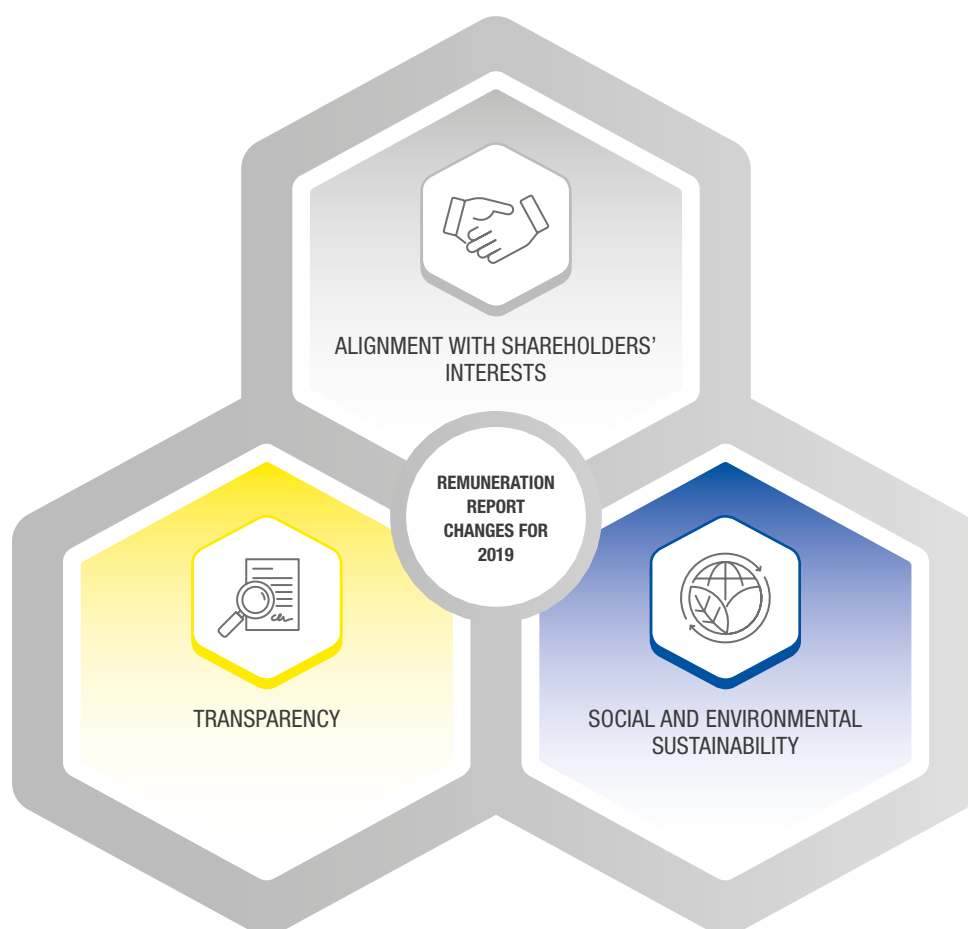
On 18 April 2019, Poste Italiane’s Board of Directors, on the recommendation of the Remuneration Committee, decided to submit “Section I” of the Remuneration Report 2019 to a non-binding vote by the Annual General Meeting of shareholders, called to approve the financial statements for the year ended 31 December 2018. At the same meeting, Poste Italiane’s Board of Directors, on the recommendation of the Remuneration Committee, decided to submit the *“Guidelines for BancoPosta RFC’s remuneration and incentive policies for 2019”* to a binding vote by the Annual General Meeting of shareholders, called to approve the financial statements for the year ended 31 December 2018.

The text of this Report will be made available for inspection at the Company’s registered office, and in the Remuneration section of the Company’s website at www.posteitaliane.it, at least twenty-one days prior to the Annual General Meeting of shareholders, called to approve the financial statements for the year ended 31 December 2018, in line with statutory requirements.

The information circulars regarding equity-based incentive plans can be found in the same section of the Company’s website at <https://www.posteitaliane.it/en/remuneration.html>.

Changes for 2019

In line with 2018 the remuneration strategy described in the Remuneration Report aims to drive the **creation of long-term value** for the benefit of the Company and its shareholders and, as a result, the changes introduced for 2019 are linked to the following principles:



Alignment with shareholders' interests

- strengthening of the medium/long-term incentive strategy, through the introduction of the **“Performance Share LTIP”**, consisting of two three-year cycles, to supplement the existing short-term MBO 2019 incentive plan and the long-term “Deliver 2022 LTI” plan;

The **“Performance Share LTIP”**:

- is based on **Poste Italiane SpA's ordinary shares (“shares”)**;
- rewards, in addition to earnings targets, the **achievement** of appropriate levels of **relative Total Shareholder Return (“rTSR”)** at Poste Italiane compared with the TSR provided by the FTSE MIB benchmark;
- envisages suitable **lock-up arrangements** and, with regard to the Chief Executive Officer and General Manager (CEO-GM) and Key Management Personnel (KMP) included amongst BancoPosta RFC's Material Risk Takers (MRTs), the **deferral** of a significant portion of the incentive (60%) over 4 years, subject to a **one-year retention period** for both the up-front and deferred portions;

– includes **Share Ownership Guidelines for the CEO-GM and KMP**, requiring to hold a percentage of the shares awarded under the Plan;

- **application of**, partly in order to strengthen management engagement, **financial performance hurdles for incentive schemes that are aligned with the budget, in order to ensure that the schemes are self-financing.**



Transparency

- **enhanced ex ante disclosure** of the goals for the short-term **“MBO” scheme** and **“Performance Share Long-Term-Incentive Plan (LTIP)”**. More details are also integrated into the *ex post* disclosure, with regard to the level of achievement of the performance targets assigned;
- introduction of a **predetermined formula for calculating agreed amounts in the event of on termination of employment**, within the predetermined cap for the CEO-GM and Risk Takers, prepared in accordance with the “XXV revision of Bank of Italy Circular”.



Social and environmental sustainability

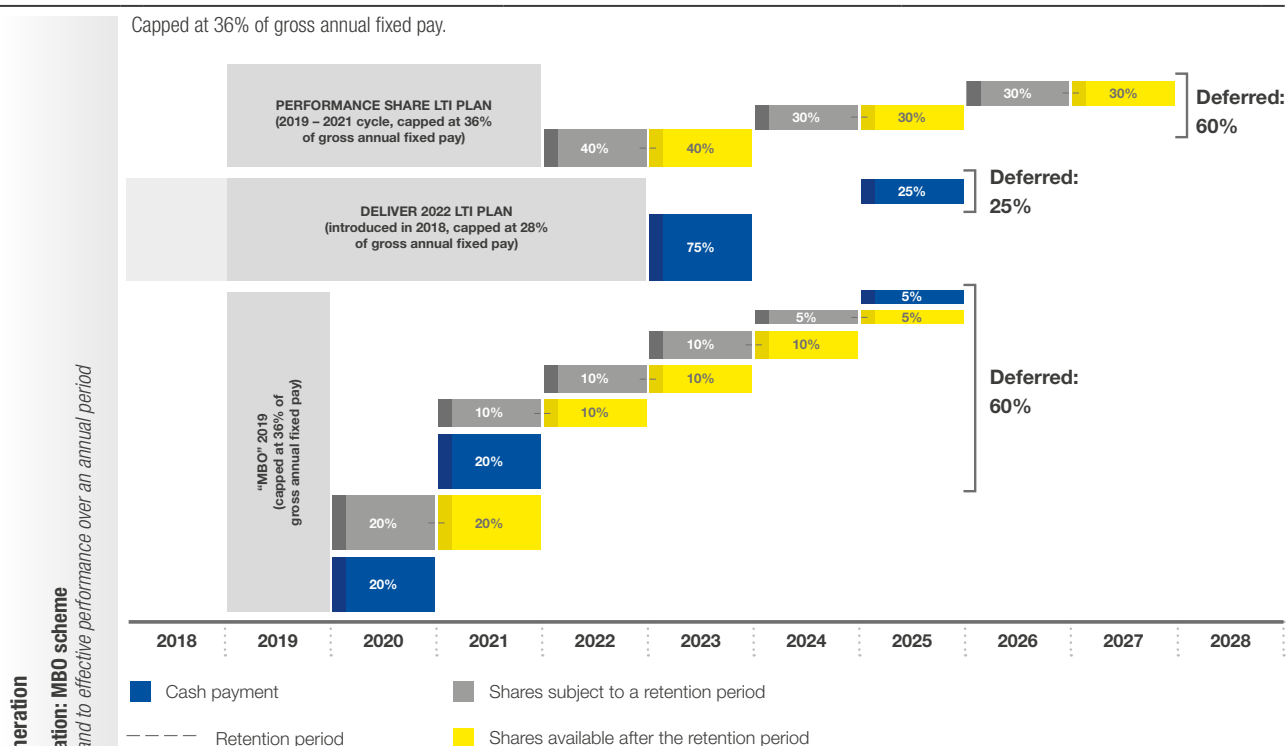
- a balance between financial and risk-adjusted earnings objectives (with specific reference to the CEO-GM), with **“sustainability”** being a significant component of short-term incentive plans (STI “MBO” 2019), based on **Customer Experience, MPD quality and other Sustainability goals** (e.g. support for the country's social and economic development, dialogue and transparency in dealings with government entities, financial inclusion), as proof of Poste Italiane's growing commitment to the community in which it operates, as part of an integrated approach alongside the Group's Environmental, Social and Governance (ESG) plan.

SUMMARY OF THE REMUNERATION POLICY FOR THE CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER IN 2019

CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER

Gross annual fixed pay

Gross annual fixed pay is € 1,255,000



Total variable remuneration

1. Short-term variable remuneration: MBO scheme

Aims to link variable remuneration with the Company's strategy and to effective performance over an annual period

Capped at 36% of gross annual fixed pay.

Hurdle condition		
Group EBIT		
Qualifying conditions		
CET 1 BancoPosta	LCR BancoPosta	Solvency ratio for Poste Vita Insurance Group
Performance targets		
TARGET AREA	KPI	WEIGHTING
Group operating and financial performance	GROUP EBIT	25%
	OPERATING COSTS	15%
Risk-adjusted earnings	RORAC BANCOPOSTA	20%
	RORAC POSTE VITA INSURANCE GROUP	10%
Sustainability	CUSTOMER EXPERIENCE	10%
	MPD QUALITY	10%
	SUPPORT FOR THE COUNTRY'S SOCIAL AND ECONOMIC DEVELOPMENT	10%

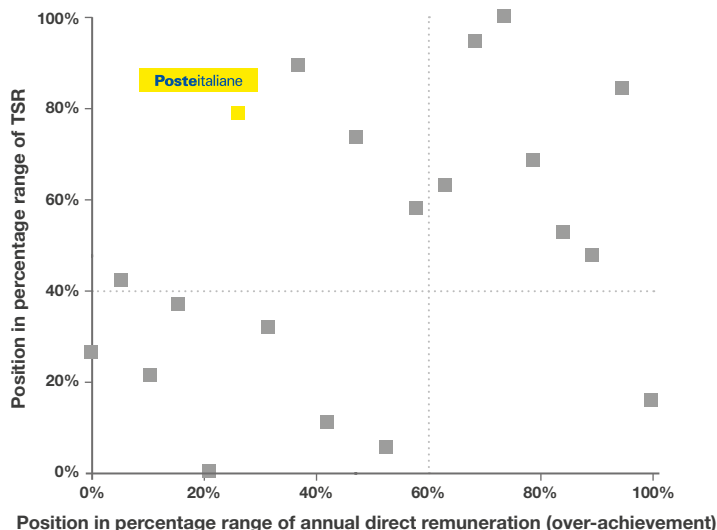
Subject to clawback provisions.

CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER

2. Medium/long-term variable remuneration: Aims to link variable remuneration to the achievement of earnings targets and the creation of medium/long-term value	Performance Share LTI Plan (1st cycle 2019-2021) Capped at 36% of gross annual fixed pay.		
	Hurdle condition Cumulative Group EBIT over three-year period		
	Qualifying conditions CET 1 BancoPosta LCR BancoPosta RORAC BancoPosta		
	Performance targets		
	TARGET AREA Group operating and financial performance Shareholder returns	KPI CUMULATIVE GROUP EBIT OVER THREE-YEAR PERIOD <i>RELATIVE TOTAL SHAREHOLDER RETURN</i>	WEIGHTING 60% 40%
	Deliver 2022 LTI Plan (awarded in 2018) Capped at 28% of gross annual fixed pay. One assignment and a five-year performance period (2018-2022). The Plan is subject to a hurdle condition (five-year EBIT), qualifying conditions (CET1, LCR and RORAC at BancoPosta) and performance targets (Revenue 60%; Personnel expenses 40%). Takes the form of cash payment deferred for a further 2 years. Payment of the deferred portion is subject to Poste Italiane's inclusion in internationally recognised sustainability indices. Both plans are subject to clawback provisions.		
Annual pay mix (over-achievement)	<div><div><div>Medium/long-term variable remuneration - 2019-2021 cycle of "Performance Share LTIP" - "Deliver 2022 LTIP"</div><div>32%</div></div><div><div>Short-term "MBO" variable remuneration Up-front and deferred</div><div>18%</div></div><div><div>Pay mix (over-achievement)</div></div></div> <div><div><div>Gross annual fixed pay</div><div>50%</div></div><div><div>Shares</div><div>56%</div></div><div><div>Cash</div><div>44%</div></div><div><div>Total variable remuneration (over-achievement)</div></div></div>		
	Ratio of variable remuneration to fixed component is, again in 2019, capped at 1:1		
Severance	It is possible to stipulate provisions/agreements governing ex-ante the financial aspects of early term of office/employment, with the aim of avoiding any current or future disputes. Provision for payment of an amount – capped at 24 months of gross global remuneration – computed on the basis of length of service and taking into account, amongs other items, BancoPosta's capital adequacy and liquidity. The amount is paid in accordance with the rules applying to payments under the STI "MBO" scheme, with the deferral of 60% for a period of 5 years and payment of 55% of the total amount in Poste Italiane's ordinary shares (subject to a one-year retention period).		

Pay-for-Performance

The following chart shows the link between the CEO-GM's annual direct remuneration (fixed pay and short- and medium/ long-term variable remuneration) and the Company's performance in terms of Total Shareholder Return (TSR) over a three-year period (2016-2018). As in 2018, the chart shows that Poste Italiane's **TSR is positioned above the median whilst the level of annual direct remuneration** is below the median for the related sample group.



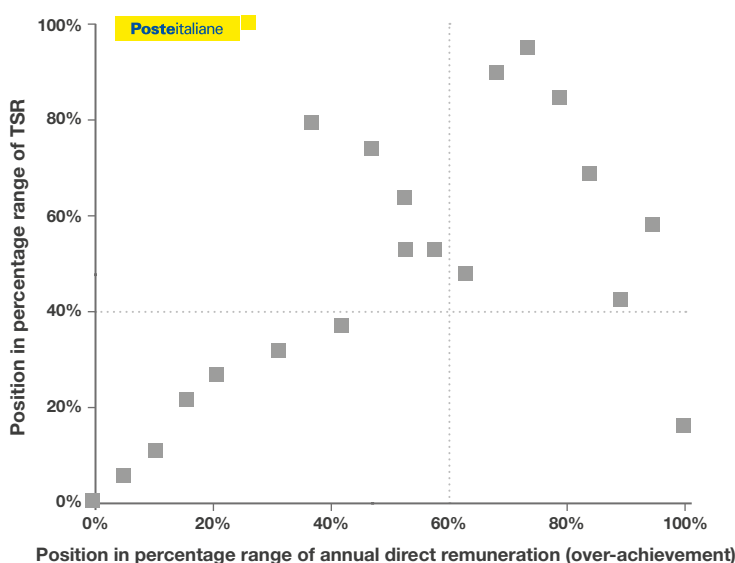
Sample group: Allianz, AXA, Banco BPM, Bpost, CTT - Correios de Portugal, Deutsche Post, Enel, Eni, Generali Assicurazioni, Intesa Sanpaolo, Leonardo, PostNL, Saipem, Snam, Terna, TIM, Ubi Banca, UniCredit, Unipol and Poste Italiane.

Based on data from Bloomberg and Willis Towers Watson.

The Total Shareholder Return (TSR) refers to the period from 1 January 2016 to 31 December 2018.

Annual direct remuneration (ADR): latest available figure.

With respect to the sample group used, Poste Italiane's positioning further improved in terms of Total Shareholder Return (TSR), measured from 27 April 2017 (date of appointment of the current Board of Directors) to 17 April 2019 (latest available data prior to preparation of this Report).



Sample group: Allianz, AXA, Banco BPM, Bpost, CTT - Correios de Portugal, Deutsche Post, Enel, Eni, Generali Assicurazioni, Intesa Sanpaolo, Leonardo, PostNL, Saipem, Snam, Terna, TIM, Ubi Banca, UniCredit, Unipol and Poste Italiane.

Based on data from Bloomberg and Willis Towers Watson.

The Total Shareholder Return (TSR) refers to the period from 27 April 2017 to 17 April 2019.

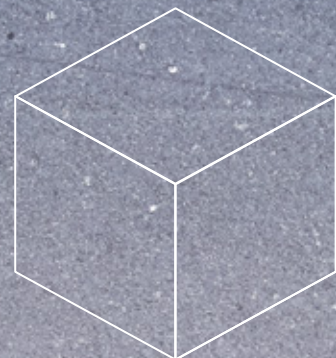
Annual direct remuneration (ADR): latest available figure.





02

REMUNERATION REPORT 2019 POSTE ITALIANE SPA





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Section I

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.

With regard to Poste Italiane's Board of Directors, the related remuneration policy is defined:

- by the General Meeting of shareholders, which determines the compensation payable to members of the Board of Directors at the time of their appointment and throughout their term of office;
- by the Board of Directors, which determines the compensation payable to Directors with delegated powers, in consultation with the Board of Statutory Auditors.

In line with the recommendations of the Corporate Governance Code, in making decisions about matters relating to remuneration, the Board of Directors is supported by the Remuneration Committee, whose members are non-executive Directors and which provides advice and makes recommendations regarding such matters. As stated in section 1.2 below, the Remuneration Committee is a Board committee set up by Poste Italiane's Board of Directors, whose members are all Directors meeting the independence requirements of art. 148, paragraph 3 of Consolidated Law on Finance (CLF) and art. 3 of the Corporate Governance Code.

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 2019"*.

With regard to the subsidiaries subject to supervision (for example, 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.

1.1 General Meeting of shareholders

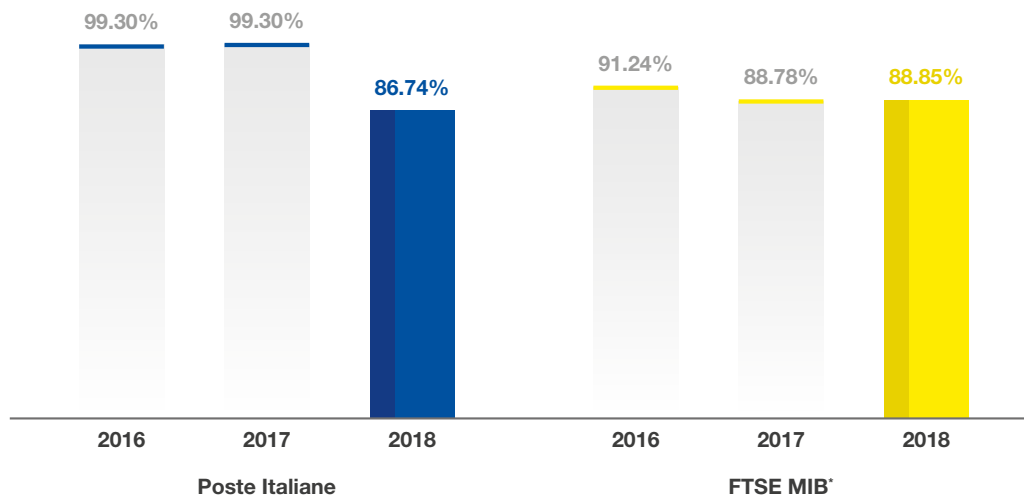
With regard to remuneration, the General Meeting of shareholders:

- determines the compensation payable to members of the Board of Directors and the Board of Statutory Auditors at the time of their appointment 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 CLF;
- holds a non-binding vote to approve section I of Poste Italiane SpA's Remuneration Report, in accordance with art. 123-ter of CLF.

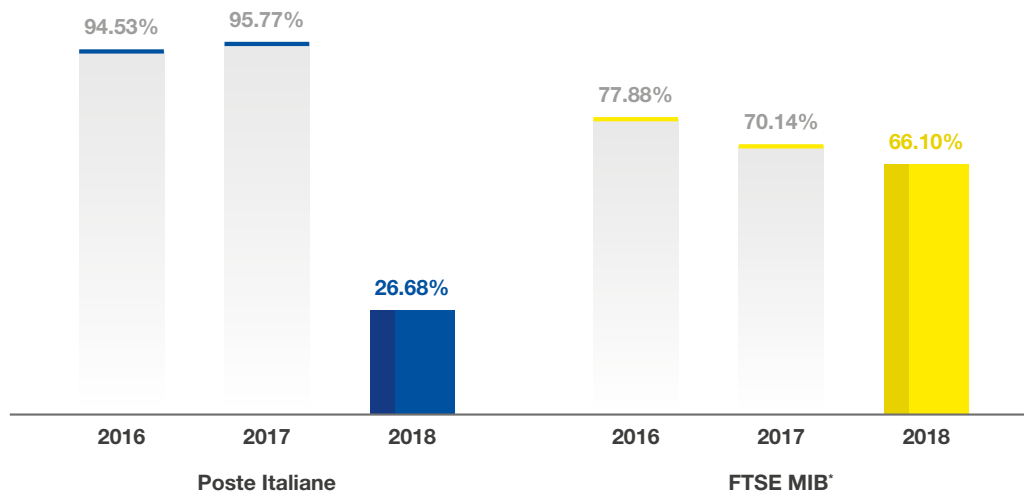
The following graph shows the results of the above votes:

FIGURE 1. OUTCOME OF AGM VOTES

Overall votes in favour



Votes in favour from minority shareholders



* Based on a panel group of over 25 issuers included in the FTSE MIB, selected on the basis of market capitalisation and registered office location. Source: Georgeson

The outcome of the vote held during the Annual General Meeting held on 29 May 2018 was assessed within the context of the overall governance of the Group's remuneration and incentive policies. In response to the outcome, the remuneration policies have been adjusted as part of a process of ongoing improvement.

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 for 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 four Board of Directors' meetings in 2018. In particular, at the meeting of 16 April 2018, the Board was called on to approve the Remuneration Report for 2018 (including the Annex, "*Guidelines for BancoPosta RFC's remuneration and incentive policies*"), and the Information Circular prepared in accordance with Art. 84-bis of the Regulations for Issuers.

Remuneration Committee

The Remuneration Committee is responsible for 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, and then amended at the meeting of 19 February 2018.

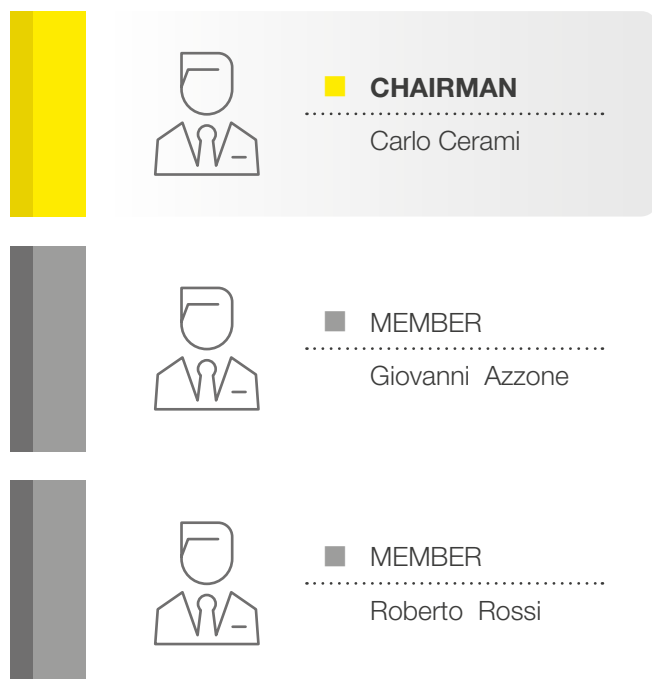
Composition

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 CLF and art. 3 of the Corporate Governance Code. In addition, at least one Committee member must have appropriate expertise and experience in financial matters or remuneration policies and risk, capital and treasury management. This is assessed by the Board of Directors at the time of appointment to the Committee.

Committee meetings are attended by the Board of Statutory Auditors and, by invitation, other competent corporate bodies and functions. As a rule, meetings are also attended by the Head of BancoPosta's Risk Management function when the Committee is to discuss matters relating to BancoPosta's activities.

The following figure shows the composition of the Committee at 31 December 2018:

FIGURE 2. MEMBERS OF THE REMUNERATION COMMITTEE IN 2018



All the Directors are non-executive and meet the related independence requirements. This composition ensures that the Committee has the right number of members in possession of the specific expertise and experience required by both supervisory regulations and the Corporate Governance Code. Two of the three members of the Remuneration Committee were elected from the slate submitted by non-controlling shareholders.

Scope of activities

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

- to make proposals to the Board of Directors regarding policy for the remuneration of the Directors and of executives with strategic responsibilities in accordance with the regulations in force, periodically assessing the appropriateness, the overall consistency, and the concrete application of the policy adopted, and availing itself of the information provided by the Chief Executive Officer as far as the implementation of such policy is concerned;
- to present proposals or express opinions to the Board of Directors on the remuneration of the Chief Executive Officer-General Manager, as well as on the establishment of performance targets regarding the variable component of such remuneration, monitoring the application of the decisions adopted by the Board, and checking if the aforesaid targets have been achieved;
- to make proposals regarding the remuneration, including the variable component, of the Head of Poste Italiane's Internal Control Function, in agreement with the Control, Risk and Sustainability Committee;
- to make proposals regarding the remuneration of the Executive in Charge of preparing Poste Italiane's accounting documents;
- to examine in advance the annual report on remuneration that will be made available to the public in view of the Annual General Meeting called to approve the financial statements;
- to perform any additional tasks assigned it by the Board of Directors.

The Remuneration committee's role in relation to BancoPosta RFC is described in paragraph 2.3 of the Annex, *"Guidelines for BancoPosta RFC's remuneration and incentive policies for 2019"*.

The Committee, through its Chair, reports to the Board of Directors on the Committee's meetings at least once a year, and whenever he or she deemed it necessary or appropriate.

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 external consultants or independent experts at the Company's expense, within the limits of the overall budget approved by the Board of Directors for all Board Committees.

The Remuneration Committee meets periodically and with sufficient frequency to enable it to carry out its duties, in accordance with an annual calendar that normally follows the cycle of activity shown below:

FIGURE 3. THE REMUNERATION COMMITTEE'S CYCLE OF ACTIVITY



1.3 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.

1.4 Other entities

Among the duties and responsibilities assigned to it, the Human Resources and Organisation department 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. 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, including with the support of other functions that are specific process owners.

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.

Corporate Affairs function ensures compliance with Corporate Governance processes. The Head of “*Affari Societari*” function (within Corporate Affairs) is also the Secretary to the Remuneration Committee, with responsibility for assisting the Chair and the Committee in carrying out their roles and for minuting Committee meetings.

When required by internal regulations and corporate governance processes, specific issues relating to remuneration and incentives are discussed by the Audit, Risk and Sustainability 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.

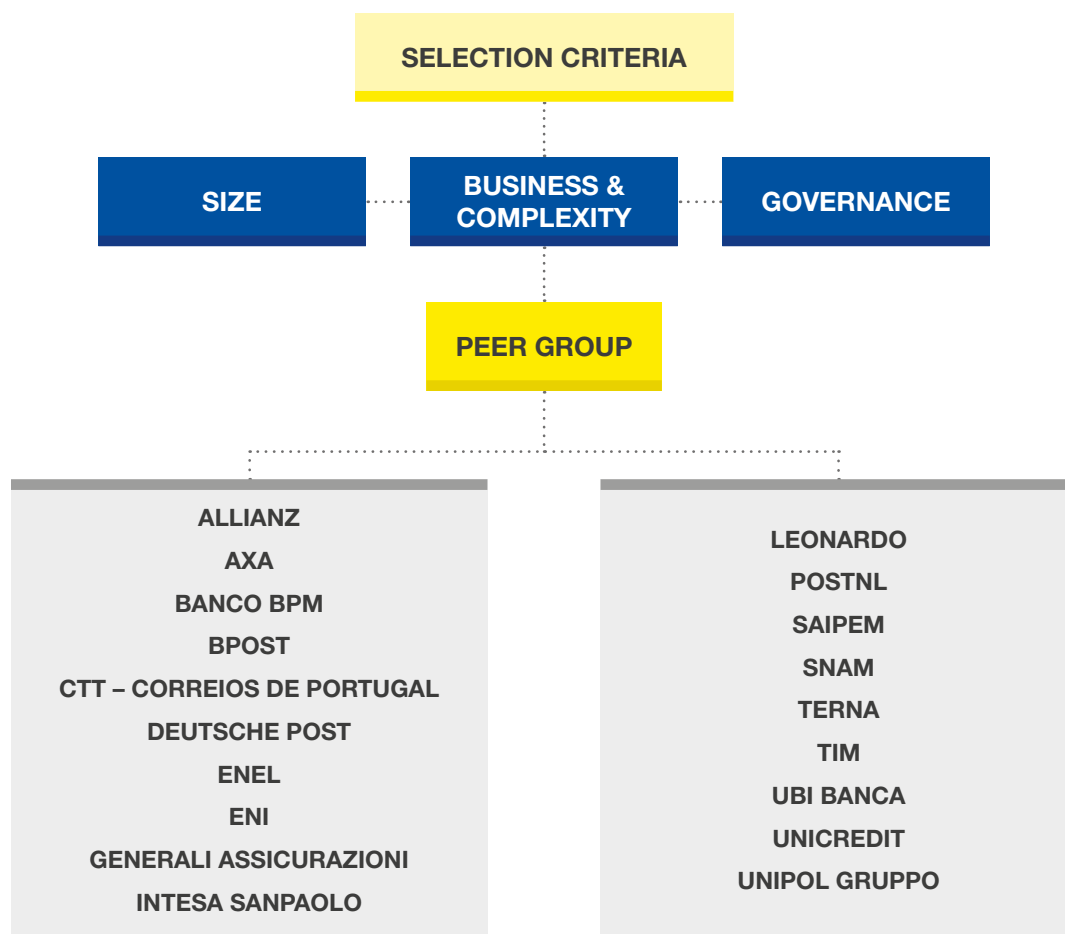
With regard to BancoPosta RFC, reference should be made to the Annex “**Guidelines for BancoPosta RFC’s remuneration and incentive policies for 2019**” for information on the duties and responsibilities of the Head of BancoPosta RFC and the related control functions.

2. Market practices

The Company regularly monitors the market environment through salary benchmarking conducted by major international players and industry peers, with the aim of ensuring the competitiveness of its remuneration packages.

The peer group used to benchmark the remuneration of the Chief Executive Officer and General Manager for 2019 is broadly in line with the one used for 2018:

FIGURE 4. PEER GROUP



The above peer group has been selected from a larger sample of Italian and European companies comparable to Poste Italiane in nature.

In particular, with regard to "Size", the process took into account capitalisation, revenue and the number of employees. In terms of "Business & Complexity", the different sectors in which the Poste Italiane Group operates were considered (with a focus on the Italian banking sector, given that the CEO-GM is subject to banking regulations), in addition to the complexity of operations. Finally, with regard to "Governance", the peer group includes a number of companies which are investees of the Ministry of the Economy and Finance and Cassa depositi e prestiti SpA or who are regulated by AGCOM (the Italian Communications Authority), provided that they are listed on the FTSE MIB.

Finally, 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 (for example, for roles in financial services).

3. Remuneration and incentive policies for 2019

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

In terms of fixed remuneration, the Company's benchmarking is conducted with reference to market medians relating to the specific role - also compared with industry benchmarks - and/or the complexity of the responsibilities assigned.

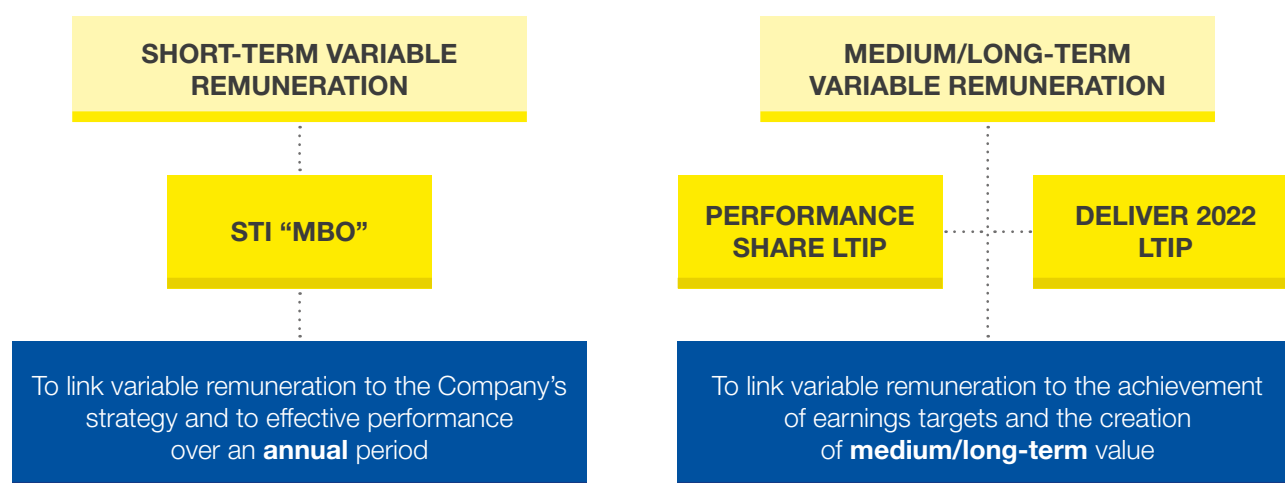
Certain benefits are also provided in accordance with the applicable statutory requirements and in line with market practices. Benefits¹ are subject to specific guidelines, which require the application of common criteria depending on the uniform category of employee concerned.

The pay mix between fixed and variable component is linked to the role held and the responsibilities assigned. In this regard, Poste Italiane uses a job evaluation framework for the various roles, certified periodically by an independent consulting firm.

Proposed adjustments to gross annual fixed pay follow a structured process, based on objective, non-discretionary criteria.

Variable remuneration is directly linked to Company and individual performance, and is based on objective, transparent and verifiable criteria. Variable pay is capped depending on the category of beneficiary. With a view to ensuring sustainability and the creation of value over the short-, medium- and long-term, variable pay consist of the following three components:

FIGURE 5. COMPONENTS OF VARIABLE REMUNERATION



All the incentive schemes are linked to the achievement of predetermined levels of performance and subject to clawback provisions, as described in greater detail below.

In exceptional circumstances, newly hired personnel may receive specific awards, including a signing bonus.

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

One-off "merit" payments cannot be made to Poste Italiane's Directors or Key Management Personnel.

1. Managers are not provided with insurance cover or pension schemes other than those envisaged in the National Collective Labour Agreement for the management personnel of companies producing goods and services (the "NCLA"). The General Manager and KMP are provided with supplementary health cover in addition to that provided under the NCLA. Members of the Board of Directors and Board of Statutory Auditors, the General Manager, the Manager Responsible for Financial Reporting and executives and employees in management or supervisory roles are provided with personal health insurance and D&O cover.

3.1 Share Ownership Guidelines (SOGs)

Poste Italiane's Share Ownership Guidelines apply to people in the following roles:

- Chief Executive Officer/General Manager;
- Key Management Personnel.

The nature of the guidelines differs according to the category of role:

FIGURE 6. SUMMARY OF SOGs FOR CEO-GM AND KPM

Role	Amount	Timing and manner of reaching target amount
CEO-GM	1 gross annual fixed pay	until expiry of term of office/employment; 50% of the shares available under the "Performance Share LTIP" to be held, unless the target amount has already been reached.
KMP	½ gross annual fixed pay	whilst belonging to the Key Management Personnel category; 25% of the shares available under the "Performance Share LTIP" to be held, unless the target amount has already been reached.

The above persons undertake to hold (until expiry of their term of office and/or appointment/termination of employment as a manager) a percentage of the shares available under the new long-term variable incentive scheme, until the target amount has been reached. The detailed rules will be approved at the same time as the Terms and Conditions of the "Performance Share LTIP".

The **CEO-GM** will again in 2019 **maintain his commitment to reinvest all the variable cash remuneration received in Poste Italiane's ordinary's shares.**

3.2 Board of Directors

The remuneration policy for members of the Board of Directors is differentiated as follows:






- Directors without delegated powers;
- Chair of the Board of Directors;
- Chief Executive Officer and General Manager (CEO-GM).

On a general basis and for all the members of the Board of Directors, the Annual General Meeting of shareholder held on 27 April 2017 determined the compensation payable to members of the Board of Directors in office in the period 2017-2019, as defined by art. 2389, paragraph 1 of the Italian Civil Code. No attendance fees are currently payable for participation in Board of Directors' meetings or the meetings of Board Committees.

On 10 May 2017, the Board of Directors, on the recommendation of the Remuneration Committee, introduced additional pay for Directors' participation in Board Committees, depending on the role assigned.

The following table shows the roles held by member of the Board of Directors at the date of approval of this Report:

FIGURE 7. COMPOSITION OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES

ROLE	NAME AND SURNAME	Remuneration Committee	Nominations and Corporate Governance Committee	Audit, Risk and Sustainability Committee	Related and Connected Parties Committee
Director	Giovanni Azzone^{1,2}				
Director	Carlo Cerami^{1,2}				
Director	Antonella Guglielmetti^{1,2}				
Director	Francesca Isgrò^{1,2}				
Director	Mimi Kung^{1,2}				
Director	Roberto Rao^{1,2}				
Director	Roberto Rossi^{1,2}				

Directors with delegated powers

CHAIRWOMAN

Maria Bianca Farina¹

CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER

Matteo Del Fante

¹ Non-executive Director

² Independent Director as defined by the combined provisions of articles 147ter, paragraphs 4 and 148, paragraph 3 of the CLF and pursuant to article 3 of the Corporate Governance Code

Chairman/Chairwoman   Member  

3.2.1 Directors without delegated powers

The remuneration of Directors without delegated powers consists of a fixed component, determined by the Annual General Meeting of shareholders and applicable for the full term of office. The Annual General Meeting of shareholders held on 27 April 2017, with regard to the term of office 2017-2019, determined the compensation payable pursuant to art. 2389, paragraph 1 of the Italian Civil Code as € 40,000 per annum. There are no forms of variable remuneration.

Directors are reimbursed for any out-of-pocket expenses incurred in carrying out the duties, within the limits established by the Board of Directors.

The additional pay for Directors' participation in Board Committees, approved by the Board of Directors, in consultation with the Board of Statutory Auditors and the Remuneration Committee, is as follows:

FIGURE 8. COMPENSATION FOR PARTICIPATION IN BOARD COMMITTEES

		Compensation
■ Remuneration Committee	Chairman	€ 25,000
	Member	€ 17,500
■ Nominations and Corporate Governance Committee	Chairman	€ 25,000
	Member	€ 17,500
■ Audit, Risk and Sustainability Committee	Chairman	€ 35,000
	Member	€ 25,000
■ Related and Connected Parties Committee	Chairman	€ 25,000
	Member	€ 17,500

3.2.2 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 and equal to € 60,000 per annum.

In addition to the above, on 13 December 2017, the Board of Directors, on the recommendation of the Remuneration Committee and in consultation with the Board of Statutory Auditors, awarded further compensation to the Chairwoman of the Board of Directors (pursuant to art. 2389, paragraph 3 of the Italian Civil Code), in view of the non-executive powers assigned to her. This additional compensation amounts to € 420,000 per annum. There are no forms of variable remuneration.

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

As required by law, the Chairwoman abstains during votes regarding decisions on her remuneration and does not take part in discussions on this matter.

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

3.2.3 Chief Executive Officer and General Manager (CEO-GM)

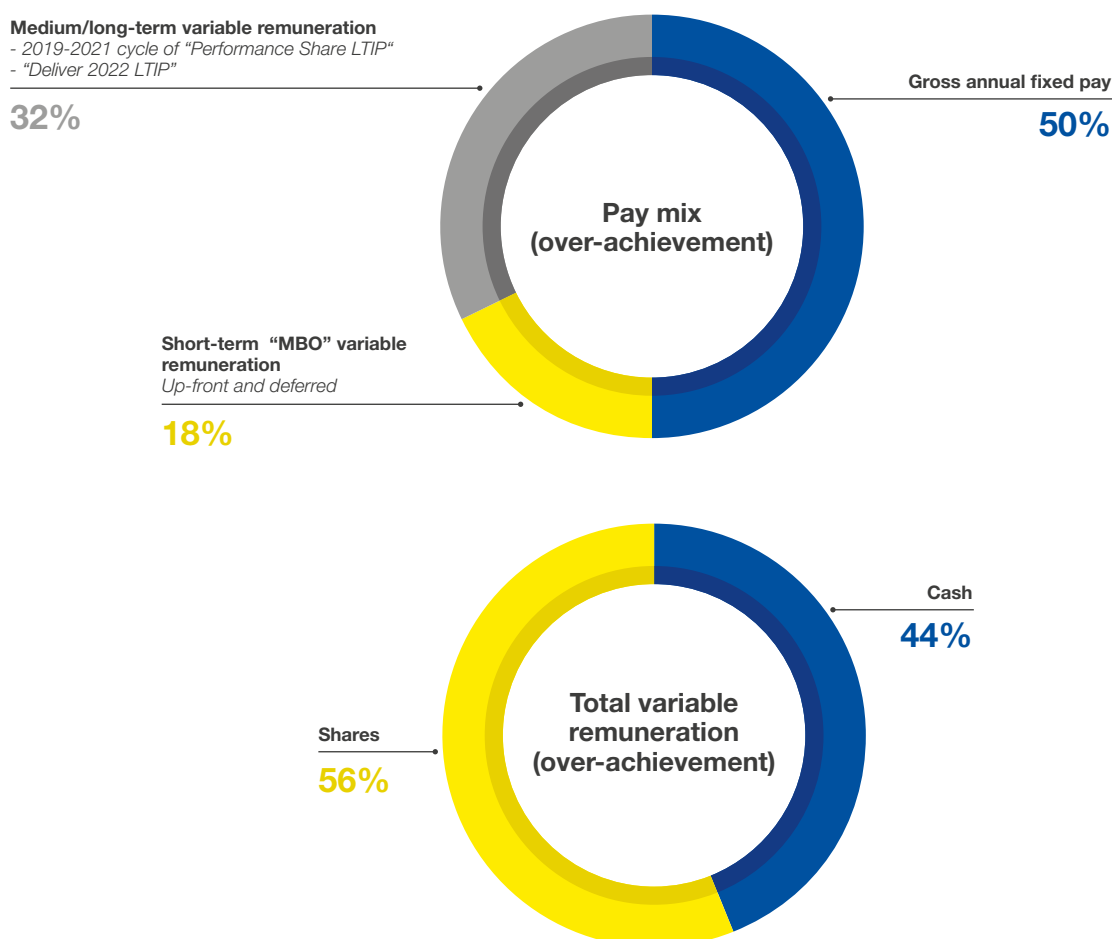
The CEO-GM's remuneration package includes a fixed component, a short-term variable component and a medium/long-term variable component.

In the case of the Chief Executive Officer and General Manager, the ratio of variable remuneration to fixed component is, again in 2019, capped at 1:1. Given that gross annual fixed compensation is € 1,255,000, the maximum total value of the incentives receivable under the schemes (both the short- and medium/long-term) is the same amount.

Certain benefits are provided in accordance with the applicable statutory requirements and in line with market practices.

In the light of these elements, the following chart shows the CEO-GM's Pay mix for 2019 in the event of over-achievement ("Pay mix CEO-GM over-achievement"):

FIGURE 9. PAY MIX CEO-GM



Ratio of variable remuneration to fixed component is, again in 2019, capped at 1:1

Only 20% of the short-term variable remuneration is payable cash up-front in 2020.

This pay mix has been calculated on the basis of awards under the short- and medium/long-term incentive schemes in the event of over-achievement, and considering the value of the entire cycle in the case of the "Performance Share LTIP" and the annualised value of the "Deliver 2022 LTIP".

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.

Gross annual fixed compensation

The CEO-GM receives gross annual fixed compensation of € 1,255,000 and this consists of a component relating to the position of Director and one relating to his position as a manager of the Company in his role as General Manager².

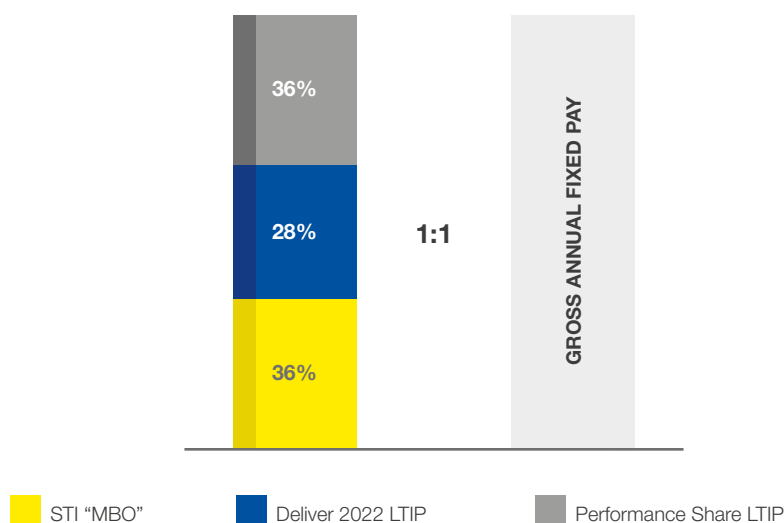
2. The CEO-GM's position as General Manager is governed by the provisions of the National Collective Labour Agreement for the management personnel of companies producing goods and services (the "NCLA").

Variable remuneration

The variable remuneration, paid in relation to his position as a manager in his role as General Manager, consists of the short-term variable incentive scheme ("MBO" STI), the "Performance Share LTIP" and the "Deliver 2022 LTIP" (the latter introduced in 2018).

The STI "MBO" scheme rewards the achievement of targets on an annual basis, the "Performance Share LTIP" on a three-year basis and the "Deliver 2022 LTIP" over a five-year period, in line with the objectives set out in the "Deliver 2022" Strategic Plan and with the BancoPosta RFC's Risk Appetite Framework ("RAF" or "Risk Appetite Framework"). A component of the "Deliver 2022 LTIP" is deferred and it is also subject to Poste Italiane's inclusion in internationally recognised sustainability indices.

FIGURE 10. COMPONENTS OF VARIABLE REMUNERATION (OVER-ACHIEVEMENT)



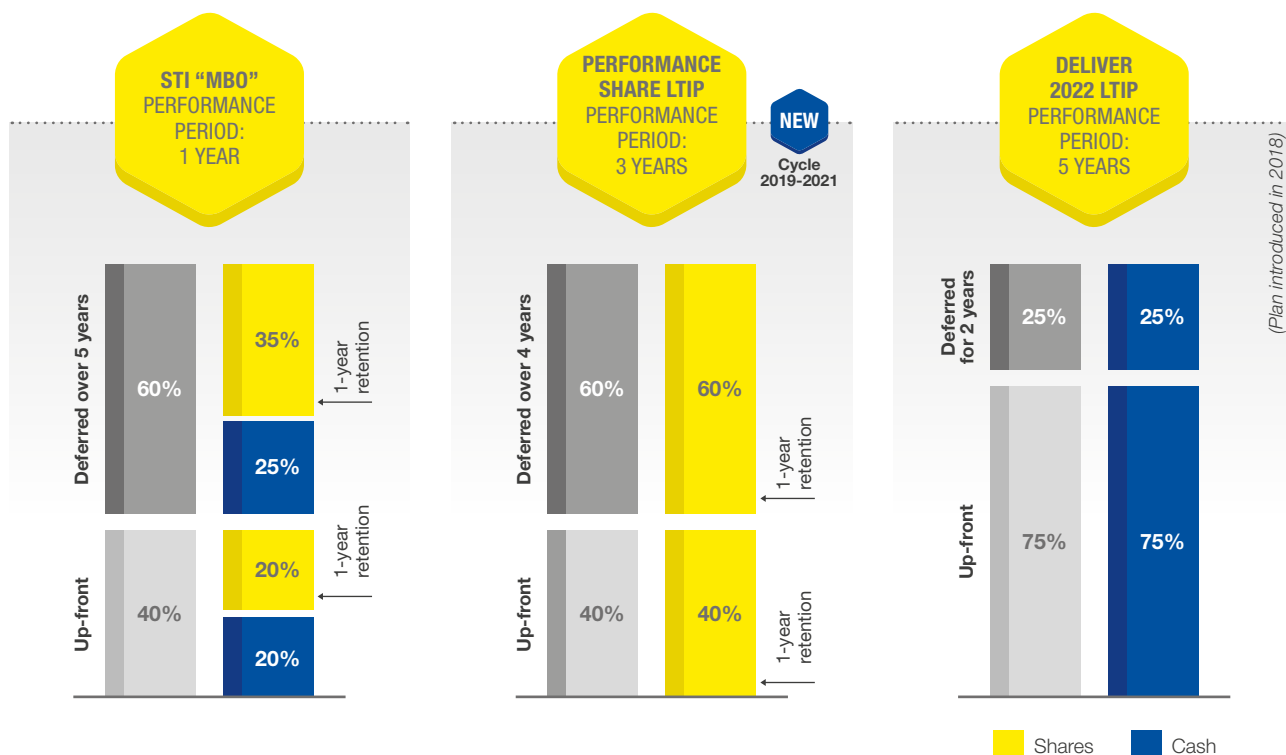
The new "Performance Share LTIP" enables the Company to maintain an ongoing link between variable remuneration and performance over the medium/long-term, strengthening the alignment with investors' interests, also given that the new Plan results in the award of Poste Italiane's ordinary shares. It is noted that Long term incentive plans ("Deliver 2022 LTIP" and "Performance Share LTIP") are subject to deferral, retention and/or lock-up periods.

All the management incentive schemes also include performance gates related to Group EBIT, designed to measure financial sustainability in all Poste Italiane's businesses, with any bonuses awardable in relation to the assigned targets dependent on achievement of the KPIs set and in line with the risk tolerance levels for the qualifying conditions, linked to BancoPosta RFC's capital adequacy and liquidity.

Variable remuneration 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), and, under certain conditions, in the application of a clawback provision.

As a Material Risk Taker, within the scope of application of the "Guidelines for BancoPosta RFC's remuneration and incentive policies for 2019" the structure of the CEO-GM's remuneration envisages a cap on total variable remuneration based on a ratio of 1:1 between variable (both short- and medium/long-term) and fixed component, in addition to deferral and retention period. Further details are provided below.

FIGURE 11. THE CEO-GM'S VARIABLE REMUNERATION



As mentioned above, the Board of Directors, on the recommendation of the Remuneration Committee, sets the performance targets linked to variable remuneration for the CEO-GM and assesses achievement of the performance targets, with the CEO-GM abstaining in any votes on the matter.

Short-term variable incentive scheme ("MBO")

Short-term variable remuneration ("MBO") aims to strengthen the focus on the creation of value for stakeholders by linking the payment of annual bonuses with actual performance in the same period. The nature of the "MBO" STI scheme for the CEO-GM has been defined also based in the applicable statutory requirements. The maximum amount payable, under the rules described below, is € 450,000.

The plan is based on a structured process for defining incentives and the associated objectives and is characterised by:

- a hurdle and certain qualifying conditions;
- various performance targets, each assigned a specific weighting

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.

Hurdle and qualifying conditions

The MBO scheme envisages a hurdle condition represented by the "Poste Italiane Group's target EBIT", as set in the budget, achievement of which enables the CEO-GM to access the bonus linked to achievement of the objectives assigned. Moreover, in order to ensure the long-term sustainability of the businesses of BancoPosta RFC and the Poste Vita Insurance Group, the qualifying conditions for the MBO scheme also include the following provisions:

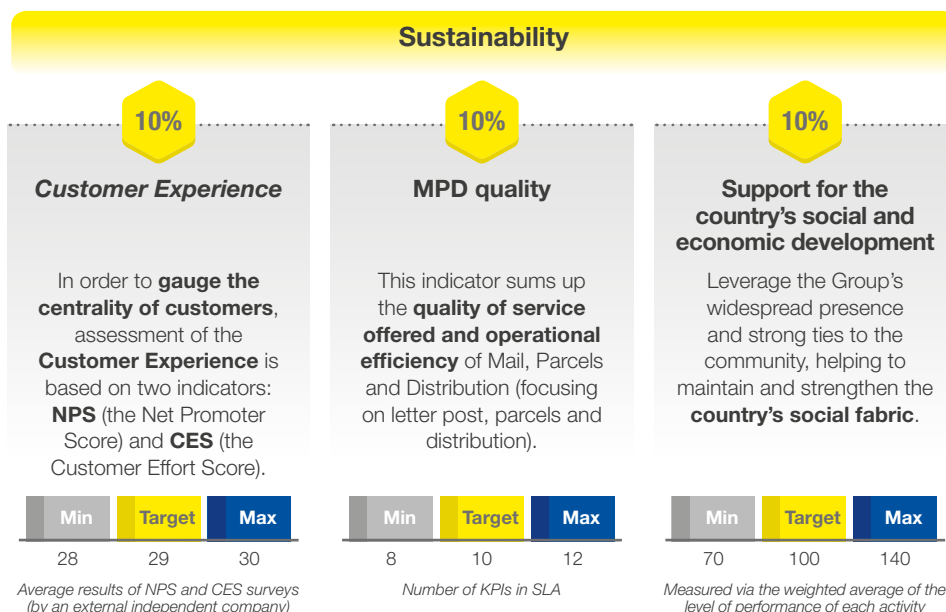
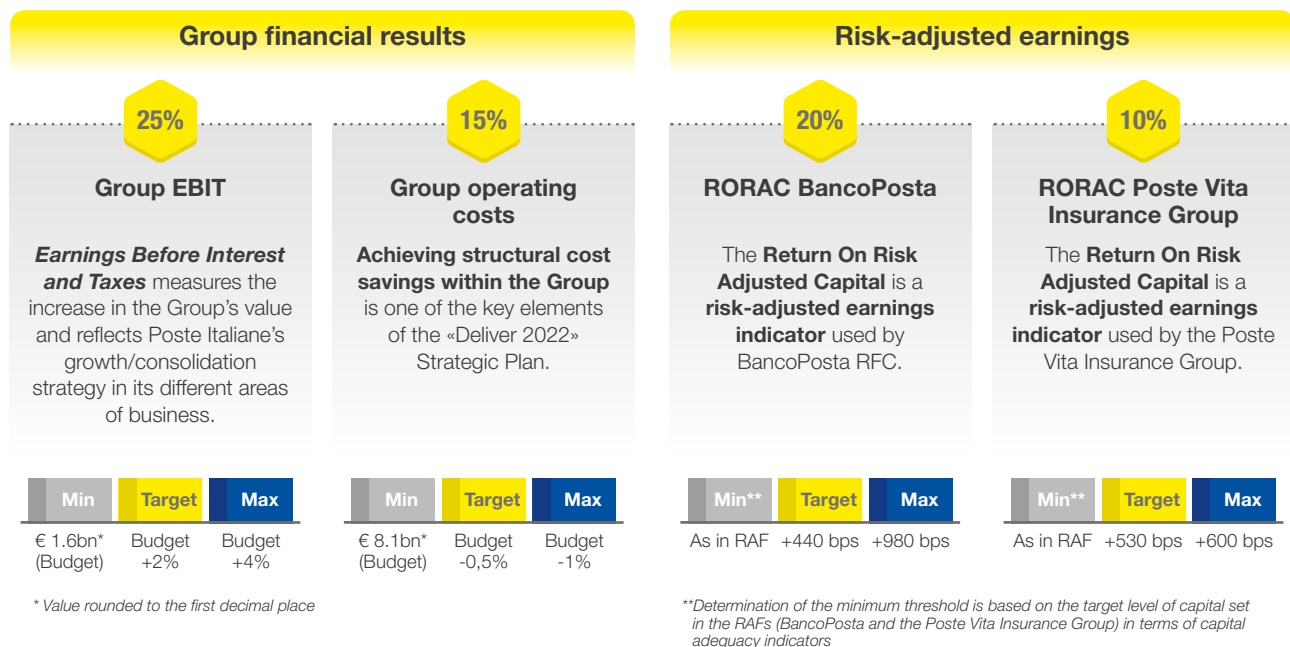
FIGURE 12. PERFORMANCE GATE AND QUALIFYING CONDITIONS FOR THE CEO-GM'S "MBO" SCHEME

Hurdle	Qualifying conditions
Group EBIT	BancoPosta's capital adequacy: CET 1
	BancoPosta's short-term liquidity: LCR
	Solvency ratio for Poste Vita Insurance Group

The qualifying conditions are in keeping with the thresholds at risk tolerance levels established in the Risk Appetite Framework ("RAF") adopted by BancoPosta RFC and the Poste Vita Insurance Group.

Performance targets

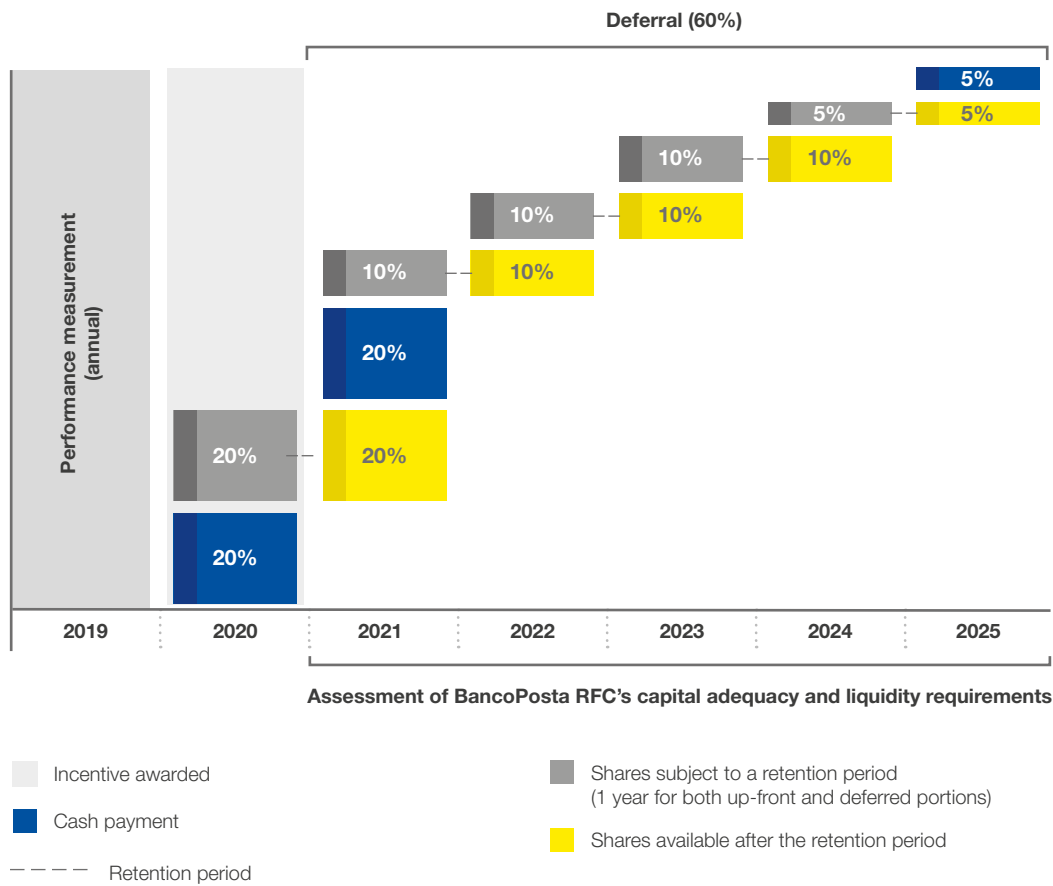
The performance targets for 2019 are linked to the objectives in the "Deliver 2022" Strategic Plan:

FIGURE 13. "MBO" SCHEME PERFORMANCE TARGETS FOR THE CEO-GM IN 2019


Payout

Payout of the incentive relating to the “MBO” scheme is linked to the achievement of actual, lasting results and involves deferral of 60% of the variable component over a for a period of 5 years (*pro rata*) and the payment of 45% in cash and 55% in Poste Italiane’s ordinary shares, as shown below:

FIGURE 14. METHOD OF PAYMENT UNDER “MBO” SCHEME FOR THE CEO-GM



The shares are subject to a one-year retention period for both the up-front and deferred portions. One-year retention periods, in view of the overall timing of variable remuneration, which also includes the 5-year deferral period subject to *malus* provisions and at least a further 5 years subject to clawback provisions, are compatible with the prospective levels of risk to which the Poste Italiane Group’s operations are exposed, in particular those of BancoPosta.

Payment of the deferred portion will take place each year, provided that the risk tolerance levels for BancoPosta RFC’s capital adequacy and liquidity have been complied with. The same risk tolerance levels must also be complied with at the end of the retention period.

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 28 May 2019 to approve the Information Circular for the “*Equity-based incentive plans*”, prepared in accordance with art. 114-bis of CLF.

Medium/long-term variable incentive schemes (LTIPs)

Medium/long-term incentive schemes (LTIPs) aim to strengthen the focus on the creation of value for stakeholders, in keeping with the Strategic Plan by linking the incentives awarded with long-term objectives (over 3-5 years) and effective performance over the same period. The nature of the following LTIPs has been defined also in the light of the applicable statutory requirements.

The CEO-GM is a beneficiary of the **“Performance Share LTIP”**, details of which are described in the following paragraph. The “Performance Share LTIP”, entirely in the form of Poste Italiane’s ordinary shares, provides for earnings targets and shareholder returns over a period of 3 years, with the aim of maximising execution of the drivers of the Strategic Plan over the three-year period 2019-2021, representing the first cycle, and over the three-year period 2020-2022, representing the second cycle, in line with the Risk Appetite Framework.

The **“Performance Share LTIP”** supplements the long-term incentives provided by the “Deliver 2022 LTIP” introduced in 2018. This LTIP is designed to focus continuous long-term attention on revenue growth and the containment of personnel expenses in addition to Poste Italiane’s inclusion in internationally recognised sustainability indices, over a period of 5 years. The long-term variable component of the Chief Executive Officer and General Manager’s remuneration continues to include the second and third (and last) award cycles of the “Phantom Stock LTIP” (introduced in 2016), with awards in 2017 and 2018.

Performance Share LTIP, 2019 – 2021 cycle

In order to achieve a closer alignment with market practices, the “Performance Share LTIP” introduces a number of important new elements, such as:

- the award of a **bonus in the form of Poste Italiane SpA’s ordinary shares**;
- the use of the **relative Total Shareholder Return (“rTSR”)**, which envisages different levels of achievement based on the level of Poste Italiane’s TSR compared with the TSR achieved by the FTSE MIB;
- **deferral** of a significant portion of the incentive for the CEO-GM (60%) over 4 years, providing for a one-year **retention period** for both the up-front and deferred portions;
- a requirement **to hold 50% of the shares available under the “Performance Share LTIP”** for the entire term of office/employment.

In keeping with the “Phantom Stock LTIP”, the “Performance Share LTIP” is a rolling plan with 2 cycles (2019 – 2021 and 2020 – 2022). Both cycles involve the assignment of Poste Italiane’s ordinary shares at the end of three-year performance periods. The maximum amount receivable as part of the first cycle, under the rules described below, is € 450,000.

Hurdle and qualifying conditions

The “Performance Share LTIP” envisages a hurdle condition 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.

In line with the statutory requirements applicable to BancoPosta RFC’s business, in addition to the above hurdle condition, the CEO-GM must meet all the following qualifying conditions at the same time in order to confirm the incentive award:

FIGURE 15. HURDLE AND QUALIFYING CONDITIONS FOR THE “PERFORMANCE SHARE LTIP” FOR THE CEO-GM

Hurdle	Qualifying conditions
Gruppo EBIT (cumulative over a three-year period)	BancoPosta’s capital adequacy: CET 1
	BancoPosta’s short-term liquidity: LCR
	BancoPosta’s RORAC: RORAC

CET 1, LCR and RORAC are in keeping with the risk tolerance thresholds established in the Risk Appetite Framework (“RAF”) adopted by BancoPosta RFC in accordance with the related regulatory requirements.

Performance targets

The performance targets for the 2019-2021 cycle of the “Performance Share LTIP” are as follows:

FIGURE 16. PERFORMANCE INDICATORS AND WEIGHTINGS FOR THE “PERFORMANCE SHARE LTIP” FOR THE CEO-GM



The Plan includes a negative threshold provision: if Poste Italiane's TSR is negative, despite being higher than the TSR registered by the index, the number of vested Rights (linked to rTSR) is reduced to the minimum threshold of 50%.

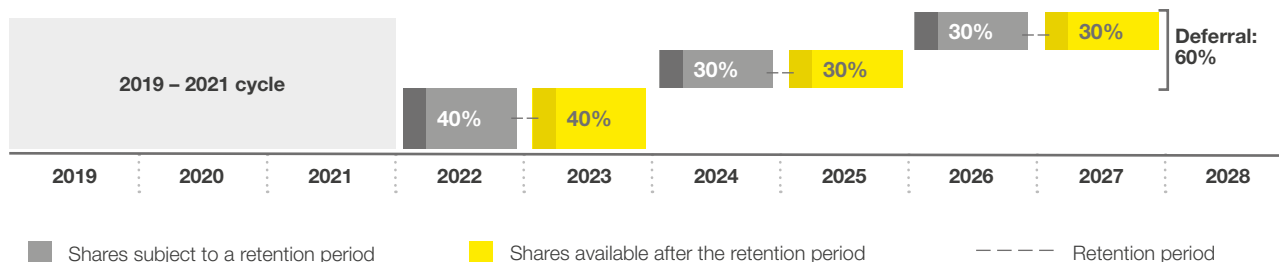
A maximum level of over performance has been set, above which the incentive remains constant, as has a hurdle, below which the incentives do not apply and there is, therefore, no award due.

Payout

The number of shares to be granted is quantified at the end of the three-year performance period within the cap determined at the time of the assignment, once achievement of the related objectives has been confirmed. The shares are granted as follows:

- 40% (the up-front portion), at the end of the performance period;
- 60% in two portions (both equal to 30% of the total vested shares), with deferral periods of 2 and 4 years, respectively.

FIGURE 17. METHOD OF PAYMENT UNDER THE “PERFORMANCE SHARE LTIP” FOR THE CEO-GM



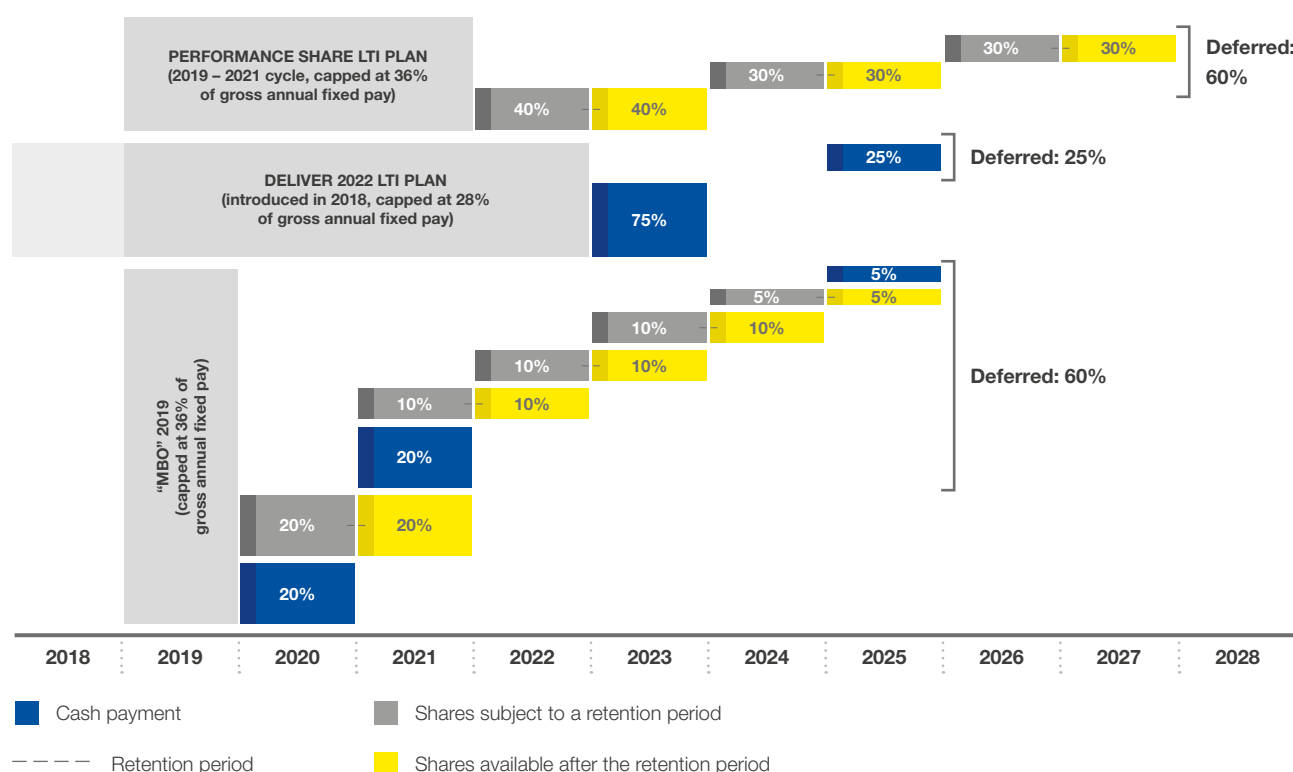
Both the up-front and deferred portions are subject to a one-year retention period. One-year retention periods, in view of the overall timing of variable remuneration, which also includes the 4-year deferral period subject to *malus* provisions and at least a further 5 years subject to clawback provisions (and in any event within the time limit set by the related statute of limitations), are compatible with the prospective levels of risk to which Poste Italiane's operations are exposed and, in particular, those of BancoPosta.

At the end of the retention period for the up-front portion, the shares vested will be available provided that the risk appetite levels for BancoPosta RFC's capital adequacy, liquidity and risk-adjusted earnings have been complied with.

At the end of the deferral period and the retention periods for the deferred portions, compliance with the risk tolerance levels for BancoPosta RFC's capital adequacy, liquidity and risk-adjusted earnings will be verified.

Summary of short-term and medium/long-term incentive schemes 2019

FIGURE 18. PAYOUT IN FORM OF VARIABLE REMUNERATION FOR THE CEO-GM



The structure of the payout over time involves the award of variable remuneration over a total period through to 2027, including performance, deferral and retention periods. In return for the performances achieved, less than 10% of variable remuneration for 2019 will be effectively paid out in 2020, following approval of the financial statements for 2019, whilst the remaining portion is spread out over time.

Severance payments on termination of employment

In line with market practice and with the Company's policies, it is possible to stipulate provisions/agreements regulating *ex-ante* the economic aspects of early term of office/employment, with the aim of avoiding the risk of current or future disputes thus avoiding the risks inevitably connected to a court litigation that could potentially damage the Company's reputation and image, whilst also providing greater legal certainty.

The amount resulting from the implementation of these provisions/agreements is, in any event, capped at 24 months of gross global remuneration, calculated as indicated below, including an amount equivalent to the indemnity in lieu of notice, if any, as contractually established.

Without prejudice to the above cap of 24 months of gross global remuneration, in the case of the Chief Executive Officer and General Manager, the above amount is determined on the basis of the following formula:

- 10 months' if termination occurs during the first year in service;
- 16 months' if termination occurs during the second year in service;
- 24 months' if termination occurs during the third or a subsequent year in service.

For the above purpose, conventionally defined gross global remuneration is calculated taking into account the latest amount of gross annual fixed pay received as a manager, the latest amount of gross annual fixed remuneration received as Chief Executive Officer (including portions received according to paragraphs 1 and 3 of art. 2389 of the Italian Civil Code) and total gross annual short-term variable remuneration payable at target and the annual value of the medium/long-term variable remuneration, still at target.

The above total gross amount determined shall replace any indemnity/indemnification provided under the National Collective Agreement in the event of dismissal, and shall be paid only upon signature of a settlement containing a full waiver, by the CEO-GM, in connection with the employment and the positions held, as part of an all-inclusive and final settlement.

The final amount payable shall take into account the risk-adjusted performance and the individual conduct, as described in the section on clawback provisions. In addition, this compensation may be paid only upon condition that BancoPosta RFC's minimum capital adequacy and liquidity requirements are satisfied.

The above payments shall not prejudice the further mandatory entitlements due in any case of termination in accordance with the law or the national collective agreement, including by way of example the so-called TFR.

In compliance with the applicable regulations, any amount payable to the CEO-GM in the event of early termination of his appointment as General Manager or as a Director, will be paid as follows:

- 40% of the amount: 50% in cash and the remaining 50% in Poste Italiane's shares, subject to a one-year retention period; this portion shall be subject to verification of BancoPosta RFC's minimum capital and liquidity requirements;
- 60% shall be deferred over a period of 5 years *pro-rata*; more than half of the deferred payment shall be made of Poste Italiane's shares, in line with the arrangements for STI "MBO"; the deferred portions shall be subject to verification of BancoPosta RFC's capital and liquidity requirements and, as regards the component in shares, to a one-year retention period;
- it is understood that a sum equivalent to the indemnity in lieu of notice, when due according to the National Collective Labour Agreement, will be deducted from the total amount and paid in accordance with the statutory requirements in force;
- the total amount payable is subject to *malus* and clawback provisions, applicable up to the entire amount paid within 5 years of payment of each portion and, in any event, within the time limit set by the related statute of limitations, under the circumstances defined in the guidelines for remuneration and incentive policies.

3.3 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 Annual General Meeting to be held on 28 May 2019, when re-electing the Board of Statutory Auditors following termination of the Board's term of office, will proceed to set the fees payable to the Chairperson and each standing Auditor for each year in office.

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.

3.4 Key Management Personnel ("KMP")

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 policy for KMP consists of the following components:

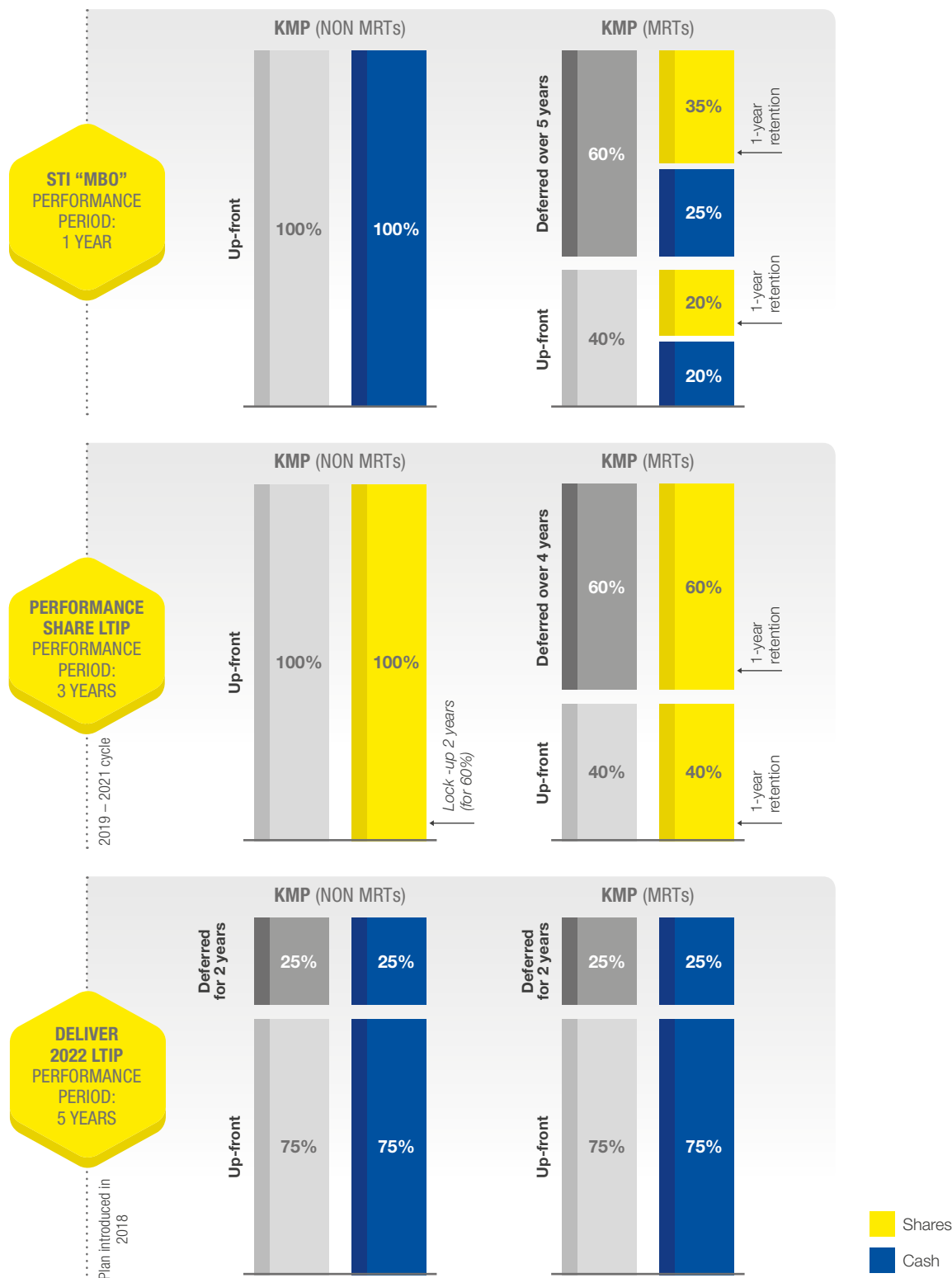
- gross annual fixed pay;
- benefits provided in accordance with the applicable statutory requirements and in line with market practices;
- a short-term variable incentive scheme STI ("MBO");
- a medium/long-term incentive scheme (the "Performance Share LTIP");
- a long-term incentive scheme (the "Deliver 2022 LTIP").

KMP with particular responsibilities benefit from remuneration policies in keeping with the related statutory requirements and the Group's corporate governance processes.

The following chart shows a summary of the incentive schemes applicable to KMP, whether identified as among BancoPosta's Material Risk Takers or otherwise ("BP MRTs")³.

3. Annex "Guidelines for BancoPosta RFC's remuneration and incentive policies for 2019"

FIGURE 19. PAYOUT IN FORM OF VARIABLE REMUNERATION FOR KMP



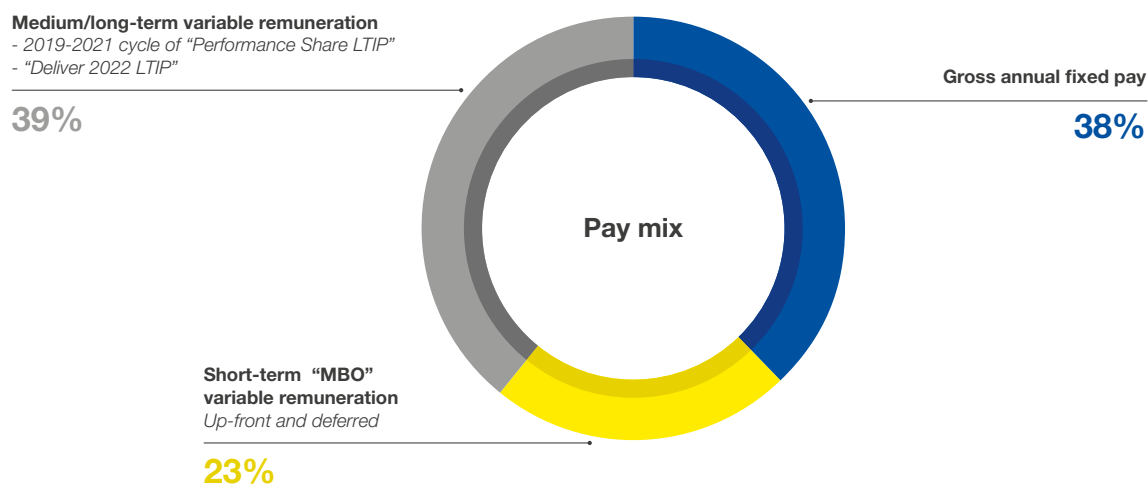
The payout arrangements for MRTs are described in detail on the Annex "Guidelines for BancoPosta RFC's remuneration and incentive policies for 2019".

The Head of the Internal Control function and the Manager Responsible for Financial Reporting are the beneficiaries of incentive schemes with particular characteristics based on the role held. The incentive schemes for Key Management Personnel operating in regulated sectors are subject to specific regulatory requirements applicable to those sectors.

Pay mix

The following pay mix for Key Management Personnel is calculated on the basis of the median for both gross annual fixed pay and the two variable components (short- and medium/long-term), assuming over-achievement of all the performance targets set (with reference to the “Deliver 2022 LTIP”, the annual amount of the award is taken into account):

FIGURE 20. PAY MIX FOR KMP ON OVER-ACHIEVEMENT



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

Gross annual fixed pay

The gross annual fixed pay for Key Management Personnel is in keeping with the role held, the scope of the responsibilities assigned, 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.

Variable remuneration

The variable component for KMP usually involves participation in the short-term “MBO” plan, the “Performance Share LTIP” and the “Deliver 2022 LTIP”. The medium/long-term component for a number of KMP continues to include the second and third (and last) cycles of the “Phantom Stock LTIP” introduced in 2016, with assignment in 2017 and 2018.

Short-term variable incentive scheme (“MBO” 2019)

The “MBO” 2019 scheme includes:

- performance gate;
- performance targets, each with a specific weighting.

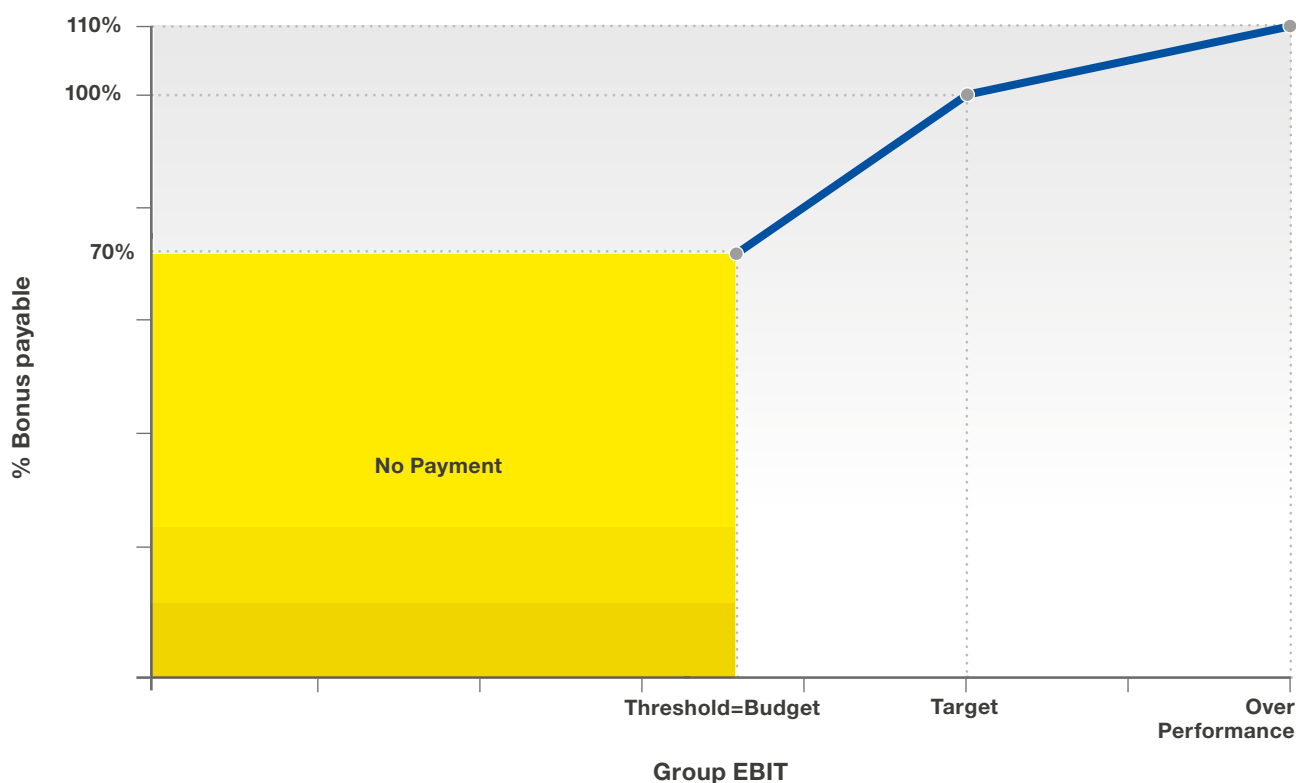
The plan is based on a structured process for defining objectives and the associated incentives. A maximum level of over performance has been set, above which the incentive remains constant, as has a hurdle, below which the incentives do not apply and there is, therefore, no payment due.

Performance gate and performance targets

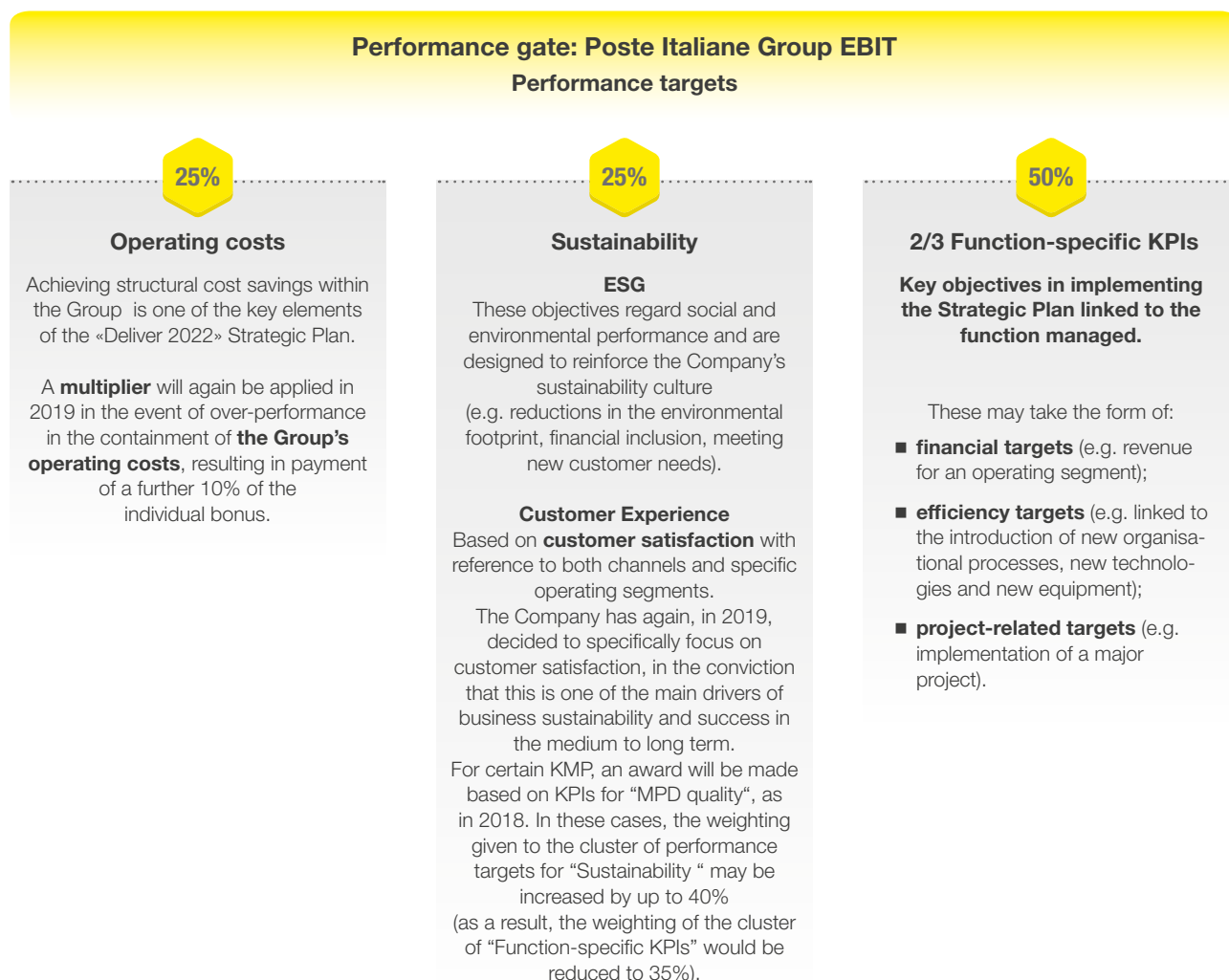
The MBO scheme for KMP provides for a performance gate, achievement of which enables access to the bonus in addition to achievement of the objectives assigned.

The performance gate is represented by the Poste Italiane Group’s EBIT. The bonus payable if the performance gate is achieved corresponds to 70% of the bonus payable. The Over Performance may results in payment of up to 110% of the individual bonus payable, as shown below:

FIGURE 21. PERFORMANCE GATE



The performance targets for 2019 are linked to the objectives in the “Deliver 2022” Strategic Plan and are specifically defined and fall within the following macro-categories:

FIGURE 22. “MBO” OBJECTIVES FOR KMP


The theoretical bonus payable on achievement of the objectives assigned may be reduced (potentially to zero) if the overall individual performance, assessed using an appraisal process, is deemed to be inadequate.

The targets assigned to KMP within the framework of the “MBO” scheme generally relate to the above areas, subject to compliance with specific regulatory requirements and the Group's corporate governance processes.

Payout

The individual bonus payable under the “MBO” scheme is paid according to different procedures in line with the related statutory requirements. Specifically:

- in the case of KMP identified as among BancoPosta's Material Risk Takers, the bonus may be deferred for between 3 and 5 years and settled partly in cash and partly in Poste Italiane's ordinary shares;
- for the remaining KMP, the bonus is paid entirely up front in cash.

Variable remuneration is in any event subject to clawback provisions.

Medium/long-term variable incentive schemes

KMP are, as a rule, beneficiaries of:

- the 2019-2021 cycle of the “Performance Share LTIP”;
- the “Deliver 2022 LTIP”.

These incentive schemes, unless otherwise stated below, are aligned, in terms of purpose, objectives and principal characteristics, with those described above in relation to the CEO-GM.

“Performance Share LTIP”, 2019-2021 cycle

In line with the information provided in relation to the CEO-GM, the “Performance Share LTIP” involves the granting of Poste Italiane’s shares at the end of a three-year performance period. The maximum number of shares reflects the complexity and responsibilities involved in the beneficiary’s role and their strategic importance.

Hurdle

The hurdle for KMP, as with the CEO-GM, is represented by the “Poste Italiane Group’s cumulative EBIT over a three-year period”, with awards under the “Performance Share LTIP” dependent on achievement of the hurdle.

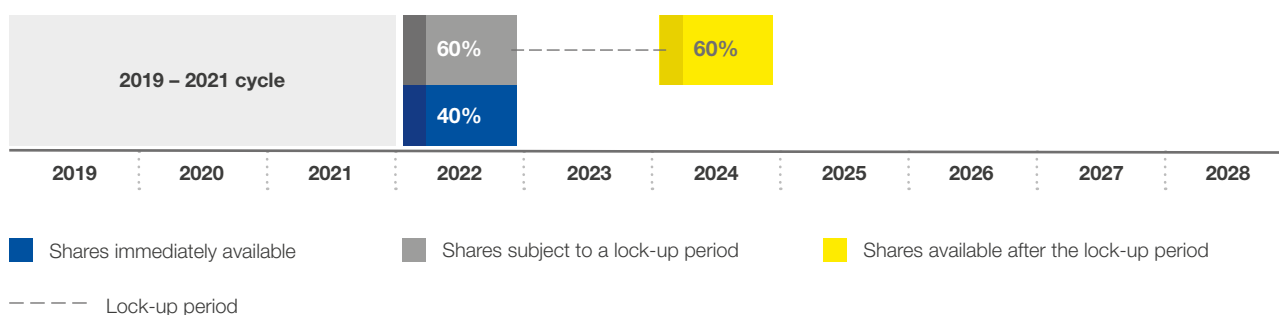
Performance targets

The performance targets for KMP are the same as those assigned to the CEO-GM.

Payout

Arrangements for payouts under the 2019-2021 cycle for KMP not identified as among BancoPosta’s Material Risk Takers are as follows:

FIGURE 23. PAYOUT METHOD UNDER THE “PERFORMANCE SHARE LTIP” FOR KMP NOT AMONG MRTs



The number of shares is quantified at the end of the three-year performance period within the cap to be determined at the time of the assignment; 60% of the shares will be subject to a two-year lock-up period.

KMP identified as among the MRTs also have to meet certain qualifying conditions, in addition to the hurdle, and forms of award that are in line with statutory requirements, as described in the “Guidelines for BancoPosta RFC’s remuneration and incentive policies for 2019”.

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 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 in the form of final settlement.

The above does not affect the mandatory payments due in case of termination of employment under the Italian law or the applicable collective bargaining agreement.

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 fixed pay, 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.

In the event of termination due to dismissal, the legislation from time to time in effect and the National Collective Labour Agreement apply.

The Company does not, as a rule, enter into non-competition agreements. 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 fixed pay 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 *"Guidelines for BancoPosta RFC's remuneration and incentive policies for 2019"*, 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 a part to be settled in Poste Italiane's ordinary shares (in line with the STI "MBO" scheme for these categories) subject to retention provisions. Such awards payments are also covered by clawback provisions.

4. Clawback provisions

In line with best market practices and applicable statutory requirements, variable remuneration is subject to clawback provisions on the occurrence of certain events.

Variable remuneration is subject to the achievement of predetermined performance targets linked to the Company's risk profile and is not, therefore, guaranteed.

On occurrence of the following situations, variable remuneration is subject to *ex post* risk adjustments that may entail a request for return of all or a part of the variable remuneration paid. Such provisions apply to the beneficiaries of both short- and long-term variable incentive plans.

The process of applying clawback provisions is carried out in accordance with the related internal procedure adopted by the Company and approved by the Board of Directors at their meeting of 18 march 2019. 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 bodies or functions responsible for the decision to proceed with the clawback of all or a part of the variable pay already disbursed vary according to the profile of the individual involved in the procedure. Any decision regarding the CEO-GM or Key Management Personnel is taken by the Board of Directors on the recommendation of the Remuneration Committee.

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

Within 5 years of disbursement of each awardable incentive and, in any event, within the time limit set by the related statute of limitations, the Company may request the clawback of any amounts disbursed, up to the entire amount paid, without prejudice to the right to claim for any further damages, in the event of:

- conduct not in compliance with the law, regulations, or the bylaws, the Code of Ethics, the 231 Organisational Model regarding corporate liability and/or the Poste Italiane Group's Integrated Policy applicable to the Company or one of the Group companies, and that has resulted in significant losses for the Company, a Group company or for customers;
- further conduct not in compliance with the law, regulations, or the bylaws, the Code of Ethics, the 231 Organisational Model regarding corporate liability and/or the Poste Italiane Group's Integrated Policy applicable to the Company or one of the Group companies, and that gave the beneficiary an advantage in terms of the incentives due;
- violations 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;
- fraud or gross misconduct on the part of the beneficiary to the detriment 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.

5. Specific arrangements for regulated sectors

The remuneration and incentive schemes described are designed to meet the specific requirements of the sectors in which the Poste Italiane Group operates.

In particular, the specific requirements applicable to personnel who work within BancoPosta RFC, and who are, therefore, subject to the banking sector regulations issued by the Bank of Italy, are set out in the *“Guidelines for BancoPosta RFC’s remuneration and incentive policies for 2019”*, annexed to this document.

The specific requirements of the insurance sector (the Poste Vita Insurance Group), which is thus subject to the regulations issued by IVASS (the insurance regulator), are, in terms of solvency requirements and risk management policies, reflected in the remuneration and incentive policies drawn up and approved in accordance with the corporate governance processes of the relevant subsidiaries.

The specific nature of the asset management sector (BancoPosta Fondi SGR SpA) is taken into account in the remuneration and incentive policy drawn up and approved in accordance with the corporate governance processes of BancoPosta Fondi SGR SpA. This reflects the statutory and regulatory requirements established jointly by the Bank of Italy and the CONSOB, designed to ensure that the remuneration and incentive schemes adopted are consistent with the operating results and financial position of the manager and the UCITS managed.

In all of the above segments, stricter remuneration and incentive policies apply to specific categories of personnel (e.g. BancoPosta RFC’s Material Risk Takers):

- approximately 45 identified within BancoPosta RFC;
- approximately 15 identified within Poste Vita SpA;
- approximately 5 identified within Poste Assicura SpA;
- approximately 15 identified within Bancoposta Fondi SGR SpA.

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 and Corporate Governance Committee, the Audit, Risk and Sustainability Committee and the Related and Connected Parties Committee (all members of the latter being independents)

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, and the overall adequacy and functionality of the risk management and control system

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 and 2018, 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

Deferral: any form of postponement, over a predetermined period, of the payment of a portion of variable remuneration for a certain financial year

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)

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 ("KMP"): 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 ("Risk Takers" or "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 2019")

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

Shares: Poste Italiane's ordinary shares

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Section II

This section describes the compensation paid in 2018 and presents quantitative disclosures in the form of tables in accordance with Annex 3A to the Regulations for Issuers, Forms 7-*bis* and 7-*ter*.

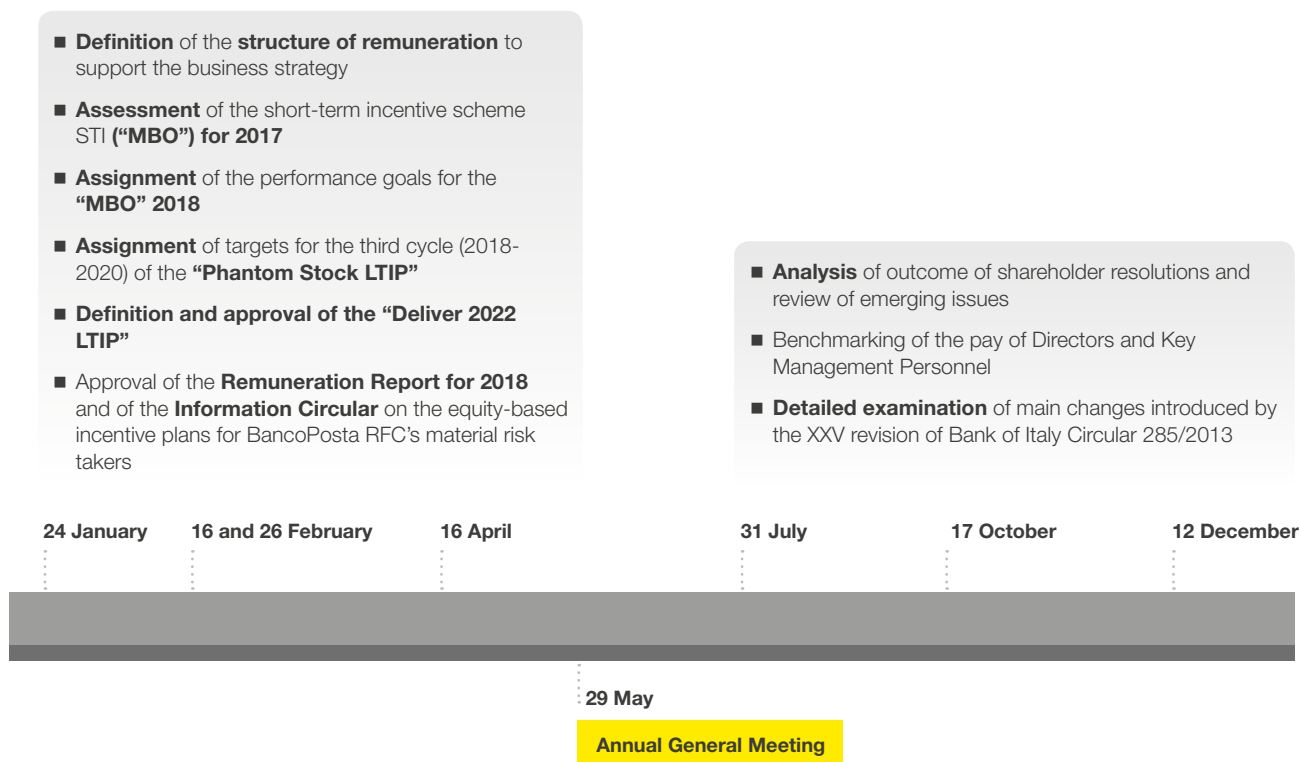
In particular, the remuneration paid to the Chairwoman of the Board of Directors, Directors without delegated powers, the CEO-GM and, on an aggregate basis, Key Management Personnel in 2018 is described below. The disclosures relate to the period in which they were in office (the variable short-term 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 by the Annual General Meeting).

It provides a 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 and Key Management Personnel.

The compensation described is in line with the information contained in the Section I of the Remuneration Report for 2018 voted on at the Annual General Meeting of shareholders held on 29 May 2018 in accordance with art. 123-ter, paragraph 6 of the CLF, which voted in favour.

The Remuneration Committee met on 7 occasions in 2018 and dealt with the following matters:

FIGURE 24. MATTERS DEALT WITH BY THE REMUNERATION COMMITTEE IN 2018



6. Remuneration awarded in 2018

6.1 Chairwoman of the Board of Directors

The Chairwoman of the Board of Directors was paid € 480,000 gross, representing fixed remuneration approved by the Annual General Meeting of shareholders of 27 April 2017, in accordance with art. 2389, paragraph 1 of the Italian Civil Code, and the remuneration payable in accordance with art. 2389, paragraph 3 of the Italian Civil Code, determined on the recommendation of the Remuneration Committee and in consultation with the Board of Statutory Auditors, on 13 December 2017.

6.2 Directors without delegated powers

Directors without delegated powers received payment of the remuneration determined by the Annual General Meeting of shareholders in accordance with art. 2389, paragraph 1 of the Italian Civil Code, amounting to € 40,000 gross per annum. Additional fees were also paid for membership of Board Committees.

6.3 Board of Statutory Auditors

The Board of Statutory Auditors in office was elected by the Annual General Meeting of shareholders of 24 May 2016, which also determined the related remuneration for the full term of office, that is until approval of the financial statements for 2018. The Chairman was paid remuneration of € 80,000 gross per annum, with each of the standing Auditors receiving € 70,000 gross per annum.

6.4 Chief Executive Officer and General Manager

Gross annual fixed compensation

The CEO-GM was paid gross annual fixed compensation of € 1,255,000⁴.

Benefit

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

Variable remuneration for 2018

The following variable incentive schemes were applied in 2018:

- a short-term incentive scheme (“MBO”);
- a medium-term variable incentive scheme, consisting of the third cycle for 2018-2020 of the “Phantom Stock LTIP”;
- a long-term variable incentive scheme called the “Deliver 2022 LTIP”.

In terms of the short-term incentive plan “MBO” for the 2018 performance period, the level of achievement of the objectives set by the Board of Directors is shown below.

In particular, the performance gate and qualifying conditions for the “MBO” plan in 2018 were all met, thereby granting full access to the Plan (Figure 25).

4. Of which (also for 2019) €490,000 as Chief Executive Officer (consisting of €40,000 in compensation determined by the Annual General Meeting of shareholders in accordance with art. 2389, paragraph 1 of the Italian Civil Code and €450,000 in remuneration in accordance with art. 2389, paragraph 3 of the Italian Civil Code) and €765,000 as General Manager.

FIGURE 25. PERFORMANCE GATE AND QUALIFYING CONDITIONS FOR THE “MBO” SCHEME FOR THE CEO-GM IN 2018

Conditions (ON/OFF)	Hurdle	Achievement
Group EBIT (€m)	1,404.0 (Budget)	✓
Capital adequacy at BP RFC - CET 1	15%	✓
Short-term liquidity at BP RFC - LCR	330%	✓
Solvency ratio at the Poste Vita Insurance Group	130%	✓

✓ Achieved - ✗ Not achieved

The following table, on the other hand, shows the level of achievement of each objective assigned with regard to the short-term MBO incentive scheme for 2018.

FIGURE 26. ASSESSMENT OF “MBO” OBJECTIVES FOR THE CEO-GM IN 2018

KPI	Weighting	Min	Target	Max	Level of achievement
Group EBIT (€m)	25%	1,404.0 (Budget)	Budget +2%	Budget +6%	>
RORAC BancoPosta	25%	31.2%	43.5%	60.2%	>
MPD quality (number of KPIs in Service Level Agreement)	15%	7.0	9.0	12.0	>
Group operating costs (€m)	15%	8,234.5 (Budget)	Budget -1%	Budget -2%	>
Customer Experience*	10%	19.2	20.2	21.2	>
RORAC Poste Vita Insurance Group	10%	12.0%	14.0%	16.9%	>

*Avg of surveys (conducted by an independent external provider) of Net Promoter Score and Customer Effort Score
< Below target / = Target / > Above target

Based on the above assessment of performance gate and qualifying conditions and performance targets, the Chief Executive Officer and General Manager qualified for an incentive under the MBO scheme for 2018 of € 431,389. This sum will be paid as follows:

- 40% up front in 2019, including 50% payable in cash and 50% in phantom stock, subject to a 2-year retention period;
- the remaining 60% deferred for 5 years, with 50% payable in cash and 50% in phantom stock, subject to a 1-year retention period (the last deferred portion, equal to 10% of the total incentive, will be paid in cash in 2024).

With regard to the medium-term incentive scheme, the “*Phantom Stock LTIP*”, in accordance with the Information Circular approved by the Annual General Meeting of Shareholder of 24 May 2016, at a meeting held on 19 April 2018, the Board of Directors, on the recommendation of the Remuneration Committee, decided on the assignment for the third cycle of the scheme in favour of the CEO-GM. The conditions and the related objectives are described in the above information circular and refer to the performance period 2018-2020.

Finally, the Board of Directors, on the recommendation of the Remuneration Committee, approved the inclusion of the CEO-GM among the beneficiaries of the long-term incentive scheme, the five-year “*Deliver 2022 LTIP*”, on the basis described in the Remuneration Report for 2018.

6.5 Key Management Personnel

Gross annual fixed pay

The gross annual fixed pay payable to existing Key Management Personnel was subject to selective adjustments in 2018, usually above all with regard to certain personnel, whose pay was below market medians, taking into account the strategic nature and complexity of their roles.

Benefit

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

Variable remuneration for 2018

The tables (Form 7-*bis* Table 1, Table 3A and Table 3B) show amounts for the short-term bonuses paid to Key Management Personnel for the 2018 performance period.

Without prejudice to compliance with the existing statutory requirements, a number of shared objectives were assigned to all KMP: “MPD quality”, “Group Operating Cost” and “Customer Experience”. These objectives, as noted previously, were also assigned to the CEO-GM and, therefore, reference should be made to Figure 26 for an assessment of their achievement.

The stocks relating to the third cycle (2018-2020) of the “Phantom Stock LTIP” were assigned to Key Management Personnel in 2018, in accordance with the provisions of the Information Circular approved by the Annual General Meeting of shareholders of 24 May 2016.

The following CONSOB tables show the fair value of the phantom stocks awarded for 2018, relating to the two cycles (2017-2019 and 2018-2020) of the Phantom Stock LTIP, as required by international accounting standards.

In addition, as for the CEO-GM, Key Management Personnel have been included among the beneficiaries of the long-term variable incentive scheme, the five- and three-year “Deliver 2022 LTIP”, on the basis described in the Remuneration Report for 2018⁵.

The first cycle of the “Phantom Stock LTIP”, introduced in 2016 (2016-2018), vested in 2018. The assessment conducted for this cycle is shown in Table 3A, with further details on achievement of the hurdle and qualifying conditions and on the level of achievement of the performance targets shown below. Both the hurdle condition (applicable to all beneficiaries) – the Group’s cumulative EBIT over a three-year period – and the qualifying conditions applicable to BancoPosta RFC’s Material Risk Takers (the measures of BancoPosta TFC’s capital adequacy - CET 1, and of BancoPosta RFC’s short-term liquidity - LCR) and to the personnel of the Poste Vita Insurance Group (the Poste Vita Insurance Group’s solvency ratio) were achieved, thereby activating the plan.

The following chart shows levels of achievement of the performance targets assigned in 2016 (Figure 27). In addition to Total Shareholder Return (with a 40% weighting) common to all beneficiaries, BancoPosta RFC’s Material Risk Takers and the personnel of the Poste Vita Insurance Group were assigned separate targets, whilst the remaining beneficiaries were assigned a target based on Group EBIT.

5. At Group level, the “Deliver 2022 LTIP” envisages awards to approximately 180 personnel, including senior and middle managers (including the CEO-GM and a number of Key Management Personnel), with:

- the median annualised value of awards at target amounting to approximately 15% of fixed pay;
- the total annualised value of awards at target amounting to approximately €4.7 million.

FIGURE 27. ASSESSMENT OF THE PERFORMANCE TARGETS FOR THE FIRST CYCLE (2016-2018) OF THE PHANTOM STOCK LTIP INTRODUCED IN 2016

Performance targets	Weighting	Min	Target	Max	Level of achievement
Cumulative Group EBIT over a three-year period (€m)	60%	Budget -23%	3,155 (Budget)	Budget +20%	>

< Below target / = Target / > Above target

Performance targets common to all beneficiaries	Weighting	Method of measurement	Level of achievement
Poste Italiane's Total Shareholder Return vs FTSE MIB	40%	ON/OFF value: the target is achieved if Poste Italiane's TSR is above the TSR for the FTSE MIB in the relevant three-year period (1 Jan 2016 – 31 Dec 2018).	<div>TSR Poste Italiane 16.3224%</div> <div>TSR FTSE MIB -5.6196%</div>
			✓

✓ Achieved - ✗ Not achieved

The targets for both BancoPosta RFC's Material Risk Takers (BancoPosta's average RORAC over three years – 60% weighting) and for the personnel of the Poste Vita Insurance Group (the Poste Vita Insurance Group's average RORAC over three years – 60% weighting) were achieved with levels above target.

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TABLES – CONSOB FORM 7-BIS*

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	(A)	(B)	(C)	(D)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Position	Period in office	Expiry of term of office (approval of financial statements for)	Fixed pay	Fee for Board membership	Variable non-equity payments Bonuses and other incentives	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 Maria Bianca Farina		Chairwoman	01/01/2018 - 31/12/2018	2019								
(i) Remuneration from the company preparing the financial statements					€ 480,000			€ 2,300		€ 482,300		
(ii) Remuneration from subsidiaries and associates					¹							
(iii) Total					€ 480,000		€ 141,313	€ 2,300		€ 482,300		
Notes:												
¹ Remuneration payable for the role of Director and specific positions held in Group companies, approved in accordance with art. 2389 of the Italian Civil Code, amounting to a total of € 179,293 and paid entirely to Poste Italiane SpA												
2 Matteo Del Fante		Chief Executive Officer and General Manager	01/01/2018 - 31/12/2018	2019								
(i) Remuneration from the company preparing the financial statements					€ 1,255,000 ¹		€ 141,313	€ 9,530		€ 1,405,843	€ 301,624	
(ii) Remuneration from subsidiaries and associates					²							
(iii) Total					€ 1,255,000		€ 141,313	€ 9,530		€ 1,405,843	€ 301,624	
Notes:												
¹ Including € 490,000 as Chief Executive Officer (consisting of € 40,000 in compensation determined by the Annual General Meeting of shareholders in accordance with art. 2389, paragraph 1 of the Italian Civil Code and € 450,000 in remuneration in accordance with art. 2389, paragraph 3 of the Italian Civil Code) and € 765,000 as General Manager												
² Remuneration payable for the role of Director and specific positions held in Group companies, approved in accordance with art. 2389 of the Italian Civil Code, amounting to a total of € 300,000 and paid entirely to Poste Italiane SpA												
3 Giovanni Azzone		Director	01/01/2018 - 31/12/2018	2019								
(i) Remuneration from the company preparing the financial statements					€ 40,000	€ 42,500 ¹		€ 443		€ 82,943		
(ii) Remuneration from subsidiaries and associates												
(iii) Total					€ 40,000	€ 42,500		€ 443		€ 82,943		
Note:												
¹ Including € 17,500 for membership of the Remuneration Committee and € 25,000 for membership of the Audit, Risk and Sustainability Committee.												

4	Carlo Cerami	Director	01/01/2018 - 31/12/2018	2019				
	(I) Remuneration from the company preparing the financial statements			€ 40,000	€ 42,500 ¹	€ 443	€ 82,943	
	(II) Remuneration from subsidiaries and associates							
	(III) Total			€ 40,000	€ 42,500	€ 443	€ 82,943	
	Notes:							
	¹ Including € 17,500 for membership of the Related and Connected Parties Committee and € 25,000 as Chairman of the Remuneration Committee.							
5	Antonella Guglielmetti	Director	01/01/2018 - 31/12/2018	2019				
	(I) Remuneration from the company preparing the financial statements			€ 40,000	€ 52,500 ¹		€ 92,500	
	(II) Remuneration from subsidiaries and associates							
	(III) Total			€ 40,000	€ 52,500		€ 92,500	
	Notes:							
	¹ Including € 17,500 for membership of the Nominations and Corporate Governance Committee and € 35,000 as Chairwoman of the Audit, Risk and Sustainability Committee.							
6	Francesca Isgrò	Director	01/01/2018 - 31/12/2018	2019				
	(I) Remuneration from the company preparing the financial statements			€ 40,000	€ 50,000 ¹		€ 90,000	
	(II) Remuneration from subsidiaries and associates							
	(III) Total			€ 40,000	€ 50,000		€ 90,000	
	Notes:							
	¹ Including € 25,000 for membership of the Audit, Risk and Sustainability Committee and € 25,000 as Chairwoman of the Related and Connected Parties Committee.							
7	Mimi Kung	Director	01/01/2018 - 31/12/2018	2019				
	(I) Remuneration from the company preparing the financial statements			€ 40,000	€ 35,000 ¹	€ 443	€ 75,443	
	(II) Remuneration from subsidiaries and associates							
	(III) Total			€ 40,000	€ 35,000	€ 443	€ 75,443	
	Notes:							
	¹ Including € 17,500 for membership of the Nominations and Corporate Governance Committee and € 17,500 for membership of the Related and Connected Parties Committee.							

* The amounts included in the tables are computed on an accruals basis in respect of fixed remuneration 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 by the Annual General Meeting.

Notes:

There is no requirement, under existing regulations, for disclosure on an individual basis, given that, in 2018, 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. There were 15 Key Management Personnel at 31 December 2018.

² Compensation paid for directorships and specific positions at Group companies, as defined by art. 2389 of the Italian Civil Code, amounting to a total of € 707,770, is paid entirely to Poste Italiane SpA.

³ Compensation paid for membership of the board committees of Group companies, amounting to a total of € 16,718, is paid entirely to Poste Italiane SpA.

Name and surname or category	(A)	Position	(B)	Period in office	(C)	Expiry of term of office (approval of financial statements for)	(D)	Fixed pay	(1)	Fee for Board membership	(2)	Variable non-equity payments		(3)	Benefits in kind	(4)	Other remuneration	(5)	Total	(6)	Fair Value of equity-based payments	(7)	Severance indemnity payable at end of term of office or on termination of employment	(8)
												Bonuses and other incentives	Profit sharing											
1 Mauro Lonardo		Chairman of the Board of Statutory Auditors		01/01/2018 - 31/12/2018		2018		€ 80,000												€ 80,000				
(I) Remuneration from the company preparing the financial statements								€ 80,000												€ 80,000				
(II) Remuneration from subsidiaries and associates																								
(III) Total								€ 80,000												€ 80,000				
2 Alessia Bastiani		Standing Auditor		01/01/2018 - 31/12/2018		2018																		
(I) Remuneration from the company preparing the financial statements								€ 70,000												€ 70,000				
(II) Remuneration from subsidiaries and associates																								
(III) Total								€ 70,000												€ 70,000				
3 Maurizio Bastoni		Standing Auditor		01/01/2018 - 31/12/2018		2018																		
(I) Remuneration from the company preparing the financial statements								€ 70,000												€ 70,000				
(II) Remuneration from subsidiaries and associates																								
(III) Total								€ 70,000												€ 70,000				

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)	
Matteo Del Fante General Manager (employment contract)														
(I) Remuneration from the company preparing the financial statements		Short-term incentive scheme for 2018 ("MBO") for BancoPosta RFC's Material Risk Takers	27,669 Phantom Stock	5 years	18/03/19	€ 215,696 ¹	5 years		€ 7.7956 ²	11,068 ³	€ 86,282	€ 86,282	€ 86,282	
Shareholder resolution of 29 May 2018														
(I) Remuneration from the company preparing the financial statements		Short-term incentive scheme for 2017 ("MBO") for BancoPosta RFC's Material Risk Takers	11,125 Phantom Stock	5 years										
Shareholder resolution of 27 April 2017														
(I) Remuneration from the company preparing the financial statements		Phantom Stock LTIP - third cycle 2018 - 2020	51,394 Phantom Stock	3 years	19/04/18	€ 381,359 ¹	3 years		€ 7.4203 ²				€ 90,111	
Shareholder resolution of 24 May 2016														
(I) Remuneration from the company preparing the financial statements		Phantom Stock LTIP - second cycle 2017 - 2019	62,201 Phantom Stock	3 years									€ 125,231	
Shareholder resolution of 24 May 2016														
(II) Remuneration from subsidiaries and associates														
(III) Total											€ 597,055		€ 86,282	€ 301,624

Key Management Personnel									
(I) Remuneration from the company preparing the financial statements	Short-term incentive scheme for 2018 ("MBO") for BancoPosta RFC's Material Risk Takers	24,020 <i>Phantom Stock</i>	€ 187,250 ¹	3 / 5 years	18/03/19	€ 7.7956 ²	10,759 ³ <i>Phantom Stock</i>	€ 83,873	€ 83,873
	Shareholder resolution of 29 May 2018								
(I) Remuneration from the company preparing the financial statements	Short-term incentive scheme for 2017 ("MBO") for BancoPosta RFC's Material Risk Takers	13,609 <i>Phantom Stock</i>	3 / 5 years						
	Shareholder resolution of 27 April 2017								
(I) Remuneration from the company preparing the financial statements	Phantom Stock LTIP - third cycle 2018 - 2020	231,354 <i>Phantom Stock</i>	€ 1,716,716 ¹	3 years	19/04/18	€ 7.4203 ²		€ 438,753	
	Shareholder resolution of 24 May 2016								
(I) Remuneration from the company preparing the financial statements	Phantom Stock LTIP - second cycle 2017 - 2019	188,468 <i>Phantom Stock</i>	3 years					€ 408,724	
	Shareholder resolution of 24 May 2016								
(I) Remuneration from the company preparing the financial statements	Phantom Stock LTIP - first cycle 2016 - 2018						128,667 ⁴ <i>Phantom Stock</i>	€ 1,003,036	€ 334,345
	Shareholder resolution of 24 May 2016								
(II) Remuneration from subsidiaries and associates									
(III) Total			€ 1,903,966					€ 1,086,909	€ 1,265,696

Notes:

¹ Amount obtained by multiplying the number of Phantom Stocks by the market price at the grant date.

² Amount calculated by convention, based on the arithmetic average of the market value of Poste Italiane's shares in the thirty stock exchange trading days prior to the grant date.

³ Financial instruments subject to a 2-year retention period.

⁴ Financial instruments of which a part subject to a one-year retention period in line with the requirements for BancoPosta RFC's Material Risk Takers.

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

A	B	(1)	(2)		(3)			(4)	
			Bonus for the year			Bonus for previous years			
			(A)	(B)	(C)	(A)	(B)		(C)
Name and surname and category	Position	Plan	Payable/Paid	Deferred	Deferral period	No longer payable	Payable/Paid	Still deferred	Other bonuses
Matteo Del Fante General Manager (employment contract)									
(I) Remuneration from the company preparing the financial statements		MBO 2018	€ 86,278	€ 129,417	5 years				
(I) Remuneration from the company preparing the financial statements		MBO 2017					€ 55,036	€ 27,518	
(I) Remuneration from the company preparing the financial statements		Deliver 2022 LTIP		€ 273,077 ¹	6 years				
(II) Remuneration from subsidiaries and associates									
(III) Total			€ 86,278	€ 402,494			€ 55,036	€ 27,518	
Key Management Personnel									
(I) Remuneration from the company preparing the financial statements		MBO 2018	€ 2,620,199	€ 103,377	3 / 5 years				
(I) Remuneration from the company preparing the financial statements		MBO 2017					€ 65,408	€ 35,573	
(I) Remuneration from the company preparing the financial statements		MBO 2016					€ 29,585	€ 59,170	
(I) Remuneration from the company preparing the financial statements		MBO 2015					€ 18,711		
(I) Remuneration from the company preparing the financial statements		Deliver 2022 LTIP		€ 1,162,836 ¹	4 / 6 years				
(I) Remuneration from the company preparing the financial statements		IPO Bonus 2015					€ 10,800		
(I) Remuneration from the company preparing the financial statements		Other bonuses ²							€ 136,667
(II) Remuneration from subsidiaries and associates									
(III) Total			€ 2,620,199	€ 1,266,213			€ 124,504	€ 94,743	€ 136,667

Note:

¹ Annualised amount of award at target.
² This item includes signing bonuses paid

Note:

¹ Annualised amount of award at target.

² This item includes signing bonuses paid

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 2017	No. of shares purchased in 2018	No. of shares sold in 2018	No. of shares held at end of 2018	Title
Maria Bianca Farina	Chairwoman	POSTE ITALIANE SPA	5,255	0	0	5,255	Ownership
Matteo Del Fante	Chief Executive Officer and General Manager	POSTE ITALIANE SPA	0	15,000	0	15,000	Ownership
Roberto Rossi	Director	POSTE ITALIANE SPA	0	11,200	0	11,200	Ownership

TABLE 2: INTERESTS OF KEY MANAGEMENT PERSONNEL

No. of Key Management Personnel	Position	Company invested in	No. of shares held at end of 2017	No. of shares purchased in 2018	No. of shares sold in 2018	No. of shares held at end of 2018	Title
18	Key Management Personnel	POSTE ITALIANE SPA	29,650	3,937	0	33,587	Ownership

ANNEX REQUIRED BY ART. 84 -BIS OF THE CONSOB'S REGULATIONS FOR ISSUERS

THIRD 2018-2020 CYCLE OF THE "PHANTOM STOCK LTIP"

CHART 1								
Financial instruments other than stock options								
Section 1								
Instruments relating to outstanding plans approved on the basis of previous shareholder resolutions								
Name and surname or category	Position	Date of shareholder resolution	Type of financial instrument	Number of financial instruments	Grant date	Eventual purchase price of instruments	Market price at grant date	Vesting period
Matteo Del Fante	General Manager (employment contract)	24/05/16	Phantom Stock	51,394	19/04/18		€ 7.4203 ¹	3 years
Key Management Personnel (13)		24/05/16	Phantom Stock	231,354	19/04/18		€ 7.4203 ¹	3 years
Other senior management within the Group (58 ²)		24/05/16	Phantom Stock	382,821	19/04/18		€ 7.4203 ¹	3 years

Notes:
¹ Amount calculated by convention, based on the arithmetic average of the market value of Poste Italiane's shares in the thirty stock exchange trading days prior to the grant date.
² Including 7 senior managers at Group companies.

SHORT-TERM INCENTIVE SCHEME FOR 2018 ("MBO"):

CHART 1								
Financial instruments other than stock options								
Section 1								
Instruments relating to outstanding plans approved on the basis of previous shareholder resolutions								
Name and surname or category	Position	Date of shareholder resolution	Type of financial instrument	Number of financial instruments	Grant date	Eventual purchase price of instruments	Market price at grant date	Vesting period
Matteo Del Fante	General Manager (employment contract)	29/05/18	Phantom Stock	27,669	18/03/19		€ 7.7956 ¹	5 years
Key Management Personnel (2)		29/05/18	Phantom Stock	24,020	18/03/19		€ 7.7956 ¹	3/5 years
Other senior management within the Group (20)		29/05/18	Phantom Stock	72,833	18/03/19		€ 7.7956 ¹	3/5 years

Notes:
¹ Amount calculated by convention, based on the arithmetic average of the market value of Poste Italiane's shares in the thirty stock exchange trading days prior to the grant date.

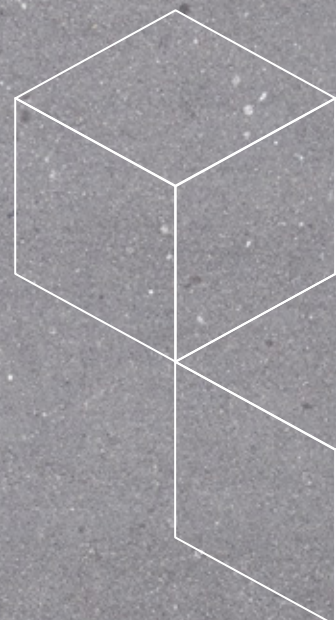
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03

ANNEX: GUIDELINES FOR BANCOPOSTA RFC'S REMUNERATION AND INCENTIVE POLICIES 2019

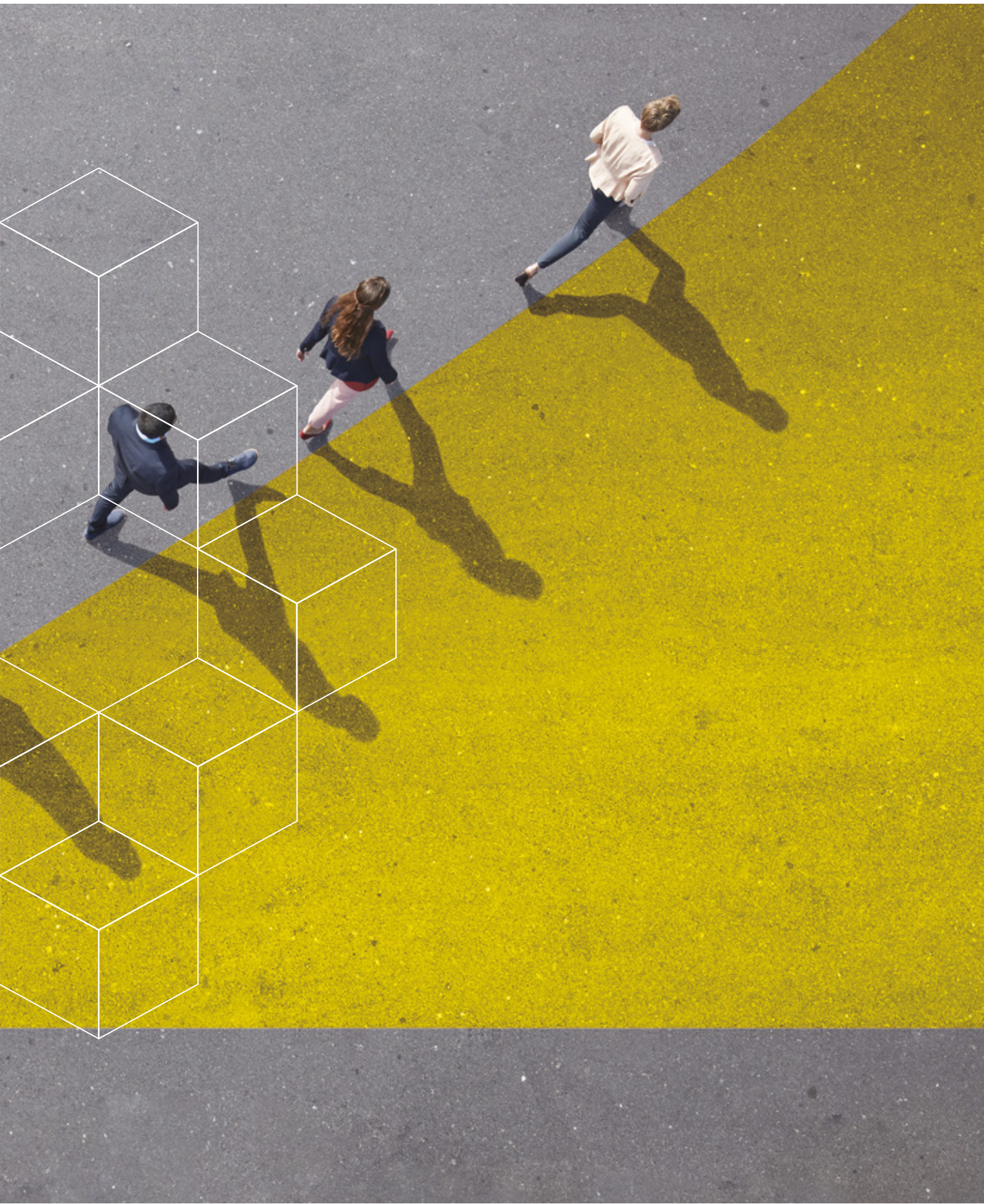




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Introduction

This Annex (*"Guidelines for BancoPosta RFC's remuneration and incentive policies for 2019"* or *"Guidelines"*) - in line with Section I of the Remuneration Report published by Poste Italiane SpA (*"Poste Italiane"*, *"the Parent Company"* or *"the Company"*) – describes the remuneration and incentives for Poste Italiane'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 285/2013 requires application of the regulations for banks in respect of *"remuneration and incentive policies and practices"*, as contained in the same Circular and in the EBA guidelines and EBA Regulatory Technical Standard (RTS) from time to time in effect. On 23 October 2018, the Bank of Italy published the XXV revision of the above Circular (*"XXV revision of Bank of Italy Circular"*) on *remuneration and incentive policies and practices*. In line with the regulatory requirements, BancoPosta is submitting its remuneration and incentive policies, for approval by the Annual General Meeting of shareholders called to approve the financial statements for 2018.

In line with the applicable regulatory requirements, this document has been prepared with the aim of providing the Annual General Meeting of shareholders 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"*.

It should be noted that this document has also been prepared in compliance with Legislative Decree 58/1998 (*"CLF"*) – art. 114-*bis* and 123-*ter* – and the Regulations for Issuers – art. 84-quater, insofar as applicable, in view of the fact that Poste Italiane SpA, of which BancoPosta RFC is a part, is listed on the Borsa Italiana's MTA market.

The document is divided into two sections:

- *"Guidelines for BancoPosta RFC's remuneration and incentive policies for 2019"*;
- qualitative and quantitative disclosures regarding application of the *"Guidelines for BancoPosta RFC's remuneration and incentive policies for 2018"*.

Changes for 2019

The remuneration strategy described in the “Guidelines for BancoPosta RFC’s remuneration and incentive policies for 2019” aims to drive the creation of long-term value for the benefit of the Company and its shareholders, whilst ensuring constant alignment with the risk management strategy adopted by BancoPosta. As a result, the changes introduced for 2019 are driven by the following interlinked principles:





Alignment with shareholders' interests

- maintaining the medium/long-term incentive strategy, through introduction of the **“Performance Share LTIP”**, consisting of two three-year cycles, to supplement the existing short-term “MBO” 2019 incentive plan and the long-term “Deliver 2022 LTI” plan;
- the **“Performance Share LTIP”**, designed to drive the achievement of medium and long-term objectives and ensure the maximum alignment of management with shareholder interests:
 - is based on **Poste Italiane SpA's ordinary shares (“share”)**;
 - rewards, in addition to earnings targets, the achievement of appropriate levels of relative Total Shareholder Return (“rTSR”) at Poste Italiane compared with the TSR provided by the FTSE MIB benchmark;
 - is in line with the risk levels in the **Risk Appetite Framework (“RAF”)** as regards capital adequacy, liquidity and risk-adjusted earnings;
 - envisages the **deferral** of a significant portion of the incentive (60%) over 4 years, subject to a **one-year retention period** for both the up-front and deferred portions;
 - includes **Share Ownership Guidelines for the Chief Executive Officer and General Manager (“CEO-GM”) and Key Management Personnel (“KMP”)**, requiring to hold a percentage of the Shares awarded under the Plan;
- the pay-for-performance analysis shows that the Total Shareholder Return of Poste Italiane is higher than the median for the peer group, whilst the level of direct annual remuneration for the CEO-GM is below the median for the same peer group (see the section on “Pay-for-performance” in the introduction to the Remuneration Report 2019).



Transparency

- introduction of a **predetermined formula for calculating agreed amounts in readiness for or on termination of employment**, within the predetermined cap for the CEO-GM and Risk Takers, prepared in accordance with the “XXV revision of Bank of Italy Circular”;
- **enhanced ex ante disclosure** of the goals for the short-term “MBO” scheme and **“Performance Share Long-Term Incentive Plan (LTIP)”**. More details are also integrated into the *ex post* disclosure, with regard to the level of achievement of the performance targets assigned.



Social and environmental sustainability

- a balance between risk-adjusted earnings objectives, with **“sustainability”** forming a major component of short-term incentive plans (STI “MBO” 2019), based on **Customer Experience and Sustainability goals** (for example, in terms of educational and financial inclusion initiatives), as proof of Poste Italiane's growing commitment to the community in which it operates, as part of an integrated approach alongside the Group's Environmental, Social and Governance (ESG) plan.



Compliance with legislative requirements and “Regulatory Compliance” principles

- the constant **alignment of remuneration and incentive schemes with good conduct and the mitigation of reputational risk**, with the aim of preserving BancoPosta's reputational capital. This done by putting in place procedures designed to deal with the impact on the remuneration and incentive schemes of any non-compliance with external and internal regulations and with Poste Italiane's Code of Ethics (the “Clawback procedure” approved by the Board of Directors on 18 March 2019);
- **full compliance with Italian and European regulations governing remuneration, incentives and severance**, by monitoring the applicable legislation, identifying any changes introduced and, as a result, aligning remuneration and incentive schemes with the relevant regulatory framework.



Risk management strategy

- variable remuneration schemes, based on the **“pay-for-performance” principle**, are consistent with the **Risk Appetite Framework** and risk governance and management policies, and also take into account capital adequacy and liquidity requirements in relation to the risks assumed. The schemes themselves are designed to avoid incentives that might be in conflict with the interests of the Company over the long term.

These “Guidelines for BancoPosta RFC's remuneration and incentive policies for 2019” have, therefore, been updated, together with Poste Italiane's “Remuneration report for 2019”, to bring them into line with the above principles.

1. Statutory and regulatory framework and scope of application

1.1. Preamble – Aim of the document

“Guidelines for BancoPosta RFC's remuneration and incentive policies for 2019”, in keeping with statutory requirements and the relevant regulatory framework in effect and with Section I of Poste Italiane's Remuneration Report for 2019, describe the remuneration and incentives for BancoPosta RFC personnel, as defined below, in accordance with the Company's long-term strategies, strategic objectives and performance and with the Risk Appetite Framework. In this regard, the Guidelines, 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. 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.

As approved by the Extraordinary General Meeting of shareholders held on 29 May 2018, BancoPosta RFC underwent a change with effect from 1 October 2018, following the removal of the card payments and payment services business branch from the ring-fence that applies to BancoPosta RFC, along with contractual rights and authorisations relating to back-office and anti-money laundering activities. As a result, the General Meeting approved a new BancoPosta RFC Regulation, in accordance with authorisation no. 0506841/18 issued by the Bank of Italy on 24 April 2018. The card payments and payment services business unit was then transferred from Poste Italiane to the subsidiary, PostePay SpA, which has in turn established a separate ring-fenced entity through which it can operate as an electronic money institution. Contractual rights and authorisations relating to back-office and anti-money laundering activities have, instead, been kept within Poste Italiane but outside the ring-fence.

On 27 May 2014, the Bank of Italy issued specific Supervisory Standards for BancoPosta RFC (Part IV, Chapter I, “BancoPosta” including in Circular 285/2013 “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) and matters relating to remuneration and incentive policies (Part I, Section IV, Chapter 2 “Remuneration and incentive policies and practices” in the above Circular). Applying the principles, criteria and provisions contained in the above Circular, BancoPosta RFC qualifies as an intermediary of medium to high complexity, in view of its organisational peculiarities and the business in which it operates. The remuneration and incentive policy has, therefore, been drawn up in keeping with supervisory standards governing “remuneration and incentive policies and practices”, based on the regulations applicable to intermediaries comparable with BancoPosta (medium to high complexity), governed by the same Circular, revised by the Bank of Italy on 18 November 2014 in order to apply the provisions of EU Directive 2013/36/EU (“CRD IV”) and, lastly on XXV revision of 23 October 2018, in order to apply the international guidelines issued from time to time by the EBA and FSB.

The following European and international regulations are applied:

- Delegated Regulation (EU) 604/2014 contains new Regulatory Technical Standards (RTS), setting out revised qualitative and quantitative criteria for identifying categories of personnel whose activities have a material impact on the entity's risk profile (so-called “Material Risk Takers”);

- Regulation (EU) 575/2013 of the European Parliament and Council of Europe, setting out prudential requirements and specific disclosure rules for reporting on the implementation of remuneration policies, and EBA's "Guidelines on sound remuneration policies pursuant to article 74, paragraph 3 and article 75, paragraph 2 of Directive 2013/36/EU and on the circular issued pursuant to article 450 of EU Regulation 575/2013" (EBA/GL/2015/22);
- the guidelines on remuneration policies and practices related to the provision and sale of retail banking products and services (EBA/GL/2016/06), issued by the EBA on 13 December 2016;
- the "Supplementary Guidance to the FSB Principles and Standards on sound compensation practices" in relation to "misconduct" published on 9 March 2018.

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.

1.3. 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 Directors without delegated powers);
- 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.

2. 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 for members of the management and oversight bodies and all other personnel;
- 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.

In line with the provisions of the BancoPosta RFC Regulation, the general Meeting of shareholders may vote on the management body's proposal to increase the ratio of individual variable to fixed component above 1:1 and, in any event, within the maximum limits set by the applicable regulations.

2.2. Role of the Board of Directors

Poste Italiane's Board of Directors, on the recommendation of the Remuneration Committee and in consultation with the Audit, Risk and Sustainability Committee, to the extent applicable:

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

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 and the Head of the BancoPosta function, the compensation of 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 article 148, paragraph 3 of the CLF and article 3 of the Corporate Governance Code. In addition, the Committee has the required number of members with appropriate expertise and experience in financial matters or remuneration policies and risk, capital and treasury management. This is assessed by the Board of Directors at the time of appointment to the Committee.

Committee meetings are attended by the Board of Statutory Auditors and, as a rule, also by the Head of BancoPosta's Risk Management function when the Committee is to discuss matters relating to BancoPosta's activities.

By invitation of the Chair, meetings may also be attended by other members of the Board of Directors, the Head of BancoPosta and external parties, where their presence is designed to enable the Committee to carry out its role in the best possible manner.

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

With regard to its responsibilities relating to BancoPosta RFC, the Remuneration Committee:

- has the task of making proposals to the Board of Directors regarding the remuneration and incentive systems for the top positions as identified by the Company, in accordance with the provisions of the Supervisory Regulations, as well as the compensation of the Head of the BancoPosta function;
- performs advisory tasks for the Board of Directors regarding the determination of the criteria for the remuneration of all the "most significant" personnel, identified as such on the basis of the provisions of the Supervisory Regulations;
- oversees directly the correct application of the rules regarding the remuneration of the heads of BancoPosta's control functions, in close cooperation with the Board of Statutory Auditors;
- prepares the documentation to submit to the Board of Directors for the related decisions;
- collaborates with the Control, Risk and Sustainability Committee and the Nominations and Corporate Governance Committee instituted within the Board of Directors;
- ensures the involvement of the relevant corporate functions in the process of establishing and checking remuneration policies and practices;
- pronounces, availing itself of information received from the relevant corporate functions, on the achievement of the performance targets to which the incentive plans are linked, as well as on the materialization of the other conditions for payment of the compensation;
- provides appropriate reports on the activity it carries out to the corporate bodies, including General Meetings;
- performs any additional tasks assigned it by the Board of Directors.

The Committee, through its Chair, reports to the Board of Directors on the Committee's meetings at least once a year, and whenever he or she deems it necessary or appropriate, 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 external consultants or independent experts at the Company's expense, within the limits of the overall budget approved by the Board of Directors for all Board Committees.

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.

The **Head of the BancoPosta function**, with the agreement of the Chief Executive Officer and General Manager, establishes, 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 roles of the General Meeting of shareholders and the Board of Directors.

The **Head of the BancoPosta function** also ensures oversight and implementation of the “Guidelines for BancoPosta RFC’s remuneration and incentive policies”, with 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 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 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 “Guidelines for BancoPosta RFC’s remuneration and incentive policies” takes the following form:

- the **Head of the BancoPosta function**, with the support of the HR Business Partner function, establishes the guidance to be applied in determining the “Guidelines for BancoPosta RFC’s 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 governance and management policies, is then, with the agreement of the Chief Executive Officer and General Manager, submitted to the Remuneration Committee;
- the **Remuneration Committee** has the role of making recommendations to the Board of Directors regarding the *Guidelines for 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 **Audit, Risk and Sustainability 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, provides an opinion on matters relating to remuneration when there is a lack of consistency with the guidelines for BancoPosta RFC's remuneration and incentives from time to time in effect;
- the **Board of Directors** submits the *Guidelines for BancoPosta RFC's remuneration and incentive policies* 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, Risk and Sustainability 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. Directors with delegated powers must abstain during votes regarding decisions on their remuneration and not take part in discussions on this matter;
- at the end of the above process, the **General Meeting of shareholders** approves *"Guidelines for BancoPosta RFC's remuneration and incentive policies"*;
- at least once a year, the **Internal Auditing function** assesses the conformity of remuneration practices with the policies approved, as defined in section "2.4 Duties and responsibilities of the other functions involved" 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.

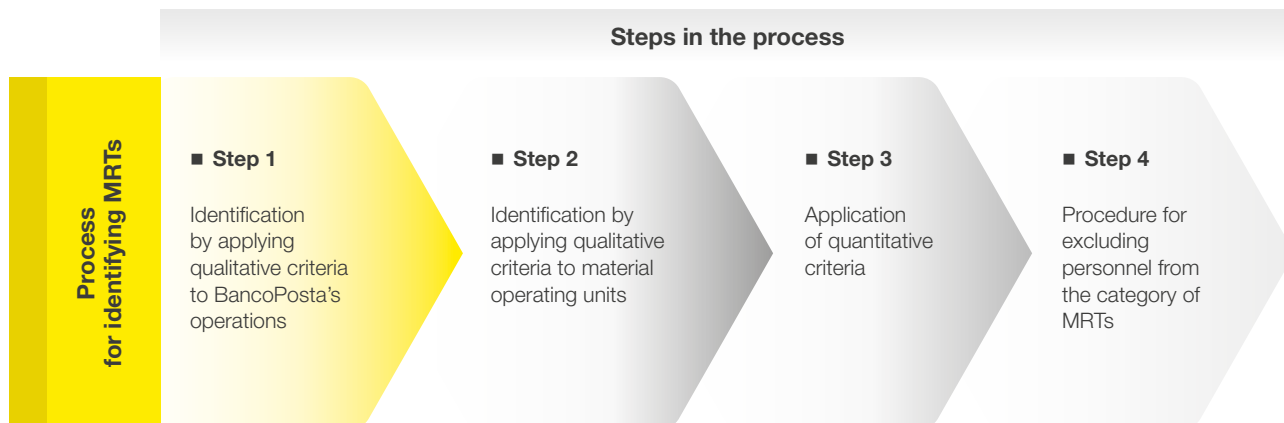
2.6 Identification of Material Risk Takers

For the purposes of these Guidelines, 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 takes place on the basis of the criteria set out in the *"Guidelines for the identification of BancoPosta's Material Risk Takers"* (approved by the Board of Directors at the meeting of 18 March 2019), in line with the process described below, based on the qualitative and quantitative criteria introduced by the EBA's Regulatory Technical Standards (RTS) in Delegated Regulation (EU) 604/2014.

This process follows the following steps:

FIGURE 1. STEPS IN THE PROCESS OF IDENTIFYING MATERIAL RISK TAKERS



Steps 1 and 2 apply “qualitative criteria” – art. 3 of the Delegated Regulation (EU) of 4 March 2014 –, supplemented by specific assessment of the potential for individual roles to have a material impact on risk, whilst Steps 3 and 4 apply the quantitative criteria contained in art. 4 of the above Regulation.

In terms of the “qualitative” criteria in Step 1, the roles that carry out the functions expressly indicated in the EBA’s RTS - 1, 2, 3, 4, 9, 12, 13, 14 and 15 in the Delegated Regulation (EU) of 4 March 2014 are identified. In terms of the criteria requiring an assessment of the contribution in terms of risk appetite (Step 2), BancoPosta has devised an internal method for assessing the degree to which personnel have an impact on the ring-fence’s risk profile, which enables the regulatory requirements to be accurately applied to the environment concerned. Both the “organisational dimension” and the “risk dimension” are assessed, introducing a distinction between the different types of risk and attributing each type a “weighting”. The organisational dimension is assessed with regard to the following criteria.

- the person has been delegated one or more powers relating to BancoPosta RFC;
- the person heads a material operating unit within BancoPosta;
- the person has the ability to influence organisational decisions under internal regulations.

The “risk dimension” is assessed by associating the types of risk to which BancoPosta RFC is exposed with the various organisational roles assessed on the basis of the following key qualitative criteria:

- a. **operational/reputational risk:** operational risk is associated with all persons given that, unlike the other “Pillar I” risks, it is implicit in the decision to take a determinate type of action and, more generally, in the conduct of business; reputational risk, as a risk deriving from other types of risk, is also associated with all the persons assessed; ;
- b. **strategic/business risk:** this risk is typically associated with formal organisational roles within marketing functions, delegated with significant decision-making authority regarding key product and/or service strategies;
- c. **liquidity risk:** this is associated with the function responsible for treasury management;
- d. **interest rate, spread, credit/counterparty/foreign exchange, excessive financial leverage risks:** these risks are associated with persons who are delegated authority for investing in financial instruments.

The organisational score for the identified person is then multiplied by the weighting associated with the type of risk the person has an impact on. The weighted risk impact is then classified on the basis of three classes of final score (High, Medium, Low).

In applying the method, persons with a final weighted risk impact score classed as Medium and High are identified as Material Risk Takers.

The qualitative criteria are supplemented by an analysis of the levels of remuneration, in line with the quantitative criteria defined in the above Delegated Regulation (EU) 604/2014.

Applying the chosen criteria (qualitative and quantitative), the category of BancoPosta RFC’s Material Risk Takers is defined.

As noted previously, the Board of Directors approves the identification process and ensures that it is regularly applied in order to identify Material Risk Takers. The Board approves the outcomes of any exclusion procedure and periodically reviews the related criteria. The Remuneration Committee, with the assistance of the Risk Management function, expresses an opinion on the identification process, including any exclusions of individuals identified solely on the basis the quantitative criteria.

The BancoPosta's HR Business Partner function is responsible for the process of identifying BancoPosta RFC's Material Risk Takers and involves other functions (Risk Management and Compliance).

Application of the above process has resulted in the identification, in March 2019, of 45 personnel included among Material Risk Takers, as approved by the Board of Directors on 18 March 2019. The category includes the following:

- the members of Poste Italiane's Board of Directors;
- the Chief Executive Officer and General Manager;
- the Manager Responsible for Poste Italiane's Financial Reporting;
- the Head of the BancoPosta function and the managers reporting directly to them;
- the Heads of BancoPosta's control functions (Risk Management, Compliance, Internal Auditing) and the managers reporting directly to them;
- the heads of functions with a significant role in the organisation weighted to take account of the risks emerging from an analysis of authorities and of the related risks.

Application of the quantitative criteria has resulted in the addition of 1 further member of the group of Material Risk Takers who was not previously identified as such on the basis of the qualitative criteria.

The identified members of the category can be revised during the year, in accordance with the identification process defined in the *"Guidelines for the identification of BancoPosta RFC's Material Risk Takers"*, approved by the Board of Directors on 18 March 2019 in keeping with the EBA's guidelines. This ensures that anyone who has held a role with a material impact on BancoPosta RFC's risks for at least three months is included in the category.

The process of identifying Material Risk Takers conducted in March 2018 led to the identification of 66 staff.

The differences are primarily linked to the changes to BancoPosta RFC that took place in 2018 and the reorganisation of the BancoPosta function, in addition to a more accurate application of the qualitative criteria, as set out in the guide lines for the identification of Material Risk Takers, taking into account the specific nature of BancoPosta RFC.

The "XXV revision of Bank of Italy Circular" has, among other things, introduced a specific process for the potential exclusion of personnel identified in accordance with the quantitative criteria in Delegated Regulation (EU) 604/2014, with particular regard to personnel whose individual remuneration is above € 500,000 and personnel whose individual remuneration falls within the 0.3% of staff with the highest remuneration.

The outcome of the procedure used by BancoPosta RFC to identify Material Risk Takers did not result in the exclusion of anyone.

Should BancoPosta decide, for certain reasons, that a person identified using the above criteria can no longer be considered a Material Risk Taker, it will:

- i. immediately, and in any event within six months of the end of the previous financial year, notify the Bank of Italy of exclusions regarding personnel whose total remuneration is equal to or higher than € 500,000 and less than € 750,000;
- ii. immediately, and in any event within six months of the end of the previous financial year, request prior authorisation from the Bank of Italy for exclusions regarding personnel whose total remuneration is equal to or higher than € 750,000, or personnel whose remuneration falls within the 0.3% of staff with the highest remuneration, and whose total remuneration was the highest in the previous financial year.

The notification and request for authorisation are prepared pursuant to the provisions of para. 6.1 "Procedure for the exclusion of Material Risk Takers", Section I, and Annex 1 "Information to be provided on the exclusion of personnel from the category of Material Risk Takers", Chapter 2, Title IV, Part One of "XXV revision of Bank of Italy Circular".

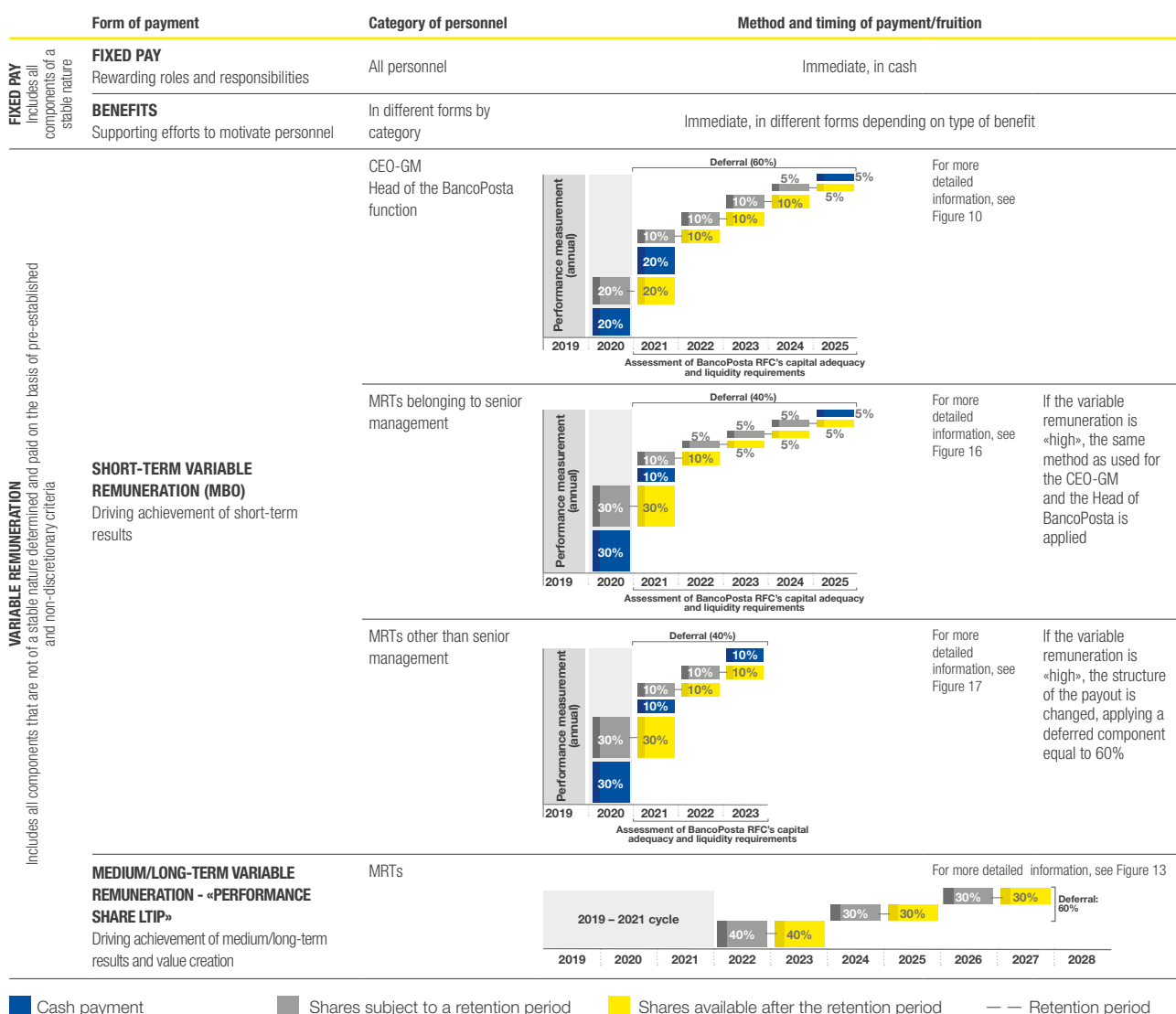
3. Elements of the remuneration and incentive policy

3.1 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 have a positive impact on the conduct of personnel and align individual goals with strategic and risk management objectives.

The following figure summarises the key components of the remuneration of Material Risk Takers belonging to the BancoPosta function.

FIGURE 2. CHART SHOWING COMPONENTS OF THE REMUNERATION OF MATERIAL RISK TAKERS BELONGING TO THE BANCOPOSTA FUNCTION



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.

Fixed remuneration, of a stable nature and determined on the basis of predetermined criteria, consists of a cash component ("fixed pay") and an "in kind" component ("benefits").

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. BancoPosta generally benchmarks fixed pay against market medians for the specific role and/or the degree of complexity of the responsibilities assigned. BancoPosta periodically monitors pay trends, including in relation to the industry in which it operates.

Given that the Guidelines for *BancoPosta RFC's remuneration and incentive policies* are approved by the General Meeting of Poste Italiane's shareholders, fixed remuneration is determined with regard to the specific nature of BancoPosta RFC's operations:

- for the Head of the BancoPosta function, by Poste Italiane's Board of Directors on the recommendation of the Remuneration Committee;
- for the remaining staff, by BancoPosta's HR Business Partner function, in consultation with the Head of the BancoPosta function and in accordance with the guidelines established by Poste Italiane's Human Resources and Organisation function.

Benefits are provided according to a general policy at Poste Italiane Group level, structured on the basis of homogeneous categories. Benefits are part of fixed remuneration as they 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. These components are of a stable nature, in line with management to which the person belongs, determined and paid on the basis of predetermined and non-discretionary criteria.

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 assigned or disbursed provided that the Company has not failed to meet its capital adequacy and liquidity requirements after the cost of the variable remuneration itself.

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 "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 as variable remuneration, potentially to zero, or the return of any amount already paid.

Variable pay, included in computation of the maximum ratio of variable remuneration to fixed remuneration, consist of the following components:

- **a short-term incentive scheme ("MBO")**, which aims to link the variable component of remuneration with the Company's short-term results and those of the various functions and individuals (the plan is also closely linked to performance, including with regard to required standards of conduct);
- **medium/long-term incentive schemes**, which aim to focus management's attention on the creation of value over the medium to long term in keeping with Poste Italiane's strategic objectives, in accordance with the determined risk profile and ensuring a constant alignment with shareholder interests. The existing medium to long-term incentive plans are:
 - The **"Performance Share LTIP"**, awarded entirely in shares, focused on earnings targets and shareholder returns over a 3-year period, with the aim of maximising execution of the guidelines in the Strategic Plan, over the period 2019-2021, relating to the first cycle, and the period 2020-2022, for the second cycle.
 - The **"Deliver 2022 LTIP"**, a cash-settled plan over five years or a three-years, awarded in cash and part in financial instruments assigned in 2018.
 - The long-term variable component of remuneration continues to include the second and third (and last) cycles of the **"Phantom Stock LTIP"** introduced in 2016, with assignment in 2017 and 2018 (the related details, in addition to an assessment of the results of the cycle for 2016, which vested on 31 December 2018, are provided in paragraph 5.2 *"ex post disclosure"*).

In line with statutory requirements, BancoPosta RFC has identified the level of variable remuneration representing the threshold above which variable remuneration is considered “particularly high”. At this level, stricter provisions apply with regard to deferral. For this purpose, the amount taken into consideration is 25% of the average total remuneration of Italian high earners (according to the EBA's most recent report, equal to € 424,809). This amount is lower than the figure corresponding to 10 times the average total remuneration of BancoPosta's personnel. This evaluation will be repeated at least every 3 years in order to adjust, if necessary, the criteria for the *ex post* alignment with risk, bearing in mind BancoPosta's risk profile and the applicable regulatory requirements.

All the components of short- and medium/long-term variable remuneration are, in any event, subject to clawback provisions, as described below in section 4.7.

Signing bonuses are 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 either by BancoPosta or by another Poste Italiane Group company. They are not subject to regulations on the structure of variable remuneration. They are included in computation of the ratio of variable to fixed remuneration in the first year of employment, unless they are paid in a single tranche at the time of being hired.

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. No such payments are made to Directors or Key Management Personnel. These payments must comply with the statutory requirements in effect (for example, but not limited to, the ratio of variable to fixed remuneration) and the “*Guidelines for BancoPosta RFC's remuneration and incentive policies*”.

4. BancoPosta RFC's remuneration and incentive schemes

The following remuneration and incentive policies for Directors without delegated powers, the Chairwoman of the Board of Directors, the Chief Executive Officer and General Manager and the Board of Statutory Auditors coincide with those described in Poste Italiane's Remuneration Report for 2019. 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 election¹. The Company's By-laws also grant the Board of Directors 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.

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

The remuneration policy for the following categories of personnel is described below:

- Directors without delegated powers;
- the Chairwoman of the Board of Directors;
- the Chief Executive Officer and General Manager;
- the Board of Statutory Auditors;
- Material Risk Takers;
- the Company's control functions;
- other BancoPosta personnel.

4.1 The Board of Directors

The remuneration policy for members of the Board of Directors is differentiated as follows:

- Directors without delegated powers;
- the Chairwoman of the Board of Directors;
- the Chief Executive Officer and General Manager (CEO-GM).

On a general basis and for all the members of the Board of Directors, the Annual General Meeting of shareholder held on 27 April 2017 determined the compensation payable to members of the Board of Directors in office in the period 2017-2019, as defined by art. 2389, paragraph 1 of the Italian Civil Code. No attendance fees are currently payable for participation in Board of Directors' meetings or the meetings of Board Committees.

1. Members of the Board of Directors and Board of Statutory Auditors, the General Manager, the Manager Responsible for Financial Reporting and executives and employees in management or supervisory roles are provided with personal health insurance and D&O cover.

On 10 May 2017, the Board of Directors, on the recommendation of the Remuneration Committee, introduced additional pay for Directors' participation in Board Committees, depending on the role assigned.

The following table shows the roles held by member of the Board of Directors at the date of approval of these Guidelines:

FIGURE 3. COMPOSITION OF THE BOARD OF DIRECTORS AND OF BOARD COMMITTEES

ROLE	NAME AND SURNAME	Remuneration Committee	Nominations and Corporate Governance Committee	Audit, Risk and Sustainability Committee	Related and Connected Parties Committee
Director	Giovanni Azzone^{1,2}				
Director	Carlo Cerami^{1,2}				
Director	Antonella Guglielmetti^{1,2}				
Director	Francesca Isgrò^{1,2}				
Director	Mimi Kung^{1,2}				
Director	Roberto Rao^{1,2}				
Director	Roberto Rossi^{1,2}				

Directors with delegated powers

CHAIRWOMAN

Maria Bianca Farina¹

CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER

Matteo Del Fante

¹ Non-executive Director

² Independent Director as defined by the combined provisions of articles 147ter, paragraphs 4 and 148, paragraph 3 of the CLF and pursuant to article 3 of the Corporate Governance Code

Chairman/Chairwoman   Member  

4.1.1 Directors without delegated powers

The remuneration of Directors without delegated powers consists of a fixed component, determined by the Annual General Meeting of shareholders and applicable for the full term of office. The Annual General Meeting of shareholders held on 27 April 2017, with regard to the term of office 2017-2019, determined the compensation payable pursuant to art. 2389, paragraph 1 of the Italian Civil Code as € 40,000 per annum. There are no forms of variable remuneration.

Directors are reimbursed for any out-of-pocket expenses incurred in carrying out the duties, within the limits established by the Board of Directors.

The additional pay for Directors' participation in Board Committees, approved by the Board of Directors, in consultation with the Board of Statutory Auditors and the Remuneration Committee, is as follows.

FIGURE 4. COMPENSATION FOR PARTICIPATION IN BOARD COMMITTEES

		Compensation
■ Remuneration Committee	Chairman	€ 25,000
	Member	€ 17,500
■ Nominations and Corporate Governance Committee	Chairman	€ 25,000
	Member	€ 17,500
■ Audit, Risk and Sustainability Committee	Chairman	€ 35,000
	Member	€ 25,000
■ Related and Connected Parties Committee	Chairman	€ 25,000
	Member	€ 17,500

4.1.2 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 and equal to € 60,000 per annum.

In addition to the above, on 13 December 2017, the Board of Directors, on the recommendation of the Remuneration Committee and in consultation with the Board of Statutory Auditors, awarded further compensation to the Chairwoman of the Board of Directors (pursuant to art. 2389, paragraph 3 of the Italian Civil Code), in view of the non-executive powers assigned to her. This additional compensation amounts to € 420,000 per annum. There are no forms of variable remuneration.

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

As required by law, the Chairwoman abstains during votes regarding decisions on her remuneration and does not take part in discussions on this matter.

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

4.1.3 Chief Executive Officer and General Manager (CEO-GM)

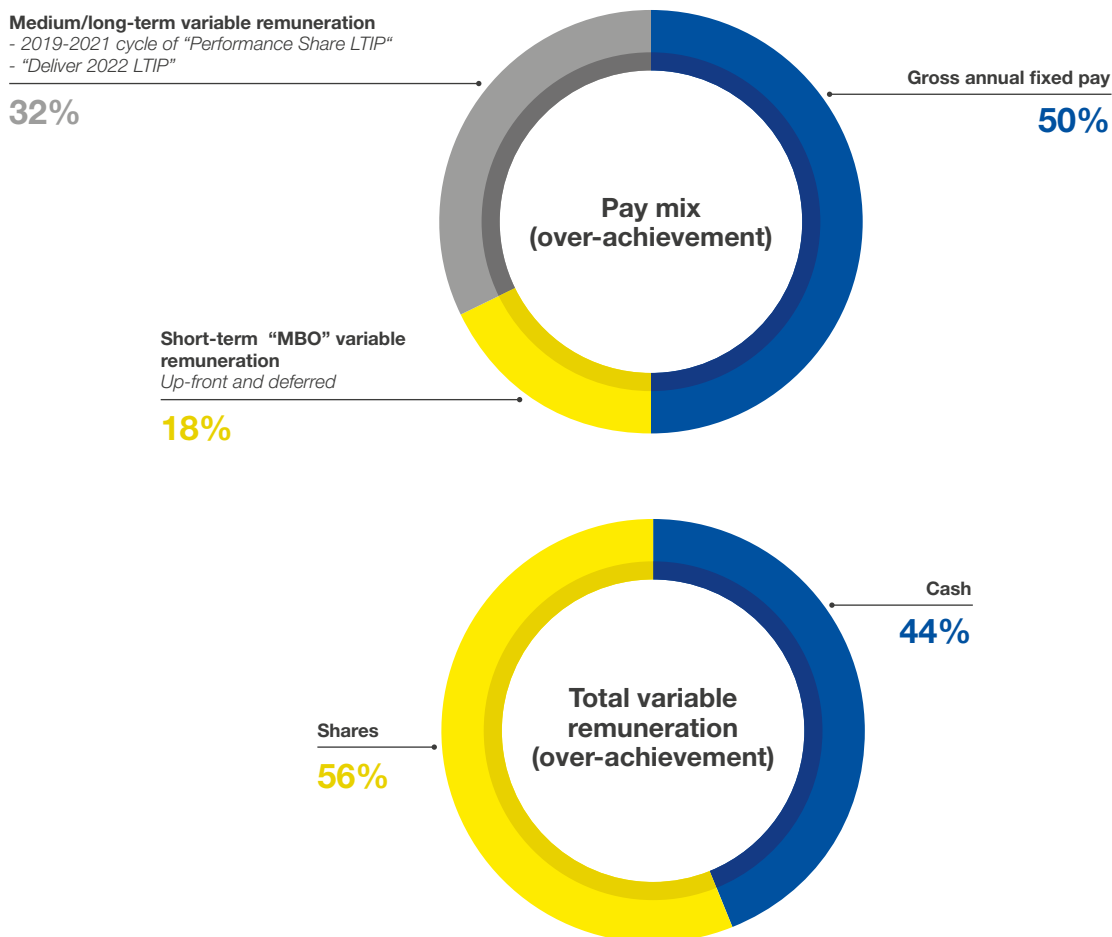
The CEO-GM's remuneration package includes a fixed component, a short-term variable component and a medium/long-term variable component.

In the case of the Chief Executive Officer and General Manager, the ratio of variable remuneration to fixed component is, again in 2019, capped at 1:1. Given that gross annual fixed compensation is € 1,255,000, the maximum total value of the incentives receivable under the schemes (both the short- and medium/long-term) is the same amount.

Certain benefits are provided in accordance with the applicable statutory requirements and in line with market practices.

In the light of these elements, the following chart shows the CEO-GM's Pay mix for 2019 in the event of over-achievement ("Pay mix CEO-GM over-achievement"):

FIGURE 5. PAY MIX CEO-GM



Ratio of variable remuneration to fixed component is, again in 2019, capped at 1:1

Only 20% of the short-term variable remuneration is payable cash up-front in 2020.

This pay mix has been calculated on the basis of awards under the short- and medium/long-term incentive schemes in the event of over-achievement, and considering the value of the entire cycle in the case of the “Performance Share LTIP” and the annualised value of the “Deliver 2022 LTIP”.

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

Gross annual fixed compensation

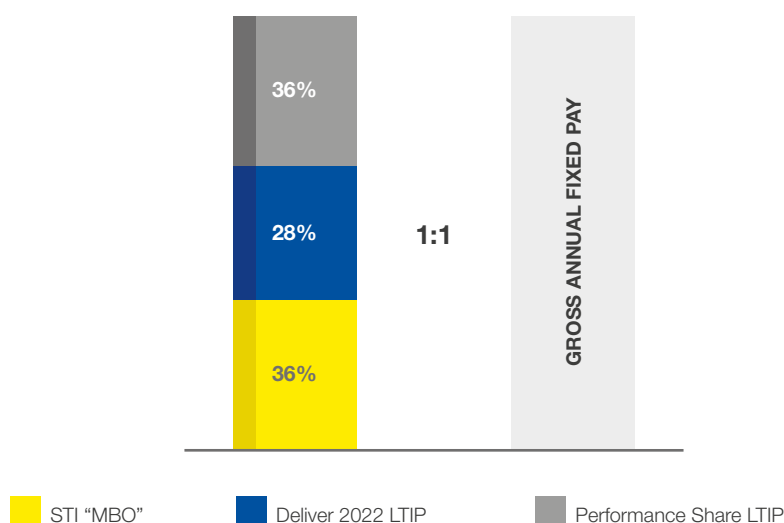
The CEO-GM receives gross annual fixed compensation of € 1,255,000 and this consists of a component relating to the position of Director and one relating to his position as a manager of the Company in his role as General Manager².

Variable remuneration

The variable remuneration, paid in relation to his position as a manager in his role as General Manager, consists of the short-term variable incentive scheme (“MBO” STI), the “Performance Share LTIP” and the “Deliver 2022 LTIP” (the latter introduced in 2018).

The STI “MBO” scheme rewards the achievement of targets on an annual basis, the “Performance Share LTIP” on a three-year basis and the “Deliver 2022 LTIP” over a five-year period, in line with the objectives set out in the “Deliver 2022” Strategic Plan and with the BancoPosta RFC’s Risk Appetite Framework (“RAF” or “Risk Appetite Framework”). A component of the “Deliver 2022 LTIP” is deferred and it is also subject to Poste Italiane’s inclusion in internationally recognised sustainability indices.

FIGURE 6. COMPONENTS OF VARIABLE REMUNERATION (OVER-ACHIEVEMENT)



The new “Performance Share LTIP” enables the Company to maintain an ongoing link between variable remuneration and performance over the medium/long-term, strengthening the alignment with investors’ interests, also given that the new Plan results in the award of Poste Italiane’s ordinary shares. It is noted that Long term incentive plans (“Deliver 2022 LTIP” and “Performance Share LTIP”) are subject to deferral, retention and/or lock-up periods.

All the management incentive schemes also include performance gates related to Group EBIT, designed to measure financial sustainability in all Poste Italiane’s businesses, with any bonuses awardable in relation to the assigned targets dependent on

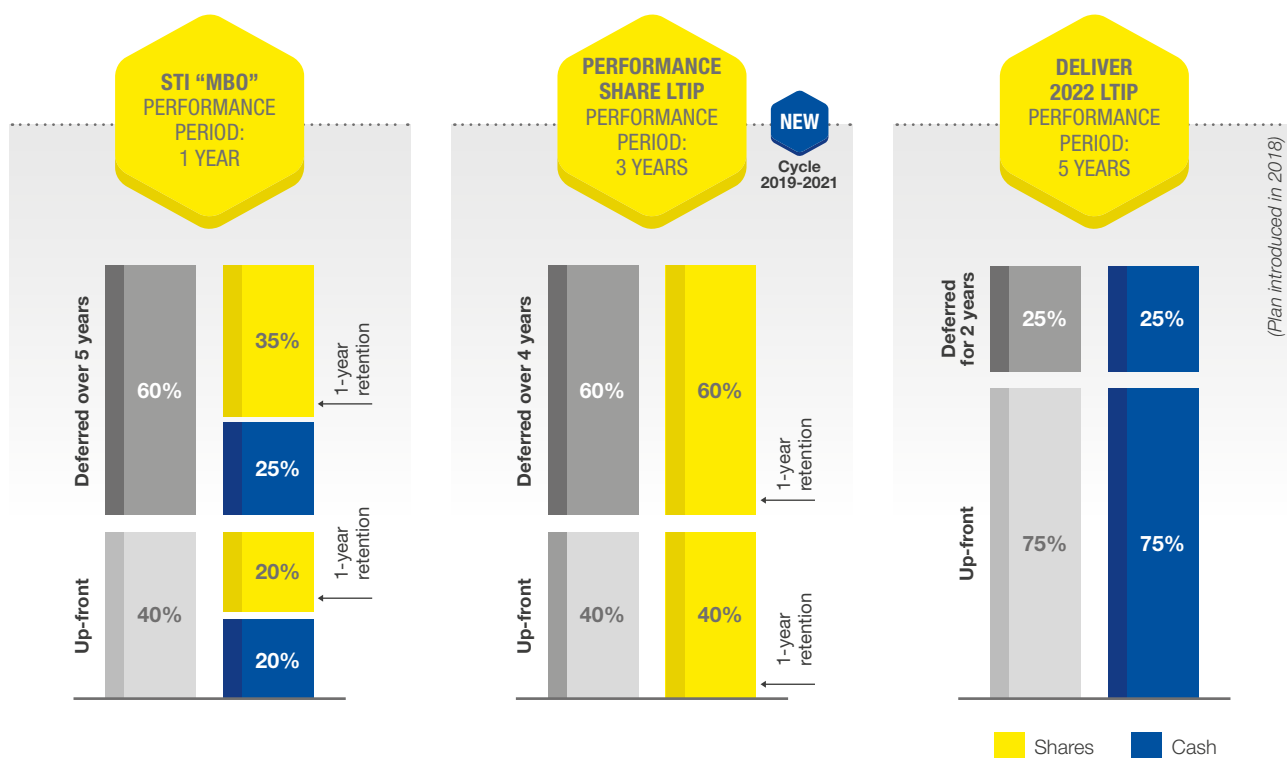
2. The CEO-GM’s position as General Manager is governed by the provisions of the National Collective Labour Agreement for the management personnel of companies producing goods and services (the “NCLA”).

achievement of the KPIs set and in line with the risk tolerance levels for the qualifying conditions, linked to BancoPosta RFC's capital adequacy and liquidity.

Variable remuneration 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), and, under certain conditions, in the application of a clawback provision.

As a Material Risk Taker, within the scope of application of the “Guidelines for BancoPosta RFC's remuneration and incentive policies for 2019” the structure of the CEO-GM's remuneration envisages a cap on total variable remuneration based on a ratio of 1:1 between variable (both short- and medium/long-term) and fixed component, in addition to deferral and retention period. Further details are provided below.

FIGURE 7. THE CEO-GM'S VARIABLE REMUNERATION



As mentioned above, the Board of Directors, on the recommendation of the Remuneration Committee, sets the performance targets linked to variable remuneration for the CEO-GM and assesses achievement of the performance targets, with the CEO-GM abstaining in any votes on the matter.

Short-term variable incentive scheme (“MBO”)

Short-term variable remuneration (“MBO”) aims to strengthen the focus on the creation of value for stakeholders by linking the payment of annual bonuses with actual performance in the same period. The nature of the “MBO” STI scheme for the CEO-GM has been defined also based in the applicable statutory requirements. The maximum amount payable, under the rules described below, is € 450,000.

The plan is based on a structured process for defining incentives and the associated objectives and is characterised by

- a hurdle and certain qualifying conditions;
- various performance targets, each assigned a specific weighting.

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.

Hurdle and qualifying conditions

The MBO scheme envisages a hurdle condition represented by the “Poste Italiane Group’s target EBIT”, as set in the budget, achievement of which enables the CEO-GM to access the bonus linked to achievement of the objectives assigned. Moreover, in order to ensure the long-term sustainability of the businesses of BancoPosta RFC and the Poste Vita Insurance Group, the qualifying conditions for the MBO scheme also include the following provisions:

FIGURE 8. PERFORMANCE GATE AND QUALIFYING CONDITIONS FOR THE CEO-GM’S “MBO” SCHEME

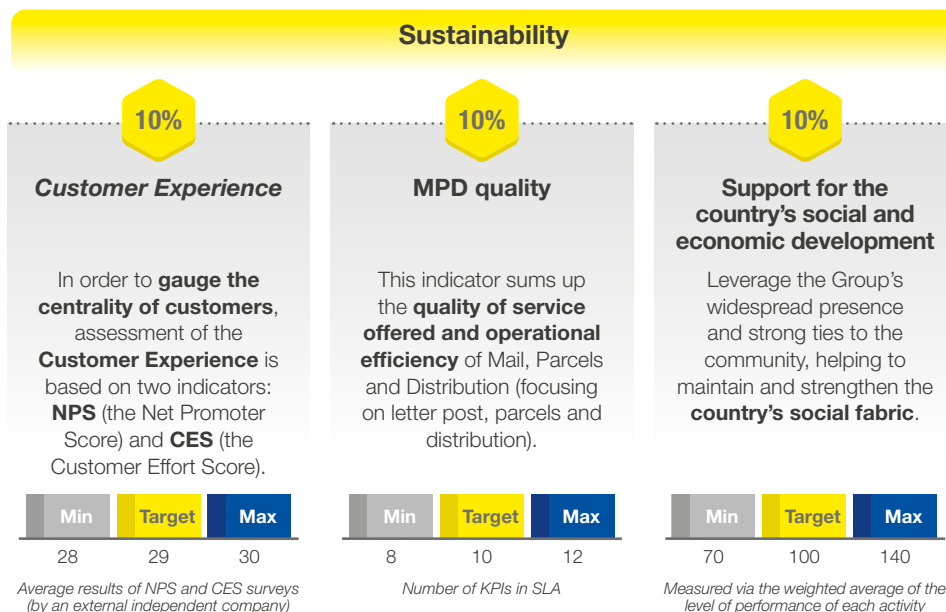
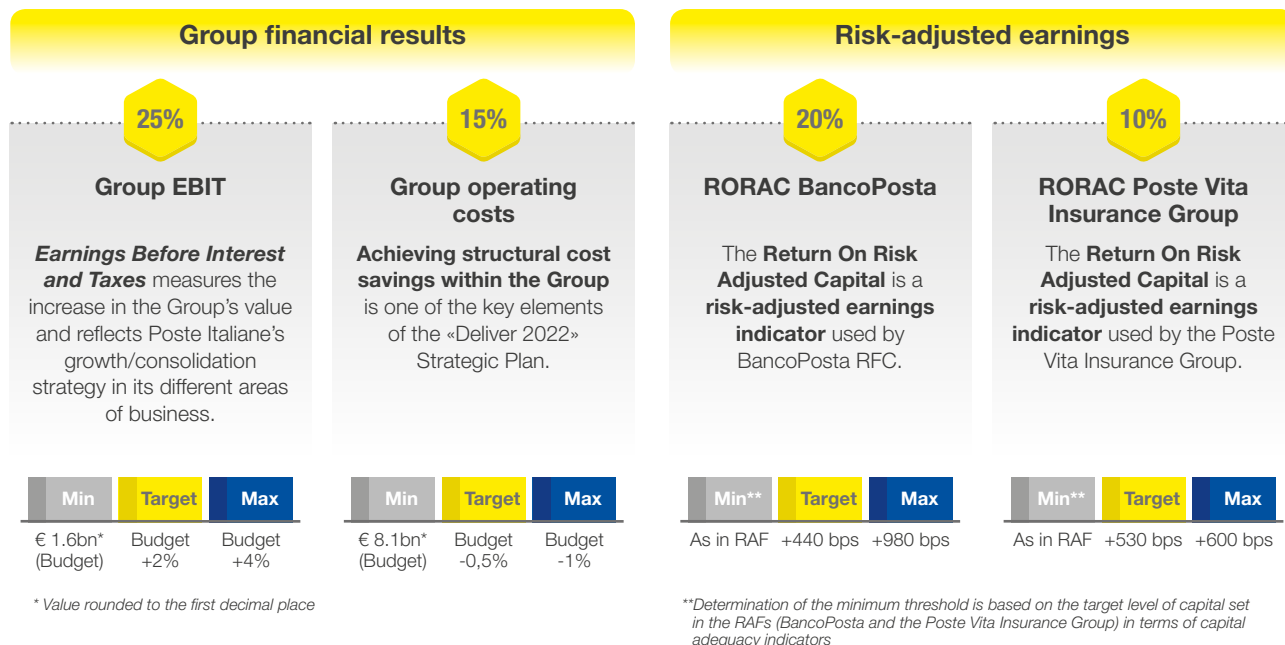
Hurdle	Qualifying conditions
Group EBIT	BancoPosta’s capital adequacy: CET 1
	BancoPosta’s short-term liquidity: LCR
	Solvency ratio for Poste Vita Insurance Group

The qualifying conditions are in keeping with the thresholds at risk tolerance levels established in the Risk Appetite Framework (“RAF”) adopted by BancoPosta RFC and the Poste Vita Insurance Group.

Performance targets

The performance targets for 2019 are linked to the objectives in the “Deliver 2022” Strategic Plan:

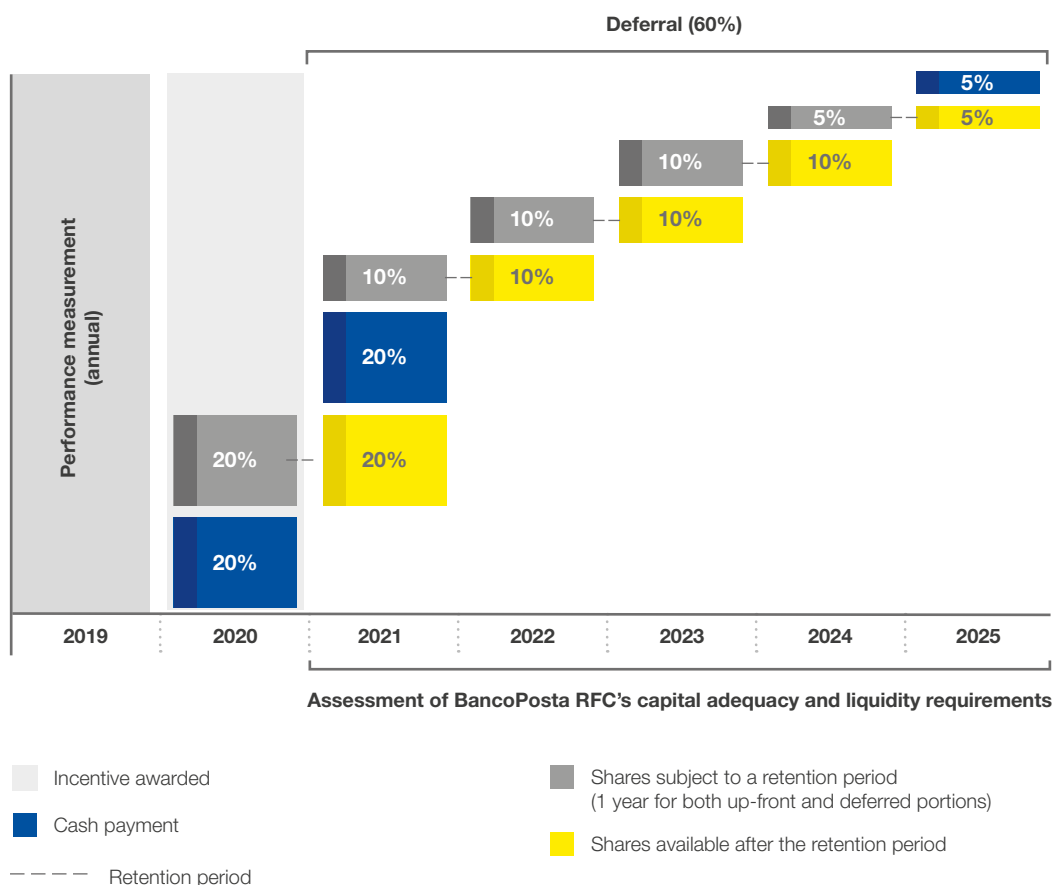
FIGURE 9. “MBO” SCHEME PERFORMANCE TARGETS FOR THE CEO-GM IN 2019



Payout

Payout of the incentive relating to the “MBO” scheme is linked to the achievement of actual, lasting results and involves deferral of 60% of the variable component over a period of 5 years (*pro rata*) and the payment of 45% in cash and 55% in Poste Italiane’s ordinary shares, as shown below:

FIGURE 10. METHOD OF PAYMENT UNDER “MBO” SCHEME FOR THE CEO-GM



The shares are subject to a one-year retention period for both the up-front and deferred portions. One-year retention periods, in view of the overall timing of variable remuneration, which also includes the 5-year deferral period subject to *malus* provisions and at least a further 5 years subject to clawback provisions, are compatible with the prospective levels of risk to which the Poste Italiane Group’s operations are exposed, in particular those of BancoPosta.

Payment of the deferred portion will take place each year, provided that the risk tolerance levels for BancoPosta RFC’s capital adequacy and liquidity have been complied with. The same risk tolerance levels must also be complied with at the end of the retention period.

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 28 May 2019 to approve the Information Circular for the “*Equity-based incentive plans*”, prepared in accordance with art. 114-bis of CLF.

Medium/long-term variable incentive schemes (LTIPs)

Medium/long-term incentive schemes (LTIPs) aim to strengthen the *focus* on the creation of value for stakeholders, in keeping with the Strategic Plan by linking the incentives awarded with long-term objectives (over 3-5 years) and effective performance over the same period. The nature of the following LTIPs has been defined also in the light of the applicable statutory requirements.

The CEO-GM is a beneficiary of the **“Performance Share LTIP”**, details of which are described in the following paragraph. The “Performance Share LTIP”, entirely in the form of Poste Italiane's ordinary shares, provides for earnings targets and shareholder returns over a period of 3 years, with the aim of maximising execution of the drivers of the Strategic Plan over the three-year period 2019-2021, representing the first cycle, and over the three-year period 2020-2022, representing the second cycle, in line with the Risk Appetite Framework.

The **“Performance Share LTIP”** supplements the long-term incentives provided by the “Deliver 2022 LTIP” introduced in 2018. This LTIP is designed to focus continuous long-term attention on revenue growth and the containment of personnel expenses in addition to Poste Italiane's inclusion in internationally recognised sustainability indices, over a period of 5 years. The long-term variable component of the Chief Executive Officer and General Manager's remuneration continues to include the second and third (and last) award cycles of the “Phantom Stock LTIP” (introduced in 2016), with awards in 2017 and 2018.

Performance Share LTIP, 2019 – 2021 cycle

In order to achieve a closer alignment with market practices, the “Performance Share LTIP” introduces a number of important new elements, such as:

- the award of a **bonus in the form of Poste Italiane SpA's ordinary shares**;
- the use of the **relative Total Shareholder Return (“rTSR”)**, which envisages different levels of achievement based on the level of Poste Italiane's TSR compared with the TSR achieved by the FTSE MIB;
- **deferral** of a significant portion of the incentive for the CEO-GM (60%) over 4 years, providing for a one-year **retention period** for both the up-front and deferred portions;
- a requirement **to hold 50% of the shares available under the “Performance Share LTIP”** for the entire term of office/employment.

In keeping with the “Phantom Stock LTIP”, the “Performance Share LTIP” is a rolling plan with 2 cycles (2019 – 2021 and 2020 – 2022). Both cycles involve the assignment of Poste Italiane's ordinary shares at the end of three-year performance periods. The maximum amount receivable as part of the first cycle, under the rules described below, is € 450,000.

Hurdle and qualifying conditions

The “Performance Share LTIP” envisages a hurdle condition 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.

In line with the statutory requirements applicable to BancoPosta RFC's business, in addition to the above hurdle condition, the CEO-GM must meet all the following qualifying conditions at the same time in order to confirm the incentive award:

FIGURE 11. HURDLE AND QUALIFYING CONDITIONS FOR THE “PERFORMANCE SHARE LTIP” FOR THE CEO-GM

Hurdle	Qualifying conditions
Gruppo EBIT (cumulative over a three-year period)	BancoPosta's capital adequacy: CET 1
	BancoPosta's short-term liquidity: LCR
	BancoPosta's RORAC: RORAC

CET 1, LCR and RORAC are in keeping with the risk tolerance thresholds established in the Risk Appetite Framework (“RAF”) adopted by BancoPosta RFC in accordance with the related regulatory requirements..

Performance targets

The performance targets for the 2019-2021 cycle of the “Performance Share LTIP” are as follows:

FIGURE 12. PERFORMANCE INDICATORS AND WEIGHTINGS FOR THE “PERFORMANCE SHARE LTIP” FOR THE CEO-GM



The Plan includes a negative threshold provision: if Poste Italiane's TSR is negative, despite being higher than the TSR registered by the index, the number of vested Rights (linked to rTSR) is reduced to the minimum threshold of 50%.

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 award due

Payout

The number of shares to be granted is quantified at the end of the three-year performance period within the cap determined at the time of the assignment, once achievement of the related objectives has been confirmed. The shares are granted as follows:

- 40% (the up-front portion), at the end of the performance period;
- 60% in two portions (both equal to 30% of the total vested shares), with deferral periods of 2 and 4 years, respectively.

2019 – 2021 cycle

40% **40%** **30%** **30%** **30%** **30%**

Deferral: 60%

2019 2020 2021 2022 2023 2024 2025 2026 2027 2028

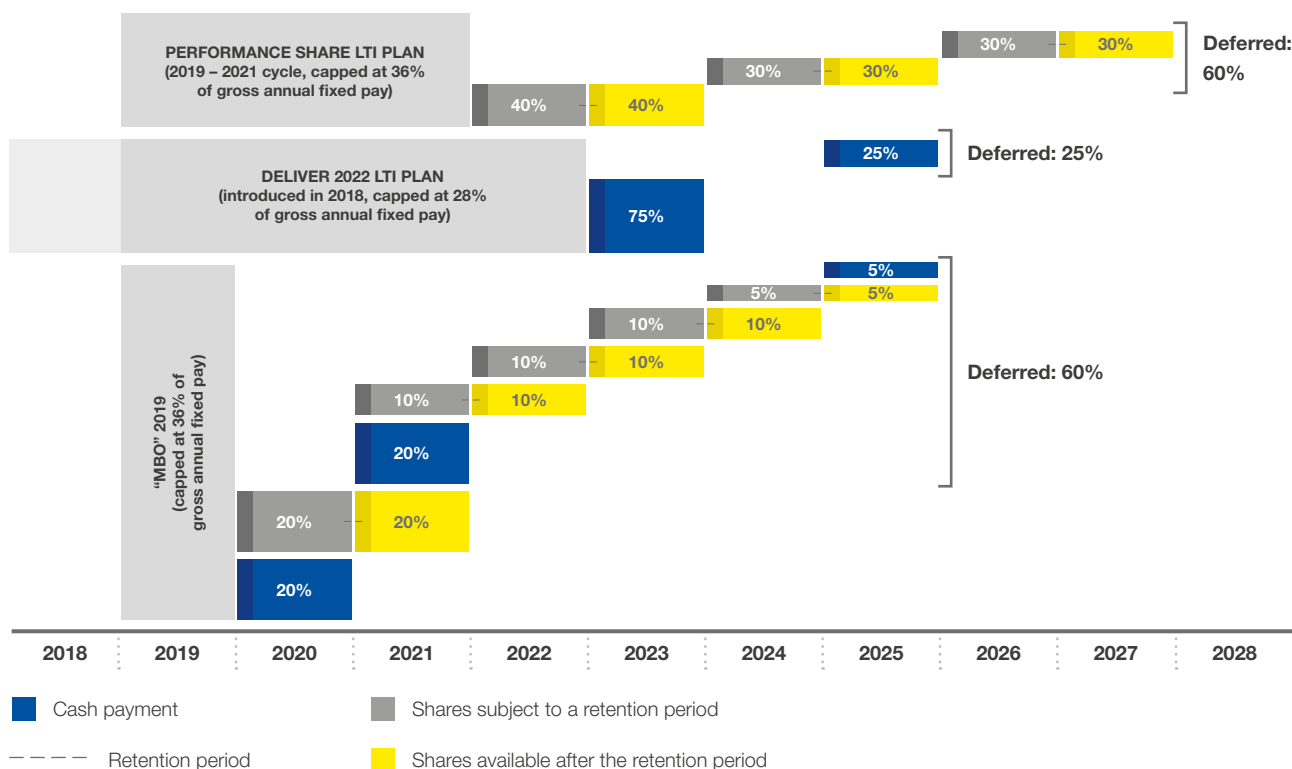
Shares subject to a retention period Shares available after the retention period Retention period

At the end of the retention period for the up-front portion, the shares vested will be available provided that the risk appetite levels for BancoPosta RFC's capital adequacy, liquidity and risk-adjusted earnings have been complied with.

At the end of the deferral period and the retention periods for the deferred portions, compliance with the risk tolerance levels for BancoPosta RFC's capital adequacy, liquidity and risk-adjusted earnings will be verified.

Summary of short-term and medium/long-term incentive schemes 2019

FIGURE 14. PAYOUT IN FORM OF VARIABLE REMUNERATION FOR THE CEO-GM



The structure of the payout over time involves the award of variable remuneration over a total period through to 2027, including performance, deferral and retention periods. In return for the performances achieved, less than 10% of variable remuneration for 2019 will be effectively paid out in 2020, following approval of the financial statements for 2019, whilst the remaining portion is spread out over time.

Severance payments on termination of employment

In line with market practice and with the Company's policies, it is possible to stipulate provisions/agreements regulating ex-ante the economic aspects of early term of office/employment, with the aim of avoiding the risk of current or future disputes thus avoiding the risks inevitably connected to a court litigation that could potentially damage the Company's reputation and image, whilst also providing greater legal certainty.

The amount resulting from the implementation of these provisions/agreements is, in any event, capped at 24 months of gross global remuneration, calculated as indicated below, including an amount equivalent to the indemnity in lieu of notice, if any, as contractually established.

Without prejudice to the above cap of 24 months of gross global remuneration, in the case of the Chief Executive Officer and General Manager, the above amount is determined on the basis of the following formula:

- 10 months' if termination occurs during the first year in service;
- 16 months' if termination occurs during the second year in service;
- 24 months' if termination occurs during the third or a subsequent year in service.

For the above purpose, conventionally defined gross global remuneration is calculated taking into account the latest amount of gross annual fixed pay received as a manager, the latest amount of gross annual fixed remuneration received as Chief Executive Officer (including portions received according to paragraphs 1 and 3 of art. 2389 of the Italian Civil Code) and total gross annual short-term variable remuneration payable at target and the annual value of the medium/long-term variable remuneration, still at target.

The above total gross amount determined shall replace any indemnity/indemnification provided under the National Collective Agreement in the event of dismissal, and shall be paid only upon signature of a settlement containing a full waiver, by the CEO-GM, in connection with the employment and the positions held, as part of an all-inclusive and final settlement.

The final amount payable shall take into account the risk-adjusted performance and the individual conduct, as described in the section on clawback provisions. In addition, this compensation may be paid only upon condition that BancoPosta RFC's minimum capital adequacy and liquidity requirements are satisfied.

The above payments shall not prejudice the further mandatory entitlements due in any case of termination in accordance with the law or the national collective agreement, including by way of example the so-called *TFR*.

In compliance with the applicable regulations, any amount payable to the CEO-GM in the event of early termination of his appointment as General Manager or as a Director, will be paid as follows:

- 40% of the amount: 50% in cash and the remaining 50% in Poste Italiane's shares, subject to a one-year retention period; this portion shall be subject to verification of BancoPosta RFC's minimum capital and liquidity requirements;
- 60% shall be deferred over a period of 5 years *pro-rata*; more than half of the deferred payment shall be made of Poste Italiane's shares, in line with the arrangements for STI "MBO"; the deferred portions shall be subject to verification of BancoPosta RFC's capital and liquidity requirements and, as regards the component in shares, to a one-year retention period;
- it is understood that a sum equivalent to the indemnity in lieu of notice, when due according to the National Collective Labour Agreement, will be deducted from the total amount and paid in accordance with the statutory requirements in force;
- the total amount payable is subject to *malus* and clawback provisions, applicable up to the entire amount paid within 5 years of payment of each portion and, in any event, within the time limit set by the related statute of limitations, under the circumstances defined in the guidelines for remuneration and incentive policies.

4.2 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 Annual General Meeting to be held on 28 May 2019, when re-electing the Board of Statutory Auditors following termination of the Board's term of office, will proceed to set the fees payable to the Chairperson and each standing Auditor for each year in office.

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.

4.3 Material Risk Takers

In addition to fixed pay and benefits, BancoPosta RFC's remaining Material Risk Takers also participate in the short-term incentive scheme ("MBO" STI) and in medium to long-term incentive plans.

Short-term incentive scheme ("MBO" STI)

The link to performance

Short-term variable remuneration for the remaining 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 short-term 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.

Performance gate

Participation in management short-term incentive scheme ("MBO" STI) is tied to the achievement of specific financial targets determined annually at Group level and represented by the Poste Italiane Group's EBIT.

Compliance with the Risk Appetite Framework

The conditions set by existing regulatory requirements are linked to 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 levels of risk tolerance for capital adequacy and liquidity requirements established within the context of the BancoPosta RFC ("RAF"). Details are shown below.

FIGURE 15. COMPLIANCE WITH THE RISK APPETITE FRAMEWORK

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

Individual objectives

Having achieved the performance gate and complied with the RAF, payment of the individual bonus is linked to the degree to which the assigned performance targets have been achieved. On assessment, the incentive is paid if the overall percentage achievement of the objectives assigned is at least equal to the threshold.

The targets assigned to the remaining Material Risk Takers are specifically formalised and primarily consist of risk-adjusted KPIs.

In the event of over-achievement, the individual bonus may also increase up to the maximum predetermined.

The theoretical bonus payable on achievement of the objectives assigned may be reduced (potentially to zero) if the overall individual performance, assessed using an appraisal process, is deemed to be inadequate.

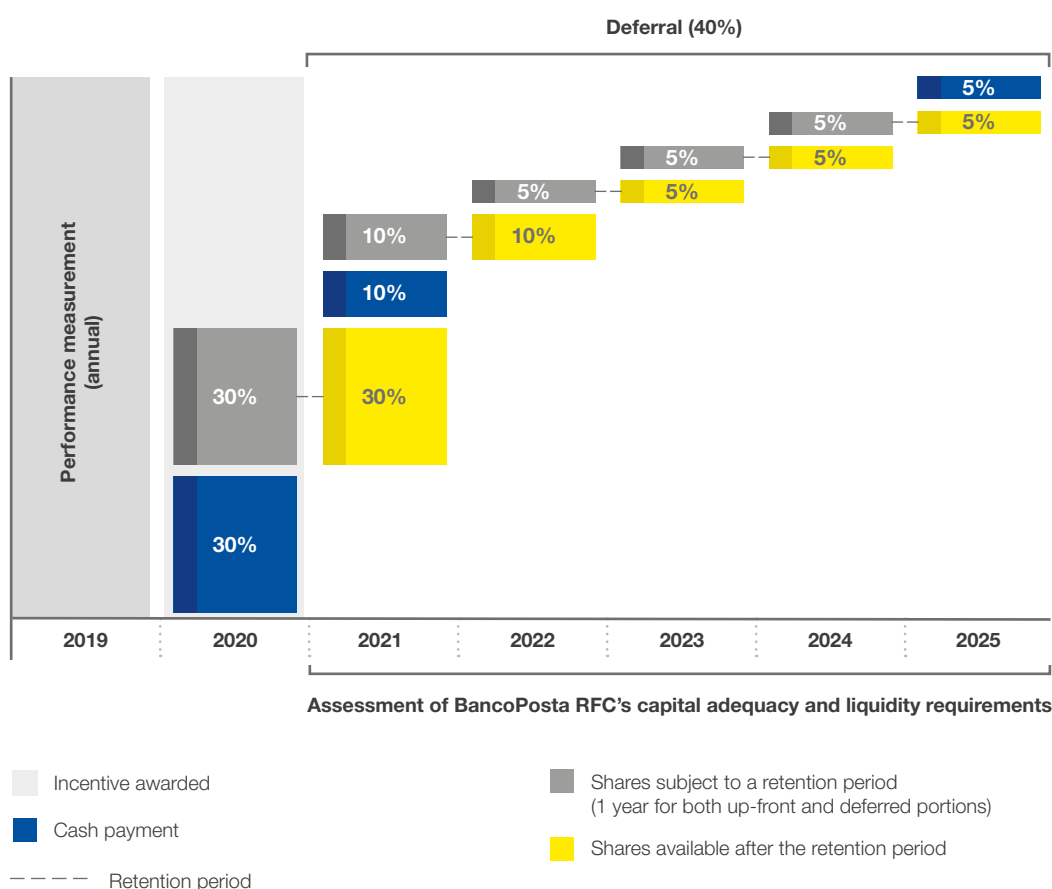
Payout

In line with existing statutory requirements and based on the category of personnel involved, the vested bonus will be paid partly up front and partly at the end of a deferral period, with payment partly in cash and partly in Poste Italiane's ordinary shares.

The payout method of the short-term variable component for the Head of the BancoPosta function is the same as the method used for the CEO-GM (see Figure 10 in this document).

In the case of personnel identified as Material Risk Takers and belonging to the Senior Management category, 60% the vested bonus is paid up front and the remaining 40% is deferred over 5 years. In addition, 45% of the vested bonus will be paid in cash and the remaining 55% in Poste Italiane's ordinary shares, according to the following structure:

FIGURE 16. METHOD OF PAYMENT UNDER “MBO” SCHEME FOR MRTs BELONGING TO THE SENIOR MANAGEMENT CATEGORY (VARIABLE REMUNERATION BELOW THE AMOUNT CLASSIFIED AS PARTICULARLY HIGH)



In the event of particularly high variable remuneration – as defined in this document, being € 424,809 (including any medium/long-term incentives computed on a *pro-rata* basis) – the payout method is changed, with a deferred component of 60% and payments being structured in line with the approach applied to the CEO-GM and the Head of BancoPosta.

In the case of personnel identified as Material Risk Takers and not belonging to the Senior Management category, 60% of the vested bonus is paid up front and 40% is deferred over 3 years. 50% of both the up-front payment and the deferred portion is paid in Poste Italiane's ordinary shares, as follows:

In the event of particularly high variable remuneration – as defined in this document, being € 424,809 (including any medium/long-term incentives computed on a *pro-rata* basis) – 40% of the vested bonus is paid up front and 60% is deferred for 3 years. 50% of both the up-front payment and the deferred portion is paid in Poste Italiane's ordinary shares, as follows and according to the following payout method:

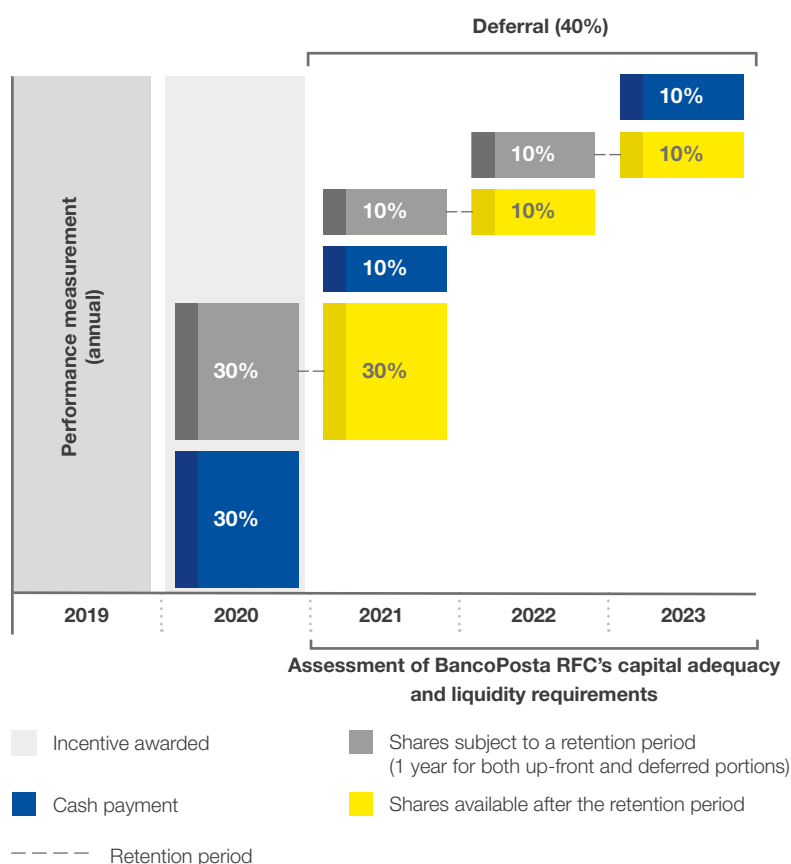
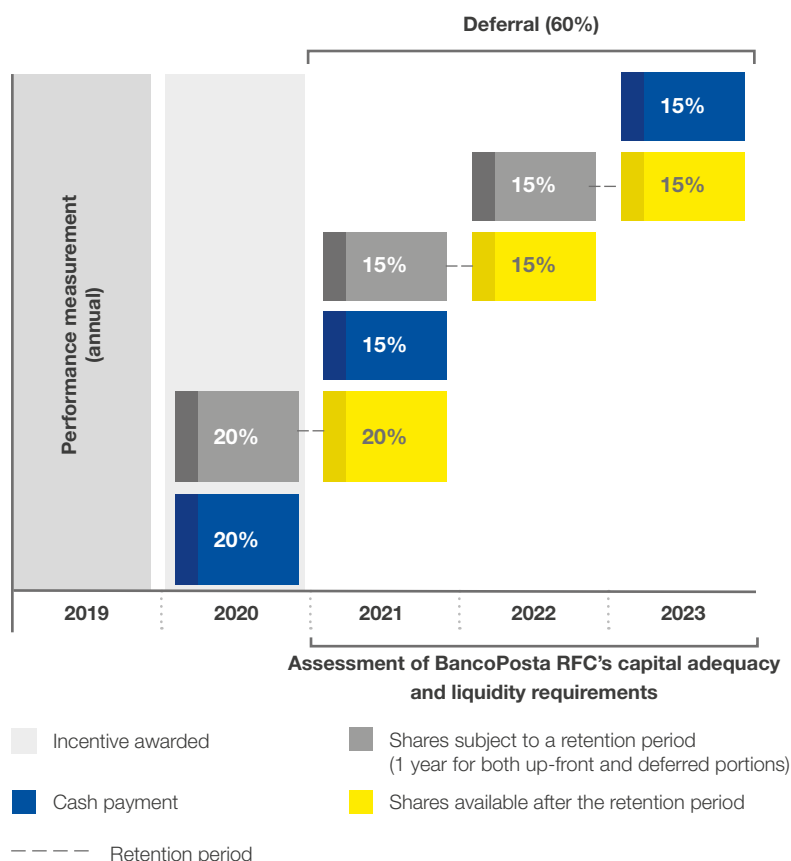


FIGURE 18. METHOD OF PAYMENT UNDER “MBO” SCHEME FOR MRTs NOT BELONGING TO THE SENIOR MANAGEMENT CATEGORY (VARIABLE REMUNERATION ABOVE THE AMOUNT CLASSIFIED AS PARTICULARLY HIGH)



The shares are subject to a one-year retention period for both the up-front and deferred portions (regardless of the payout method).

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 the risk tolerance level of capital and liquidity requirements in relation to the risks assumed.

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”). Below this threshold, the payout is entirely up front in cash, based on the “immateriality” of efforts to align the payout with long-term risk that characterises deferred and/or equity-based payouts.

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 28 May 2019 to approve the Information Circular for the “*Equity-based incentive plans*”, prepared in accordance with art. 114-bis of CLF.

Medium/long-term incentive schemes (LTIPs)³

The medium/long-term incentive plans, set up in line with market practices, aim to link a portion of the variable component of remuneration to the achievement of earnings targets, structural cost savings, risk-adjusted earnings and the creation of sustainable value for shareholders.

The remaining Material Risk Takers are, as a rule, beneficiaries of the following medium/long-term variable incentive schemes:

- the 2019-2021 cycle of the “Performance Share LTIP”;
- the “Deliver 2022 LTIP” (introduced in 2018).

These incentive schemes, unless otherwise stated below, are aligned, in terms of purpose, objectives and principal characteristics, with those described above in relation to the CEO-GM.

The long-term incentive plan named the “Deliver 2022 LTIP” envisages a single assignment and, on achievement of the related performance targets, as a rule over a five-year period⁴ (2018-2022), the payment of a cash sum.

As is the case for the CEO-GM, the long-term variable component of the remuneration of the remaining Material Risk Takers continues to include the second and third (and last) cycles of the “Phantom Stock LTIP” introduced in 2016, with awards in 2017 and 2018.

In line with the arrangement for the CEO-GM, the “Performance Share LTIP” 2019-2021 results in the granting Shares to beneficiaries identified as Material Risk Takers at the end of the performance period. The maximum number of shares reflects the complexity and responsibilities involved in the beneficiary’s role and their strategic importance.

For all beneficiaries identified as Material Risk Takers (including the Head of the BancoPosta function), the “Performance Share LTIP” has the same characteristics as apply to the CEO-GM (hurdle, qualifying conditions, performance targets and payout method).

Poste Italiane will ask the Annual General Meeting of shareholders to be held on 28 May 2019 to approve the Information Circular for the “Equity-based incentive plans”, prepared in accordance with art. 114-bis of CLF.

4.4 Material Risk Takers belonging to the Company’s control functions

The control functions are Risk Management, Compliance and Internal Auditing. In line with the provisions of the “XXV revision of Bank of Italy Circular”, the *HR Business Partner* function will no longer be subject to the cap of one third on the ratio of variable to fixed remuneration, applicable to Material Risk Takers in control functions.

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 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” STI);

3. Personnel belonging to the Company’s control functions are not included among the beneficiaries of the medium/long-term incentive plans.

4. For beneficiaries who are not beneficiaries of the “Phantom Stock LTIP” (2018-2020 cycle), the “Deliver 2022 LTIP” relates to a three-year period, with 25% of the award deferred for a two-year period. The performance targets are designed to incentivise achievement of Group EBIT (a 60% weighting) and personnel cost savings (40% weighting). Further details are provided in the Information Circular approved by the Annual General Meeting of 29 May 2018. The five-year Deliver 2022 LTIP has the same characteristics, including the performance targets already described in relation to the CEO-GM.

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, as a rule, participate in the "Performance Share LTIP". 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" STI).

Though not even subject to the cap of one third on the ratio of variable to fixed remuneration, the incentive schemes for the HR Business Partner function are subject to hurdles and qualifying conditions, are in keeping with the responsibilities assigned and the specific nature of the function, and are not linked to BancoPosta RFC's operating performance.

4.5 Severance payments on termination of employment

In line with market practice and with the Company's policies, it is possible to stipulate provisions/agreements regulating ex-ante the economic aspects of early termination of office/employment, with the aim of avoiding the risk of current or future disputes thus avoiding the risks inevitably connected to a court litigation that could potentially damage the Company's reputation and image, whilst also providing greater legal certainty.

The amount resulting from the implementation of these provisions/agreements is, in any event, capped at 24 months of gross global remuneration, calculated as indicated below, including an amount equivalent to the indemnity in lieu of notice, if any, as contractually established.

Without prejudice to the above cap of 24 months, in the case of Material Risk Takers, the above amount is determined on the basis of the following formula:

- 10 months' if termination occurs during the first year, as Material Risk Takers;
- 16 months' if termination occurs during the second year, as Material Risk Takers;
- 24 months' if termination occurs during the third or a subsequent year, as Material Risk Takers.

For the above purpose, conventionally defined gross global remuneration is calculated taking into account the latest amount of gross annual fixed pay, total gross annual short-term variable remuneration payable at target and the annual value of the medium/long-term variable remuneration, still at target. The above total gross amount determined shall replace any indemnity/indemnification provided under the National Collective Agreement in the event of dismissal, and shall be paid only upon signature of a settlement containing a full waiver in connection with the employment and the positions held, as part of an all-inclusive and final settlement.

The final amount payable shall take into account the risk-adjusted performance and the individual conduct, as described in the section on clawback provisions. In addition, this compensation may be paid only upon condition that BancoPosta RFC's minimum capital adequacy and liquidity requirements are satisfied.

The above payments shall not prejudice the further mandatory entitlements due in any case of termination in accordance with the law or the national collective agreement, including by way of example the so-called TFR.

In the event of termination due to dismissal, the legislation from time to time in effect and the National Collective Labour Agreement apply.

The Company does not, as a rule, enter into non-competition agreements. 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 fixed pay for each year covered by the agreement.

Agreements generally have a duration of one year. Payment takes place in the form and within the limits provided for in the related regulations.

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

With the exclusion of instances where a non-competition agreement has been entered into (on the basis of a non-competition agreement, for the portion that, for each year of duration of the agreement, does not exceed the last year of gross annual fixed pay) or where there is a contractual obligation to pay compensation, 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 the risk tolerance levels for BancoPosta RFC's capital and liquidity requirements.

In the case of the Head of the BancoPosta function, this means that:

- 40% of any payment due on termination of employment is payable as follows: 50% in cash and the remaining 50% in the form of Poste Italiane's shares, subject to a one-year retention period; this amount is subject to verification of compliance with the risk tolerance levels for BancoPosta RFC's capital adequacy and liquidity;
- 60% of any remuneration payable on termination of employment is to be deferred over a period of 5 years *pro-rata*; more than half of the deferred payment is made in the form of Poste Italiane's shares, in line with the arrangements for STI "MBO", subject to a one-year retention period;
- payment of the deferred portion will take place each year, provided that the risk tolerance levels for BancoPosta RFC's capital adequacy and liquidity have been complied with. The same risk tolerance levels must also be complied with at the end of the retention period.

In the case of Material Risk Takers belonging to the Senior Management category, the following applies:

- 60% of any payment due on termination of employment is payable as follows: 50% in cash and the remaining 50% in the form of Poste Italiane's shares, subject to a one-year retention period; this amount is subject to verification of compliance with the risk tolerance levels for BancoPosta RFC's capital adequacy and liquidity;
- 40% of any remuneration payable on termination of employment is to be deferred over a period of 5 years *pro-rata*; more than half of the deferred payment is made in the form of Poste Italiane's shares, in line with the arrangements for STI "MBO", subject to a one-year retention period;
- payment of the deferred portion will take place each year, provided that the risk tolerance levels for BancoPosta RFC's capital adequacy and liquidity have been complied with. The same risk tolerance levels must also be complied with at the end of the retention period;
- if the total variable remuneration last received is above, the level defined in this document as being "particularly high", the payout method is changed, with a deferred component of 60% and payments being structured in line with the approach applied to the STI "MBO" of the Head of BancoPosta.

In the case of Material Risk Takers who do not belong to the Senior Management category, the following applies:

- 60% of any payment due on termination of employment is payable as follows: 50% in cash and the remaining 50% in the form of Poste Italiane's shares, subject to a one-year retention period; this amount is subject to verification of compliance with the risk tolerance levels for BancoPosta RFC's capital adequacy and liquidity;
- 40% of any remuneration payable on termination of employment is to be deferred over a period of 3 years *pro-rata*, with 50% paid in cash and the remaining 50% in the form of Poste Italiane's shares, subject to a one-year retention period;
- payment of the deferred portion will take place each year, provided that the risk tolerance levels for BancoPosta RFC's capital adequacy and liquidity have been complied with. The same risk tolerance levels must also be complied with at the end of the retention period;
- if the total variable remuneration last received is above, the level defined in this document as being "particularly high", the payout method is changed, with a deferred component of 60% and payments being structured in line with the approach applied to the STI "MBO".

It should be noted that, for all the above categories, a sum equivalent to any payment due in lieu of notice, as required by the National Collective Labour Agreement, will be deducted from the total amount and paid in accordance with the statutory requirements in force. In addition, the total amount payable is subject to *malus* and clawback provisions, applicable up to the entire amount paid within five years of disbursement of each awardable incentive and, in any event, within the time limit set by the related statute of limitations, under the circumstances defined in the guidelines for remuneration and incentive policies from time to time in effect.

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 scale⁵ in line with "Guidelines for BancoPosta RFC's remuneration and incentive policies" 2016, 2017 and 2018. 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 gross global remuneration 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 short and long term 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.

No amount is payable under one or more of the circumstances provided for in paragraph 4.7 with regard to *ex post* adjustments.

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

4.6 Remuneration of other BancoPosta personnel (non-Material Risk Takers)

Other BancoPosta personnel (not identified as Material Risk Takers) receive fixed remuneration consisting of a cash component ("fixed pay") and an "in kind" component ("benefit").

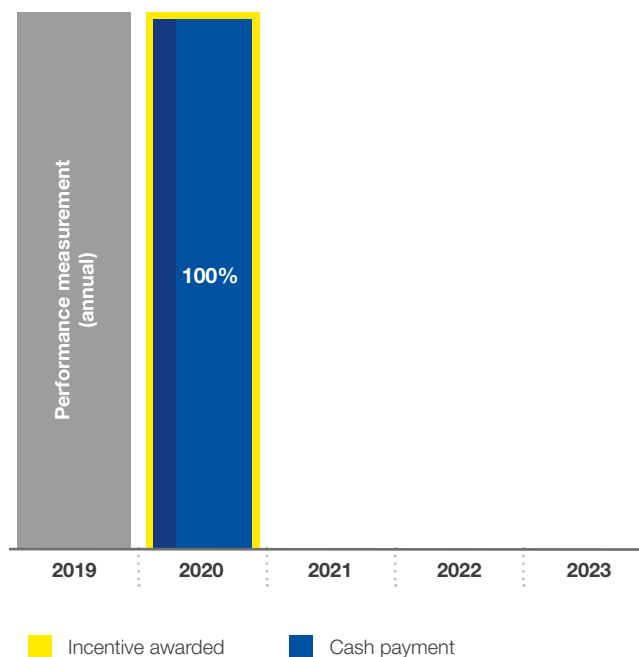
In line with the Group's policies, variable remuneration for BancoPosta personnel not identified as Material Risk Takers is directly linked to Company and individual performance, taking into account the risks assumed in conducting operations (it may, therefore, be significantly reduced, potentially to zero). The following forms of variable pay can be used:

- short-term incentive plan ("MBO"): this is in line with certain characteristics of the plan for Material Risk Takers described above, involving the same qualifying conditions (hurdles, compliance with the RAF and individual qualifying conditions). There are no equity-based payments or deferrals of any bonuses awarded;
- 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;
- 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;

5. The following example is described only to comply with the regulatory requirement requirement by the "XXV revision of Bank of Italy Circular". The Circular requires a cap for severance payments, in terms of both the number of years of fixed compensation payable and absolute amount. The number of years of fixed remuneration on which conventionally defined gross global remuneration is based may, in theory, in the event of recognition of the highest levels of variable remuneration possible, be between four and five years. For 2019, the value of the severance payment, thus determined, may not in any case exceed € 4.5 million, as specified above.

- signing bonus: in exceptional circumstances, such a bonus may be payable to newly hired personnel;
- incentive schemes for specific roles with annual or intra-annual objectives linked to individual or group performance; these are, in any event, subject to meeting capital adequacy requirements.

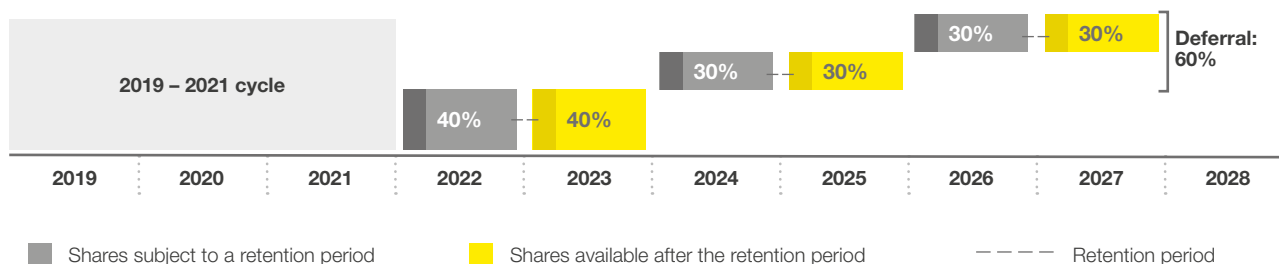
FIGURE 19. METHOD OF PAYMENT UNDER “MBO” SCHEME FOR OTHER BANCOPOSTA PERSONNEL (NON-MATERIAL RISK TAKERS)



A number of personnel not identified as Material Risk Takers may participate in the “Performance Share LTIP”.

For this category of beneficiary, the “Performance Share LTIP” includes a hurdle, qualifying conditions and performance targets in line with the earlier description provided in relation to the CEO-GM and beneficiaries identified as Material Risk Takers. The payout method for the shares also follows the same structure, as shown below::

FIGURE 20. METHOD OF PAYMENT UNDER “PERFORMANCE SHARE LTIP” FOR BENEFICIARIES NOT IDENTIFIED AS MATERIAL RISK TAKERS



None of the Directors or Key Management Personnel is included in BancoPosta's non-Material Risk Takers.

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.

4.7 *Ex ante* and *ex post* adjustments (*malus* and clawback provisions)

Alignment with *ex ante* risk

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, taking the form of hurdles, qualifying conditions and the objectives linked to the various incentive schemes.

Variable components may be guaranteed, provided that levels of capital adequacy and liquidity are in line with prudential requirements, when recruiting new personnel and only for the first year of employment. They are not payable more than once to the same person and are not subject to regulations on the structure of variable remuneration (deferral and/or equity-based). They are included in computation of the ratio of variable to fixed remuneration in the first year of employment, unless they are paid in a single tranche at the time of being hired.

Remuneration designed to compensate new personnel from any reductions in or loss of pay (as a result of *malus* or clawback provisions) deriving from previous employment, unless it is guaranteed variable remuneration, is subject to the applicable regulations depending on whether or not the person is identified as a Material Risk Taker and as defined in these guidelines (e.g. caps on pay, deferral and retention obligations, equity-based payments, *malus* and clawback provisions, etc.).

Alignment with *ex post* risk

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

In line with best market practices and applicable statutory requirements, variable remuneration is subject to clawback provisions on the occurrence of certain events.

The process of applying clawback provisions is carried out in accordance with the related internal procedure adopted by the Company and approved by the Board of Directors on 18 March 2019. 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 responsible for the decision are differentiated according to the profile of the individual involved in the clawback procedure. Any decision regarding the CEO-GM or MRTs is taken by the Board of Directors on the recommendation of the Remuneration Committee.

Clawback provisions are applied taking into account the related legal, social security and tax considerations. Such provisions apply to the beneficiaries of both short- and long-term variable incentive plans.

Within 5 years of disbursement of each awardable incentive and, in any event, 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, without prejudice to the right to claim for any further damages, in the event of:

- conduct not in compliance with the law, regulations, or the bylaws, the Code of Ethics, the 231 Organisational Model regarding corporate liability and/or the Poste Italiane Group's Integrated Policy applicable to the Company, including BancoPosta RFC, or one of the Group companies, and that has resulted in significant losses for the Company, a Group company or for customers;
- further conduct not in compliance with the law, regulations, or the bylaws, the Code of Ethics, the 231 Organisational Model regarding corporate liability and/or the Poste Italiane Group's Integrated Policy applicable to the Company, including BancoPosta RFC, or one of the Group companies, and that gave the beneficiary an advantage in terms of the incentives due;
- violations 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;
- fraud or gross misconduct on the part of the beneficiary to the detriment 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 payments and awards in shares.

The *malus* provisions result in the reduction of any deferred portion of incentives, potentially to zero, including in the event of failure to comply with the risk tolerance levels for BancoPosta RFC's capital adequacy and liquidity 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 circumstances triggering the application of clawback provisions (by way of example, but not limited to, 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. The theoretical bonus payable on achievement of the objectives assigned may be reduced (potentially to zero) if the overall individual performance, assessed through the annual appraisal process, is deemed to be inadequate.

As noted above, BancoPosta personnel identified as Material Risk Takers, 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.

This is confirmed in specific agreements with BancoPosta personnel, under which they are required to give notice of the opening of custody accounts with other intermediaries, in addition to any financial investments in special rights, other than instruments traded on regulated markets, where the instruments directly or indirectly underlying the rights are Poste Italiane's shares.

In compliance with the applicable regulations, Poste Italiane also carries out sample checks on custody accounts held by BancoPosta's Material Risk Takers.

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
- **BancoPosta RFC Regulation:** contains the organisational, operational and oversight rules governing BancoPosta RFC's operations. The document is available on the Company's website (<https://www.posteitaliane.it/it/documenti-bancoposta.html>)
- **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 285/2013, 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 guidelines for the remuneration and incentive 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 related regulations, 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, and the overall adequacy and functionality of the risk management and control system
- **Consolidated Law on Finance (CLF):** the "Consolidated Law on Finance" or Legislative Decree 58 of 24 February 1998 (as amended)
- **Control functions:** BancoPosta RFC's Compliance, Internal Auditing and Risk Management
- **Directors with delegated powers:** Directors who play a particular role within Poste Italiane's Board of Directors, specifically the Chairwoman and the Chief Executive Officer, and who, under the BancoPosta RFC Regulation, fulfil the same role within BancoPosta
- **Financial instruments:** equity or equity-linked instruments, whose value reflects the Company's economic value
- **General Meeting of shareholders:** a gathering at which Poste Italiane's 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 guidelines for the remuneration and incentive policies for members of the management and oversight bodies and all other personnel
- **Key Management Personnel ("KMP"):** 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. In this Annex, reference is made solely to personnel falling within the scope of application of the *"Guidelines for BancoPosta RFC's remuneration and incentive policies"*
- **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 (see the *"Guidelines for BancoPosta RFC's remuneration and incentive policies for 2019"*)
- **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

- **Senior management:** personnel who head major operating or business units with responsibility for strategic decision-making or other key decisions relating to the conduct of the business or the control framework applied or, with regard to BancoPosta RFC, the heads of the Mass Market and Small Business, Affluent, Business and Public Administration, Place Marketing and Sales Force Coordination functions (identified when the Board of Directors approved the list of Material Risk Takers)
- **Shares:** Poste Italiane's ordinary shares
- **Supervisory Standards:** the standards issued by the Bank of Italy for application by BancoPosta RFC
- **XXV revision of Bank of Italy Circular:** 25th update on 23 October 2018 of Bank of Italy's Circular 285/2013 (as amended)

5. Implementation of the remuneration policy for 2018

This section provides a description of the methods adopted in implementing the remuneration and incentive policy for 2018 during 2018, including the decision-making process involving the various corporate functions and bodies, and the compensation paid in 2018 to the Chairwoman and members of the supervisory board, the Chief Executive Officer and General Manager, the Company's control functions and the remaining Material Risk Takers (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 by the Annual General Meeting of shareholders). In addition, quantitative disclosures of the remuneration paid to personnel falling within the scope of application of BancoPosta RFC's remuneration and incentive policies are provided.

5.1 Governance of the remuneration process

The *"Guidelines for BancoPosta RFC's remuneration and incentive policies for 2018"* were defined at the Board of Directors' meeting of 19 April 2018, in consultation with the Remuneration Committee, and approved by the Annual General Meeting of shareholders on 29 May 2018.

The Guidelines are available on the Company's website at <https://www.posteitaliane.it/en/index.html> (in the section, Governance – Remuneration). Assessments of the method of the implementing remuneration and incentive policies and practices for BancoPosta RFC personnel in 2018 have revealed a general level of adequacy.

The Compliance and Risk Management functions conducted a prior assessment of the *"Guidelines for BancoPosta RFC's remuneration and incentive policies for 2018"*, respectively confirming their compliance with the related internal and external requirements and risk policies.

In particular, the Compliance function conducted appropriate checks to ensure the consistency and suitability of the *"Guidelines for BancoPosta RFC's remuneration and incentive policies for 2018"* and of the objectives assigned in respect of the relevant regulatory requirements and the BancoPosta RFC Regulation.

With the support of BancoPosta's Planning and Control, the Risk Management function contributed to determining the risk-adjusted financial indicators to which the incentive plans were 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, provided the Remuneration Committee with the information that the Committee required in order to ensure consistency with BancoPosta RFC's Risk Appetite Framework (RAF). The Head of the Risk Management function was invited to Remuneration Committee meetings when matters having an impact on BancoPosta RFC's risk management and capital and liquidity position were dealt with.

The Compliance and Risk Management functions also contributed, insofar as they are responsible, to the process of identifying Material Risk Takers, coordinated by the HR Business Partner in support of the Head of the BancoPosta function. The number of personnel identified as Material Risk Takers in 2018 was 55 (at 31 December 2018).

The Internal Auditing function also assessed the conformity of remuneration practices with BancoPosta's policies and the relevant regulatory requirements.

5.2 Ex post disclosures

In accordance with the disclosure requirements regarding the method by which the remuneration and incentive guidelines for 2018 were applied and the requirements of “XXV revision of Bank of Italy Circular” and art. 450 of Regulation 575 of 26 June 2013 (the so-called CRR), key data regarding the incentive schemes implemented in 2018 and the relevant tables are provided below.

In particular, in accordance with the guidelines, the variable remuneration schemes implemented were as follows:

- short-term incentive plan (“MBO”): the plan for 2018 was implemented in line with the stricter requirements for Material Risk Takers, involving qualifying conditions for all participants (performance gates, compliance with the RAF and individual qualifying conditions);
- the third cycle of the “Phantom Stock LTIP” (2018 – 2020), in keeping with the terms and conditions set out in the Information Circular approved by the Annual General Meeting of shareholders held on 24 May 2016;
- the five-/three-year “Deliver 2022 LTIP”, implemented in keeping with the terms and conditions set out in the Guidelines for 2018 and in the Information Circular on the three-year plan named “*Equity-based incentive plan for BancoPosta RFC’s Material Risk Takers*”, approved by the Annual General Meeting of shareholders in 2018.

In addition, the following were paid in 2018:

- 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;
- 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 and are made following confirmation of compliance with the RAF in terms of the total amount paid;
- signing bonus: in exceptional circumstances, such a bonus may be payable to newly hired personnel.

The CEO-GM and Key Management Personnel are not included among the beneficiaries of the performance-related bonus, one-off payments or signing bonuses.

Focus on the assessment process for variable incentive schemes

In addition to assessment of the short-term MBO incentive scheme for 2018, the first cycle (2016 – 2018) of the “Phantom Stock LTIP”, introduced in 2016, vested. Key details of the assessments for both plans are provided below.

Short-term “MBO” incentive scheme for 2018

The performance gates and qualifying conditions for the MBO scheme were all met and the related incentives were thus implemented.

Details of the achievement of the performance gates and qualifying conditions for the MBO scheme for 2018, in relation to BancoPosta RFC personnel, are shown below:

FIGURE 21. PERFORMANCE GATE AND QUALIFYING CONDITIONS FOR THE MBO SCHEME IN 2018

Conditions (ON/OFF)	Hurdle	Achievement
Group EBIT (€m)	1,404.0 (Budget)	✓
Capital adequacy at BP RFC - CET 1	15%	✓
Short-term liquidity at BP RFC - LCR	330%	✓

✓ Achieved - ✗ Not achieved

As Figure 21 shows, the MBO scheme for 2018 was subject to hurdles in line with the budget for 2018, all of which were achieved by a wide margin.

First cycle of the “Phantom Stock LTIP” (2016 – 2018)

The performance gates and qualifying conditions for BancoPosta RFC's beneficiaries under the “Phantom Stock LTIP” were also all met, as the following table shows:

FIGURE 22. HURDLE AND QUALIFYING CONDITIONS FOR THE FIRST CYCLE (2016-2018) OF THE “PHANTOM STOCK LTIP”

Hurdle condition for all beneficiaries	Hurdle	Achievement
Cumulative Group EBIT over a three-year period (€m)	2,435	✓

✓ Achieved - ✗ Not achieved

Qualifying conditions for BancoPosta RFC's Material Risk Takers	Hurdle	Achievement
Capital adequacy at BP RFC - CET 1	10.5%	✓
Short-term liquidity at BP RFC - LCR	200%	✓

✓ Achieved - ✗ Not achieved

Satisfaction of the related conditions activated the plan. The performance targets were also met, as shown below:

FIGURE 23. ASSESSMENT OF THE PERFORMANCE TARGETS FOR THE FIRST CYCLE (2016-2018) OF THE PHANTOM STOCK LTIP INTRODUCED IN 2016

Performance targets	Weighting	Min	Target	MaX	Level of achievement
RORAC BancoPosta (three-year average)	60%	25.0%	33.7%	41.0%	>

< Below target / = Target / > Above target

Performance targets	Weighting	Method of measurement	Level of achievement
Poste Italiane's Total Shareholder Return vs FTSE MIB	40%	ON/OFF value: the target is achieved if Poste Italiane's TSR is above the TSR for the FTSE MIB in the relevant three-year period (1 Jan 2016 – 31 Dec 2018)	TSR Poste Italiane 16.3224% TSR FTSE MIB -5.6196% ✓

✓ Achieved - ✗ Not achieved

Aggregate quantitative disclosures

The aggregated amounts shown in the following tables reflect BancoPosta RFC's organisational structure at 31 December 2018.

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 2018
Members of supervisory board	8	€ 1,067,500
Members of management board	1	€ 1,686,389
Marketing functions	171	€ 11,131,543
Company functions	167	€ 9,083,857
Control functions	126	€ 7,223,751
Other	6	€ 586,950

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 2018);
- **Variable remuneration** (estimated short-term MBO incentive plan – up-front and deferred –, the first cycle (2016-2018) of the “Phantom Stock LTIP”, the performance-related bonus, one-off payments and signing bonuses).

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.

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	€ 1,255,000	€ 431,389	€ 215,695		€ 215,695	
Non-executive Directors	8	€ 1,067,500					
Senior management	9	€ 1,945,559	€ 1,097,590	€ 405,635		€ 691,955	
Control functions	16	€ 1,692,463	€ 409,460	€ 365,355		€ 44,105	
Other Material Risk Takers	21	€ 2,395,885	€ 699,412	€ 548,959		€ 150,453	

Notes to Table B:

Details of **fixed** and **variable remuneration** are provided in the notes to Table A. Above all, in keeping with the “Guidelines for BancoPosta RFC's remuneration and incentive policies” and the information circulars on equity-based incentive plans, the item, “Equity-based instruments” shows the best estimate, at the time of preparation of this document whilst awaiting approval of the Company's financial statements, of the face value of the phantom stocks linked to the MBO scheme for 2018 and to the first cycle (2016-2018) of the “Phantom Stock LTIP”.

The “**senior management**” category 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 2018, whilst the heads of the “**Control functions**” are included in the specific category together with their control teams.

The beneficiaries of the third cycle of the “Phantom Stock LTIP” (2018-2020) include the CEO-GM and 7 senior managers. The rights attaching to the Phantom Stocks have yet to vest. To provide full disclosure, the annualised value of the portion recognised in the financial statements for 2018 for the CEO-GM amounts to € 90,111, whilst the amount for beneficiaries in the senior management team is € 95,023.

The beneficiaries of the three-/five-year “Deliver 2022 LTIP” include the CEO-GM, 5 senior managers and 12 other Material Risk Takers. The awards linked to this plan have yet to vest. To provide full disclosure, the annualised value of the award at target for the CEO-GM is € 273,077, for the senior managers is € 168,232, and for the other Material Risk Takers is € 215,304.

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*
Executive Directors	€ 423,940	€ 55,036	€ 368,905	€ 55,036	€ 55,036
Non-executive Directors					
Senior management	€ 585,895	€ 47,027	€ 538,869	€ 47,027	€ 47,027
Control functions	€ 91,919	€ 16,270	€ 75,649	€ 16,270	€ 16,270
Other Material Risk Takers	€ 156,121	€ 10,219	€ 145,902	€ 10,219	€ 10,219

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..

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	Largest amount awarded per person
Executive Directors						
Non-executive Directors						
Senior management	1	€ 20,000				
Control functions						
Other Material Risk Takers	1	€ 20,000				

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
0	Between € 1 and € 1.5 million
1	Between € 1.5 and € 2 million
0	Between € 2 and € 2.5 million
0	Between € 2.5 and € 3 million
0	Between € 3 and € 3.5 million
0	Between € 3.5 and € 4 million
0	Between € 4 and € 4.5 million
0	Between € 4.5 and € 4 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, Matteo Del Fante, whose total remuneration is in excess of € 1 million and, in particular, is between € 1.5 million and € 2 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	€ 480,000		€ 480,000
Each member of management board:				
Chief Executive Officer and General Manager	1	€ 1,255,000	€ 431,389	€ 1,686,389
General Manager				
Joint General Managers				
Deputy General Managers				

Notes to Table F:

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

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Poste Italiane SpA

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