UniCredit Group’s reply
to EBA CP 46 on Remuneration benchmarking exercise
and CP 47 on Remuneration data collection exercise regarding high earners

GENERAL REMARKS

UniCredit welcomes the opportunity to participate in the European Banking Authority (EBA) consultation on Guidelines on the Remuneration benchmarking exercise (CP46) and on Guidelines on Remuneration data collection exercise regarding high earners (CP47). We would make the following general remarks on the drafted papers:

- The guidelines on data collection and benchmarking set a basis for common reporting and greater disclosure and consistency of remuneration information across the EU. We welcome the initiative and stress the importance of transparency on compensation, while maintaining a consistent level playing field across industry.

- We invite EBA to further clarify the reporting approach for multinational organizations, such as UniCredit, specifying what data local companies controlled by Group are expected to report to each local authority and what data the parent company is required to report to its local supervisor. It is important that agreement is reached between regulators in different countries with respect to general remuneration disclosures, so that disclosure in the home country can be sufficient to meet the requirements in all the countries in which a firm operates. We highlight that the current reporting requirements in different jurisdictions vary significantly; in order to avoid overlaps, duplications and misinterpretations of local and EU reporting, the EBA should foster consistency in the timing and format of any disclosure requested by local authorities.

- We invite EBA to take in consideration the cost/benefit tradeoff between the type and complexity of data requested and the added value in terms of transparency and comparability. Consistency with accounting principles and balance sheet data is a crucial issue to be addressed at international level. Moreover, the inclusion of benefits within total compensation data is particularly critical in the absence of a common international approach to their monetary evaluation; different methodologies present significant constraints with respect to the intended comparison and interpretation of benefits within total compensation benchmarking. We suggest introducing data collection for benefits only once a common benchmarking methodology has been identified together with all involved financial institutions and perhaps drawing upon consultancy expertise in the compensation benchmarking field.
**SPECIFIC CONSIDERATIONS**

**CP 46 on Remuneration benchmarking exercise**

**Article 2 – Information to be submitted**

Significant institutions are asked to submit to the national supervisory authorities the templates provided in Annexes 1 and 2 of the document.

Regarding data required in **Annex 1**, following clarifications would be helpful:

- **Business areas by which data should be submitted were defined as:** Investment banking (incl. corporate finance, private equity, capital markets, sales & trading), Retail banking, Asset management and All other.

  *We suggest* EBA to take into due consideration differences among organization structures for data gathering and reporting purposes. Annual financial reporting is directly linked to different divisions/areas organization in line with standard accounting principles and the same approach should be adopted for this benchmarking. For example, UniCredit’s balance sheet is segmented according to its divisional business model and geographic presence; therefore the requested data should be segmented in a consistent way.

- **Total number of staff should be provided by each business areas, “based on the institutions’ year-end performance numbers.”** Yet, it is not clear if institutions are requested to provide data regarding FTEs or the headcount as at the end of year.

  *We suggest* EBA to consider number of FTEs rather than headcount, as more relevant and comparable across companies. Moreover, FTEs indicator is driving HR costs and is usually disclosed in annual company reports according to standard accounting principles.

- **We observe that the Net profits related to previous year are requested to be split by business area.** Our concern relates to the fact that, for financial Groups such as UniCredit, consolidated accounting means that profits net of taxation may not be available or representative at this level of granularity. Moreover, tax allocation provided by local legislation may impact the objective interpretation of actual results of the organization.

  *We suggest* a similar indicator that excludes the impact of taxation, for example PBT (Profit before taxes) which includes taxes but is net of provisions. We highlight that such a definition would in any case reflect risk provisions.

- **We observe that it is requested the total remuneration amounts related to previous year, by business areas, should be gross numbers, including all costs for the institutions, except mandatory contributions to social security and comparable schemes.** For comparability reasons and considering different split of HR costs in different organizations, we are in favour of benchmarking most relevant remuneration items rather than aggregating together different HR cost elements.
We kindly ask EBA to clarify and detail the elements to be considered under “Total remuneration cluster”. At the same time, we suggest EBA to limit the definition to include the Fixed & Variable HR costs. These are not only the most consistent and comparable indicators across companies, but are also those components most reflective of the remuneration trends under the scope of attention. In this approach, elements such as travel or lunch allowances, unused holiday costs (included in HR Costs for accounting purposes) would be excluded.

- We observe that footnote 5 regarding “All other business areas” defines this category as “staff that cannot be allocated to one of the designated business areas. In this case, institutions should add a footnote explaining in which business areas these high earners work”. Firstly, it is not clear if “all other business areas” should include non-business parts of the organization (for instance, corporate centre or support functions) or they refer only to business areas. Secondly, the reference to high earners seems incorrect, and creates some doubt as to whether data for high earners should be provided also in this template (disclosure for this population covered by consultation paper no. 47).

We kindly ask EBA to review and clarify footnote 5.

Regarding data required in Annex 2, following clarifications would be helpful:

- Financial institutions are asked to provide amounts of Total fixed remuneration, including benefits. As there is no homogenous method to evaluate the monetary value of benefits, we are not in favor of including benefits-related data. One possible method to provide objective monetary value is the fiscal value (method usually adopted in annual reports), but this approach appears less relevant within this reporting exercise, since not reflective of the compensation offer to employees and not comparable across different fiscal jurisdictions. Another possible method is based on company cost, but it has the same significant comparability limitation due to differences in benefits value calculation and cost allocation provided by each country regulations.

We suggest EBA to consider excluding benefits-related data from the requested templates. The benchmarking of benefits should be subject to an in-depth industry-wide study while analyzing and deciding about the most relevant and homogenous way of reporting them for the future.

- Financial institutions are asked to provide “Amounts of performance adjustment applied in year N for payments in year N or remuneration awarded in previous years”. We would interpret this as amounts of variable compensation to be actually paid (starting from a target amount based on expected performance achievements and considering the actual level of performance i.e. the difference between target variable compensation and actual pay).

We kindly ask EBA to clarify the above definition.
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