

I V E C O • G R O U P

REMUNERATION

POLICY

30 December 2021

# Remuneration Policy

## 1. Introduction

This Remuneration Policy for Iveco Group N.V. (“Iveco” and the “Company”) has been developed by the Human Capital and Compensation Committee (“Compensation Committee”) of the Board of Directors (“Board”). The Remuneration Policy provides the framework for the remuneration of our Board in line with the legal requirements contained in the Dutch Civil Code (“DCC”) and the Dutch Corporate Governance Code (“DCGC”). The Remuneration Policy has been approved by the shareholders of Iveco on 30 December 2021.

The Remuneration Policy covers both executive directors (“Executive Directors”) and non-executive directors (“Non-Executive Directors”). With respect to Executive Directors, the Remuneration Policy intends to provide a compensation structure that allows the Company to attract, develop and retain highly qualified senior executives in a large enterprise with diverse products and markets. With respect to Non-Executive Directors, the Remuneration Policy intends to provide market-competitive fixed compensation that is not dependent on the results of the Company, which enables the Company to acquire the depth and breadth of governance and leadership skills needed to help guide a complex organization.

When determining the Remuneration Policy, the Compensation Committee has taken into account multiple scenario analyses, as well as the pay differentials within the Company. In addition, compensation levels offered in the market as well as shareholder and general societal views with respect to remuneration of the Board have been considered. The Company follows a pay for performance compensation philosophy at all levels in the organization, which is the essence of our Remuneration Policy. Within the Remuneration Policy, both external and internal pay comparisons are considered when setting the appropriate competitive pay levels and adopting competitive pay practices.

The Board is responsible for the implementation of this Remuneration Policy. The remuneration of the Executive and Non-Executive Directors will be determined by the Board, at the recommendation of the Compensation Committee, within the scope of this Remuneration Policy, provided that the Executive Directors may not participate in the decision-making regarding the determination of the remuneration for the Executive Directors.

At least every four years, the Compensation Committee will review the Remuneration Policy and make recommendations to the Board in respect of any proposed changes. Deviations from policy in case of exceptional circumstances are covered in *Section 13: Derogation*.

A copy of the Remuneration Policy is available on the Company’s website, [www.ivecogroup.com](http://www.ivecogroup.com).

## **2. Ambitions and Approach**

Iveco Group is a leading global capital goods group engaged in the design, production, marketing, sale, servicing, and financing of trucks, commercial vehicles, buses and specialty vehicles for firefighting, defence and other uses, as well as combustion engines, alternative propulsion systems, transmissions and axles for those vehicles, and engines and alternative propulsion systems for agricultural and construction equipment and for marine and power generation applications. It employs some 33,500 people, with manufacturing, commercial, and financial services companies in 36 countries.

Worldwide, our industries are facing an ever-accelerating rate of change driven by economic and social macro-trends, while specific megatrends – such as digitalization, automation, low-/zero-emission propulsion and servitization – continue to impact our businesses. For Iveco Group, digitalization and connectivity are enablers of automation and autonomous vehicles; servitization and the services around our products lead to new business models; and climate change drives the development of alternative propulsion systems and new solutions.

We believe we are well-placed to benefit from these trends due to our strong, historic presence across the full range of Commercial and Specialty Vehicles, as well as our focus on innovation and the development of advanced and sustainable solutions, including reduced- and zero-emissions powertrains, cloud-connected driver assistance systems, and emerging autonomous driving technologies. We have a proven ability to reinforce these existing competitive strengths through the creation of an innovative and mutually beneficial partnership ecosystem.

Iveco Group inherits from CNH Industrial a strong commitment to a sustainable future and recently signed The Climate Pledge, a commitment co-founded by Amazon and Global Optimism to reach net zero carbon by 2040, ten years ahead of the goal set by the Paris Agreement. This intention is an integral element of the Company's wider ESG commitments, including those related to workplace and on-road safety, inclusivity, equity & diversity, and environmentally friendly product lifecycle management. We have also integrated a range of carbon-reduction initiatives and specific climate-related topics into the sustainability plan disclosed in the 2020 Sustainability Report of CNH Industrial, defining long-term strategic targets that will drive our business strategy.

Also built into our business strategy is our new DRIVE Operational Excellence Programme, which is designed to deliver improvements across the board in all aspects of operational performance, and specifically in the areas of quality, capex and R&D, pricing, and product mix.

Iveco Group is on the road to a New Energy Future. We will take inspiration from this ambition to create our corporate vision and mission, basing both on values that define who we are and are shared by all.

## **3. Compensation Philosophy**

The quality of our leaders and their commitment to the Company are fundamental to our success. Our compensation philosophy supports our business strategy and growth objectives in a diverse and ever-evolving global market. The Remuneration Policy is designed to competitively reward the achievement of long-term performance goals and to attract, motivate and retain highly qualified

senior executives who are committed to performing their roles in the long-term interests of the Company, its shareholders and other stakeholders in line with our missions and values. Our Remuneration Policy, which balances both European and Global pay practices, supports our need to compete internationally for top talent and leaders, given our extensive worldwide presence.

The Company has instilled a strong performance culture over the years largely through our long-standing pay-for-performance philosophy and rigorous performance management process that our leaders' model, instruct and coach throughout the organization. A key element of our compensation philosophy is to use incentive pay to drive organization-wide alignment with shared company goals and values, and to reward achievement of those goals in a manner consistent with our purpose, vision, missions and values.

#### **4. Remuneration Principles**

The following principles guide our efforts to provide compensation to Directors, and other senior leaders, consistent with our business goals and core values:

**Alignment with Iveco Group N.V.'s Strategy:** Compensation is strongly linked to the achievement of targets aligned with the Company's publicly disclosed objectives.

**Pay for Performance:** Compensation must reinforce our performance-driven culture, based on merit. As such, the majority of pay is linked directly to the Company's performance through short-term and long-term variable pay instruments for Executive Directors and other senior leaders.

**Competitiveness:** Compensation will be competitive relative to the comparable market and at a level to attract, retain and motivate very effective leaders and highly qualified executives in a global company.

**Long-Term Shareholder Value Creation:** Targets triggering any variable compensation payment should align with the interests of shareholders and other stakeholders.

**Compliance:** Our compensation policies and plans are designed to comply with applicable laws and corporate governance requirements.

**Risk Prudence:** The compensation structure will avoid incentives that encourage unnecessary or excessive risk taking that could adversely impact the Company.

#### **What We Do**

We have a simple and transparent remuneration structure at all levels of the organization.

We pay for performance and conduct scenario analyses to test the link between pay and performance.

We consider pay ratios within the Company in establishing Executive Directors' pay.

We use appropriate incentive pay programs to balance the short-term and long-term focus and drive the achievement of short-term and long-term goals.

We align goals and values organization-wide through incentive pay and rigorous performance management.

We set predetermined stretch goals for incentive pay programs.

We have robust stock ownership and share retention guidelines.

We have claw-back policies incorporated into our incentive plans.

We require a double trigger for change of control provisions, meaning both 1) a change of control and 2) an involuntary termination of employment without "Cause" (as will be defined in the Iveco Group N.V. Equity Incentive Plan) must apply.

### **What We Do Not Do**

We do not offer Executive Director contracts that contain separation payments in excess of 12 months' pay.

We do not offer remuneration that encourages our Executive or Non-Executive Directors to take any unnecessary or excessive risks or to act in their own interests.

We do not reward below threshold performance.

We do not grant loans or give guarantees to Executive or Non-Executive Directors.

## **5. Benchmarking Executive Compensation**

The Company periodically benchmarks its executive compensation program and the compensation offered to Directors against peer companies and monitors compensation levels and trends in the market as well as in general, international standards regarding appropriate remuneration. The Compensation Committee seeks to have a compensation peer group that best reflects all aspects of Iveco Group N.V.'s businesses and considers public listing, industry practices, geographic reach and revenue proximity. Notwithstanding Iveco Group N.V. being a European headquartered company, evaluation against peer companies incorporated in exclusively the European geographic region is believed not to be fully accurate. Accordingly, the compensation peer group for the Executive Directors includes a majority of European industrial companies, targeting an overall median revenue size comparable to Iveco Group N.V. A blend of both European and international companies for the compensation peer group is deemed necessary for meaningful comparisons to the relevant talent market for our executives. The Company's compensation peer group, as well as any changes to its composition, will be disclosed in the annual Remuneration Report.

## **6. Internal Pay Ratios**

When setting the Executive Directors' compensation, the Compensation Committee considers both appropriate external benchmarks as well as the internal pay ratios within the Company. Although the primary consideration is market competitiveness to attract and retain highly qualified senior executives in a large global complex organization, a baseline internal comparison is set, and trends are tracked. The trends in executive compensation are closely and carefully evaluated in relation to the trends in employee compensation.

In line with the guidance under the DCGC, the actual internal pay ratio between the Chief Executive Officer (“CEO”) and employees as well as the trend will be disclosed in the annual Remuneration Report.

## **7. Overview of Remuneration Elements**

The remuneration structure for Executive Directors provides a fixed component and short-term and long-term variable components. In addition, market relevant post-employment benefits and other customary fringe benefits are provided. The Company believes that such a remuneration structure promotes the interests of the Company and its stakeholders in the short-term and long-term. In determining the level and structure of the compensation of Executive Directors, the Board will consider, among other things, the financial and operational results as well as non-financial objectives of the Company.

Non-Executive Directors will receive fixed payments only and no variable compensation. Customary fringe benefits may apply.

Executive Directors’ remuneration consists of the following primary elements:

Remuneration Element	Description	Purpose
Base Salary	Fixed cash compensation targeted at median base salary of appropriate peer group and position.	Attracts and rewards well-qualified senior executives
Short-Term Variable	<p>At risk pay, subject to the achievement of annually pre-established, challenging financial and other quantifiable performance objectives, tied to the annual operating plan goals</p> <p>Threshold, target and maximum incentives set competitively versus peer pay practices, with maximum payout capped at 200% of target.</p> <p>No guaranteed minimum bonus</p> <p>Scenario analyses performed to align short-term variable pay to the actual annual operating performance</p>	<p>To focus on and drive the business priorities company-wide for the current or next year</p> <p>Motivates executives to achieve performance objectives that are critical to the Company's annual operating and strategic plans</p>
Long-Term Variable	<p>At risk pay, subject to the achievement of predetermined challenging financial and other objectives, covering at least a three-year performance period and linked to the strategic business plan long-term goals, consisting of Company performance-based awards (Performance Share Units or PSUs)</p> <p>Threshold, target and maximum incentives set competitively versus peer pay practice</p> <p>PSUs' must meet threshold performance and maximum payout is capped at 200% of target</p> <p>In order to encourage share ownership and recognize commitment, retention-based awards (Restricted Share Units or RSUs), may be also offered to Executive Directors. RSUs have no upside opportunity, paying at target, subject to favorable individual performance and demonstration of Company values</p> <p>Five-year holding period from grant for equity awards</p>	<p>Encourages executives to achieve long-term strategic objectives through the Company performance-based PSU awards</p> <p>Motivates executives to deliver sustained long-term growth</p> <p>Aligns executives to shareholders' interests, through long-term value creation</p>
Pension and benefits	The Executive Directors participate in retirement saving plans in accordance with Company's policy and local regulations. Common and customary benefits are provided in line with market practices.	

## **Base Salary**

As described above, base salary takes into consideration the Executive Director's skills, experience, scope of responsibilities, and the competitive market. The Company's policy is to periodically benchmark comparable salaries paid to other Executive Directors in its compensation peer group. Base salary increases are not guaranteed for Executive Directors and their agreements do not contemplate automatic base salary increases. Salary increases will be made taking into account those awarded to the Company's wider employee population.

## **Variable Components**

Executive Directors are eligible to receive variable compensation contingent on the achievement of pre-established, challenging financial and other designated performance objectives that are approved by the Company's Non-Executive Directors. The variable components of the Executive Directors' remuneration demonstrate the Company's commitment to shareholders and long-term value creation by using metrics that align with the Company's strategy of delivering exceptional operating performance and shareholder returns.

Scenario analyses are carried out annually to examine the relationship between the performance criteria chosen and the possible outcomes of the Executive Directors' variable remuneration. Such analyses help ensure a strong link between remuneration and performance and serve as a check on whether chosen performance criteria strongly support the Company's strategic objectives and are appropriate under both the short-term and long-term incentive components of total remuneration.

In case an Executive Director is hired from outside the Iveco Group, there is flexibility to award additional cash or equity if and where necessary to compensate forfeiture of incentive awards upon leaving existing employment.

### **(a) *Short-Term Variable Incentives***

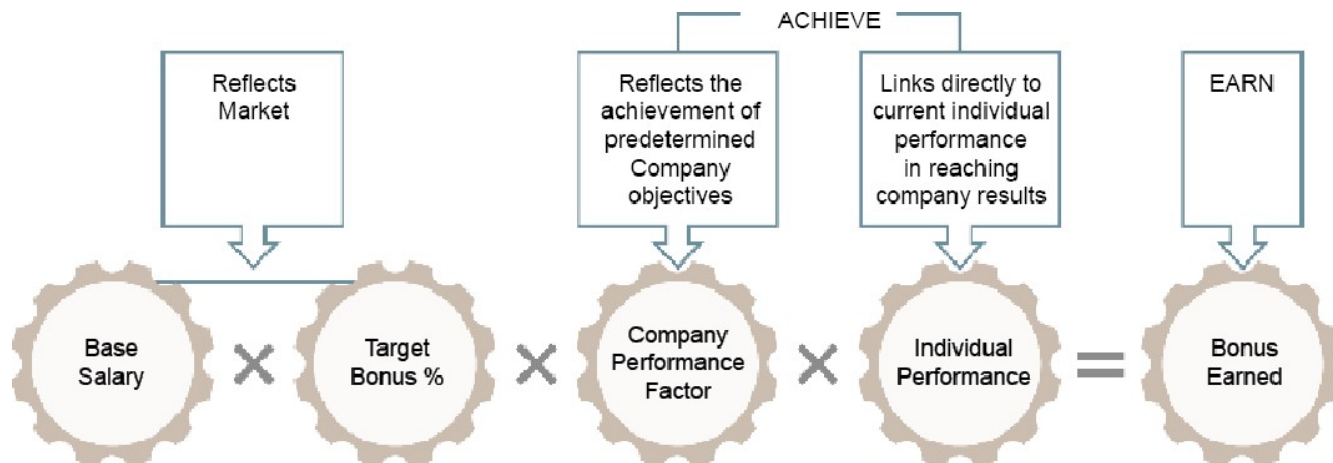
The primary objective of short-term variable incentives is to focus on the business priorities for the current or following year. The CEO is eligible for participation in the annual incentive plan. The Chairperson is not eligible for participation.

The CEO's short-term variable incentive compensation is based on achieving short-term (annual) financial and other designated goals proposed by the Compensation Committee and approved by the Chairperson and Non-Executive Directors each year.

For the CEO, the annual on-target bonus will be equal to 110% of the base salary with a payout ranging from zero to 200% of target according to goals achievement.



## The Methodology for Determining Company Bonus Plan Awards:



The bonus elements and calculations for the CEO follow the same Achieve and Earn philosophy for all Company Bonus Plan eligible employees, except for the individual performance factor that applies to other bonus eligible employees. As a result, there is no subjective discretion by the Board in determining the outcome of the CEO's bonus, in line with the DCGC.

When determining the CEO's annual incentive compensation, the Compensation Committee and the Non-Executive Directors:

- select the particular objectives and the relative weighting of such objectives;
- set the stretch objectives;
- review the actual performance to determine the appropriate overall measurement of achievement of the objectives;
- review and approve the final bonus calculation.

The Compensation Committee, in its sole discretion, pre-establishes performance criteria based on one or more goals including, but not limited to, financial and non-financial goals at the Corporate or Industrial level or market goals, and can choose trends, ratios, absolute or relative goals. The measurement may also include or exclude unusual and extraordinary items. Some potential financial metrics include revenue, revenue growth, operating margin, EBITDA, EBIT, EBIT Margin %, net income, cash flow, cash conversion ratio, net debt, EPS, Return on Assets, Return on Invested Capital, Return on Equity, reduction in inventory, and improved working capital among other things.

For non-financial goals, the Compensation Committee may consider, but is not limited to, operational performance metrics, such as market share or quality improvement or sustainability metrics tied to improvements in the areas of Environmental, Social or Governance concerns, such as CO<sub>2</sub>-emissions reductions, accident frequency reduction, increase in electricity consumption from

renewable energy sources, or increases in diversity and inclusion, and most notably those committed to in the strategic plan and in the Company's Sustainability report.

Each year, the Compensation Committee establishes challenging goals in line with the annual operating plan approved by the Board. There is no minimum bonus payout. If none of the threshold objectives are achieved, the CEO receives no annual incentive compensation. The overall profitability of the Company is further considered prior to approving any bonus payout.

The targeted incentive for the annual bonus program is determined upon a periodic review of appropriate benchmarks. If upon a competitive review of each compensation element, the targeted and maximum short-term incentives warrant an adjustment to remain competitive, the Remuneration Policy reserves the right for the Board to make such adjustments, which will be reported in the Remuneration Report.

### **(b) Long-Term Variable Incentives**

The Executive Directors may be eligible to be granted annual Long-Term Incentive awards under the future Company's equity incentive plan in the form of performance stock units ("PSU") covering at least a three-year performance cycle. Such awards will be determined by the Compensation Committee and approved by the Non-Executive Directors.

Long-term incentive compensation is a critical component of the Executive Directors' compensation structure and is designed to:

- align the interests of the Executive Directors and other key contributors with the interests of the Company's shareholders and other stakeholders;
- motivate the attainment of the Company's financial and other performance goals and reward sustained long-term value creation; and
- serve as an important attraction and long-term retention tool that management and the Compensation Committee uses to strengthen loyalty to the Company.

All employee equity awards, including those of the Executive Directors, will be governed by the Iveco Group N.V. Equity Incentive Plan ("EIP") as in place from time to time. The EIP will be proposed for adoption as required by Dutch law by the General Meeting of the Company. The EIP will be an umbrella plan, specifying the general terms and conditions applicable to all long-term incentive equity awards, and after having been adopted it will be an integral part of the Remuneration Policy. The EIP will be made available on the Company's website, [www.ivecogroup.com](http://www.ivecogroup.com). Referenced in the EIP will be an inexhaustive list of metrics that may be considered to link long-term incentives to performance, including various growth and earnings metrics (e.g. revenue, market share, net income, earnings per share, EBIT), return metrics (e.g. Return on Invested Capital and Return on Assets), ESG metrics, operational metrics (e.g. quality improvements and improved credit rating), and market metrics (e.g. Total Shareholder Return).

When determining the Executive Directors' long-term incentives, the Compensation Committee and the Non-Executive Directors, within the scope of the EIP:

- select the particular objectives and the relative weighting of such objectives;

- set the stretch objectives;
- review the actual performance to determine the appropriate overall measurement of achievement of the objectives;
- review and approve the final equity award determination.
- The targeted long-term incentive award for the Executive Directors consists of performance stock units (“PSU”), linked to the Company’s long-term strategic business plan goals.
- the maximum payout of the long-term incentive plan is 200% of target.

In order to encourage share ownership and recognize commitment, retention-based awards (Restricted Share Units or RSUs), may be also offered to Executive Directors. RSUs have no upside opportunity, paying at target, subject to favorable individual performance and demonstration of Company values.

Executive Directors’ equity awards are long-term investments in the Company and fully align with the shared interests of shareholders. Further linkage to long-term value creation is supported by a requirement that Executive Directors hold their equity awards for a minimum of five years from date of grant, consisting of a three-year performance period and an additional two-years’ holding period.

For the variable pay elements, the targeted and maximum incentives are determined upon a periodic review of the appropriate benchmarks for executive compensation, a combination of Europe and Global peers. The Compensation Committee can make adjustments, when deemed necessary, which will be reported in the annual Remuneration Report.

## **Other benefits**

### ***Pension and Retirement Savings***

The Executive Directors may be entitled to receive employer pension contributions in compliance with local requirements and Company’s policies.

To the extent any new Executive Directors join the Board in the future, their pension contribution rate will be in line with local requirements and Company’s policies.

### ***Severance Benefits***

In the event of an involuntary termination of employment other than for cause, the CEO may receive up to a maximum of twelve months’ base salary, in accordance with the DCGC. Payment of severance benefit is contingent upon the CEO complying with restrictive covenants, such as non-competition and non-solicitation, for a period of two years. Separation provisions for the Executive Directors may also include pro-rated vesting of equity awards in the event of death, disability or involuntary termination by the Company, unless for cause.

## ***Fringe Benefits***

Customary perquisites and fringe benefits, such as a company car, medical insurance, accident insurance, tax preparation assistance, relocation and retiree healthcare benefits, may be offered to Executive Directors in line with competitive offering for executives in the country where employed.

## ***Tax Equalization***

If, as a result of the Executive Directors' global roles in the Company, employment income arises in multiple countries, the Executive Directors may participate in the Company's tax equalization policy for globally mobile employees, which provides tax equalization to the country where employed.

## **8. Recoupment of Incentive Compensation (*Clawback Policy*)**

The Board is dedicated to maintaining and enhancing a culture focused on integrity and accountability. The Recoupment Policy that will be included in the EIP, which defines the terms and conditions for any subsequent long-term incentive program, and in the Company Bonus Plan (the "CBP"), which defines the short-term incentive program, as well as in any executive employment agreements, authorizes the Company to recover, or "clawback," incentive compensation with the ability to retroactively make adjustments if any cash or equity incentive award is predicated upon achieving financial results and the financial results are substantially subject to an accounting restatement, regardless of fraud or misconduct.

The Company will recover from any current or former executive officer of the Company who received incentive-based compensation (including equity awarded as compensation) during the three-year period preceding the date on which the Company is required to prepare an accounting restatement, the excess of the amount of such incentive-based compensation received based on the erroneous data over what would have been paid to the executive officer under the accounting restatement.

## **9. Terms of Engagement Management**

### **Executive Directors**

The Company's current Remuneration Policy is that Executive Directors are appointed by the General Meeting, they are engaged for an indefinite period of time and are employed at will, meaning either party can terminate the relationship at any time. . The CEO's employment agreement furthermore provides for other usual and customary terms and conditions for similar agreements relating to executive officers, including confidentiality obligations, non-solicitation and non-compete covenants during the effectiveness of the employment agreement and for a period of two years after the termination of the agreement.

### **Non-Executive Directors**

The remuneration of Non-Executive Directors is governed by the Iveco Group N.V. Directors' Compensation Plan within the scope of the Remuneration Policy and is periodically reviewed by the Compensation Committee.

The Governance and Sustainability Committee periodically assesses the skills represented on the Board and determines whether these meet the Company's needs. The fee structure for Non-

Executive Directors has been designed to ensure that the Company attracts, retains and appropriately compensates a diverse and internationally experienced board of Non-Executive Directors. On and from Admission, each independent Non-Executive Director shall be entitled to a fee per annum of:

Retainer fee as Non-Executive Director	€ 110,000
Additional retainer for Audit Committee member	€ 22,000
Additional retainer for Audit Committee Chairman	€ 30,000
Additional retainer for member of other Board committees	€ 18,000
Additional retainer for Chairman of other Board committees	€ 22,000

Remuneration is reviewed from time to time and is not linked to the price of the Common Shares or the Company's performance.

Each Non-Executive Director is also entitled to reimbursement of reasonable expenses incurred in connection with the attendance of Board and Board committee meetings.

The Non-Executive Directors are not entitled to receive any compensation on termination of their appointment and are not entitled to participate in the Company's bonus or pension schemes.

The Non-Executive Directors are subject to confidentiality undertakings without limitation in time. They are not subject to non-compete restrictive covenants.

The Non-Executive Directors will receive their annual retainer fee, committee membership, and committee chair fee payments only in cash. Remuneration of Non-Executive Directors is fixed and not dependent on the Company's financial results and as such are not eligible for variable compensation and will not participate in any Company incentive plans.

Directors eligible to receive compensation under the Iveco Group N.V. Directors' Compensation Plan will not receive benefits upon termination of their service as directors.

Non-Executive Directors are subject to share ownership guidelines and are expected to hold such shares as a long-term investment.

Other than the terms of the Directors' Compensation Plan, no other arrangements are in place for the Non-Executive Directors.

## **10. Stock-Related Provisions**

### **Stock Ownership**

Our Board recognizes the critical role that executive stock ownership has in aligning the interests of management with those of shareholders. The Executive Directors are subject to share ownership guidelines, which require that they own Company shares with an aggregate value of not less than five (5) times base salary within five (5) years from the start of their respective assignments.

Non-Executive Directors are subject to share ownership guidelines which state that directors are expected to acquire, within 24 months of the date of their appointment, Company stock in an amount

not less than one time their annual retainer fee. Non-Executive Directors are expected to hold such shares as a long-term investment and as such are expected to hold such shares for the duration of their time on the Board and for an additional three months after their Board service terminates.

## **11. Insider Trading Policy**

The Company maintains an Insider Trading Policy applicable to all directors, employees, members of the households and immediate family members (including spouse and children) of persons listed and other unrelated persons, if they are supported by the persons listed. The policy provides that such individuals may not buy, sell or engage in other transactions in the Company's securities while in possession of material non-public information; buy or sell securities of other companies while in possession of material non-public information about those companies they become aware of as a result of business dealings between the Company and those companies; disclose material non-public information to any unauthorized persons outside of the Company; or engage in hedging transactions through the use of certain derivatives, such as put and call options involving the Company's securities. The policy also restricts trading to defined periods that follow the Company's quarterly earnings releases.

## **12. Prohibition on Short Sales (Anti-Hedging)**

To ensure alignment with shareholders' interests and to further strengthen our compensation risk management policies and practices, the Company's Insider Trading Policy prohibits all individuals to whom our Insider Trading Policy applies from engaging in a short sale of the Company's or its subsidiaries' securities and derivatives thereof such as options, puts, calls or warrants or any other financial instrument by which the above securities can be acquired or subscribed under any circumstance.

## **13. Derogation**

The Board may, upon recommendation of the Compensation Committee, deviate from the Policy if exceptional circumstances provide valid reasons to do so and may only be temporary until a new policy is adopted. Exceptional circumstances are circumstances in which deviation is necessary to serve the long-term prospects and sustainability of the Company.