


# One Bank One UniCredit

## UniCredit Corporate Bodies and Committees Regulation

Board of Directors  
Board of Statutory Auditors  
Board Committees

October 2018

Banking that matters. |  UniCredit

# Index

<b>Introduction</b>	<b>3</b>
<b>1. Board of Directors</b>	<b>4</b>
<b>1.1 Composition</b>	<b>4</b>
<b>1.2 Operations</b>	<b>4</b>
<b>1.3 Confidentiality</b>	<b>5</b>
<b>1.4 Competencies</b>	<b>5</b>
<b>1.5 The role played by the Chairman</b>	<b>10</b>
<b>1.6 Quorum and resolution-making majorities</b>	<b>10</b>
<b>1.7 Self-assessment process</b>	<b>11</b>
<b>2. Board Committees</b>	<b>12</b>
<b>2.1 Internal Controls &amp; Risks Committee</b>	<b>13</b>
<b>2.2 Corporate Governance, Nomination and Sustainability Committee</b>	<b>14</b>
<b>2.3 Remuneration Committee</b>	<b>15</b>
<b>2.4 Related-Parties Committee</b>	<b>16</b>
<b>3. Board of Statutory Auditors</b>	<b>18</b>
<b>3.1 Composition</b>	<b>18</b>
<b>3.2 Operations</b>	<b>18</b>
<b>3.3 Confidentiality</b>	<b>19</b>
<b>3.4 Competencies</b>	<b>19</b>
<b>3.5 The role played by the Chairman</b>	<b>20</b>
<b>3.6 Quorum and resolution-making majorities</b>	<b>21</b>
<b>3.7 Self-assessment process</b>	<b>21</b>
<b>4. Information flows</b>	<b>22</b>
<b>Annexes</b>	

# Introduction

This Regulation (the “Regulation”) governs how the UniCredit (“Company” or “Bank”) Corporate Bodies and Board Committees function, their competencies, and information flows to them, in compliance with law, regulations and the Articles of Association, incorporating the principles and criteria established under the Italian Corporate Governance Code for listed companies (“Corporate Governance Code”).

The Corporate Bodies to which the Regulation applies are: the Board of Directors and the Board of Statutory Auditors. Regulations regarding the CEO, General Manager and the Supervisory Body pursuant to the Legislative Decree no. 231/2001 may be found in the UniCredit S.p.A. Organizational Book.

The Regulation is published on the Company’s website.

# Board of Directors

## 1.1 Composition

Pursuant to the Articles of Association, the UniCredit Board of Directors (the “Board”) may number between 9 and 24 members (“Directors”), whose term in office is set at three financial years, or shorter if so established at the time of their appointment. The Board’s term of office expires on the date of the Shareholders’ Meeting convened to approve the financial statements for the last financial year of the term.

In application of the provisions contained in Bank of Italy Circular no. 285 dated 17 December 2013, Supervisory Provisions for banks (“Circular no. 285”), more than 15 members may be appointed to a Board after conducting an in-depth assessment of whether or not it is appropriate.

Without prejudice to compliance with limits on the number of posts directors may hold, Directors may accept a position on the Board if they believe they can dedicate the time necessary to diligently perform their duties, taking into account, among other things, the number of posts they hold in other companies or entities (including non-Italian ones). Based on information submitted by the Directors, the Board, in its report on corporate governance and ownership structure, annually discloses any directorships or auditor positions held by the Directors in national and foreign companies listed on regulated markets as well as in financial services companies, banks, insurance companies or other large companies.

In order to ensure that the Board functions properly, the Board of Directors has established requirements UniCredit Directors must possess, in addition to those envisaged under applicable legal provisions, and the number of posts they may hold in other companies, as illustrated in the document entitled “*Qualitative and quantitative composition of the UniCredit S.p.A. Board of Directors*”, which is published on the UniCredit website.

The Directors, during their term in office, promptly inform the Company as to any appointment or termination and provide any information useful for determining the fulfillment of the requirements as laid down by current legal provisions, by the Articles of Association and by the Italian Corporate Governance Code.

## 1.2 Operations

Directors act and resolve in an informed manner and with independent judgment, pursuing the Bank’s overall interest regardless of the shareholders who voted for them or the list from which they were drawn, in pursuit of the primary objective of creating value for shareholders. In fulfilling their duties, Directors also take into account directives and policies set for the UniCredit Group, and the benefits generated by being part of the same Group.

The Board is organized and operates in such a manner as to effectively perform its functions. The Board meets at the registered office or elsewhere, in Italy or abroad, whenever the Chairman deems it necessary or is requested to convene a meeting by the CEO or at least three Directors. The Board may also be convened on the request of a Statutory Auditor.

The convocation notice shall specify the place, day and time of the meeting. It must be sent out by the Secretary, upon request of the Chairman, to all Directors, the Chairman of the Board of Statutory Auditors, and the other standing Statutory Auditors, via proper means, as a rule, at least 3 working days prior to the Board meeting, unless the situation is an emergency. In order to ensure informed and effective participation, the notice must also include the Agenda, unless special confidentiality-related reasons apply. As a rule, appropriate documentation relating to proposals, supporting documentation, and the information necessary for Directors to express their opinions in an informed manner on the topics under deliberation are made available to the Directors and to the Board of Statutory Auditors at least 3 working days prior to the Board meeting, pursuant to the terms and conditions set forth in Annex sub-A. In specific cases, this timescale may be reduced due to justified reasons.

As stated explicitly on each Agenda, the Chairman is responsible for the planning of Board proceedings, having received a proposal from the CEO. Should the Chairman consider it appropriate, Board meetings may be held via conference call or video conference in compliance with the provisions of the Articles of Association.

Group employees may be invited to attend Board meetings if requested to report on specific topics.

Communications during meetings and the resolutions taken by the Board are recorded as minutes in an *ad hoc* ledger, and signed by the Chairman of the meeting and the Secretary. Such minutes are, as a rule, submitted to the Directors at the next available Board meeting and filed at the Group Corporate Affairs department, where they are available for consultation by any of the Directors or Statutory Auditors. Where envisaged under applicable laws and regulations, a copy of the minutes containing the resolutions taken by the Board is sent to the Supervisory Authority.

Apart from Board meetings, the Directors attend “off-site” meetings, as a rule on a quarterly basis, in order to investigate and discuss strategic issues, as indicated in paragraph 1.5 below.

The rules governing interactions between non-executive Directors and management relating to the Bank's business, on matters that were never and have not been submitted to the Board's attention, can be found in Annex sub-C.

### 1.3 Confidentiality

All Directors are duty-bound to maintain the confidentiality of documents and information obtained while performing their duties, and to comply with the procedures UniCredit has adopted for the internal management and external disclosure of such documents and information.

Confidentiality is a necessary precondition to guarantee that information can be passed on to members of the Board promptly and completely with regard to all significant decision-making elements. Internal procedures have been put in place specifically to ensure that the documentation sent to Directors remains confidential.

It is specifically envisaged that Directors acquire such documentation exclusively via an IT platform managed by the Board Secretary's Office, protected by a two-level access key that requires not just a personal password but also a one-time soft token code generated by software issued to each of them.

### 1.4 Competencies

The Board is vested with all powers of administration with the exception of those reserved by law to the Shareholders' Meeting, to be exercised in compliance with applicable legal and regulatory provisions, the Articles of Association, and the general rules as stated in the Italian Corporate Governance Code.

Within the scope of these powers, the Board maintains exclusive competence to resolve on the cases envisaged under applicable law, regulations and the Articles of Association and, in any event, with regard to:

- A) Determining criteria for the guidance and coordination of Group companies and for the execution of instructions issued by the Bank of Italy within the framework of the powers granted to the Holding Company under legal and regulatory provisions, issuing instructions to the members of the Group, and checking that they are appropriately complied with. The Board is therefore responsible for:
  - A.1) Determining general operational guidelines for the Group's growth policies preparatory to drafting strategic, industrial and financial multi-year plans and operating budgets for the Company and the Group, in addition to periodically reviewing whether these guidelines match corporate activities and external circumstances, adopting and amending such plans and checking that they are appropriately implemented;
  - A.2) Approving the UniCredit organizational structure and corporate governance in order to ensure a clear distinction of responsibilities and functions, as well as preventing conflicts of interest, concerning the

# Board of Directors

- corporate structure and Group governance models and guidelines;
- A.3) Approving accounting and reporting systems;
- A.4) Examining and approving transactions undertaken by the Company and Group companies which are significant from a strategic, economic, balance-sheet and financial perspective; to this end, the Board shall set general criteria for identifying transactions of significant importance and those that should be submitted for prior assessment by the risk management function, with special reference to situations in which one or more Directors hold an interest directly or on behalf of third parties and, more in general, transactions with related parties;
- A.5) Acquiring and disposing of equity interests, companies and/or going concerns that involve investments or divestments exceeding 5% of net equity, as per the most recent balance-sheet approved by the Company, and in any event acquiring and disposing of equity interests that modify the composition of the banking Group and are not part of industrial, strategic and financial plans previously approved by the Board, notwithstanding the provisions established under Article 2361, sub-section two of the Italian Civil Code;
- A.6) Establishing policies to govern the risks to which the Group may be exposed, as well as risk targets and tolerance thresholds, reviewing them periodically in order to ensure that they remain effective over time, and monitoring that risk management and control processes tangibly work, in compliance with applicable legal and regulatory provisions. In particular within the sphere of such competencies, approving policies to govern the risk of non-compliance;
- A.7) Verifying that the UniCredit overall corporate governance and organizational structure as approved by the Board of Directors is correctly implemented; promptly implementing corrective measures to tackle any shortcomings or inadequacies detected; assessing the adequacy of UniCredit's administrative and general accounting structure and the organizational, administrative and accounting structure of the Group's main companies (as identified by the Board of Directors), with special reference to the internal controls system and conflict-of-interest management, ensuring that the Bank's structure matches the activities it undertakes and the business model adopted, as well as avoiding the creation of complex structures unjustified by operational ends;
- A.8) Approving the business model, having been apprized of the risks this model exposes the Bank to, and understanding the ways in which risks are measured and assessed;
- A.9) Establishing guidelines for the internal controls system, verifying its consistency with the established strategic guidelines and risk appetite as well as its capacity to detect the evolution of corporate risks and their mutual interaction, ensuring that the main risks are correctly identified and measured, managed and monitored adequately, taking into account how they evolve and interact, and, furthermore, establishing criteria for the compatibility of such risks with sound and prudent management of the Company. To this end, it:
- Approves the process for managing risk and assesses its compatibility with strategic guidelines and risk management policies;
  - Approves the setting up of corporate control functions, their duties and responsibilities, forms of coordination and collaboration, and information flows between them and the corporate bodies, as well as the coordination documents envisaged on the subject by Bank of Italy Circular no. 285;
  - Approves guidelines for audit activities, providing oversight to ensure that the internal audit function implements the guidelines concerning the undertaking of third-level controls; on at least an annual basis, approves the activity programme including the audit plan prepared by the internal audit function, and examines the annual reports prepared by the corporate control functions. Furthermore, it approves the multi-year audit plan;
  - At least once a year, having consulted the Board of Statutory Auditors, assesses the adequacy of the organizational structure and the quality and quantity of employees of the function responsible for compliance with regulations and the risk management function;
  - Defines any changes regarding the internal audit function's organization and personnel;
  - Assesses the mechanisms for auditing corporate and Group results, and how they are presented in the accounts;
  - After having heard the opinion of the Board of Statutory Auditors, approves the appointment and

- termination (indicating the relevant reasons) of the Head of the corporate control functions;
  - Guarantees that the Company's corporate control functions are stable and independent, and that they have access to all Bank and Group companies' activities and any data relevant to performing their respective duties;
  - Receives and examines information on any significant violations reported by the Company's corporate control functions;
- A.10) Ensuring that the internal audit system and corporate organization are constantly harmonized with the principles enshrined in laws and regulations applicable at the time, verifying on at least an annual basis the completeness, adequacy, efficacy and effective functioning of the internal controls and risk management system; should shortcomings or discrepancies emerge, promptly ensuring the adoption of appropriate corrective measures, whose efficacy should subsequently be assessed;
- A.11) Ensuring that the way the Risk Appetite Framework (RAF) has been implemented complies with approved risk objectives and tolerance thresholds; periodically evaluating the adequacy and efficacy of the RAF and compatibility between actual and target risks;
- A.12) Ensuring that the strategic plan, the RAF, the Internal Capital Adequacy Assessment Process (ICAAP), the budget and the internal audit systems are consistent, also in light of the evolution of the internal and external conditions in which the Bank operates;
- A.13) Ensuring that the quantity and allocation of capital and liquidity held are consistent with the risk appetite, risk management policies and risk management process;
- A.14) Approving valuation processes and policies for corporate assets and, in particular, financial instruments, verifying that they are at all times adequate; establishing ceilings for the Bank's exposure towards financial instruments or products for which valuation is uncertain or difficult;
- A.15) Approving the process for approving new products and services, starting up new businesses, and entering new markets;
- A.16) Approving the process for developing and validating internal risk measurement systems not used for regulatory purposes, and periodically evaluating that they work properly;
- A.17) Assessing operational risk – particularly of a legal, reputational and financial nature – for operations in jurisdictions where transparency is lacking or through particularly complex structures, identifying oversight in order to attenuate such risks and ensure that they are effectively monitored;
- A.18) With reference to ICAAP, defining and approving general process guidelines, ensuring that they comply with the RAF and making timely changes to them with regard to significant amendments to strategic guidelines, the organizational structure, or the operational backdrop; promoting the full use of ICAAP outcomes for strategic purposes and in corporate decision-making;
- A.19) With regard to credit and counterparty risk, approving general guidelines for the management system of the risk mitigation techniques, providing oversight within the process for the acquisition, assessment, control and implementation of risk mitigation instruments;
- A.20) Approving the adoption of internal risk measurement systems in order to calculate capital requirements and periodically check that the choices made continue to be valid over time, as well as controlling the effective use of the aforementioned systems for management purposes, and its consistency with any requirements envisaged by or under other statutory requirements;
- A.21) After having examined the indications provided by the validation function, undertaking - at least on an annual basis and having obtained the prior opinion of the Board of Statutory Auditors - a formal resolution to certify compliance with requirements for the use of internal risk measurement systems;
- A.22) Approving company policy concerning the outsourcing of corporate functions;
- A.23) Approving strategies to develop the IT system, taking into consideration how the reference sector is evolving and in compliance with the as-is and to-be situation in operational sectors and processes, and in the corporate organization: within this framework, approving the reference model for IT system architecture, and approving the relevant strategic orientation document;
- A.24) Approving IT security policy;
- A.25) Approving guidelines with regard to the selection of personnel for technical functions and the acquisition of systems, software and services, including the use of external suppliers; approving the ICT function's organizational chart;
- A.26) Developing, sharing and updating ICT-related knowledge within the company;

# Board of Directors

- A.27) On at least an annual basis, examining information on the adequacy of the services supplied and how these services support the company's operational development, in relation to the costs incurred; also, promptly reporting any serious problem for the company business caused by IT system incidents and malfunctions;
- A.28) Approving the organizational and methodological reference framework for analysing IT risk, ensuring the appropriate leverage of information on technology risk at the ICT function and integration with risk measurement and management systems (in particular operational, reputational and strategic risks); approving the IT risk analysis methodology document;
- A.29) Approving the IT risk appetite, taking into account internal services and services offered to customers, in compliance with the risk targets and reference framework for determining risk appetite at company level; on an at least annual basis, examining information on the IT risk situation with respect to the IT risk appetite;
- A.30) Approving summary reports on ICT adequacy and costs, as well as on the IT risk situation;
- A.31) Approving reports from Internal Audit and the other functions responsible for assessing security;
- A.32) As concerns operational continuity:
- Setting targets and strategies for operational continuity of the service;
  - Assigning the human, technological and financial resources necessary to achieve targets;
  - Approving the operational continuity plan and subsequent amendments downstream of technological and organizational upgrades, accepting residual risks not covered by the operational continuity plan;
  - On an at least annual basis, examining information on the outcomes of checks on the adequacy of the plan, and verifying operational continuity measures;
  - Appointing the person in charge of the operational continuity plan;
- A.33) Approving the principles associated with defining the pricing system for internal fund transfers, in compliance with mandatory criteria;
- A.34) Supervising the Bank's public disclosure and communication process, as well as defining procedures for the internal handling of documents and information concerning the Company, including with regard to price-sensitive information;
- A.35) Defining policy on the appointment of UniCredit Directors; the appointment of UniCredit Directors with the approval of the Board of the Statutory Auditors, in the event that Directors are co-opted; identifying the candidates for the position of UniCredit Director, in the event that lists are submitted by the Board itself to the Shareholders' Meeting;
- A.36) At least once a year, undertaking an assessment of the size, composition and functioning of the Board and its internal Committees;
- A.37) Defining policy for the appointment of corporate officers (members of the Board of Directors, Board of Statutory Auditors and Supervisory Board) in Group companies;
- A.38) Appointing and dismissing the CEO, General Manager, Deputy General Managers and other executives with strategic responsibilities, as well as Senior Executive Vice Presidents;
- A.39) Defining appointment and succession plan policies for the CEO, General Manager, Deputy General Managers, other executives with strategic responsibilities, and Senior Executive Vice Presidents;
- A.40) Remunerating UniCredit Directors holding specific roles – after having examined the proposal submitted by the competent committee and consulted the Board of Statutory Auditors – with a special focus on the remuneration of the CEO and the approval of Group financial instrument-based incentive schemes;
- A.41) Appointing and dismissing the Manager in charge of drafting the company financial reports, following the issue of a mandatory opinion by the Board of Statutory Auditors, and establishing his/her powers, resources and compensation. The Board shall also monitor that this person has adequate powers and resources to undertake his/her duties pursuant to laws and regulations, in addition to complying with administrative and accounting procedures;
- A.42) Determining - after having examined the proposal submitted by the competent committees - the remuneration and performance goals associated with the variable portion, for the Heads of corporate control functions, pursuant to criteria and parameters unrelated to Bank performance;
- A.43) Approving Group incentive schemes based on financial instruments;



- A.44) Approving the process for identifying material risk takers and related outcomes, on an on-going basis;
- A.45) Approving the internal policies concerning the investments in non-financial equities;
- A.46) Approving the procedure to be applied to transactions with related parties pursuant to CONSOB Regulation no. 17221/2010 as well as to transactions with associated parties pursuant to Bank of Italy Circular no. 263/2006;
- B) Checking general management performance, with special attention to conflicts of interest: to this end, the Board shall keep under review the information from delegated bodies and Board Committees, on a periodical basis, comparing the results achieved with respect to targets, and ensuring effective dialogue with the CEO and the Heads of the relevant corporate functions, as well as verifying over time the choices and decisions they have taken;
- C) Amending the Articles of Association to reflect statutory requirements;
- D) Approving the merger by incorporation of companies in cases envisaged under Articles 2505 and 2505 *bis* of the Italian Civil Code;
- E) Approving the divestment of companies in cases envisaged under Article 2506 *ter* of the Italian Civil Code;
- F) Approving capital decreases in the case of shareholder withdrawals;
- G) Indicating which Directors, in addition to those stated in the Articles of Association, are entitled to represent the Company;
- H) Making decisions regarding the Company's organizational structures and associated rules which, according to the criteria determined by the Board, are of a relevant nature. As concerns decisions on the provision of investment-based services, said decisions must include approval of the organizational structure and of the assigning of duties and responsibilities at the Holding Company also considering those at Group level;
- I) Establishing internal committees within corporate bodies;
- J) Opening and closing secondary premises or branches, regardless their name, and representative offices.

In addition to the above matters which fall within its exclusive purview, the Board of Directors also resolves on:

- i. Determining the Group's annual capital allocation;
- ii. Approving policies and processes on the provision of investment-based services, conducting regular checks on their adequacy and assessments of the procedures defined to ensure their execution; also, as regards the provision of investment-based services, on an at least annual basis, verifying organizational structures and assigning duties and responsibilities at the Holding Company also considering those at Group level;
- iii. Designating corporate officers (members of Board of Directors, Board of Statutory Auditors and Supervisory Board) at the main companies;
- iv. Defining appointment and succession plan policies for members of the Group Management Team (Executive Vice Presidents) and Leadership Team (Senior Vice Presidents);
- v. Drawing up remuneration and incentive policies for submission to the Shareholders' Meeting, checking its correct implementation and seeing to its review at least annually; moreover, ensuring adequate documentation and accessibility within the corporate structure;
- vi. Defining remuneration and incentive systems for the CEO, General Managers, Deputy General Managers, Senior Executive Vice Presidents, the Group Management Team (Executive Vice Presidents) and Leadership Team (Senior Vice Presidents), ensuring that these systems are consistent with the Bank's overall choices in terms of risk-taking, strategies, long-term targets, corporate governance structure and internal controls;
- vii. Defining remuneration policies for corporate officers (members of Boards of Directors, Boards of Statutory Auditors and Supervisory Boards) in Group companies.

To conclude, it is exclusively the Board's responsibility to report to shareholders at Shareholders' Meetings.

The Board may assign, amend and cancel proxies, defining clearly and in detail their limitations either in terms of quantity or value, any conditions for exercise, and the schedule whereby delegated bodies must report to the Board on what they have done in exercise of the proxies granted to them. When auditing that the proxies granted have correctly been exercised, where it considers it necessary, the Board may exercise its own eligibility to manage the company and assume powers.

# Board of Directors

## 1.5 The role played by the Chairman

The Chairman of the Board of Directors is responsible for ensuring that the corporate governance system functions effectively, also with regard to any aspects related to internal and external communications, serving as an interlocutor for the Board of Statutory Auditors and the Board Committees; while remaining neutral, the Chairman promotes dialogue among executive and non-executive positions, seeking the active participation of non-executive members in the Board's proceedings so that the resolutions it reaches are the result of adequate debate and an informed and effective contribution from all of its members.

In particular, the Chairman ensures that:

- i. In good time, Directors are sent supporting documentation on the Board's deliberations or, at the very least, initial information on the issues under debate;
- ii. Supporting documentation and information on deliberations, in particular documents distributed to non-executive members, are adequate in terms of quantity and quality in regard to the items on the Agenda;
- iii. When preparing the Agenda and chairing Board discussions, issues of strategic relevance are given priority, and that all necessary time is set aside for them;
- iv. The Heads of the corporate control functions have direct access to the Board of Directors when necessary. To this end, meetings between the Chairman and the Heads of the corporate control functions are organized on a regular basis;
- v. As a rule on a quarterly basis, opportunities are arranged for all Directors to meet, also apart from Board meetings ("off-site"), in order to investigate and discuss strategic issues;
- vi. The self-assessment process is undertaken effectively, its terms and conditions comply with the degree of complexity of the Board's work, and envisaged corrective measures are adopted to tackle any detected shortcomings;
- vii. Inclusion programmes and training schemes are prepared and implemented for members of the Board of Directors and Board of Statutory Auditors, along with succession plans for senior management positions.

Moreover, the Chairman manages relations with Shareholders and the Supervisory Authorities with regard to matters falling within his/her purview and activities as a liaison to the Board of Directors and Shareholders' Meeting, in agreement with the CEO.

In order to effectively carry out his/her duties, the Chairman, who has a non-executive role and does not undertake operational functions, even in a *de facto* manner, maintains necessary and advisable relations with the CEO, has access to all company functions, may attend Board Committee and managerial Committee meetings, receives information, including on specific topics, regarding the management of the Company and the Group as well as on the general current and expected performance of the management itself.

## 1.6 Quorum and resolution-making majorities

In order for Board resolutions to be valid, the majority of serving Directors must be in attendance.

Except the specific cases established by legal provisions and the Company's Articles of Association, Board deliberations are taken with a majority of votes cast, excluding those who abstain; in the case of a split vote the Chairman's is the casting vote. Each Board member is entitled to have a vote against or an abstention – and the reasons for this vote – recorded in the minutes.

The CEO illustrates the Board of Directors' decisions on Group management guidelines and its main strategic initiatives at meetings of the Managerial Committees envisaged for this purpose, vested with information-gathering and consultative functions pursuant to the Organizational Book.

## 1.7 Self-assessment process

Pursuant to the provisions of applicable Bank of Italy provisions on corporate governance, the Board of Directors undertakes a regular self-assessment process with the following end-goals:

- To ensure a proper and efficient monitoring on how the Board is functioning and whether its composition is appropriate;
- To guarantee substantive compliance with the governance provisions issued by the Bank of Italy and the goals they were designed to achieve;
- To support updates to internal rules governing how the Board functions, in order to ensure that they remain valid and reflect any changes in business or to the operating scenario;
- To identify the main weaknesses, promote debate within the Board and define the corrective measures to be implemented;
- To strengthen cooperation and trust among the Directors and between the strategic oversight and management functions;
- To encourage the active participation of all Directors, ensuring that each Board member is fully aware of their specific position and related responsibilities.

The self-assessment process takes the following criteria into consideration:

- i) The Board as a whole and the contribution individual Directors make to Board proceedings; the assessment process also covers the Board's internal Committees;
- ii) Undertaken at least on an annual basis, the self-assessment may be structured in such a manner as to rank the various aspects depending upon the Board renewals schedule. If the European Central Bank or the Bank of Italy issues findings or requests regarding the functions and composition of the Board, a self-assessment must be carried out promptly and in detail;
- iii) Self-assessment is conducted by employees chosen by the Chairman of the Board of Directors, after receiving a proposal from the Corporate Governance, Nomination and Sustainability Committee. At least once every three years, a self-assessment is carried out with the assistance of an external advisor who ensures that an independent opinion is reached.

The self-assessment process includes the enquiries envisaged by Section 26 of the Consolidated Law on Banking and additional legal and regulatory requirements for holding positions (such as, by way of example, compliance with the ban on interlocking directorships under Section 36 of the Legislative Decree no. 201 dated 6 December 2011, converted into Law no. 214 of 22 December 2011). Where possible, self-assessments are undertaken together with these enquiries.

All analyses are recorded in a special document approved by the Board and are submitted as required to the European Central Bank or the Bank of Italy.

The rules that govern the self-assessment process are stated in Annex sub-B, which forms an integral part of the Regulation.

# Board Committees

In order to foster an efficient information and advisory system to enable the Board to better assess the topics for which it is responsible, also in accordance with the provisions of the Italian Corporate Governance Code, the Board has established four Committees pursuant to Clause 23 of the Articles of Association, vested with research, advisory and proposal-making powers diversified by sector of competence: the Internal Controls & Risks Committee, the Corporate Governance, Nomination and Sustainability Committee, the Remuneration Committee and the Related-Parties Committee. Their duties are undertaken based on terms of reference and procedures set forth by the Board, including through resort to Sub-committees.

The Committees consist, as a rule, of a number of members from 3 up to 5. More specifically, the Internal Controls & Risks Committee, the Corporate Governance, Nomination and Sustainability Committee and the Remuneration Committee, set up in compliance with the provisions of the Bank of Italy's supervisory regulations, are composed of non-executives Directors, mostly independent pursuant to the Articles of Association. Such Committees must be differentiated from each other by at least one member and, if a Director elected by the minorities is present, that Director is a member of at least one Committee. The Chairman of each Committee shall be chosen from among the independent members. The Related-Parties Committee, set up in compliance with CONSOB regulatory provisions and the Bank of Italy's supervisory regulations, consists only of independent Directors pursuant to the Italian Corporate Governance Code.

The members of each Committee, and among them the Chairman, are appointed and dismissed by the Board of Directors. The Committee's tasks are coordinated by the Chairman, who exercises all necessary powers for its proper functioning. Each Committee draws up an annual plan of activities to ensure the fulfillment of its tasks. Except as specifically provided for the Related-Parties Committee, Committee meetings are convened by the Chairman with frequency adequate to the fulfillment of its tasks and plan of activities or when needed or requested in writing, with proper motivation, by at least two members of the Committee. Committee meetings are valid if attended by the majority of their members and their resolutions are taken with a majority of votes cast. In case of absence or impediment of the Chairman, the meeting is chaired by the oldest Committee member. Should the Chairman of each Committee consider it appropriate, the meetings may be held via conference call or video conference.

Each Committee appoints a Secretary, who is not a member of the Committee, on proposal of its Chairman. The Secretary supports the Chairman in the preparation of the Committee meetings and prepares summary minutes of the discussions and decisions taken by the Committee. The minutes have to give proper account of any disagreements expressed by Committee members on specific topics and their motivations. Minutes signed by the Chairman of the meeting and the Secretary are kept under the responsibility of the Secretary and are available for consultation by Committee members as well as any other Directors and Statutory Auditors who may wish to consult them.

The Chairman of each Committee, at the first available Board meeting, reports on the activities carried out during Committee meetings.

Committee members must have the necessary knowledge, skills and experience to perform the duties assigned to them and must ensure that any other corporate positions they hold in other companies or entities (including non-Italian ones) are compatible with their availability and commitment to serve as a Committee member.

At the invitation of each Committee Chairman, the CEO, other Directors, the General Manager, the Manager in charge of drafting the company financial reports, as well as personnel belonging to the Company and the Group, may attend Committee meetings on specific Agenda items. Without prejudice to the possibility for the Statutory Auditors to attend the meetings, at the invitation of each Committee Chairman, the Chairman of the Board of Statutory Auditors, or other Auditors designated by the latter, may be called upon to attend Committee meetings. Always at the invitation of each Committee Chairman, personnel or externals appointed in the corporate bodies of the Group's subsidiaries may be called upon to attend Committee meetings.

To perform their duties, Committees have access to the financial resources necessary to guarantee their operational independence and, within the limitations of the budget approved by the Board of Directors, may consult independent external experts and invite them to attend meetings; in the event of specific requirements, the relevant budget may be supplemented. Furthermore, Committees are assured the necessary tools and information flows from the competent functions to enable them to conduct their evaluations.

Each Committee oversees the effectiveness of the provisions on the Board Committees included in this Regulation and may submit to the Board of Directors any proposal for its revision or integration.

For any matter not ruled herein, the provisions set out for the Board of Directors' functioning shall apply, as compatible, to the Board Committees.

## 2.1 Internal Controls & Risks Committee

The Committee consists of 5 members.

At least one member has appropriate experience in accounting and finance or risk management, as assessed by the Board of Directors at the time of their appointment.

Committee meetings are attended by:

- The Chairman of the Board of Statutory Auditors;
- The Head of Internal Audit, the Group Compliance Officer and the Group Chief Risk Officer.

Staff from the external audit firm may also be invited.

The Committee is responsible for setting up the necessary functional links with the Board of Statutory Auditors, so as to undertake activities deemed common to the two bodies, and to exchange information of mutual interest, within the purview of their respective competencies.

The Committee must be able to access relevant corporate information, consult external experts and, where necessary, communicate directly with the Heads of Internal Audit, Group Risk Management and Group Compliance. Furthermore, the Committee identifies any information flows in addition to those stated in Section 4 below.

### The Committee's role

The Committee supports the Board of Directors on risk management and control-related issues.

Among other things, the Committee:

- a) With the support of the Corporate Governance, Nomination and Sustainability Committee, identifies and proposes to the Board who should be appointed as Head of the corporate control functions or assesses the evaluation of their dismissal; for the Head of Internal Audit function, issues its opinion on setting the remuneration and the performance goals associated with its variable portion in line with the company policies;
- b) Pre-examines activity programmes (including audit plans) and annual reports from corporate control functions to be sent to the Board, as well as periodical reports prepared by these functions above and beyond legal or regulatory requirements;
- c) Evaluates and issues opinions to the Board on the compliance of the internal control system and corporate organization with the applicable rules and regulations, and on the requirements that must be complied with by the corporate control functions, drawing the Board's attention to any weaknesses and consequent corrective actions to be implemented; for this purpose, it assesses proposals put forward by the CEO;
- d) Through evaluations and opinions, contributes to defining company policy on the outsourcing of corporate control functions;
- e) Verifies that the corporate control functions correctly comply with the Board's recommendations and guidelines,

# Board Committees

- assisting the Board in drafting the coordination documents envisaged under Bank of Italy Circular no. 285;
- f) Examines and assesses the correct use of accounting principles and their uniformity with regard to drafting the main accounting documents (such as, by way of example, operating and consolidated financial statements, interim operating reports, etc.), for this purpose coordinating with the Manager in charge of drafting the company financial reports and with the Board of Statutory Auditors;
  - g) Examines the work carried out by the Group's external auditors and the results stated in their reports or any letters and suggestions;
  - h) Assesses any findings reported by Internal Audit and Group Compliance, or that may arise from enquiries and/or investigations carried out by third parties;
  - i) May seek specific audit interventions, at such time informing the Chairman of the Board of Statutory Auditors;
  - j) Analyses Group guidelines for the Group Compliance function that fall within its remit, monitoring that they have been adopted and implemented;
  - k) Requests that the Head of Internal Audit draft any proposals for the qualitative and quantitative improvement of the function itself;
  - l) Is involved, within its specific remit, in the process of identifying material risk takers on an on-going basis.

With a special focus on risk management and control-related issues, the Committee supports the Board of Directors in:

- Defining and approving strategic guidelines and risk management policies with specific reference to risk appetite and risk tolerance. For this purpose, it also examines the annual budget drafting guidelines;
- Verifying that risk strategies, management policies and the Risk Appetite Framework (RAF) have been correctly implemented;
- Defining policies and processes for evaluating corporate activities, including verification that the price and conditions of client transactions comply with the risk-related business model and strategies.

Without prejudice to the competencies of the Remuneration Committee, the Committee checks that the incentives underlying the remuneration and incentive system comply with the RAF, particularly taking into account risks, capital and liquidity.

Moreover, the Committee reports to the Board of Directors on the status of the Group's internal control system.

Furthermore, as regards investments in non-financial equities, the Committee assesses, supports and puts forward proposals with regard to organizing and enacting internal controls on the making and managing of equity investments in non-financial companies, in addition to verifying compliance within the framework of such equity investments in terms of strategic and operational guidelines.

## 2.2 Corporate Governance, Nomination and Sustainability Committee

The Committee consists of 5 members.

### The Committee's role

Among other things, the Committee:

- a) Provides opinions and support to the Board regarding the definition of the UniCredit corporate governance system, corporate structure and Group governance models and guidelines;
- b) Drafts proposals to be submitted to the Board regarding the optimal qualitative and quantitative composition of the Board, and the maximum number of posts held by Directors in other companies considered compatible with effectively fulfilling these roles at UniCredit;
- c) Provides opinions and support regarding the Board self-assessment process, as directed by the Chairman of the Board of Directors;

- d) Sets targets for the least well represented gender in corporate bodies as well as for management and staff belonging to the Group, and prepares a plan to bring this proportion up to set targets;
- e) Drafts proposals to be submitted to the Chairman of the Board of Directors regarding the selection of staff appointed to conduct the Board's self-assessment process.

The Committee provides opinions and support to the Board also regarding:

- a) The verification that UniCredit Directors comply with the requirements provided by applicable laws and the Articles of Association (including the ban on interlocking directorships laid down by applicable laws), and that they collectively and individually ensure abidance with the qualitative and quantitative composition of the Board deemed to be optimal;
- b) The selection of candidates for the post of Chairman, Chief Executive Officer and Director of UniCredit, in the event of co-optation, and, should the Board present its own list of candidates for the position of independent Director for approval by the UniCredit Shareholders' Meeting, taking into due account any recommendations from shareholders, as per the process described in Annex sub-D;
- c) The appointment of the CEO, General Manager, Deputy General Managers and other executives with strategic responsibilities, as well as Senior Executive Vice Presidents;
- d) The verification that the General Manager and the Manager in charge of drafting the company financial reports comply with the requirements provided by applicable laws and the Articles of Association, if applicable;
- e) The definition of appointment and succession plan policies for the CEO, General Manager, Deputy General Managers and other executives with strategic responsibilities, Senior Executive Vice Presidents, the Group Management Team (Executive Vice Presidents) and Leadership Team (Senior Vice Presidents);
- f) The definition of the policy for the appointment of corporate officers (members of the Board of Directors, Board of Statutory Auditors and Supervisory Board) at Group companies;
- g) The designation of corporate officers (members of the Board of Directors, Board of Statutory Auditors and Supervisory Board) at the main companies.

Moreover, the Committee:

- Provides support, coordinating with the Internal Controls & Risks Committee, in proposing candidates or assessing dismissal for the roles of Heads of corporate control functions to the Board of Directors;
- Undertakes research to help the Board of Directors draft a succession plan for executive directors.

Furthermore, the Committee oversees sustainability issues linked to the activities carried out by UniCredit and the dynamics underpinning interactions between UniCredit and all of its stakeholders.

Within this framework, in particular, the Committee:

- Pre-examines the yearly Integrated Report, which constitutes a non-financial declaration pursuant to the provisions of Sections 3 and 4 of Legislative Decree no. 254/2016, to be submitted for approval to the Board of Directors;
- Drafts proposals with regard to the Group environmental and social strategy, annual objectives and targets, monitoring over time that they are implemented;
- Oversees sustainability-related developments also in light of international guidelines and principles, monitoring the Group's performance.

## 2.3 Remuneration Committee

The Committee consists of 3 members.

At least one member of the Committee has adequate knowledge and experience in finance or remuneration policies, which the Board of Directors assesses at such time as they are appointed to the Committee.

In order for the incentives included in the compensation and incentive schemes to be consistent with the Bank's risk, capital and liquidity management, as well as to get updates on the market trends, compensation levels and

# Board Committees

regulatory developments, an external advisor also attends Committee meetings.

The Group Chief Risk Officer is invited, upon need, to attend Committee meetings to ensure that incentive schemes are appropriately updated to take into account all of the risks that the Bank has taken on, pursuant to methodologies in compliance with those adopted by the Bank in managing risk for regulatory and internal purposes.

## The Committee's role

Among other things, the Committee:

- Puts proposals to the Board regarding the remuneration and the performance goals associated with its variable portion, for the members of the Board of Directors, the General Manager, Deputy General Managers, Heads of the corporate control functions and personnel whose remuneration and incentive systems are decided upon by the Board;
- Exercises oversight on the criteria for remunerating the most significant employees, as identified pursuant to the relevant Bank of Italy provisions, as well as on the outcomes of the application of such criteria.

Furthermore, the Committee issues opinions to the Board on:

- a) The remuneration policy for Senior Executive Vice Presidents, the Group Management Team (Executive Vice Presidents) and the Leadership Team (Senior Vice Presidents);
- b) Group incentive schemes based on financial instruments;
- c) The remuneration policy for corporate officers (members of the Board of Directors, Board of Statutory Auditors and Supervisory Board) at Group companies.

Committee members regarding whom the Committee is called upon to express its opinion on their remuneration as a result of their specific assignments shall not attend meetings at which the proposal for such remuneration is calculated.

Furthermore, the Committee:

- Coordinates the process for identifying material risk takers on an on-going basis;
- Directly oversees the correct application of rules regarding the remuneration of the Heads of corporate control functions, working closely with the Board of Statutory Auditors;
- Works with the other committees, particularly the Internal Controls & Risks Committee, to verify that the incentives included in compensation and incentive schemes are consistent with the RAF, ensuring the involvement of the corporate functions responsible for drafting and monitoring remuneration and incentive policies and practices;
- Provides appropriate feedback on its operations to the Board of Directors, Board of Statutory Auditors and the Shareholders' Meeting;
- Where necessary drawing on information received from the relevant corporate functions, expresses its opinion on the achievement of the performance targets associated with incentive schemes, and on the other conditions laid down for bonus payments.

## 2.4 Related-Parties Committee

The Related-Parties Committee consists of 3 independent members.

In reference to the Related-Parties Committee's meetings, only for reasons of urgency, in specific cases dealing with transactions falling into the decision-making powers of the Board of Directors, a meeting may be convened at least twelve hours in advance.

The Related-Parties Committee establishes appropriate information flows with the Board of Statutory Auditors.



## The Committee's role

The Committee operates on a consultative and proposition-making basis. The Committee oversees issues concerning transactions with related parties pursuant to CONSOB Regulation no. 17221/2010 and transactions with associated parties pursuant to Bank of Italy Circular no. 263/2006 (Title V, Chapter 5), carrying out the specific role attributed to independent directors by the aforementioned provisions. Furthermore, it carries out any other duties assigned to it within the Global Policy for the management of transactions with persons in conflict of interest.

The Company's competent offices ensure a constant monitoring of transactions envisaged by the procedures for the identification and management of transactions with related and/or associated parties, also in view of enabling the Committee to propose corrective actions.

### a) Temporary replacement in the event of conflicts of interest

For each individual transaction, Committee members must be different from the counterparty, its associated parties and/or any entities related to it.

If a Committee member is a counterparty to the transaction under examination (or is related/associated with the counterparty), he/she must promptly inform the Chairman of the Board of Directors and the Committee Chairman (provided he/she is not in a conflict of interest situation), and abstain from attending further Committee proceedings with regard to the transaction in which the relationship exists. Having consulted with the Committee Chairman (provided he/she is not in a conflict of interest situation), the Chairman of the Board of Directors shall immediately take steps to replace the member who has this conflict of interest with another member from the Board of Directors who qualifies as independent pursuant to the Italian Corporate Governance Code for listed companies, after contacting them beforehand, in order to restore the Committee to three non-related and non-associated independent Directors.

### b) Temporary replacement of unavailable members in the event of an urgent transaction

For transactions that need to be finalised urgently and require the intervention of the Related-Parties Committee during negotiations and due diligence and/or during the issue of opinions, having acknowledged the urgency and noted that the majority or all members are unable to meet or carry out the required activities in time to conclude the transaction, the Committee Chairman shall promptly inform the Chairman of the Board of Directors of this situation.

In any event, these circumstances must be communicated no later than the day after the Committee Chairman was informed that the majority or all Committee members were not available.

Having consulted with the CEO and determined that the transaction cannot be delayed, the Chairman of the Board of Directors immediately takes steps to find three Directors to sit on the Committee and follow the process for temporary substitutions in the event of conflicts of interest.

---

As regards sections a) and b) above, it should be noted that:

- Replacements must be provided with all available information in good time before the meeting at which the Committee is called upon to express its opinion regarding the transaction;
- Replacements undertake the duties allocated to them until the conclusion of the decision-making process regarding the specific transaction in question, and remain involved in the decisions taken by the Committee.

# Board of Statutory Auditors

## 3.1 Composition

The Board of Statutory Auditors consists of 5 standing Statutory Auditors, one of whom is Chairman.

The Shareholders' Meeting further appoints 4 alternate Statutory Auditors.

The Board of Statutory Auditors must ensure gender equality.

Statutory Auditors may take on management and control positions at other companies within the limits established by applicable legal and regulatory provisions. They may not, however, take on positions at bodies other than those that are involved in audits at other Group companies or the financial conglomerate, or in companies in which the Bank directly or indirectly holds a strategic equity interest.

The Statutory Auditors, during their term in office, promptly inform the Company as to any appointment or termination and provide any information useful for determining the fulfillment of the requirements as laid down by current legal provisions, by the Articles of Association and by the Italian Corporate Governance Code.

## 3.2 Operations

The Board of Statutory Auditors is fully autonomous in the organization of its functioning and in performing its activities.

The Board of Statutory Auditors meets at the Company's registered office or elsewhere, in Italy or abroad, as a rule every month, and whenever the Chairman considers it necessary.

A convocation notice must be sent out to all standing Statutory Auditors reasonably far in advance, unless the situation is an emergency.

In order to ensure informed and effective participation, the convocation notice must state the Agenda items up for debate, unless special confidentiality-related reasons apply. As a rule, at least 3 working days prior to the meeting, the Chairman provides Statutory Auditors with appropriate documentation regarding proposals, supporting documentation and the information necessary for them to express their opinions in an informed manner on the topics under deliberation at the meeting.

The Chairman is responsible for planning Board of Statutory Auditors proceedings, as stated each time on the Agenda.

Should the Chairman consider it appropriate, Board of Statutory Auditors meetings may be held via conference call or video conference in compliance with the provisions of the Articles of Association.

Group employees may be invited to attend Board of Statutory Auditors meetings, if requested to report on specific topics.

Communications during meetings and resolutions taken by the Board of Statutory Auditors are recorded as minutes in an *ad hoc* ledger, and signed by the Chairman of the meeting and by all Statutory Auditors.

Minutes are retained for consultation on request by any Statutory Auditor.

The Board of Statutory Auditors, in the performance of its duties, may also take into account the "Rules of conduct for the Board of Statutory Auditors of listed companies".

### 3.3 Confidentiality

All Statutory Auditors are duty-bound to maintain the confidentiality of documents and information obtained while performing their duties, and to comply with the procedures UniCredit has adopted for its internal management and external disclosure of such documents and information.

Confidentiality is a necessary precondition to guarantee that information can be passed on to Statutory Auditors promptly and completely with regard to all elements significant for decision-making. Internal procedures have been put in place specifically to ensure that documentation sent to Statutory Auditors remains confidential.

It is specifically envisaged that Statutory Auditors acquire such documentation exclusively via an IT platform protected by a two-level access key that requires not just a personal password but also a one-time soft token code generated by software issued to each of them.

Statutory Auditors have access to documentation sent to Directors in the run-up to Board meetings and to any Committee meetings they may attend (see Section 1 “Board of Directors”, para. 1.3 above).

### 3.4 Competencies

The Board of Statutory Auditors undertakes the tasks and functions envisaged by applicable laws and regulations.

In particular, it oversees compliance with laws, regulations and the Articles of Association, effective administration, the adequacy of organizational and accounting structures, the risk management and controls system, external auditing of the annual individual and consolidated accounts, independence of the external auditors, the process of financial disclosure and compliance with provisions on the disclosure of non-financial information.

In order to properly perform its tasks, and in particular to fulfill its obligation to promptly inform the Bank of Italy, and where provided, other supervisory authorities of irregularities in the management of the bank or violations of the law, the Board of Statutory Auditors is vested with all the powers provided for by prevailing laws and regulations.

The Board of Statutory Auditors is an integral part of the overall internal control system, carrying out functions established under Bank of Italy Circular no. 285.

The Board of Statutory Auditors, among other things, is responsible for overseeing the completeness, adequacy, functioning and reliability of the internal control system and the RAF, and abidance with provisions concerning the ICAAP process. With regard to the functions and corporate structures holding control-related duties and responsibilities, the Statutory Auditors are required to verify the efficacy of all structures and functions involved in the control system and their efficient coordination, advocating corrective actions to remedy any shortcomings or irregularities detected.

The Board of Statutory Auditors may work with in-house control structures and functions to undertake and steer its audits and mandatory enquiries. In order to accomplish this, it receives regular information flows and details on specific situations/company performance.

Given this close connection, the Board of Statutory Auditors expresses its opinion on decisions regarding the appointment and dismissal of the Heads of corporate control functions and, in order to carry out its oversight tasks, evaluates the essential elements making up the control system’s overall architecture (powers, responsibilities, resources, information flows and the handling of conflicts of interest).

The Board of Statutory Auditors verifies and investigates the causes of and remedies to operational irregularities, performance anomalies, and shortcomings in the organizational and accounting structure. Special attention is

# Board of Statutory Auditors

addressed to compliance with regulations on conflicts of interest.

In tangibly determining the degree of depth of such enquiries, as well as assessing any irregularities detected, the Board of Statutory Auditors considers both the significance of any losses that may be generated for the Company, and the repercussions on its reputation/public perception.

Enquiries must cut across the entire company organization and include audits on systems and procedures (i.e. information and administrative/accounting procedures), the various parts of the business (loans, finance, etc.), and operations (new product rollout, entrance into new businesses or geographical areas, operational continuity and outsourcing). The Board of Statutory Auditors is responsible for overseeing the completeness, adequacy, functioning and reliability of the operational continuity plan.

The Board of Statutory Auditors verifies that the strategic and managing control activities carried out by UniCredit or Group companies have been correctly exercised.

Furthermore, the Statutory Auditors carry out checks on foreign branches, in accordance with the regulations issued by the Bank of Italy and in line with the risks taken by the same branches.

The Board of Statutory Auditors performs its oversight and monitoring duties in compliance with specific sector regulations (such as anti-money laundering regulations).

As regards the auditing of the accounts by the external audit firm, the Board of Statutory Auditors undertakes the duties envisaged by law (i.e., Legislative Decree no. 39/2010 as subsequently amended) and the duties associated with evaluating the adequacy and functionality of the accounting structure, including relevant information systems, in order to ensure that company business is correctly represented.

The Board of Statutory Auditors oversees and monitors the independence of the external audit firm and puts in place an on-going monitoring process of the activities carried out by the external audit firm.

The Holding Company's Board of Statutory Auditors, in undertaking its duties, works closely with its counterparts in the Group's subsidiaries.

## 3.5 The role played by the Chairman

The Chairman of the Board of Statutory Auditors guarantees the effectiveness of debate on the Board of Statutory Auditors, and acts to ensure that the resolutions it reaches are the result of adequate debate and an informed and aware contribution from all of its members. To this end, the Chairman shall ensure that: i) In good time, the Statutory Auditors are sent supporting documentation on the Board of Statutory Auditors' deliberations or, at the very least, initial information on the issues under debate; and ii) The supporting documentation for the resolutions provided during Board of Statutory Auditors' meetings is adequate in terms of quantity and quality with regard to the items on the Agenda.

When preparing the Agenda and chairing Board of Statutory Auditor discussions, the Chairman shall ensure that issues of strategic relevance are given priority, and that all necessary time is set aside for such issues.

The Chairman ensures that: i) The Statutory Auditors' self-assessment process is undertaken effectively, and its terms and conditions are consistent with the degree of complexity of the Board of Statutory Auditors work; ii) Envisaged corrective measures are adopted to tackle any shortcomings detected; and iii) The Bank prepares and implements inclusion programmes and training schemes for members of the Board of Directors and Board of Statutory Auditors.

### 3.6 Quorum and resolution making majorities

The Board of Statutory Auditors is duly constituted when a majority of Statutory Auditors is present. It passes resolutions by an absolute majority of those present, without prejudice to different majority configurations envisaged by law.

In the event of a split vote, the Chairman holds the casting vote.

### 3.7 Self-assessment process

The Board of Statutory Auditors performs a self-assessment of its composition and functioning on at least an annual basis, with a view to:

- Ensuring a correct and efficient check on how the body is functioning and its appropriate composition;
- Guaranteeing substantive observance of the governance provisions issued by the Bank of Italy;
- Promoting updates to internal rules that govern how the Body functions in order to ensure that they remain valid and reflect any changes resulting from changes in business and to the operating backdrop;
- Identifying the main weaknesses, promoting debate on the Body and defining corrective measures to be adopted;
- Strengthening partnership and trust among individual members;
- Encouraging individual members' active participation, ensuring full awareness of the specific position covered by each member and their associated responsibilities.

The self-assessment process is focused on the adequacy of the bodies in terms of composition and functioning. More in detail, the focus is on the following elements: qualitative and quantitative composition, degree of diversity, educational background, meeting sessions, frequency, duration, the degree and form of participation, sufficient time available to dedicate to the assignment.

Self-assessments take into account enquiries envisaged pursuant to Section 26 of the Consolidated Banking Act and additional legal and regulatory requirements for holding positions (such as, by way of example, compliance with the ban on interlocking directorships set forth in Section 36 of Legislative Decree no. 201, dated 6 December 2011, converted into Law no. 214 of 22 December 2011). Where possible, self-assessments are undertaken concomitantly with these enquiries.

# Information flows

UniCredit has procedures to ensure adequate information flows among its Corporate Bodies.

Below is a list of the parties required to send information flows on a regular basis to Corporate Bodies, including an illustration of the minimum content and the timing of the main flows.

## Information flows from the Board of Directors

Pursuant to Section 150 of the Legislative Decree no. 58/98 and Clause 23 of the UniCredit Articles of Association, the Board of Directors provides the Board of Statutory Auditors with disclosures on activities carried out by the Company and its subsidiaries and on significant transactions from an economic, financial and balance-sheet perspective, with a particular focus on transactions in which they hold an interest on their own account or on behalf of third parties. To this end, at least every three months the Directors send the Board of Statutory Auditors the reports it receives from the competent Company and subsidiary structures on the activities and transactions in question, drafted pursuant to directives issued by the Directors to enable the Board of Statutory Auditors to prepare its report on the operating accounts in compliance with the requirements issued, *inter alia*, by CONSOB.

The Board of Statutory Auditors attends Board of Directors' meetings.

## Information flows from Board Committees

The Chairman of each Committee reports at the first available meeting of the Board of Directors on the work undertaken at the Committees meetings.

The Remuneration Committee sends the discussed documentation to the Board of Statutory Auditors following its meetings.

In the exercise of the duties assigned to it under applicable laws and regulations, the Related-Parties Committee provides the Board of Directors with:

- Advance and justified opinions, also binding, on the overall adequacy of internal procedures governing the identification and management of transactions with related parties and/or associated parties undertaken by UniCredit and/or Group companies, as well as relevant amendments, pursuant to CONSOB Regulations for transactions with related parties and Bank of Italy Regulations for transaction with associated parties;
- Advance and justified opinions issued, as expressly envisaged, on any interest in completing transactions with related parties and/or associated parties undertaken by UniCredit and/or Group companies, as well as on the propriety and substantive correctness of the related conditions, in the event that the Board of Directors' decision is requested.

## Flows from the CEO

In the exercise of the CEO's proposal and decision-making powers and/or power to submit information to the Board of Directors, the CEO is the recipient of information flows that Bank structures earmark for the Board pursuant to the legal and regulatory provisions in force at the time. Where envisaged, the CEO submits to the Board of Statutory Auditors documentation for compliance and assessment purposes, also in view of the necessary opinions and comments of the latter.

Furthermore, for the purposes of ensuring the correct and orderly management of the Bank, the Board of Directors has established a delegation system according to which it has empowered the CEO with the faculties and mandate

required to execute all operations the Company may undertake pursuant to Clause 4, sub-section 1 of the Articles of Association. Within this context, pursuant to the terms, conditions and deadlines defined by the Board, the CEO informs the Board of Directors of sub-delegated powers and activities carried out by management in the exercise of its powers.

### **Information flows from the Board of Statutory Auditors**

On an annual basis, the Board of Statutory Auditors drafts and sends its calendar of meetings to the Chairman of the Board of Directors and the Chairman of the IC&RC.

The Board of Statutory Auditors periodically informs the IC&RC and the Board of Directors about the issues it has handled during its routine supervisory activity, together with its recommendations and opinions.

The Board of Statutory Auditors - which reports to the Shareholders' Meeting on supervisory activities carried out over the previous fiscal year, important omissions and censurable facts, if any - informs the Board of Directors on the relevant outcomes included in its annual report to shareholders.

### **Information flows from corporate Control Functions**

Corporate control functions directly send regular flows to all Corporate Bodies as per their specific area of competence. These flows are typically prepared on the basis of specific requirements pursuant to applicable rules and regulations or to specific internal self-regulatory requirements identified by the Board of Directors in compliance with Bank of Italy Circular no. 285.

In particular, Group Compliance, Group Risk Management and Internal Audit periodic reports must be sent directly to the Board of Statutory Auditors by the heads of these functions.

# Annexes

## Annex A

### **DOCUMENTATION TO BE SENT TO THE BOARD OF DIRECTORS AND BOARD COMMITTEES**

An internal procedure has been set up, which - by means of the IT platform described in Section 1 “Board of Directors”, para. 1.3 (“Confidentiality”) of the Regulation - allows Directors/Committee Members and Statutory Auditors to access the documentation and information supporting proposals to enable them to express their opinions in an informed manner on the topics under deliberation.

#### **Timing**

Customarily, documentation is made available to Directors at least 3 working days prior to the Board meeting. In specific cases, this timescale may be reduced for justifiable reasons.

The same timescale applies to Board Committee meetings.

#### **Form and content of documentation to be sent to individual Directors/Committee members for the purposes of adopting resolutions regarding items on the Agenda**

A special format exists for pre-Board meeting support documentation.

This documentation consists of:

- A word format memorandum, in English;
- Any annexes to the memorandum (only documents explicitly subject to approval, acknowledgment, ratification);
- Supporting documentation (“focus” documents that are not official meeting documents, and are available online for closer examination by Directors).



## BOARD OF DIRECTORS' SELF-ASSESSMENT PROCESS

### 1. What the process covers

The self-assessment process focuses on the adequacy of the Board of Directors and Board Committees in terms of their composition and functioning.

As far as composition is concerned, the focus is on: qualitative and quantitative composition, size, degree of diversity, educational background, experience (including managerial), seniority in present post, guaranteed balance of non-executive and independent members, adequacy of the appointment processes and selection criteria, and ongoing professional development.

As far as functioning is concerned, the focus is on: meetings, frequency, duration, attendance levels and form of participation, sufficient time available to dedicate to the assignment, degree of trust, collaboration and interaction among members, awareness of the role of Board member, and the quality of debate at Board meetings.

The adequacy of the Board of Directors and Board Committees in terms of composition and functioning is tangibly measured in specific theme-based areas, with special reference to those relevant to sound and prudent management.

Merely by way of example, this encompasses the following:

- Identifying strategic guidelines;
- Corporate management, performance levels targeted and achieved;
- RAF, ICAAP, asset evaluation, risk measurement systems;
- Organizational structure, operational delegations, conflict of interest management;
- Internal control system;
- Outsourcing policies;
- Financial disclosure and accounts reporting systems;
- Information flows between corporate bodies and with corporate functions;
- Remuneration and incentive systems.

### 2. Persons involved in the self-assessment process

The following play a fundamental role in the self-assessment process:

- i) The Chairman of the Board of Directors, who is in charge of ensuring that the self-assessment process is carried out effectively and matches the degree of complexity of the Board's work, and that any corrective measures envisaged for shortcomings detected are effectively adopted;
- ii) Directors currently in office, who are asked to provide the relevant information; in particular, Board Committee Chairmen and members;
- iii) The Corporate Governance, Nomination and Sustainability Committee, which is responsible for supporting the Board of Directors during the various stages of the process;
- iv) Members of the Board of Statutory Auditors;
- v) Persons who regularly attend Board meetings (e.g. General Manager and Secretary to the Board of Directors);
- vi) UniCredit internal staff responsible for conducting the self-assessment process;
- vii) Independent external consultant assigned to provide advice on implementing the various stages of the process.

The internal staff involved in the process belong to the Group Corporate Affairs Department and are selected by the Chairman of the Board of Directors, based on a proposal from the Corporate Governance, Nomination and

# Annexes

Sustainability Committee, in order to leverage competencies with regard to its corporate role of supporting the Board and Board Committees on issues relating to corporate governance and corporate law.

The self-assessment process is undertaken with the assistance of an external consultant chosen by the Chairman of the Board of Directors, after receiving a proposal from the Corporate Governance, Nomination and Sustainability Committee. The selection of this consultant must take the following into account: skills, expertise in the field of corporate governance, and the need for neutral, objective and independent judgment, which are the hallmarks of the self-assessment process.

## 3. Process stages

The self-assessment process may be broken down into the following stages:

- Examination;
- Drafting the outcomes of the self-assessment process;
- Preparation of the summary document of process outcomes.

### 3.1 Examination

The Directors provide the information required to conduct the assessment through the filling in of the questionnaires prepared by the UniCredit staff supported by the external consultant, and/or through individual and/or collective interviews conducted by the external consultant. The Company's top management may be asked to provide additional information and suggestions.

Once the examination stage has been completed, the independent external consultant drafts a summary document containing an overview of the results of the questionnaires and any interviews.

#### a) Questionnaires

The written questionnaires are filled out anonymously in order to ensure the full and free expression of Directors and the chance to carry out an objective analysis of the input provided.

The questionnaires, as a rule, take into consideration the composition and functioning of the Board as a whole and its Committees.

#### b) Interviews

Individual interviews with Directors to find out more on specific issues functional to the assessment required of Directors are conducted exclusively by the external consultant in order to ensure that the process is objective.

In agreement with the Chairman of the Board of Directors, interviews may be extended to individuals who work at the Bank and who, as a result of their work, have a sufficient breadth of knowledge to assess the work carried out by the body itself.

### 3.2 Drafting the outcomes of the self-assessment process

Assisted by UniCredit staff and the external consultant, the Chairman of the Board of Directors:

- a) Analyses the summary document prepared by the external consultant containing in aggregate form the outcome of the questionnaire and any interviews in order to identify strengths and weaknesses regarding the composition and functioning of the Board of Directors and Board Committees;
- b) Draws up a proposal for actions deemed appropriate in areas of identified weakness;

- c) At subsequent self-assessments, verifies the advancement of initiatives taken by the Board following outcomes from previous self-assessment exercises.

### **3.3 Preparation of the process outcome summary document**

Results from the analysis are written up in an *ad hoc* document which illustrates:

- i) The methodology and individual phases of the process;
- ii) The individuals involved, including the external consultant, if applicable;
- iii) The results achieved, highlighting strengths and weaknesses;
- iv) Any corrective actions necessary;
- v) For self-assessments after the first, how far previously approved corrective actions have been implemented.

This document will be submitted to the Corporate Governance, Nomination and Sustainability Committee and then, along with that Committee's opinion, to the Board of Directors for discussion and approval.

Where required, the document will be submitted to the European Central Bank or to the Bank of Italy.

# Annexes

## Annex C

### **Methods for interaction between non-executive members of the Board of Directors and management**

#### **1. Scope of application**

1.1. These rules are applicable to non-executive members of the Board of Directors (“non-executive Directors”).

1.2 These provisions govern communications with management or requests for information relating to the Bank’s business on matters that were never and have not been submitted to the Board’s attention, outside of Board meetings.

#### **2. Rules for interaction**

2.1 If a non-executive Director plans to have contact with management on matters falling under Article 1.2 above, they must approach the Chief Executive Officer, or a person delegated by the latter, who will, where necessary, provide the required responses, via the company email.

2.2 Contacts shall in any case be in full compliance with current laws and regulations (e.g. regulations governing privileged information, privacy, confidentiality, banking secrecy, etc.).

### **PROCESS FOR SELECTING CANDIDATES FOR THE POSTS OF CHAIRMAN, CHIEF EXECUTIVE OFFICER AND MEMBER OF THE BOARD OF DIRECTORS**

#### **1. Premise**

Whereas:

- in the event that one or more vacancies should arise on the Board of Directors, the Board is called upon to fill them and, should the entire Board need to be replaced because its term has expired, may [present a list of candidates to be submitted to the General Meeting of Shareholders\* or], upon publication on the website of the Quali-Quantitative Profile, identify candidates that the Board deems to be suitable to cover the post of Director;
  - the Corporate Governance, Nomination and Sustainability (CGN&S) Committee, in compliance with the relevant laws and regulations, supports the Board of Directors in defining the roles and capabilities required for the appointment, and in identifying candidates to fill the available Director positions,
- the selection of candidates for the posts of Chairman, Chief Executive Officer and Member of the Board of Directors shall take place based on the following process (the "Process").

#### **2. Parties to the process**

1. "Task Force": a small number of members of the CGN&S Committee selected by the CGN&S Committee itself. If no Task Force has been named, the activities assigned to the latter are carried out by the entire CGN&S Committee;
2. External Consulting Firm: one or more "head hunting" firms, chosen from among companies of high standing, appointed to support the Bank in the search for potential candidates. It should be noted that the appointment of the External Consultant may be omitted in the circumstances specified under Section 3.1 below;
3. CGN&S Committee: supports the Board of Directors in the various stages involved in the process;
4. Chairman of the CGN&S Committee: participates in appointing the External Consulting Firm, ensuring that the methods employed for implementing the process are effective and consistent with its aims;
5. Board of Directors: defines candidate profiles, appoints Directors to fill vacancies on the Board and identifies [candidates to serve as Directors in the event that the Board submits a slate to the Shareholders' Meeting\* or] submit to shareholders one or more potential candidates suitable to cover the post of Director upon the publication on the website of the Quali-Quantitative Profile.

#### **3. Stages in the process**

The process is comprised of the following stages:

- Nomination of Task Force members and appointment of an External Consulting Firm
- Definition of candidate profiles
- Candidate interviews
- Nomination/preparation of a list/identification of candidates

##### ***3.1 Nomination of Task Force members and appointment of an External Consulting Firm***

The CGN&S Committee identifies the Directors who will be part of the Task Force.

In the same stage, the CGN&S Committee identifies one or more of the leading head hunters operating on the market at the time. In choosing potential consultants, attention should be paid to their know-how and expertise in

# Annexes

the field of corporate governance, and to meeting the need for neutrality, objectivity and independent judgment.

It should be noted that, for reasons of confidentiality or urgency, the CGN&S Committee is entitled to carry out the activities of the External Consultant itself directly, therefore without any head hunter being selected.

## **3.2 Definition of candidate profiles**

With the support of the External Consulting Firm, the Task Force members identify the personal, professional and independence features they deem optimal for the post or specific appointment.

The Task Force then submits the profile of the ideal candidate(s) to the CGN&S Committee which, if in agreement, in turn submits it to the approval of the Board of Directors.

## **3.3 Candidate interviews and short-list proposal**

The head hunter(s) identify a long-list of possible candidates who match the profile approved by the Board of Directors.

Based on the list drafted by the head hunter(s), the Task Force begins conducting individual interviews with each potential candidate.

At the end of the interview stage, the Task Force submits a short-list of candidates to the CGN&S Committee.

## **3.4 Nomination/preparation of a list/identification of candidates**

The CGN&S Committee examines the short-list prepared by the Task Force and submits a proposal to the Board of Directors to appoint one or more candidates or a list of candidates [to present to the Shareholders' General Meeting\* or] identified as suitable to cover the post of Director when the Quali-Quantitative Profile is published on the website.

The Board of Directors then decides on the proposal received from the CGN&S Committee.

\* to be inserted in case the Articles of Association are amended to grant the outgoing Board the power to present a list