



Global Policy

**Transactions with related parties, associated persons  
and Corporate Officers ex art.136 CBA**

*Please note that this is a convenient translation of the Global Policy drawn up in Italian. The Italian version of the Global Policy shall prevail in all respects on the English translation.*

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<b>Approving Function</b>	Board of Directors	<b>Date</b> February, 2019
<b>Proposing Function</b>	Co-COO – Finance and Cost Management Group Risk Management Group Compliance	

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# 1 PREAMBLE

## 1.1 Purpose and content summary of the document

The Policy's aim is to avoid the risk that the proximity of certain persons to the decision-making centers of the bank may compromise the objectivity and impartiality of decisions relating to transactions with said persons thereby causing the potential pursuing of private interests, distortions in the resource allocation process, exposure of the bank to risks that have not been adequately measured or controlled, potential losses for depositors and shareholders. Said aim is pursued by ensuring the transparency and substantial and procedural correctness of these transactions, regardless of whether they are carried out directly or through subsidiaries.

In this regard, the Policy contains provisions to be observed in the management:

- of transactions with related parties pursuant to the CONSOB Regulation;
- of transactions with associated persons pursuant to the Bank of Italy Provisions;
- of the duties of corporate officers pursuant to art. 136 of the Legislative Decree no. 385/1993 (hereinafter "CBA" or "Italian Banking Law").

Furthermore, the Policy also mentions the topic of the financial statement report on transactions with related parties pursuant to the Bank of Italy Circular of 22 December 2005, no. 262 "Bank Financial Statement and subsequent updates – Drafting methods and rules" and to the IAS 24 accounting standard.

The Policy defines:

- the criteria for identifying Persons in conflict of interest;
- the preliminary procedures, as well as the procedures established for proposing and approving transactions with Persons in conflict of interest;
- the subsequent information requirements vis-à-vis the Parent Company's Corporate Bodies;
- the measures necessary to ensure compliance with disclosure and transparency requirements for transactions pursuant to the CONSOB Regulation and the periodic financial report.

The Policy is directly applicable to UniCredit S.p.A., as well as to its Subsidiaries for the provisions concerning the management of Transactions with members of the Combined Perimeter and, solely for the Italian Banks, of the rules regarding the Obligations of Corporate Officers.

UniCredit S.p.A. and the Subsidiaries implement the Policy in compliance with the legal and regulatory requirements locally in force, according to the guidelines established by the Parent Company as a result of its direction and coordination activity and in line with the relevant legislation. In the event that some of the Policy provisions are less stringent than local legislative requirements, the company concerned will conform with the more stringent local provision in force. UniCredit S.p.A. undertakes, considering the need to ensure substantial compliance at the Group level with the relevant legislation and regulatory provisions, to find organizational and operational solutions that enable the actual achievement of said objective, while safeguarding compliance with the legislation in force in the countries where the Group operates.

The Subsidiaries are required to commence promptly and in accordance with the Group regulations currently in force, after the evaluation and approval by their competent corporate governance Bodies, the necessary activities aimed at the implementation of the Policy. Furthermore, they are under a duty to take the necessary actions with regard to the subsidiaries falling within their area of competence. The Presidio Unico together with the other owner structures, Group Compliance Risk Assessment and Controls and Group Risk Supervisory Reporting will continuously monitor the approval and implementation of the Global Policy in line with the Group's internal regulations. In addition, the Italian listed Subsidiaries and the Subsidiaries with shares significantly spread across the public are required, as addressees of the CONSOB Regulation, to adopt their own internal procedures pursuant to said Regulation, in coordination with this Policy.

In the event that the Subsidiary should consider necessary to amend and/or derogate to Policy provisions in order to comply with the local legislation (if more stringent) or because of organizational and operational constraints, the Subsidiary itself shall request the owner functions for a "Non-Binding Opinion", in accordance with the Group regulations currently in force.

However, as confirmed by the Bank of Italy, if there are proven difficulties on the part of the foreign subsidiaries in gathering the information necessary to comply with the provisions on associated persons, UniCredit S.p.A. is free to acquire the widest possible range of information, though not all information, in compliance with the local legislation and in accordance with the "best effort" and "proportionality" principles. With reference to the issues dealt with by the Policy, the Parent Company - which is placed at the top of the chain of control and is the only one responsible vis-à-vis the Supervisory Authorities for all Group banking activities as well as for corporate reporting activities - manages the relations with said Authorities and coordinates the relations of the Subsidiaries with said Authorities. The Subsidiaries are therefore required to promptly inform the Parent Company about the issues in their relations with the Supervisory Authorities when connected to the implementation of the Policy. The information flow must be carried out in compliance with supervisory regulations, involving in advance, as far as possible, the Parent Company when contacting the Supervisory Authorities. The information provided by the Parent Company is processed by the Subsidiaries in compliance with local laws and confidentiality requirements.

### **Publicity of the Policy**

The Policy is published on UniCredit S.p.A.'s website and on the company's Portal. Furthermore, it is sent to the subsidiaries, in compliance with the internal rules on the management of the Global Rules. It has also been established that the Policy shall be publicized in the management Report, in compliance with art. 2391-bis of the Italian Civil Code regarding related party transactions.

### **Review of the Policy**

UniCredit S.p.A., through the Presidio Unico and the other "owner" functions, evaluates annually (by the first quarter after the end of the calendar year) whether to proceed with a revision of the Policy, taking into account, among other things, the effectiveness of the Policy measured through its concrete implementation as well as any changes in the relevant legislation (variation of regulatory environment that do not require to be evaluated and approved to become effective are implemented from the date of their entry into force; the text of the Policy will be formally amended at the earliest day).

Revision proposals are subject to the approval of the Board of Directors with the prior binding favorable opinions of the Related Parties Committee (hereinafter the "Committee") and of the Board of Statutory Auditors.

If the Owner structures of the Policy do not consider it necessary to amend said Policy, they submit the findings of their assessments to the Co-COO Finance & Cost Management, to the Group Compliance Officer and to the Chief Risk Officer for what concerns their respective area of competence. The Committee and the Board of Statutory Auditors, however, issue an opinion on this matter.

## **1.2 Glossary and Acronyms**

<b>Keyword</b>	<b>Definition</b>
<b>Independent Directors</b>	The Board of Directors of Unicredit has delegated the task assigned to independent directors pursuant to the CONSOB Regulation no. 17221/2010 (hereinafter "Consob Regulation") and the Bank of Italy Circular no. 263/2006 to the Related Parties Committee.
<b>Entity</b>	Italian and foreign banks, financial companies, as well as ancillary services undertakings controlled by UniCredit S.p.A., directly or indirectly, and belonging to the Banking Group
<b>Supervised Intermediaries</b>	investment firms, Italian and foreign asset management companies, electronic money institutions, financial intermediaries registered pursuant to art. 106 of the CBA, payment institutions and foreign financial intermediaries (if supervised) that are part of a banking group and have individual own funds exceeding the 2% of UniCredit S.p.A.'s own consolidated funds
<b>Presidio Unico</b>	the structure established as part of Group Shareholding of UniCredit S.p.A. with the responsibility of coordinating, at Group level, the management of Transactions with members of the Combined Perimeter
<b>Local Representative</b>	the person identified by the Subsidiaries acting as a connection and coordination element in the relations between the Parent Company and the Subsidiaries concerning operations with members of the Combined Perimeter

<b>Company</b>	the Italian and foreign companies controlled, directly or indirectly, by UniCredit S.p.A. not belonging to the Banking Group
<b>Control (CONSOB)</b>	<p>according to the CONSOB Regulation "Control is the power to determine the financial and management policies of an entity in order to benefits from its activities. Control is presumed to exists when a person owns, directly or indirectly through its subsidiaries, more than half of the voting rights of an entity, unless, under exceptional circumstances, it can be clearly shown that such ownership does not constitute control. Control also exists when a person owns half, or less than half, of the voting rights that can be exercised in the shareholders' meeting if said person has:</p> <ul style="list-style-type: none"> <li>- the control of more than half of the voting rights by virtue of an agreement with other investors;</li> <li>- the power to govern the financial and management policies of the entity pursuant to the statute or an agreement;</li> <li>- power to appoint or remove the majority of the members of the board of directors or the equivalent governing body, provided that said board or body have control over the entity;</li> <li>- the power to exercise the majority of the voting rights in the meetings of the board of directors or of the equivalent corporate governance body, provided that said board or body have control over the entity"</li> </ul>
<b>Control (Bank of Italy)</b>	<p>according to the Bank of Italy Provisions "control, pursuant to art. 23 of the CBA, is defined at article 2359 first and second paragraphs of the Italian Civil Code; control deriving from contracts or statutory clauses whose subject matter or effect is the power to exercise the activity of management and coordination; cases of control exercised in the form of dominant influence. Situations of joint control, here defined as the contractually established sharing of control over a business are likewise relevant. In this case, the parent companies are defined as follows:</p> <ul style="list-style-type: none"> <li>- the persons who can exercise a decisive influence on the business' financial and operational decisions of a strategic nature;</li> <li>- other persons which can influence the management of the business because of their shareholding, of existing agreements, whatever the form, of statutory clauses whose subject matter or effect is the possibility to exercise control.</li> </ul> <p>Control is also relevant when exercised indirectly, through subsidiaries, trust companies or proxies. Companies and enterprises controlled by entities which are in turn subject to joint control are not considered to be indirectly controlled "</p>
<b>Joint control (CONSOB)</b>	according to the CONSOB Regulation "Joint control is the contractually agreed sharing of control over a business"
<b>Executives with strategic responsibilities (CONSOB)</b>	according to the CONSOB Regulation "Executives with strategic responsibilities are those persons who have the power and responsibility, directly or indirectly, of the planning, direction and control of the company's activities, thereby including the directors (executive or otherwise) of the company itself"
<b>Company representatives (Bank of Italy)</b>	according to the Bank of Italy Provision "corporate officers are individuals that perform administrative, management and control functions in a bank, a parent company operating in finance or a supervised intermediary. In the traditional management system this definition includes the directors and statutory auditors (permanent or alternate); in the two-tier system the members of the supervisory board and the management board; in the one-tier management system, the directors and members of the committee for management control. The definition includes the general manager as well as individuals whose functions are equivalent to those of the general manager "
<b>Significant influence (CONSOB)</b>	according to the CONSOB Regulation "Significant influence is the power to participate in the determination of the financial and management policies of an entity without controlling it. Significant influence may be gained through the holding of shares, through statutory clauses or through agreements. If a person holds, directly or indirectly (for example through

	<p>subsidiaries), 20% or more of the votes that can be cast at the shareholders' meeting of the investee company, said person is presumed to have a significant influence, unless this assumption can be unequivocally disproved. Conversely, if the person holds, directly or indirectly (for example through subsidiaries), a share of less than 20% of the votes that can be cast at the shareholders' meeting of the investee company, said person is presumed not to have significant influence, unless it can be clearly proven otherwise. The existence of a person controlling the absolute or relative majority of the voting rights does not necessarily bar another person from having a significant influence. One or more of the following circumstances usually indicate the presence of significant influence:</p> <ul style="list-style-type: none"> <li>- being represented in the board of directors or in the equivalent governing body of the investee;</li> <li>- participation in decision-making process, thereby including decisions on dividends or other profit distributions;</li> <li>- the presence of significant transactions between the investor and its investee company;</li> <li>- interchange of management personnel;</li> <li>- provision of essential technical information"</li> </ul>
<p><b>Significant influence (Bank of Italy)</b></p>	<p>according to the Bank of Italy Provision "significant influence is the power to participate to the determination of the financial and operational policies of an investee company without controlling it. Significant influence is presumed in the event of a direct or indirect holding of the 20%, or more, of the share capital or voting rights in the ordinary shareholders' meeting or in another body of the investee having the same function. However, if the company is listed in the regulated markets said threshold drops at 10%. If said thresholds are not met, a specific in-depth analysis must be performed in order to assess whether significant influence exists at least when the following indicators, as well as any other relevant circumstance, are present:</p> <ul style="list-style-type: none"> <li>- being represented in the body with management functions or in the body with strategic supervisory functions of the investee; it does not, <i>ipso facto</i>, indicate significant influence the sole fact of choosing the minority representative according to the provisions governing issuers listed on the regulated markets;</li> <li>- participating to the strategic decisions of an enterprise, in particular when controlling the deciding votes in the shareholders' meeting regarding financial statements, profit allocation, distribution of capital reserves, without a situation of joint control;</li> <li>- the existence of significant transactions, here identifying as such "transactions of greater significance" as defined in this Section, the interchange of managerial personnel, the provision of essential technical information.</li> </ul> <p>Significant influence is relevant also when exercised indirectly, through subsidiaries, trust companies or proxies. Investees of entities which are in turn subject to joint control are not considered to be indirectly controlled "</p>
<p><b>Significant Interests</b></p>	<p>"Significant interests" exist when the following circumstances are met:</p> <ul style="list-style-type: none"> <li>- shareholding of subsidiaries and associated companies of UniCredit S.p.A. by members of the Combined Perimeter (other than subsidiaries), enabling the exercise of significant influence. Alternatively, the direct or indirect ownership of significant stake, under no circumstance lower than the 20% of the voting rights (lowered to the 10% if the company is listed);</li> <li>- the existence of remuneration systems for executives with strategic responsibilities of UniCredit S.p.A. which depend to a significant extent (more than 25% of the overall remuneration) on the term results achieved by the companies the transaction was performed with.</li> </ul> <p>Significant interests may also be identified in the following, non-exhaustive, set of circumstances:</p> <p>(i) significant property relations between the subsidiary/associated</p>

	<p>company and other related parties;</p> <p>(ii) remunerations when sharing with the subsidiary/associated company directors/executives with strategic responsibilities;</p> <p>(iv) particular contractual relations of the subsidiary/associated company with the related party, whatever the form;</p> <p>(v) significant receivables, loans or guarantees not proportional with the stake held by the partners of the related party in the subsidiary/associated company.</p>
<b>Joint ventures (CONSOB)</b>	according to the CONSOB Regulation "A joint venture is a contractual agreement where two or more parties undertake a business activity subject to joint control"
<b>Close relatives (CONSOB)</b>	<p>according to the CONSOB Regulation "Close relatives of an individual are defined as those family members who are expected to influence, or be influenced by, the person involved in their relations with the company. This definition may encompass:</p> <ul style="list-style-type: none"> <li>- the spouse, when not legally separated, and the cohabitant;</li> <li>- children and dependents of said person, of the spouse, when not legally separated, or of the cohabitant"</li> </ul>
<b>Close relatives (Bank of Italy)</b>	according to the Bank of Italy Provisions "close family members are defined as the relatives up to the second degree, the spouse or cohabitant more-uxorio of a related party, as well as the children of said party"
<b>Transaction owner</b>	The person proposing the transaction responsible for the classification, assessment and reporting

## **2 GROUP RULES AND PRINCIPLES**

### **2.1 Related Parties Committee**

The Board of Directors of UniCredit reassigned the tasks allocated to independent directors by the CONSOB Resolution no. 17221/2010 (hereinafter the "CONSOB Regulation") and by the Bank of Italy Circular No. 263/2006 to the Related Parties Committee.

#### **2.1.1 Composition**

The members of the Committee are identified among the members of UniCredit's Board of Directors that qualify as independent pursuant to art. 3 of the Corporate Governance Code for Listed Companies as approved by the Corporate Governance Committee.

#### **2.1.2 Responsibility**

Pursuant to the Provision, the Committee can:

- formulate prior, motivated and binding opinions (for the purposes of the resolution of UniCredit's Board of Directors) on the suitability of the Procedures and their subsequent updates to achieve the objectives established by the external regulatory environment. This opinion is accompanied by a similar one requested to the body with control functions;
- formulate prior and motivated opinions, when expressly required, in the event of transactions with members of the combined perimeter carried out either directly or indirectly by UniCredit. Said opinions concern Unicredit's interest in the performance of such transactions, as well as the profitability and substantial correctness of the conditions of said transactions;
- in the event of transactions of Greater Significance with members of the combined perimeter, become involved - if deemed necessary by the Committee, through one or more delegated members - in the negotiation phase and in the preliminary phase through the reception of a complete and timely information flow with the right to request information and issue observations to the delegated Bodies and the persons in charge of carrying out the negotiations or the preliminary phase;
- continuously monitor, also for the purpose of formulating any corrective actions, transactions with members of the combined perimeter performed directly or indirectly by UniCredit, other than small Transactions, for which procedural exemptions have been applied.

### **2.2 Combined Perimeter**

Considering the similarities between the CONSOB Regulation and the Bank of Italy Provisions and with the aim of rationalizing the operating of the structures of the Parent Company and of the Subsidiaries, UniCredit S.p.A., as the listed issuer at the top of the Banking Group, has established a Combined Group Perimeter to which the decision-making procedures provided for in the present Policy find application, for the purpose of both the CONSOB Regulation and the Bank of Italy Provision.

The complete and timely identification of the members of the Combined Perimeter is a necessary condition for the timely application of the decision-making procedures as well as for the application of specific provisions established by the CONSOB Regulation on transparency requirements. What said also finds application for the Bank of Italy Provisions regarding the supervisory reporting and monitoring of risk assets. For the specific requirements reference should be made to the "Specific provisions on the Bank of Italy Associated Parties and the CONSOB Related Parties" later in this document.

## 2.2.1 Definition

The Combined Perimeter consists of the aggregation of the members of the Perimeter of UniCredit S.p.A. (as a bank and listed issuer), of the Banks and Supervised Intermediaries, even when listed (with assets exceeding the 2% of the consolidated Own Funds), of the Banking Group (Italian and foreign), as well as the Perimeter of Italian listed issuers controlled by UniCredit S.p.A. other than the ones already mentioned.

For the identification of the members of the aforesaid perimeters, reference is made to related parties and associated parties as defined, respectively, in the CONSOB Regulation and the Bank of Italy Provisions, to which other circumstances may be added in order to take into account relations with the Bank and/or the Group, and to consider - among other things - the significance of relations with economic groups having complex and articulated corporate structures that may not ensure full transparency of the corporate and organizational structures. Furthermore, if the Bank finds actual conflicts of interest on additional persons, said persons are included among the addressees of the provision.

Each Company of the Group is also to individually comply with the rules established by the individual supervisory Authorities operating in that sector and/or market concerning the management of transactions with persons in conflict of interest as regulated in the individual jurisdiction.

The members of the Combined Perimeter timely provide the information necessary to allow their timely identification, as well as the identification of the persons associated to them (*soggetti connessi*) and promptly report any subsequent variation thereof. Such information of the Supervised Banks and Intermediaries, acquired by the Parent Company's Structures (each one responsible for different types of members of the Combined Perimeter), is collected in a central application, accessible at Group level by the Heads of Parent Company Structure, their delegates as well as by the Subsidiaries.

To allow the implementation of the Policy at Group level as well as the implementation of this Global Policy, it has become necessary to exceed the boundaries of the personal data protection rules applicable to certain companies of the Group by collecting specific authorizations (waivers) from the related parties. The waiver is the document enshrining the consent to the processing of data protected under bank secrecy and Data Protection laws. The waiver is drafted pursuant to local regulations and their collection is the responsibility of the relevant legal entity, though this activity is periodically monitored by Group Shareholding<sup>1</sup>- Presidio Unico.

For the purposes of identifying the persons falling within the categories of the Combined Perimeter, it has also been established that the competent structure in the area of Group Risk Management, using the information in its possession, supplements what was declared by the related party with any further legal connections originating from said related party from which the classification of a counterparty as an associated person (*soggetto connesso*) may be inferred.

## 2.2.2 Consob Related Parties

With exclusive reference to UniCredit S.p.A. are related parties:

1. Persons that, directly or indirectly, also through subsidiaries, trustees or proxies:
  - a. control UniCredit S.p.A., are controlled by Unicredit SpA or are subject to joint control;
  - b. hold a stake in UniCredit S.p.A. that enables them to exercise significant influence over the latter;
  - c. control UniCredit S.p.A. jointly with other persons.
2. The associated companies of UniCredit S.p.A.
3. The joint ventures in which UniCredit S.p.A. participates.
4. Executives with strategic responsibilities of UniCredit S.p.A. or of its parent company (thereby including executive and non-executive Directors as well as permanent and alternate Statutory Auditors).
5. The close relatives of one of the persons mentioned at points (1) or (4).
6. Entities in which one of the persons mentioned at points (4) or (5) exercises control, joint control or significant influence or holds, directly or indirectly, a significant stake, in any event, not lower than the 20% of the voting rights.

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<sup>1</sup> Group Shareholding – Presidio Unico in the event that a percentage of waiver requests is less than the 60% and/or amendments have not been made for over two quarters, initiates the escalation process vs. the Top Management which in turn will involve the addressees of the initial letters (Local CEOs).

7. Supplementary pension funds, collective or individual, Italian or foreign, set up or promoted by UniCredit S.p.A., as well as funds on which the latter is able to exercise influence.

### 2.2.3 Associated Persons Bank of Italy

For the purposes of identifying Associated Persons, are hereby defined:

#### Related parties

1. The corporate officers of UniCredit S.p.A., of the Banks and Supervised Intermediaries of the Group;
2. The shareholders of UniCredit S.p.A. (i.e. the persons required to apply for authorizations to the Bank of Italy to hold a stake in the share capital of banks, pursuant to articles 19 and following of the CBA), of the Banks and Supervised Intermediaries of the Group.
3. Persons, other than stakeholders, which are able to singlehandedly appoint one or more members of the management body or the body with strategic supervisory function of UniCredit S.p.A., of the Banks and Supervised Intermediaries of the Group, also on the basis of agreements, whatever their form or of statutory clauses whose subject matter or effect is the exercise of such rights or powers.
4. Companies or enterprises also existing as non-corporate entities on which UniCredit S.p.A. or a company of the Banking Group is able to exercise control or significant influence.

UniCredit S.p.A. also collects information on relatives by marriage up to the second degree of the persons at points (1), (2) and (3), and keeps such information available for any requests by the Bank of Italy.

#### Associated Persons (*soggetti connessi*)

5. Companies and enterprises controlled by a related party (from 1 to 4) regardless of whether they exist as a corporate entity.
6. The persons that control a related party among those mentioned at the points (2) and (3) or the persons that are, directly or indirectly, subject to joint control together with the related party itself.
7. Close family members of a related party (from 1 to 4) and the companies or enterprises controlled by them.

### 2.2.4 Persons Relevant for self-regulation purposes

1. The persons who directly or indirectly, also through subsidiaries, trustees or proxies, hold a stake, in the form of voting, of more than the 3% of the share capital of UniCredit S.p.A., of the Banks and of the supervised Intermediaries of the Banking Group (Italian and foreign), thereby including listed intermediaries, as well as other Italian listed issuers and the persons directly and indirectly controlled by them, close family members and the companies/enterprises controlled by said family members. For the purposes of the foregoing, however, Governments, Government Bodies and Central Banks<sup>2</sup> and all the persons affiliated with them are not included in the Combined Perimeter, the only exception being persons that constitute the chain of control relating to the stakeholder of UniCredit S.p.A., the Banks and the supervised Intermediaries of the Banking Group (Italian and foreign).

Governments, Government Bodies and Central Banks, on the other hand, fall within the combined[\*] Perimeter if they exercise control or significant influence over UniCredit S.p.A., the Banks and the Supervised Intermediaries of the Banking Group.

2. The parties to an agreement, whatever the form, for the joint exercise of the voting rights in the Shareholders' Meeting of UniCredit S.p.A., the Banks and Supervised Intermediaries of the Banking Group (Italian and foreign), thereby including listed intermediaries, as well as other Italian listed issuers, above the threshold that the relevant laws require to make public (and, however, not lower than the 3%) and the persons directly or indirectly controlling them as well as the persons which are being directly or indirectly being controlled by them, and the close family members of the persons exercising the control and the companies/enterprises controlled by said family members. For the purposes of the foregoing, however, Governments, Government Bodies and Central Banks and all the persons affiliated with them are not included in the Combined Perimeter, the only exception being persons that constitute the chain of control relating to the stakeholder of UniCredit S.p.A., the Banks and the supervised Intermediaries of the Banking Group (Italian and foreign).

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<sup>2</sup> On the other hand, Sovereign funds are included.

The abovementioned exemption relating to Governments, Government Bodies and Central Banks does not operate if said persons exercise control or significant influence.

3. The members of the Executive Management Committee of UniCredit S.p.A. other than the executives with strategic responsibilities, as well as, the Executives with strategic responsibilities and the Head of the Audit Function of the Italian listed banks (included for their purposes pursuant to the CONSOB Regulation), as well as:
  - ✓ the entities in which they exercise control, joint control or significant influence or hold, directly or indirectly, a significant stake, however, not lower than the 20% of the voting rights;
  - ✓ their close family members and the entities controlled, jointly controlled or significantly influenced by the latter, as well as the entities where they hold, directly or indirectly, a significant stake, however, not lower than the 20% of the voting rights.

## 2.2.5 Supervisory Reporting Perimeter and IAS 24

For completeness, the statutory requirements on Related Parties and Associated Parties are complemented by:

- the Bank of Italy Circular of 22 December 2005, n. 262 "Banking Financial Statement – drafting guidelines and rules" which establishes the supervisory reporting Perimeter, consisting of the Associated Persons of UniCredit S.p.A., the Banks and Supervised Intermediaries of the Banking Group (Italian and foreign), as indicated in the definition of associated persons in the Bank of Italy Provisions (see Definitions), thereby including any persons identified by the competent GRM structure because of their legal connection with the related parties, to which are added joint relations (in the event that the exposure is not attributable to individual holders, it is possible to attribute the overall exposure to each group of joint holders);
- the accounting principle IAS 24. The perimeter defined pursuant to the aforementioned accounting principle for the purposes of the financial statement report includes all the Related Parties as defined in the principle of the same name and in the "Manual on Group Rules and Accounting Principles".

## 2.2.6 Corporate Officers pursuant to art. 136 CBA (For Italian Banks)

Article 136 CBA bars anyone who performs management, direction and control functions in a bank from undertaking obligations of any kind or carrying out sales transactions, directly or indirectly, with the bank that he/she manages, directs or controls without a prior unanimous resolution of the management body and with the favourable vote of all members of the supervisory body, with the exemption of the vote of the concerned individual. No prejudice is caused to the duties established by the Civil Code regarding the interests of directors and transactions with related parties. This provision applies in the relations between Italian banks and its own corporate officers ("Bank Officers"). The rules at paragraph 2.6 apply to UniCredit S.p.A. and to the Italian Banks of the Group, which will have to implement said rules in accordance with the principles and criteria identified herein and to establish implementation procedures consistent with those specified by the Parent Company. It is not being disputed that, considering that this type of conduct is subject to criminal sanctions, any specific assessment of the individual circumstances can only be left to the responsible evaluation of the persons concerned and, ultimately, to the jurisdiction of the judicial Authority.

## 2.3 Transactions with Members of the Combined Perimeter

### 2.3.1 Identification of transactions and exemptions

Transactions with members of the Combined Perimeter are defined as transactions that UniCredit S.p.A and the Subsidiaries carry out with members of the Combined Perimeter involving the undertaking of risk assets, the transfer of resources, services or obligations, regardless of whether consideration was provided.

UniCredit S.p.A. focuses on the essence of the relationship and not simply on its legal form for identifying such transactions.

#### Identification

Are however included:

- operations of merger and demerger by incorporation or non-proportional strict demerger ( *fusione and scissione per incorporazione or scissione in senso stretto non proporzionali*) when carried out with members of the Combined Perimeter (excluding proportional demergers in the strict sense ( *scissioni in senso stretto proporzionali*), because this type of transactions does not discriminate between shareholders in the same position);
- capital increase transactions;
- decisions regarding the allocation of remunerations and economic benefits, whatever the form, to members of the management and control Bodies and to executives with strategic responsibilities, without prejudice to the exemptions below;
- transactions with companies subject to extraordinary administration procedures ( *amministrazione straordinaria*). (for the assessment see 2.3.3)

By way of example are included, but not limited to:

- banking transactions, both of collection and use;
- the supply of primary and secondary investment services;
- the distribution of financial and insurance products;
- contractual agreements of any kind, other than those identified at the previous points;
- new concessions, amendments and periodic reviews of credit facilities (loans and lines of credit) and other transactions involving the assumption of credit risk (such as the issue of guarantees, commitments to disburse funds and the deposit of third party securities) even when formalized through framework resolutions or plafonds/internal limits (so-called credit plafonds on which “transactions are drawn on”), when all relevant elements have been identified or are identifiable<sup>3</sup> (for credit transactions, the type of transaction, its value, duration, nature and the applicable terms and conditions). Lacking such key elements, the plafond/internal limits are not “transactions” pursuant to the Global Policy.

### Exemptions

Are identified as transactions in which the provisions of the CONSOB Regulation and the Bank of Italy Provisions do not apply

- Transactions carried out by UniCredit S.p.A. with Entities, or between Entities, when there is a relation of complete corporate control (thereby including the transfer of funds or "collateral" carried out within the framework of the liquidity risk management system at consolidated level), provided that there are no significant interests of other members of the Combined Perimeter in the transaction or in the counterparty.
- Shareholders' resolutions pursuant to art. 2389, paragraph 1 of the Italian Civil Code, relating to the remuneration of members of the Board of Directors, as well as to the resolutions concerning the remuneration of Directors vested with special duties falling within the overall amount previously determined during the Shareholders' Meeting pursuant to art. 2389, paragraph 3 of the Italian Civil Code.
- Shareholders' resolutions pursuant to art. 2402 of the Italian Civil Code, relating to the remuneration of members of the Board of Statutory Auditors.
- Remuneration plans based on financial instruments approved by the Shareholders' Meeting pursuant to art. 114-bis of Legislative Decree no. 58 of 1998 and their implementation.
- Resolutions, other than those referred to at art. 2389, first paragraph of the Italian Civil Code, concerning the remuneration of the Directors vested with special duties and the other Executives with strategic responsibilities provided that: i) UniCredit S.p.A. has adopted a remuneration policy; ii) the Remuneration Committee of UniCredit S.p.A., consisting exclusively of non-executive, mostly independent, Directors, was involved in the definition of the remuneration policy; iii) the explanatory memorandum on the remuneration policy was submitted to UniCredit S.p.A.'s Shareholders' Meeting for approval; iv) it is established the coherence of all remunerations with this policy.

<sup>3</sup> Essential elements can only be identifiable when related to parameters that are not arbitrarily defined by the Bank, or for the identification of which the Bank has not significant discretion.

- Transactions to be carried out on the basis of stability instructions issued by the Supervisory Authorities or on the basis of directives issued by UniCredit S.p.A. executing instructions issued by the Supervisory Authority in the interest of Group stability, without prejudice to the provisions of art. 5 of the CONSOB Regulation.
- Capital Increases (of UniCredit) that do not bar or limit the pre-emption rights in favor of a member of the Combined Perimeter.

## 2.3.2 Classification

Transactions with members of the Combined Perimeter are classified on the basis of their size, their ordinary/non-ordinary nature and the conditions applied.

### **2.3.2.1 Criteria for identifying relevance**

Transactions with members of the Combined Perimeter are divided, on the basis of their relevance, in:

- Transactions of Greater Significance - transactions where at least one of the Relevance Ratios overruns the threshold of 5% of the consolidated Own Funds drawn from the most recent consolidated financial statement of UniCredit S.p.A.
- Transactions of Minor Relevance of significant value - transactions whose value is between € 1 billion and the value corresponding to the "greater significance threshold"; the asset/liabilities relevance Ratio, despite the transaction being worth less than € 1 billion, is equal to or greater than the ratio between € 1 billion and the consolidated Own Funds drawn from the most recent consolidated financial statement published by UniCredit S.p.A.
- Transactions of Minor Relevance - transactions whose ratios are below the threshold that identifies Transactions of Minor Relevance of significant value other than Small Transactions as defined below
- Small Transactions - are the transactions:
  - ✓ transactions with natural persons for an amount lower than, or equal to, € 250,000
  - ✓ transactions with legal entities for an amount lower than, or equal to, € 1,000,000

For the quantitative criteria to be used for the classification, see Appendix 2.

### **2.3.2.2 Criteria for identifying ordinarieness**

Ordinarieness occurs when two selection criteria are met: i) the transaction shall classify as an *operational activity* or, alternatively, a *related financial activity*; ii) the transaction shall be attributable to the performance of the *ordinary* operational activity of the company or to a related financial activity. Specifically:

- operating activity means all the main revenue-generating activities of the company and the other management activities other than investment or financial activities;
- the reference to the financial activity related to the operational activity concerns transactions which, although classifiable as financial, are mainly ancillary to the performance of the operational activity;<sup>4</sup>

In order to assess whether a transaction falls within the *ordinary performance* of the operational activity or the related financial activity, the following main indicators are to be considered:

- nature of the counterparty;
- subject matter of the transaction;
- its recurrence in the bank/company activity;
- size;
- contractual terms and conditions of the transaction (also with regard to the aspects of the consideration).

The relevance of the elements above will be assessed focusing in particular on the time of approval and completion of the transaction. In the event of a transaction carried out by a Subsidiary, the ordinarieness must be assessed with reference to the activity of said Subsidiary.

However, these activities cannot be considered as ordinary:

- transactions of Greater Significance;

<sup>4</sup> Pursuant to the CONSOB Communication DEM/10078683 dated 9/24/2010, capital increases barring pre-emption rights do not (normally) fall within the ordinary management of the financial activity which is related to the operational activity.

- transactions of Minor Relevance of significant value;
- debt restructuring transactions, regardless of how they are structured from a technical standpoint (including restructuring plans and swap D/E transactions in enterprises with temporary financial difficulties or performed for debit collection purposes) which have been approved in relation to members of the Combined Perimeter. Said type of restructuring activities to be performed pursuant to terms/conditions that differ from those envisaged in the resolution, as well as any other transactions in addition to what initially envisaged, cannot likewise be classified as ordinary;
- transactions related to credit recovery activities (so-called "workout"), regardless of how they are carried out in the working practice, thereby meaning those activities concerning settlement agreements with the counterparty. Activities relating to forced recovery in judicial or bankruptcy proceedings, as well as the procedures merely concerning the assessment of reserves or the closing of a position for impossibility to collect as ascertained during judicial or insolvency proceedings are not considered as transactions.

### **2.3.2.3 Criteria for determining applicable conditions and cost-effectiveness of the transaction**

Market/standard conditions, generally speaking, occur when:

- similar to those applied to counterparties (comparables)<sup>5</sup> that are not members of the Combined Perimeter with regard to transactions that are similar for their size, nature, type, risk, etc.;
- they can be inferred from handbooks, tariff frameworks, tables of products, framework agreements, etc. or applied on the basis of defined conditions set by law;
- utilised in similar transactions by "competitors", when available.

The reasons behind any discrepancies in the economic and contractual conditions applied to the transaction compared to standard or market practices must be adequately motivated by the profitability of said transaction.

The profitability of the transaction shall be detailed to determine the economic interest of the Bank in carrying out such transaction as well as the overall profitability of the relations with the counterparty; therefore, useful elements must be provided to highlight the parameters employed for the assessment with regard to this type of transaction.

The ordinariness of the conditions and the cost-effectiveness of the transaction shall be clarified, among other things, in the documentation accompanying the decision issued pursuant to the management processes in place from time to time, and supported by an adequate assessment (so-called Plausibility check) released by the technical and control functions in the area of Group Finance, Group Lending Office area and Group Compliance, each one responsible for its area of competence for checking the adequacy of the information provided by the transaction owner on the conditions and economic profitability of the transaction, as well as on the overall relation.

This checking activity (so-called plausibility check) shall be detailed in the report sent to the Presidio Unico by the Transaction Owner for all transaction where the opinion of the Committee is necessary or however for all transactions for which the profitability indicators are not in line with the ones set by the Management of the Bank.<sup>6</sup>

In relation to the plausibility check:

- Group Finance through the FTP, Pricing & Operational ALM structure
  - for the credit transactions of Unicredit S.p.A. (with counterparties not in default/work out) it checks the adequacy of the parameters utilised by the transaction owner to determine pricing
  - for the credit operations of the Subsidiaries it performs a governance role limited to the coordination and supervision of the checks carried out by the local Finance structures on the adequacy of the parameters used by the transaction owner to determine pricing
- Group Lending Office

<sup>5</sup> Where available. In fact, events where comparable counterparties cannot be identified (e.g. non-ordinary transactions, restructuring transactions, Etc.) may occur.

<sup>6</sup> Profitability indicators, set by the relevant internal regulation, will be used as benchmarks. Said indicators will be updated annually and detailed in the report to the Committee.

in the event of transactions carried out by UniCredit S.p.A., it checks the information provided by the Transaction Owner, confirming, among other things, consistency with credit parameters, profitability and correct representation of the risk appetite through:

- FIBS Credit Transactions, for transactions between UniCredit S.p.A. and Financial Institutions, Banks and Sovereign counterparties;
- Chief Lending Office (CLO Italy), for transactions between UniCredit S.p.A. and Corporate counterparties or natural persons;

in the event of transactions of the Subsidiaries, the same Function, for the transactions falling within its area of competence, directs the coordination and supervision of the checks carried out by local Risk Management structures through:

- FIBS Credit Transactions, for transactions between Subsidiaries and financial institutions, banks and Sovereign counterparties;
  - Large Credit Transactions & Country Risk (LCT & CR), for transactions between Subsidiaries and Corporate counterparties or natural persons.
- Group Compliance, through the Group Compliance Risk Assessment and Controls checks – only for non-credit-related transactions of UniCredit and the Subsidiaries - the completeness of the documents accompanying the transactions with respect to Group requirements, checking the adequacy of the information therein and running plausibility checks on the assessments carried out by the transaction owners, thereby including within the responsibilities of the latter the detailing of the conditions of ordinariness/market standards

The findings of the aforementioned preliminary phase are submitted to the Bodies involved in the resolution process and in particular to the Committee in order to allow the issuance of the Committee's opinion on the transaction after being provided with adequate and complete information on its actual profitability and on the overall relation with the related party/associated person (*soggetto connesso*) (acquiring information also on the economic returns of their other ongoing relations, when practicable).

#### **2.3.2.4 Classification of the Plafond/internal limits**

UniCredit S.p.A. and its Subsidiaries are required to comply with the decision-making procedures of this Policy also for renewals of the plafonds/internal limits, whenever they are submitted to the competent credit body/function for approval.

For each risk category, the plafond can be partially or totally allocated in the form of specific limits. The unallocated portion is defined as "free plafond" and can be allocated at stages which are subsequent to the credit resolution. Each allocated limit can accommodate multiple credit lines (outstanding or recently approved).

As part of the Plafond renewal, will merely be relevant for the implementation of the Global Policy transactions:

- the revocable credit lines in which all elements are set;
- the credit lines recently approved in the context of the renewal.

Will therefore be exempted:

- the existing lines for which the Bank has already irrevocably contractually committed, whose terms and conditions are already set, and which have already been assessed pursuant to the Global Policy;
- the lines for which, at the time of renewal, all relevant elements (for credit transactions, the type, the value, the duration, the nature of transaction as well as the applicable terms and conditions) are not identified or identifiable. Relevant elements are identifiable only when related to parameters that are not arbitrarily defined by the Bank, or for the identification of which the Bank has not significant discretion.

Essentially, the mere identification of the value of the Plafond, does not *ipso facto* represent a transaction pursuant to the application of the Global Policy. It merely represents the highest level of credit risk that the Bank decides to undertake on in relation to the counterparty in the context of the Risk Appetite Framework<sup>7</sup>.

The ordinary management of new transactions not concerning the annual renewal remains unchanged.

### 2.3.3 Exemptions from the decision-making procedures

UniCredit S.p.A., using the possibility offered under the CONSOB Regulation and the Bank of Italy Provisions, also exempts from the application of the decision-making procedures the following Transactions:

- **Transactions that fall within the scope of application of art. 136 of the CBA**

Transactions between an Italian Bank of the Group and members of the Combined Perimeter, which are also its own corporate officers pursuant to art. 136 of the CBA or persons affiliated with them falling within the scope of application and decision-making procedures of the aforementioned article.

For transactions of this type that do not fall under one of the exemptions listed in this paragraph, the proposing structures shall send a complete and adequate preliminary report to the independent Directors well in advance so as to allow the reporting of any gaps or inadequacies identified during the pre-resolution phase.

- **Small Transactions**

These transactions are not subject to the decision-making procedures provided for in this section and are not included in the periodic information flows regulated below.

In order to ensure continuous monitoring of small transactions the Transaction owner is in charge of the checks. If several transactions involving the same related party and the persons associated (soggetti connessi) with it fall below the threshold and are completed in the 12 months following the first transaction for an overall amount exceeding the thresholds, the Transaction owner will report the entire transaction to the Presidio Unico for the purpose of including it in the periodic information flows pursuant to the Global Policy. In the event of a cumulative transaction in which there are one or more non-ordinary transactions or transaction that are not in line with market/standard conditions, the last transaction (the one causing the overrun of the threshold) will be subjected (in the context, however, of the entire relation with the counterparty) to the decision-making procedures.

- **Transactions with or between Subsidiaries, with jointly controlled companies and companies subject to significant influence but without significant interests being present (whatever the equity stake)**

The decision-making procedures outlined in this section do not apply to the following types of transactions:

- a) transactions with or between subsidiaries of UniCredit S.p.A. (even when not fully held);
- b) transactions with companies jointly controlled, directly or indirectly, by UniCredit S.p.A.;
- c) transactions with companies directly or indirectly subject to significant influence by UniCredit S.p.A.

For the aforementioned transactions, a quarterly information flow shall be prepared - at least in aggregate form in the hypothesis a) and in analytical and complete form in the hypotheses b) and c) – in order to allow their adequate monitoring, also by the Committee, for the purpose of prospective corrective actions.

Said exemptions do not apply when in the transaction, in the subsidiaries or in the associated counterparties to the transactions are present significant interests of other members of the Combined Perimeter. In transactions between a controlling (Italian) bank and a controlled (Italian) bank, only the controlling bank benefits from the exemption.

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<sup>7</sup> In the internal credit regulation it is clarified that the so-called "framework resolutions", the plafond/internal limits and credit lines that are not formally binding/not communicated to the counterparty can also be considered as credit transactions if the authorized transactions are sufficiently specific and all necessary information is detailed there, for example, the highest number of transactions that are expected to be performed in the relevant period (up to 1 year) and the reasons supporting the resolution on the applicable conditions (see Appendix "Technical Instructions for Credit Transactions").

When exemptions apply, complying with the substance over form principle, the Transaction Owner, when assessing the transaction, shall however pay particular heed to ascertain the interest for UniCredit and the Group in completing the transaction. If the Transaction Owner, with the support of the Presidio Unico, does not find the transaction to be profitable, after consulting the Committee, the exemptions will not apply.

- **Ordinary transactions and at market/standard conditions**

The decision-making procedures provided for in this section do not apply to ordinary transactions of minor relevance, as the issuance of an analytical and complete information flow on said transactions allowing for their adequate monitoring also by the Committee, is deemed sufficient.

- **Debt restructuring and credit recovery operations**

The decision-making procedures for non-ordinary transactions do not apply to debt restructuring transactions whose value (assessed as the highest risk undertaken on the proposal vis-à-vis the related party) is below the € 25 million threshold unless said transactions are:

1. new D/E transactions with a related party or transactions/agreements with related counterparties in which a stake is held as the result of D/E transactions (in the first 5 years following the transaction);
2. write-off transactions;
3. concluded with members of the Combined Perimeter, in their capacity as Shareholders or Corporate Officers of UniCredit S.p.A. and with persons affiliated with them or with non-fully owned subsidiaries or associated companies when significant interest are present in their share capital.

The decision-making procedures for non-ordinary transactions do not apply to credit recovery transactions whose value (assessed as an exposure and/or loss vis-à-vis the related party) falls below the € 25 million threshold unless said transactions fall within the purview of nos. 1. and 3. above.

Transactions that are mere internal renewals/reviews are also excluded from the application of the decision-making procedures for non-ordinary transactions, unless such renewals/reviews include at least one uncommitted line of credit.

- **Transactions with companies subject to extraordinary administration procedures**

Generally, companies subject to extraordinary administration procedures are included in the Combined Perimeter and subject to the application of this Global Policy.

However, in the event of a transaction with a company which is subject to extraordinary administration procedures, the Presidio Unico together with the transaction Owner and with the support of UniCredit's competent functions will be called to make a preliminary assessment, each time, on whether a relationship of control or significant influence with the counterparty is still in place so as to determine whether this Policy applies, giving prior notice to the Committee for the related assessment.

## **2.4 Management of Transactions with Members of the Combined Perimeter**

The process of managing the Transaction with members of the Combined Perimeter begins when the transaction owner, of UniCredit S.p.A. or of the Subsidiary, initiates the negotiations, followed by the preliminary phase, and ends with the approval of the transaction. Said approval may take place in different ways depending on the characteristics/classification of the transaction itself.

The task of the transaction Owner, without prejudice to the compliance with the management processes of each entity (Parent Company and Subsidiaries) in place from time to time and in the relations between the Subsidiaries and the Parent, is to gather- already in the negotiations and preliminary investigation phases- the key information concerning the transaction and preliminarily perform the necessary checks and assessments on matters of relevance, ordinariness, conditions applied, interest and profitability.

The report is forwarded to the Presidio Unico after being evaluated by the structure responsible for approval, which guarantees the completeness and correctness of the report (counterparty, type of transaction and relevance, ordinariness and conditions, prospective applicability of art. 136 of the CBA) and its timeliness. Furthermore, the decision-maker provides guidance regarding the interest in completing the transaction and the profitability and substantial correctness of the relevant conditions. Such information is, among other elements, necessary so as to allow the Committee to issue an opinion when the Policy so requires.

The transaction Owner, after completing the preliminary checks and assessments, if the conditions are met reports the transaction to the Presidio Unico (or to the Local Representative for the Subsidiaries, when appointed) for the completion of the procedure. The report is sent to the Presidio Unico via the "Gestione Soggetti di Guppo" (GSG)

If the Related Parties Committee is involved such findings, accompanied by an adequate assessment issued by the technical and control functions for the matters falling under their respective competence (Plausibility check), shall be sent to the Presidio Unico at least 20 days before the scheduled Committee meeting, except in circumstances, adequately motivated by the Transaction Owner, where urgent action is necessary. In the event of untimely transmissions to the Presidio Unico the transactions may be brought to the attention of the next Committee.

#### 2.4.1 Minor Relevance not ordinary (pre-resolution phase/resolution phase/information requirements)

Non-ordinary Transactions of Minor Relevance between UniCredit S.p.A. and members of the Combined Perimeter are approved by the competent decision-making Body of UniCredit S.p.A. on the basis of the regulatory provisions currently in force or of the system for the delegation of powers put in place by the Board of Directors, following the issuance of an (non-binding) motivated opinion of the Committee.

##### **Pre-resolution phase**

The Committee, acting through one or more delegated members, when it deems this measure necessary, receives a timely report on the transaction prepared by the Presidio Unico with the support of the Transaction Owner and of the other relevant functions. The Committee is entitled to request further information, to make observations to the delegated Bodies, referring in particular to the nature of the transaction and of the correlation, to how the transaction was carried out, to the conditions (thereby including economic conditions) for its completion, to the assessment procedure followed, to the underlying interest and motivations as well as to prospective risks for UniCredit S.p.A.

The Presidio Unico is required to promptly send the information necessary to allow the effective involvement of the Committee or of its delegated members.

##### **Resolution phase**

If the Committee issues:

- a favorable opinion, the transaction is submitted before the authorized Body for approval;
- an unfavorable opinion, the transaction can be submitted to the authorized Body for approval; in the event of a favorable resolution, the minutes must analytically explain the reasons that led to the approval and provide an accurate reply to the observations of the Committee;
- a conditional opinion for the transaction to be completed/performed in compliance with one or more recommendations of the Committee, the opinion is considered as "favourable" provided that all conditions are actually complied with. The Committee shall be provided with an adequate and timely report on the compliance with the conditions.

The Structure proposing the operation promptly informs the Presidio Unico on the outcome of the resolution of the authorized Body. The resolution approving the transaction shall always include an adequate motivation regarding the opportunity and profitability of the transaction itself, the reasons for any deviations in relation to economic and contractual conditions, and other aspects pertaining to the transaction, compared to standard or market practices. Elements supporting such motivation must be included in the documentation ancillary to the resolution.

The Board of Directors and the Board of Statutory Auditors receive the report prepared by the Presidio Unico on the Transactions approved by the competent authorized Bodies despite the unfavorable or conditional opinion of the Committee.

## **Procedures for the transactions carried out by the Subsidiaries**

Non-ordinary Transactions of Minor Relevance between the Subsidiaries and the members of the Combined Perimeter are approved by the competent resolution Body of the Subsidiary, after the Committee (of UniCredit S.p.A.) has issued a non-binding motivated opinion, without prejudice to the opinion to be issued by the Parent Company when the Group Regulations in force from time to time so require. For Italian Banks it is also necessary to obtain the prior opinion of their own independent directors (even when they set up an *ad hoc* Committee).

Even in this event, if the Committee issues:

- a favorable opinion, the transaction is submitted to the authorized Body for approval;
- an unfavorable opinion, the transaction can be submitted to the authorized Body for approval, which in the event of a favorable resolution is required to adequately motivate in the minutes the reasons leading to the approval of the transaction despite the unfavorable opinion of the Committee.

The Structure of the Subsidiary proposing the transaction informs the Presidio Unico on the outcome of the resolution of the authorized Body.

The resolution approving the transaction must always include an adequate motivation regarding the opportunity and profitability of the transaction itself, the reasons for any deviations in relation to the economic and contractual conditions and to other aspects of the transaction compared to standard or market practices. Adequate elements supporting such motivation must be included in the documentation accompanying the resolution.

The Board of Directors and the Board of Statutory Auditors receive the report prepared by the Presidio Unico on the Transactions which have been approved by the competent authorized decision-making Bodies despite the unfavorable or conditional opinion issued by the Committee.

### **2.4.2 Greater Significance and Minor Relevance of Significant Value**

The Transactions of Greater Significance and Minor Relevance of significant value between UniCredit S.p.A. and the members of the Combined Perimeter are approved by the Board of Directors, with the exception of those requiring the approval of the Shareholders' Meeting, subject to the issuance of a motivated and favorable opinion of the Committee.

#### **Pre-resolution phase**

The Committee receives from the Presidio Unico, adequately supported by the Transaction Owner and the other competent functions, a timely notice of the start of the negotiations/investigation, however no later than the signing deadline of potential confidentiality agreements that Committee members are to comply with; If the Committee, or one or more of its delegated members, deems this measure to be necessary it promptly receives from the Presidio Unico a report on the transaction with the right to request further information and to comment to the delegated Bodies and to the persons responsible for conducting the negotiations/preliminary investigation, referring in particular to the nature and correlation of the transaction, to its implementation, to the conditions, thereby including economic conditions, for its realization, to the assessment procedure followed, to the underlying interests and motivations and to the possible risks for UniCredit S.p.A. The Presidio Unico is required to promptly send all useful information so as to allow the actual involvement of the Committee, or of its designated members, already in the negotiations and preliminary investigation phases.

#### **Resolution phase**

The Presidio Unico takes action so that the Committee is promptly convened through its own Secretary for the purpose of issuing the prior motivated opinion. At the same time, it collects the necessary documentary information, also availing itself of the Parent Company's structures, which shall be available to the Committee in time to give an informed assessment of the transaction.

The Committee, once the analysis is complete, issues the opinion in line with the timeframe for ordinary decision-making procedures of UniCredit S.p.A., considering the necessary timetable for the completion of the transaction.

If the Committee gives:

- a favorable opinion, the transaction is subject to the approval of the Board of Directors. The Structure proposing the transaction informs the Presidio Unico of the outcome of the board resolution;
- an unfavorable opinion, the decision-making process<sup>8</sup> is interrupted;
- a conditional opinion requiring the transaction to be completed/carried out in compliance with one or more recommendations of the Committee: the opinion is considered as "favourable" provided that all recommendations are in fact complied with. The Committee shall be provided with a timely and adequate report on the compliance with the conditions.

In accordance with the relevant legislation, the opinion of the Committee concerns the interest for the bank/company in carrying out the transaction as well as the profitability and substantial correctness of the relevant conditions. The opinion is favorable when it approves the transaction without reservations. The issuance of an unfavorable opinion, even on a single aspect of the transaction, is a valid reason to classify the opinion as unfavorable, unless otherwise stated by the Committee.

The Board of Directors and the Board of Statutory Auditors receive a timely report prepared by the Presidio Unico on Transactions of Greater Significance and Transactions of Minor Relevance of significant value of UniCredit S.p.A. for which the decision-making process was interrupted due to a conditional or unfavorable preliminary opinion of the Committee.

### **Procedures for transactions carried out by the Subsidiaries**

The Board of Directors of the Subsidiary (or the corresponding corporate governance Body of foreign subsidiaries) issues resolutions on Transactions of Greater Significance and Transactions of Minor Relevance of significant value between the Subsidiaries and members of the Combined Perimeter; Italian Banks are also required to obtain the prior opinion of their own independent directors (even when an *ad hoc* Committee was set up). The resolution on the transaction must be submitted before the Board of Directors of UniCredit S.p.A, acting as the parent company, for a non-binding opinion, following the non-binding opinion of the Committee (of UniCredit S.p.A.).

The prospective unfavorable opinion issued by the Committee and by the Board of Directors of the Parent Company has no binding effect on the decision-making Body of the Subsidiary, provided that the resolution minutes adequately detail the reasons that led to the approval of the transaction despite the unfavorable opinion of the Committee and/or the Board of Directors.

Once approved, the structure of the Subsidiary proposing the transaction will inform the Presidio Unico.

The Board of Directors and the Board of Statutory Auditors receive a timely report prepared by the Presidio Unico on Transactions of Greater Significance and Transactions of Minor Relevance of significant value of the Subsidiaries approved by competent decision-making Bodies of said Subsidiaries despite the unfavorable or conditional opinion issued by the Committee.

The involvement of the Committee of UniCredit S.p.A. for transactions concluded by banks or companies of the Group is not needed if their greater significance is merely a result of the Procedures adopted by the latter.

### **Cumulation**

In the event of transactions (leaving aside the exemptions provided for under the Policy at point 2.3.3) which share the same characteristics or originate from the implementation of a single plan, carried out by UniCredit S.p.A. and/or by the Subsidiaries, during the business year, with the same member of the combined perimeter, the Presidio Unico aggregates their value for calculating the materiality threshold;

The Presidio Unico monitors the aforementioned Transactions in order to calculate the "Cumulation". The monitoring of transactions that, if cumulatively considered, exceed the threshold of greater significance established by the Policy is done annually starting from the beginning of each business year or, for the transactions of greater significance mentioned at Appendix 4, from the publication of the Information Document which is drafted when the Cumulation causes said threshold to be overrun.

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<sup>8</sup> UniCredit does not provide for the application of the so-called "whitewash" mechanism.

### 2.4.3 Urgent call

In order to allow the Committee to issue an informed opinion (prior and motivated opinion) even in the event of transactions when an urgent meeting is needed, special rules, which supplement the ordinary process, are put in place for the management of the pre-resolution phase.

#### Transactions of Greater Significance and Transactions of Minor Relevance of significant value

- Timely involvement of the CEO and the Committee with respect to the timeframe for the implementation of the Transaction by the Presidio Unico (and, however, no later than two working days from the moment in which the conclusion of the negotiation/preliminary investigation phase was communicated to the Presidio Unico).  
The CEO carries out the appropriate assessments on the necessity of an urgent meeting and, in coordination with the Chairman of the Board of Directors and after consulting with the Committee, schedules of the resolution of the Board of Directors ("exclusive competence").
- The prompt convocation (in any event no less than a 12 hour notice) of the Committee for performing preliminary investigation activities (when applicable) and issuing the preliminary motivated opinion.
- Sending without delay to the decision-making Body the opinion of the Committee and, however, no later than the day following that of its issuance.

#### Non-ordinary transactions of Minor Relevance

- Duty to timely convene the Committee (and, in any event, no later than two working days after the Presidio Unico is notified about the transaction) and simultaneous involvement of the competent decision-making Body.
- Sending without delay to the decision-making Body the opinion of the Committee and, however, no later than the day following that of its issuance.

### 2.4.4 Framework resolutions

UniCredit S.p.A. may resort to framework resolutions for specific types of transactions with specific persons of the Combined Perimeter or with individual Members of it. The Policy provides that:

- the approval of the resolutions is subject to the procedures for Transactions of Greater Significance, Minor Relevance of significant value and Minor Relevance on the basis of the highest expected value of the transactions which are the subject matter of the resolution (cumulatively considered);
- framework resolutions last one year, refer to specific transactions and detail their expected highest value in the relevant period and indicative terms;
- the implementation of the framework resolutions shall be communicated by the proposing structures, with the support of the Presidio Unico at least quarterly to the Board of Directors;
- the resolutions must be published (for transparency purposes) in an information document, in compliance with the CONSOB Regulation, if the highest expected value of the transactions which are the subject matter of the framework resolution, when considered in its entirety, exceeds the greater materiality threshold. Transactions concluded in accordance with a framework resolution which is the subject matter of an information document are not considered as "cumulative" transactions.

## 2.5 Disclosure and transparency requirements pursuant to the Consob regulation

### 2.5.1 Information document on transactions of greater significance

Following the approval of a transaction of greater significance, the Presidio Unico drafts, pursuant to art. 114, paragraph 5 of Legislative Decree no. 58/1998,<sup>9</sup> the Information Document in compliance with the provisions of the CONSOB Regulation.

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<sup>9</sup> If an Information Document must also be prepared pursuant to art. 70, paragraphs 4 and 5, and art. 71 of the CONSOB Issuers Regulation, a single document containing the information required by both regulations may be published by the closest deadline of those provided for by each of the applicable provisions (see Article 5, paragraph 6 of the CONSOB Regulation).

For the purpose of drafting the aforementioned Information Document, the Presidio Unico is supported by the Parent Company or Subsidiary structure proposing the transaction in order to obtain the necessary information, with the involvement of the other affected functions of the Parent Company and/or of the Subsidiaries.

The Presidio Unico ensures that the Information Document, once drafted, is made available to the public at UniCredit S.p.A.'s registered office in the manner required by the CONSOB Issuer Regulations, however no later than seven days after the approval of the transaction by the company's Board of Directors or by the relevant Government Bodies of the Subsidiaries. Additionally, if the competent Body approves a contractual proposal, when the contract, or the preliminary contract, is completed pursuant to the applicable laws it is also made available to the public (the document is released seven days after the approval of the proposal to submit the matter to the Shareholders' Meeting, if the latter is competent).

Within the same timeframe for the publication of the Information Document, the Presidio Unico makes available to the public, in the Appendix to the Information document itself or on UniCredit SpA's website, the opinion of the Committee and, when applicable, the opinions of independent experts. Simultaneously to the public disclosure said Information Document and opinions are also sent to the CONSOB.

If the materiality threshold is exceeded because of the cumulation of several transactions of minor relevance, the Information Document is made available to the public within fifteen days after the approval of the transaction, or the completion of the contract, that causes the overrun. If the overrun of the materiality threshold is determined by a transaction performed by a Subsidiary, the period shall run from the moment when the Parent Company was notified about the transaction.

Finally, the Presidio Unico sends to the Appointed Executive responsible for drafting the accounting and corporate documents of UniCredit S.p.A, when specifically requested by the latter, every useful information it has so as to enable the Executive to adequately report on individual transactions of greater significance and on transactions of Minor Relevance of significant value in the interim management report, as well as in the report on annual management.

This duty also applies to ordinary transactions of greater significance and to transactions of minor relevance of significant value entered into at conditions that are in line with market or standard practices.

## 2.5.2 Information on ordinary transactions, of greater significance, entered into at conditions that are in line with market or standard practices

Even if the decision-making process of the ordinary transactions of greater significance entered into at conditions in line with market or standard practices does not differ from the one established for transactions of greater significance *tout court*, the CONSOB Regulation simplifies the disclosure requirements.

In particular, by way of derogation from the transparency requirements provided for art. 5 paragraphs 1 to 7 of the CONSOB Issuers Regulation (concerning the Information Document), for ordinary transactions of greater significance entered into at conditions which are in line with market or standard practices the following communications, in addition to the information to be provided pursuant to art. 154-ter of Legislative Decree 58/1998, shall be made:

- a notice to the CONSOB revealing the counterparty, the subject matter and the consideration of the transaction, within seven days from when the transaction was entered into or from receiving the communication from the subsidiary that carried out such transaction;
- a specific disclosure in the interim management report and in the annual management report, on transactions concluded using the aforementioned simplification;
- a specific disclosure in the management report, with regard to the counterparty, the subject matter and the consideration of transactions where this simplification was used.

### 2.5.3 Disclosure on transactions of minor relevance

Pursuant to art. 154-ter of Legislative Decree no. 58/1998, the Presidio Unico sends to the Appointed Executive, when specifically requested, every useful information it holds, so that the latter can provide adequate information in the interim management report and in the annual management report on individual Related Party Transactions which have been completed during the reporting period, "which have had a significant impact" on the company's finances or results.

Finally, without prejudice to the provisions of art. 114 paragraph 1 of the Legislative Decree no. 58/1998, the Presidio Unico shall ensure that a document detailing the counterparty, subject matter and consideration of all transactions approved in the relevant quarter notwithstanding the Committee's unfavorable opinion, as well as the reasons for which the competent decision-making bodies of UniCredit S.p.A. decided not to conform with the unfavourable opinion, is made available to the public within fifteen days after the end of each business quarter at the registered office and in accordance with the CONSOB Issuers Regulation. Simultaneously, the unfavorable opinion of the Committee is also made available to the public, in the Appendix to the aforementioned document or on UniCredit S.p.A.'s website.

### 2.5.4 Disclosure on ordinary transactions, of minor relevance, completed at market or standard conditions

In the event of approval of an Ordinary Transaction of Minor Relevance, entered into at conditions that are in line with the market/standard practice, the Presidio Unico sends to the Accounting function, when specifically requested by the latter, pursuant to art. 154-ter of the Legislative Decree no. 58/1998 every useful information it has in order to enable said function to provide adequate information in the interim management report and in the annual management report on individual CONSOB Related-Party Transactions completed during the relevant period.

## 2.6 Information Flows

The Presidio Unico is in charge of periodically preparing and providing specific information flows to

- the Board of Directors and the Board of Statutory Auditors
- Related Parties Committee
- Compliance
- Group Administrative & Analytics Office

as specified hereunder. In particular, the Presidio Unico:

- prepares and provides quarterly report for the Board of Directors, the Board of Statutory Auditors and the Committee on Transactions with members of the Combined Perimeter relating to UniCredit S.p.A. and the Subsidiaries during the relevant period, supplemented with any transactions relating to the said period which were reported after the deadline. The Presidio Unico promptly sends this report to the Parent Company Compliance function. The types of transactions subject to communication procedures and the timeframe for the preparation and transmission of the information flow to the aforementioned Bodies are defined in the GPR.
- every semester prepares and provides to the Board of Directors and the Committee a report on significant issues concerning the Combined Perimeter, as detailed in the GPR. Such report is promptly forwarded (by the Presidio Unico) also to the Parent Company Compliance function.
- upon request, it shares with the Accounting Function the information in its holds, and for which it is competent, which is useful for drafting the Interim management Report and the annual management Report, with reference to:
  - individual Transactions of Greater Significance and Minor Relevance of significant value concluded with members of the Combined Perimeter in the relevant quarter;
  - other individual CONSOB Related Party Transactions "that have had a significant impact" on the finances or results of UniCredit S.p.A.;

- amendments or developments of the Transactions with members of the Combined Perimeter described in the last Annual Report having "a significant effect" on the finances or results of UniCredit S.p.A. in the relevant period.

## 2.7 Specific provisions for the Bank of Italy Associated Persons and CONSOB Related Parties

### 2.7.1 Prudential limits and risk appetite levels

#### 2.7.1.1 Prudential limits

The regulation limits risk activities with respect to Parties in conflict of interest. These limits, which differ according to the type of related party, correspond to the sum of the risk assets with respect to Members of the Combined Perimeter when compared with the Consolidated Own Funds, as explained in the table below:

	Corporate officers	Controlling stakeholder or stakeholders able to exercise significant influence	Other stakeholders and persons other than stakeholders	Persons subject to significant control or considerable influence
Consolidated limits	5%	RELATED NON-FINANCIAL PARTIES		
		5%	7.5%	15%
		OTHER RELATED PARTIES		
		7.5%	10%	20%

The PROVISION also defines the procedure for calculating risk assets, providing for their weighting according to the factors identified pursuant to the regulation on Supervisory Reporting of Major Risks, on the basis of the risk associated with the nature of the counterparty as well as, in certain circumstances, risk mitigation procedures. In particular:

- both the banking book and the trading book are considered
- the banking book exposures are considered at face value (in the financial statement and outside of it)
- exemptions/partial exemptions are established (e.g. mitigation factors such as guarantees or collaterals) only for circumstances already dealt with by the legislation on Supervisory Reporting of Major Risks.

The Group Risk Management decided to approach the identification of risk assets in relation to Persons in conflict of interest as well as the calculation of the compliance with the limit more restrictively than the relevant legislation thereby utilising the face value without cautiously benefiting from weightings.

Investments and other assets deducted from capital are not included in the risk assets. In the circumstances and under the conditions established by the supervisory regulation on risk concentration, the temporary exposures related to the provision of services of fund transfer and clearing as well as settlement and custody are not included.

The risk assets with respect to the Entities of the Banking Group are likewise excluded.

In the event that different prudential limits are applicable to a group of related parties, the lower limit applies.

In the context of the internal control system, the Group Risk Management function is responsible for monitoring risk assets with Persons in conflict of interest and for checking the compliance with prudential limits on an ongoing basis.

For this purpose, the following guidelines apply:

- the prudential limits apply to Associated Persons and the related checks are performed on each member of the Group's Combined Perimeter;

- the monitoring activities are carried out in the event of upcoming credit proposals or periodic credit limit reviews (ex-ante checks) and on a continuous basis (periodic monitoring);
- the overrun of the established alert threshold ("*Warning Signal*"), equal to the 60% of the prudential limit, triggers specific management procedures
- risk assets are measured in accordance with the Risk Management systems, using methods/rules that ensure compliance with the criteria provided for by the Supervisory Authority.

### 2.7.1.2 Risk appetite levels (Risk Appetite)

Risk appetite (Risk Appetite) in relation to the Group's Combined Perimeter is defined in accordance with the strategic profile and organizational characteristics of the Group as well as with the supervisory provisions<sup>10</sup>.

The Risk Appetite is defined by reference to the ratio between **the aggregate risk exposures** of the UniCredit Group vis-à-vis the Group Combined Perimeter<sup>11</sup> and the Consolidated Own Funds. A **limit** is applied to this ratio, which represents the highest acceptable level of risk that the Group is willing to undertake vis-à-vis counterparties falling within the Group Combined Perimeter. Consistently with the prudential limits an alert threshold ("*Warning Signal*") is also established.

The value of the exposures is measured in compliance with the rules applied for the monitoring of prudential limits (face value).

Finally, it should be noted that members of the Group Combined Perimeter may be subject to the UniCredit provisions governing the management of risk concentration at single-name level, if the eligibility criteria are applicable (e.g. size and the type of counterparty).

### 2.7.2 External information and supervisory reports on Associated Persons

The Bank of Italy's provision requires both the risk assets in place with Associated Persons and the transactions carried out by the latter to be periodically reported to the Bank of Italy with the frequency and level of detail established in the relevant provision on prudential reporting. The reporting is carried out at a consolidated level by the Parent Company and at an individual level by the individual Italian Banks.

All risk assets towards Associated Persons are subject to consolidated **supervisory reporting** for which a quarterly transmission period is established.

Data communications to the Parent Company for the purposes of consolidated reporting shall take place in accordance with local regulations (i.e. privacy, banking secrecy).

The Supervisory Reporting of the risk assets towards Associated Persons extends to all cash exposures (for example, loans, shares, bonds, subordinated loans) and off-balance sheet exposures (for example, issued guarantees) attributable to the Associated Person regardless of whether the latter is the only account holder or a joint account holder. It is not relevant whether the other joint holder(s) classify as Associated Persons.

At **an individual level**, in addition to the quarterly reporting of risk assets, reporting is also required for Transactions with Associated Persons as well as for Transactions of Greater Significance. Small Transactions are not part of the information flow.

The following table summarizes the type of reporting activities, the frequency of the transmissions and the scope of application.

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<sup>10</sup> The Bank of Italy Provision applies to Associated Persons, while the provisions of this paragraph concern the entire Combined Perimeter of the Group.

<sup>11</sup> Excluding intra-group exposures.

Type	Frequency	Relevance	Note
Reporting on risk assets with Associated Persons	Quarterly	Consolidated and individual	Reporting is made keeping in mind the definition of associated persons at the level of the banking group
Reporting of Transactions with Associated Persons	Yearly	Individual	
Reporting of Transactions of Greater Significance with Associated Persons	Quarterly	Individual	

The Group Regulatory Reporting ("GRR") function of the Parent Company, in compliance with the supervisory regulations, sends the consolidated supervisory reports to the Bank of Italy by the 42nd day following the quarterly reporting date (i.e., within T +42 days following the 3/31, 6/30, 9/30 and 12/31 of each year).

### 2.7.3 Financial Statement Report

The financial statement report on related parties (Part H of the explanatory note) must contain the information required by the IAS 24 and the Bank of Italy circular 262:

- Information on the remunerations of executives with strategic responsibilities
- Information on related party transactions

The IAS 24 defines the "Executives with strategic responsibilities" and "related party Transactions" as follows:

- "Executives with strategic responsibilities are individuals who have, directly or indirectly, the power and responsibility for the planning, management and control of the activities of the entities, thereby including the directors of the entity itself."
- A related party transaction is "a transfer of resources, services or obligations between related parties, regardless of whether consideration is agreed".

## 2.8 Duties of Corporate Officers

### 2.8.1 Objective scope of application

The application of art. 136 concerns *obligations of any kind* and *sales contracts* respectively, which have been undertaken/carried out *directly or indirectly* by Corporate Officers.

Fall within the scope of application of art. 136:

- Sales contracts;
- obligations of any kind (financial or otherwise), thereby including reoccurring or occasional professional appointments of Corporate Officers or firms in which they are involved. In particular, the Bank of Italy discourages the assignment of professional appointments on a regular and exclusive basis because this practice could affect the compatibility of individual and corporate interests;
- currency and stock transactions that do not comply with the conditions below;
- any "ready-cash" bank check exchange transactions.

According to the clarifications of the Bank of Italy do not fall within the scope of Article 136, because they originate from contractual relations in which the identity of the counterparty has no relevance and there is no chance that the conflict of interest that the law intends to prevent could occur:

- services where there is no supply of credit, including the opening of bank deposits (e.g. the opening of bank accounts at standardized conditions in use for customers or employees);
- obligations related to the sale of foreign currency and transferable securities, including government bonds or State-guaranteed bonds, listed on the electronic market when all the following conditions are met: the transaction is carried out on the regulated markets; standard customers conditions apply; advance price payment in the event of a purchase; prior delivery of securities in the event of a sale.

The notion of *indirect obligation* is defined as a situation where an obligation is established with a corporate officer through the intervention of a different natural /legal person. In such cases, it is the responsibility of the management body, which the party concerned must inform about its particular situation, to assess whether or not the proposed transaction qualifies as an indirect obligation with the Officer. The Officer shall abstain from the assessment and its involvement is presumed.

If the obligation is vis-à-vis a company, the relevant legislative provision applies when the Officer: i) has a position of control in the company pursuant to art. 23 of the CBA ; ii) is a partner in a partnership (*società semplice*) or general partnership (*società in nome collettivo*); iii) is a managing partner in a limited partnership (*società in accomandita semplice*) or partnership limited by shares (*società in accomandita per azioni*); iv) is the only shareholder of a limited company (*società di capitali*).

## 2.8.2 Subjective scope of application

On the basis of the relevant legal provisions, the perimeter of Corporate Officers (*who carries out management and control functions in a bank*) is drawn by including all officers of the Parent Company, of the Italian Banks and the individuals affiliated with them, namely:

- the natural persons (e.g. spouse or other family member of the Officer) and/or legal persons considered as proxies in reason of an economic connection, which place an indirect obligation on the Officer; mere familiarity may not be relevant, however, given the criminal relevance of the matter, the assessment of individual circumstances is in practice left to the Officers themselves);
- the individuals whose ties to one or more corporate Officers oblige such Officers to respond personally and without limitations of liability (e.g. a partnership (*società semplice*) or general partnership (*società in nome collettivo*) when the Officer is also a partner, in a limited partnership (*società in accomandita semplice*) or partnership limited by shares (*società in accomandita per azioni*) when the Officer is a managing partner; in limited companies (*società per azioni*) when the Officer is the only shareholder);
- companies directly and/or indirectly controlled by the corporate Officer.

## 2.8.3 Management of the obligations with Unicredit S.p.A.

The obligations that the Directors, Statutory Auditors, CEO and General Manager of UniCredit S.p.A. establish directly or indirectly with the bank fall within the scope of art. 136. The competent structure of UniCredit S.p.A., identified on the basis of the content of the obligation, submits the proposal to the Board of Directors for its approval. Specifically:

- the competent Risk Management structure for credit transactions;
- the structures competent on the basis of business areas, for financial transactions (such as, for example, the listing of financial instruments, the issuance of bonds and securitisations);
- the structures competent for the matter in reason of the content of the obligation for transactions other than those identified in the previous paragraphs.

The motivated resolution of the Board of Directors shall be unanimous and shall be taken by the directors who are attending the meeting and are entitled to a vote. The member concerned is therefore excluded. The favorable opinion of all members of the Board of Statutory Auditors (permanent statutory auditors) is also to be obtained. If some Statutory Auditors are not attending the meeting their favorable opinion on the transaction is collected separately. This decision-making process must also be adopted by Italian banks in the event of obligations entered into with the respective Corporate Officers, notwithstanding the fact that each Bank defines the involvement of its own internal Structures. For obligations with corporate Officers pursuant to art. 136 which also fall within the scope of application of the CONSOB Regulation and the Bank of Italy Provision, as Transactions with members of the Combined Perimeter, reference is made to the previous par. 2.3.3.

## 2.9 External Reports and supervisory reports on Associated Persons

### 2.9.1 Supervisory Reports

Group Regulatory Reporting (GRR) prepares and sends to the Bank of Italy the supervisory reports on associated individuals on a quarterly basis (both on a consolidated basis and on an individual basis - Ods 1094 - Consolidated report on risk assets vis-à-vis associated persons).

GRR is supported by:

- Group Risk Supervisory Reporting, for the plausibility checks of the exposures reported with respect to the findings of the risk management systems;
- Shareholding – Presidio Unico, which makes available both the Combined Perimeter and the list of transactions with members of the Combined Perimeter reported to the Presidio Unico, with the exemption of circumstances where reporting is not required.

Regarding the responsibilities for the process, each structure is responsible for the correctness, completeness and compliance with the provisions in force from time to time of information falling within their competence towards the GRR *as well as, ultimately, towards the Appointed Manager responsible for the drafting of the corporate accounting documents.*

## 2.10 Level II Checks

### 2.10.1 Compliance function checks

The Compliance function has defined as "Conflicts of interest"<sup>12</sup> in the Global Policy the principles and rules to support employees in the identification and management of conflicts of interest by providing general guidelines on the measures that the Group must adopt for the purpose of their identification, management and registration.

The Global Policy applies to all conflicts identified by the Conflicts of Interest Matrix of the Group. Among these, the types of conflicts due to the presence of associated persons have been identified.

The Policy is complemented by other specific Group regulations in order to ensure the implementation of the principles and criteria as defined in the Global Policy.

With regard to the activity with Persons in conflict of interest, the Compliance function checks the existence and completeness of adequate procedures to ensure compliance with both legislative requirements and the internal regulation. In this matter, the checks implemented by the Compliance function can be carried out both in before (ex-ante checks) and after (ex-post checks) the events which are subject to checks.

With reference to ex-ante checks, the Compliance function prepares a level II check plan aimed at verifying the compliance of the procedures with regulations.

The **level II ex ante checks** implemented by the Compliance function focus on the analysis of guidelines and internal procedures in order to verify that the roles and responsibilities are clearly defined and that all the established operational mechanisms and/or checks ensure:

- the correct identification of Persons in conflict of interest, the completeness of the Combined Perimeter<sup>13</sup>, the integrity of the information therein, and its availability to the *transaction owner* at the local level;
- the complete identification of all transactions entered into with Persons in conflict of interest, their correct identification and classification (according to the rules of this Policy) and the choice of the correct decision-making process;
- compliance with disclosure and transparency requirements;
- the promptness and integrity of the established information flows.

With reference to the **ex-post checks**, the Compliance function prepares a level II check plan aimed at monitoring the compliance - by those responsible of each phase of the process - with the requirements established by the internal regulations in relation to transactions involving persons in conflict of interests that are members of the Combined Perimeter.

By way of example, the ex-post level II checks carried out by the Compliance function may concern:

- check of the reasons behind the inclusion/exclusion of some persons in the combined perimeter;
- check of the periodic movements of the Combined Perimeter and the related documentation;
- check of the correct classification of transactions with Persons in conflict of interest;
- check of the completeness of the attached documentation and its correct archiving;
- check of the classification of transactions and compliance with the decision-making procedures to be taken;
- check the compliance with reporting procedures in the Parent Company and in the Subsidiaries.

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<sup>12</sup> See Global Policy - Conflicts of Interest (UC-2016-097).

<sup>13</sup> including the procedures in place to support the Combined Perimeter by Group Entities.

The checks carried out by the Compliance function classify as level II competence checks and are performed by all Group Entities. These checks are performed at different time intervals (for example, when the event arises, monthly, half-yearly, yearly) and even randomly.

## 2.10.2 Checks of the Risk Management function

This section sets out the general rules that govern the Internal Controls as defined and performed by the Group Risk Management function, in particular <sup>14</sup>:

- the checks of the Prudential Limits through the monitoring and verification of predefined key indicators (e.g. percentage of use of the limit) compared to specific internal thresholds (e.g. internal warning threshold or "*Warning Signal*");
- the internal reporting activity of the Related Parties Committee;
- checks of the highest acceptable risk level (*Risk Appetite*) that the Group is willing to undertake with counterparties falling within the Group's Combined Perimeter, by monitoring the aggregated exposures compared to the Consolidated Own Funds and checked against specific internal thresholds.

### 2.10.2.1 Monitoring of Prudential Limits

#### **Ex ante checks**

For credit proposals concerning members of the Group Combined Perimeter, an analysis is performed on the impact of the proposal which is being assessed both on the alert threshold and on the applicable prudential limits, as a preliminary measure before the proposal is introduced before the decision-making Body (the Parent Company Credit Committees are competent).

To this end, the risk assets to be taken into account are the "potential amounts", calculated according to the guidelines stated in the Credit Risk Taxonomy <sup>15</sup>, which are checked against the related Prudential Limits. The Consolidated Own funds to be taken into account for the calculation of the prudential limits are those of the date prior to the reference date.

In order to be consistent with the scope of the credit proposal, the ex-ante checks are carried out with reference to the proposed potential amount for the entire group of associated customers, even if some members of this group do not qualify as members of the Combined Perimeter.

If the alert threshold (*warning signal*) is overrun, the proposing provider function is required to reconsider the entire proposal or justify its continuing support for it. In this regard, it should be noted that the Group Risk Management has adopted a conservative approach for calculating the basis for verifying compliance with the prudential limit with respect to the provisions of the Bank of Italy (e.g. the potential amount includes internal limits of which the client has not been informed).

In any case, it is not allowed for a credit proposal to lead to a potential breach of the prudential limit.

#### **Periodic monitoring**

For risk assets towards members of the Combined Perimeter, on a monthly basis - at the consolidated level<sup>16</sup> - the existing exposures, their fluctuation over time and the absorption of the related prudential limit are monitored.

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<sup>14</sup> In general, the checks of the Group Risk Management functions are applied to the Group Combined Perimeter, with the exception of the consolidated counterparties according to the global integration method, in line with the regulatory provisions on Prudential Limits.

<sup>15</sup> Potential amount equal to: (i) the agreed Group Plafond as established as part of the loan disbursement process (typically to FIBS counterparties) without considering the Settlement Risk (ii) nominal amount where a Group Plafond has not been allocated. See GOR Credit risk Taxonomy OdS 1200.

<sup>16</sup> For those Group Entities whose data do not contribute to the GRM information systems on a monthly basis, quarterly data are utilised.

The purpose of monitoring is to have an appropriate checking mechanism to identify the exposures that are increasing and approaching the alert threshold and to activate - in the event that the threshold is overrun- the management and escalation procedures.

### **Information flows to the Related Parties Committee**

On a quarterly basis GRM provides the Related Parties Committee with a report regarding:

- the complete exposure of members of the Combined Perimeter and the related use of the Prudential Limits;
- the development on a quarterly and annual basis of the major exposures with Persons in conflict of interest, whose details take into account the type of related party;
- detailed findings by product/line of credit on the major exposures towards financial/non-financial counterparties which classify as Persons in conflict of interest;
- comments on the most significant aspects in the trend and development of risks.

On a quarterly basis, Group Lending Office always reports on:

- the amounts of the approved plafonds in favor of groups which include Persons in conflict of interest, detailed on the basis of both risk category and use percentages.

### **Procedure in the event that the alert thresholds or Prudential Limits are overrun**

If, during the monitoring of the prudential limits, it appears that the alert threshold (*warning signal*) is overrun by a member of the Combined Perimeter, the Transaction Owner and the competent Risk Management function responsible for risk concentration shall be informed.

The Transaction Owner must assess the impact of the violation and its sustainability with reference to the Supervisory rules, considering both possible mitigation factors and/or the prospective limited duration of the exposures. The result of the impact assessment is communicated to the function responsible for risk concentration, which assesses the most appropriate corrective actions in the current circumstances, as stated in the relevant Framework.

In the event that the Prudential Limits are exceeded, for reasons beyond the control, and regardless of the intentions, of the Bank (e.g. a name has been classified as Person in conflict of interest after the opening of the relationship and the exposure towards the new group of Persons in conflict of interest is already above the limit), the risk must be reduced in order to return as soon as possible within the prudential limit.

To this end, the Transaction Owner, in coordination with the functions involved, within 45 days from when the limit was overrun prepares a repayment plan, subsequently approved by UniCredit's Board of Directors acting on a proposal from the Chief Executive Officer, after hearing the opinion of UniCredit's Board of Statutory Auditors.

The repayment plan is sent to the Bank of Italy within 20 days of its approval together with the minutes containing the resolutions of the Corporate Bodies.

Pursuant to the Bank of Italy Provision, if the overrun of said limits concerns a Related Party as a result of its stake in UniCredit or in one of its subsidiaries, the administrative rights associated with such participation are suspended.

UniCredit assesses the risks related to members of the Combined Perimeter, if relevant for the functioning of the company, and the effects of the prospective overrun of prudential limits in the context of the Internal Capital Adequacy Assessment Process (ICAAP).

### 2.10.2.2 Monitoring of the risk appetite with counterparties belonging to the combined perimeter

The aggregate exposures to counterparties of the Group Combined Perimeter compared to the Consolidated Own Funds are monitored quarterly and checked against the specific thresholds representing the highest acceptable risk level (*Risk Appetite*). This monitoring is reported in the context of the information flow that the *Group Risk Management* function provides to the Related Parties Committee with regard to the prudential limits (information flow towards the Related Parties Committee).

If, in the context of periodic monitoring, the **alert threshold is overrun** (*warning signal*), the Group Risk Management function prepares, in tandem with the concerned functions, an analysis aimed at verifying the main reasons and informs the Group Chief Risk Officer.

If the **limit** is overrun, the Group Chief Risk Officer, in tandem with the relevant functions, prepares a repayment plan and is required to inform the Chief Executive Officer, who in turn notifies the Board of Directors that the limit has been overrun and requests the latter to either approve the management measures or to authorize the overrun.

### **3 ALLOCATION OF RESPONSIBILITIES TO THE PARENT COMPANY AND THE ENTITIES**

#### **3.1 Responsibility of the Parent Company**

##### **3.1.1 The responsibility of the Governing Bodies**

The CONSOB Regulation and the Bank of Italy Provision provide for the involvement of the Board of Directors and of the Committee of independent Directors in the management of the Transactions with CONSOB Related Parties and Associated Persons; the Bank of Italy Provision provides for the involvement of the Board of Statutory Auditors only for certain activities with Associated Persons. The competences conferred by UniCredit S.p.A. to the aforementioned Bodies are described below.

The **Board of Directors**:

- approves Policies and reviews them with the prior favorable opinions of the Committee and the Board of Statutory Auditors;
- appoints Committee members in accordance with the appointment criteria of the current legislation, the Chairman of the Board of Directors provides for the temporary replacement of the Committee member/s when necessary (replacement due to conflict of interests and replacement due to unavailability in the event of an urgent call);
- issues resolutions on the Transactions of UniCredit S.p.A. of Greater Significance and of Minor Relevance of significant value, except for transactions for which the Shareholders' Meeting is competent;
- issues resolutions on UniCredit S.p.A.'s Transactions which also fall within the scope of application of art. 136 of the CBA (unanimous approval and favorable opinion of the members of the Board of Statutory Auditors);
- issues opinions on the Transactions of Subsidiaries of Greater Significance and of Minor Relevance of significant value;
- receives periodic reporting according to the criteria set in the Policy on transactions of UniCredit S.p.A. and the Subsidiaries with members of the Combined Perimeter and on the significant issues concerning said Perimeter;
- issues resolutions on the risk exposure limits for associated persons

The **Related Parties Committee** has the following responsibilities:

- issues prior and motivated binding opinions for the purpose of the resolution of the Board of Directors, on the overall adequacy of the Policy, and the procedures therein, as well as on their subsequent updates, to achieve the aim of the CONSOB Regulation, of the Bank of Italy Provision and of art. 136 of the CBA;
- is involved, collectively or through an *ad hoc* independent appointee member of the Committee, already in the negotiation and preliminary phases of the Transactions of Greater Significance and Minor Relevance of significant value of UniCredit S.p.A. and of the Subsidiaries. To this end, it receives a timely and complete information flow and is entitled to request information and make observations to the delegated Bodies and to the persons responsible for conducting the negotiations and preliminary phase;
- issues, where required, prior and motivated opinions on the Transactions of UniCredit S.p.A. and of the Subsidiaries regarding the interest in carrying out the transactions themselves as well as on the profitability and substantial correctness of the relevant conditions;
- issues opinions, on the basis of the information made available by the Presidio Unico, on significant issues concerning the Combined Perimeter;
- monitors Ordinary Transactions, also with the intent to find prospective corrective actions.

The Committee may be assisted in issuing opinions on the aforementioned Transactions by independent experts of its choice paid for by UniCredit S.p.A.

The **Board of Statutory Auditors**:

- issues prior and motivated binding opinions for the purpose of the upcoming resolution of the Board of Directors, on the overall adequacy of the Policy, and the Procedures therein, as well as on their subsequent updates, to achieve the aim of the CONSOB Regulation, of the Bank of Italy Provision and of art. 136 of the CBA (this opinion complements the similar one requested to the Committee);

- receives a report (within three days after the Committee has issued its opinion) on the Transactions of Greater Significance and the Minor Relevance of a significant value of UniCredit S.p.A. for which the decision-making process has been interrupted due to the preliminary unfavorable or conditional opinion issued by the Committee;
- receives a report (within three days after the Committee has issued its opinion) on the Transactions of Greater Significance and Minor Relevance of significant value of the Subsidiaries for which the Committee has issued a prior unfavorable or conditional opinion (in this circumstances, the opinion is not binding for the purpose of the resolution).

The Board of Statutory Auditors supervises the compliance and conformity of the Policy with the principles established by the relevant legislation. To this end, the Board of Statutory Auditors may take advantage of the supervisory activity performed by the Internal Audit function and/or request to said function specific detailed studies and findings.

### 3.1.2 Responsibility of internal Functions

UniCredit has adopted a organizational model to ensure and supervise the operational process in the preliminary phase for the management of transactions with members of the Combined Perimeter and to improve the completeness and adequacy of the information provided by the function proposing the transaction - in particular regarding the checking the conditions applied and the overall economic advantage - in order to allow the Related Parties Committee to issue the opinion, when necessary, supported by an analytical assessment on the main aspects of the transaction.

The organizational model for managing the transaction with the member of the Combined Perimeter establishes a proportionality principle and diversification of the professional skills, which is basically structured taking into account the following roles:

- a) The transaction owner, without prejudice to the management procedures provided for by each entity (Parent and Subsidiaries) and in the relations between the Subsidiaries and the Parent Company, preliminarily checks whether this situation falls within the scope of application of the Global Policy and if applicable it collects - already in the phases of the negotiations and the preliminary phase - the main information concerning the transaction, in particular: the conditions applied to the transaction, its profitability and the Bank's interest to its completion.
- b) The identified control functions FTP, Pricing & Operational ALM in the Finance area (with counterparties which are not in default/work out), FIBS Credit Transactions for transactions with bank and financial counterparties and the structure competent from time to time for the retail/corporate transactions in the field of the Group Lending Office and Group Compliance Risk Assessment and Controls in the context of Compliance perform, according to their skills and the type of transaction, the Plausibility Check activity to test the adequacy of the information on the conditions and economic profitability of the transaction and the overall relationship provided by the transaction owner so as to allow the completion of the preliminary examination of the transaction before the issuance of the opinion by the Related Parties Committee.
- c) The Presidio Unico is responsible for checking the completeness of the documentation and the existence of the opinion issued by the control functions during the Plausibility Check in order to submit the overall findings to the Related Parties Committee for an assessment and allow the issuance of the opinion, when necessary.

In particular, the responsibilities of each organizational structure in overseeing the entire activity are defined below

**Group Shareholding**, specifically through the Presidio Unico set up and organized inside of it, is responsible for:

- coordinating and monitoring at Group level the operation with CONSOB Related Parties and Associated Persons
- to support the Committee and the Board of Statutory Auditors, as their representative through the respective secretaries, in the management activities of the relevant transactions;
- monitor with the support of the other owner structures the implementation of the Policy (by activating, whenever necessary, the planned escalation measures) and identify (also with the support of other UniCredit S.p.A. structures) any updating needs by submitting the proposed amendments to the prior evaluation and approval of the competent governance Bodies;
- monitor the management process of the transactions with members of the Combined Perimeter.

In this context, the Presidio Unico, which has no operational involvement in the decision-making phases, coordinates in relation to UniCredit S.p.A. and the Subsidiaries the various procedural steps in the management process of the relevant transactions, also making sure that the transaction owner provides adequate information, each one competent based on the transaction type depending on the area of responsibility, and on the Local Representatives (identified by the Subsidiaries for their own transaction) who, are respectively responsible for the timely communication of the transaction and the completeness of the communication contents for the purpose of a complete evaluation.

In particular, for new transactions and for the renewals of other ongoing transactions (when the revision of the terms and conditions is provided for in the contract), when no documentary information is available proving the full traceability of pricing to the market/standard conditions and/or the economic interest of the transaction, the business owner Function of the transaction is involved in order to provide the additional necessary documents. The Control and Technical Functions (in the area of Finance, Group Lending Office and Compliance) are involved to perform the plausibility check on the assessments of the conditions and profitability of the transaction and of the relations with the related party and documentary items provided to support such assessments. In particular, Group Lending Office and Compliance perform the said function for credit transactions and for the remaining transactions respectively.

**Group Finance** is responsible, in relation to transactions (with counterparties not in default/work out) to be submitted to the Related Parties Committee for an opinion or, however, for which there are no profitability indicators<sup>17</sup> similar to those periodically established by the Management of the Bank, also for renewals of ongoing transactions (where the revision of the term and conditions is contractually provided for) for carrying out the plausibility check on the information provided by the transaction owner, checking the pricing parameters of the transaction in accordance with the Global Rule<sup>18</sup> as well as the compliance with the client/product perimeter. In this context, it has a governance function focused on the coordination and supervision of local Finance structures.

**Group Lending Office** is responsible to:

- carry out, in accordance with the rules governing lending activities, the competence assessments on Transactions with members of the combined perimeter;
- support, in the event of credit transactions with members of the Combined Perimeter, the Presidio Unico and the Committee in accordance with the principles and rules defined in the relevant legislation on the "Credit granting process for proposals relating to parties in conflict of interest", to which reference should be made for further details;
- analyze the information provided by the proposing structure by preparing, when necessary, the information flows that the Presidio Unico sends to the Related Parties Committee;
- when UniCredit transactions are to be submitted to the Related Parties Committee or when said transactions have no profitability parameters<sup>22</sup> perform a plausibility check on the information provided by the transaction owner, confirming, among other things, consistency with the credit parameters and the sample of comparables<sup>19</sup> as well as the correct representation of the risk appetite. In the event of transactions of the Subsidiaries, the same Function for the transactions within its competence, performs a governance role limited to the coordination and supervision of the checking activities carried out by the local Risk Management structures;
- provide a quarterly information flow to the Committee.

The Presidio Unico can, however, request its collaboration also in relation to the necessity to support the meetings of the Related Parties Committee.

**Group Compliance**, for non-credit transactions to be submitted before the Related Parties Committee for an opinion or, where requested by the Presidio Unico, also for renewals of other transactions (where the revision of the terms and conditions is provided for in the contract), for which further details are needed, is responsible to:

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<sup>17</sup> The Profitability Indicators established by the internal regulations shall be used a benchmark. Said indicators are updated annually and shown to the Committee in the report.

<sup>18</sup> ref. GR 666 and relative GPR (annex 1 to 666): "Risk-adjusted Pricing Discipline - Pricing Methodology according to Group Transfer Price Framework" (UC-2013-008)".

<sup>19</sup> Where available. In fact, cases where comparables cannot be identified may occur (e.g. non-ordinary transactions, restructuring transactions, etc.)

- check that the "four eyes" principle has been performed in compliance with the relevant internal regulations and that the relevant results are appropriately highlighted in the report addressed to the Related Parties Committee;
- check that any deviations from the set of rules established by internal regulations are adequately motivated and highlighted;
- check potential situations of conflict of interest involving external experts who provided the assessments and/or information sources used as a benchmark in the preliminary phase.

The Compliance Function also checks, by way of performing level II checks, the existence and reliability of adequate procedures and systems for ensuring compliance with all legal obligations, as well as with the internal regulatory requirements concerning the management process of Transactions with members of the Combined Perimeter.

**Group Credit & Integrated Risks** is responsible for:

- checking and possibly supplementing the declarations of the related parties, with reference to the legal connections originating from the related parties themselves, with the contribution of the local business and risk functions, where necessary. The results are communicated to Shareholding – Presidio Unico for the purpose of updating Combined Perimeter within the agreed timeframe;
- monitoring the risks underlying the relations with members of the Combined Perimeter;
- checking the compliance with the prudential limits relating to risk assets in relation to members of the Combined Perimeter on the basis of the risk appetite levels as defined in the internal policies;
- providing the quarterly information flow to the Committee.

**Group Regulatory Reporting (GRR)** is responsible to prepare and send to the Bank of Italy the supervisory reports required for the associated persons (both on a consolidated and individual basis).

GRR is supported by:

- Group Credit & Integrated Risks, for the activities of plausibility check of the reported exposures with respect to the findings of the risk management systems;
- Group Shareholding – Presidio Unico, which makes available both the Combined Perimeter and the list of transactions with members of said Perimeter reported to the Presidio Unico, with the exemption circumstances where reporting is not required.

Regarding the responsibilities for the process, each structure is responsible for the correctness, completeness and regulatory coherence with the relevant legislative provisions in force from time to time of the information falling within their competence in relation to the GRR as well as, ultimately, the Executive in charge of the drafting of the corporate accounting documents.

**Individual Financial Statement** is responsible for the individual financial statement of UniCredit S.p.A. pertaining to related parties and is supported by the Group Shareholding – Presidio Unico, which makes available both the Combined Perimeter and the list of transactions completed by the related parties.

**Consolidation Perimeters & Accounting Information Management** is responsible for identifying the perimeter of the "related parties of the group" in Tagetik and is supported by:

- Group Shareholding – Presidio Unico, which makes available both the Combined Perimeter and the list of transactions concluded by the related parties on the basis of the information received;
- the various consolidated companies that contribute the financial statement report in Tagetik.

The **Internal Audit Function**, in the context of its audit plans and according to a risk-based approach, checks the monitoring of the compliance of the activity of all company levels with the legislative rules. For further information on the Internal Audit function, reference should be made to "Global Policy on the Risk activities and conflicts of interest with associated persons – Internal policies on controls" and, with specifically, to the paragraph "Controls of Compliance and Internal Audit Functions" (re.: UniCredit S.p.A. Internal Regulation no. 674E).

For what concerns in detail the respective roles and responsibilities of the Functions in the area of the regulations dealt with by the Global Policy (including the Risk Management Function), reference should be made to the Corporate Rules of UniCredit S.p.A. and to the relevant policies and specific processes and procedures.

## 3.2 Responsibility of the Entity

UniCredit S.p.A., as the Parent Company, applies the Policy and Procedures described therein on a consolidated basis to the Subsidiaries based on proportionality criteria with reference to the implementation interventions, including the procedures described for the Plausibility Check phases. The Italian listed subsidiaries, as well as those companies whose share are significantly spread across the public are required, as addressees of the CONSOB Regulation, to adopt their own internal procedures pursuant to the said Regulation, in coordination with this Policy.

With regard to the application of the provisions to the foreign Subsidiaries, without prejudice to the principles and criteria established by the this Global Policy in the chapter 1.1 with reference to the approval and implementation aspects, it is taken into account that the Group subsidiaries have already autonomously adopted their own procedures according to the local regulatory frameworks, in accordance with the discretion granted to EU, Member States by the Capital Requirement Directive (CRD IV), to locally govern transactions with related parties.

### 3.2.1 Italian banks of the banking group

**Management of transactions with members of the Combined Perimeter:** UniCredit S.p.A. submits the Policy to the corporate governance Bodies of the Italian Banks, with the request to draft a similar document and proceed to its adoption and implementation. The Banks draft and approve, also for the purposes of what is required by the Bank of Italy Provision, their own procedures for the management of transactions with members of the Combined Perimeter, in accordance with the guidelines stated below:

- *Requirements and role of independent directors:* the duties assigned to independent directors are delegated to a committee within the board of directors itself composed of non-executive and exclusively independent directors. Without prejudice to this criterion, the committee may be the same as the internal control committee provided for by the corporate governance provisions, temporary replacement mechanisms in the event of a conflict of interest and temporary unavailability of the members of the committee if the transactions are urgent, are also established.
- *Structures involved in the operations with members of the Combined Perimeter:* it is required the appointment of a Local Representative, whose function is to act as an element of connection and coordination in the relations between the Italian Banks and the Presidio Unico.
- *Perimeter of the Italian Banks:* the Italian Banks contribute to define the "Combined Perimeter".
- *Limits to risk assets:* implementation of the provisions of the relevant legislation.
- *Transactions with members of the Combined Perimeter:* the implementation of the provisions of the Policy is required, including in exemptions cases and the decision-making procedures.
- *Internal information flows:* the Italian Banks establish rules similar to those of the Policy with reference to internal information flows for their own administrative and control Bodies and to their internal committee of independent directors as well as to the Compliance Function. The information contained in the flows must be transmitted to the Presidio Unico, in order to allow the preparation of quarterly reports for the Parent Company's governing Bodies.

**Management of the Obligations of Corporate Officers:** the provisions on the Obligations of Corporate Officers apply in the relations between the Italian Banks and their officers. The Italian Banks implement the provisions of the following section and put in place implementation procedures consistent with those of the Parent Company.

**Procedures, Processes and Information Systems:** Italian Banks adopt appropriate processes and procedures, adequately implementing IT systems, also in order to guarantee accurate, complete and timely: i) checking of the information, and updates, collected in relation to their own Associated Persons, necessary to determine the Perimeter of Supervised Banks and Intermediaries; ii) transmission to the Parent Company, where required, of the information flows concerning transactions with members of the Combined Perimeter; iii) transmission to the Parent Company of all useful information for the management of the transactions which are the subject matter of the Policy in compliance with the relevant legislation.

The Italian Banks take care of the requirement in relation to checking of the duty to proceed with the reporting and the performance of such duty in compliance with the terms and methods established by the relevant legislation, identifying the competent corporate function that will be the representative of the Presidio Unico.

As part of aforementioned processes and procedures, the Italian Banks also identify the IT measures suitable to support the Parent Company's activities, also with reference to the relevant supervisory reports, in particular, in relation to assets at risk in relation to Associated Persons.

### *3.2.2 Subsidiaries of UniCredit S.p.A.*

**The Italian and foreign subsidiaries** held by UniCredit S.p.A. submit for approval before their competent corporate governance bodies the Global Policy with the request to proceed with the adoption and implementation, applying protective measures consistent with those of the Policy, proportionally to the actual relevance of potential conflicts of interest, according to the following guidelines:

- the tasks assigned by the regulations to independent directors are carried out by the Committee (of UniCredit S.p.A.), since no specific committees have been appointed in the Subsidiaries;
- identify the Local Representative, whose function is to act as an element of connection and coordination in the relations between the Subsidiary and the Parent Company;
- implement their own systems to take into account the Combined Perimeter made available by the Parent Company and even its subsequent updates;
- they implement, for the identification of the Transactions with members of the Combined Perimeter and the assessment of their relevance, the criteria specified in the Policy, also with regard to the "circumstances of exemption";
- they involve, where appropriate, the Committee (of UniCredit S.p.A.), through the Presidio Unico, in order to obtain a prior and motivated (though non-binding) opinion on transactions with members of the Combined Perimeter, in accordance with the decision-making procedures established by the Policy, without prejudice to the decision-making powers of the respective corporate governance Bodies/corporate functions;
- share, during the decision-making phases, information relating to transactions with members of the Combined Perimeter, highlighting the interest of the bank/company to complete that transaction, the economic profitability and the correct application of the conditions;
- they prepare internal information flows for the Parent Company (the Presidio Unico is the addressee) with regard to Transactions with members of the Combined Perimeter.

The Foreign Banks and the Supervised Intermediaries (Italian and foreign) belonging to the Banking Group contribute to define the "Combined Perimeter".

### **Procedures, Processes and information Systems**

The Subsidiaries, by adopting appropriate processes and procedures, adequately implement the IT systems, compatibly with the respective local regulations, also in order to guarantee accurate, complete and timely: i) transmission to the Parent Company, where required, of information flows regarding transactions with members of the Combined Perimeter; ii) transmission to the Parent Company of any information useful for the management of transactions which are the subject matter of the Policy in compliance with the relevant legislation. Furthermore, the foreign banks and the supervised Intermediaries of the Banking Group ensure the accurate, complete and timely checking of the gathered information concerning their own Associated Persons and the relevant updates, necessary for the identification of the Perimeter of Banks and Supervised Intermediaries.

The Subsidiaries take care of the performance concerning the checking of the duty to proceed with the reporting and the performance of said duty in compliance with the deadline and methods established by the relevant legislation, identifying the responsible corporate function that will be the representative of the Presidio Unico.

In the context of said processes and procedures, the Subsidiaries also identify the IT measures suitable to support the Parent Company's activities, also with reference to the supervisory reports relating, in particular, to risk assets concerning Associated Persons.

Within the scope of the activity of supervisory reporting, the Entities are also responsible to:

- provide the Parent Company with the data necessary for the preparation of the consolidated report in compliance with the legislation in force and the operational instructions received;
- certify the data used into the consolidation application;  
support the Parent Company by providing all the necessary information for the completion of level II checks and for the management of any requests by the supervisory Authority (e.g. findings).

The Entities, in the context of financial reporting activities, are responsible for making their contribution in Tagetik

## 4 APPENDIX

### Appendix 1 - Combined Perimeter

It consists of all the CONSOB Related Parties and Associated Persons of UniCredit S.p.A., as well as the Banks and the Supervised Intermediaries of the Banking Group (Italian and foreign), thereby including listed intermediaries, and other Italian listed issuers which are mentioned in the definitions of related parties and associated persons, issued by the CONSOB Regulation and the Bank of Italy Provision respectively, to which additional circumstances have been added on the basis of independent assessments

CONSOB RELATED PARTIES	BANK OF ITALY ASSOCIATED PERSONS	
	Related party	Associated persons (soggetti connessi)
<p>1) Persons that, directly or indirectly, also through subsidiaries, trustees or intermediaries:</p> <p>a. control UniCredit S.p.A., are controlled by Unicredit S.p.A. or are subject to joint control;</p> <p>b. hold a stake in UniCredit S.p.A. that enables them to exercise significant influence over the latter;</p> <p>c. exercise control over UniCredit S.p.A. jointly with other persons.</p> <p>2) The associated companies of UniCredit S.p.A.</p> <p>3) The joint ventures in which UniCredit S.p.A. is participating.</p> <p>4) Executives with strategic responsibilities of UniCredit S.p.A. or of its parent company (thereby including the Directors - executive or otherwise- permanent Statutory Auditors and Alternate Auditors).</p> <p>5) The close relatives of one of the persons referred to at point (1) or (4).</p> <p>6) Entities in which one of the persons referred to at points (4) or (5) exercise control, joint control or significant influence or holds, directly or indirectly, a significant stake, however, no lower than the 20% of the voting rights.</p> <p>7) Supplementary pension funds, collective or individual, Italian or foreign, set up or promoted by UniCredit S.p.A., as well as the funds on which the latter is able to exercise its influence.</p>	<p>8) The corporate officers of UniCredit S.p.A. as well as of the supervised banks and intermediaries;</p> <p>9) The stake holders of UniCredit S.p.A. as well as of the banks and supervised intermediaries (i.e. the parties required to apply for authorizations to the Bank of Italy to hold a stake in the capital of banks, according to articles 19 and following of the CBA)</p> <p>10) The persons, other than the stake holders, which are able to appoint one or more members of the management body or of the body with strategic supervisory function of UniCredit S.p.A., and of the Supervised Banks and Intermediaries, also on the basis of agreements whatever their form or of statutory clauses whose subject matter or effect is the exercise of such rights or powers.</p> <p>11) Companies or other corporate entities, also existing as non-corporate entities, on which UniCredit S.p.A. or Supervised Banks and Intermediaries or companies belonging to the Banking Group are able to exercise control or significant influence</p> <p><i>UniCredit SpA, as well as the banks and supervised intermediaries, also take note of the individuals related by marriage up to the second degree of the persons at points (8), (9) and (10), keeping such information available for any requests by the Bank of Italy.</i></p>	<p>12) Companies and enterprises, regardless of whether incorporated, controlled by a related party (from 8 to 11).</p> <p>13) The persons controlling a related party among those mentioned at the points (9) and (10) or the persons subject to, directly or indirectly, the joint control with said related party.</p> <p>14) Close family members of a related party (from 8 to 11) and the companies or other corporate entities controlled by them.</p>

For the purposes of identifying the persons falling within the categories of the Combined Perimeter, the Group Risk Management structure, using the information in its possession, is to supplement the declarations of the related party with any further legal connections from which it might be inferred that the counterparty can be classified as an associated party (soggetto connesso)

#### OTHER MEMBERS OF THE COMBINED PERIMETER

- The persons who directly or indirectly, also through subsidiaries, trustees or intermediaries, hold a stake of more than the 3% of the share capital of UniCredit S.p.A. (in the form of shares with voting rights), of the Banks and Supervised intermediaries of the Banking Group (Italian and foreign), including listed intermediaries, as well as other Italian listed issuers, as well as the parties directly and indirectly controlled by them, their close family members and the companies/enterprises under their control. For the purposes of the foregoing, however, Governments, Government Bodies and Central Banks and all entities associated with them are not included in the Combined Perimeter, with the exception of those constituting the chain of control relating to the holder of in the share capital of UniCredit S.p.A., in Banks and Supervised Intermediaries of the

Banking Group (Italian and foreign). Said exemption relating to Governments, Government Bodies and Central Banks is ineffective if said persons exercise control or significant influence.

2. The parties that have concluded an agreement (among themselves), whatever the form, for the joint exercise of the voting rights in the Shareholders' Meeting of UniCredit S.p.A., of the Supervised Banks and Intermediaries of the Banking Group (Italian and foreign), including listed intermediaries, as well as other Italian listed issuers, in excess of the threshold for which the relevant laws require disclosure to the public (and under no circumstance lower than the 3%) and those entities directly or indirectly controlling them as well as those which are being directly or indirectly controlled by them, as well as the close family members of the individuals exerting the control and the companies/enterprises controlled by them.

For the purposes of the foregoing, however, Governments, Government Bodies and Central Banks<sup>20</sup> and all the parties associated to them are not included in the Combined Perimeter. The only exception is represented by the persons constituting the chain of control relating to the person that holds the stake in UniCredit S.p.A., in the Supervised Intermediaries and Banks of the Banking Group (Italian and foreign)

The above exclusion relating to Governments, Government Bodies and Central Banks does not operate if the aforementioned persons exercise control or significant influence.

3. The members of the Executive Management Committee of UniCredit S.p.A. other than those classified as executives with strategic responsibilities, being the inclusion in the Perimeter of the latter and their related connections required pursuant to the CONSOB Regulation (at points 4, 5 and 6) and only for Italian listed banks, the Executives with strategic responsibilities and the Head of the Audit Function of the latter (included for their purposes pursuant to the CONSOB Regulation or on the basis of independent assessments), as well as:
  - ✓ the entities in which they exercise control, joint control or significant influence or hold, directly or indirectly, a significant stake, however, corresponding to no less than the 20% of the voting rights;
  - ✓ their close family members and the entities controlled, jointly controlled or significantly influenced by the latter, as well as the entities where they hold, directly or indirectly, a significant stake, however, corresponding to no less than the 20% of the voting rights.

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<sup>20</sup> Sovereign funds are, however, included.

### Appendix 2 - Relevance Ratios

Transactions of greater significance are those transactions in which at least one of the following "**Relevance Ratios**", which apply on the basis of the specific transaction, is higher than the 5% threshold. For acquisitions, mergers and demergers, the 5% threshold must be calculated using the methods listed below as "Asset relevance ratio".

- Equivalent-value relevance ratio: this is the ratio between the value of the transaction and UniCredit's consolidated Own Funds drawn from the most recently published consolidated financial statement. In particular, if the economic terms of the transaction are identified, the value of the transaction is:
  - for cash components, the amount paid to/by the counterparty;
  - for financial instruments components, the *fair value* determined, on the date of the transaction, in accordance with international accounting standards;
  - for loans or guarantees, the highest amount payable.

If the economic conditions of the transaction depend in whole or in part on quantities that are yet to become known, the value of the transaction is the highest value receivable or payable under the agreement (in the event of multi-annual services remunerated with commissions/fees the value is represented by their current value).

Asset relevance ratio: the ratio between the total assets of the entity that is the subject of the transaction and the total assets of UniCredit S.p.A. The data employed must be drawn from the most recent consolidated financial statement published by UniCredit S.p.A.; where possible, similar data must be used to determine the total assets of the entity that is the subject of the transaction.

For transactions involving the acquisition and disposal of equity investments in enterprises that have an impact on the consolidation area, the value of the numerator is given by the total assets of the investee, regardless of the available percentage of share capital.

For transactions involving the acquisition and sale of stakes in enterprises that do not affect the consolidation area, the value of the numerator is:

- in the event of acquisitions, the value of the transaction increased of the amount of the liabilities of the acquired company, taken on by the purchaser<sup>21</sup>;
- in the case of sales, the consideration for the transferred asset.

For transactions involving the acquisition and disposal of other assets (other than the acquisition of a stake), the value of the numerator is:

- in the event of acquisitions, the greatest value between the consideration and the book value that will be attributed to the asset;
- in the event of sales, the book value of the asset;

- Liability relevance ratio: this is the ratio between the total liabilities of the acquired entity and the total assets of Unicredit S.p.A. The data employed must be drawn from the most recent consolidated financial statement published by Unicredit S.p.A.; where possible, similar data must be used to determine the total liabilities of the company or the branch that have been acquired.

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<sup>21</sup> The CONSOB Communication DEM / 10078683 of September 24, 2010 states that "the value of the numerator will also take into account the liabilities of the acquired company only if it is contractually established that the acquirer is to assume certain obligations in relation to said liabilities (...)".

## Appendix 3

### Appendix 3 - Resolution Procedures

#### Procedures for transactions of UniCredit S.p.A.

Relevance	Nature	Conditions	Committee Opinion	Approval
Greater significance/minor relevance of significant value	Ordinary / Non-Ordinary in reason of the nature and/or conditions		YES, binding	Board of Directors
Minor relevance	Ordinary	Standard/Market	NO	Competent Body
Minor relevance	Ordinary/Non-Ordinary in reason of the nature and/or conditions		Yes, Non-binding	Competent Body

#### Procedures for the transactions of the Subsidiaries

Relevance	Nature	Conditions	Committee Opinion	Opinion of the Board of Directors of UniCredit S.p.A.	Approval
Greater significance/minor relevance of significant value	Ordinary/Non-Ordinary in reason of the nature and/or conditions		Yes, Non-binding	Yes, Non-binding	Competent corporate governance body of the subsidiary
Minor relevance	Ordinary	Standard/Market	NO	NO	Competent Body
Minor relevance	Non-Ordinary in reason of the nature and/or conditions		Yes, Non-binding	NO	Competent Body