

Name of the Issuer:
UniCredit S.p.A.

Website: www.unicreditgroup.eu

Reference Period:
January 1, 2015/December 31, 2015

Report approved on:
February 9, 2016

Inside real life. A 360° view.

Report on Corporate Governance
and Ownership Structure



pursuant to Section 123/bis of the TUF (so-called traditional management and control system)



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1. PROFILE OF THE ISSUER

Foreword

The overall corporate governance framework of UniCredit S.p.A. (hereinafter also “UniCredit”, the “Company” or the “Bank”) has been defined in the light of current provisions, also of a regulatory nature, and of the recommendations contained in the Corporate Governance Code for listed companies (hereinafter also the “Code”)¹.

Moreover, UniCredit is subject to the provisions contained in the Supervisory Regulations issued by Banca d’Italia and, in detail, with regards to corporate governance issues, to the Supervisory Regulations on banks’ corporate governance in being (Circular no. 285/2013, Part I, Title IV, Chapter 1). In compliance with the aforementioned Supervisory Regulations UniCredit, as significant bank subject to the direct prudential supervision of the ECB, as well as as a listed bank, is qualifiable as bank of a major size or operational complexity and consequently complies with the provisions applicable to such kind of bank.

UniCredit, as issuer of shares also listed on the Frankfurt and Warsaw regulated markets, also fulfils the legal and regulatory obligations related to listings on said markets as well as the provisions on corporate governance contained in the Polish Corporate Governance Code issued by the Warsaw Stock Exchange. Notwithstanding that, the UniCredit corporate governance structure is not influenced by non-Italian legal provisions.

The Corporate Governance Code

The Code, according to the major international markets’ experience, identifies the corporate governance standards and best practices for listed companies recommended by the Italian Corporate Governance Committee, to be applied according to the “comply or explain” principle that requires the explanation in the corporate governance report of the reasons of failure to comply with one or more recommendations contained in its principles or criteria.

Since 2001, UniCredit has adopted the Code, which is available to the public on the Corporate Governance Committee website (<http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015engclean.en.pdf>).

The Report on corporate governance and ownership structure

UniCredit yearly draws up a Report meant for its shareholders, for institutional and non-institutional investors and the market. The Report supplies suitable information on the UniCredit own corporate governance system.

Consistently with the relevant legal and regulatory obligations, as well as in line with the provisions of the Code, this UniCredit Report on corporate governance and ownership structure (hereinafter also the “**Report**”) has been drafted in accordance with Section 123/*bis* of the TUF².

The Report approved by the Company’s Board of Directors on February 9, 2016 is published at the same time as the Report on Operations on the Issuer’s website³.

The information contained in the Report, unless otherwise specified, refers to the date of its approval by the Board of Directors. Please note, furthermore, that the Report on Operations of the Consolidated Reports and Accounts contains the chapter “Corporate Governance” in

¹ The Corporate Governance Code for listed companies approved by the Italian Corporate Governance Committee and issued by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria – version in being as at July 2015

² TUF: the Legislative Decree no. 58 dated February 24, 1998

³ The address of the UniCredit website where the Report on corporate governance and ownership structure is available is as follows:

<https://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html>

which the UniCredit corporate governance system is described in short.

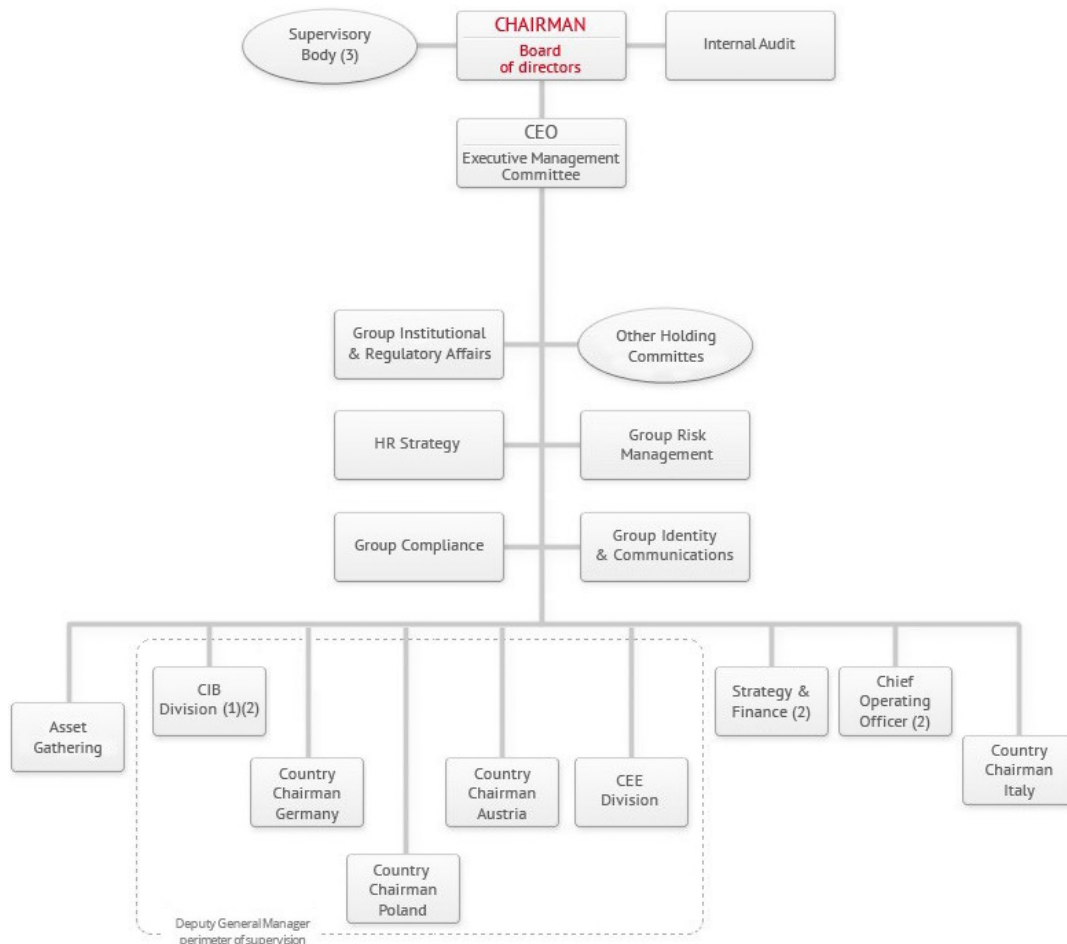
Profile and structure

The UniCredit Group is a leading global financial group with roots in 20 countries, on site with representative offices and branches in 50 international markets, 6,934 branches and about 125,510 employees.

The UniCredit Group organization reflects an organizational and business model which maintains a divisional structure for the government of the Corporate Investment Banking business/products and the business in the CEE Countries, as well as a global control over the Global Banking Services functions, while ensuring the autonomy of the Countries/Banks on specific activities, in order to guarantee increased proximity to the client and more efficient decision processes.

UniCredit is a Company with shares listed on the Milan, Frankfurt and Warsaw regulated markets and as a bank, parent company of the UniCredit banking Group, carries out, in addition to banking activities, organic policy, governance and control functions vis-à-vis its subsidiary banking, financial and instrumental companies pursuant to the provisions of Section 61 of the TUB⁴.

The Company is not subject to guidance and coordination by other legal entities.



1. The supervision of Germany, Austria, Poland and the CEE Division are delegated by the CEO to the Deputy General Manager in charge of the CIB Division
2. Position covered by Deputy General Manager
3. Set up according to the Legislative Decree no. 231 dated June 8, 2001

⁴ TUB: Legislative Decree no. 385 dated September 1, 1993

Shareholder structure

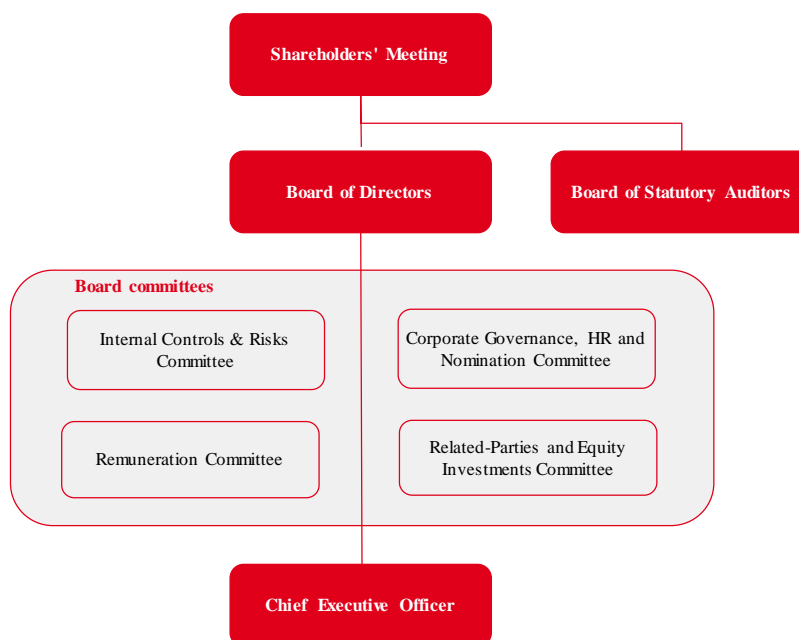
The UniCredit share capital as at December 31, 2015 amounted to Euro 20,257,667,511.62, divided into 5,969,658,488 shares with no nominal value, of which 5,967,177,811 ordinary shares and 2,480,677 savings shares. The ordinary and the savings shares are issued in a dematerialized form and are indivisible as well as freely transferable.

As at December 31, 2015, the shareholders were about 333,000; 87% of the ordinary share capital appeared to be owned by legal persons and the remaining 13% by physical persons⁵.

Corporate governance model

UniCredit has adopted the so-called traditional management and control system based on the existence of 2 corporate bodies appointed by the Shareholders' Meeting: the Board of Directors, in charge of the strategic supervision and management of the concern, and the Board of Statutory Auditors, responsible for supervising of the management. Legal accounting supervision is entrusted to an external audit firm, on proposal of the Board of Statutory Auditors, according to current provisions.

Traditional system



Shareholders' Meeting

The Shareholders' Meeting is empowered to resolve both in ordinary and extraordinary session, with different constitutive and resolving quorums, depending on the specific topics to be discussed.

The Ordinary Shareholders' Meeting approves, *inter alia*, the financial statements and the resolution concerning the allocation of net profits, the appointment of the directors and statutory auditors and the assignment of the mandate for the external auditing to an audit firm, resolving on the connected fees. Furthermore, it resolves on the remuneration and incentive policies and practices provided for by current provisions as well as the criteria to

Ordinary Shareholders' Meeting

⁵ The above UniCredit shareholders' composition stems from analyses relying on heterogeneous sources, such as the shareholders' register, participation to General Meetings, communications to CONSOB, public filings available on the market.

The heterogeneity of sources, the different dates of updating of the sources and the dealings in UniCredit shares, are such that the representation provided is the best estimate of the UniCredit shareholders base, but the above sources are not such as to ensure that the composition represented corresponds to the actual shareholder base at any given time.

determine the compensation to be granted in the event of early termination of employment or early retirement from office.

The Extraordinary Shareholders' Meeting is empowered to resolve on the amendments to the Articles of Association, on increases in share capital, on mergers and de-mergers.

Extraordinary Shareholder' Meeting

The holders of voting rights for whom notification has been received by the Company from the broker holding their accounts, within the time period established under law (i.e. the "record date", falling 7 market trading days before the date established for the Shareholders' Meeting) are entitled to attend the Shareholders' Meeting.

Record date

For more information on the Shareholders' Meeting, please see Section no. 3

Board of Directors

The Board of Directors of UniCredit may be comprised of between a minimum of 9 up to a maximum of 24 members. As at February 9, 2016, the number of Directors is 17 and their term of office will expire on the date of the Shareholders' Meeting called upon to approve the 2017 financial statements.

Members number

The Board's composition shall ensure the balance between genders envisaged by Law no. 120/2011. Currently, 35% of the Board members are Directors belonging to the less represented gender.

Gender diversity

The Board members shall be appointed on the basis of a proportional representation mechanism (*voto di lista*) so that at least one Director is taken from the minority slate receiving the highest votes, without any connection with the shareholders who, even jointly, filed, or voted for, the slate receiving the highest votes.

Appointment

In the appointment process shareholders are invited to take into account the qualitative and quantitative composition that the Board deemed optimal for the effective completion of the duties and responsibilities entrusted to the supervisory body by law, by the Supervisory Provisions and by the UniCredit Articles of Association, according to the current provisions of both laws and regulations, and more specifically to the Supervisory Regulations on banks' corporate governance, also concerning limits on the aggregate number of directorships that UniCredit Directors may hold.

Qualitative-quantitative composition

The Board members meet the professional experience, integrity and independence requirements envisaged by current laws, regulations and the Articles of Association provisions.

Requirements

Pursuant to the provisions of the Articles of Association, the Board of Directors has appointed a Chief Executive Officer, performing also the role of General Manager, to whom it has entrusted the management of the Company within the terms and limits set forth by the Board itself.

CEO

The function and competencies of the Board of Directors are set forth in the UniCredit Corporate Bodies Regulations⁶.

For more information on the Board of Directors, please see Section no. 4

Board Committees

The Board of Directors, also pursuant to the provisions of the Corporate Governance Code, has established, among Board members, four committees vested with research, advisory and proposal-making powers diversified by sector of competence: the Internal Controls & Risks Committee, the Corporate Governance, HR and Nomination Committee, the

⁶ The address of the UniCredit website where the UniCredit Corporate Bodies Regulations are available is as follows:

<https://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html>

Remuneration Committee and the Related-Parties and Equity Investments Committee. The Board Committees' composition, functions and competencies are set forth in the Corporate Bodies Regulations.

For more information on the Board Committees, please see Section no. 5

Board of Statutory Auditors

Pursuant to the UniCredit Articles of Association the Ordinary Shareholders' Meeting appoints five permanent Statutory Auditors, among whom the Chairman, and 4 substitute Statutory Auditors. As at February 9, 2016 the Board of Statutory Auditors is comprised of five permanent members. Their term of office will expire on the date of the Shareholders' Meeting called upon to approve the 2015 financial statements.

*Statutory
Auditors
appointment*

The UniCredit Articles of Association set forth that 2 permanent Statutory Auditors and 2 substitute Statutory Auditors shall be appointed by the minorities. The Chairman of the Board of Statutory Auditors shall be appointed by the Shareholders' Meeting among the Auditors elected by the minority.

*Statutory
Auditors
appointed by the
minorities*

The Board of Statutory Auditors' composition shall ensure the balance between genders envisaged by Law no. 120/2011. Currently, 20% of the Board of Statutory Auditors members are Auditors belonging to the less represented gender.

Gender diversity

The Board of Statutory Auditors members are enrolled with the Rolls of Auditors and meet the professional experience, integrity and independence requirements envisaged by current laws and regulatory provisions.

Requirements

The function and competencies of the Board of Statutory Auditors are set forth in the UniCredit Corporate Bodies Regulations.

For more information on the Board of Statutory Auditors, please see Sections no.s 10 and 11

* * *

For further information on the UniCredit corporate governance structure, please see, apart from the specific Sections contained in this Report, the website of the Company where the same are available together with information of an economic/financial nature, data and documents of interest for the shareholders in general.

2. INFORMATION CONCERNING THE OWNERSHIP STRUCTURE

2.1. SHARE CAPITAL STRUCTURE

As at 31 December 2015 the fully subscribed and paid up UniCredit share capital amounted to Euro 20,257,667,511.62, divided into 5,969,658,488 shares with no nominal value, of which 5,967,177,811 ordinary shares (equal to 99.96% of the share capital) and 2,480,677 savings shares (equal to 0.04% of the share capital).

The ordinary shares are listed on the Milan, Frankfurt and Warsaw regulated markets, respectively on the Borsa Italiana S.p.A. MTA (Electronic Share Market), on the Frankfurt Stock Exchange and on the Warsaw Stock Exchange. The shares traded on the aforesaid markets have the same characteristics and anyway give the same rights. The savings shares are only listed on the Milan regulated market.

No other types of shares, equity instruments or convertible or exchangeable bonds have been issued.

As at February 9, 2016 the fully subscribed and paid up UniCredit share capital amounts to Euro 20,257,667,511.62, divided into 5,969,658,488 shares, of which 5,967,177,811 ordinary shares and 2,480,677 savings shares.

Rights and obligations

Each **ordinary share** gives holders the right to cast one vote at Ordinary and Extraordinary Shareholders' Meetings. Ordinary shares give holders all the administrative and economic rights and obligations envisaged by law.

Savings shares do not bear any voting rights. A reduction of share capital due to losses does not have any effect on savings shares, other than for the portion of any loss that eventually exceeds the overall amount of the capital represented by other shares; in the event of the Bank being wound up, savings shares enjoy the right of pre-emption in respect of the redemption of capital, up to Euro 6.3 per share.

In case of capital transactions which modify the ratio between the amount of share capital and the number of shares outstanding, the above fixed numerical reference could be amended consequently. In the event of reserves being distributed, savings shares bear the same rights as other shares.

Whenever the company's savings shares are barred from trading, the holder of savings shares may ask for its shares to be converted into company's ordinary shares, in accordance with the procedures resolved upon by the Special Meeting of Shareholders, convened as and when the need arises within two months from shares being barred from trading.

Savings shares, when fully paid-up, are bearer shares, unless provided for otherwise by law. At the request and expense of the Shareholder, they may be transformed into registered savings shares and vice versa.

No stocks granting special controlling rights or special powers have been issued.

Other financial instruments granting the right to subscribe new shares

	LISTED / NOT LISTED	NUMBER OF OUTSTANDING INSTRUMENTS	CATEGORY OF SHARES SERVING THE CONVERSION/EXERCISE	NUMBER OF SHARES SERVING THE CONVERSION/EXERCISE
Convertible bonds	=	=	=	=
Warrant	Not listed	134,269,869	Ordinary shares	24,062,619

Since 2000, UniCredit has set up equity based incentive plans for the Top Management (therefore including also the CEO and the executives with strategic responsibilities). The exercise of the warrants issued to service UniCredit Group executive and employee incentive plans grants the right to subscribe new ordinary shares. In that regard, please refer to "Part I) – Share-based payments" of the notes to the consolidated financial statements⁷, to the information documents⁸ prepared in compliance with Section 84/*bis* of the CONSOB Issuers Rules⁹ and to the report on remuneration¹⁰ prepared in compliance with Section 123/*ter* of the TUF and Section 84/*quater* of the CONSOB Issuers Rules.

⁷ The address of the UniCredit website where the Company financial statement is available is as follows:
<https://www.unicreditgroup.eu/en/investors/financial-reports.html>

⁸ The address of the UniCredit website where the information documents are available is as follows:
<https://www.unicreditgroup.eu/en/governance/compensation/incentive-systems.html>

⁹ **CONSOB Issuers Rules:** the Rules issued by CONSOB with resolution no. 11971 dated 1999 (and subsequent amendments) concerning issuers

¹⁰ The address of the UniCredit web site where the report on remuneration is available is as follows:
<https://www.unicreditgroup.eu/en/governance/shareholders-meeting.html>;
<https://www.unicreditgroup.eu/en/governance/compensation.html>;
<https://www.unicreditgroup.eu/en/governance/compensation/directors-and-auditors-compensation.html>

Please also be informed that, with regard to the capital increase approved by the Extraordinary Shareholders' Meeting of UniCredit S.p.A. on November 14, 2008, no. 967,564,061 ordinary shares, subscribed by Mediobanca pursuant to the guarantee agreement stipulated with UniCredit S.p.A., have been used to service the issue of, and are underlying, *Convertible and Subordinated Hybrid Equity-linked Securities* ("CASHES") financial instruments. The CASHES too have been subscribed in full by institutional investors. Mediobanca gave the right of *usufrutto* over such shares to UniCredit maintaining the mere ownership (*nuda proprietà* - ownership deprived of the rights belonging to the holder of the right of *usufrutto*) of the shares. By way of the reverse split of the shares carried out in December 2011, at the date of the Report approval the number of the aforesaid shares is equal to 96,756,406.

2.2. RESTRICTIONS ON STOCK TRANSFERS

At the date of the Report approval there are no restrictions on stock transfers, taking into account the no. 96,756,406 ordinary shares used to service the CASHES of which Mediobanca holds the *nuda proprietà* (see previous paragraph on the *Share capital structure*).

2.3. RELEVANT EQUITY HOLDINGS

On the basis of the evidence of the Shareholders Register, completed with the communications received according to Section 120 of the TUF, and of other information known to the Company, hereafter you may find the relevant equity holdings, direct and indirect, as at December 31, 2015.

Declarant	Direct Shareholder	% of ordinary capital	% of voting capital
International Petroleum Investment Company	Aabar Luxembourg S.a.r.l.	5.049%	5.049%
BlackRock Inc.		5.026%	5.026%
	<i>BlackRock Institutional Trust Company, National Association</i>	1.216%	1.216%
	<i>BlackRock Advisors (UK) Limited</i>	1.210%	1.210%
	<i>BlackRock Fund Advisors</i>	1.013%	1.013%
	<i>BlackRock Asset Management Deutschland AG</i>	0.782%	0.782%
	<i>BlackRock Advisors, LLC</i>	0.205%	0.205%
	<i>BlackRock Investment Management, LLC</i>	0.188%	0.188%
	<i>BlackRock Investment Management (UK) Limited</i>	0.171%	0.171%
	<i>BlackRock Japan Co., Ltd</i>	0.105%	0.105%
	<i>BlackRock Asset Management Canada Limited</i>	0.033%	0.033%
	<i>BlackRock Investment Management (Australia) Limited</i>	0.032%	0.032%
	<i>BlackRock (Netherlands) B.V.</i>	0.027%	0.027%
	<i>BlackRock International Limited</i>	0.022%	0.022%
	<i>BlackRock Financial Management, Inc.</i>	0.018%	0.018%

	<i>BlackRock Capital Management Inc.</i>	0.002%	0.002%
	<i>BlackRock Asset Management North Asia Ltd</i>	0.001%	0.001%
Fondazione Cassa di Risparmio Verona, Vicenza, Belluno e Ancona	Fondazione Cassa di Risparmio Verona, Vicenza, Belluno e Ancona	3.467%	3.467%
Central Bank of Libya		2.929%	2.929%
	<i>Central Bank of Libya</i>	2.646%	2.646%
	<i>Libyan Foreign Bank</i>	0.283%	0.283%
Fondazione Cassa di Risparmio di Torino	Fondazione Cassa di Risparmio di Torino	2.522%	2.522%

There is no employee equity holding system in place whereby voting rights can be exercised by employee representatives.

2.4. RESTRICTIONS ON VOTING RIGHTS

Clause 5 of the Articles of Association state that no one entitled to vote may vote, for any reason whatsoever, for a number of the Company's shares exceeding 5 per cent of the share capital bearing voting rights. For the purposes of computing such share ownership percentage, the global stake held by the controlling party (be it a private individual, legal entity or company), by all subsidiaries - both direct and indirect - and affiliates must be taken into consideration; those shares held through trustee companies and/or third parties and/or those shares whose voting rights are attributed for any purpose or reason to a party other than their owner have been also taken into consideration; on the other hand, those shareholdings included in the portfolios of mutual funds managed by subsidiaries or affiliates must not be taken into consideration. In the event of breaches of the foregoing provisions, any resolution taken by the Shareholders' Meeting may be challenged as per Article 2377 of the Italian Civil Code, if the required majority could not have been reached without said breach. The shares for which voting rights cannot be exercised are in any event computed for the purposes of validly constituting the Shareholders' Meeting.

The voting right of the no. 96,756,406 UniCredit ordinary shares, subscribed by Mediobanca pursuant to the guarantee agreement stipulated with UniCredit S.p.A. and used to service the CASHES, in relation to which the aforementioned has created the usufruct right in favour of UniCredit, is suspended (see previous paragraph on the *Share capital structure*).

The Company knows of no shareholders' agreements among relevant shareholders as defined by Section 122 of the TUF.

2.5. CHANGE OF CONTROL CLAUSES AND BY-LAWS PROVISIONS ON PUBLIC PURCHASE OFFERS

Taking into account that UniCredit S.p.A. is not a Company controlled by any shareholder or subject to any shareholder agreement, please note that the Company entered into the following agreement to be considered relevant pursuant to Sec. 123/*bis* of the TUF: agreement among shareholders of Mediobanca S.p.A.. The agreement is a block shareholders' agreement aimed at preserving a stable shareholder base for Mediobanca as well as the representativeness of its governing bodies in order to ensure consistent management objectives.

The abovementioned agreement provides that *"If the Chairman of the Agreement becomes aware of significant changes in the ownership structure of any one Party, he/she shall convene the Committee to examine such situation and require the Chairman of the Agreement to convene the Parties of the Agreement in general meeting to decide whether to request the*

Party concerned – who by entering into this Agreement is bound to comply with such request - to sell its entire syndicated interest pro-rata to the other Parties” according to the manner and terms envisaged by the agreement itself.

No UniCredit’ subsidiaries executed agreements to be considered relevant pursuant to Section 123/bis of the TUF.

* * *

The UniCredit Articles of Association do not envisage exceptions to the provisions on the passivity rule envisaged by Sec. 104, paragraphs 1 and 2, of the TUF, save for the indication given in the previous paragraph on *Restrictions on voting rights*.

The Articles of Association do not envisage the application of the counteracting rules envisaged by Sec. 104/bis, paragraphs 2 and 3, of the TUF.

2.6. DELEGATION OF POWER TO INCREASE SHARE CAPITAL AND AUTHORISATIONS TO PURCHASE OWN SHARES

The Board of Directors has been empowered by the Shareholders’ Meeting to execute share capital increases, with the exclusion of option rights, both free and by way of contribution in cash, in order to service Incentive Plans for UniCredit Group employees (see Clause 6 of the Articles of Association). The Board of Directors has not been granted any authority to issue other equity instruments.

As at February 9, 2016 the Shareholders’ Meeting of UniCredit has not authorized the purchase of own shares. At the end of the financial year to which the Report refers (the “**Period**”) the amount of own shares held was equal to no. 47,600.

3. SHAREHOLDERS’ MEETING

In compliance with the current provisions, the Articles of Association envisage that the Ordinary Shareholders’ Meeting is convened at least once a year within 180 days of the end of the financial year, in order to resolve upon the issues that current laws and the Articles of Association make it responsible for. An Extraordinary Shareholders’ Meeting is convened, instead, whenever it is necessary to resolve upon any of the matters that are exclusively attributed to its jurisdiction by current laws.

Shareholders’ Meetings are held in a single call in accordance with the provisions of law, but the Articles of Association, in order to maintain an adequate organizational flexibility, keep the possibility for the Board, for single meetings, to provide more than one call.

The Shareholders’ Meeting is convened, in accordance with legal and regulatory requirements, via a notice published on the Company’s website, as well as through other channels provided for under prevailing laws and regulatory provisions, including the publication in extract form in the daily newspapers. The Agenda of the Shareholders’ Meeting is established in accordance with legal requirements and the Articles of Association by whoever exercises the power to call a meeting.

Within the deadline for the publication of the Shareholders’ Meeting call notice provided for each item on the Agenda – or within any other time limits envisaged by other legal provisions, the Board of Directors shall make a report on each of the items on the Agenda publicly available.

The right to ask for the integration of the Agenda may be exercised, according to the cases, methods, terms and conditions outlined in the current provisions, by shareholders who individually or jointly represent at least 0.50% of the share capital. Shareholders requesting

additions to the Agenda shall prepare a report stating the reason for their resolution proposals on the new matters they propose for discussion. Shareholders may also submit further resolution proposals on items already on the Agenda, stating the reasons therefore.

The Shareholders' Meeting takes place at the Company's Registered Office, at its Head Office or in another location within Italy, as indicated in the Meeting call notice, and it resolves with the majorities envisaged by current laws.

The Articles of Association do not provide for particular quorums and in order for a Shareholders' Meeting, along with the resolutions taken therein, to be valid, the relevant legal and regulatory provisions must be complied with, except for the provision in Clause 5 of the Articles of Association, quoted in previous Section 2, in the paragraph on *Restrictions on voting right*, of this Report.

Clause 23 of the Articles of Association, in compliance with the provisions set forth by Article 2365 of the Italian Civil Code, grants to the authority of the Board of Directors the resolutions regarding the following:

- the adjustments made to the Articles of Association to comply with legal requirements;
- the merger by incorporation of companies in the situations envisaged by Articles 2505 and 2505/*bis* of the Italian Civil Code;
- the de-merger of companies in the situations envisaged by Article 2506/*ter* of the Italian Civil Code;
- the reduction of share capital in the event of a shareholder withdrawing;
- decisions as to which Directors, in addition to those indicated in the Articles of Association, may represent the Company.

In compliance with the Articles of Association, and pursuant to the current provisions issued by Banca d'Italia concerning the remuneration and incentive policies and practices for banks and banking groups, the Ordinary Shareholders' Meeting, in addition to establishing the compensation payable to the corporate bodies appointed by the same, approves: (i) the remuneration and incentive policies for the members of the supervisory, management and controlling bodies as well as for the remaining employees; (ii) equity-based compensation schemes; (iii) the criteria to determine the compensation to be granted in the event of early termination of employment or early retirement from office including the limits set for said compensation in terms of number of years of fixed remuneration as well as the maximum amount deriving from their application. Furthermore, the Ordinary Shareholders' Meeting can exercise, on the occasion of the remuneration policies' approval, the faculty to determine a ratio of variable to fixed remuneration of employees higher than 1:1, but in any case not exceeding the ratio of 2:1. In accordance with Section 123/*ter* of the TUF the Shareholders' Meeting resolves in favour or against the section of the report on remuneration explaining the Company's policy on the remuneration of the Board of Directors members, of the General Manager and of the executives with strategic responsibilities as well as the procedures used to adopt and implement this policy. Such resolution is not binding.

Information to the Shareholders' Meeting on the ways in which the Remuneration Committee may exercise its functions as well as on the activities carried out is available in the "Annual Report on Remuneration" published within the Group Compensation Policy that is yearly submitted to its approval.

Legitimation, how to attend and voting rights

Pursuant to current provisions it is the holders of voting rights for whom notification has been received by the Company from the broker holding their accounts, within the time period established under law, who are entitled to attend the Shareholders' Meeting. Those who hold voting rights may arrange to be represented in the Shareholders' Meeting via proxy.

The UniCredit Articles of Association provide for the possibility for shareholders to participate remotely in Shareholder's Meetings via telecommunication means and to exercise their voting

rights by using electronic means, referring the decision on the activation of said instruments to the Board of Directors with regard to single meetings.

As a rule, all Directors attend the Shareholders' Meeting.

The Board reports to the Shareholders' Meeting on the activities performed and planned within the framework of the management report. Furthermore, it makes every effort to ensure adequate information on all the relevant items so as to enable the shareholders to take informed decisions on matters within the scope of their competence, in particular by ensuring that the Directors' report and any additional information has been supplied within the time frame established by the law and by regulatory provisions in force.

Shareholders' Meetings conduct

Since 1998 the Shareholders' Meeting laid down rules aimed at ensuring the orderly and effective conduct of ordinary and extraordinary meetings. The Regulations governing general meetings, lastly approved in April 2011, can be accessed online at the UniCredit S.p.A. website on the *Governance/Shareholders' Meeting Section*¹¹.

Clause 8 of the Regulations on general meetings state that those entitled to attend the Shareholders' Meeting are entitled to take the floor on each of the topics up for discussion. Those intending to exercise such latter right must ask the Chairman for permission, by presenting a written request indicating the topic which the question refers, after the Chairman has read out the items on the agenda, and before he has declared closed discussions on the topic which the question refers to. The Chairman may allow shareholders to raise their hand to indicate a desire to take the floor; in which case the Chairman gives shareholders the floor by surname in alphabetical order.

* * *

The UniCredit market capitalization decreased by ca. 639 million in 2015, reaching 30.7 bn. In 2015, the UniCredit stock price performance was -1.9% vis-à-vis the broadly negative trend of the European banking sector (the performance of SX7P index, comprising the 600 largest banks in Europe, was -2.5%).

Regarding the changes affecting the shareholder structure, in 2015:

- Delfin Sarl and Carimonte Holding notified having reduced their stake below the relevant threshold of 2% respectively in April and June 2015;
- People's Bank of China notified having increased its stake over the relevant threshold of 2% in June 2015 and then having reduced its stake below the above threshold in November 2015;
- Norges Bank notified having increased its stake over the relevant threshold of 2% in August 2015 and, after further increases and reductions in the investment, notified the reduction of its stake below the above threshold in December 2015.

No proposals were put to the Shareholders' Meeting to change the Articles of Association in regard to the percentages established for exercising the rights and prerogatives for safeguarding minorities.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT

The UniCredit Directors shall be appointed, according to the current legal and regulatory provisions, on the basis of a proportional representation mechanism (*voto di lista*) abiding by

¹¹ The address of the UniCredit website where the Regulations governing general meetings are available is as follows:
<http://www.unicreditgroup.eu/en/governance/shareholders-meeting/meeting-regulations.html>

the membership criteria concerning minority and independent Directors, apart from abiding by the rules on the balance between genders envisaged by Law no. 120/2011 (to that regard, please see the procedures specified in Clause 20 of the Articles of Association available on the UniCredit website¹²).

Furthermore, UniCredit has established that the slates of candidates to the position as Director should be filed at the Registered Office or the Head Office, as per the provisions of Section 147/ter of the TUF, no later than the twenty-fifth day prior to the date of the Shareholders' Meeting called to resolve upon the appointment of the members of the Board. The slates must be made available to the public at the Registered Office, on the Company's website and through other channels provided for under prevailing laws, at least twenty-one days prior to the date of the Shareholders' Meeting. Instead, as far as concerns the percentage of share capital needed to submit the slate, Clause 20, para. 6 of the Articles of Association specifies that the amount is 0.5% of the share capital in the form of ordinary shares with voting rights at Ordinary Shareholders' Meetings, consistently with the minimum shareholding percentage established by CONSOB on the basis of the provisions of said Section 147/ter of the TUF (Sections 144/ter and following of the CONSOB Issuers Rules).

Other than those set out by law, no particular rules apply to amendments to the Articles of Association.

In compliance with current provisions of both law and regulations, the Board of Directors establishes its qualitative and quantitative composition deemed optimal for the effective completion of the duties and responsibilities entrusted to the supervisory body by law, by the Supervisory Provisions and by the UniCredit Articles of Association. The Board has also established the requirements that the UniCredit Directors shall meet, in addition to possessing those envisaged by current laws and regulatory provisions, and expressed its opinion on the maximum number of directorships that directors may hold in other companies.

The Board, before the appointment of the new supervisory body, informs the shareholders about the composition deemed to be optimal in order for the choice of the candidates to take into consideration the expertise required. It goes without saying that the shareholders may carry out their own assessment on the best composition of the supervisory body and file candidacies consistent with same, giving the reasons for any difference vis-à-vis the analyses carried out by the Board.

As regards the qualitative and quantitative composition of the Board of Directors and the profile for candidates to the position of Director, the maximum number of directorships that the directors may hold as well as the gender composition criteria for the supervisory body, reference is made to the document¹³ "Qualitative and Quantitative Composition of the UniCredit S.p.A. Board of Directors" - lastly approved on March 12, 2015 - published on the Company's website as well as to the information provided in Section 4.2 "Composition".

Succession plans

With reference to the recommendations contained in the CONSOB Resolution no. DEM/11012984 dated February 24, 2011 and to what is provided for in Criterion 5.C.2. of the Corporate Governance Code, please be informed that:

- regarding the existence of a structured process for the succession of the executive Directors, UniCredit has in place a structured process to manage and develop Group Executives since 2006, i.e. Executive Development Plan. It relates to all Group Executives, including the position of CEO. In particular, the Executive Development Plan is an annual appraisal process of potential and performance, based on the Group

¹² The address of the UniCredit website where the Articles of Association are available is as follows:
<https://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html>

¹³ The address of the UniCredit website where the document "Qualitative and Quantitative Composition of the UniCredit S.p.A. Board of Directors" is available is as follows:
<https://www.unicreditgroup.eu/en/governance/board-of-directors/directors-qualitative-and-quantitative-profiles.html>

competency model, aimed at fostering the Group Leaders professional growth and at ensuring its sustainability through the identification of short and medium term successors to all key managerial positions. In the last edition (2015), ca. 5,000 executives were involved in the Executive Development Plan: their appraisals and succession plans were discussed and validated by the Group Top Management through dedicated meetings. In case of anticipated or unforeseen replacement of Executives, including the CEO, the Executive Development Plan results are the reference point for the decisions related to new appointments and for the evaluation of possible candidates;

- as far as concerns the persons/bodies involved in the preparation of the succession plan and respective roles, the Executive Development Plan is a bottom up process involving, at local level, the Top Management of the different Divisions and Countries of which the Group is made of, to identify successors in key managerial positions through sessions with Heads of the different structures and business areas. In the last edition, more than 300 local appraisal and discussion sessions took place.

For the Senior Executives positions (representing approximately the first 600 Executives of the Group), successors are validated and their career plans defined by the Group Top Management (CEO, Deputy General Managers) supported by the Group Head of HR. The synthesis of results, including possible successors for the Top Executive positions (Senior Executive Vice President, Deputy General Manager and CEO), were brought to the attention of the Corporate Governance, HR and Nomination Committee and of the Board of Directors;

- lastly, with regard to the review modalities and timing, the update of the succession plans is on an yearly basis: at the end of each edition of the process, the summary of the results is discussed by the Board of Directors or by its Committee specifically dedicated to corporate governance topics (Corporate Governance, HR and Nomination Committee).

4.2. COMPOSITION

Pursuant to the Articles of Association, the UniCredit Board of Directors may be comprised of between a minimum of 9 up to a maximum of 24 members. As at February 9, 2016, the number of Directors is 17.

Their term in office is three financial years, unless a shorter term is established at the time they are appointed, and ends on the date of the Shareholders' Meeting called upon to approve the financial statements relating to the latest year in which they were in office.

The Board in office has been appointed by the Ordinary Shareholders' Meeting on May 13, 2015 for the financial years 2015 -2017 and will expire on the date of the Shareholders' Meeting called upon to approve the 2017 financial statements.

According to Clause 20 of the Articles of Association and pursuant to the applicable laws and regulations, the Board had proposed to the aforesaid Ordinary Shareholders' Meeting of May 2015 the appointment of the Directors, after setting their number and term in office. The Board, in such circumstance, recommended that shareholders, in submitting lists of candidates, should take into account both the document¹⁴ containing the qualitative and quantitative composition deemed optimal, approved by the Board in March 2015, including, *inter alia*, the gender composition criteria for the supervisory body in compliance with Law no. 120/2011, and the opinion expressed by the Board itself concerning limits on the aggregate number of directorships that UniCredit Directors may hold at the same time (see following paragraph on the "*Maximum number of offices held in other companies*").

¹⁴ The address of the UniCredit website where the document "Qualitative and Quantitative Profile of UniCredit S.p.A. Board of Directors" is available is as follows:
<https://www.unicreditgroup.eu/en/governance/board-of-directors/directors-qualitative-and-quantitative-profiles.html>

Two slates were submitted, filed and published according to the deadline and in the terms provided for by current provisions and by the Articles of Association:

- Slate no. 1 submitted by Shareholders: Allianz S.p.A., Aabar Luxembourg S.a.r.l., Fondazione Cassa di Risparmio di Torino, Carimonte Holding S.p.A., Fincal S.p.A. and Cofimar S.r.l., with an overall shareholding equal to 4.987% of the share capital:

Mr. Mohamed Badawy Al-Husseiny, Mr. Manfred Bischoff, Mr. Cesare Bioni, Ms. Henryka Bochniarz, Mr. Vincenzo Calandra Buonauro, Mr. Alessandro Caltagirone, Mr. Luca Cordero di Montezemolo, Mr. Federico Ghizzoni, Ms. Helga Jung, Mr. Fabrizio Palenzona, Ms. Clara C. Streit, Ms. Paola Vezzani, Mr. Giuseppe Vita, Mr. Alexander Wolfgring, Mr. Anthony Wyand, Ms. Elena Zambon and Ms. Benedetta Navarra;

- Slate no. 2 submitted by various Funds, with an overall shareholding equal to 1.91% of the share capital:

Ms. Lucrezia Reichlin.

In addition to the above slates also the following documentation was submitted and published in accordance with the prescribed deadlines and procedures:

- a statement of the Shareholders, other than those who hold, also jointly, a controlling or relative majority shareholding, attesting the absence of any connection to the latter, provided for by Section 144/*quinquies* of the CONSOB Issuers Rules, taking into account the recommendations issued by CONSOB with its Communication no. DEM/9017893 dated February 26, 2009;
- exhaustive information on the personal and professional characteristics of the candidates indicated on the slate (*curriculum vitae* and list of the supervisory, managerial and controlling offices held in other companies);
- the statements of each candidate irrevocably accepting the position (subject to his/her appointment) and attesting, under his/her own responsibility, that there is no reason for his/her ineligibility, forfeiture or incompatibility, as well as that he/she meets the professional experience and integrity requirements required by the current provisions, also of a regulatory nature;
- a statement by each candidate concerning his/her meeting or not the independence requirements pursuant to Section 148, paragraph 3, of the TUF and the Corporate Governance Code as well as the statement about the know-how/experience accrued in the areas of expertise set out in the document entitled "Qualitative and quantitative composition of the UniCredit S.p.A. Board of Directors".

Information on the personal and professional characteristics of each candidate, shown in their *curricula*, the statements provided for by current laws and by the UniCredit Articles of Association as well as those provided for by the theoretical profile, and, more specifically, the statements certifying their meeting or not the independence requirements prescribed by law and by the Code were made available on the UniCredit website (<https://www.unicreditgroup.eu/en/governance/shareholders-meeting.html>).

The Shareholders' Meeting on May 13, 2015, after having resolved that the members of the Board of Directors should be 17, appointed the Directors for the financial years 2015 – 2017 as follows:

- from Slate no. 2, obtaining the majority of the Shareholders' votes, Ms. Lucrezia Reichlin was appointed as Director;
- from Slate no. 1, voted for by the minority Shareholders, the following 16 Directors were appointed:

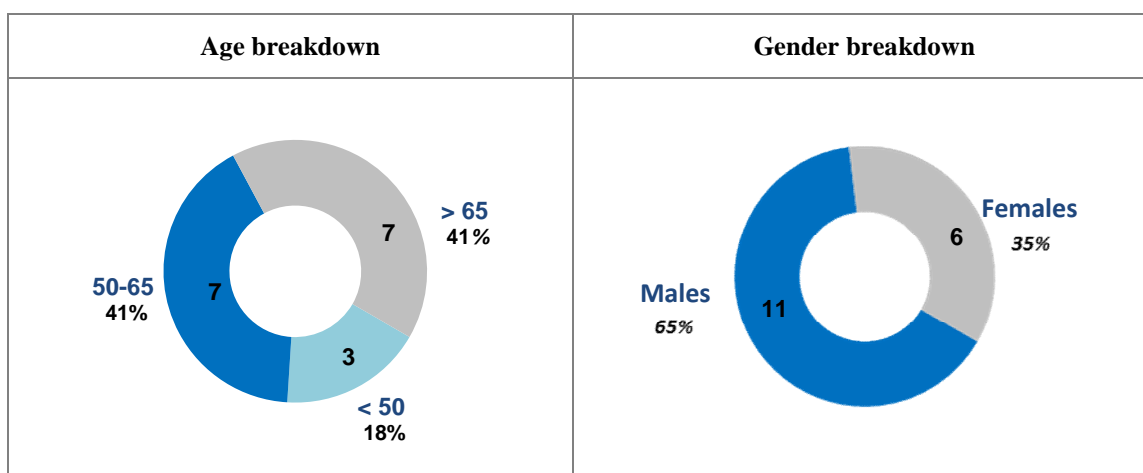
Mr. Al-Husseiny, Mr. Bischoff, Mr. Bioni, Ms. Bochniarz, Mr. Calandra Buonauro, Mr. Caltagirone, Mr. Cordero di Montezemolo, Mr. Ghizzoni, Ms. Jung, Mr. Palenzona, Ms. Streit, Ms. Vezzani, Mr. Vita, Mr. Wolfgring, Mr. Wyand and Ms. Zambon.

The Board composition consequent to the appointment process was:

- quantitatively corresponding to that singled out as optimal by the Board itself. The Board had determined in 17 the quantitative composition deemed optimal and the shareholders, with whom the decision rested, agreed on such opinion in putting forward their proposal, which was subsequently approved, to the Shareholders' Meeting;
- qualitatively corresponding to the theoretical profile singled out by the Board. The requirements concerning professional experience, integrity and independence, gender balance and the maximum number of directorships that directors may hold in other companies at the same time ¹⁵, as per the desired levels indicated by the Board in the profile recalling the provisions of the CRD IV Directive (Directive 2013/36/EU dated June 26, 2013), were abided by. More specifically:
 - i. all of the areas of competence were represented in the Board, all of the Directors had at least 2 of the required areas of competence and, on average, the Directors had 6 areas of competence;
 - ii. 6 lady candidates were appointed, i.e. Ms. Bochniarz, Ms. Jung, Ms. Reichlin, Ms. Streit, Ms. Vezzani and Ms. Zambon. That meant that the requirement for gender balance (reservation to the less represented gender of a quota of at least one third of the members pursuant to the composition criterion of the supervisory body provided for by Law no. 120/2011 in its ordinary enforcement regime) was abided by.

After the above appointments, further to the resignation, effective October 15, 2015, handed in by the Director Mr. Mohamed Badawy Al-Husseiny, on October 15, 2015, the Board of Directors co-opted, upon proposal of the Corporate Governance, HR and Nomination Committee, Mr. Mohamed Hamad Al Mehairi as Director. The composition of the Board in office at the approval date of the Report is given at the end of this Section.

The apportionment of the Board members according to age and gender are detailed hereinafter.



The Board of Directors members meet the professional experience and integrity requirements envisaged by current laws and regulatory provisions.

For any further details regarding the composition of this corporate body, and the personal and professional characteristics of each Director, reference is made to the information published on the UniCredit website¹⁶. With regard to the requirements that UniCredit Directors must meet, in addition to those required by current laws and regulatory provisions, reference is made to

¹⁵ See following paragraph on the “Maximum number of offices held in other companies”

¹⁶ The address of the UniCredit web site where the information concerning the Directors is available is as follows: <https://www.unicreditgroup.eu/en/governance/board-of-directors.html>

the document “Qualitative and Quantitative Profile of UniCredit S.p.A. Board of Directors” published on the Company’s website.

The following chart shows the seniority in office since their first appointment of the current Directors as at the approval date of this Report:

Directors	First appointment date	Directors	First appointment date
Al Mehairi Mohamed Hamad	October 2015	Palenzona Fabrizio	January 1999
Bischoff Manfred	January 2006	Reichlin Lucrezia	April 2009
Bisoni Cesare	May 2015	Streit Clara C.	May 2015
Bochniarz Henryka	May 2012	Vezzani Paola	May 2015
Calandra Buonauro Vincenzo	May 2002	Vita Giuseppe	May 2012
Caltagirone Alessandro	May 2012	Wolfgring Alexander	May 2013
Cordero di Montezemolo Luca	May 2012	Wyand Anthony	January 1999
Ghizzoni Federico	September 2010	Zambon Elena	May 2015
Jung Helga	January 2012		

Maximum number of offices held in other companies

Since December 2008 the Board, in its Regulations as well as in its qualitative-quantitative profile approved in March 2012, expressed its opinion on the maximum number of offices that UniCredit Directors may hold according to the provisions of the Code and to the Supervisory Regulations on banks’ organization and corporate governance issued by Banca d’Italia.

On March 12, 2015, the Board, in the document dealing with its qualitative-quantitative profile¹⁷, expressed a new opinion, recalling the provisions of the CRD IV Directive (Directive 2013/36/EU dated June 26, 2013), on the limits to the maximum number of directorships that the Company Directors may hold at the same time, even if the provisions on the matter are not yet transposed into the Italian legislation.

In the above opinion, but subject to any different requirement on the topic that might derive from the transposition of the Directive into the Italian legislation, the Board wishes candidates not to cover, at the time of any appointment, more than:

- 1 executive directorship with 3 non-executive directorships
- 5 non-executive directorships,

provided that, as specified by the CRD IV Directive, the following are count, *inter alia*, as a single directorship:

- a) executive or non-executive directorships held within the same group;
- b) executive or non-executive directorships held within enterprises in which the entity has a qualified holding.

Directorships in organisations which do not pursue predominantly commercial objectives shall not count for the above purposes.

* * *

¹⁷ The address of the UniCredit website where the document “Qualitative and Quantitative Profile of the UniCredit S.p.A. Board of Directors” is available is as follows:
<https://www.unicreditgroup.eu/en/governance/board-of-directors/directors-qualitative-and-quantitative-profiles.html>

The following chart shows the overall number of offices as director held by the current Directors in other companies as at the approval date of this Report. The limits on the aggregate number of directorships that the Directors may hold in other companies, as per the desired levels indicated by the Board in its quali-quantitative profile, was abided by taking into consideration the weight applicable to offices held in the same group and the statements made by the Directors themselves.

Directors	Overall number of offices as director held in other companies	Directors	Overall number of offices as director held in other companies
Al Mehairi Mohamed Hamad	9 ⁽¹⁾	Palenzona Fabrizio	3
Bischoff Manfred	3	Reichlin Lucrezia	3
Bisoni Cesare	--	Streit Clara C.	4
Bochniarz Henryka	2	Vezzani Paola	--
Calandra Buonauro Vincenzo	--	Vita Giuseppe	1
Caltagirone Alessandro	19 ⁽²⁾	Wolfgring Alexander	7 ⁽⁴⁾
Cordero di Montezemolo Luca	6 ⁽³⁾	Wyand Anthony	1
Ghizzoni Federico	1	Zambon Elena	15 ⁽¹⁾
Jung Helga	5 ⁽¹⁾		

- (1) taking into account the weight applicable to offices held within the same group, the number of directorships falls within the maximum number allowed
- (2) in view of the information given by the person concerned and of the fact that the relevant directorships, as far as concerns the aggregate allowed, refer to the same group, the number of directorships falls within the maximum allowed
- (3) taking into account the weight applicable to offices held within the same group and the information given by the person concerned, the number of directorships falls within the maximum allowed
- (4) taking into account the weight applicable to offices held within the same group and that of the offices that do not mainly pursue commercial aims, the number of directorships falls within the maximum allowed

* * *

Moreover, Directors must take into account the provisions of Section 36 of Law Decree no. 201/2011 (ban on interlocking directorships), approved as statute by Law no. 214/2011, which establishes that holders of a seat in managerial, supervisory and controlling bodies, as well as top management officers in companies or groups of companies active in banking, insurance and financial markets are forbidden to hold similar offices, or to exercise similar duties, in competing companies or groups of companies. The Board must check the existence both of situations falling within the provisions of Section 36 and of situations of supervening forbidden coexistence.

Induction initiatives and recurring training

During the Period the actions undertaken aimed at providing an adequate knowledge of the macro-economic scenarios, of the markets' developments and of the sector's regulatory framework continued, also taking into account the output by the Board members in the course of the previous self-evaluations. Moreover, strategic, legal and regulatory as well as business topics have been the object of training sessions and were examined in detail, in order to ensure both knowledge and awareness of the Group risk profile.

In particular, the Chairman of the Board of Directors ensured that inclusion programmes and training schemes are prepared and implemented for the newly appointed Directors and Statutory Auditor (meetings open to all the Board of Directors and Board of Statutory Auditors members) focused, *inter alia*, on a presentation of the Top Management on the Group and its positioning.

Furthermore, 4 “off site” meetings have been arranged for all Directors (apart from the Board meetings), open to the members of the Board of Statutory Auditors and the Top Management, regarding the Group strategy and the checking of its planning, as well as the drafting of the strategic plan.

4.3. ROLE OF THE BOARD OF DIRECTORS

Meetings and functioning

During the last Period the Board of Directors met 16 times, each meeting with an average length of about 3 hours and 10 minutes. For the 2016 financial year, 13 meetings have been scheduled, of which 2 already held as at February 9, 2016.

The planning of the Board’s proceedings is a responsibility of the Chairman, in relation to the items scheduled on the agenda, having received a proposal of the Chief Executive Officer. Furthermore, the Chairman ensures that the necessary time is allowed for an effective discussion of the items on the Agenda, encouraging the Directors - during the meetings - to give their contribution.

The Deputy General Managers and the other CEO Office members, the Head of the Internal Audit, the Group Compliance Officer, the Head of the Executive Management Committee Staff and the Executive Assistant of the Chairman all attend Board meetings, without voting rights; furthermore, members of the Management of the Company and the Group have been invited to attend Board meetings, again without voting rights, to report on specific issues as well as, *inter alia*, to assist the Chief Executive Officer in the presentations to the Board itself. Furthermore, the General Manager attended Board meetings until August 2015.¹⁸

The UniCredit Corporate Bodies Regulations establish a 48 hour term prior to the Board meeting as the shortest term for the availability of the pre-meeting documentation to the Directors and Auditors, in order to enable them to express their opinion advisedly on the matters requiring their decision. Such term was generally abided by and normally moved up, except for particular cases due to the nature of the resolution to be taken. In specific cases, should it have proved impossible to give the necessary information flow within the above term, the Chairman has seen to it that the necessary in-depth studies have been carried out during the Board meetings.

Furthermore, the Corporate Bodies Regulations establish that the Director attend, as a rule on a quarterly basis, informal “off site” meetings, also open to the members of the Board of Statutory Auditors and the Top Management, regarding the Group strategy and the checking of its planning, as well as the drafting of the strategic plan.

Duties

Pursuant to Clause 23 of the Articles of Association, the **matters reserved to the competence** of the Board of Directors include the resolutions concerning the general guidelines and the adoption and amendment of business, strategic and financial plans for the Company, as well as the periodic monitoring of their implementation.

Moreover, in compliance with the Corporate Bodies Regulations, the Board shall have the sole authority for:

- defining the general guidelines for the management of the Group development policies prior to drafting strategic, business and financial multi-year plans and operating budgets for the Company and the Group, as well as for the periodical reviewing of the mentioned guidelines in relation to the developments in corporate operations and in the external environment, for adopting and amending such plans and supervising their proper implementation;

¹⁸ In August 2015 the Board resolved upon a review of the organizational structure including, *inter alia*, the removal of the post of General Manager.

- defining and approving the guidelines of the internal controls system in compliance with the strategic guidelines and risk appetite established by the Board itself, according to the instructions given by the Supervisory Authorities and the applicable law. On an yearly basis, the Board sets out and approves the Group Risk Appetite Framework, consistently with the timeline of the Budget process and the definition of the financial plan and sets forth the governance policies regarding the risks the Group is exposed to, as well as the risk goals and the tolerance margins. Furthermore, with regard to the credit risk, the Board approves general guidelines for the risk mitigation managing techniques system;
- approving the UniCredit organisational structure and corporate governance, in order to ensure a clear separation of duties and functions as well as the conflict of interest prevention, the corporate structure and governance models/guidelines of the Group;
- examining and approving the transactions performed by the Company and the companies belonging to the Group of particular strategic, economic, equity-related and financial relevance.

The Board has defined criteria for identifying the transactions of strategic, economic, equity-related and financial relevance for UniCredit S.p.A., for the purpose of informing about the same the Board of Statutory Auditors of the Company pursuant to the applicable regulatory provisions. In detail, all the transactions of a critical or relevant nature must be reported to the Board of Statutory Auditors, and in any case those concerning:

- entry/consolidation of the position in a strategic sector/market;
- definition/modification of shareholding structures with third party partners with whom governance-related agreements are executed;
- decisions impacting strategic equity holdings;
- decisions significantly impacting the organisational structure of the company or the Group;
- situations in which economic/equity-related/financial thresholds (as defined by the Board) are exceeded in relation to the type of transactions involved;
- modifications to the company's share capital structure;
- new legal proceedings and developments in existing ones determining potential liabilities in excess of a certain threshold defined as per the decision of the Board, or potentially at risk of becoming relevant for the company's sector ("pilot proceedings").

Pursuant to Section 136 of the TUB, the obligations of any kind or the purchase or sale agreements implemented by UniCredit, directly or indirectly, with its own officers fall within the exclusive responsibility of the Board of Directors.

* * *

The Board of Directors:

- continuously monitors the general management performance with special reference to the conflict of interest management - also by analysing the information received from the delegated bodies and the Board committees and periodically comparing results achieved versus targets – as well as assesses the adequacy of the organisational, administrative and accounting structure of UniCredit and, also by issuing policies and guidelines, of all its strategically relevant subsidiaries, in particular as regards the internal control system and the conflicts of interest management;
- ensures that the main corporate risks are correctly identified and measured, managed and monitored adequately, taking into account how they evolve and interact, and, furthermore, establishing criteria for the compatibility of such risks with the sound and proper management of the Company.

In particular, the Board identified the following controlled companies as having strategic relevance: UniCredit Bank AG (former HVB), UniCredit Bank Austria, FinecoBank and Bank Pekao.

The role played by the Chairman of the Board

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

In particular, the Chairman ensures that:

- i) in good time, Directors shall be sent supporting documentation on the Board resolutions or, at the very least, initial information on the issues under debate;
- ii) supporting documentation on resolutions, in particular documents distributed to non-executive members, are adequate in terms of quantity and quality in regard to the items on the agenda;
- iii) when preparing the agenda and chairing Board discussions, issues of strategic relevance are given priority, and that all necessary time is set aside for them;
- iv) as a rule on a quarterly basis, opportunities are arranged for all Directors to meet, also apart from Board meetings ("off site"), in order to investigate and discuss strategic issues;
- v) the self-assessment process is undertaken effectively, its terms and conditions comply with the degree of complexity of the Board's work, and envisaged corrective measures are adopted to tackle any detected shortcomings;
- vi) inclusion programmes and training schemes are prepared and implemented for members of the Board of Directors and Board of Statutory Auditors, along with succession plans for senior management positions.

Where absent or impeded, the Chairman is replaced by the Deputy Vice Chairman. Where both the Chairman and Deputy Vice Chairman are absent or impeded, the meeting is chaired by the oldest Vice Chairman of those in attendance or, where all Vice Chairmen are absent or impeded, by the oldest Director.

Self-assessment

On March 10, 2016, the Board of Directors closed the recurring self-assessment process focused on the adequacy of the Board itself and its Committees in terms of composition and functioning. The self-assessment process – regarding the Board appointed in May 2015 – has been performed in accordance with the provisions of the Corporate Bodies Regulations, adopted in compliance with the Supervisory Regulations on banks' corporate governance and in line with the recommendations of the Corporate Governance Code.

For the performance of the self-assessment process, UniCredit made use of the Spencer Stuart company as independent external consultant, chosen by the Chairman of the Board, upon proposal of the Corporate Governance, HR and Nomination Committee, entrusted with providing consultancy during each stage of the process. Both UniCredit and other Group companies have not recently given additional tasks to the Spencer Stuart company.

In compliance with the provisions of the Corporate Bodies Regulations the process also concerned:

- qualitative and quantitative composition, size, degree of diversity, professional training, experience (including managerial), seniority in the present post, a guaranteed balance of non-

executive and independent members, adequacy of the appointment processes and selection criteria, and ongoing professional development;

- meeting sessions, frequency, duration, the degree and form of attendance, sufficient time available to dedicate to the assignment, the relationship of trust, cooperation and interaction among members, awareness of the role covered and the quality of debate on the Board.

With the assistance of Spencer Stuart company, the process broke down into the following stages:

- examination: carried out in accordance with the provisions of the Corporate Bodies Regulations through individual interviews with the Directors undertaken by means of questionnaires. In agreement with the Chairman of the Board of Directors, interviews have also been extended, apart from to the Board of Directors Secretary and the Board of Statutory Auditors, to the Deputy General Managers responsible for Strategy & Finance and Corporate & Investment Banking Division, to the Group Compliance Officer and to the Head of the Internal Audit Department who, as a result of their activities, had a sufficient breadth of knowledge to assess the work carried out by the body;
- assessment of the outcome of the self-assessment process, with the support of the consultant, in order to identify strengths and weaknesses that emerged and to draw up a proposal for actions deemed appropriate;
- drawing up of the process outcome summary document: results from the analysis were set out in an *ad hoc* document which illustrates, *inter alia*, the methodologies made use of, the individuals involved and the results achieved, highlighting strengths and weaknesses, as well as any necessary corrective actions proposed.

Within the self-assessment process the attention of the Directors was mainly focused on the size, composition and functioning of the Board of Directors, in particular referring to the efficiency of the Board meeting sessions and the supporting role of the Committees.

Competitive businesses

Subject to Article 2390 of the Italian Civil Code, the Shareholders' Meeting held on May 13, 2015 allowed members of the Board of Directors to enter into competitive businesses. While it is up to each Director to report any such situation arising pursuant to Article 2390 of the Italian Civil Code, the Board of Directors was not required to assess the merits of any new situations during the Period.

4.4. DELEGATED BODIES

Chief Executive Officers

The awarding (and revoking) of the authorities to the Directors is up to the Board, that sets out their subject matter, their limits and the ways according to which they made be done.

The only Board member with management powers is Mr. Federico Ghizzoni, Chief Executive Officer of the Company, to whom the Board of Directors has granted powers, within pre-defined limits, and also the authority to sub-delegate powers, across all sectors of the Bank's business. For information on the granted powers reference is made to the Annex "Managerial powers" to this Report.

The Chief Executive Officer is responsible for the management of the Company and, as far as he is concerned, the *interlocking directorates* situation envisaged by the Code does not occur.

Chairman of the Board of Directors

The Chairman has not been granted managerial authorities and therefore does not have any executive role. The Chairman does not hold a relevant share of the Company equity.

Other executive Directors

None of the Directors sitting on the UniCredit Board of Directors – besides the Chief Executive Officer – can be defined as executive pursuant to the Criterion 2.C.1. of the Code.

Reporting to the Board

Information flows among and within the corporate bodies is a prerequisite for the achievement of management efficiency and effective control objectives.

UniCredit has adopted procedures such as to ensure adequate information flows among its corporate bodies. These flows, their content and deadlines have been identified in detail by the Board of Directors in the Document of corporate bodies and control functions, that it approved. Said document governs, inter alia, the information flows also for UniCredit, in its role as Holding Company and in the exercise of its management and coordination activities. Within the Corporate Bodies Regulations, a list of the parties required to send information flows, on a regular basis, to the corporate bodies, and an explanation of the minimum content and the timing of the main flows, have been identified.

In particular, in the exercise of all of his proposal and decision-making powers and/or as the submitting party of reporting to the Board of Directors, the Chief Executive Officer was the recipient of the information flows that the Bank structures earmark for the supervisory body in compliance with the legal and regulatory provisions in force at the time.

Furthermore, the Chief Executive Officer - empowered by the Board with the faculties and assignments necessary to carry out all the operations the Company may undertake pursuant to Clause 4 of the Articles of Association - supplied the Board of Directors with a report on the sub-delegate powers granted and on the activities carried out also by the management in the exercise of the delegated powers according to the terms, conditions and deadlines established by the Board. Detailed information on such powers is contained in the Annex “Managerial powers” to this Report.

4.5. INDEPENDENT DIRECTORS

The Corporate Governance, HR and Nomination Committee and the Board of Directors, the latter on January 13, 2016, carried out the assessment of the Directors’ independence requirements based on the statements made by those concerned and the information available to the Company in compliance with the criteria established by Section 3 of the Corporate Governance Code (which coincide with those envisaged by the UniCredit Articles of Association) and by Section 148 of the TUF. In that regard, information relating to direct or indirect relationships (credit relationships, significant offices held, employee relationships and commercial / professional relationships) of the Directors with UniCredit and some Group Companies were taken into account, also taking into consideration the following criteria: i) the nature and the characteristics of the relationship, ii) the amount of the transactions both generally and relatively speaking, iii) the subjective profile of the relationship.

In view of the above, the Board, supported by the Corporate Governance, HR and Nomination Committee’s positive opinion, ascertained that the independence requirements were met as declared by the Directors themselves. In particular, with regard to the Directors concerning whom the information acquired has highlighted the existence of relationships of the above kind, the Board came to the conclusion that they were not such as to affect the independence requirements declared.

As a result of such assessment, the number of the independent Directors according to the provisions of the Code is equal to 10. The outcome was the following:

"INDEPENDENT" DIRECTORS PURSUANT TO THE ARTICLES OF ASSOCIATION AND OF THE CRITERIA ENVISAGED BY THE CODE:

Mr. Cordero di Montezemolo, Mr. Al Mehairi Mr. Bisoni, Ms. Bochniarz, Mr. Caltagirone, Ms. Reichlin, Ms. Streit, Ms. Vezzani, Mr. Wolfgring and Ms. Zambon.

* * *

Moreover, the Board of Directors in the aforesaid meeting on January 13, 2016 also ascertained - pursuant to the rules and regulations on listed issuers contained in the TUF - that the independence requirements in accordance with Section 148 of the TUF too were met. The outcome of the evaluation was the following:

"Independent" Directors pursuant to Section 148 of the TUF: Mr. Vita, Mr. Calandra Buonauro, Mr. Cordero di Montezemolo, Mr. Palenzona, Mr. Al Mehairi, Mr. Bischoff, Mr. Bisoni, Ms. Bochniarz, Mr. Caltagirone, Ms. Reichlin, Ms. Streit, Ms. Vezzani, Mr. Wolfgring, Mr. Wyand and Ms. Zambon.

In its February 9, 2016 meeting the Board of Statutory Auditors ascertained, with a positive outcome, the proper application of the criteria and procedures adopted by the Board of Directors to assess the independence of its own members.

Independent Directors' meeting

The meeting of the independent Directors pursuant to the Criterion 3.C.6 of the Code scheduled for the 2015 financial year was held, for organizational reasons, on March 10, 2016.

The independent Directors met, pursuant to the Code provisions, with none of the other Directors in attendance, for an exchange of views concerning corporate governance topics.

During the meeting, remarks were made on the executive summary outlining the results of the 2015 self-assessment process for the Board of Directors and its Committees, drafted by the advisors Spencer Stuart, for a first analysis of the document by the independent Directors prior to it being examined at subsequent meetings, also with the support of Spencer Stuart.

4.6. LEAD INDEPENDENT DIRECTOR

As the conditions envisaged by the Code for such an office do not exist, the Board of Directors has not appointed any independent Director as Lead Independent Director.

Position	Members	In office		Slate (M/m) *	Executive	Non-executive	Independent as per Articles of Association and Code	Independent as per TUF	Board meetings attendance % **	Number of other positions ***
		since	until							
Chairman	Vita Giuseppe	13-05-2015	Approval of 2017 financial statements	m		X		X	100	1
Deputy Vice Chairman	Calandra Buonauro Vincenzo	13-05-2015	Approval of 2017 financial statements	m		X		X	100	-
Vice Chairman	Cordero di Montezemolo Luca	13-05-2015 ¹⁾	Approval of 2017 financial statements	m		X	X	X	81.25	6
Vice Chairman	Palenzona Fabrizio	13-05-2015	Approval of 2017 financial statements	m		X		X	100	3
CEO	Ghizzoni Federico	13-05-2015	Approval of 2017 financial statements	m	X				100	1
Director	Al Mehairi Mohamed Hamad	15-10-2015 ⁽¹⁾	Approval of 2015 financial statements	--		X	X	X	66.67	9
Director	Bischoff Manfred	13-05-2015	Approval of 2017 financial statements	m		X		X	75	3
Director	Bisoni Cesare	13-05-2015	Approval of 2017 financial statements	m		X	X	X	100	--
Director	Bochniarz Henryka	13-05-2015	Approval of 2017 financial statements	m		X	X	X	93.75	2
Director	Caltagirone Alessandro	13-05-2015	Approval of 2017 financial statements	m		X	X	X	75	6
Director	Jung Helga	13-05-2015	Approval of 2017 financial statements	m		X			81.25	5
Director	Reichlin Lucrezia	13-05-2015	Approval of 2017 financial statements	M		X	X	X	81.25	3
Director	Streit Clara C.	13-05-2015	Approval of 2017 financial statements	m		X	X	X	100	4
Director	Vezzani Paola	13-05-2015	Approval of 2017 financial statements	m		X	X	X	100	--
Director	Wolfgring Alexander	13-05-2015	Approval of 2017 financial statements	m		X	X	X	100	4
Director	Wyand Anthony	13-05-2015	Approval of 2017 financial statements	m		X		X	87.50	1
Director	Zambon Elena	13-05-2015	Approval of 2017 financial statements	m		X	X	X	88.89	15
Directors that left off during the Period										
Deputy Vice Chairman	Fois Candido	11-05-2012	13-05-2015	M		X		X	71.43	2
Director	Al Fahim Mohamed Ali	18-10-2012 ⁽²⁾	13-05-2015	--		X	X	X	100	8
Director	Al-Husseiny Mohamed Badawy	13-05-2015 ⁽³⁾	15-10-2015	m		X	X	X	80	3
Director	Giacomin Francesco	11-05-2012	13-05-2015	M		X		X	100	1
Director	Li Calzi Marianna	11-05-2012	13-05-2015	M		X	X	X	100	1
Director	Maramotti Luigi	11-05-2012	13-05-2015	M		X	X	X	57.14	6
Director	Quaglia Giovanni	18-12-2012 ⁽⁴⁾	13-05-2015	--		X	X	X	100	6
Director	Sassoli de Bianchi Lorenzo	11-05-2012	13-05-2015	M		X	X	X	100	1
Quorum required for the submission of the slates for the latest appointment: 0.5%										
NOTE:										
* M = Member elected from the slate that obtained the majority of the Shareholders' votes m = Member elected from the slate voted by the minority										
** Number of meeting attended / number of meetings held during the concerned party's term of office with regard to the Period										

*** Number of positions as Director or Auditor held in other companies listed on regulated markets (both in Italy and abroad), including financial services companies, banks, insurance companies or other large companies. There is a list of such companies for each Director attached to the Report

- (1) Co-opted on October 15, 2015 in place of Mr. Mohamed Badawy Al-Husseiny who resigned effective as of October 15, 2015
- (2) Co-opted on October 18, 2012 and confirmed by the Shareholders' Meeting on May 11, 2013
- (3) Resigned effective as from October 15, 2015
- (4) Co-opted on December 18, 2012 and confirmed by the Shareholders' Meeting on May 11, 2013

5. BOARD OF DIRECTORS INTERNAL COMMITTEES

In order to foster an efficient information and advisory system to enable the Board of Directors better to assess the topics for which it is responsible, also pursuant to the provisions of the Code, the following four committees are established among Board members, vested with research, advisory and proposal-making powers diversified by sector of competence: the Internal Controls & Risks Committee, the Corporate Governance, HR and Nomination Committee, the Remuneration Committee and the Related-Parties and Equity Investments Committee.

In details, the Internal Controls & Risks Committee, the Corporate Governance, HR and Nomination Committee and the Remuneration Committee have been set up in compliance with the provisions contained in the Banca d'Italia Supervisory Regulations on banks' corporate governance envisaging 3 specialist committees – one on appointments, one on risks and one on remuneration – while the Related-Parties and Equity Investments Committee, established for overseeing issues concerning transactions with related-parties and with associated parties, as well as issues concerning investments in non-financial equities, has been set up in compliance with the CONSOB regulatory provisions and the Banca d'Italia Supervisory Regulations.

As regards the above specialist committees on appointments, on risks and on remuneration, none of the functions of one or more Board Committees envisaged by the Code has been reserved to the Board of Directors. Moreover, none of the abovementioned Committees, per se, performs the multiple functions of two or more committees as envisaged by the Code. The Committee functions have not been allocated amongst the various Committees in a manner different vis-à-vis the provisions of the Code.

The Committees may operate according to procedures considered appropriate and may, inter alia, be split into Sub-Committees.

Committees' composition as at the approval date of this Report

				Internal Controls & Risks Committee		Remuneration Committee		CGHR&N Committee		Related-Parties and Equity Investments Committee	
Members	Exec.	Non exec.	Indep. as per Articles of Association and Code	*	**	*	**	*	**	*	**
				Vita Giuseppe		X		M	100%	M ⁽¹⁾	87.50%
Calandra Buonauro Vincenzo		X		M ⁽²⁾	100%			M	100%		
Cordero di Montezemolo Luca		X	X					C ⁽³⁾	75%		
Palenzona Fabrizio		X		M ⁽²⁾	87.50%			M	91.67%		
Ghizzoni Federico ⁽⁴⁾	X										
Al Mehairi Mohamed Hamad		X	X								
Bischoff Manfred		X									
Bisoni Cesare		X	X	M ⁽²⁾	100%					C ⁽²⁾	100%
Bochniarz Henryka		X	X			M	100%				
Caltagirone Alessandro		X	X			C ⁽³⁾	75%	M	58.33%		
Jung Helga		X									
Reichlin Lucrezia		X	X	M	84.61%					M ⁽²⁾	100%
Streit Clara C.		X	X	M ⁽²⁾	87.50%			M ⁽²⁾	85.71%		
Vezzani Paola		X	X	M ⁽²⁾	100%					M ⁽²⁾	100%
Wolfgang Alexander ⁽¹⁾		X	X	C ⁽³⁾	100%	M	100%				

Wyand Anthony ⁽⁴⁾		X		M ⁽¹⁾	100%	M	100%				
Zambon Elena		X	X					M ⁽²⁾	100%		
----- Members that left off during the Period -----											
Fois Candido		X		M ⁽⁵⁾	100%	M ⁽⁵⁾	66.67%				
Al Fahim Mohamed Ali		X	X								
Al-Husseiny Mohamed Badawy		X	X								
Giacomin Francesco		X		M ⁽⁵⁾	80%						
Li Calzi Marianna		X	X	M ⁽⁵⁾	100%					C ⁽⁵⁾	100%
Maramotti Luigi		X	X	M ⁽⁵⁾	60%			M ⁽⁵⁾	60%		
Quaglia Giovanni		X	X					M ⁽⁵⁾	100%	M ⁽⁵⁾	100%
Sassoli de Bianchi Lorenzo		X	X	M ⁽⁵⁾	60%					M ⁽⁵⁾	85.71%
No. of meetings held during the Period				IC&RC: 13		RC: 8		CGHR&NC: 12		RP&EIC:15	
NOTE:											
* A "C" (Chairman) or an "M" (Member) in this column shows that the member of the Board of Directors belongs to the Committee and also indicates his/her position											
** Meetings' attendance percentage (number of meetings attended / number of meetings held during the concerned party's term of office with regard to the Period)											
(1) Chairman until May 12, 2015											
(2) Office held since May 13, 2015											
(3) Chairman since May 13, 2015											
(4) Since May 12, 2015 the Director no longer holds the office of member of the Corporate Governance HR, and Nomination Committee. The percentage of meeting attendance is equal to 100%											
(5) Office held until May 12, 2015											

During the Period, the spending requirements of the Board Committees were met by the Top Management's budget. Since all the Board Committees may have access to adequate resources, it may be supplemented to meet specific needs.

The Board Committees' functions and competencies are set forth in the UniCredit Corporate Bodies Regulations resolved by the Board in May 2015 (and subsequent amendments)¹⁹. For information regarding the Board Committees composition reference is made to that available on the UniCredit website²⁰.

* * *

Up to the approval by the Board of Directors, on May 12, 2015, of a simplification in the Board Committees' structure, also the Permanent Strategic Committee operated. Such Committee had been set up on a voluntary basis in order, inter alia, to provide the Board with advice concerning the proposals submitted by the CEO to the Board itself regarding also: the yearly and long term Group plans, the capital allocation strategies, the M&A relevant transactions.

¹⁹ The address of the UniCredit website where the UniCredit Corporate Bodies Regulations are available is as follows:

<https://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html>

²⁰ The address of the UniCredit website where information regarding the Directors is available is as follows:

<https://www.unicreditgroup.eu/en/governance/board-of-directors.html>

The Committee was composed of 9 members, the majority of whom are non-executive Directors. The Chairman of the Board of Directors and the CEO were members by right. The Chairman of the Committee was the Chairman of the Board.

Until May 12, 2015 the Permanent Strategic Committee was composed as follows: Mr. Giuseppe Vita (Chairman), Mr. Candido Fois, Mr. Vincenzo Calandra Buonauro, Mr. Luca Cordero di Montezemolo, Mr. Fabrizio Palenzona, Mr. Federico Ghizzoni, Mr. Manfred Bischoff, Mr. Luigi Maramotti and Ms. Lucrezia Reichlin.

Until May 12, 2015 the Committee met 5 times.

On invitation by the Chairman, also other Directors, who were not members of the Committee, attended some meetings.

5.1. INTERNAL CONTROLS & RISKS COMMITTEE

The current “Internal Controls & Risks Committee” was established in June 2000 under the name of “Audit Committee”. Its name, structure and tasks have changed over the years, in line with the evolution of the regulatory and supervisory framework as well as with the industry best practices.

Composition

The UniCredit Corporate Bodies Regulations provide that the Committee is composed of 9 Directors, all non-executive and the majority of whom are independent under the Articles of Association. The Committee tasks are coordinated by the Chairman, who is chosen from among the independent members.

Until May 12, 2015 the Internal Controls & Risks Committee was composed as follows: Mr. Anthony Wyand (Chairman), Mr. Giuseppe Vita, Mr. Candido Fois, Mr. Francesco Giacomini, Ms. Marianna Li Calzi, Mr. Luigi Maramotti, Ms. Lucrezia Reichlin, Mr. Lorenzo Sassoli de Bianchi and Mr. Alexander Wolfgring.

On May 13, 2015 the Board of Directors, which was appointed during the Shareholders’ Meeting on the same day, approved the following composition for the Internal Controls & Risks Committee, appointing the following members in addition to the Chairman of the Board of Directors Mr. Giuseppe Vita, member by right: Mr. Alexander Wolfgring (Chairman), Mr. Vincenzo Calandra Buonauro, Mr. Fabrizio Palenzona, Mr. Cesare Bisoni, Ms. Lucrezia Reichlin, Ms. Clara C. Streit, Ms. Paola Vezzani and Mr. Anthony Wyand.

All members of the Internal Controls & Risks Committee, in its current composition, are independent pursuant to Section 148, paragraph 3, of Legislative Decree No. 58 dated February 24, 1998. The majority of the members (5 out of 9) also meet the independence requirements prescribed by the Corporate Governance Code, which coincide with those envisaged by the UniCredit Articles of Association, without prejudice to the compliance with the independence requirements provided for by the law. The Chairman of the Committee is independent pursuant to Section 148, paragraph 3, of Legislative Decree No. 58 dated February 24, 1998 and to the Corporate Governance Code.

Furthermore, under the Corporate Bodies Regulations, the Committee members must have the knowledge, skills and experience to be able to fully understand and monitor the bank’s strategies and risk appetite; at least one member must possess appropriate experience in accounting and finance or risk management, which must be assessed by the Board of Directors at such time as they are appointed to the Committee. The members of the Internal Controls & Risks Committee must also ensure that any other corporate positions they hold with other companies are compatible with the availability and commitment required of them to serve as a Committee member.

Operations

In order to guarantee the effective performance of its functions, the Committee preliminarily draws up an annual plan of its meetings and the relevant proposed topics for the agenda. The Committee Chairman assesses the relevancy or urgency of each topic and may in any event decide to add it to the agenda for the next available Committee meeting.

The Committee meetings are generally called once a month by the Chairman, or upon request of at least two members or two Statutory Auditors.

In 2015, as established by the Corporate Bodies Regulations, the Chairman of the Board of Statutory Auditors and the other Statutory Auditors participated in the Committee meetings; in addition, the CEO, the General Manager (until July 2015), the Head of the Internal Audit function, the Compliance Officer, the Group Chief Risk Officer, the Deputy General Manager responsible for Strategy & Finance (former Group Chief Financial Officer), and the Board Secretary (since not chosen among the Directors) took part in the meetings as permanent guests.

The Corporate Bodies Regulations also establish that the Vice Chairmen of the Board of Directors may attend the Committee meetings as guests, unless they are already members of the Committee.

In 2015, in line with the powers expressly attached to it under the Corporate Bodies Regulations, the Committee invited the External Auditors to occasionally take part in the Committee meetings for the discussion of the agenda items that concerned matters within their competence.

The Committee must be able to access relevant corporate information, consult external experts and, where necessary, directly interact with Internal Audit, Group Risk Management and Compliance. In 2015, the Committee was supported by no external consultants.

Roles and Responsibilities

The Internal Controls & Risks Committee supports the Board of Directors providing information, advice and proposals concerning risks and the internal control system. Hereinafter, the main roles assigned according to the current Corporate Bodies Regulations.

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

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

The Committee evaluates and issues opinions to the Board on compliance with the principles pursuant to which the internal audit and corporate organizations system must be harmonized, and the requirements that must be complied with by the Compliance, Internal Audit and Group Risk Management functions, drawing the Board's attention to any weaknesses and consequent corrective actions to be implemented; for this purpose, it assesses proposals put forward by the CEO. In this regard, the Committee:

- in advance, examines activity programmes (including the audit plan) and annual reports from Compliance, Internal Audit and Group Risk Management addressed to the Board, as well as periodic reports prepared by said functions, even beyond legal or regulatory requirements;

- verifies that the Compliance, Internal Audit and Group Risk Management functions correctly comply with the Board's indications and guidelines, assisting the Board in drafting the coordination documents envisaged under Circular 285 (formerly Circular 263) issued by Banca d'Italia;
- through valuations and opinions, contributes to defining company policy on the outsourcing of the internal control functions;
- analyses Group guidelines for the Compliance function that fall within its sphere of competence, monitoring that they have been adopted and implemented;
- assesses any findings that may emerge in reports from Internal Audit and Compliance, or from the Boards of Statutory Auditors of Group companies or from enquiries and/or investigations carried out by third parties and may seek specific audit interventions, at such time informing the Chairman of the Board of Statutory Auditors;
- requests that the Head of Internal Audit draft any proposals for the qualitative and quantitative improvement of the function itself.

Drawing on input from the Corporate Governance, HR and Nomination Committee, the Committee identifies and proposes to the Board the names of the subjects to be appointed as Heads of Compliance, Internal Audit and Group Risk Management. Without prejudice to the competencies of the Remuneration Committee, the Committee checks that the incentives underlying the remuneration and incentives system comply with the RAF, particularly taking into account risks, capital and liquidity. It also issues its opinion on setting remuneration for the Head of Internal Audit in line with company policy.

The Committee examines and assesses the correct use of accounting principles and their uniformity with regard to drafting the main accounting documents (such as, by way of example, company and consolidated financial statements, first-half financial reports, interim reports, etc.), in coordination with the Manager in charge of drafting corporate accounting documents and the Board of Statutory Auditors. In addition, it examines the work carried out by the External Auditors and the results stated in their reports and in any letters containing suggestions.

The Committee, through its Chairman, reports on its activities and on the adequacy of the internal control system to the Board of Directors after each Committee meeting.

Activities performed

In 2015, the Internal Controls & Risks Committee held 13 meetings. On average, the Committee meetings lasted approx. 3 hours and 45 minutes each. The meetings were minuted by the Secretary of the Committee. The Committee Chairman, when the Board discussed topics already examined by the Committee, reported to the Directors on said topics.

In 2015 the Committee performed information-gathering, consultative and proposition-making functions with regard to the roles assigned to it by the Board of Directors. Furthermore, in the annual planning of its activities for 2015, the Committee identified the information flows addressed to it, additional to those formally defined in the Regulations.

In order to establish functional links to similar Board Committees of the Group, the Committee also consolidated a number of initiatives started in recent years, with the aim to coordinate and effectively contribute to the Group control and risk culture. In that respect, the Chairpersons of the Risks Committees and Audit Committees of the major Group companies were invited to participate in a dedicated session which was held in December during the ordinary meeting of the Internal Controls & Risks Committee in Milan, aiming to share important cross-functional matters regarding the internal control and risk management system. Furthermore, in October 2015 the annual meeting of the Internal Controls & Risks Committee of UniCredit was held with the Country Chairpersons and the CEOs of the main Group Legal Entities.

In 2015 the Committee also developed appropriate functional links with the Board of Statutory Auditors in order to undertake activities shared by the two bodies, and for the exchange of information of mutual interest, while respecting their specific competencies.

For 2016, 12 Committee meetings have been planned. As at February 9, 2016, 2 meetings were held.

5.2. CORPORATE GOVERNANCE, HR AND NOMINATION COMMITTEE

Since June 2000, the Board of Directors has established the Nomination Committee, subsequently renamed Corporate Governance, HR and Nomination Committee.

Composition

Pursuant to the Corporate Bodies Regulations, the Corporate Governance, HR and Nomination Committee consists of 7 Directors, all non-executive and the majority of whom are independent under the Articles of Association. The Chairman of the Board is member by right. The proceedings are coordinated by the Chairman, chosen among the independent members.

Until May 12, 2015 the Corporate Governance, HR and Nomination Committee was composed as follows: Mr. Giuseppe Vita (Chairman), Mr. Vincenzo Calandra Buonauro, Mr. Fabrizio Palenzona, Mr. Federico Ghizzoni, Mr. Alessandro Caltagirone, Mr. Luca Cordero di Montezemolo, Mr. Luigi Maramotti, Mr. Giovanni Quaglia, Mr. Anthony Wyand. Furthermore, the Deputy Vice Chairman was invited to attend the Committee meetings on a permanent basis.

On May 13, 2015 the Board of Directors, which was appointed during the Shareholders' Meeting on the same day, approved the following new composition for the Committee, appointing the following members in addition to the Chairman of the Board of Directors Mr. Giuseppe Vita, member by right: Mr. Luca Cordero di Montezemolo (Chairman), Mr. Vincenzo Calandra Buonauro, Mr. Fabrizio Palenzona, Mr. Alessandro Caltagirone, Ms. Clara C. Streit and Ms. Elena Zambon.

Working

As a rule, the Board Committee meets on a monthly basis. In particular, no. 12 meetings of the Corporate Governance, HR and Nomination Committee were held in 2015, each one with an average length of 60 minutes. 12 meetings of the Corporate Governance, HR and Nomination Committee are planned for 2016. As at February 9, 2016, no. 1 meeting of the Committee has been held.

It remaining firm that members of the Group's Management may be called upon to attend Committee meetings with regard to specific issues, during the Period the Chief Executive Officer (as member by right until May 6, 2015) and the Executive Assistant of the Chairman of the Board until May 6, 2015 have always attended the meetings and Managers of the Company and external consultants were invited to attend the Corporate Governance, HR and Nomination Committee meetings to discuss specific items on the agenda.

The meetings of the Corporate Governance, HR and Nomination Committee were minuted by the Secretary. The Committee Chairman, when the Board discussed topics already examined by the Committee, reported to the Directors on said topics.

Roles and Responsibilities

The Corporate Governance, HR and Nomination Committee provides its opinion to the Board on defining the self-assessment process, the qualitative and quantitative composition of the Board deemed to be optimal, and the number of directorships held in other companies considered compatible with the effective carrying out of the duties in UniCredit.

Moreover, the Committee provides its opinions on verifying that UniCredit Directors meet the statutory and Articles of Association-based requirements (including requirements on

interlocking directorates envisaged under applicable law), and verifying the correspondence between the qualitative and quantitative composition of the Board considered optimal and the outcome downstream from the appointments process.

Furthermore, the Committee provides its opinions to the Board on identifying candidates for the office of UniCredit director in the case of co-optation, and, in case the Board should present a list of candidates for the position of independent director for submission to the UniCredit Shareholders' Meeting, taking into account any indications from shareholders.

Besides the abovementioned functions, the Committee also provides the Board with opinions in relation to:

- defining the UniCredit corporate governance system, the Group's corporate structure and governance models/guidelines;
- sets targets for the least-well represented gender, and prepares a plan to increase this proportion up to a set target;
- prepares proposals for the Chairman of the Board of Directors on the selection of staff appointed to conduct the Board's self-assessment process;
- provides support, coordinating with the Internal Controls & Risks Committee, in order to propose to the Board of Directors who should be appointed as the Head of Internal Audit, Compliance and Group Risk Management;
- undertakes research to help the Board of Directors prepare a succession plan for executive directors.

appointing the CEO, General Manager, Deputy General Managers and other Directors with strategic responsibilities, as well as Senior Executive Vice Presidents;

- defining policies concerning the appointment and succession plan for the CEO, General Manager, Deputy General Managers and other Managers with strategic responsibilities, Senior Executive Vice Presidents, Group Management Team (Executive Vice Presidents) and Leadership Team (Senior Vice Presidents);
- defining policies for the appointment of corporate officers (members of the Boards of Directors, Boards of Statutory Auditors and Supervisory Boards at Group companies);
- designating corporate officers (members of the Boards of Directors, Boards of Statutory Auditors and Supervisory Boards) at the Main Companies;
- appointing members to the other UniCredit Board Committees.

Activities performed

The Corporate Governance, HR and Nomination Committee has expressed its views concerning the designation of members of the corporate bodies of the companies belonging to the Group and the appointments and movements of Group Top Management members. Within the issues connected to *corporate governance*, the Committee took notice of the development of the regulatory provisions, also discussing, and agreeing on, the information reports regarding topics related to the up-dates of the Supervisory Regulations for banks issued by Banca d'Italia (Circular no. 285/2013) and the implementation in the UniCredit Corporate Bodies Regulations of the Banca d'Italia provisions as well as the amendment of same with the introduction of a specific rule governing interaction between non-executive Directors and Management on matters relating to the Bank's business. Moreover the Committee, in the Period, presided over events / processes regarding internal governance such as the supervisory body self-evaluation process, the checking of the independence requirements, the abidance by the current provisions regarding interlocking directorates, the drafting of corporate governance reports.

The Corporate Governance, HR and Nomination Committee has been able, through its Chairman, to access all the information and corporate functions as required for performing its duties, and for this purpose relied on the support of the Company's head office structures as well as, when deemed, of outside consultants.

5.3 REMUNERATION COMMITTEE

For the information requested with regards to the set-up, tasks and functioning of the Remuneration Committee, please refer to the Chapter “Remuneration Committee” of the “Annual Compensation Report” published, within the “2016 Group Compensation Policy”, according to Section 123/*ter* of the TUF, to Section 84/*quater* of the CONSOB Issuers Rules (lastly modified by resolution no. 18214 of May 9, 2012) and to the provisions set forth at Title IV, Chapter 1, Table 15 of Banca d’Italia Circular 263.

5.4. RELATED-PARTIES AND EQUITY INVESTMENTS COMMITTEE

In order to manage all matters relating transactions with related parties pursuant to law and regulatory provisions²¹, on September 30, 2010 the Board of Directors established a “Related-Parties Transactions Sub-Committee” within the Internal Controls & Risks Committee.

Additionally, during its meetings held on May 10 and June 25, 2012 the Board of Directors assigned to the Related-Parties Transactions Sub-Committee the responsibility for the duties – which pursuant to the “New regulations for the prudential supervision of banks”²² the independent directors were entrusted with – relating to the following matters:

- risk activities and conflicts of interest involving parties related to the Bank or to the Group;
- equity investments that may be held by banks and banking groups.

Based on the new duties assigned, on June 25, 2012 the Board renamed the Related-Parties Transactions Sub-Committee, which became the “Related-Parties and Equity Investments Sub-Committee”.

Taking into consideration the extension, complexity and relevance of the duties assigned to the Related-Parties and Equity Investments Sub-Committee compared to the duties assigned at the time of its establishment, on February 19, 2013 the Board of Directors approved the establishment of an ad-hoc Committee, the “Related-Parties and Equity Investments Committee”, confirming duties and responsibilities already assigned to the Sub-Committee and the composition from a quantitative and qualitative perspective, with the consequent suppression of the Sub-Committee.

Composition

Pursuant to the Corporate Bodies Regulations, the Related-Parties and Equity Investments Committee is made up of 3 members appointed by the Board of Directors, who qualify as independent pursuant to the Corporate Governance Code, one of whom is nominated as Chairman.

Until May 12, 2015 the composition of the Related-Parties and Equity Investments Committee was the following: Ms. Marianna Li Calzi (Chairperson), Mr. Giovanni Quaglia and Mr. Lorenzo Sassoli de Bianchi.

On May 13, 2015 the Board of Directors, which was appointed during the Shareholders’ Meeting on the same day, approved the following composition for the Committee: Mr. Cesare Bioni (Chairman), Ms. Lucrezia Reichlin and Ms. Paola Vezzani.

²¹ See the “Regulations containing provisions relating to transactions with related parties”, pursuant to CONSOB Resolution no. 17221 dated March 12, 2010 and subsequent amendments.

²² See 9th revision of the Banca d’Italia Circular no. 263 dated December 27, 2006.

Operations

The meetings of the Related-Parties and Equity Investments Committee are called based on the annual plan in order to discuss foreseeable activities, as well as whenever it is deemed appropriate to discuss issues falling within the areas of competence of this Committee.

The Committee has a specific charter governing its operating procedures and organization. The Committee shall be supported by independent experts. Adequate tools and information flows (also detailed ones) are made available to the Committee by the competent functions, such as to allow it the performance of its duties.

Upon invitation by the Chairman, in 2015 Group managers took part in the Committee meetings for the discussion of the agenda items that concerned matters within their competence. In 2015, the Committee was supported by no independent experts.

Roles and Responsibilities

Pursuant to the Corporate Bodies Regulations, the Related-Parties and Equity Investments Committee's role is to support the Board of Directors providing advice and making proposals. As far as transactions with related parties and associated persons are concerned, the Committee:

- provides preventive opinions (as the case may be, binding opinions) on procedures whereby the transactions with related parties and/or associated persons are identified and managed in UniCredit and/or in the Group Companies as well as on the relevant changes thereof;
- provides preventive and grounded opinions, when explicitly required, also on the interest of UniCredit and/or Group Companies to carry out the transaction with related parties and/or associated persons, as well as on their profitability and the intrinsic correctness of their terms and conditions;
- when there are transactions of a greater relevance with related parties and/or associated persons, is involved - if deemed advisable by the Committee itself, through one or more members appointed for the task - during the negotiation and the preliminary phase by receiving a complete and timely information flow, with the option to request information and express comments to the delegated bodies and to the persons charged with carrying on the negotiations or the preliminary investigations;
- expresses its opinion, on the basis of the information made available by the competent function of the Bank, about significant topics concerning related parties and associated persons.

A continuous monitoring of the procedures whereby the transactions with related parties and/or associated persons are identified and managed must be ensured to the Committee also in order for it to propose possible corrective actions.

As far as the non-financial equity investments are concerned, the Committee performs the role of assessing, supporting and advising on organization matters and on the exercise of internal controls on the whole activity of acquiring and managing shareholdings in non-financial companies, as well as general verification that the activities carried out within the framework for such shareholdings comply with the strategic and management directives.

Activities performed

In 2015, the Related-Parties and Equity Investments Committee held 15 meetings (on average, each Committee meeting lasted approx. 50 minutes). All meetings were minuted by the Secretary of the Committee. The Committee Chairman, when the Board discussed topics already examined by the Committee, reported to the Directors on said topics.

In 2015, the Committee issued opinions with regard to transactions with related parties and/or associated persons managed in UniCredit and/or Group Companies. Following FinecoBank S.p.A.'s admission to official listing on the Italian Stock Exchange, the Committee also issued preventive and grounded opinions on the transactions performed by FinecoBank with related

parties and/or associated persons in compliance with its procedures. Additionally, the Committee examined the reports on transactions with related parties and/or associated persons also falling within the scope of Section 136 of Legislative Decree 385/1993, the coverage level of the Perimeter of the persons in conflict of interest (so-called “*Perimetro Unico*”) and the actions taken in order to guarantee a complete recording, as well as the quarterly reports drawn up by the Risk Management function on matters falling within their area of competence.

On February 11, 2015 the Committee also expressed its opinion on the proposed amendments of the “*Global Policy for the management of transactions with persons in conflict of interest*”, which were approved on the same day by the Board of Directors, aiming on one hand to ensure the alignment of the structure and setup of such policy with the standards applied to the Group regulations, and on the other hand to introduce new criteria for the improvement of implementation processes. With regard to equity investments, the Committee has examined the results of the quarterly monitoring of prudential supervisory limits and of the half-year monitoring of the risk/profitability profile of investments in non-financial equities, in terms of appropriateness and consistency with the Group strategies.

On April 1, 2015 the Committee issued its opinion on the proposed updates of the “*Corporate policies related to shareholdings in non-financial firms and in equity indirect investments*”, which were approved by the Board of Directors on May 12, 2015.

For 2016, 12 meetings have been planned for the Related-Parties and Equity Investments Committee. As at February 9, 2016, 2 meetings were held.

6. REMUNERATION OF THE DIRECTORS

For the information requested with regards to the compensation for the Executive Directors, the Non-Executive Directors and the Key Management Personnel and for those concerning the Indemnities to Directors in the event of resignation, dismissal or termination of employment following a public purchase offer (as per Section 123/*bis*, paragraph 1, letter i), of the TUF), please refer to the Chapter “Compensation to Directors, Statutory Auditors and Executives with Strategic Responsibilities” of the “Annual Compensation Report” published - within the “2016 Group Compensation Policy” - according to Section 123/*ter* of the TUF, to Section 84/*quater* of the CONSOB Issuers Rules (lastly modified by resolution no. 18214 of May 9, 2012) and to the provisions set forth at Title IV, Chapter 1, Table 15 of Banca d’Italia Circular 263.

7. DIRECTORS’ INTERESTS AND RELATED-PARTIES TRANSACTIONS

Risks arising from the transactions with persons in potential conflict of interest are governed, *inter alia*, by the Regulation adopted by CONSOB through its resolution no. 17221 dated March 12, 2010 (and subsequent updates), by the regulations on “Risk activities and conflicts of interest with associated persons” provided for by Title V, Chapter 5 of Banca d’Italia Circular no. 263 dated December 27, 2006, the “New Supervisory Regulations for the Prudential Supervision of Banks” and following amendments as well as by the regulations for the obligations of Banks’ Corporate Officers pursuant to Section 136 of the Legislative Decree no. 385 dated September 1, 1993, the “Italian Banking Law” (the “Legislative Decree no. 385/1993”).

In this regulatory framework, the UniCredit Board of Directors – with the unanimous favourable opinions of the Related Party and Equity Investments Committee and of the Board of Statutory Auditors, – adopted the “Global Policy for the management of transactions with persons in conflict of interest” - available on the UniCredit website -with the aim to define principles and set rules for the control of risks arising from possible conflicts of interest caused by the close ties certain parties have with bank decision makers.

The Global Policy – intended as an organic abridgement aimed at unifying the governance aspects and the areas of enforcement, as well as the procedural and organizational aspects (due to the significant similarities between the regulations concerning the CONSOB Related Parties and those concerning Associated Persons) – details the provisions to be complied with in the management of transactions with persons in potential conflict of interest as defined by the above mentioned regulations.

Here below there follows the list of the enforcement areas taken into consideration by the mentioned provisions which have been jointly dealt with in the Policy:

- governance issues and connected roles of the Board of Directors, the Committee and the Board of Statutory Auditors;
- organizational structures for overseeing and managing the transactions with CONSOB Related Parties and with the Associated Persons;
- perimeter of the CONSOB Related Parties and of the Banca d'Italia Associated Persons;
- criteria for identifying and detecting the Transactions with Related Parties and with Associated Persons, including those of Greater Relevance;
- cases of exemption set out by the CONSOB Regulation and by the Banca d'Italia provisions and those set out by UniCredit according to the powers provided for by the mentioned provisions;
- procedures for the arranging and approving of Transactions with Related Parties and with Associated Persons;
- checks and rules for the adoption of the Policy within the Group.

Taking into consideration the peculiarities which characterize the mentioned provisions, references are also provided on the following as well:

- disclosure and transparency obligations provided for by CONSOB with reference to Transactions with Related Parties;
- risk activities with Associated Persons pursuant to the Banca d'Italia meaning: i) limits to the risk activities; ii) supervisory reporting; iii) internal policies on controls.

The Global Policy, in the version at the time in force, is available on the UniCredit website.²³

* * *

The compliance with the legal requirements concerning the interests of company Directors and related-parties transactions being unaffected, the Company, through the Global Policy, also has to comply with Section 136 of the Legislative Decree no. 385/93 concerning obligations of banks' corporate officers, according to which such officers cannot take on any obligation, directly or indirectly, with the bank they manage, direct or control, unless it is approved unanimously by the supervisory body, without the person concerned voting, and with the favourable vote of the members of the controlling body. Accordingly, corporate officers are required to report the names of individuals or companies with whom their entering into relations might constitute an indirect obligation substantially referable to the corporate officers.

In the event of a transaction with a related party, being also a bank' corporate officer or a party related to such, the same falls under the provisions of the above Section 136 and the respective procedure. In such an event, the Related Parties and Equity Investments Committee must be assured a preventive, timely and complete flow of information, according to the specific methods envisaged for transactions of greater or lesser relevance.

²³ The address of the UniCredit website where the single Global Policy for the management of the transactions with parties in a conflict of interest is available is as follows:
<https://www.unicreditgroup.eu/en/governance/related-parties-and-associated-persons.html>

8. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal controls system is an essential element of the overall governance system of banks. It plays a central role in their organization and can ensure an effective management of risks and of their interrelations, in order to ensure that the activities carried out will be in line with the corporate strategies and policies as well as founded on healthy and prudent management principles.

An effective and efficient internal controls system is, in fact, a prerequisite for the creation of value in the medium-long term, for safeguarding the quality of the activities, for a correct risk perception and for an appropriate allocation of capital.

The UniCredit Group internal controls system is based on:

- control bodies and functions, involving, each one within its respective competence, the Board of Directors, the Internal Controls & Risks Committee, the Officer in charge of the internal controls and risks management system, the Board of Statutory Auditors, as well as the corporate functions with specific tasks to that regard;
- information flows and coordination procedures among the parties involved in the internal controls and risks management system;
- Group Governance mechanisms.

8.1. BODIES AND FUNCTIONS

The Board of Directors and the Internal Controls & Risks Committee

The guidelines of the internal controls and risks management system are defined by the Board of Directors in compliance with the strategic orientations and risk appetite established by it. In that way, the Board can guarantee that the main risks are identified, as well as measured, managed and monitored in the appropriate manner, taking into account how they evolve and interact, and, furthermore, establishing criteria for the compatibility of such risks with a healthy and correct management.

In that context, on a yearly basis the Board of Directors defines and approves the Group Risk Appetite Framework, consistently with the timeline of the Budget process and the definition of the financial plan, in order to guarantee that the business develops within the desired risk profile and in accordance with national and international regulations.

The 2015 Group Risk Appetite Framework is built upon four dimensions (Risk ownership and positioning, Regulatory requirements, Profitability and risk and Control on specific risk types), defining reference metrics for each dimension.

In 2015, the Board approved the new Group Risk Appetite Framework for 2016, enhanced in order to strengthen the control over the Group risk profile *vis-à-vis* our external commitments, in continuity with the new Multi Year Plan Group Risk Appetite consistently with the MYP revision, realized in 2015. The Risk Appetite for 2016 has been defined based on alternative risk and profitability scenarios, with the aim to support the sound growth embedded in the Revised Multi Year Plan, while keeping a prudent risk management strategy for the Group.

The Group Risk Appetite Framework has to be consistently implemented in the relevant Group Legal Entities. The Risk Appetite Framework includes not only the list of the relevant metrics but also the relevant targets, triggers and limits: i) the *targets* represent the amount of risk the Group is willing to take on in normal conditions and are the reference thresholds for the development of the business, ii) the *triggers* represent the maximum acceptable level of deviation from the defined target thresholds. They are set so as to assure that the Group can operate, even under stress conditions, within the maximum level of acceptable risk; trigger breaches will be notified to the Group Risk & Internal Control managerial committee and the Board of Directors; iii) the *limits* are hard points that represent the maximum level of risk

acceptable for the Group; in case of limit breaches, the Board of Directors has to be involved in the evaluation of, and decision on, possible corrective measures.

The Board of Directors is supported by the Internal Controls & Risks Committee in its assessment and decision-making activities relating to the internal controls and risks management system.

The UniCredit Board of Directors, within its jurisdiction, approves the establishment of the corporate control functions, defining the relevant roles and responsibilities, forms of coordination and collaboration, and data flows between them and the corporate bodies. Additionally, through the support of the Internal Controls & Risks Committee, it draws up the coordination documents envisaged on the subject by Circular no. 285 (formerly Circular no. 263) issued by Banca d'Italia, and has given mandate to the CEO to execute the directions of the same Board through the design, management and monitoring of the internal controls and risks management system.

At least once in a year, based on the opinion of the Board of Statutory Auditors, the Board of Directors assesses the adequacy of the organizational structure and the number and skills of the staff operating in the Compliance function and in the Risk Management function. Furthermore, the Board resolves on possible adjustments in the organization and staffing of the Internal Audit function, after having obtained the non-binding opinion of the Chief Executive Officer.

Moreover, the Board of Directors approves the definition of the following strategies.

Credit Strategies

Within the Basel Second Pillar, the Group Credit Risk Strategies represent an advanced credit risk management instrument, aiming at the consistency between budget targets and the Risk Appetite Framework. Considering the macroeconomic and credit scenario, the managerial initiatives and the industry expert view, the Credit Strategies provide a set of guidelines and operative targets by Countries and business segments in which the Group operates, aiming to identify the desired risk profile and the business lines positioning, in order to allow a growth consistent with the Group Risk Appetite Framework and to minimize the overall credit risk impact without precluding profitable business opportunities.

Market Risk Strategies

The UniCredit "Group Financial Risk" function directs the overall setting of Market and Liquidity Risk operative limits at Group level, ensuring its consistency with the Group Risk Appetite.

To that end, the Holding Company "Group Financial Risk" function acts in strict coordination with:

- the Legal Entities' Market Risk functions, entitled, in accordance with the Group business model, to take on exposures to market risks either in the trading or in the banking book and liquidity. The relationship among the Market Risk functions within the overall process of negotiating operational limits together with the business functions, is aimed at ensuring consistency of the mentioned limits with the assigned budget, with regard to the dynamics related to risk indicators, based on historically observed realizations, to expected market developments and proposed business initiatives, within the defined overall business model;
- the Holding Company function "Capital Management" and the Risk Management structure in charge of the Group Risk Appetite and Group credit strategies with the aim of verifying the limits impact on Regulatory and Economic Capital within an iterative process finalized to ensure the limits consistency with the capital allocation approved at Group level, taking into consideration the income goals defined in the annual and strategic plans.

The UniCredit Board defines the guidelines for the internal controls and risks management system and, at least once a year, verifies the adequacy, the effectiveness and the proper functioning of the internal controls system, ensuring that the main risks are identified, as well

as measured, managed and monitored in the appropriate manner, through the Internal Controls & Risks Committee activities, on the basis of the:

- reports by the corporate Control functions Heads: the Compliance function, the risk control function (Risk Management), the internal audit function (Internal Audit), the anti-money laundering function and the validation function;
- information by the Manager charged with preparing the company financial reports concerning the proper application of the accounting principles and their uniformity for the purposes of preparing the consolidated financial statements;
- useful information related to the monitoring of the overall Company risks provided by the relevant Company structures and / or the by the firm charged with the statutory accounting supervision;
- a structured process of managerial internal controls system assessment, carried out by the Chief Executive Officer and coordinated on an annual basis, at Group level, by the Group Internal Control System Initiatives (the managerial assessment is an evaluation parallel to the one independently performed on the internal controls system by the Internal Audit function) .
- an organized process for the yearly monitoring of direct and indirect subsidiaries of the Group, mainly aimed at verifying the existence of the main Control Functions envisaged by the Group model.

Director in charge of the internal controls and risks management system

The Board of Directors' authority regarding the establishment of the corporate control functions and the definition of the related roles and responsibilities remaining firm, the Chief Executive Officer (performing also the role of General Manager), as director appointed by the Board, manages the internal controls and risks management system, with the support of the competent functions:

- (i) identifying the Company's risks and submitting them to the Board of Directors. To that end, he must have a deep knowledge of all the corporate risks and, within the perspective of an integrated management, of their reciprocal relationships taking into account the evolution of the external context (including the macro-economic risk);
- (ii) putting into practice the strategic guidelines, the RAF and the risk management policies defined by the Board by planning, managing and monitoring the internal controls and risks management system. When supervising those activities, the Chief Executive Officer is formally supported by i) Group Risk & Internal Control managerial committee (which he is the Chairman of) where issues regarding the internal controls system as well as the remedial plans associated with them are dealt with (in the section of the Committee dedicated to the management and supervision of the internal controls system") and ii) by the Deputy General Manager responsible for Strategy & Finance, who is in charge of supporting the Chief Executive Officer in the management and supervision of the internal controls system, in particular coordinating the related topics to be addressed to the GR&ICC and promoting and monitoring the initiatives impacting the overall internal controls system.

The Chief Executive Officer is responsible for taking all necessary steps to ensure the compliance of the organization and internal controls system with the principles and requirements envisaged by current legal provisions. Furthermore, on a continuous basis, with the assistance of the competent functions (as well as taking directly part in specific Managerial committees aimed at overseeing and/or controlling risks), he supervises the proper management of the overall corporate risks and the adequacy, effectiveness and efficiency of the related protective structures, also by means of the definition of proper policies for the management of such risks. To that end, he facilitates the dissemination at all levels of an integrated risk culture in relation to the different types of risks.

With specific regard to the risk of non-compliance, the Chief Executive Officer ensures the effective management of the mentioned risk, also providing appropriate policies and procedures for compliance with local regulations to be abided by the Bank, ensuring, in the case of violations, that the necessary remedies have been put in place and outlining information flows to ensure the competent corporate bodies of the Bank a full awareness on how to manage the risk of non-compliance. With the support of the Compliance function, the Chief Executive Officer identifies and evaluates, at least once a year, the main compliance risks to which the Bank is exposed and plans the associated management measures, as well as reports, at least once a year, to the Board of Directors and the Statutory Auditors on the adequacy of the non-compliance risk management.

The Chief Executive Officer and the Deputy General Manager responsible for Strategy & Finance takes part, as a permanent guest, in the Internal Controls & Risks Committee meetings. As part of these meetings, the Chief Executive Officer reports to the Committee on issues pertaining to items on the agenda, including clarifications when necessary and following up on any requests for close examination by the Committee itself.

As for the third-level controls carried out by the Internal Audit function, the Chief Executive Officer is informed of the guidelines of auditing activities, may make suggestions in order to integrate the annual control plan and may request specific auditing actions not foreseen by the annual plan.

Within such field, the Chief Executive Officer makes sure that the Board of Directors has an effective and permanent dialectic exchange, also with the support of the corporate functions which refer to him as Head of the internal structure, in order to allow him to review the choices and decisions adopted by them during the course of time. To that end, the Chief Executive Officer receives from the corporate functions the information necessary to ensure the supervision required by his role, mainly during the managerial committees which he attends as Chairman or for those which he is not a member of, through specific information flows.

Moreover, he promotes the initiatives and actions necessary in order to ensure the continuing completeness, adequacy, working and reliability of the internal controls system and reports the outcome of the checks carried out to the Board of Directors, arranging and carrying out the necessary corrective and implementing actions should there emerge deficiencies or anomalies, or in case new relevant products, activities, services and processes are introduced.

Board of Statutory Auditors

The UniCredit Board of Statutory Auditors is assigned the overseeing of the completeness, the adequacy, the working and reliability of the internal controls system and the RAF. Taking into account the variety of functions having, within the company, control roles and responsibilities, the Board of Statutory Auditors shall ascertain the adequacy of all the functions involved in the controls system, the proper performance of the duties and the proper coordination of the same, promoting the actions aimed at correcting the deficiencies and irregularities detected.

The Board of Statutory Auditors, making use of the contribution of the corporate control functions, supervises – within the more general review activity of the risk management process – the completeness, the adequacy, the working and reliability of the advanced internal risk measurement systems for the determination of the capital requirements as well as their consistency with the requirements envisaged by the provisions on the subject.

The Board of Statutory Auditors supervises the financial disclosure process, the efficiency of the internal controls system, the internal audit and the risk management, the external auditing of the accounts and consolidated accounts, the independence of the external audit firm, in particular as far as regards the carrying out of non-auditing activities, periodically meeting the external audit firm for the reciprocal exchange of information.

With specific regard to the assignment to the Board of Statutory Auditors also of the Supervisory Body functions pursuant to Legislative Decree no. 231/2001, it should be noted that UniCredit has maintained the current set-up, which provides that these functions be entrusted to a specially constituted body (see below).

The Board of Statutory Auditors, *inter alia*, takes care of the establishment of appropriate functional links with the Internal Controls & Risks Committee for the conduct of joint activities of the two bodies, in accordance with their specific skills.

Control Functions

The types of control in UniCredit - in compliance with current law and drawing inspiration from the international best practices - are structured on three levels:

- line controls (so-called **first-level controls**), in charge of the corporate functions responsible for business / operational activities, as well as by a dedicated structure (Internal Controls Italy), which supports the Country Chairman Italy as head of the first level operational controls system, including those under "special laws" regime, with regard to the related structures / activities;
- risk and compliance controls (so-called **second-level controls**), in charge of the Compliance and Risk Management functions, each one for matters of their respective competence;
- internal audit (so-called **third-level controls**), in charge of the Internal Audit function.

As per Banca d'Italia Circular no. 285, the corporate control functions also include the anti-money laundering function and the validation function, that are set up within the Compliance and the Risk Management respectively.

The Compliance, Risk Management²⁴ and Internal Audit functions are separated and hierarchically independent from the corporate functions that carry out the activities subject to their controls.

The Compliance function

The mission of the Holding Company Group Compliance Department is to govern the management of the Compliance risk as well as to assist the Group, its Management, the Corporate Bodies and employees in carrying out their activities in compliance with mandatory rules, internal procedures, best practices as well as ethical standards and to help safeguard the Group's franchise, reputation as well as upholding its values.

The Compliance function of the Bank and of the Group's companies must be independent, with human and technological resources qualitatively and quantitatively adequate to the task, who can directly relate with the Senior Management and the Corporate Bodies, who has access to each corporate information and that is able to participate in decisional processes, and when necessary, to submit any problem directly to the higher hierarchical levels.

The Compliance function role and requirements are regulated in specific Group Rules issued by UniCredit, which are also adopted by the Group companies.

The UniCredit Group Compliance function in relation to the assigned responsibilities:

- defines and develops (monitoring both the implementation of, and abidance by) the Group Compliance Rules, the procedures, methodologies, training and, in particular, minimum compliance standards within the Group to ensure that comparable issues are being managed with a homogeneous approach cross various jurisdictions where the Group operates;
- defines and develops the Group Compliance yearly plan as well as monitors and periodically reports its progress to Group Corporate Bodies;
- identifies the risk of non-compliance for the regulations falling within the scope of its competence, monitors and assesses the above risk, identifies and plans mitigation actions;

²⁴ Regarding the lending activities carried out by the Risk Management function, please note that an adequate organizational separation is granted between structures depending on whether they are devoted to the management or the control of the credit process.

- together with other relevant functions, relates to the Authority (e.g., takes part in consultations, provides assistance in preparing comments on proposed legislation, is the link between the Authority and the structures of the bank as a result of specific requests and inspections);
- provides the UniCredit Senior Management with a general overview on the trend of current consistent compliance risks in the Group (through the consolidation of the data contained in the reports on the risk of non-compliance received from Subsidiaries).

With reference to the Banca d'Italia provisions, within UniCredit S.p.A. the Compliance model for the supervision of the non-compliance risk with reference to all company activities (except for regulatory areas within the perimeter of the Group Risk Management department) is applied either directly ("Presidio Diretto") by the structures belonging to the Compliance function, or indirectly ("Presidio Indiretto")²⁵ by providing/validating the methodologies and procedures for the assessment of the non-compliance risk to the so-called "Specialized Structures", set up within other functions and working on specific regulations²⁶. The Compliance function verifies over time that such "Specialized Structures" work following the methodologies and procedures provided and draws up the summary reports for Corporate and Control Bodies of UniCredit S.p.A..

The Group Compliance model consists in the following levels:

- Group Compliance (Group Compliance department structures of UniCredit S.p.A.), have a direct role, support, co-ordination of the local compliance, and have monitoring and controlling authority in relation to the overall Compliance Plan in order to ensure the consistent application of Compliance standards across the Group. In addition Group Compliance ensures advisory role with regards to the Compliance Risk Assessment and Second Level Controls.

At this level there are the following functions:

- Group Compliance Officer, who performs general oversight activities on all Group Companies both through a connection with Country Compliance Heads, where appointed, and with Local Compliance Heads, with the Group Coordinators' support; The UniCredit Group Compliance Officer and Head of Compliance Department is Mr. Carlo Appetiti who has been appointed by the UniCredit Board of Directors, after the opinion of the Board of Statutory Auditors, and is endowed with the necessary autonomy, independence from the operating structures, as required by current regulations;
- Group Coordinators who, also through a managerial co-ordination mechanism of Local counterparts, in order to ensure a group consistent approach, provide services across the Group and deal with cross-border issues;
- Country Compliance model ensures that all companies which are active in a certain Country (jurisdiction) are overseen by Compliance in the most effective way, in compliance with local laws and on the basis of a consistent approach. The decision to implement this model has to be previously agreed between the Group Compliance Officer and the local Compliance Head who can decide that the presence of a compliance function at country level is necessary as per the type and complexity of activities performed or services provided by the Company and on its size.
- Local Compliance has the responsibility to locally oversee, at a single company level, the non-compliance risk in accordance with relevant Group standards. Local Compliance plans have to be aligned, calibrated and developed in accordance and coherence with Group Compliance competent departments.

²⁵ In force only for the Group's Italian banks including UniCredit starting from July 8, 2014.

²⁶ For an example, please refer to the tax provisions.

The Risk Management function

In particular, the mission of the Risk Management function, i.e. the Group Risk Management Department, is to:

- optimise the quality of the Group's assets, minimizing the cost of risk in accordance with the risk/profitability goals set for the business areas;
- ensure the strategic steering and definition of the Group's risk management policies;
- define and supply Heads of the Divisions, Business Units and Legal Entities with the criteria for assessing, managing, measuring, monitoring and communicating risks. It also ensures that the procedures and systems designed to control risk at Group and at individual Entity level are consistent;
- help build a risk culture across the Group by training and developing highly qualified staff, in conjunction with the competent Chief Operating Officer functions;
- help find ways to rectify asset imbalances, where needed in conjunction with Strategy & Finance;
- help the Divisions / Business Units achieve their goals, *inter alia*, by assisting in the development of products and businesses (e.g., innovation of credit products, competitive opportunities linked to Basel accords);
- support the CEO in defining the Group Risk Appetite proposal, to be shared in the Group Risk Committee and submitted for approval to the Board of Directors, as preliminary and preparatory step for the yearly and multi-yearly budget plan pertaining to General Manager responsible for Strategy & Finance. The Group Risk Appetite includes a series of parameters defined by the Chief Risk Officer, with the contribution of the Deputy General Manager responsible for Strategy & Finance and other relevant functions; each parameter can be complemented by limits and triggers proposed by the Chief Risk Officer²⁷ and targets proposed by the Deputy General Manager responsible for Strategy & Finance and/or by the relevant Group functions, each respecting their mission and internal regulations. The Group CRO is responsible for ensuring the overall coherence of the proposed parameters and values. Furthermore, the Group Chief Risk Officer is responsible for ensuring the CEO and the Board of Directors the coherence of the Group Risk Appetite with the Group strategic guidelines, as well as the coherence of the budget goals with the Group Risk Appetite setting and the periodical monitoring of the RAF. The Deputy General Manager responsible for Strategy & Finance remains responsible for monitoring the performances of the Group and of the business functions, in order to identify possible underperforming areas and the related corrective measures.

The Risk Management function drafts specific information flows in order to ensure the full knowledge of the Group's risk exposure and the underlying factors, as well as the trend of significant variables included in the Risk Appetite Framework. Such information, conveyed to the CEO also through his participation to the managerial committee Group Risk & Internal Control that the CEO chairs (also in view of the drafting of the proposals / reports by the Chief Executive Officer for the Board of Directors), mainly relates to the topics summarized below:

- Information regarding the Group Risk Appetite, Strategies and governance of various risks, liquidity adequacy (ILAAP) and capital adequacy (ICAAP)
- Periodic reports concerning different risk types and related limits
- The risk control framework, including the initial approval and the approval of substantial changes in the risks measurement and control systems and the annual evaluation the functionality, adequacy and compliance with the regulatory requirements concerning the risks measurement and control systems on the basis of the reports of the internal validation function

²⁷ Possible triggers and limits on profitability parameters must be agreed between Chief Risk Officer and Chief Financial Officer.

- Guidelines for the management of distressed assets.

The UniCredit Group Chief Risk Officer is Mr. Massimiliano Fossati.

The Internal Audit function

The UniCredit Internal Audit function – structured as a Department – steers, coordinates and monitors the Group’s Internal Audit activities performed by the competent structures of the various Legal Entities. It also performs third level control activities as well as on-site inspections on the Parent Company and on the Group’s Legal Entities which outsourced the internal audit activities to UniCredit (“in-service company”). In addition, the Department can conduct on-site visits on any Legal Entity, as Group Internal Audit function.

The Internal Audit Department acts in compliance with the Audit Charter – whose revision was approved by the Board of Directors on October 17, 2013 – which defines its mission, responsibility, organisational structure, independency, tasks and powers.

In particular, pursuant to the abovementioned Audit Charter, the Internal Audit is an independent function and is an integral part of the internal control system. It performs independent and objective assurance and consultancy activities in order to assess, bring added value and contribute to, the improvement of the internal control system of UniCredit and of the Group.

It supports the Parent Company and the in-service Legal Entities in achieving their corporate objectives, providing a systematic and professional approach in order to assess and improve the adequacy of the activities carried out through the assessment and the improvement of the effectiveness of governance, risk management and control processes.

In the framework of assurance activities, the Internal Audit Department – through an objective analysis of the circumstances identified during its control activities – aims at providing an independent assessment on the adequacy of the internal control system of the Company, also through the assessment of the completeness and correctness of the design and functioning of key controls.

The Internal Audit can also provide consultancy services which aim at bringing added value and support the Company in achieving its objectives – though not compromising its independency – by offering consultancy support regarding the design, the functioning and the improvement of the internal control system.

The Internal Audit realizes its mission and performs its activities in compliance with the Internal Audit Group Standards, which include the Ethic Code, approved by the competent governing bodies of the Company. The Standards are based on the International Standards for the Professional Practice of Internal Auditing.

The Officer in charge of the Internal Audit function

The Board of Directors has exclusive competence – based on the proposal made by the Internal Controls & Risks Committee, as well as after hearing the Board of Statutory Auditors – for the appointment and the revocation of the officer in charge of the Internal Audit Department.

The Head of the Internal Audit Department is Mr. Ranieri de Marchis, who reports, directly or through the Internal Controls & Risks Committee, to the Board of Directors at least once a year, and, in particularly important cases, at the next available meeting, with regard to the adequacy, effectiveness and efficient functioning of the internal control system.

The Head of the Internal Audit function is charged with no operational areas and reports hierarchically to the Board of Directors.

In addition, the Board of Directors has exclusive competence - after the opinion expressed by the Internal Controls & Risks Committee - for determining the variable part of the remuneration of the Head of the Internal Audit function, based on criteria and parameters not connected to the performance of the Bank.

With regard to the tasks assigned to the Head of the Internal Audit function, the Group Audit Charter also clarifies that on an annual basis the Head of the Internal Audit function provides an assessment of the adequacy and effectiveness of the risks management and control process of the Company in the areas included in its mission and in its competence area, with the aim of assessing, bringing added value and contributing to improve the Company's internal control system.

In that regard, the Head of the Internal Audit function:

- develops a flexible annual and multi-year audit plan through an adequate risk assessment, both submitted for approval to the Board of Directors after being examined by the Internal Controls & Risks Committee;
- implements the annual audit plan – as approved – including the engagements or special projects requested by Management and/or by the Internal Controls & Risks Committee;
- performs special investigations on operational events;
- informs the corporate bodies, summarizing the results of the audits performed and the implementation status of the Management action plans in specific periodic reports.

In particular, in order to provide the corporate bodies and the Senior Management with an overall assessment of the internal controls system, the Head of the Internal Audit function arranges a quarterly report, called “Internal Audit Activities and Results (IAAR)”. IAAR includes not only an assessment of the internal controls system, but also summary information on the activities performed, on the main risks arisen and on the implementation status of Management action plans. An update on the progress status of the annual plan is also provided on a regular basis.

The detail of all information flows sent by the Head of Internal Audit to the corporate Bodies is included in a dedicated Internal Regulation of the Bank.

With specific regard to the planning of activities, the Head of the Internal Audit function arranged:

- Group Audit Plans, based on the Risk Assessment results, in compliance with the Group Audit guidelines. Group Audit Plans also consider the requests made by Regulators and corporate bodies;
- the UniCredit Audit Plan as part of the Multi-year Audit Plan (5-year plan) based on the mandatory audits and risk assessment of the Audit Universe (“AU”) of UniCredit. The Multi-year Audit Plan – revised annually based on risk assessment – enables an efficient and effective coverage of the AU in line with the risks of the Bank. The abovementioned Plans include IT auditing activities.

The Internal Audit function is allowed unlimited access to all the corporate functions, records, ownership and staff of the Company by the Board of Directors.

The Head of the Internal Audit function has at its disposal an appropriate annual budget submitted for approval to the competent corporate bodies.

In 2015 the Head of the Internal Audit function, pursuant to the guidelines approved by the Board of Directors, performed controls both on the central structure of the Parent Company and on the Subsidiaries, in line with the methodology provided by the Group Audit Standards. In all cases deemed as particularly significant, in addition to the above mentioned periodic report (IAAR), appropriate and timely information was sent to the corporate bodies. The Head of the Internal Audit function also played his steering, coordination and control role, ruling, coordinating and monitoring the audit activities carried out by the Group's Legal Entities Audit functions and continued updating the existing internal regulation framework in order to better support the audit process in the carrying out, reporting and monitoring phases.

In 2015 UniCredit had no total or partial outsourcing agreement of the Internal Audit function.

The Manager in charge with preparing the company financial reports and other company roles and positions

The Manager in charge with preparing the company financial reports is Ms. Marina Natale, Deputy General Manager responsible for Strategy & Finance of UniCredit.

In compliance with Clause 34 of the UniCredit Articles of Association, the Manager in charge with preparing the company financial reports is appointed by the Board of Directors - subject to the mandatory favourable opinion of the Board of Statutory Auditors, and for a maximum term of three years; this person is chosen from among company executives possessing all of the following professional qualifications:

- a) degree (or equivalent) in economics, business administration or finance, earned in Italy or abroad;
- b) at least three years' experience as head of an internal structure devoted to the preparation of the financial statements, or as the Chief Financial Officer of a listed Italian or overseas joint stock company (or equivalent) (including UniCredit and its subsidiaries);
- c) employment rank at the time of appointment as an executive or higher.

In performing her duties, the Manager in charge with preparing the company financial reports relies on the cooperation of all the UniCredit Group structures.

The Board of Directors ensures that the Manager in charge with preparing the company financial reports is granted the powers and resources required to perform the duties attributed as per current legislation, and respects all the relevant administrative and accounting procedures.

8.2. FINANCIAL REPORTING PROCESS, ALSO ON A CONSOLIDATED BASIS

With regard to the main features of the existing internal control system in relation to the financial reporting process, also at a consolidated level, in accordance with the provisions of Sec. 154/*bis* of the TUF, the Manager in charge with preparing the company financial reports of UniCredit draws up, and ensures the effective application, of adequate administrative and accounting procedures for the preparation of the UniCredit S.p.A. individual and consolidated financial reports, as well as all other financial communications to the market.

The Manager in charge with preparing the company financial reports, jointly with the CEO, by means of a specific certification in the annual individual financial statements, the consolidated financial statements and the condensed interim consolidated financial statements, is required to certify:

- the adequate and effective implementation of the administrative and accounting procedures;
- the compliance with the applicable international accounting standards recognized in the European Community under Regulation (EC) no. 1606/2002;
- the correspondence with the entries in the ledgers and accounting records;
- the suitability to provide a true and fair view of the financial position, earnings and cash flow of both the Holding Company and the group of subsidiaries as represented in the consolidated financial statements;
- the inclusion in the report on operations of a reliable analysis of the performance and results of operations, as well as the financial situation of both the Holding Company and the group of subsidiaries as represented in the consolidated financial statements, together with a description of the main risks and uncertainties they are exposed to.

In order to meet the regulatory requirements in full, the Board of Directors has approved a specific Policy on the certification process of the "Internal Control System on Financial Reporting" for the compliance with the Italian Law on Savings' protection (Law no. 262/05),

in which general criteria and operational implementing procedures were supplied, as well as the responsibilities and relationships between the Holding Company and its subsidiaries in the assessment of the status of the Internal Control System on Financial Reporting were defined, again in relation to the aforementioned Law no. 262/05.

The Policy aims to ensure the accuracy and completeness of the financial reporting through:

- the reinforcement and enhancement of the Corporate Governance in relation to risks, by ensuring:
 - the diffusion of the responsibilities on risk control at the executive level;
 - a set of rules and conduct established and implemented by the Top Management;
- the achievement of the awareness at the operational level of the risks associated with the financial reporting production;
- the systematic control of significant risks by designated functions.

The Internal Control System on Financial Reporting adopted involves the application of a common methodological framework, based on:

- the use of a uniform model, centrally established by the Holding Company, consistent with the “Internal Control – Integrated Framework (CoSO)” and with the “Control Objective for IT and Related Technologies (Cobit)”, which represent the international benchmark standards for the internal control systems, and for the financial reporting in particular, generally accepted;
- the operational mechanisms that ensure the constant updating of the model, assigning specific responsibilities to the owners concerned;
- the dissemination of the model through training programs.

The Policy also sets parameters for the identification of the subsidiaries that are required to implement the Internal Control System on Financial Reporting, in accordance with the provisions of Law no. 262/05.

The operational implementation of the Policy provides the identification, both for the Holding Company and the subsidiaries involved in the activities envisaged by Law no. 262/05, of accounting and administrative, business, management and support processes that have a significant impact on financial statement items, based on predefined quantitative parameters.

In this regard, criteria have been identified for setting minimum materiality thresholds for the detection of financial statement entries to be considered significant, both for the Holding Company and the subsidiaries, and the related underlying macroprocesses.

For the resulting processes identified, the existing controls and the owners in charge with their execution are detected; the owners are required to ensure, first of all, the assessment of the effectiveness of the controls, identifying any possible action to be taken to reduce the level of associated risk, and then the periodic confirmation of the execution of the controls.

For the Sub-Holding Companies and the Subsidiaries, a flow of internal certifications has been established for the Internal Control System on Financial Reporting put in place, in line with the approach adopted by the Holding Company. In particular, the following has been provided for:

- the responsibility of corporate bodies of the Companies and Sub-Holding Companies for the certification to the Holding Company on the adequacy and effective application of both the administrative and accounting procedures as well as the controls on the Information System. In particular, the Sub-Holding Company corporate bodies/representatives are responsible for issuing the certification for their respective scopes of consolidation;
- the definition of the roles of Manager in charge with preparing a company financial reports and CEO at the Companies and the Sub-Holding Companies involved, assigning them the responsibility of systematically reporting to their respective Governing Bodies on the status of the Internal Control System on Financial Reporting;

- the involvement of the Executive Management Committee (or equivalent body, presently the CEO Office) of the Companies in order to ensure adequate support to the Manager in charge with preparing the company financial reports and the CEO in applying the model and implementing any remediation actions identified;
- the validation of documentation and confirmation of the implementation of the controls by the management responsible for the first-level controls of the individual Companies and the support units, such as the Back-office and the Information Technology (IT). To this end, each procedure and each control have to be documented, assessed, tested and validated, and a single managerial owner must be identified for the activities involved.

The Policy provides, finally, for the involvement of the Holding Company governing bodies. In particular:

- at the Board of Directors meeting, in which the individual and consolidated annual financial statements and the consolidated first half financial report are presented, the CEO and the Manager in charge with preparing the company financial reports provide a report regarding both the Internal Control System on Financial Reporting and the text to be signed to ensure compliance with the requirements laid down by the regulations;
- at the Internal Controls & Risks Committee, in which the individual and consolidated annual financial statements and the consolidated first half financial report are presented, the Manager in charge with preparing a company financial reports of the Holding Company provides a report on the results of the analysis of the Internal Control System on Financial Reporting of the Companies and the Sub-Holding Companies that have put in place that system. In addition, at the time of the 1st and the 3rd quarter interim financial reports presentation, the Manager in charge with preparing the company financial reports provides an update on the status of any remediation actions identified;
- the Executive Management Committee (EMC) or equivalent Body meets (at least) quarterly to report on the status of activities and is responsible for supporting the CEO and the Manager in charge with preparing the company financial reports as well as for ensuring the correct implementation of the Internal Control System on Financial Reporting.

The Holding Company, for its operations, is also required to validate the documentation and confirm the implementation of the controls by employees in charge of the first-level controls. To this end, each procedure and each control have to be documented, assessed, tested and validated, and a single managerial owner must be identified for the activities involved.

However, it should be noted that any internal control systems, even when aligned with the international best practices, such as the CoSO Framework mentioned above, cannot completely avoid the risk of frauds, errors, malfunctions or need for further improvements, that may ultimately affect the produced financial disclosure.

8.3. COORDINATION PROCEDURES AMONG THE PARTIES INVOLVED IN THE INTERNAL CONTROLS AND RISKS MANAGEMENT SYSTEM

According to the Banca d'Italia provisions, the "Document of Corporate Bodies and Control functions" of UniCredit S.p.A. has been drafted and it defines in detail the tasks and responsibilities of the control bodies and functions, the information flows among different functions/bodies and between the latter and the corporate bodies, and their coordination and cooperation procedures when the sectors to be controlled have potentially overlapping areas or allow the development of synergies.

In UniCredit there are means of cooperation and coordination among control functions, through both the mutual information flow exchange – properly governed in the internal regulations - and the participation in managerial committees dedicated to control-related topics.

In addition, the interactions between 2nd and 3rd level control functions are part of the overall steady and active cooperation framework, mostly formalized in specific internal regulations and are performed through the functions’:

- participation in the definition and/or update of the internal regulations on risk and control matters;
- mutual exchange of information flows, documents or data, e.g. relating to the planning of controls and the monitoring of the results thereof, and the control functions’ access to any internal resource or corporate information in line with their specific control needs;
- participation to Board and Management Committees (systematically or on demand);
- participation on an ad-hoc basis to Working Groups set up on risk and control topics.

The improvement of the interactions among control functions and their constant update to the governing bodies about the activities carried out have the ultimate goal of building over time a corporate governance able to guarantee the safe and sound corporate management also through a more efficient supervision of the risks at all company levels.

8.4. GROUP GOVERNANCE MECHANISMS

An effective internal controls system is also based on appropriate governance mechanisms through which UniCredit, as Holding Company, carries out the management and the coordination of the Group Companies, in accordance with law and the regulations in force²⁸.

In particular, UniCredit acts through:

- the indication of "trusted persons" in the corporate bodies (the Board of Directors members of companies with traditional system or the Supervisory Boards members) and in the key management positions of the Group Companies;
- a management / functional system (the "Group Managerial Golden Rules", so-called "GMGR") that defines the mechanisms for the coordination of the Group management, assigning to the heads of the UniCredit functions specific responsibilities for the corresponding functions of the Group Companies as described below;
- the definition, the enactment and the monitoring of the Group rules adoption (the "Global Rules") by the Companies;
- the spreading of best practices, methodologies, procedures and the development of IT systems in order to standardize the operating procedures within the Group and reach the most effective risk management plus a wider operational efficiency.

In particular, the Group managerial and functional system operates crosswise with respect to the existing corporate structures: such as, by way of example, the Competence Lines²⁹ that create a strong functional link between the structures of the Holding Company and the corresponding structures of the Companies, in accordance with the responsibilities assigned by local law and regulations to the members of the corporate bodies and to the employees, as well as any hierarchical relationship within each company.

On the basis of the abovementioned managerial and functional system, the heads of the Competence Lines (as well as the heads of the business / service functions for the respective areas of expertise) have specific powers in relation to budget issues, definition of policies as well as guidelines / competence models definition, ensuring the monitoring of the Global Rules adoption by the Group Companies.

More specifically, the Global Rules are issued by UniCredit - in accordance with the guidelines established by the GMGR – in order to regulate, *inter alia*, relevant activities for the

²⁸ Specifically, Section 61 of the TUB and the Supervisory Regulations for banks issued by Banca d’Italia.

²⁹ The Competence Lines are represented by structures / functions, operating crosswise between the Holding Company and the Group, are aimed at directing, coordinating and controlling the activities and the risks of the Group overall and of individual companies (Planning, Finance & Administration, Risk Management, Legal, Compliance, Internal Audit and Human Resources, Group Identity & Communications, Organization).

compliance with law and / or for the risk management, in respect of the Group stability and in order to ensure a unique approach to the corporate plan and the overall efficiency.

8.5. ORGANIZATION MODEL AS PER LEGISLATIVE DECREE NO. 231/2001

On July 9, 2015 the UniCredit Board of Directors approved the new version of the “Organization Model”, adopted by the bank on May 2014.

Currently the Model consists of:

- a document – the “UniCredit S.p.A. Organization and Management Model – General Part” divided into seven chapters describing its purpose and perimeter, the regulatory framework, its features, the Supervisory Body working principles, the disciplinary and sanctioning system, dissemination and training, the keeping up to date of the Model;
- an attachment containing a description of the “offences” referred to in Legislative Decree no. 231/01” and that regard banking activity in general;
- the Code of Ethics pursuant to the Legislative Decree no. 231/01” that contains the rules with which all employees have to comply in order to ensure that their conduct is always guided by criteria of fairness, collaboration, loyalty, transparency and mutual respect, as well as to avoid conducts that could constitute the offences and crimes set the above mentioned decree;
- the “decision-making protocols” containing the principles of conduct and control to be complied with in performing activities at risk”, that is activities where the risk of committing crimes was detected.

The “UniCredit S.p.A. Organisation and Management Model” addresses all members of UniCredit bodies, employees and, as far as concerns the activities performed fulfilling a contract/agreement with UniCredit, the external parties.

All employees are therefore required to abide by the principles contained in the organisation model and to report to the Supervisory Body³⁰ any information concerning a breach of the rules of the model or relating to criminal activities.

8.6. WHISTLEBLOWING

In July 2015 Banca d’Italia, within an updating of its Supervisory Regulations for banks (Circular no. 285), established specific requirements on whistleblowing from employees on illegal actions or breaches of laws and internal processes, some of which are additional compared to those currently implemented in UniCredit.

Therefore said additional requirements (amongst which the identification of the head of the whistleblowing system, the obligation to inform the whistleblower and the reported persons about the development of the investigation set up following the whistleblowing, the formalization of the time frame of the investigation) were set out and the whole whistleblowing system was submitted to the Board of Directors’ approval.

8.7. AUDITING FIRM

The Ordinary Shareholders’ Meeting on May 11, 2012, on proposal of the Board of Statutory Auditors, resolved to assign to the audit firm Deloitte & Touche S.p.A., for the financial years 2013-2021, the statutory accounting supervision of the UniCredit financial statements and consolidated financial statements, the limited review of the condensed six monthly (interim) stand alone and consolidated financial statements as well as the assignment to check that the

³⁰ **Supervisory Body of UniCredit S.p.A.:** a collective body whose duty is to supervise the functioning of and compliance with the Model and to ensure its updating; it is made up by five members, including two external members among whom the Chairman is chosen, and three executives in “apical” positions with guidance, support and control functions.

Company accounting is kept properly and that the accounting entries accurately reflect operations.

The reports of the external auditing firm, drawn up pursuant to Sections 14 and 16 of the Legislative Decree no. 39/2010, enclosed in the 2015 UniCredit individual and consolidated financial statements, also contains the consistency opinion expressed by the same pursuant to Section 123/*bis* of the TUF.

9. TREATMENT OF CORPORATE INFORMATION

The Corporate Bodies Regulations assign responsibility to the supervisory body for defining procedures for the internal management and the public disclosure of documents and information concerning the Company, also including inside information.

In particular, since 2002, the Board of Directors has adopted the following procedure for the evaluation, management and disclosure of inside information to the market.

To date the procedure provides as follows:

- a) attribution of responsibility for assessing the inside nature of information to the Planning, Finance and Administration Department, also in view of a possible disclosure to the public, with the support, where required, of the Group Investor Relation Department, the Legal Department and of the Compliance Department, according to their respective perimeters.

The procedure establishes in particular that anyone who believes to be in possession of inside information on the UniCredit Group is obliged to promptly report the fact to the Head of the Planning, Finance and Administration in order to allow him/her to carry out the assessment of the inside nature of information transmitted and to take all steps necessary for the proper management of said information, including its possible timely disclosure to the market;

- b) the need, until the inside information is disclosed to the public, that appropriate and effective organizational measures exist to ensure its confidentiality.

To that end, the Chief Executive Officer, on the basis of the authority delegated to him by the Board of Directors in accordance with legal provisions in force, went ahead and determined the criteria for the identification of inside information and who can have access, on a regular or occasional basis, to inside information, by setting up the "Register of persons with access to inside information" in accordance with law requirements. At the same time, a process has been designed to feed, upgrade and maintain the Register.

- c) approval by the Board of Directors of the press release or, when such disclosures concern delegated transactions, by the Chairman, by the Chief Executive Officer, by the General Manager or one of the Deputy General Managers within their respective perimeters; said bodies shall ensure that the press release is complete and contains any suitable element for the complete and correct assessment of the events and circumstances reported, such that it allows a proper assessment of the actual influence of the information on the price of the financial instruments, as well as any references to and comparisons with the content of previous press releases;
- d) disclosure of the press release to the market by the Media Relations and Executive Communications Department, through the "S.D.I.R.-N.I.S." system, to Borsa Italiana and CONSOB. Press agencies will have access to the system directly.

The procedure provides that if the press release relates to events of major importance, the Head of Media Relations and Executive Communications, with the support of Legal and Compliance, announces to CONSOB and Borsa Italiana its submission in advance.

Press releases are published on the Company' website within the opening time of the market on the day after their disclosure.

Press releases are available on the UniCredit website for at least five years after their disclosure.

Since UniCredit is a company listed also on the Frankfurt and Warsaw Stock Exchanges, in order to ensure harmonized information, public disclosure of inside information is made – according to the procedure – in a synchronized manner to all categories of investors and in all Member States where UniCredit shares have been admitted to trading;

- e) a system of reporting to UniCredit, by their non-listed controlled companies, of information related to said companies that might have an impact on the price of financial instruments issued by UniCredit. Again, rules are provided for the evaluation and management of possible inside information.

All Directors and Auditors are required to keep all documents and information obtained while performing their duties as confidential and to comply with the procedures UniCredit has adopted for its internal management and external disclosure of such documents and information.

In particular, for monitoring and ensuring the correct internal management of documentation that is distributed to Board members and Statutory Auditors prior to Board meetings, it is specifically envisaged that they acquire such documentation exclusively via an IT platform protected by access keys.

The procedure ensures not only greater speed in sharing the contents of proposals submitted to the Board's approval, but also faster delivery to Directors, the traceability of individuals participating in the drafting of proposals submitted to the Board's approval, and confidential document delivery via a system of personal, protected passwords awarded to each Director and Auditor.

10. APPOINTMENT OF THE STATUTORY AUDITORS

Pursuant to current laws and regulatory provisions, the permanent and substitute members of the UniCredit Board of Statutory Auditors are appointed on the basis of slates submitted by legitimate parties in abidance by the composition criteria regarding the appointment of the Chairman of the Board by the minority shareholders and according to the rules on the balance of genders envisaged by Law no. 120/2011 (in that regard, please refer to Clause 30 of the Articles of the Association available on the UniCredit website)³¹. At least two candidates for the seat as permanent Auditor and at least one candidate for the seat as substitute Auditor must be listed in the Rolls of Auditors and must have undertaken the legal auditing of accounts for a period of no less than three years.

Furthermore, UniCredit has established that the slates of candidates to the position as Statutory Auditor, containing the names of the candidates listed with a progressive number, should be filed at the Registered Office or the Head Office pursuant to the provisions of Section 147/ter of the TUF, no later than the twenty-fifth day prior to the date of the Shareholders' Meeting called to resolve upon the appointment of the members of the Board of Statutory Auditors. The slates must be made available to the public at the Registered Office, on the Company's website and through other channels provided for under prevailing laws, at least twenty-one days prior to the date of the Shareholders' Meeting. Instead, as far as concerns the percentage of share capital needed to submit the slate, Clause 30 of the Articles of Association specifies that the amount is 0.5% of the ordinary share capital bearing voting rights at the Ordinary Shareholders' Meeting, consistently with the minimum shareholding percentage established by

³¹ The address of the UniCredit website where the Articles of Association are available is as follows:
<http://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html>

CONSOB on the basis of the provisions of said Section 147/ter of the TUF (Sections 144/ter and following of the CONSOB Issuers Rules).

Pursuant to the current provisions, at least one permanent Statutory Auditor must be appointed by the minority shareholders not connected, not even indirectly, with the shareholders filing or voting for the majority slate. The UniCredit Articles of Association provide that 2 permanent Statutory Auditors and 2 stand-in Statutory Auditors must be appointed by the minorities.

11. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

Pursuant to Clause 30 of the UniCredit Articles of Association the Ordinary Shareholders' Meeting appoints five permanent Statutory Auditors, among whom the Chairman, and 4 substitute Statutory Auditors.

The Board of Statutory Auditors' members in office as at the approval date of this Report were appointed by the Ordinary Shareholders' Meeting of May 11, 2013 for the financial years 2013 - 2015 and will expire on the date of the Shareholders' Meeting called to approve the 2015 financial statements.

Their appointment took place according to Clause 30 of the Articles of Association and pursuant to the current law and regulatory provisions.

In that regard, two slates were submitted, filed and published according to the deadline and in the terms provided for by the current provisions and the Articles of Association, i.e.:

- Slate no. 1 submitted by Shareholder Fondazione Cassa di Risparmio di Verona, Vicenza, Belluno e Ancona, with a shareholding equal to 3.533% of the ordinary share capital:

permanent Statutory Auditors (1) Mr. Giovanni Battista Alberti, (2) Mr. Cesare Bisoni, (3) Mr. Enrico Laghi, (4) Ms. Maria Rosaria De Simone and (5) Mr. Alessandro Trotter

substitute Statutory Auditors (1) Ms. Federica Bonato, (2) Mr. Paolo Domenico Sfameni, (3) Mr. Guido Paolucci and (4) Mr. Franco Luciano Tutino

- Slate no. 2 jointly submitted by Shareholders: Allianz Global Investors Italia SGR S.p.A.; Anima SGR S.p.A.; APG Algemene Pensioen Groep NV; Arca SGR S.p.A.; BancoPosta Fondi S.p.A. SGR; BNP Paribas Investment Partners SGR S.p.A.; Ersel Asset Management SGR S.p.A.; Eurizon Capital SGR S.p.A.; Eurizon Capital SA; FIL Investments International; Fideuram Gestions SA; Fideuram Investimenti SGR S.p.A.; Interfund Sicav; Kairos Partners SGR S.p.A.; Mediolanum Gestioni Fondi SGRp.A.; Mediolanum International Funds Limited; Pioneer Asset Management SA; Pioneer Investment Management SGRp.A, with an overall shareholding equal to 1.12% of the ordinary share capital:

permanent Statutory Auditors (1) Mr. Maurizio Lauri and (2) Ms. Maria Enrica Spinardi

substitute Statutory Auditors (1) Mr. Marco Lacchini and (2) Ms. Beatrice Lombardini.

Along with the two slates, also the following documentation has been filed and published, according to the envisaged terms and conditions:

- a statement of shareholders – other than those holding, even jointly, a control or relative majority shareholding – declaring the inexistence of any connections with the latter;

- complete information on the personal and professional characteristics of the candidates included in the slate (*curriculum vitae*) and the list of the supervisory and controlling offices held in other companies pursuant to Article 2400 of the Italian Civil Code;
- the statements of each candidate irrevocably accepting his/her office (subject to his/her appointment) and also attesting that there was no reason for his/her ineligibility, forfeiture and incompatibility, as well as his/her fulfilment of the professional experience, integrity and independence requirements envisaged by current laws and regulatory provisions.

Information on the personal and professional characteristics of each candidate, shown in their curricula, the list of supervisory and controlling offices held in other companies, as well as the statements required by current provisions, also of a regulatory nature, have been made available on the UniCredit website (<https://www.unicreditgroup.eu/en/governance/shareholders-meeting.html>).

The Shareholders' Meeting held on May 11, 2013 appointed the new Board of Statutory Auditors, comprised of five permanent Statutory Auditors, and four substitute Statutory Auditors, as follows:

- from Slate no. 1, that obtained the majority of the Shareholders' votes, Mr. Giovanni Battista Alberti, Mr. Cesare Bisoni and Mr. Enrico Laghi were appointed as permanent Statutory Auditors, while Ms. Federica Bonato and Mr. Paolo Domenico Sfameni were appointed as substitute Statutory Auditors;
- from Slate no. 2, that obtained the minority of the Shareholders' votes, Mr. Maurizio Lauri (Chairman) and Ms. Maria Enrica Spinardi were appointed as permanent Statutory Auditors, while Mr. Marco Lacchini and Ms. Beatrice Lombardini were appointed as substitute Statutory Auditors.

Following the resignation of the substitute Statutory Auditor Mr. Marco Lacchini as of June 7, 2013, the Shareholders' Meeting held on May 13, 2014 appointed Mr. Pierpaolo Singer in replacement of the former. The appointment of Mr. Singer was resolved with the majorities required by law, without applying the list vote system, in any case abiding by the principles of the minority representation and gender balance required by current provisions, also of a regulatory nature.

Following Mr. Cesare Bisoni's resignation from his office as permanent Statutory Auditor as of April 15, 2015, and his replacement by the substitute Statutory Auditor Ms. Federica Bonato under Article 2401 of the Italian Civil Code, the Shareholders' Meeting of May 13, 2015 was called to appoint a new Statutory Auditor, so as to restore the required amount of members for the Board of Statutory Auditors.

With regard to such appointment, the Shareholders Allianz S.p.A., Aabar Luxembourg S.a.r.l., Fondazione Cassa di Risparmio di Torino and Fincal S.p.A. submitted the candidacy of Mr. Angelo Rocco Bonissoni as permanent Statutory Auditor of UniCredit, and the shareholder Pierluigi Carollo submitted his candidacy. In addition, the abovementioned shareholders provided the necessary information regarding the candidates' personal and professional characteristics (*curriculum vitae*), as well as the list of supervisory and controlling offices held in other companies pursuant to Article 2400 of the Italian Civil Code, which were filed and made available to the public, along with proposals.

Therefore, the Shareholders' Meeting held on May 13, 2015 appointed Mr. Bonissoni as new permanent Statutory Auditor, thus restoring the required amount of members for the Board of Statutory Auditors. His appointment was resolved with the majorities required by law, without applying the list vote system, in any case abiding by the principles of the minority representation and gender balance required by current provisions, also of a regulatory nature.

Following Mr. Giovanni Battista Alberti's resignation from his office as permanent Statutory Auditor of the Company as of November 9, 2015 he was replaced by Ms. Federica Bonato under Article 2401 of the Italian Civil Code, who also resigned as of December 9, 2015; on the same date, Mr. Pierpaolo Singer took office, since such appointment was refused by the substitute Statutory Auditors Mr. Paolo Domenico Sfameni and Ms. Beatrice Lombardini.

As at February 9, 2016 the Board of Statutory Auditors has the following composition.

Position	Members	In office		Slate (M/m) *	Independent as per Code	%	Number of others positions ***
		since	until				
Chairman	Lauri Maurizio	11-5-2013	14-4-2016	m	X	98%	
Permanent Statutory Auditor	Bonissoni Angelo Rocco ⁽¹⁾	13-05-2015	14-4-2016	--	X	100%	
Permanent Statutory Auditor	Laghi Enrico	11-5-2013	14-4-2016	M	X	67%	3
Permanent Statutory Auditor	Singer Pierpaolo ⁽²⁾	9-12-2015	14-4-2016	--	X	100%	
Permanent Statutory Auditor	Spinardi Maria Enrica	11-5-2013	14-4-2016	m	X	100%	1
----- Statutory Auditors who terminated their office during the Period ----							
Permanent Statutory Auditor	Alberti Giovanni Battista	11-5-2013	9-11-2015	M	X	100%	
Permanent Statutory Auditor	Bisoni Cesare	11-5-2013	15-04-2015	M	X	100%	
Permanent Statutory Auditor	Bonato Federica ⁽²⁾	11-5-2013	9-12-2015	M	X	43%	1
Substitute Statutory Auditor	Sfameni Paolo Domenico	11-5-2013	9-12-2015	M			1
Substitute Statutory Auditor	Lombardini Beatrice	11-5-2013	9-12-2015	m			
Quorum required for the submission of the slates for the latest appointment: 0.5%							
NOTE							
* M = Member elected from the slate obtaining the majority of the Shareholders' votes m = Member elected from the slate voted by a minority							
** Meetings' attendance percentage (number of meetings attended / number of meetings held during the concerned party's term of office with regard to the Period)							
*** Number of positions as Director or Auditor held by the concerned party pursuant to Section 148/ <i>bis</i> of the TUF. A complete list of such positions is published by the CONSOB on its website pursuant to Section 144/ <i>quinquiesdecies</i> of the CONSOB Issuers Rules.							
(1) Appointed by the Shareholders' Meeting of May 13, 2015 in replacement of Mr. Cesare Bisoni, who resigned on April 15, 2015. From his resignation until the Shareholders' Meeting, the office was held by Ms. Federica Bonato pursuant to Article 2401 of the Italian Civil Code.							
(2) He took office on December 9, 2015 pursuant to Article 2401 of the Italian Civil Code, replacing Ms. Federica Bonato, who had resigned from her office as permanent Statutory Auditor, which she had taken pursuant to Article 2401 of the Italian Civil Code, in order to replace Mr. Giovanni Battista Alberti, who had resigned on November 9, 2015. Mr. Singer was appointed after the substitute Statutory Auditors Mr. Paolo Domenico Sfameni and Ms. Beatrice Lombardini communicated their refusal to replace Ms. Bonato.							

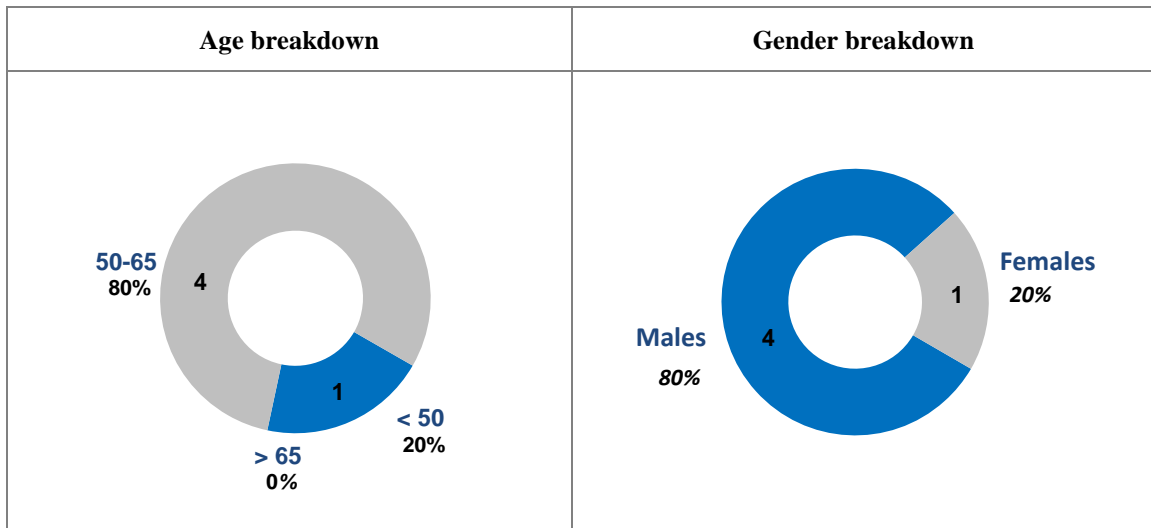
The Board of Statutory Auditors members meet the requirements set forth by current laws and regulatory provisions. For any further details regarding the composition of this corporate body, or the personal and professional characteristics of each Statutory Auditor, reference is made to the information published on the UniCredit website³².

The following chart shows the seniority in office since their first appointment of the current members of the Board of Statutory Auditors as at the approval date of this Report:

³² The address of the UniCredit website where the information concerning the Auditors is available is as follows:
<https://www.unicreditgroup.eu/en/governance/board-of-statutory-auditors.html>
<https://www.unicreditgroup.eu/en/press-media/press-releases.html>

		First appointment date
Lauri Maurizio	Chairman	April 2010
Bonissoni Angelo Rocco	Permanent Statutory Auditor	May 2015
Laghi Enrico	Permanent Statutory Auditor	May 2013
Singer Pierpaolo	Permanent Statutory Auditors	May 2014
Spinardi Maria Enrica	Permanent Statutory Auditor	May 2013

The apportionment of the Board of Statutory Auditors members in office according to age and gender are detailed hereinafter.



During the Period the Board of Statutory Auditors met 42 times.

The Board of Statutory Auditors meetings lasted for an average of approximately 3 hours and 27 minutes.

Until the Shareholders' Meeting and the renewal of the Board of Statutory Auditors, 14 meetings have been scheduled. As at February 9, 2016, 7 meetings were held.

Following its appointment, the Board of Statutory Auditors verified the existence of the independence requirements of each of its members provided for by Section 3 of the Corporate Governance Code and the related Enforcement Criteria and also evaluated the existence of the requirements set out by the TUF. Since the assessment pursuant to the provisions of said Code must be carried out vis-à-vis both the Directors and the Statutory Auditors, the Board of Statutory Auditors, confirmed the existence of the independence requirements of its members, for the last time on February 9, 2016, keeping in mind the above provisions of the Code.

No further criteria were applied to the evaluation of the existence of the independence requirements in addition to those established by Section 148, paragraph 3, of the TUF and by the Code.

The Board of Statutory Auditors attends regular meetings with the Chairman of the Board of Directors and with the Chief Executive Officer for a mutual exchange of information.

In performing its duties, the Board of Statutory Auditors constantly coordinated its activity with the Internal Audit function and the External Auditors. Appropriate functional links were established, with regard to the respective areas of competence, with the Internal Controls &

Risks Committee, through the attendance by the Board of Statutory Auditors of the meetings of the aforementioned Committee, as well as through an on-going dialogue and the exchange of information between the two corporate bodies.

* * *

The special authorization procedure set out in Section 136 of the TUB applies to obligations of any kind or to purchase or sale agreements directly or indirectly executed by the Board of Statutory Auditors members with the bank for which they perform their duties.

Statutory Auditors should also comply with the provisions laid down in Section 36 of Law Decree no. 201/2011 (interlocking prohibition), as amended by Law no. 214/2011, which prohibits office-holders in management, supervisory and control bodies and top executives of companies or groups of companies operating in credit, insurance and financial markets from taking or holding similar offices in competing companies or group of companies.

* * *

During the Period, strategic topics have been the object of training sessions and were examined in detail, in order to ensure both knowledge and awareness of the Group risk profile.

In particular, the Chairman of the Board of Directors ensured that inclusion programmes and training schemes are prepared and implemented for the newly appointed Statutory Auditor and Directors (meetings open to all the Board of Statutory Auditors and Board of Directors members) focused, inter alia, on a presentation of the Top Management on the Group and its positioning.

Within said actions 4 “off site” meetings have been arranged, also open to the Board of Statutory Auditors members with all Directors and Top Management, regarding the Group strategy and the checking of its planning, as well as the drafting of the strategic plan.

12. RELATIONS WITH SHAREHOLDERS

In order to foster the dialogue with the institutional and private investors, the analysts and the rating agencies, as well as maintaining a constant flow of information towards the market, UniCredit has devoted special, readily recognizable and easy to access sections of its website (Governance and Investors), in order to provide information on its governance structure and on the internal organization of the Company, in order to ensure shareholders an informed exercise of their rights, as well as economic-financial information, data and up-to-date documents of interest to the generality of shareholders.

All documents and information are supplied in both Italian and English.

The business Unit **Group Investor Relations**, allocated in the Planning and Finance Department, is in charge of managing institutional investor relations. The Head of Group Investors Relations is Mr. Piero Munari.

Shareholders can also communicate with the Company through its website, albeit not in real time.

For matters related to corporate governance topics, Group Investor Relations involves the Corporate Law Department. To that regard, please note that Corporate Law has, during the course of 2015, looked after a schedule of contacts with the institutional investors, aimed at a lasting and constructive dialogue on corporate governance topics.

* * *

Specific business structures were set up some time ago to manage shareholder relations in general, and investor relations in particular, in accordance with regulatory requirements and internal rules concerning corporate communications.

More specifically, the unit that manages non-institutional shareholder relations can be contacted as follows:

Toll free number 800 307 307
(only for calls within Italy)

E – mail azionisti@unicredit.eu

Fax +39 02 4953.6941

Annex 1

POSITIONS HELD BY THE DIRECTORS OF UNICREDIT IN OTHER COMPANIES LISTED ON REGULATED MARKETS (BOTH IN ITALY AND ABROAD), AS WELL AS IN FINANCIAL SERVICES COMPANIES, BANKS, INSURANCE COMPANIES OR OTHER LARGE COMPANIES

	POSITIONS HELD	COMPANY BELONGING TO THE UNICREDIT GROUP	
		YES	NO
Mr. GIUSEPPE VITA Chairman	Chairman of the Supervisory Board of Axel Springer SE		X
Mr. VINCENZO CALANDRA BUONAURA Deputy Vice Chairman		--	--
Mr. LUCA CORDERO DI MONTEZEMOLO Vice Chairman	Chairman of Alitalia – Società Aerea Italiana S.p.A.		X
	Chairman of Alitalia – Compagnia Aerea Italiana S.p.A.		X
	Member of the Board of Directors of Nuovo Trasporto Viaggiatori S.p.A.		X
	Member of the Board of Directors of Kering		X
	Member of the Board of Directors of Montezemolo & Partners SGR		X
	Member of the Board of Directors of Coesia S.p.A.		X
Mr. FABRIZIO PALENZONA Vice Chairman	Chairman of ADR S.p.A.		X
	Chairman of ASSAEROPORTI S.p.A.– Associazione Italiana Gestori Aeroporti		X
	Chairman of FAISERVICE SCARL		X
Mr. FEDERICO GHIZZONI Chief Executive Officer	Chairman of the Supervisory Board of UniCredit Bank AG	X	
MOHAMED HAMAD AL MEHAIRI Director	CEO of Aabar Investments PJS		X
	Member of the Board of Directors of Arabtec Holdings PJSC		X
	Member of the Board of Directors of Etihad Airways		X
	Member of the Board of Directors of Al Hilal Bank		X
	Member of the Board of Directors of Qatar Abu Dhabi Investment Company (QADIC)		X
	Vice Chairman of the Board of Directors of Pak-Arab Refinery Ltd. (PARCO)		X
	Member of the Board of Directors of NOVA Chemicals Corporation (NOVA)		X
	Member of the Supervisory Board of Borealis AG (BOREALIS)		X
	Member of the Board of Directors of COSMO Oil Company Limited (COSMO)		X
Mr. MANFRED BISCHOFF Director	Chairman of the Supervisory Board of Daimler AG		X
	Member of the Board of Directors of Airbus Group N.V.		X
	Member of the Supervisory Board of SMS Holding GmbH		

Sig. CESARE BISONI Director		--	--
Ms. HENRIKA BOCHNIARZ Director	Member of the Supervisory Board of FCA Poland SA		X
	Member of the Supervisory Board of Orange Polska SA		X
Mr. ALESSANDRO CALTAGIRONE Director	Member of the Board of Directors and of the Executive Committee of Vianini Lavori S.p.A.		X
	Member of the Board of Directors of Cementir Holding S.p.A.		X
	Member of the Board of Directors of Caltagirone S.p.A.		X
	Member of the Board of Directors of Caltagirone Editore S.p.A.		X
	Chief Executive of Finanziaria Italia 2005 S.p.A.		X
	Member of the Board of Directors of Cimentas A.S.		X
Ms. HELGA JUNG Director	Member of the Board of Directors of Compania de Seguros y Reaseguros S.A.		X
	Member of the Board of Directors of Companhia de Seguros Allianz Portugal S.A.		X
	Member of the Management Board of Allianz SE - Responsibilities: Insurance Spain, Portugal, Latin America (incl. Mexico), Group Legal & Compliance, Group Mergers & Acquisitions, Strategic Participations		X
	Member of the Supervisory Board of Allianz Global Corporate & Speciality SE		X
	Chairwoman of the Supervisory Board of Allianz Asset Management AG		X
Ms. LUCREZIA REICHLIN Director	Member of the Board of Directors of AGEAS Insurance Group SA/NV		X
	Member of the Board of Directors of Messaggerie Italiane S.p.A.		X
	Chairwoman and Co-Founder of Now Casting Economics Limited		X
Ms. CLARA C. STREIT Director	Member of the Board of Directors of di Jerónimo Martins SGPS S.A.		X
	Member of the Supervisory Board of Delta Lloyd N.V.		X
	Member of the Supervisory Board of Vonovia SE		X
	Member of the Board of Directors of Vontobel Holding AG		X
Ms. PAOLA VEZZANI Director		--	--
Mr. ALEXANDER WOLFGRING Director	Member of the Supervisory Board of Österreichisches Verkehrsbüro AG		X
	Member of the Board of Directors of AVZ GmbH		X
	Member of the Board of Directors of AVZ Holding GmbH		X
	Chairman of the Supervisory Board of Verkehrsbüro Touristik GmbH		X
Mr. ANTHONY WYAND Director	Member of the Board of Directors of Société Foncière Lyonnaise		X

Ms. ELENA ZAMBON Director	Chairman of the Board of Directors of Zambon S.p.A.		X
	Chairman of the Board of Directors of Zambon Immobiliare S.p.A.		X
	Vice Chairman of the Board of Directors of GEFIM S.p.A.		X
	Vice Chairman of the Board of Directors of Zach Systems S.p.A.		X
	Member of the Board of Directors of ENAZ S.r.l.		X
	Member of the Board of Directors of IAVA S.r.l.		X
	Member of the Board of Directors of ITAZ S.r.l.		X
	Member of the Board of Directors of TANO S.r.l.		X
	Member of the Board of Directors of CLEOPS S.r.l.		X
	Member of the Board of Directors of Zambon Company S.p.A.		X
	Member of the Board of Directors of Zeta Cube S.r.l.		X
	Member of the Board of Directors of Zambon Italia S.r.l.		X
	Member of the Board of Directors of ANGAMA S.r.l.		X
	Member of the Board of Directors of Fondo Strategico Italiano		X
	Member of the Board of Directors of Ferrari N.V.		X

MANAGERIAL POWERS

Remaining the Board of Directors competent for the authorities assigned to it by laws and by the Articles of Association, the Board has granted the Chief Executive Officer the following powers, within pre-defined limits and also with the authority to sub-delegate, across all sectors of the Bank's business:

- credit activities and country limits setting for cross border credit transactions, according to the methods and weightings established by the Board of Directors;
- equity capital markets transactions with underwriting risk;
- appointment of corporate officers in the corporate bodies of the companies (also not shareholdings), entities and other bodies as well as the assignment of the related compensation;
- management of shareholdings, concerning in particular (i) transactions related to shareholdings already held or to be acquired and (ii) transactions concerning firms, going concerns and/or legal relationships, (iii) instructions for the exercise of voting rights in the Shareholders' Meetings (both ordinary and extraordinary) of its directly, controlled/joint controlled or non-controlled, shareholdings; (iv) the execution and/or the amendment of shareholders' agreements related to the directly and indirectly, controlled or not controlled, companies;
- principal investments and funds transactions of any kind, both sponsored by the Group companies and by third parties;
- liquidity management activities for positions arising from UniCredit liquidity exposures and from the liquidity exposures of Group Companies managed by UniCredit itself;
- management of banking and trading book positions not attributable to the debt capital markets activities on the trading book and to the equity capital markets transactions;
- activities connected to the marketing of products and services and to the identification of conditions;
- powers to authorise expenses and investments needed for the management of the Bank, with reference to the strategies authorised by the Board of Directors, within the annual expense budget approved by the Board itself;
- powers for managing the staff in abidance by the collective responsibility principle in the investigation phase;
- definition and amendments of the organizational structures and of the organizational book, only the Board remaining competent for i) changing the roles and responsibilities of the structures/subjects belonging to the first reporting line to the Board itself and to the Chief Executive Officer; ii) setting up/changing/cancelling the Managerial Committees of which the Chief Executive Officer is an effective member;
- decision-taking on the subject of "restructuring" files or "non-performing exposures": credit extensions, restructuring / refinancing plans, concessions, classification of exposures, asset value adjustments, releases of capital and/or capitalized interest, with reference to "restructuring" files of exposures at "default"; debt to equity transactions; assets deriving from transactions associated with credit collection or with companies experiencing temporary financial difficulties (debt to asset swap) the management of the non-performing exposures, by means of assignment of same;
- decision-taking on the subject of expected losses and releases of capital and/or capitalized interests, disbursements and settlement offers, with regard to cases originating from operational mishaps, claims and judicial or extrajudicial litigation, including those fiscal related, active and passive (including mediation / conciliation matters);
- selling/alienating and managing of real-estate and other assets (movables) of the Bank;

- decision-taking with regard to the activities related to the debt capital markets on the trading book, for the definition of the limits to be assigned for each counterpart (single issuer/economic group), based on the creditworthiness of the counterpart and the characteristics of the transaction;
- deciding the limits with regard to the total single issuer exposure on the trading book (single counterpart / economic group), regardless of the type of instruments on the trading book, based on the creditworthiness of the counterpart and on the characteristics of the transaction;
- management of transitory items – accounting in profit & loss.

* * *

The **delegated bodies** have supplied the Board of Directors, according to the ways established by the Board itself, with a quarterly report on the activities carried out in the exercise of the delegations as assigned to them, with the exception of the specific powers for which the Board established a half-yearly or yearly deadline or, alternatively, at the first possible Board meeting.