

# One Bank One UniCredit

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

Website: [www.unicreditgroup.eu](http://www.unicreditgroup.eu)

Reference Period:  
**January 1, 2016/December 31, 2016**

Report approved on:  
**March 13, 2017**

# 2016

## Reports on Corporate Governance and Ownership Structure

Welcome to  
 **UniCredit**

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

## INDEX

### GLOSSARY

|   |    |
|---|----|
| <b>1. PROFILE OF THE ISSUER</b>   | 4  |
| <b>2. INFORMATION CONCERNING THE OWNERSHIP STRUCTURE</b>  | 9  |
| 2.1. SHARE CAPITAL STRUCTURE  | 9  |
| 2.2. RESTRICTIONS ON STOCK TRANSFERS  | 11 |
| 2.3. RELEVANT EQUITY HOLDINGS   | 11 |
| 2.4. RESTRICTIONS ON VOTING RIGHTS  | 11 |
| 2.5. CHANGE OF CONTROL CLAUSES AND BY-LAWS PROVISIONS ON PUBLIC PURCHASE OFFERS   | 12 |
| 2.6. DELEGATION OF POWER TO INCREASE SHARE CAPITAL AND AUTHORISATIONS TO PURCHASE OWN SHARES  | 12 |
| <b>3. SHAREHOLDERS' MEETING</b>   | 13 |
| <b>4. BOARD OF DIRECTORS</b>  | 15 |
| 4.1. APPOINTMENT AND REPLACEMENT  | 15 |
| 4.2. COMPOSITION  | 17 |
| 4.3. ROLE OF THE BOARD OF DIRECTORS   | 22 |
| 4.4. DELEGATED BODIES   | 26 |
| 4.5. INDEPENDENT DIRECTORS  | 27 |
| 4.6. LEAD INDEPENDENT DIRECTOR  | 28 |
| <b>5. BOARD OF DIRECTORS INTERNAL COMMITTEES</b>  | 31 |
| 5.1. INTERNAL CONTROLS & RISKS COMMITTEE  | 32 |
| 5.2. CORPORATE GOVERNANCE, NOMINATION AND SUSTAINABILITY COMMITTEE  | 35 |
| 5.3. REMUNERATION COMMITTEE   | 37 |
| 5.4. RELATED-PARTIES AND EQUITY INVESTMENTS COMMITTEE   | 37 |
| <b>6. REMUNERATION OF THE DIRECTORS</b>   | 39 |
| <i>Indemnities to Directors in the event of resignation, dismissal or termination of employment following a public purchase offer</i> |    |
| <b>7. DIRECTORS' INTERESTS AND RELATED-PARTIES TRANSACTIONS</b>   | 39 |
| <b>8 INTERNAL CONTROLS AND RISKS MANAGEMENT SYSTEM</b>  | 41 |
| 8.1. BODIES AND FUNCTIONS   | 41 |
| 8.2. FINANCIAL REPORTING PROCESS, ALSO ON A CONSOLIDATED BASIS  | 51 |
| 8.3. COORDINATION PROCEDURES AMONG THE PARTIES INVOLVED IN THE INTERNAL CONTROLS AND RISKS MANAGEMENT SYSTEM                          | 53 |
| 8.4. GROUP GOVERNANCE MECHANISMS  | 54 |
| 8.5. ORGANIZATION MODEL AS PER LEGISLATIVE DECREE NO. 231/2001  | 55 |
| 8.6. WHISTLEBLOWING   | 55 |
| 8.7. AUDITING FIRM  | 55 |
| <b>9. TREATMENT OF CORPORATE INFORMATION</b>  | 56 |
| <b>10. APPOINTMENT OF THE STATUTORY AUDITORS</b>  | 57 |
| <b>11. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS</b>   | 58 |
| <b>12. RELATIONS WITH SHAREHOLDERS</b>  | 62 |

### ANNEXES:

|   |    |
|---|----|
| 1) Positions held by the UniCredit Directors 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 | 63 |
| 2) Managerial powers  | 66 |

## GLOSSARY

### **Banca d'Italia**

The central bank of the Italian Republic

### **Circular no. 285/2013**

Circular no. 285 dated December 17, 2013, issued by Banca d'Italia, concerning Supervisory Regulations for banks, and subsequent amendments

### **CONSOB Regulations on related-parties**

The regulation concerning the transactions with related-parties entered into by companies making use of the venture capital market directly or through subsidiaries, adopted by CONSOB through its resolution no. 17221 dated March 12, 2010, and subsequent amendments

### **Corporate Governance Code or Code**

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

### **Financial year to which the Report refers (also Reference Period or Period)**

January 1, 2016/ December 1, 2016

### **Manager in Charge**

The Manager charged with preparing the company financial reports

### **Website**

The Company website  
[www.unicreditgroup.eu](http://www.unicreditgroup.eu)

### **Bank (also Holding Company or Company)**

UniCredit S.p.A.

### **CONSOB**

Commissione Nazionale per le Società e la Borsa, the independent Authority whose purpose is to safeguard investors, efficiency, transparency and development of the Italian securities market

### **Consolidated Law on Banking or TUB**

The Legislative Decree no. 385 dated September 1, 1993, and subsequent amendment

### **CRD IV**

Capital Requirements Directive IV, referring to Directive 2013/36/EU of the European Parliament and Council of June 26, 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms

### **Italian Civil Code**

The Royal Decree no. 262 dated March 16, 1942, and subsequent amendments

### **Report**

This "Report on corporate governance and ownership structure" referring to the 2016 financial year

### **Circular no. 263/2006**

The "New prudential Supervisory Regulations for banks" contained in Circular no. 263 dated December 27, 2006, issued by Banca d'Italia, and subsequent amendments

### **CONSOB Issuers Rules**

The regulation implementing the Italian Consolidated Law on Finance governing issuers, adopted by Consob through its Resolution no. 11971 dated May 14, 1999, and subsequent amendments

### **Consolidated Law on Finance or TUF**

The Legislative Decree no. 58 dated February 24, 1998, and subsequent amendment

### **European Central Bank (ECB)**

The central bank of the 19 Member States of the European Union which adopted the euro

### **Legislative Decree no. 231/2001**

The Legislative Decree no. 231 dated June 8, 2001, containing the framework governing the administrative responsibility of legal personalities, companies and associations both corporated and unincorporated, and subsequent amendments

### **Supervisory Authority**

The European Central Bank, Banca d'Italia, CONSOB, as defined above, and/or any other independent authority and/or administration at national or EU level

## **1. PROFILE OF THE ISSUER**

### ***Foreword***

The overall corporate governance framework of UniCredit S.p.A. has been defined in compliance with current provisions, also of a regulatory nature, and the recommendations contained in the Corporate Governance Code.

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 (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, in its latest edition approved in July 2015, this UniCredit Report on corporate governance and ownership structure has been drafted in accordance with Section 123/*bis* of the TUF.

The Report approved by the Company's Board of Directors on its March 13, 2017, meeting is published at the same time as the Report on Operations on the Issuer's website <sup>1</sup>.

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 which the UniCredit corporate governance system is described in short.

<sup>1</sup> 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>

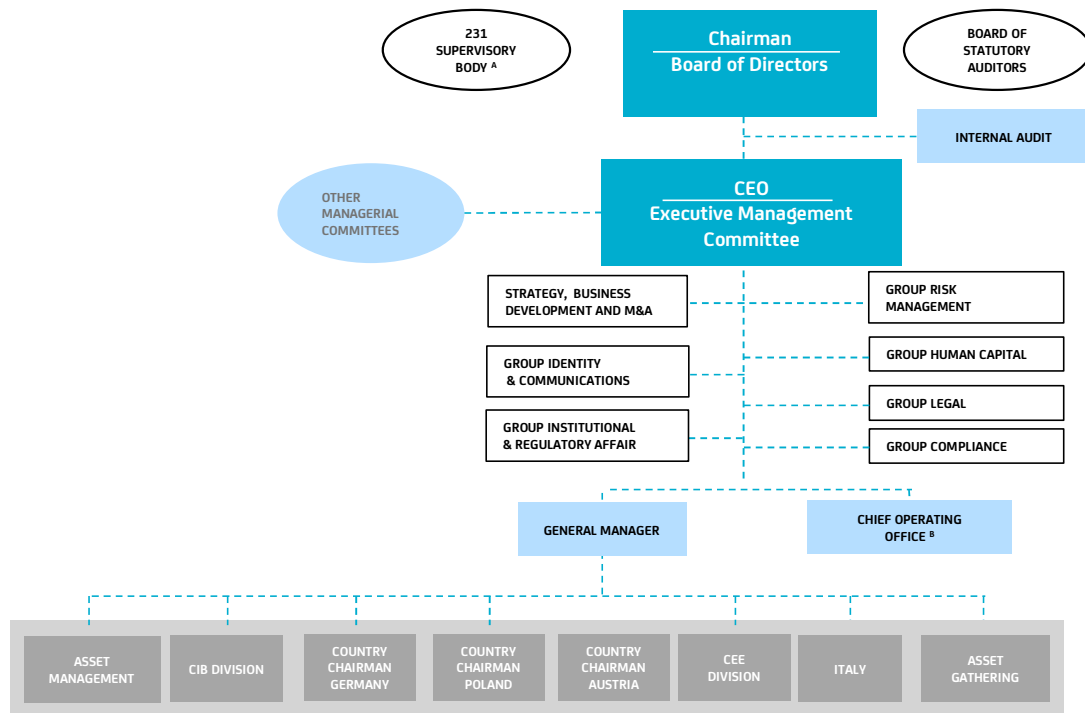
**Profile and structure**

The UniCredit Group is a leading global financial group on site in 14 core markets.

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, it carries out, pursuant to the provisions of Section 61 of the TUB, in addition to banking activities, governance and coordination as well as control functions vis-à-vis its subsidiary banking, financial and instrumental companies within the banking Group. UniCredit also carries out governance and coordination activities pursuant to Article 2497, and subsequent, of the Italian Civil Code with reference to the Italian subsidiaries belonging to the UniCredit Group, directly and indirectly controlled by the same.

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



- A. Set up according to the Legislative Decree no. 231 dated June 8, 2001
- B. Position covered by two Co-Heads respectively responsible for Finance and Cost Management and for IT & Operations, Security and Internal Control

### ***Shareholder structure***

The UniCredit share capital as at December 31, 2016, amounted to Euro 20,846,893,436.94, divided into 6,180,343,073 shares with no nominal value, of which 6,177,818,177 ordinary shares and 2,524,896 savings shares. The ordinary and the savings shares are issued in a dematerialized form and are indivisible as well as freely transferable.

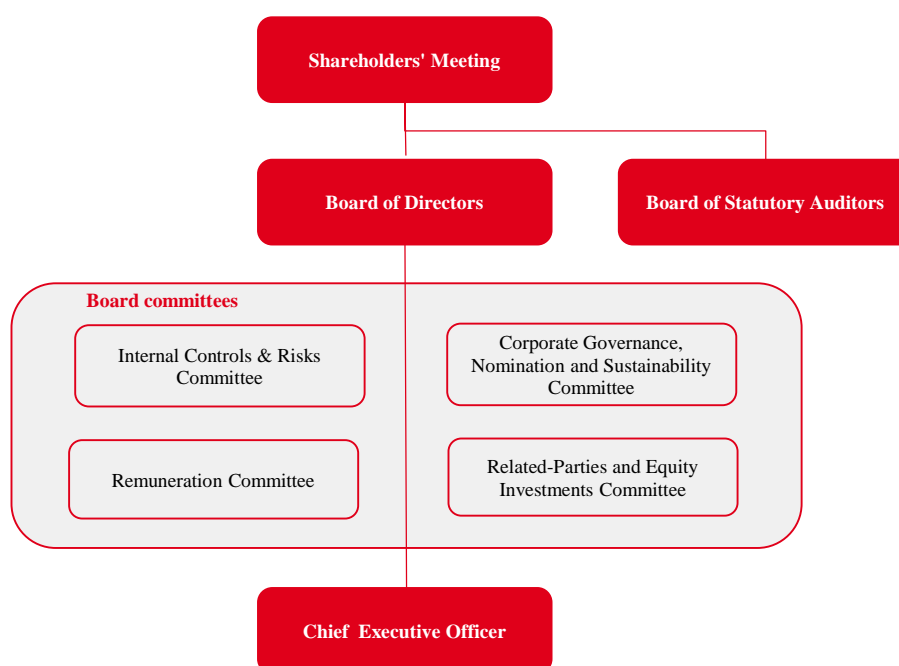
As at December 31, 2016, the shareholders were about 359,000; 78% of the ordinary share capital appeared to be owned by legal persons and the remaining 22% by physical persons<sup>2</sup>.

### ***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 by the Shareholders’ Meeting to an external audit firm, on proposal of the Board of Statutory Auditors, according to current provisions.

*Traditional system*

UniCredit believes that said governance model has proven capable of managing the business efficiently, while ensuring effective controls. That is, it creates the conditions for the Company to be able to guarantee the sound and prudent management of a complex and global banking group, such as the UniCredit Group.



<sup>2</sup> 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.



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

**Ordinary Shareholders' Meeting**

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 the provisions in being (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 March 13, 2017, 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 first by number of 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 provisions, also of a regulatory nature, and by the Articles of Association.

**Requirements**

Pursuant to the provisions of the Articles of Association, the Board of Directors has appointed a Chief Executive Officer, 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 Regulations<sup>3</sup>.

*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 four limited-number committees among Board members, vested with research, advisory and proposal-making powers diversified by sector of competence: the Internal Controls & Risks Committee, the Corporate Governance, Nomination and Sustainability Committee, the Remuneration Committee and the Related-Parties and Equity Investments Committee.

The Board Committees' composition, functions and competencies are set forth in the UniCredit 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 March 13, 2017, 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 2018 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, 40% of the Board of Statutory Auditors members are Auditors belonging to the less represented gender.

*Gender diversity*

The members of Board of Statutory Auditors in office 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.

<sup>3</sup> 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>



## 2. INFORMATION CONCERNING THE OWNERSHIP STRUCTURE

### 2.1. SHARE CAPITAL STRUCTURE

As at December 31, 2016, the fully subscribed and paid up UniCredit share capital amounted to Euro 20,846,893,436.94, divided into 6,180,343,073 shares with no nominal value, of which 6,177,818,177 ordinary shares (equal to 99.96% of the share capital) and 2,524,896 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.

On January 12, 2017, the UniCredit Extraordinary Shareholders' Meeting resolved on:

- i. a share capital increase for cash consideration up to an aggregate amount of Euro 13 billion, including any share premium, to be carried out no later than June 30, 2017, also in one or more tranches and in a divisible form, through the issue of ordinary shares with regular entitlement, to be pre-emptively offered to the Company's ordinary shareholders and holders of savings shares pursuant to Article 2441, first, second and third paragraphs, of the Italian Civil Code;
- ii. the reverse stock split of the UniCredit ordinary and savings shares, at a ratio of 1 new ordinary or savings share, with regular entitlement, per 10 existing ordinary or savings shares, after cancellation of ordinary and savings shares in the minimum number necessary to allow the balancing of the entire transaction, without reduction of the share capital.

Effective January 23, 2017, the reverse stock split transaction was executed with the resulting change of the fixed reference numerical parameter to Euro 63 for the calculation of the dividend payable on ordinary and savings shares, as well as the priority on the dividend payable on savings shares

On February 1, 2017, the Board of Directors of the Company resolved on the issue of a maximum of 1,606,876,817 new ordinary shares, with the same characteristics and rights of the ordinary's shares already traded, to be pre-emptively offered to the Company's shareholders at the price of Euro 8.09 per share at the subscription ratio of 13 new ordinary shares for every 5 ordinary and/or savings shares held, for an aggregate amount of the transaction equal to maximum Euro 12,999,633,449.53.

The aforesaid share capital increase for cash has been completed on March 3, 2017. Therefore, as at March 13, 2017, the fully subscribed and paid up UniCredit share capital amounts to Euro 20,862,962,205.11, divided into 2,224,911,123 shares with no nominal value, of which 2,224,658,634 ordinary shares and 252,489 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 63 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 Extraordinary Shareholders' Meeting, 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 |
|--------------------------|---------------------|-----------------------------------|--|--|
| <b>Convertible bonds</b> | =                   | =                                 | =  | =  |
| <b>Warrant</b>           | Not listed          | 119,907,883                       | Ordinary shares                                    | 21,488,780                                       |

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 statements<sup>4</sup>, to the information documents<sup>5</sup> prepared in compliance with Section 84/*bis* of the CONSOB Issuers Rules and to the report on remuneration<sup>6</sup> prepared in compliance with Section 123/*ter* of the TUF and Section 84/*quater* of the CONSOB Issuers Rules.

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 - Banca di Credito Finanziario S.p.A. 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 transactions of the shares carried out in December 2011 and in January 2017, at the date of the Report approval the number of the aforesaid ordinary shares is equal to 9,675,640.

<sup>4</sup> 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>

<sup>5</sup> 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>

<sup>6</sup> 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>

## 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. 9,675,640 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 available to the Company, hereafter you may find the relevant equity holdings, direct and indirect, as at December 31, 2016.

According to the communications received pursuant to current provisions, the shareholders listed below hold significant shareholdings that exceed 3%, not falling within the disclosure exemptions (Section 119/bis of the Consob Rules no. 11971/99).

| <b>Declarant</b>                                  | <b>Direct Shareholder</b>        | <b>% of ordinary capital</b> | <b>% of voting capital</b> |
|---|----------------------------------|------------------------------|----------------------------|
| <b>Capital Research and Management Company</b>    |                                  | <b>6.725%</b>                | <b>6.725%</b>              |
|   | <i>EuroPacific Growth Fund</i>   | <i>5.132%</i>                | <i>5.132%</i>              |
| <b>International Petroleum Investment Company</b> | <b>Aabar Luxembourg S.a.r.l.</b> | <b>5.042%</b>                | <b>5.042%</b>              |

The relevant holdings in the share capital emerging from the communications - pursuant to Section 120 of the TUF - that the Company received after completion on March 3, 2017, of the share capital increase for cash resolved on by the UniCredit January 12, 2017, Shareholders' Meeting, as well as from the other information available to the Company, are shown below.

| <i>Declarant</i>                        | <i>Direct Shareholder</i>        | <i>% of ordinary capital</i> | <i>% of voting capital</i> |
|---|----------------------------------|------------------------------|----------------------------|
| <b>Mubadala Investment Company PJSC</b> | <b>Aabar Luxembourg S.a.r.l.</b> | <b>5.041%</b>                | <b>5.041%</b>              |

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. 9,675,640 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, in the meaning provided for by law, 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 – Banca di Credito Finanziario 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 Section 104, sub-sections 1 and 1-bis, of the TUF.

The Articles of Association do not envisage the application of the counteracting rules envisaged by Section 104/*bis*, sub-sections 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 March 13, 2017, 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 amount of own shares held was equal to no. 4,760.

### 3. SHAREHOLDERS' MEETING

In compliance with the current provisions, the UniCredit 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 the holders of voting rights 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*<sup>7</sup>.

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.

\* \* \*

<sup>7</sup> 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 UniCredit market capitalization decreased by ca. 13 billion in 2016, reaching 16.9 bn. In 2016, the UniCredit stock price performance was -44.83% 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 -6.77%).

Regarding the changes affecting the shareholder structure, taking into account the threshold provided for the obligations of disclosure to the market of relevant shareholdings (Legislative Decree no. 25/2016), in 2016:

- Capital Research and Management Company notified having increased its stake over the relevant threshold of 5% in August 2016; the same company notified in September 2016 that its subsidiary company Europacific Growth Fund (included in its indicated global stake) have alone exceeded the threshold of 5%;
- BlackRock Inc., after a few increases and reductions of the investment, notified having reduced its stake below the threshold of 5% in July 2016.

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 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 website<sup>8</sup>).

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 (Section 144/*quater* 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.

<sup>8</sup> 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>

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 document<sup>9</sup> “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”.

As announced by the CEO during the Capital Markets Day on December 2016, please note that the Board of Directors agreed on the recommendations given by the Corporate Governance, Nomination and Sustainability Committee in 2016 regarding some changes in the UniCredit governance, due to be enforced in connection with the 2018 Board renewal, including, *inter alia*, a reduction of the number of the Board members from 17 to 15 and of the Vice Chairmen from 3 to 1.

### ***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 the Group Executives’ succession since 2006, i.e. the 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 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 (2016), ca. 4,600 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 supported by the Group Head of HR. The pipeline has been presented, at various instances along the 2016 financial year at the Corporate Governance, HR and Nomination Committee (today “Corporate Governance, Nomination and Sustainability Committee”) and the Board of Directors, on the occasion of the succession of the Chief Executive Officer and the subsequent managerial changes and appointments;

<sup>9</sup> 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>

- 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, Nomination and Sustainability 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 March 13, 2017, 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 Ordinary Shareholders' Meeting held on May 13, 2015, appointed the Directors for the financial years 2015 -2017 intended to stay in office until 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 the document<sup>10</sup> containing both 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*").

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 Bisoni, 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;

<sup>10</sup> 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>

- 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, sub-section 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 Corporate Governance 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. Bisoni, 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<sup>11</sup>, 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

<sup>11</sup> See following paragraph on the "Maximum number of offices held in other companies"

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 handed in by the Director Mr. Mohamed Badawy Al-Husseiny, on October 15, 2015, the Board of Directors co-opted Mr. Mohamed Hamad Al Mehairi as Director, confirmed in said position by the Shareholders' Meeting held on April 14, 2016.

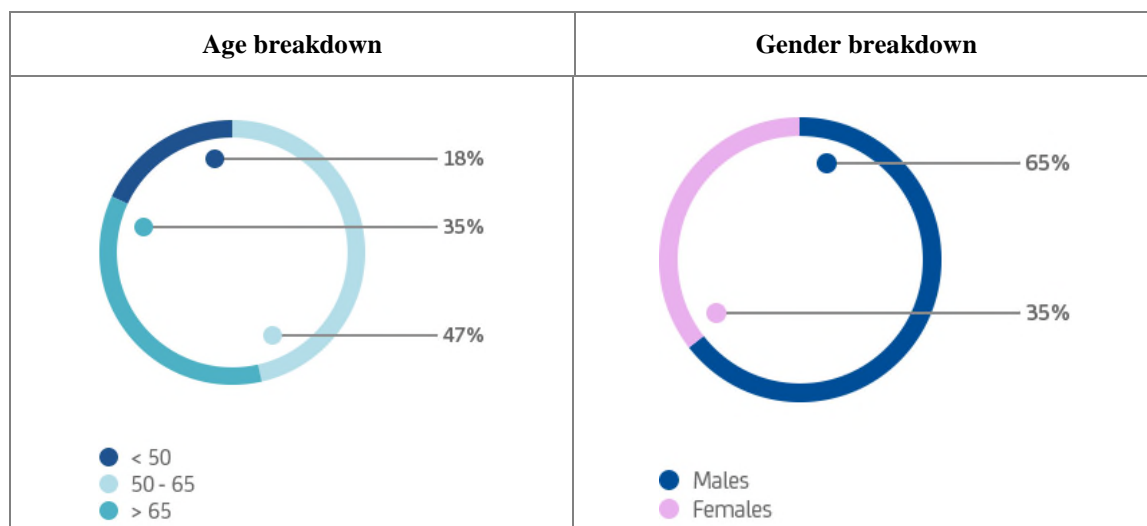
Following the ceasing from office during the 2016 financial year of Directors Ms. Helga Jung, Mr. Manfred Bischoff and Mr. Federico Ghizzoni, the Board of Directors co-opted as Directors Mr. Sergio Balbinot (June 9, 2016, meeting), Mr. Jean Pierre Mustier (June 30, 2016, meeting) and Ms. Martha Dagmar Böckenfeld (September 22, 2016, meeting). The above Directors were confirmed in their positions by the Shareholders' Meeting held on January 12, 2017.

The appointment of Mr. Al Mehairi, Mr. Balbinot, Mr. Mustier and Ms. Böckenfeld was resolved on with a relative majority according to the Articles of Association, without applying the list vote system, in any case abiding by the principles of independence and gender balance required by current provisions, also of a regulatory nature, in being. After the appointment, their meeting of the theoretical profile defined by the Board was checked, including the abidance by the maximum number of offices to be held.

On March 1, 2017, Director Mr. Fabrizio Palenzona stepped down from his role as Vice Chairman. Director Mr. Palenzona made the decision to step down in order to facilitate the planned 2018 corporate governance changes announced by UniCredit at its Capital Market Day on December 13, 2016. The suggested evolution of the corporate governance is based on a 2016 review carried by the Corporate Governance, Nomination and Sustainability Committee and includes, *inter alia*, a recommendation to reduce the number of Vice Chairmen from the current three to one. Any changes would take effect after the Shareholders' Meeting called upon to approve the 2017 financial statements to be held in 2018.

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 website<sup>12</sup>. 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 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           |
| Balbinot Sergio             | June 2016              | Reichlin Lucrezia   | April 2009             |
| Bisoni Cesare               | May 2015               | Streit Clara C.     | May 2015               |
| Bochniarz Henryka           | May 2012               | Vezzani Paola       | May 2015               |
| Böckenfeld Martha Dagmar    | September 2016         | Vita Giuseppe       | May 2012               |
| Calandra Buonauro Vincenzo  | May 2002               | Wolfgring Alexander | May 2013               |
| Caltagirone Alessandro      | May 2012               | Wyand Anthony       | January 1999           |
| Cordero di Montezemolo Luca | May 2012               | Zambon Elena        | May 2015               |
| Mustier Jean Pierre         | June 2016              |                     |                        |

### ***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 Corporate Governance 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 profile<sup>13</sup>, 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.

<sup>12</sup> 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>

<sup>13</sup> 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    | 6 <sup>(1)</sup>  | Palenzona Fabrizio | 2   |
| Balbinot Sergio             | 7 <sup>(1)</sup>  | Reichlin Lucrezia  | 4   |
| Bisoni Cesare               | --  | Streit Clara C.    | 4   |
| Bochniarz Henryka           | 2   | Vezzani Paola      | --  |
| Böckenfeld Martha Dagmar    | 6 <sup>(1)</sup>  | Vita Giuseppe      | 1   |
| Calandra Buonauro Vincenzo  | --  | Wolfging Alexander | 7 <sup>(3)</sup>  |
| Caltagirone Alessandro      | 19 <sup>(2)</sup>   | Wyand Anthony      | 2   |
| Cordero di Montezemolo Luca | 5   | Zambon Elena       | 13 <sup>(1)</sup>   |
| Mustier Jean Pierre         | --  |                    |   |

- (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 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, 5 "off-site" meetings with all the Directors and the Top Management, of which 3 open to the members of the Board of Statutory Auditors, have been arranged, focused on the Group strategy and the checking of its planning, as well as on topics concerning the drafting of the strategic plan.

Furthermore, the Chairman of the Board of Directors ensured that a permanent induction program was prepared for all the Board of Directors members, also for the benefit of the Board of Statutory Auditors members, based on three yearly courses linked to the Board term in office, in order to ensure an *ad hoc* training on a continuous basis, such as to keep into account their needs, both individual and collective. The induction program was prepared with the support of an external consultant too.

### 4.3. ROLE OF THE BOARD OF DIRECTORS

#### *Meetings and functioning*

During the last Period, the Board of Directors met 22 times, each meeting with an average length of about 3 hours. For the 2017 financial year, 14 meetings have been scheduled, of which 5 already held as at March 13, 2017.

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.

Since August 2016, the General Manager attends Board meetings, without voting rights; furthermore, the Executive Management Committee members, the CFO, the Head of the Internal Audit as well as other 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.

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;
- 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 a sound and prudent 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, FincoBank 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 Board 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 13, 2017, 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 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, as in the previous year, made use of the Spencer Stuart company as independent external consultant, chosen by the Chairman of the Board, upon proposal of the Corporate Governance, Nomination and Sustainability Committee, entrusted with providing consultancy during each stage of the process. Said company, chosen in view of its competence and expertise as far as concerns *corporate governance*, is acknowledged as possessing the neutrality, impartiality and independence of judgment required by the Corporate Bodies Regulations. As far as independence is concerned, please note that since last year Spencer Stuart assists the UniCredit Group on corporate governance topics, amongst which the self-assessment process.

The self-assessment, apart from analyzing the activities carried out during the course of the year by the Board of Directors and its Committees, examined the actions undertaken in 2016 and dwelt on possible areas of improvement.

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 the 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 questionnaires and individual interviews;
- 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.

The questionnaires and interviews, consistently with the layout followed in last year's board review, have been focused on different topics concerning the composition and functioning of the Board of Directors and its Committees. The main aspects being assessed concerned the adequacy of the following areas:

- the composition and functioning of the Board and its Committees as a whole and the quality of the discussions held therein as well as the information flows between the Committees and the Board itself;
- the carrying out of the meeting as far as concerns their frequency, the topics discussed, their length, the level and manner of attendance. with a particular focus on the trust, cooperation and interaction between the Directors;
- the skill, in terms of knowledge, experience and expertise the Board and its Committees are acknowledged as possessing as a whole and individually;
- the Chairman's role with regard to the composition of the new Board in terms of skills and independence as well as to the potential added value of the members with regard to the Board working.

In view of the outcome of the self-assessment and of the results of the examination stage, the following areas of improvement of the governance practice were singled out:

- further optimization of the Board Agenda and of the allocation of the necessary time to the examination and discussion of key business priorities;
- strengthening the Committees' role of assistance to the Board also through the strengthening of their information and documental flows to the Board itself;
- focus on the development of the resources instrumental to the execution of the 3 yearly plan also in terms of succession;
- further development of the induction programs with a particular focus on the macro-economic scenarios knowledge, of the markets developments and of the sector's framework.

### ***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. Jean Pierre Mustier, 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. As far as concerns in particular the internal controls system, 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. 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

With reference to the Board of Directors' members in office as of the approval date of this Report, the Corporate Governance, Nomination and Sustainability Committee (formerly the Corporate Governance, HR and Nomination Committee) and the Board of Directors, the latter at the annual verification carried out during its meeting on January 13, 2016, as well as at the verification of individual Directors made on May 10, July 11, October 13, 2016 and February 9, 2017, meetings, carried out the assessment of the Directors' independence requirements based on the statements made by the parties concerned and on 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 possible existence of direct or indirect relationships (credit relationships, significant offices held, employee relationships and business / professional relationships) of the Directors with UniCredit and Group Companies were taken into account, also taking into consideration the following significance criteria: amount of the consideration and features of the relationship; amount of the credit granted and its weight vis-à-vis the banking system as a whole, counterparty's characteristics, Director's position.

In view of the above, the Board 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 assessments, the number of the independent Directors according to the provisions of the Corporate Governance Code is equal to 11. 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, Ms. Böckenfeld, Mr. Caltagirone, Ms. Reichlin, Ms. Streit, Ms. Vezzani, Mr. Wolfgring and Ms. Zambon.

\* \* \*

Moreover, the Board of Directors in the aforesaid meetings held on January 13, May 10, July 11 and October 13, 2016, as well as on February 9, 2017, 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 such evaluations was the following:

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

According to the Corporate Governance Code, the Board of Statutory Auditors, in its February 9, 2016 (annual verification), May 20 and October 18, 2016, as well as February 16, 2017, meetings, 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 latest independent Directors meeting, with none of the other Directors in attendance, pursuant to Criterion 3.C.6 of the Code, was held on March 10, 2016.

2016 has been a particularly challenging year, in which UniCredit has faced important changes from both a managerial and a strategic point of view, that brought with them, *inter alia*, a strong increase in both the Board's and the Committees' activities.

At the date of the approval of this Report, in April 2017 a meeting of the independent Directors is planned for considerations on the document outlining the outcome of the 2016 self-assessment process for the Board of Directors and its Committees, drawn up by the advisor 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                | Approval of 2017 financial statements | m             |           | X             | X   | X                      | 86.36                          | 5                             |
| CEO ◊  | Mustier Jean Pierre         | 30-06-2016 <sup>(1)</sup> | Approval of 2017 financial statements | --            | X         |               |   |                        | 100                            | -                             |
| Director   | Al Mehairi Mohamed Hamad    | 15-10-2015 <sup>(2)</sup> | Approval of 2017 financial statements | --            |           | X             | X   | X                      | 72.73                          | 6                             |
| Director   | Balbinot Sergio             | 09-06-2016 <sup>(3)</sup> | Approval of 2017 financial statements | --            |           | X             |   | X                      | 78.57                          | 7                             |
| 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                      | 86.36                          | 2                             |
| Director   | Böckenfeld Martha Dagmar    | 22-09-2016 <sup>(4)</sup> | Approval of 2017 financial statements | --            |           | X             | X   | X                      | 100                            | 6                             |
| Director   | Caltagirone Alessandro      | 13-05-2015                | Approval of 2017 financial statements | m             |           | X             | X   | X                      | 72.73                          | 6                             |
| Director   | Palenzona Fabrizio          | 13-05-2015 <sup>(5)</sup> | Approval of 2017 financial statements | m             |           | X             |   | X                      | 95.45                          | 2                             |
| Director   | Reichlin Lucrezia           | 13-05-2015                | Approval of 2017 financial statements | M             |           | X             | X   | X                      | 90.91                          | 4                             |
| Director   | Streit Clara C.             | 13-05-2015                | Approval of 2017 financial statements | m             |           | X             | X   | X                      | 90.91                          | 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                      | 100                            | 2                             |
| Director   | Zambon Elena                | 13-05-2015                | Approval of 2017 financial statements | m             |           | X             | X   | X                      | 77.27                          | 13                            |
| <b>Directors that left off during the Period</b>   |                             |                           |                                       |               |           |               |   |                        |                                |                               |
| CEO  | Ghizzoni Federico           | 13-05-2015 <sup>(6)</sup> | 12-07-2016                            | m             | X         |               |   |                        | 90,91                          | 1                             |
| Director   | Bischoff Manfred            | 13-05-2015 <sup>(7)</sup> | 31-05-2016                            | m             |           | X             |   | X                      | 100                            | 3                             |
| Director   | Jung Helga                  | 13-05-2015 <sup>(8)</sup> | 31-05-2016                            | m             |           | X             |   |                        | 100                            | 5                             |
| <b>Quorum required for the submission of the slates for the latest appointment: 0.5%</b>   |                             |                           |                                       |               |           |               |   |                        |                                |                               |
| <b>NOTE:</b>   |                             |                           |                                       |               |           |               |   |                        |                                |                               |
| * <b>M</b> = Member elected from the slate that obtained the majority of the Shareholders' votes<br><b>m</b> = 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                 |                             |                           |                                       |               |           |               |   |                        |                                |                               |
| ◊ Director in charge of the internal controls and risks management system  |                             |                           |                                       |               |           |               |   |                        |                                |                               |
| (1) Co-opted on June 30, 2016 in place of Mr. Manfred Bischoff and confirmed by the Shareholders' Meeting on January 12, 2017. Mr. Mustier as from July 12, 2016, has taken on the office as Chief Executive Officer, in place of Mr. Federico Ghizzoni, who at the same date stepped down from the Board of Directors |                             |                           |                                       |               |           |               |   |                        |                                |                               |
| (2) Co-opted on October 15, 2015 in place of Mr. Mohamed Badawy Al-Husseiny and confirmed by the Shareholders' Meeting on April 14, 2016   |                             |                           |                                       |               |           |               |   |                        |                                |                               |

- (3) Co-opted on June 9, 2016 in place of Ms. Helga Jung and confirmed by the Shareholders' Meeting on January 12, 2017
- (4) Co-opted on September 22, 2016, bringing back the number of the Board of Directors members to the one resolved upon with the resolution taken by the Shareholders' Meeting of May 13, 2015; confirmed by the Shareholders' Meeting on January 12, 2017
- (5) Mr. Palenzona stepped down from his role as Vice Chairman on March 1, 2017
- (6) Mr. Ghizzoni stepped down from the Board of Directors on July 12, 2016
- (7) Resigned effective as from June 1, 2016
- (8) Resigned on May 31, 2016 with immediate effect

## 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, Nomination and Sustainability Committee, the Remuneration Committee and the Related-Parties and Equity Investments Committee.

In details, the Internal Controls & Risks Committee, the Corporate Governance, Nomination and Sustainability 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 |     | Corporate Governance, Nomination and Sustainability 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                      | 90% | M   | 100%   |  |        |
| Calandra Buonauro Vincenzo  |       | X         |  | M                                   | 100%   |                        |     | M   | 100%   |  |        |
| Cordero di Montezemolo Luca |       | X         | X  |                                     |        |                        |     | C   | 91.67% |  |        |
| Mustier Jean Pierre         | X     |           |  |                                     |        |                        |     |   |        |  |        |
| Al Mehairi Mohamed Hamad    |       | X         | X  |                                     |        |                        |     |   |        |  |        |
| Balbinot Sergio             |       | X         |  |                                     |        |                        |     |   |        |  |        |
| Bisoni Cesare               |       | X         | X  | M                                   | 91.67% |                        |     |   |        | C  | 100%   |
| Bochniarz Henryka           |       | X         | X  |                                     |        | M                      | 90% |   |        |  |        |
| Böckenfeld Martha Dagmar    |       | X         | X  |                                     |        |                        |     |   |        |  |        |
| Caltagirone Alessandro      |       | X         | X  |                                     |        | C                      | 80% | M   | 66.67% |  |        |
| Palenzona Fabrizio          |       | X         |  | M                                   | 91.67% |                        |     | M   | 100%   |  |        |
| Reichlin Lucrezia           |       | X         | X  | M                                   | 91.67% |                        |     |   |        | M  | 93.75% |
| Streit Clara C.             |       | X         | X  | M                                   | 91.67% |                        |     | M   | 91.67% |  |        |

|   |  |   |   |                      |      |               |      |                       |     |                      |      |
|---|--|---|---|----------------------|------|---------------|------|-----------------------|-----|----------------------|------|
| Vezzani Paola   |  | X | X | M                    | 100% |               |      |                       |     | M                    | 100% |
| Wolfgring Alexander   |  | X | X | C                    | 100% | M             | 100% |                       |     |                      |      |
| Wyand Anthony   |  | X |   | M                    | 100% | M             | 90%  |                       |     |                      |      |
| Zambon Elena  |  | X | X |                      |      |               |      | M                     | 75% |                      |      |
| <b>----- Members that left off during the Period -----</b>  |  |   |   |                      |      |               |      |                       |     |                      |      |
| --  |  |   |   |                      |      |               |      |                       |     |                      |      |
| <b>No. of meetings held during the Period</b>   |  |   |   | <b>IC&amp;RC: 12</b> |      | <b>RC: 10</b> |      | <b>CGN&amp;SC: 12</b> |     | <b>RP&amp;EIC:16</b> |      |
| <b>NOTE:</b>  |  |   |   |                      |      |               |      |                       |     |                      |      |
| * 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)  |  |   |   |                      |      |               |      |                       |     |                      |      |

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<sup>14</sup>. For information regarding the Board Committees composition reference is made to that available on the UniCredit website<sup>15</sup>.

## 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 Internal Controls & Risks Committee is made up of 9 Directors, all non-executive and the majority of whom independent pursuant to the Corporate Governance Code and the Articles of Association. The Committee tasks are coordinated by the Chairman, who is chosen from among the independent members.

As of March 13, 2017, the Internal Controls & Risks Committee, is made up of the following Directors, 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. Cesare Bisoni, Mr. Fabrizio Palenzona, Ms. Lucrezia Reichlin, Ms. Clara C. Streit, Ms. Paola Vezzani and Mr. Anthony Wyand.

All members of the Internal Controls & Risks Committee, in its composition at such date, are independent pursuant to Section 148, sub-section 3, of the 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, sub-section 3, of the Legislative Decree no. 58 dated February 24, 1998, and to the Corporate Governance Code.

<sup>14</sup> 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>

<sup>15</sup> 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 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 as a rule convened once every month by the Chairman, or upon request of at least two members or two Statutory Auditors.

In 2016, as established by the current Corporate Bodies Regulations, the Chairman of the Board of Statutory Auditors and the other Statutory Auditors attended the Committee meetings; in addition, the CEO, the General Manager (from the meeting of September 15, 2016), the Head of the Internal Audit function, the Group Compliance Officer, the Group Chief Risk Officer, the Manager charged with preparing the company financial reports, and the Board Secretary 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 2016, 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 Group Compliance. In 2016, 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 controls 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 controls system and corporate organizations system must be harmonized, and the requirements that must be complied with by the Group 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 Group 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 Group 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 no. 285 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 Group 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 Group 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, Nomination and Sustainability Committee, the Committee identifies and proposes to the Board the names of the subjects to be appointed as Heads of Group 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 charged with drafting corporate accounting documents and the Board of Statutory Auditors. In addition, it examines the work carried out by the External Auditors of the Group 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 Group internal controls system to the Board of Directors after each Committee meeting.

### ***Activities performed***

In 2016, the Internal Controls & Risks Committee held 12 meetings. On average, the Committee meetings lasted approx. 4 hours and 11 minutes each. The meetings were minuted by the Secretary of the Committee. The Committee, by means of its Chairman, reported to the Board of Directors on the activities carried out, after each meeting.

In 2016 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 2016, the Committee identified the information flows addressed to it, additional to those formally defined in the Corporate Bodies 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 the annual meeting which was held in Munich in September 2016 with the aim to share important cross-functional matters regarding the Group internal controls and risks management system.

In 2016 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 2017, 12 Committee meetings have been planned. As at March 13, 2017, 3 meetings have been held.

## **5.2. CORPORATE GOVERNANCE, NOMINATION AND SUSTAINABILITY COMMITTEE**

Since June 2000, the Board of Directors has established the Nomination Committee, subsequently renamed Corporate Governance, HR and Nomination Committee. Starting from the end of the 2016 financial year, among its activities there has been included the supervision on the sustainability issues and the Committee has been renamed Corporate Governance, Nomination and Sustainability Committee.

### ***Composition***

The Corporate Governance, Nomination and Sustainability Committee is made up of 7 Directors, all non-executive and the majority of whom independent pursuant to the Corporate Governance Code and the Articles of Association. The Chairman of the Board is member by right. The Committee proceedings are coordinated by the Chairman, chosen among the independent members.

As of March 13, 2017, the Corporate Governance, Nomination and Sustainability Committee is made up, in addition to the Chairman of the Board of Directors, Mr. Giuseppe Vita, member by right, of the following Directors: Mr. Luca Cordero di Montezemolo (Chairman), Mr. Vincenzo Calandra Buonauro, Mr. Alessandro Caltagirone, Mr. Fabrizio Palenzona, Ms. Clara C. Streit and Ms. Elena Zambon.

### ***Working***

As a rule, the Committee meets on a monthly basis. In particular, no. 12 meetings of the Corporate Governance, Nomination and Sustainability Committee were held in 2016, each one with an average length of 1 hour and 15 minutes. 11 meetings of the Committee are planned for 2017. As at March 13, 2017, no. 2 meetings of the Committee have 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 has always attended the meetings and Managers of the Company and external consultants were invited to attend the Corporate Governance, Nomination and Sustainability Committee meetings to discuss specific items on the Agenda.

The meetings of the 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, Nomination and Sustainability 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 deemed to be 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;
- setting targets for the least-well represented gender, and preparing a plan to increase this proportion up to a set target;
- preparing proposals for the Chairman of the Board of Directors on the selection of staff appointed to conduct the Board's self-assessment process;
- providing support, in coordination 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, Group Compliance and Group Risk Management;
- undertaking research to help the Board of Directors prepare a succession plan for the 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.

Starting from the end of the 2016 financial year, the Committee supervises the sustainability issues linked to the activity exercised by UniCredit and to the dynamics of the interactions of the latter with all the stakeholders. Within this scope, in particular, the Committee:

- in advance, examines the yearly Integrated Report to be submitted for approval to the Board of Directors;
- makes proposals with regard to the Group environmental and social strategy, annual objectives and targets to reach, monitoring over time that they have been implemented;
- supervises the sustainability evolution also in the light of the international guidelines and principles on the subject, monitoring the Group position.

### ***Activities performed***

The Corporate Governance, Nomination and Sustainability Committee has expressed its views concerning the designation of members of the corporate bodies of UniCredit and of the companies belonging to the Group and the appointments and movements of Group Top Management members, also in view of the new organizational structure defined by the Board in July 2016.

Within the issues concerning *corporate governance*, the Committee examined in depth topics related to the Thematic Review on risk governance and appetite carried out by the European Central Bank within the 2015 Supervisory Review and Evaluation Process.

Furthermore, apart from any suggestions arising during the course of the self-assessment, possible changes connected to the Board's intention to pursue a continuous improvement of

the Bank's governance were discussed and agreed upon. In particular, the Committee submitted to the Board some changes in the UniCredit governance, due to be enforced in connection with the 2018 Board renewal. Said changes include, *inter alia*, a reduction of the number of the Board members from 17 to 15 and of the Vice Chairmen from 3 to 1.

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 HR strategies with a special focus on the Leadership Pipeline, the drafting of corporate governance reports.

The Corporate Governance, Nomination and Sustainability 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 "2017 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 no. 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 provisions<sup>16</sup>, 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 Supervisory Regulations for the prudential supervision of banks"<sup>17</sup> 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.

<sup>16</sup> See the CONSOB "Regulations containing provisions relating to transactions with related parties".

<sup>17</sup> See 9<sup>th</sup> revision of the Banca d'Italia Circular no. 263 dated December 27, 2006.

### ***Composition***

The Related-Parties and Equity Investments Committee is made up of 3 Directors, who qualify as independent pursuant to the Corporate Governance Code, one of whom is appointed as Chairman.

As of March 13, 2017, the Committee is made up of the following Directors: Mr. Cesare Bisoni (Chairman), Ms. Lucrezia Reichlin and Ms. Paola Vezzani.

### ***Operations***

The meetings of the Committee are called by the Chairman 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 2016 Group managers took part in the Committee meetings for the discussion of the Agenda items that concerned matters within their competence. In 2016, 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 and associated parties are concerned, the Committee:

- issues advance and justified opinions, also binding, on the overall adequacy of internal procedures governing the identification and management of transactions with related parties and/or associated parties undertaken by UniCredit and/or Group companies, as well as relevant amendments, pursuant to CONSOB Regulation for transactions with related parties, Banca d'Italia Regulation for transaction with associated parties and Section 136 of the Legislative Decree no. 385/1993 for transactions with the corporate officers;
- issues advance and justified opinions as expressly envisaged, including any interest in completing transactions with related parties and/or associated parties undertaken by UniCredit and/or Group companies, as well as on the convenience and substantive propriety of the conditions associated;
- in the case expressly envisaged of the transactions with related parties and/or associated parties undertaken by UniCredit and/or Group companies, the Committee is involved if deemed necessary through one or more delegated members – already during the negotiations stage and during due diligence, receiving a full and timely flow of information, and including the power to request information and make comments to the delegated bodies and parties assigned to perform the negotiations or due diligence;
- expresses its opinion, on the basis of the information made available by the competent structure of the Bank, about significant topics concerning the Group *Perimetro Unico* on related parties and associated parties.

A continuous monitoring of the procedures whereby the transactions with related parties and/or associated parties 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 2016, the Related-Parties and Equity Investments Committee held 16 meetings (on average, each Committee meeting lasted approx. 60 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 2016, the Committee issued opinions with regard to transactions with related parties and/or associated parties managed in UniCredit and/or Group Companies. Additionally, the Committee examined the reports on transactions with related parties and/or associated parties also falling within the scope of Section 136 of the Legislative Decree no. 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 Group Risk Management function on matters falling within its area of competence.

On March 3, 2016, the Committee also expressed its positive opinion on the proposed amendments of the “*Global Policy for the management of transactions with persons in conflict of interest*”, and on July 26, 2016, on the adoption of the new Global Policy “*Internal controls on Risk Activities with Persons in Conflict of Interest*”.

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.

For 2017, 12 meetings have been planned for the Related-Parties and Equity Investments Committee. As at March 13, 2017, 3 meetings have been 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 Executives with Strategic Responsibilities 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*, sub-section 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 “2017 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 no. 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 parties” 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.

In that 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 the Associated Parties) – 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 Parties;
- perimeter of the CONSOB Related Parties and of the Banca d'Italia Associated Parties;
- criteria for identifying and detecting the Transactions with Related Parties and with Associated Parties, 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 Parties;
- 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 Parties pursuant to the Banca d'Italia in terms of supervisory reporting.

The Global Policy, in the version at the time in force, is available on the UniCredit website<sup>18</sup>.

\* \* \*

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

<sup>18</sup> 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>

assured a preventive, timely and complete flow of information, according to the specific methods envisaged for transactions of greater or lesser relevance.

## **8. INTERNAL CONTROLS AND RISKS 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 sound 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 Chief Executive Officer as Director 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 verifying its consistency with the strategic orientations and risk appetite established by the same. In that way, the Board can guarantee that the main risks are properly 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 sound and prudent 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 2016 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 2016, the Board approved the new Group Risk Appetite Framework for 2017, 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 2016. The Risk Appetite for 2017 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 the information 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 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. Within that scope, the Board of Directors makes sure that the corporate control functions are stable and independent, and that they have access to all Bank and Group companies' activities and any data relevant to performing their respective duties.

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 any possible adjustments necessary in the organization and staffing of the Internal Audit function.

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 manages, at a Group level, the overall setting of limits concerning the Group's financial risks (i.e. liquidity, interest rate, market, counterparty and trading credit risks).

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 Risk Management function "Risk Appetite & Integrated Risk Analysis" in charge of the Group Risk Appetite, 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 system verifying its consistency with the established strategic orientations and risk appetite as well as its capacity to detect the evolution of the corporate risks and their mutual interaction, ensuring that the main risks are properly identified, as well as measured, managed and monitored in the appropriate manner, through the Internal Controls & Risks Committee activities, in particular, on the basis of:

- the reports by the corporate Control functions Heads: the Group Compliance function, the risk control function (Group Risk Management), the internal audit function (Internal Audit), the anti-money laundering function and the validation function;
- the 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;
- any useful information related to the monitoring of the overall corporate 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).

Within that scope, the Board approves the guidelines for audit activities, providing oversight to ensure that the Internal Audit function implements the orientations concerning the undertaking of third-level controls. Furthermore, on at least an annual basis, approves the activity programme including the audit plan prepared by the Internal Audit function and examines the annual reports prepared by the corporate control functions. Moreover, it approves the multi-year audit plan.

Moreover, the Board ensures that the internal controls system and corporate organization are constantly harmonized with the principles enshrined in laws and regulations as applicable at that time, verifying at least yearly the adequacy, effectiveness and proper functioning of the internal controls and risks management system; should shortcomings or discrepancies emerge, promptly fostering the adoption of appropriate corrective measures, whose efficacy should subsequently be assessed.

#### **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, 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 the Group Risk & Internal Control managerial committee (which he chairs): in the session focused on "the management and supervision of the internal controls system", whose Deputy Chairman is attributed to the Co-Chief Operating Officer responsible for IT & Operations, Security and Internal Control, are addressed the topics related to the internal controls system as well

as the remediation plans linked to them; in the session focused on "risks", whose Deputy Chairman is the Group Chief Risk Officer, are discussed topics related to the management and monitoring of risks.

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 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 as well as the risks management and control process. With regard to the variety of corporate functions and structures having, within the company, control roles and responsibilities, the Board of Statutory Auditors shall ascertain the efficiency of all the structures and 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 risks management process – the abidance by the provisions related to the ICAAP process as well as the

completeness, the adequacy, the working and reliability of the advanced internal risks 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 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 the Legislative Decree no. 231/2001, it should be noted that UniCredit has maintained the 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 Group Compliance and Group 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 Group Compliance and the Group Risk Management respectively.

The Group Compliance, Group Risk Management<sup>19</sup> and Internal Audit functions are separated and hierarchically independent from the corporate functions that carry out the activities subject to their controls.

According to the Circular no. 285 issued by Banca d'Italia, the HR function also has been qualified as a corporate control function only with regard to remuneration and incentive policies and practices issues.

### ***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.

<sup>19</sup> Regarding the lending activities carried out by the Group 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.

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;
- 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 ("Indirect Model")<sup>20</sup> by providing/validating the methodology and procedures for the assessment of the non-compliance risk to the so-called "Specialized Structures", set up within other company functions and working on specific regulatory areas<sup>21</sup>. The Compliance function verifies over the time, on the basis of the outcome related to the their activities, that such "Specialized Structures" work following the methodology and the procedures provided and draws up the summary reports for corporate and controlling bodies of UniCredit S.p.A..

The Group Compliance model consists in in the following levels:

- Group Compliance (Group Compliance department structures of UniCredit), 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 that 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;

<sup>20</sup> In force only for the Group's Italian banks including UniCredit starting from July 8, 2014.

<sup>21</sup> For an example, please refer to the tax provisions.

- 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.

### ***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 risks 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 Planning, Finance, Shareholding and Investor Relations;
- 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 & Internal Control 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 Planning, Finance, Shareholding and Investor Relations. The Group Risk Appetite includes a series of parameters defined by the Chief Risk Officer, with the contribution of Planning, Finance, Shareholding and Investor Relations and other relevant Group functions, within the scope of their competence; each parameter can be complemented by limits and triggers proposed by the Chief Risk Officer<sup>22</sup> and targets proposed by Planning, Finance, Shareholding and Investor Relations and/or by the relevant Group functions, each respecting their mission and internal regulations. The Group Chief Risk Officer 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. Planning, Finance, Shareholding and Investor Relations 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.

<sup>22</sup> Possible triggers and limits on profitability parameters must be agreed between Chief Risk Officer and Chief Financial Officer.

The Risk Management function drafts specific information flows in order to ensure the full knowledge of the Group's risks 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 risks types and related limits;
- The risks control framework, including the initial approval and the approval of substantial changes in the risks measurement and control systems and the annual evaluation of 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;
- 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 Internal Audit Group Charter – whose revision was approved by the Board of Directors on June 9, 2016 – which defines its mission, responsibility, organisational structure, independency, tasks and powers.

In particular, pursuant to the abovementioned Internal Audit Group Charter, the Internal Audit is an independent function and is an integral part of the internal controls system. It carries out an independent, objective assurance and consulting activity in order to evaluate, add value and improve the internal controls system of UniCredit and 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, risks 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 controls system of the Company, also through the assessment of the completeness and correctness of the design and functioning of key controls.

According to its mission, the Internal Audit provides also 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.

Internal Audit complies with the following elements of the International Professional Practices Framework: Definition of Internal Audit, Core Principles for the Professional Practice of Internal Auditing, Code of Ethics and International Standards.

### ***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 Ms. Serenella De Candia, 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.

In compliance with the Internal Audit Group Charter, the Head of the Internal Audit function performs the following activities:

- develops and executes a flexible annual audit plan and a multi-year audit plan using an appropriate forward-looking risk-based methodology, taking into account trends and emerging risks, any significant organizational changes and the main services, processes, operations and any risks or controls concerns, special tasks or projects identified by Senior Management and/or governing bodies, and submits them for approval to the Board of Directors after the examination by the Internal Controls & Risks Committee;
- issues periodic reports to the Board of Directors, also through the Internal Controls & Risks Committee, summarizing the results of audit activities and the status of implementation of Management action plans;
- performs special investigations, also on its own initiative, on potential frauds, on the occurrence of frauds in UniCredit S.p.A. and within the Group, as well as on other risk events, reporting the results to the Senior Management and to the governing bodies;
- maintains a professional audit staff with sufficient knowledge, skills, experience and professional certifications to meet the requirements of the Internal Audit Group Charter;
- reports to the Board of Directors the elements aimed at evaluating the Internal Audit performance including emerging trends and best practices in internal auditing;
- ensures an adequate Audit coverage at a reasonable overall cost, taking into consideration the scope of work of the External Auditors and Regulators;
- ensures a fair and transparent communication with Regulators with reference to audit activities;
- establishes a quality assurance and improvement program through which the Internal Audit assesses internal audit activities and promotes professional development.

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, minutes of all consultative and decision-making committees, 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 2016 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 Regulation. 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 2016 UniCredit had no total or partial outsourcing agreement of the Internal Audit function.

***The Manager charged with preparing the company financial reports and other company roles and positions***

The Manager charged with preparing the company financial reports is Mr. Francesco Giordano, Co-Chief Operating Officer responsible for Finance & Cost Management activities of UniCredit.

In compliance with Clause 34 of the UniCredit Articles of Association, the Manager charged 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 - to carry out the tasks attributed to such role as per laws and regulations in force, establishing his/her powers, resources and remuneration; 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 his duties, the Manager charged with preparing the company financial reports may rely on the cooperation of all the UniCredit Group structures.

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

The Manager charged with preparing the company financial reports issues the certifications and declarations, also jointly with the bodies delegated thereto, as per laws and regulations in force.

## **8.2. FINANCIAL REPORTING PROCESS, ALSO ON A CONSOLIDATED BASIS**

As regards to the main features of the internal control system in relation to the financial reporting process of consolidated and non-consolidated information, in accordance with the provisions of Section 154/*bis* of the Italian Legislative Decree no. 58/1998 ("TUF"), the Manager charged with preparing the company financial reports (in short the "Manager in Charge") 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 statements.

The Manager in Charge, jointly with the CEO, through a relevant certification on the annual and consolidated financial statements and half year condensed financial statements, is required to certify:

- the adequacy 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 of the European Parliament and of the Council dated July 19, 2012;
- the correspondence with the content of accounting books and records;
- the suitability to provide a true and fair view of the earnings and financial position of both the company and all the consolidated companies;
- the inclusion in the management report of a reliable analysis of the results of operations, as well as the situation of the company and the undertakings included in the consolidation, together with a description of the main risks and uncertainties they are exposed to.

In order to fully comply with the regulatory requirements, the Board of Directors has approved a specific Global Policy - "Certification and declaration on the internal control system over Financial Reporting for compliance with the Italian Law on savings (Law no. 262/05–Manager in Charge)", in which general criteria were provided and the responsibilities and relationships between the Holding Company and its subsidiaries in the assessment of the status of the internal controls system over the Financial Reporting were defined, in accordance with the mentioned Law no. 262/05.

Furthermore, both a Global Process Regulation - "Management of the certification process according to the Italian Law no. 262/05" and a Global Operational Regulation - "Management of the internal control system on Financial Reporting (Italian Law no. 262/05 – Manager in Charge)", governing the procedures for the application of the abovementioned general criteria, were approved and sent to the companies included in the consolidation scope and subject to certification according to the Italian Law no. 262/05, on the basis of the criteria from time to time resolved upon.

The Global Policy aims at ensuring the correct and complete Financial Reporting through:

- the reinforcement and enhancement of the Corporate Governance in relation to risks, by ensuring:
  - the spread of the responsibilities on risk monitoring at the executive level;
  - a set of rules and behaviours 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 the relevant functions.

The internal controls system over the Financial Reporting adopted by the company involves the application of a common methodological framework, based on:

- the use of a consistent internal controls system model, centrally developed, based on methodological standards internationally acknowledged;
- its updating and broadcasting within the Group on the basis of parameters centrally established.

The methodological approach adopted by the UniCredit Group in order to comply with the Italian Law on the protection of savings (Law no. 262/05) has been shared with the Internal Audit and has been inspired by the "Internal Control - Integrated Framework" (COSO Framework), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO1), that represents a generally accepted standard for the internal control system and in particular for the Financial Reporting and the adoption of which is generally accepted by the Supervisory Authorities.

The Global Policy also defines parameters for the identification of the subsidiaries that are required to implement the internal controls system over the Financial Reporting, in accordance with the provisions of Italian Law no. 262/05.

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

In that regard, criteria have been identified for setting minimum materiality thresholds for the identification of accounting items to be considered significant, both for the Holding Company and the subsidiaries, and the related underlying macro processes.

For the processes so identified, the existing controls and the owners in charge of their execution are detected; the owners are required to ensure, first of all, the assessment of the effectiveness of the controls, by pointing out any possible action to be taken to reduce the level of associated risk; in addition, the implementation of the controls must be periodically confirmed.

For the Sub-Holding and the subsidiaries, a flow of internal certifications has been established for the internal controls system on Financial Reporting put in place, according to the approach adopted by the Holding Company, by:

- giving the governing bodies of the Companies and Sub-Holding the responsibility 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 bodies/corporate officers are responsible for issuing the certification for their respective scopes of consolidation;
- setting the roles of the Manager in Charge and the CEO within 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 controls system on Financial Reporting and the improvement action plan;
- involving the Executive Management Committee (or equivalent body) of the Companies in order to ensure adequate support to the Manager in Charge and the CEO in applying the model and implementing any identified improvement actions;
- validating the documentation and confirming the implementation of the controls by the relevant managers in charge of first level controls of the individual companies and support units, including Back-office and Information Technology (IT). To this aim, each procedure and each control have to be documented, assessed, tested and validated, and a single managerial responsibility must be defined for carrying out the enclosed activities;
- sharing of a data *repository* in order to:

- facilitate the consolidation of the risk and control values at Subsidiary, Sub-Holding and Holding Company level.
- support the spread of a common language and approach in describing, assessing, testing and monitoring the adequacy of the internal control system.

Moreover, the Global Policy provides for the involvement of the Holding Company governing bodies, with specific reference to the annual financial statements and the annual and half-year consolidated financial reports:

- the Board of Directors is provided by, the CEO and the Manager in Charge of the Holding Company a report on the status of the analyses on both the internal controls system on Financial Reporting (“Management Report”) and the contents of the form to be signed (Certification) to ensure compliance with the requirements laid down by Italian Law on savings (Law no. 262/05);
- the Internal Controls & Risks Committee and the Executive Management Committee (EMC) or equivalent body, are provided by the Manager in Charge of the Holding Company a report on the results of the Certification Campaign over the Financial Reporting provided by the Companies and the Sub-Holding included in the scope of the analysis.

In addition, upon submission of the Financial Reports for the 1<sup>st</sup> and 3<sup>rd</sup> quarters, the Manager in Charge of the Parent Company provides an update on the status of any identified remediation actions, already attached to the half year report mentioned above, to:

- the Internal Controls and Risks Committee;
- to the Executive Management Committee (EMC) or equivalent body in charge of supporting the CEO and the Manager charged with preparing the company’s financial reports and of ensuring the correct application of the internal controls system model over the Financial Reporting.

The Holding Company, for its operations, is also required to validate the documentation and confirm the implementation of the controls by relevant staff in charge of the first-level controls. To that 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.

It should be pointed out that any internal control systems, even when aligned with the international best practices, such as the aforementioned CoSO Framework, 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 2<sup>nd</sup> and 3<sup>rd</sup> 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 force<sup>23</sup>.

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 Lines<sup>24</sup> 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

<sup>23</sup> Specifically, Section 61 of the TUB and the Supervisory Regulations for banks issued by Banca d'Italia.

<sup>24</sup> 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 November 10, 2016, 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 Body<sup>25</sup> 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

<sup>25</sup> **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 three external members among whom the Chairman is chosen, and two 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 2016 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, and following the entry into force of Regulation (EU) no. 596/2014 on market abuse (“Market Abuse Regulation”), has adopted the following procedure for the evaluation, management and disclosure of inside information to the market.

In particular, the procedure provides as follows:

- a) the responsibility for assessing the inside nature of privileged information, decision about the maturity of information for disclosure and delay management is assigned to the COO (responsible for Finance & Cost Management), with the support, where required, of the Group CFO and of the Group Compliance, according to their respective perimeters.

The procedure establishes that anyone who believes to be in possession of inside information in UniCredit Group is obliged to promptly report it to the COO (responsible for Finance & Cost Management) in order to allow him/her to carry out the assessment of the nature of inside information transmitted and to take all steps necessary for the proper management of said information, including its possible timely disclosure to the market or the delay of such communications in the respect of the conditions provide for by law;

- b) appropriate and effective measures are needed, as long as the inside information is not disclosed to the public, in order to ensure its confidentiality.

To that end, the COO, after receiving the notification, starts the evaluation and qualification process on the privileged nature of the information, which requires the opening of the insider lists (“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) once that information is considered privileged, the COO received the support of the relevant structures (e.g. Group Compliance, CFO/Investor Relations, Group Risk Management, Strategy Business Development and M&A, Media Relations), assess whether the information has reached the maturity for the public disclosure. After evaluating the maturity to the disclosure and verifying the existence of the regulatory requirements by the Group Compliance, the COO may decide to delay the disclosure of inside information to the public. Otherwise, the COO activates the process for the preparation of the draft press release informing the competent department and Media Relations that will take care of the drafting and subsequent public disclosure. The press release must be approved by the Board of Directors or 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, 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, with the support of Group 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)<sup>26</sup>. 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

<sup>26</sup> 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>



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 CONSOB on the basis of the provisions of said Section 147/ter of the TUF (Section 144/quarter 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 substitute 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 April 14, 2016, for the financial years 2016 - 2018 and will expire on the date of the Shareholders' Meeting called to approve the 2018 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 jointly submitted by Fondazione Cassa di Risparmio di Torino, Cofimar S.r.l. e Allianz, with a shareholding equal to 3.587% of the ordinary share capital:
  - permanent Statutory Auditors (1) Mr. Angelo Rocco Bonisconi, (2) Mr. Enrico Laghi, (3) Ms. Benedetta Navarra, (4) Mr. Alessandro Trotter and (5) Ms. Raffaella Pagani
  - substitute Statutory Auditors (1) Ms. Guido Paolucci, (2) Ms. Paola Manes, (3) Mr. Franco Luciano Tutino and (4) Ms. Maria Rosaria De Simone
- Slate no. 2 jointly submitted by several Funds, with an overall shareholding equal to 1.818% of the ordinary share capital:
  - permanent Statutory Auditors (1) Mr. Pierpaolo Singer, (2) Ms. Maria Enrica Spinardi and (3) Ms. Myriam Amato
  - substitute Statutory Auditors (1) Ms. Antonella Bientinesi and (2) Ms. Maria Francesca Talamonti.

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

- a statement of the shareholders – other than those holding, even jointly, a control or relative majority shareholding – declaring the inexistence of any connections, also indirect, with the latter, or of significant relationships crucial for the existence of the above connections;
- 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 April 14, 2016, 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 relative majority of the Shareholders' votes, Mr. Angelo Rocco Bonissoni, Mr. Enrico Laghi e Ms. Benedetta Navarra were appointed as permanent Statutory Auditors, while Mr. Guido Paolucci and Ms. Paola Manes were appointed as substitute Statutory Auditors;
- from Slate no. 2, that obtained the minority of the Shareholders' votes, Mr. Pierpaolo Singer (Chairman) and Ms. Maria Enrica Spinardi were appointed as permanent Statutory Auditors, while Ms. Antonella Bientinesi and Ms. Maria Francesca Talamonti were appointed as substitute Statutory Auditors.

Moreover, the Shareholders' Meeting also resolved to confirm the yearly remuneration already approved by the same for the former term in office of the Board of Statutory Auditors, also on the basis of the information given by the outgoing Board of Statutory Auditors in order to allow both the shareholders and the candidates to evaluate the remuneration adequacy.

As at March 13, 2017, 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  | Singer Pierpaolo          | 14-4-2016 | Approval of 2018 financial statements | m           | X                       | 97.92% |                            |
| Permanent Statutory Auditor   | Bonissoni Angelo Rocco    | 14-4-2016 | Approval of 2018 financial statements | M           | X                       | 89.58% |                            |
| Permanent Statutory Auditor   | Laghi Enrico              | 14-4-2016 | Approval of 2018 financial statements | M           | X                       | 58.33% | 2                          |
| Permanent Statutory Auditor   | Navarra Benedetta         | 14-4-2016 | Approval of 2018 financial statements | M           | X                       | 100%   |                            |
| Permanent Statutory Auditor   | Spinardi Maria Enrica     | 14-4-2016 | Approval of 2018 financial statements | m           | X                       | 100%   | 1                          |
| Substitute Statutory Auditor  | Paolucci Guido            | 14-4-2016 | Approval of 2018 financial statements | M           | X                       |        |                            |
| Substitute Statutory Auditor  | Manes Paola               | 14-4-2016 | Approval of 2018 financial statements | M           | X                       |        |                            |
| Substitute Statutory Auditor  | Bientinesi Antonella      | 14-4-2016 | Approval of 2018 financial statements | m           | X                       |        |                            |
| Substitute Statutory Auditor  | Talamonti Maria Francesca | 14-4-2016 | Approval of 2018 financial statements | m           | X                       |        |                            |
| <b>----- Statutory Auditors who terminated their office during the Period -----</b> |                           |           |                                       |             |                         |        |                            |
| Chairman  | Lauri Maurizio            | 11-5-2013 | 14-04-2016                            | m           | X                       | 100%   |                            |

**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/*bis* of the TUF. A complete list of such positions is published by the CONSOB on its website pursuant to Section 144/*quinquiesdecies* of the CONSOB Issuers Rules.

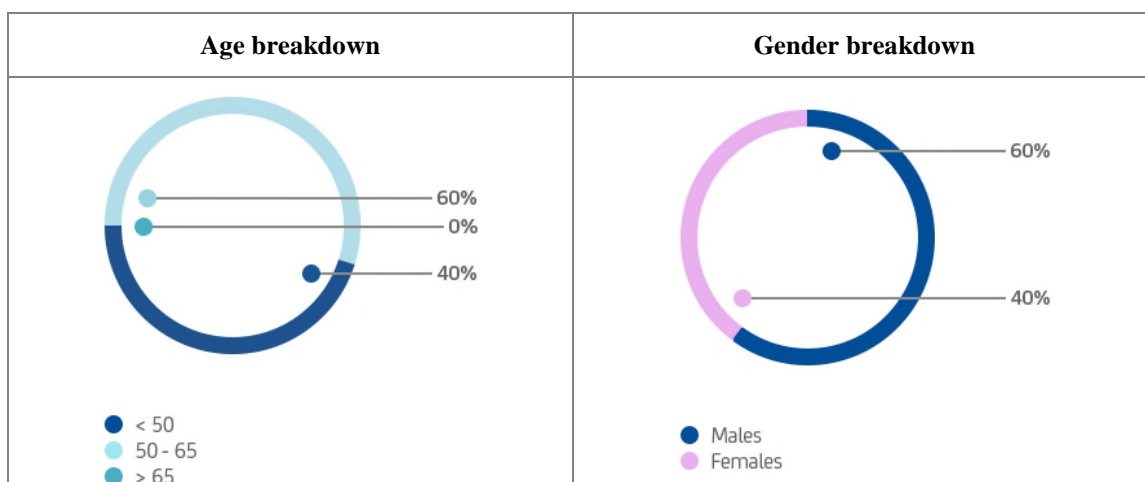
The Board of Statutory Auditors members meet the requirements set forth by current laws and regulatory provisions. For any further details regarding the composition of this corporate body, or the personal and professional characteristics of each Statutory Auditor, reference is made to the information published on the UniCredit website<sup>27</sup>.

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:

|                        |                              | First appointment date       |
|------------------------|------------------------------|------------------------------|
| Singer Pierpaolo       | Chairman                     | December 2015 <sup>(1)</sup> |
| Bonissoni Angelo Rocco | Permanent Statutory Auditor  | May 2015                     |
| Laghi Enrico           | Permanent Statutory Auditor  | May 2013                     |
| Navarra Benedetta      | Permanent Statutory Auditors | April 2016                   |
| Spinardi Maria Enrica  | Permanent Statutory Auditor  | May 2013                     |

<sup>(1)</sup> Mr. Singer had been in office as Permanent Statutory Auditor pursuant to Article 2401 of the Italian Civil Code since December 9, 2015, up to April 14, 2016

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 48 times.

The Board of Statutory Auditors meetings lasted for an average of approximately 3 hours and 58 minutes.

<sup>27</sup> 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>

As at March 13, 2017, 10 meetings have been held.

\* \* \*

The independence of the Statutory Auditors is checked by the Board of Statutory Auditors – in compliance with the enforcement criteria envisaged by Section 3 of the Corporate Governance Code and the provisions set out by Section 148 of the TUF – every time the Board of Statutory Auditors is renewed, as well as on an annual basis. The outcome of the assessment is submitted to the Board of Directors that, after the appointment, discloses it by means of a press release to the market and, subsequently, within the corporate governance report, according to the manner provided for with reference to the Directors.

On May 9, 2016, the Board of Statutory Auditors checked the existence of the independence requirements - provided for by the Corporate Governance Code and the related Enforcement Criteria - of each of its members and also evaluated the existence of the requirements set out by the TUF. The outcome of the assessment has been disclosed to the market together with the like evaluations carried out by the Board of Directors.

No further criteria were applied to the evaluation of the existence of the independence requirements in addition to those established by Section 148, sub-section 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 during 2016, 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, “off-site” meetings with all the Directors and the Top Management, also open to the Board of Statutory Auditors members, were arranged, focused on the Group strategy and the checking of its planning, as well as on topics concerning the drafting of the strategic plan.

Furthermore, the Chairman of the Board of Directors ensured that a permanent induction program was prepared for all the Board of Directors members, also for the benefit of the Board of Statutory Auditors members, based on three yearly courses linked to the Board term in office, in order to ensure an *ad hoc* training on a continuous basis, such as to keep into account

their needs, both individual and collective. The induction program was prepared with the support of an external consultant too.

## **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 Group Planning, Finance, Shareholding and Investor Relations 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 Group Corporate Affairs Department. To that regard, please note that Group Corporate Affairs has, during the course of 2016, 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](mailto: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       |
| <b>GIUSEPPE VITA</b><br><b>Chairman</b>                          | Chairman of the Supervisory Board of Axel Springer SE  |  | <b>X</b> |
| <b>VINCENZO CALANDRA BUONAURA</b><br><b>Deputy Vice Chairman</b> |  | --                                       | --       |
| <b>LUCA CORDERO DI MONTEZEMOLO</b><br><b>Vice Chairman</b>       | Chairman of Alitalia – Società Aerea Italiana S.p.A.   |  | <b>X</b> |
|  | Chairman of Alitalia – Compagnia Aerea Italiana S.p.A.   |  | <b>X</b> |
|  | Member of the Board of Directors of Nuovo Trasporto Viaggiatori S.p.A.   |  | <b>X</b> |
|  | Member of the Board of Directors of Coesia S.p.A.  |  | <b>X</b> |
|  | Member of the Board of Directors of Renova Management AG   |  | <b>X</b> |
| <b>JEAN PIERRE MUSTIER</b><br><b>Chief Executive Officer</b>     |  | --                                       | --       |
| <b>MOHAMED HAMAD AL MEHAIRI</b><br><b>Director</b>               | CEO of Aabar Investments PJS   |  | <b>X</b> |
|  | Member of the Board of Directors of Arabtec Holdings PJSC  |  | <b>X</b> |
|  | Member of the Board of Directors of Al Hilal Bank  |  | <b>X</b> |
|  | Member of the Board of Directors of Qatar Abu Dhabi Investment Company (QADIC)   |  | <b>X</b> |
|  | Vice Chairman of the Board of Directors of Pak-Arab Refinery Ltd. (PARCO)  |  | <b>X</b> |
|  | Member of the Board of Directors of Palmassets S.A.  |  | <b>X</b> |
| <b>SERGIO BALBINOT</b><br><b>Director</b>                        | Member of the Management Board of Allianz SE, responsible for the insurance business in the countries of Western and Southern Europe (France, Benelux, Italy, Greece, Turkey), Africa, Middle East and India |  | <b>X</b> |
|  | Member of the Board of Directors of Allianz France S.A.  |  | <b>X</b> |
|  | Member of the Board of Directors of Allianz Sigorta A.S.   |  | <b>X</b> |
|  | Member of the Board of Directors of Allianz Yasam ve Emeklilik A.S.  |  | <b>X</b> |
|  | Member of the Board of Directors of Bajaj Allianz Life Insurance Co. Ltd   |  | <b>X</b> |
|  | Member of the Board of Directors of Bajaj Allianz General Insurance Co. Ltd  |  | <b>X</b> |
|  | Member of the Board of Directors of Borgo San Felice S.r.l.  |  | <b>X</b> |
| <b>CESARE BISONI</b><br><b>Director</b>                          |  | --                                       | --       |
| <b>HENRIKA BOCHNIARZ</b><br><b>Director</b>                      | Member of the Supervisory Board of FCA Poland SA   |  | <b>X</b> |
|  | Member of the Supervisory Board of Orange Polska SA  |  | <b>X</b> |

|   |  |    |    |
|---|--|----|----|
| <b>MARTHA DAGMAR BÖCKENFELD</b><br>Director | Member of the Board of Directors of Generali Personenversicherungen AG                   |    | X  |
|   | Member of the Board of Directors of Generali General Insurance Ltd                       |    | X  |
|   | Member of the Board of Directors of Fortuna Rechtsschutz-Versicherungs-Gesellschaft AG   |    | X  |
|   | Member of the Board of Directors of Fortuna Investment AG                                |    | X  |
|   | Chairman of the Supervisory Board of Scope Corporation AG                                |    | X  |
|   | Chairman of the Supervisory Board of Scope Ratings AG                                    |    | X  |
| <b>ALESSANDRO CALTAGIRONE</b><br>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  |
| <b>FABRIZIO PALENZONA</b><br>Director       | Chairman of ASSAEROPORTI S.p.A.– Associazione Italiana Gestori Aeroporti                 |    | X  |
|   | Chairman of FAISERVICE SCARL   |    | X  |
| <b>LUCREZIA REICHLIN</b><br>Director        | Member of the Board of Directors of Eurobank Ergasias S.A.                               |    | X  |
|   | 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  |
| <b>CLARA C. STREIT</b><br>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  |
| <b>PAOLA VEZZANI</b><br>Director            |  | -- | -- |
| <b>ALEXANDER WOLFRING</b><br>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  |
| <b>ANTHONY WYAND</b><br>Director            | Member of the Board of Directors of Société Foncière Lyonnaise                           |    | X  |
|   | Chairman of the Cybèle Asset Management  |    | X  |

|                                  |  |  |          |
|----------------------------------|--|--|----------|
| <b>ELENA ZAMBON<br/>Director</b> | Chairman of the Board of Directors of Zambon S.p.A.            |  | <b>X</b> |
|                                  | Vice Chairman of the Board of Directors of GEFIM S.p.A.        |  | <b>X</b> |
|                                  | Vice Chairman of the Board of Directors of Zach Systems S.p.A. |  | <b>X</b> |
|                                  | Member of the Board of Directors of ENAZ S.r.l.                |  | <b>X</b> |
|                                  | Member of the Board of Directors of IAVA S.r.l.                |  | <b>X</b> |
|                                  | Member of the Board of Directors of ITAZ S.r.l.                |  | <b>X</b> |
|                                  | Member of the Board of Directors of TANO S.r.l.                |  | <b>X</b> |
|                                  | Member of the Board of Directors of CLEOPS S.r.l.              |  | <b>X</b> |
|                                  | Member of the Board of Directors of Zambon Immobiliare S.p.A.  |  | <b>X</b> |
|                                  | Member of the Board of Directors of Zambon Company S.p.A.      |  | <b>X</b> |
|                                  | Member of the Board of Directors of Zeta Cube S.r.l.           |  | <b>X</b> |
|                                  | Member of the Board of Directors of ANGAMA S.r.l.              |  | <b>X</b> |
|                                  | Member of the Board of Directors of Ferrari N.V.               |  | <b>X</b> |



## 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;
- 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 and by third parties;
- liquidity management activities for positions arising from liquidity exposures of UniCredit and the 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, in abidance by the strategies authorised, and within the annual expense budget approved, by the Board of Directors;
- 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/cancellation of 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 or 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 distressed assets, through assets disposals;
- 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/alienation and management 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.

\* \* \*

In order to ensure proper management of the powers granted and effective control of the same, the **persons delegated** have supplied the Board of Directors, according to the ways established by the Board itself, with a quarterly report, even in aggregate form, 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.