

*This is an English translation of the original Italian document. In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails*

## Qualitative and Quantitative Composition of the Board of Directors

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## INTRODUCTION

This document contains the Guidance that the outgoing Board of Directors of Intesa Sanpaolo wishes to provide to the Shareholders, to help them in the process of identifying the best proposals for the quantitative and qualitative composition of the new Board of Directors of the Bank, which will be presented by shareholders at the next Shareholders' Meeting.

The outgoing Directors hope that these proposals will be consistent with the profiles they have suggested, based on their experience in the governance of the Bank and on the annual self-assessments carried out during their term of office. They would also like to remind the Shareholders that these proposals must comply with the industry regulations and the recommendations of the Supervisory Authorities, which form the basis for this Guidance.

With regard to the latter, you are reminded that the Supervisory Provisions issued by the Bank of Italy <sup>(1)</sup> highlight that the “organisational and corporate governance structures of banks, in addition to suiting the interests of the company, must ensure sound and prudent management conditions, which is the overriding objective of the regulations and of the controls performed by the supervisory authorities”.

In line with the findings of the supranational bodies, it is deemed that this goal can be achieved through an adequate composition of the banks' governing bodies, capable of guaranteeing the effective performance of the functions they are assigned to carry out <sup>(2)</sup>.

To this end, the following is therefore required:

1. from the *quantitative* point of view, the number of members of the bodies must be appropriate to the size and complexity of the organisational structure of the bank and to effectively monitor business operations, as regards the management and controls;
2. from the *qualitative* point of view, the bodies must be composed of persons:
  - who are fully aware of the powers and obligations inherent to the role and functions that each of them is expected to perform;
  - who at all times meet the integrity and the reputation and fairness requirements, in order to ensure the sound and prudent management of the bank;
  - who have suitable professional skills and experience, also in relation to the participation in any internal committees, and proportionate to the operations and size of the bank;
  - who, collectively, have skills distributed among all members and properly diversified, so that each member, both in the Committees and in board discussions, can effectively contribute to identifying and pursuing adequate strategies and to ensuring effective governance of risks in all areas of the bank;
  - who are able to dedicate adequate time and resources to the complexity of their office, subject to compliance with the limitation of directorships, as established by CRD IV and the regulatory constraints imposed for offices in competing undertakings;
  - who target their action to pursuing the overall interests of the bank, regardless of the shareholders that have voted for them or of the slate from which they were drawn, acting with independence of mind.

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<sup>1</sup> See Circular 285 of 17 December 2013 and subsequent amendments.

<sup>2</sup> See Guidelines on the assessment of the suitability of the members of the management body and key function holders – issued by the EBA and the ESMA on 26 September 2017, in implementation of the principles set out in the CRD IV Directive (Directive 36/2013); “Guide to fit and proper assessments” ECB - 15 May 2017, as updated in May 2018; and Guidelines on internal governance, EBA – 26 September 2017.

It should be noted that this Guidance to the Shareholders also complies with the provisions of the Corporate Governance Code for listed companies that the Bank adheres to <sup>(3)</sup>.

The new Board of Directors that will be elected by the Shareholders' Meeting will be required, when assessing the suitability of the new appointees pursuant to Article 26 of the Consolidated Law on Banking, to verify – with the support of the Nomination Committee – the compliance of the new Body with the composition requirements considered optimal as communicated to the Shareholders beforehand. The results of the analyses carried out and the observations of the Nomination Committee must be sent to the Supervisory Authority, which will conduct a thorough analysis, independently assessing the satisfaction of the requirements by the candidates.

Lastly, it should be noted that the slates for the renewal of the Bodies at the Shareholders' Meeting scheduled for 30 April 2019 must be submitted in time for the Company - the necessary completeness and compliance checks having been carried out - to be able to make them public at least 30 days before the date of the Shareholders' Meeting.

## 1. ONE-TIER GOVERNANCE SYSTEM AND STRUCTURE OF THE BOARD OF DIRECTORS

Intesa Sanpaolo adopts the one-tier corporate governance system in accordance with Articles 2409-sexiesdecies and following of the Italian Civil Code. Its corporate governance is therefore organised and operates through a Board of Directors, certain members of which are also members of the Management Control Committee.

The Articles of Association <sup>(4)</sup> of Intesa Sanpaolo set out the structure of the Board of Directors, within the one-tier model, establishing that it is composed of a minimum of 15 to a maximum of 19 members, elected by the Shareholders' Meeting. 5 members of the Board, in compliance with the Supervisory Provisions, are appointed directly by the Shareholders' Meeting to compose the Management Control Committee. They also establish that:

- the vast majority of the members of the Board - at least two thirds, including the Directors who will be members of the Management Control Committee - must be independent directors,
- at least one third of the Director positions must be reserved for the less-represented gender, subject to any legal provisions to the contrary,
- the Board must appoint a single managing director and chief executive officer (CEO and General Manager).

In view of the expiry of the term of office at the 2019 Shareholders' Meeting - the Board of Directors, as a whole, and the Management Control Committee, specifically, have carried out their respective Self-Assessments for the 2018 financial year, which is the last year of their term of office, with the intention of submitting this Guidance to the Shareholders' evaluations.

The 2018 Self-Assessment process was conducted by the Board of Directors, with the support of the Nomination Committee and the assistance of an independent advisory firm, in accordance with the provisions of its own Rules, which:

- implement the provisions of Section VI of Circular 285 of the Bank of Italy, "Supervisory regulations for banks" of 17 December 2013, as amended,
- take into account the recommendations of Article 1.C.1(g) of the Corporate Governance

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<sup>3</sup> Application Criteria 1.C.1, letter h concerning the identification, and notification to shareholders, of the evaluations concerning the managerial and professional profiles deemed appropriate for the composition of the Board.

<sup>4</sup> The structure and tasks of the corporate bodies are fully described in Title V of the Articles of Association

Code for listed companies, promoted by Borsa Italiana, which the Bank has stated it adheres to,

- are aligned to the guidance from the European Regulatory Authorities EBA and ESMA and take into account the ECB Guide on Fit and Proper Assessments.

## 2. ASSESSMENT OF THE OPTIMUM QUANTITATIVE SIZE

The Board of Directors, aware of the size and complexity of the Bank's organisation and the positive work carried out by the management and control body over the last three years, after having conducted a detailed examination, with the support of the Nomination Committee, of the results of the Self-Assessment for 2018, the last year of its term of office:

*considers that the total number of 19 Members - including the 5 members of the Management Control Committee - is the optimum quantitative size of the future Board of Directors.*

This assessment is based on:

- the conviction - gained from the experience of governance of the Bank acquired during the term of office that is ending - that this ensures the balanced execution of the overall set of supervisory, management and control functions that the Board of Directors and the Management Control Committee are called upon to perform, each within their own remit and role;
- the view that the current structure of the management body divided into four different Board Committees (in addition to the Management Control Committee) is appropriate and the desire to ensure that all the Committees - in line with best practice - are composed of five members, with the Chairman and the majority of the members being independent, subject to the requirement for the Committee for Transactions with Related Parties and the Management Control Committee to be fully composed of independent directors;
- the conviction that the size and governance of the existing Board allow each of its members adequate involvement, ample possibility and high level of in-depth examination of the issues, also in the Committees, which increase the effectiveness of the Bank's governance.

and it submits it to the Shareholders while acknowledging of the sovereignty of the Shareholders' Meeting in determining the number of Directors of the Bank that it deems most appropriate.

## 3. ASSESSMENT OF THE OPTIMUM QUALITATIVE COMPOSITION OF THE BOARD OF DIRECTORS IN TERMS OF PROFESSIONALISM

The Board of Directors acknowledges:

- that the candidates as members of the management body must have knowledge, skills and experience necessary to perform their functions <sup>(5)</sup>, taking into account the duties inherent to the role held and the Bank's characteristics, size and operations (as well as the additional requirements, set out in paragraph 4 below),
- that for the purposes of said knowledge, skills and experience, both the theoretical knowledge - acquired through study and training - and practical experience and skills gained in the performance of previous or current work/professional activities and significant roles in Boards of Directors and Committees are taken into account,
- of the structure of the professional profiles, in terms of knowledge, skills and experience

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<sup>5</sup> CRD IV, Article 91(1)

(including the new one-tier governance model), and the diversity of the current qualitative composition of the Bank's one-tier management and control body, which it considers to be very good,

and submits its Guidance to the Shareholders on the optimal qualitative composition in terms of professionalism of the future Board of Directors of the Bank, with a view to the evolution - in a balanced manner and related to the implementation of the Business Plan - of the composition of experiences and skills of the existing Board.

With this in mind, it is considered useful to provide the Shareholders with a preliminary presentation of some of the significant results of the 2018 Self-Assessment, which refer to the composition and functioning of the Board during the three-year term of office that is coming to an end and have been carefully taken into consideration, with the support of the Nomination Committee, in producing this Guidance.

Specifically, the Self-Assessment has identified that:

- the outgoing Board has positively tested and consolidated the one-tier model of governance of the Bank, of which it now has full, positive experience;
- the effectiveness and efficiency that the Board has achieved in its term of office depended on the professional authoritativeness and expertise of all the Directors, including the members of the Management Control Committee;
- the capability and maturity of the Directors, in conducting informed discussion and debate and in sharing responsibilities and elaborating on decisions, in relation to their roles and within the Bank's well-established governance processes, contributed to the role of relevance that the Board has performed over its three-year period in the governance of the Bank and is currently performing as an integrated team;
- the interaction and collaboration between the Board and the Board Committees and the verification and dialogue with the Management Control Committee proceeded with very satisfactory results, ensuring an effective system of checks and balances, as did the ability shown by the Board in the attentive and constructive monitoring and challenging of the CEO and the top management;
- the effort invested by the Directors in preparing for the meetings and the open discussion in the board meetings of the assessments of the relevant matters and subjects, resulted in an objectively best-in-class process through which the CEO and the Management proposed the Bank's Business Plan and, on several sessions, discussed, agreed and approved it with the Board;
- the commitment and the amount of time dedicated by each Director to the meetings of the Board, the Board Committees, and the Management Control Committee, and to the ongoing induction activities, have been high and have been provided fully with the necessary willingness;
- during the term of office, the business drive, the management skills, the authoritativeness and leadership of the CEO have been confirmed as well as the distinctive skills that the Board has within its ranks, which were brought together productively both in the work of the Committees and in the Board discussions and the interaction with the Management.

In view of the above, the Board of Directors hopes that the Shareholders of Intesa Sanpaolo, in producing the slates and the two sections in which the lists of candidates will be divided for the proposal to the Shareholders' Meeting of the joint composition of the new Board of Directors and the new Management Control Committee of the Bank, for the 2019 - 2021 mandate,

- *consider and propose to the Shareholders' Meeting a continuity of presence, and therefore the re-election, of a significant number of Directors of the Board and Directors*

*who are also members of the Management Control Committee,*

- thereby ensuring that the majority of the experience and skills - as a whole - currently possessed by the management and control body in office, also continue to be represented in the new Board;
  - adopting an evolutionary approach for the Board - according to a policy of management continuity, as frequently suggested to the significant entities by the European Supervisory Authority, for the refreshment of the Board; this both in relation to the short tenure of the members of the Board - whose median is one mandate - and to the measured widening of expertise, correlated with the evolution of the Business Plan, and the limited renewal of Board members,
  - safeguarding, for a significant part, usually not less than two thirds of the existing members of the Board, the wealth of experience, integration and capacity to contribute, achieved by the Board in its previous term of office;
- *ensure choices of high quality, diversity, complementarity and integration of professional skills and personalities, both re-elected and new, in order to:*
- provide continuity also to the examination and debating capabilities on all the complex matters pertaining to the Board and the Management Control Committee,
  - allow adequate establishment and operation of the Board Committees.

#### *Professionalism of the Directors and overall suitability of the Board*

The Board of Directors first of all reminds the Shareholders that the European Supervisory Authority expects all candidates proposed for election as members of the Board of Directors of an issuing Bank to have basic knowledge of the banking industry, preliminary to the performance of their role and their continued membership of the Board.

More generally, in its Guide to fit and proper assessments, the ECB states that it expects each candidate as a member of the Board to have a *basic level* of technical knowledge covering the following areas (“although for some positions it can be obtained through specific training”):

- banking and financial markets;
- regulatory framework and relevant legal requirements;
- strategic planning and an understanding of a credit institution’s business strategy or business plan and implementation thereof;
- risk management (identifying, assessing, monitoring, controlling and mitigating the main types of risk of a credit institution) including experience directly related to the responsibilities of the member;
- accounting and auditing;
- assessing the effectiveness of a credit institution’s governance mechanisms aimed at ensuring effective supervision, management and control;
- interpreting a credit institution’s financial information, identifying key issues based on this information and appropriate controls and measures.

In addition, in order to achieve the adequate qualitative composition of the Board of Directors, it is expected that the *theoretical knowledge and practical experience, specifically gained and brought to the overall composition of the Board by each candidate Director, given as a reason for their candidature as a member of the Board:*

- are gained, in *more than one of the areas indicated* in the ECB Guide and/or in the additional areas of professional skills indicated by the Board, at a *very good or excellent*

*level* <sup>(6)</sup>, in addition to the basic level of other knowledge

- are suitable with respect to the role held and the characteristics of the Bank in terms of size, complexity, and type of activities carried out and the associated risks and relevant markets.

Below, the Board of Directors, based on its experience in the past three years:

- provides its assessments and suggestions to the Shareholders, in terms of skills: knowledge, skills and experience that it considers necessary, overall, with the contributions of the different skills of the members, both re-elected and new, for the optimal qualitative composition of the new Board and the new Management Control Committee;
- outlines, in a **Skills Directory**, the set of experience, knowledge and skills at very good or excellent level that it considers necessary for achieving the optimal overall qualitative composition of the Knowledge, Skills and Experience of the new Board of Directors of Intesa Sanpaolo, for the 2019-2021 term of office;
- hopes that the indications of knowledge, skills and experience, at very good or excellent level, that it proposes in the **Skills Directory**, provided below, will be accepted by the Shareholders for the composition of the slates of candidates for the election of the future Board, with choices of candidate Directors that, **as a whole**, will result in the following presence and distribution:
  - ✓ very extensive - possessed by a number of candidates that could be around one third of the size of the Board - for the first group of knowledge, skills and experience indicated;
  - ✓ moderately extensive - possessed by a number of candidates that could be around a quarter of the size of the Board, for the second group;
  - ✓ limited - possessed also by only a few candidates for membership of the Board, for the third group of more strictly specialist experience and knowledge.

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<sup>6</sup> **Very good or excellent level:** experience: gained at an executive level of an office and for a significant period of time; knowledge and skills: acquired through specific and in-depth training and consisting of a recognised cultural background and/or obtained through experience (naturally also in Boards and Committees, if for more than one term) in their professional curriculum, which have determined and explained their possession, making them demonstrable. In general, very good and excellent knowledge and skills are those that someone is expert in, that are appropriate in relation to the office taken up, and/or of which someone is able to explain/teach the contents.



**SKILLS DIRECTORY INDICATING THE IDEAL DISTRIBUTION AND BALANCE OF INDIVIDUAL EXPERIENCE REQUIRED FOR THE KNOWLEDGE, SKILLS AND COLLECTIVE EXPERIENCE OF THE BOARD OF DIRECTORS**

	DISTRIBUTION		
	Very extensive	Moderately extensive	Limited specialist
1. Overall knowledge of the banking business and typical strategies of the industry and of risk assessment and management techniques connected with the exercise of banking activities, appropriate to the complexity of the Bank	√		
2. Knowledge of financial markets and the economic-financial system	√		
3. Knowledge of regulations in the banking industry and financial activities	√		
4. Strategic view and planning (ability to understand the medium/long-term scenario of the Bank and the industry and related strategic options)	√		
5. Experience in business and/or corporate management	√		
6. Ability to read and interpret the financial statements data of a financial institution and accounting and financial information		√	
7. Expertise in risk management and internal control systems		√	
8. Knowledge of organisational and corporate governance structures		√	
9. Experience in auditing and control		√	
10. Knowledge of remuneration and incentive systems and tools			√
11. Knowledge of the insurance market and products and the related regulations			√
12. Knowledge of matters related to digital & information technology			√

The outgoing Board hopes, therefore, that the new Board - in addition to the very good or excellent level of the skills indicated - will also have the following distribution:

- very extensive - for:
  - overall knowledge of the banking business and typical strategies of the industry and of risk assessment and management techniques connected with the exercise of banking activities, appropriate to the complexity of the Bank,
  - knowledge of financial markets and the economic-financial system
  - knowledge of regulations in the banking industry and financial activities,
  - strategic view and planning, i.e. the ability to understand the medium/long-term scenario of the Bank and the industry and related strategic options;
- less extensive or moderately extensive - for:
  - ability to read and interpret the financial statements data of a financial institution and accounting and financial information,
  - expertise in risk management and internal control systems,
  - knowledge of organisational and corporate governance structures,
  - experience in auditing and control;
- limited, non-extensive, possessed by one or two members of the Board - for:
  - knowledge of remuneration and incentive systems and tools.

Additional skills are indicated as desirable in relation to the evolution of the Business Plan in the following areas:

- knowledge of the insurance market and products and the related regulations
- expertise in digital & information technology.

In addition to the experience, knowledge and skills listed in the Skills Directory, the Board suggests that the Shareholders of the Bank carefully consider, for the evolution of the composition of the Board, high-level candidates who, in addition to the skills mentioned above, can also contribute international and/or multinational experience and/or knowledge of foreign markets to the new Board. In the Skills Directory outlined above, the outgoing Board of Directors suggests to the Shareholders that the candidates for the new Board of Directors of the Bank should reflect a balanced composition of business and/or managerial and corporate management experience, as well as high-level professional profiles from the world of university teachers, corporate consultants or freelance professionals.

The Board also advocates ensuring broad gender diversity and age diversity among the Directors.

Lastly, the Board suggests that priority should be given to candidates who, in addition to high levels of the professional skills indicated, have behavioural traits, personalities and personal attributes oriented towards transparency, action, commitment and inclusion; soft skills that are difficult to assess but equally important, such as: authenticity, the ability to stand-up for themselves, communicate and be influential; leadership and spirit of collaboration; focus on achieving results; good judgement and constructive decision-making ability; and, more generally, the soft skills indicated in the EBA/ESMA guidelines.

It should be noted that all candidates considered for election as future directors must be able to give full evidence of:

- guaranteeing the time commitment necessary to attend, physically or, alternatively, by video-conference, the board meetings and the meetings of the Committees, in addition to informal meetings with the other Board Members,
- having a good understanding and good communication skills in the English language,

necessary for relations, also at individual level, with the European Supervisory Authority.

### *Time commitment required for the Directors*

The Board of Directors provides details below of the number of meetings and time commitment, measured with reference to the 2018 financial year, for the members of the Board and of the Committees, to enable the Shareholders and the candidates to assess the time commitment required for the position as a member of the Board of Directors and the Board Committees or the Management Control Committee of Intesa Sanpaolo.

Specifically:

- 26 meetings of the Board of Directors;
- 48 meetings of the Management Control Committee.
- 42 meetings of the Risks Committee;
- 19 meetings of the Committee for Transactions with Related Parties;
- 22 meetings of the Remuneration Committee;
- 6 meetings of the Nomination Committee;
- 10 induction sessions and 4 seminars.

In addition to the time needed to participate in the above meetings, it is necessary to estimate the time needed to prepare for each meeting and, for the Chairmen of the Board and the Committees, also the time needed to carry out their role and the coordination of the Board and the Committees.

In this regard, the Board of Directors has assessed the minimum time - in working days (FTE) - for the performance of the office within the Board of Directors expressed indicatively as follows:

- Board Member: 40 days a year
- Chairman of the Board of Directors: 90 days a year
- Deputy Chairman of the Board of Directors: 18 days a year
- Managing Director and CEO: full time
- Member of the Management Control Committee: 44 days a year
- Chairman of the Management Control Committee: 20 days a year
- Member of the Risks Committee: 25 days a year
- Chairman of the Risks Committee: 8 days a year
- Member of the Committee for Transactions with Related Parties: 9 days a year
- Chairman of the Committee for Transactions with Related Parties: 3 days a year
- Member of the Remuneration Committee: 12 days a year
- Chairman of the Remuneration Committee: 4 days a year
- Member of the Nomination Committee: 10 days a year
- Chairman of the Nomination Committee: 3 days a year

The different quantities indicated above must be summed together, when the Director performs two or more roles in the Board (<sup>7</sup>).

### *Professionalism of the Directors, who are also members of the Management Control Committee, and overall qualitative composition of the Committee*

For the members of the Board of Directors of Intesa Sanpaolo who, under the one-tier governance model, will be elected by the Shareholders' Meeting within the section of the members of the Management Control Committee, it should be noted that this Committee is

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<sup>7</sup> For example, in order to calculate the overall time required for the Director who is also Chairman of the Risks Committee, the quantity indicated for the office of Director (40 days), for member of the Risk Committee (25 days) and for Chairman of that Committee (8 days) must be added together to give a total of (73 days).

characterised by:

- a variety of subjects that it manages within its extensive control role,
- monitoring functions for the systems and methods for the control and assessment of the risk identification and measurement models,
- supervisory activities.

Being a member of the Management Control Committee means, together with the role of Director - i.e. monitoring and contributing to strategic and operational choices and decisions - also performing the function of monitoring the adequacy, efficiency and functionality of the organisational, administrative and control structures.

In view of this specific corporate role and the provisions of the law and the Articles of Association, the identification of candidates for members of the Committee must take into account, for all members, the specific professionalism requirements set out in paragraph 4.

In relation to the optimal qualitative composition of the Committee, the need is also stressed for the fundamental presence and, in relation to its size, the appropriate and evenly spread distribution of the specific professional skills and experience indicated in the Skills Directory, connected to the Committee's corporate role, in addition to any other professional skills and experience indicated in the Skills Directory and required of the Directors as a whole.

The specific, distinctive and priority professional skills for the Committee as a whole are:

- overall knowledge of the banking business and typical strategies of the industry and of risk assessment and management techniques connected with the exercise of banking activities, appropriate to the complexity of the Bank;
- knowledge of regulations in the banking industry and financial activities;
- ability to read and interpret the financial statements data of a financial institution and accounting and financial information;
- experience in auditing and control.

In view of the objectives of the Business Plan, knowledge of the insurance market and products and the related regulations is also required in addition to the above.

The Management Control Committee hopes that the candidate Directors for the new Committee will include individuals who, in developing their professional skills and experience, have also had the opportunity to gain:

- knowledge and, ideally, ability in applying models and methods for the identification and quantitative measurement of risks that characterize the bank's activities;
- knowledge of the issues and, ideally, supervisory experience in relation to company articles of association, governance, regulatory and legal matters.

In addition to these professional skills, in relation to the role of members of the Management Control Committee, experience gained as members of Boards of Directors, in Internal Control Committees and/or Risk Committees, or, alternatively, in Boards of Statutory Auditors, in listed companies or groups that in terms of their size, governance complexity and business, are comparable to those of Intesa Sanpaolo, is also significant.

The current composition of the Management Control Committee, enriched by the experience of the past term, is considered to be very good in terms of structure, quality and distribution of professional skills and experience, as well as methodological approach, from the three-fold perspective of quantity, business activities and processes.

The short tenure of the majority of the current members of the Committee - currently only a single term - has a positive consequence, consisting of the opportunity to reflect on the option of re-electing the available members, thereby, also in this case, ensuring appropriate continuity of the wealth of experience within the Management Control Committee, which is

not generally widely available, in addition to the one-tier governance experience and the other professional skills and experience possessed by its members.

Lastly, if as a result of a decision not to re-elect one or more members or due to the unwillingness of a member to stand for re-election, the Committee comes to lack the specific knowledge, experience and skills currently possessed, the Guidance to the Shareholders is that they should consider whether to restore them, by identifying candidates with skills substantially equal to those that have been lost due to the lack of re-election. This is particularly significant if there is an absence of the highly specialist and uncommon skills required for the Committee, such as modelling and quantitative skills, within the more general skills of assessment of risk management and control systems.

#### *Time commitment required for the members of the Management Control Committee*

Below are the number of meetings and time commitments required in 2018 for the members of the Committee, as already set out earlier above:

- 26 meetings of the Board of Directors;
- 48 meetings of the Management Control Committee.

These meetings correspond to time assessments (FTE), to be summed together, in relation to the dual role:

- Board Member: 40 days a year;
- Member of the Management Control Committee: 44 days a year.

For the role of Chairman of the Committee, an additional period of 20 days per year must be added.

*In view of the above, the Board of Directors considers that, with regard to the need to be able to ensure the presence of professional profiles of high standing, it is necessary to suggest to the Shareholders that they should consider revisions of the remuneration established for the members of the next Board of Directors and of the Management Control Committee, taking into account the responsibilities related to the performance of the role, as well as the particularly high time commitment required and the strict limits placed on the assumption of external offices.*

#### *Significant roles of the Board of Directors*

The Board of Directors of the Bank, aware of the high importance of certain roles, considers it appropriate to make specific suggestions to the Shareholders regarding the profiles it considers to be most suitable.

The members of the Bank's Board who are members of the Management Control Committee, in relation to the specific features of the one-tier model, have also reflected on the responsibilities and profile of the Chairman of the Committee and make the specific suggestions provided below.

#### *The Chairman of the Board of Directors*

Should preferably:

- have a high professional and high value profile and be recognised as an authoritative, balanced and credible person, in view of the role of guarantor in respect of all the Bank's stakeholders, as well as in institutional occasions and relations;
- have experience in corporate governance and in the supervision of the induction, development and succession planning of the Board of Directors;
- have good overall knowledge of the banking business and of financial and credit regulations;

- be recognised for his/her independence and intellectual honesty, and synthesis, mediation and communication skills, as well as the ability to neutrally promote internal dialogue within the Board;
- have ideally gained experience, in large listed companies or international groups or organizations comparable to Intesa Sanpaolo in terms of their size or governance or business complexity, at the head of Boards of Directors and, consequently, experience of attentive and constructive dialogue with the Chairmen of Committees and Board Members, including the Managing Director, as well as the Shareholders.

#### *The Managing Director and CEO*

Should preferably have:

- gained management experience at the head of large listed companies, in business areas related to the banking or financial intermediaries sector, where he/she achieved proven professional success and results;
- vision, an outstanding strategic and result-oriented view and good business judgement;
- an orientation towards transparency and to discourse with the Board, as well as sharing decisions and strategic proposals with the Directors;
- authoritativeness, strong leadership qualities and executive capabilities, and openness to input and constructive criticism;
- excellent interpersonal skills.

#### *The Chairman of the Management Control Committee*

In addition to meeting the requirements established for all members of the Management Control Committee, should also preferably:

- have significant experience as a Member of Boards of Directors and, ideally, of Management Control Committees or, alternatively, of the Board of Statutory Auditors, or Internal Control Committees and/or Risks Committees, in listed companies or groups that in terms of their size, governance and business complexity, are comparable to those of Intesa Sanpaolo;
- have knowledge of the banking business, and of the regulatory, control and supervisory aspects;
- be a professionally authoritative, highly balanced person, with good leadership skills, pragmatism and judgement capabilities;
- be focused on results, on establishing constructive dialogue with the Chairman of the Board of Directors, with the Managing Director, with the Chairmen of the Board Committees, with colleagues in the Committee and with all the Board Members;
- have management or corporate experience and mindset, in companies of significant size and comparable complexity to Intesa Sanpaolo, or at the head of large consulting companies, providing professional services requiring skills which are relevant for the position to be held; alternatively, academic experience on subjects pertaining to the management control functions and complex skills.

#### 4. SUMMARY OF THE REQUIREMENTS SET FORTH BY THE REGULATIONS AND ARTICLES OF ASSOCIATION FOR THE MEMBERS OF THE BOARD OF DIRECTORS

The Board Members of Intesa Sanpaolo are required to continuously meet the suitability requirements established by the applicable regulations and by the Articles of Association, in order to safeguard the sound and prudent management of the Group, also taking into

account the best corporate governance practices.

Specifically, Directors must meet the professionalism and integrity requirements and comply with the criteria of competence, reputation and fairness and time commitment and the specific limitation of directorships laid down by the current regulations and in any event those established by the CRD IV Directive, for the performance of the role of director of a bank issuing shares listed in regulated markets, and the prohibition of interlocking directorates established by Article 36 of Italian Law Decree 201/2011, converted by Law 214/2011.

Each Director, at the time of acceptance of the candidature, is required to declare that he/she meets the requirements indicated under the provisions of the law and the Articles of Association.

To this end, pending the issue of the new rules on the suitability requirements in implementation of Article 26 of the Consolidated Law on Banking, the Guidelines on the assessment of the suitability of the members of the management body and key function holders – issued by the EBA and the ESMA on 26 September 2017, in implementation of the principles set out in the CRD IV Directive (Directive 36/2013) – as well as the Guide to fit and proper assessments issued by the European Central Bank on 15 May 2017 and last updated in May 2018<sup>8</sup>), are particularly significant.

The Board of Directors and the Management Control Committee, in relation to their members, assess the suitability requirements of the Directors, in accordance with the documents indicated.

## **Requirements of the members of the Board of Directors**

### **✓ *Integrity and reputation and fairness***

The integrity requirements established for management body members and key function holders of banks by the regulations implementing Article 26 of the Consolidated Law on Banking and Article 147-quinquies of the Consolidated Law on Finance in force from time to time (currently contained in Regulation 161/1998) and the equivalent requirements established for the members of the Board of Statutory Auditors of listed companies by Regulation 162/2000, apply to all the members of the Board of Directors.

Subject to the satisfaction of the above requirements, the lack of which results in disqualification from the office held, a number of other factors should also be borne in mind, relating to the reputation and fairness criteria in personal and professional conduct, that ensure the sound and prudent management of the Bank and the Banking Group, and in particular its reputation and trust among the public.

In line with the guidelines of the European Regulatory and Supervisory Authorities:

- for the purposes of the assessment, all factors relating to reputation and fairness should be assessed and taken into account, such as, but not limited to, criminal and administrative proceedings for violations of banking, financial, insurance sector regulations, non-transparent or non-cooperative conduct in relations with Authorities, refusals, revocations, withdrawals or cancellations of registrations, authorisations, enrolments or licences to carry out commercial, business or professional activities;

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<sup>8</sup> The links to the documents mentioned are as follows:

<https://www.esma.europa.eu/document/joint-esma-and-eba-guidelines-assessment-suitability-members-management-body-and-key-0>

[https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.fap\\_guide\\_201705\\_rev\\_201805.en.pdf?a2906bd8d3c469a168b06ce5c6d5dbe5](https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.fap_guide_201705_rev_201805.en.pdf?a2906bd8d3c469a168b06ce5c6d5dbe5)

- a Director is considered to meet the requirements of fairness and good reputation in the absence of evidence suggesting the contrary and in the absence of well-founded doubts on the integrity of the person concerned.

It should also be noted that the candidates must meet the requirements established for management board members and key function holders to allow the Bank and Group Companies to operate as a credit institution or as a financial intermediary in foreign markets and that they can rule out, specifically, relevant disqualification situations in the USA (in relation to the Dodd Frank Act - Title VII and title 7 US Code § 6s).

In light of this composite legal framework, and subject to compliance with the above-mentioned integrity requirements, the Shareholders are invited to verify that candidates for the position of Board Member:

- are not in the situations that can cause suspension from their duties as Director pursuant to Ministerial Decree no. 161 of 18/03/1998;
- have not behaved in a manner which, while not constituting a crime, does not appear compatible with the office of Board Member, or may severely jeopardize the Bank's reputation;
- are not (and have not been in the past) in situations that - also with regard to the business activities and financial situations of the candidates themselves (or of the companies controlled by them, invested in through significant holdings or directed) - may affect (or may have affected) their reputation, even potentially.

### ✓ **Professionalism**

The members of the Board of Directors must meet the professionalism requirements established by the:

- Regulation adopted with Ministerial Decree no. 161 of 18 March 1998 for all the Board Members of banks, gained over at least three years or over a period of five years for the Chairman of the Board of Directors and the Managing Director and CEO;
- provisions of the Bank's Articles of Association, according to which at least four members must be enrolled with the Register of Independent Auditors and must have practised as auditors or acted as a member of a control body of a limited company for at least three years.

Additional requirements are established for the members of the Management Control Committee, as detailed further below.

In addition to the professionalism requirements, the Directors must meet the competence criteria indicated in paragraph 3 above.

When submitting their candidacy, all the candidates for the office of Director are required to prepare and attach their curriculum vitae, detailing their professional skills and knowledge and experience, as indicated above, and the declaration of acceptance of the office in accordance with the standard format adopted by the Bank, from which the following can be gathered with an adequate level of detail:

- training in the relevant areas listed (with details of both the education and the training programmes followed);
- the professional skills acquired through practical experience with details of the positions previously held, specifying the sector of operation and the position held (corporate offices, consulting activities, and employee, with particular regard to the performance of managerial activities), as well as the duration and the size of the entity.



In the event of specific and limited deficiencies, the Board of Directors shall consider the adoption, where appropriate, of the necessary measures, including participation in induction sessions.

✓ **External offices**

The Board Members are required to comply with the provisions of the law and the Articles of Association that govern the assumption of offices in companies other than the Bank.

Under Article 91 of the CRD IV Directive and Article 13.4.1 of the Articles of Association, the members of the Board of Directors can hold at most the following combinations of corporate offices at the same time (including the office in Intesa Sanpaolo):

- a) 1 executive directorship with 2 non-executive offices;
- b) 4 non-executive offices.

For this purpose, in accordance with the EBA/ESMA guidelines, the offices within the same group and the offices in companies in which the Bank holds a qualifying holding are considered to be a single office.

In accordance with the guidance provided by the EBA, the ESMA and the ECB, offices held in organisations which do not primarily pursue business objectives are not relevant to the assessment of the number of offices held. Consequently, the following offices are not included:

- companies set up for the sole purpose of managing the personal economic interests of the Board members and that do not require daily management;
- charitable institutions;
- chambers of commerce, trade unions, and trade associations.

However, any office is still relevant for the purpose of assessing the time commitment to ensure the performance of the office held in the Bank.

There are additional restrictions for the members of the Management Control Committee, as detailed further below.

The Members of the Board of Directors are also required to comply with the provisions on interlocking directorates that prohibit “holders of offices in management, supervisory and control bodies and senior officers of undertakings or groups of undertakings operating in the credit, insurance and financial markets from assuming or performing similar offices in competing undertakings or groups of undertakings” (pursuant to Article 36 of Decree Law No. 201 of 6 December 2011, converted with amendments by Law No. 214 of 22 December 2011).

At the time of their appointment and of the annual assessment, the directors must disclose the offices held in companies or entities outside the Bank, with details of the role held in them.

The Board invites the Shareholders, when selecting the candidates to be presented, to ensure that those candidates comply with the limitations on the assumption of external offices and are actually able to devote sufficient time to the fulfilment of their duties, taking into account the nature and quality of the commitment required, and the other positions held in companies or entities, as well as other commitments or occupational activities carried out. Any holders of offices in the management, supervisory or control bodies in competing companies or groups of operating in the credit, insurance and financial markets should also be notified that they will have to commit, as from the acceptance of their candidacy, to giving up the above-mentioned offices upon their appointment or to certify that the positions held do not give rise to situations of incompatibility, stating the reasons for this in detail.

✓ ***Incompatibility and other relevant situations***

Reference should be made to the content of the further causes of incompatibility envisaged by the current legislation (for example: Article 4, paragraph 2 bis, of Legislative Decree 153/1999, the system of incompatibility envisaged by the regulations on public-sector employment, etc.).

The slates to be submitted for the election of the new Board of Directors should contain candidates for whom the absence of the causes of incompatibility established by law has been verified in advance.

✓ ***Independence pursuant to the Articles of Association***

According to the Articles of Association, the Bank must have at least two thirds of independent directors, among which also all of the 5 members of the Management Control Committee, the majority of the members and the Chairmen of the Board Committees and all the members of the Committee for Transactions with Related Parties.

To this end, Article 13.4.3 of the Bank's Articles of Association adopts a definition of qualified independence, resulting from the combination of the provisions of Article 148 of the Consolidated Law on Finance and the application criteria contained in Article 3 of the Corporate Governance Code promoted by Borsa Italiana S.p.A.

The Articles of Association state that, if the application of this rule does not result in a whole number, the requirement shall be referred to a number of Directors rounded up to the next higher unit. In the case of a Board of 19 members, at least 14 independent directors must therefore be appointed.

To this end, the Articles of Association establish that each slate containing a number of candidates equal to or greater than 3 must include a number of candidates meeting the independence requirements established in Article 13.4 of the Articles of Association which is at least equal to or greater than two thirds of the candidates indicated in the slates.

This independence requirement necessitates a verification extended to the relationships currently held or held in the recent past with the Group or with certain shareholders, directors or auditors.

To this end, the Board of Directors also assesses any financial, professional and commercial relations with the Intesa Sanpaolo Group.

✓ ***Independence of mind***

All the Board Members must be able to make sound, objective and independent decisions (i.e., act with independence of mind). To this end, any situations of conflict of interest may be relevant.

The European Central Bank has provided indications in this regard in its Guide to the requirements, regarding current or past personal, professional, financial or political relationships.

The presence of a conflict of interest does not necessarily mean that the nominated member cannot be considered suitable. However, he/she will be considered unsuitable when the conflict of interest poses a material risk and the conflict of interest cannot be prevented, mitigated or suitably managed on the basis of the bank's policies.

Subject to the cases of incompatibility envisaged by the applicable regulations, in order to fully preserve the independence of mind of the members of the Board of Directors, it is recommended that:

- at the time of appointment, the candidates are not in personal or financial situations that could create conflicts of interest and could, even potentially, hinder the independence of mind of the Directors;
- the candidates have not held, at the time of their appointment and in the two years prior to their appointment, professional offices or positions of high political influence that could hinder or prevent them from acting in the interest of the Company.

✓ ***Gender diversity***

Pursuant to the Articles of Association, at least one third of the Directors must be reserved for the less-represented gender, subject to any legal provisions to the contrary. If this ratio is not a whole number, it is rounded up to the next higher unit.

To this end, the Articles of Association establish that each slate containing a number of candidates equal to or greater than 3 should be composed in such a way as to ensure the gender balance required by the applicable regulations.

**Specific requirements for the Management Control Committee members**

All the members of the Management Control Committee must meet the specific integrity, professionalism and independence requirements established by the laws and implementing regulations (MD 162/2000 and MD 161/1998) and must comply with the limitation of directorships imposed by the regulations for a bank issuing shares listed in regulated markets.

The Articles of Association also require the Members of the Committee to meet the additional requirements established in Article 13.5. In particular, all the members must be independent, according to the definition adopted by the Articles of Association and meet the specific professionalism requirements established in Article 13.5.3. Moreover, at least three of them must be enrolled with the Register of Independent Auditors and have practised as auditors or have had control functions in limited companies for a period of at least three years.

Lastly, the Directors appointed to the Committee must ensure compliance with the limitation of directorships specifically detailed for them in Articles 13.5.4 and 13.5.5.

Turin/Milan, 26 February 2019

For the Board of Directors  
The Chairman – Gian Maria Gros-Pietro