

One Bank, One Team, One UniCredit.

Name of Issuer:

UniCredit S.p.A.

Website: www.unicreditgroup.eu

Reference Period:

January 1, 2019/December 31, 2019

Report approved on:

March 5, 2020

2019

Report on Corporate Governance and Ownership Structure

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

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Glossary

Banca d'Italia

The Italian Republic's central bank, it is part of the Eurosystem, comprising the European Central Bank and the national central banks of European Union States that have adopted the Euro

Circular no. 285/2013

Circular no. 285, dated December 17, 2013 and issued by Banca d'Italia, regarding prudential Supervisory Regulations for banks and banking groups, as subsequently amended

CONSOB Regulations on related-parties

The regulation on transactions with related parties by companies that make use of the risk capital market directly or via subsidiaries, adopted by CONSOB in Resolution no. 17221, dated March 12, 2010, as subsequently amended

Corporate Governance Code, or the 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 – the version as updated in July 2018

Bank (also, the Holding Company or Company)

UniCredit S.p.A.

CONSOB

Commissione Nazionale per le Società e la Borsa, the Italian Supervisory Authority that oversees transparency and correctness in conduct on Italian financial markets

Consolidated Law on Banking, or the TUB

Legislative Decree no. 385, dated September 1, 1993, as subsequently amended

CRD IV

Capital Requirements Directive IV, the European Parliament and Council's Directive 2013/36/EU, dated June 26, 2013, regarding access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended under Directive 2019/878/EU of May 20, 2019

Circular no. 263/2006

The "New Prudential Supervisory Regulations" for banks and banking groups contained in Banca d'Italia Circular no. 263, dated December 27, 2006, as subsequently amended

CONSOB Issuers' Rules

Regulation implementing the Italian Consolidated Law on Finance governing issuers, adopted by CONSOB through Resolution no. 11971, dated May 14, 1999, as subsequently amended

Consolidated Law on Finance, or the TUF

Legislative Decree no. 58, dated February 24, 1998, as subsequently amended

European Central Bank (ECB)

The central bank of the nineteen European Union Member States that adopted the Euro

Financial year to which the Report refers (also Reference Period or Period)	Group Remuneration Policy and Report	Italian Civil Code
January 1, 2019/December 1, 2019	The Group Remuneration Policy and Report, drawn up in accordance with Section 123/ter of the TUF, Section 84/quater of the CONSOB Issuers' Rules (as amended by Resolution no. 18214, dated May 9, 2012) and with Supervisory Provisions on remuneration	Royal Decree no. 262, dated March 16, 1942, as subsequently amended
	Legislative Decree no. 231/2001	Manager in Charge
Legislative Decree no. 231, dated June 8, 2001, containing the framework that governs the administrative responsibility of legal persons, companies and associations, with or without legal liability, as subsequently amended	The Manager charged with preparing the company's financial reports (pursuant to Section 154/bis of the Consolidated Law on Finance)	Report
		This "Report on corporate governance and ownership structure", referring to the 2019 financial year, made available on the Company's website
Supervisory Authority	Supervisory Regulations on corporate governance	Supervisory Regulations on remuneration
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	Provisions on banks' corporate governance, laid down in Circular no. 285, dated December 17, 2013 (Part I, Title IV, Chapter 1)	Provisions regarding remuneration and incentive policies and practices at banks and banking groups, as laid down in Circular no. 285, dated December 17, 2013 (Part I, Title IV, Chapter 2)
UniCredit website		
The Company's website, www.unicreditgroup.eu		

Issuer profile

Foreword

The overall corporate governance framework of UniCredit S.p.A. has been defined in compliance with current national and European provisions, as well as the recommendations contained in the Italian Corporate Governance Code.

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

As an issuer of shares that are also listed on the Frankfurt and Warsaw regulated markets, UniCredit also fulfils legal and regulatory obligations related to listings on said markets, as well as provisions on corporate governance stipulated under the Polish Corporate Governance Code issued by the Warsaw Stock Exchange.

The Corporate Governance Code

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

Since 2001, UniCredit has adopted the Code, which is publicly available on the Corporate Governance Committee website (<https://www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.en.htm>).

In particular, the Code assigns the Corporate Governance Committee the task of monitoring the level of compliance with its provisions by the company with listed shares that has adopted said Code.

Any possible area of improvement for listed companies governance is highlighted in the annual Report on compliance with the Code, and disclosed to the companies concerned. This practice is intended to encourage increasingly effective adoption of Code recommendations, and to promote an ongoing development of corporate governance at all Italian listed companies, regardless of whether companies have formally adopted the Code or not.

The areas of improvement identified in the last letter sent by the Chairwoman of the Corporate Governance Committee, dated December 19, 2019, focused on:

- sustainability in both a general and strategic sense for the company's business;
- quality of the information provided to the Board of Directors;
- quality of the independence assessments;
- adequacy of compensation for non-executive Directors and members of the controlling body, especially at SMEs.

The issued recommendations were submitted to the attention of the Corporate Governance, Nomination and Sustainability Committee (at its meetings held on January 29 and February 26, 2020), to the Remuneration Committee (at its meetings held on January 13 and March 4, 2020), to the Board of Directors (at its meetings held on January 14, February 5, and March 5, 2020), as well as to the Board of Statutory Auditors (at its meeting held on February 11, 2020).

On this topic, it should be noted that all of the above highlighted critical areas have already been subject to in-depth attention and discussion by the Board and its Committees oriented towards strengthening the Company's corporate practices and meeting the market's growing expectations.

As regards sustainability in both a general and strategic sense for the company's business, in 2019 the Top Management and the Bank's Sustainability & Foundations structure have been working with the Corporate Governance, Nomination and Sustainability Committee to integrate sustainability goals into the Group business strategies, being sustainability a critical component of the Bank's success in the medium-term. In this regard, it should be noted that UniCredit carried out several initiatives in the 3 areas (namely "Customer First", "Positive impact on society" and "Ethics and Respect") where integrating Environmental, Social and Governance factors, and great effort has been done in revamping the external communication to improve the visibility of the Bank's initiatives. Also internally, a strong communication campaign has been developed to promote, in particular, the ethical Group Principles designed to guide all UniCredit employees in their decision-making and behaviour towards all stakeholders in their day-to-day activities.

As regards the quality of the information provided to the board of directors, there could be still room for improvement referring to the information's timeliness. In this regard it should be noted that, via an *ad hoc* amendment to the Corporate Bodies and Committees' Regulation, UniCredit adopted an approach in line with the best practices, for which information is provided at least three working days prior to meetings with the possibility of waiving this requirement only in the event of emergencies. Therefore, the issue of confidentiality is managed by adopting adequate procedures which allow to track the access and avert the risk of accidental disclosure, without compromising information completeness and usability.

With reference to the quality of the independence assessments, it should be noted that, in abidance to the assessment criteria identified by the Company for an overall evaluation of both objective and subjective aspects, from several years UniCredit deploys a structured process for gathering and analyzing the information on the existence of direct or indirect relationships (credit, business/professional and employee relationships, as well as significant offices held) that Directors and other connected subjects may have with UniCredit and Group companies. Such criteria are disclosed to the market also via the annual corporate governance report together with the Board of Statutory Auditors' outcomes on the proper application of both assessment criteria and procedures.

Issuer profile

Lastly, with reference to the adequacy of compensation for non-executive directors and members of the controlling body, and more specifically to the integration of sustainability into the remuneration policies and the criteria used for defining the compensation, no critical elements emerged, considering that UniCredit remuneration and incentives policies are already compliant with the recommendations from the Corporate Governance Committee.

Nonetheless, it has been pointed out that there could be still room for improvement regarding the attractiveness - also in view of the time commitment called for by UniCredit - of remuneration for non-executive directors and members of the controlling body versus that offered by other international companies of a comparable size to UniCredit and operating in similar sectors.

In view of the above, on the whole no criticalities emerged with reference to the areas of improvement highlighted in the letter of the Corporate Governance Committee, considering the good quality of the UniCredit corporate governance that is already compliant with the recommendations outlined in the letter.

* * *

To ensure the ongoing consistency of the Code's recommendations against a backdrop of a changing market and investor expectations, in 2019 the Corporate Governance Committee launched a review of the Code, approved in its final version in January 2020. The adoption of this new version will come into force starting with the 2021 financial year. Information on its implementation shall be included in corporate governance reports published from 2022.

The Report on corporate governance and ownership structure

On an annual basis, UniCredit draws up this Report for its shareholders, institutional and non-institutional investors, and the market. The Report conveys appropriate information about the UniCredit in-house corporate governance system.

Consistent with applicable legal and regulatory obligations, and in line with the Code's provisions, in its version as updated as at July 2018, this UniCredit Report on corporate governance and ownership structure was drafted in accordance with Section 123/bis of the TUF.

The Report approved by the Company's Board of Directors at its March 5, 2020 meeting is disclosed at the same time as the Report on Operations via the UniCredit website¹ and on the website of the authorised "eMarket STORAGE" storage mechanism managed by Spafid Connect S.p.A. (www.emarketstorage.com).

Unless otherwise specified, the information contained in this Report refers to the date of its approval by the Board of Directors.

¹ The UniCredit website address where the Report on corporate governance and ownership structure is available is: <https://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html>

The Report was submitted to independent audit firm Deloitte & Touche S.p.A. for its audit and its issue of an opinion on the consistency of certain information included in the Report itself with the financial statements, as well as their compliance with the legal provisions pursuant to Section 14, sub-section 2, letter e), of Legislative Decree no. 39/2010 (as last amended by Legislative Decree no. 135/2016) and Section 123-*bis*, sub-section 4, of the TUF. The results of the audit firm's activities are outlined in its reports attached to the 2019 UniCredit separate and consolidated financial statements.

It should further be noted that the Report on Operations in the Consolidated Reports and Accounts contains a section entitled "Corporate Governance", in which the UniCredit corporate governance system is briefly described.

Profile and structure

UniCredit S.p.A. is a company whose shares are listed on the Milan, Frankfurt and Warsaw regulated markets. As a bank, parent company of the UniCredit banking Group, pursuant to the provisions of Section 61 of the TUB, in addition to banking activities, it carries out 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 following of the Italian Civil Code with reference to 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.

The UniCredit organisation² reflects an organisational and business model which maintains a divisional structure for the governance of Commercial Banking Western Europe and Commercial Banking Central Eastern Europe, as well as Corporate Investment Banking business/products, and global control over the Chief Operating Office Area and Finance and Controls Area, while ensuring the autonomy of its Countries/Banks over specific activities in order to ensure increased proximity to the client and more efficient decision-making processes.

Shareholder structure

As at December 31, 2019, UniCredit share capital amounted to Euro 20,994,799,961.81, divided into 2,233,376,842 ordinary shares of no nominal value. The ordinary shares are issued in a dematerialised form, and are indivisible as well as freely transferable.

² The UniCredit website address where the Company's organisation structure is available is:
<https://www.unicreditgroup.eu/en/unicredit-at-a-glance/organizational-structure.html>

Issuer profile

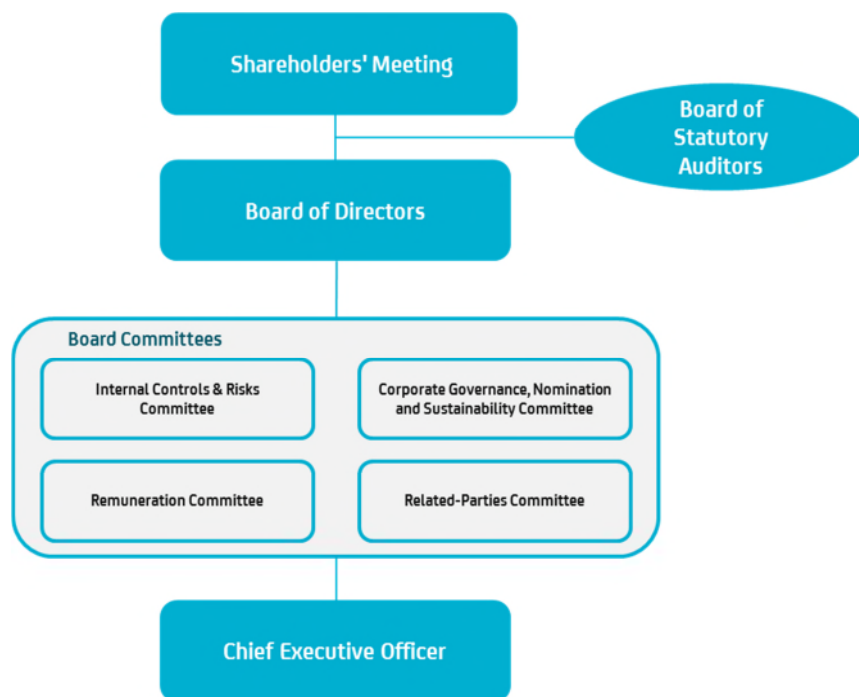
As at December 31, 2019, shareholders were about 287,000; 90.5% of its ordinary share capital appeared to be owned by legal persons, and the remaining 9.5% by physical persons³.

Corporate governance model

UniCredit has adopted a so-called “traditional” management and control system based on the existence of two corporate bodies appointed by the Shareholders’ Meeting: a Board of Directors, which is in charge of the strategic supervision and management of the concern, and a Board of Statutory Auditors, which is responsible for the supervision of management. In accordance with current provisions, legal accounting supervision is entrusted by the Shareholders’ Meeting to an external audit firm, on proposal of the Board of Statutory Auditors.

Traditional system

UniCredit believes that this governance model has proven itself to be suited 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 global banking group like the UniCredit Group.



³ The above UniCredit shareholders’ composition stems from analyses relying on heterogeneous sources, such as the shareholders’ register, participation to Shareholders’ 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, albeit with different constitutive and resolving quorum depending on the specific topics on the Agenda.

In ordinary session, the Shareholders' Meeting approves *inter alia* the financial statements and the resolution on allocation of net profits, the appointment of Directors and Statutory Auditors, and the assignment of the mandate for external auditing to an audit firm, resolving on the connected fees. Furthermore, it resolves on the remuneration and incentive policies and practices provided for under current provisions, and on criteria to determine compensation to be granted in the event of early termination of employment or early retirement from office.

Ordinary Shareholders' Meeting

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

Extraordinary Shareholders' Meeting

Holders of voting rights about whom the Company has received notification from the broker holding their accounts by the deadline stated under current provisions (i.e. the "record date", which is seven market trading days prior to the date set 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 UniCredit Board of Directors may be comprised of between a minimum of nine and to a maximum of twenty-four members. As at March 5, 2020, the number of Directors is fourteen, and their term of office shall expire on the date of the Shareholders' Meeting called upon to approve the 2020 financial statements.

Number of members

At the date of the Report's approval, 36% of the Board members are Directors from the less-represented gender, and 29% come from countries other than Italy.

Gender diversity

Board members shall be appointed on the basis of a proportional representation mechanism ("*voto di lista*"). Legitimate parties entitled to submit slates are the Board of Directors and shareholders who individually or collectively with others represent at least 0.5% of share capital in the form of shares with voting rights at an ordinary Shareholders' Meetings.

Appointment process

The UniCredit Articles of Association envisage that, regardless of the total number of Board members, two Directors shall be appointed from the second slate receiving the highest votes, without any connection with the shareholders who, jointly or severally, filed or voted for the slate that came first by number of votes, to ensure that the minority shareholders has a greater presence on the Board of Directors.

In the appointment process, shareholders are invited to take into account the qualitative and quantitative composition that the Board has deemed optimal for the effective completion of the duties and responsibilities vested in the body with supervisory functions by law, by the Supervisory Provisions and by the UniCredit Articles of Association, according to current national and European provisions applicable on such

Qualitative and quantitative composition

Issuer profile

topics also as concerning time commitments and the limits upon the maximum number of offices UniCredit Directors may hold.

Board members comply with the professional experience, integrity and independence requirements envisaged under current provisions, also of a regulatory nature, and under 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 by the Board itself.

CEO

The Board of Directors' function and competencies are set out in the UniCredit Corporate Bodies and Committees Regulation⁴.

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

Board Committees

Also in line with the provisions of the Corporate Governance Code, the Board of Directors has established four Committees, vested with research, advisory and proposal-making powers diversified by sector of competence: Internal Controls & Risks Committee, Corporate Governance, Nomination and Sustainability Committee, Remuneration Committee and Related-Parties Committee. Their duties are undertaken based on terms of reference and procedures set forth by the Board.

The Board Committees' composition, functions and competencies are set out in the UniCredit Corporate Bodies and Committees Regulation.

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 four substitute Statutory Auditors. As at March 5, 2020, the Board of Statutory Auditors is comprised of five permanent members. Their term of office expires on the date of the Shareholders' Meeting called to approve the 2021 financial statements.

Auditors' appointment

Board of Statutory Auditors' members shall be appointed on the basis of a proportional representation mechanism ("voto di lista"). The legitimate parties entitled to submit slates are shareholders who individually or collectively with others represent at least 0.5% of share capital in the form of shares with voting rights at an ordinary Shareholders' Meetings.

⁴ The UniCredit website address where the Corporate Bodies and Committees Regulation is available is: <https://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html>

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

Auditors appointed by minorities

In the process for renewing the Board of Statutory Auditors for the 2019-2021 financial years, in agreement with the outgoing Board of Statutory Auditors, the UniCredit Board of Directors considered it useful to draw the shareholders' attention to the main rules regarding the control body's composition, and at the same time provide an optimal theoretical profile for Statutory Auditors at UniCredit in order to facilitate the best choice of candidates to be presented to the Shareholders' Meeting convened for its renewal. This was essentially due to the increasing complexity of national and European provisions concerning bank corporate officers' requirements.

Auditors' Profile

At the date of the Report's approval, 40% of the Board of Statutory Auditors members are Auditors from the less-represented gender.

Gender diversity

The members of Board of Statutory Auditors in office are members of official Rolls of Auditors and meet the professional experience, integrity and independence requirements envisaged under current laws and regulatory provisions.

Requirements

The Board of Statutory Auditors' function and competencies are set out in the UniCredit Corporate Bodies and Committees Regulation.

For more information on the Board of Statutory Auditors, please see Sections nos. 10 and 11

Diversity Policies

When formulating its recommendations on the composition of the Board and its Committees, in the run-up to renewal of the Board of Directors for the 2018-2020 financial years, UniCredit recommended that its shareholders file slates of candidates in which at least one-third of candidates were drawn from the least-represented gender, in line with the relevant provisions.

Directors' gender

It should be noted that UniCredit already voluntarily recommended that its shareholders spontaneously abide by the above provisions on gender balance in its 2015 qualitative-quantitative profile.

On the topic of diversity, when formulating the above-mentioned recommendations for renewal of the Board of Directors for the 2018-2020 financial years, UniCredit, *inter alia*, took the following factors into account: i) the international nature of the UniCredit Group, which suggests that proper consideration should be given to the presence of Directors with an international training and professional experience (regardless of nationality), ii) the presence of members having the theoretical and practical expertise and experience that allow also them to understand the Company's activities and main risks as well as iii) different age. Furthermore, some areas of competence have been selected, with the recommendation that candidates shall preferably have two or more of them.

Training, professional experience, age

Issuer profile

Compliance with the diversity composition requirements stated in the 2018 qualitative-quantitative profile were checked by the Board at the end of the Directors' appointment process as well as in the event of any other change in the body's composition. Directors' personal qualities, as well as age and gender diversity (the female component is above the quota established under the applicable provisions) fully comply with the principles in the theoretical profile. Furthermore, with reference to professional expertise accrued in the areas of competence envisaged under the profile, all of the areas of competence were represented on the Board and the experience gained by all Directors is in line with the requirements provided for under the profile, considering that they possess good understanding of and experience in more than two of the required areas of competence.

The Board of Statutory Auditors' composition also ensures the gender balance envisaged under the applicable provisions. Compliance with this requirement was achieved both during the appointment process to the body, and in the event of other changes to its composition.

Auditors' gender

In this regard, it should further be noted that in the run-up to the Board of Statutory Auditors' renewal for the 2019-2021 financial years, even though there is no specific provision requiring the identification of the qualitative and quantitative composition deemed to be optimal even for the control body, in accordance with the outgoing Board of Statutory Auditors, on February 19, 2019, the UniCredit Board of Directors made available to Company shareholders a theoretical profile for the Statutory Auditors in order to facilitate the best choice of candidates to be presented to the 2019 Shareholders' Meeting.

When formulating its recommendations on the composition of the Board of Statutory Auditors, UniCredit recommended that its shareholders file slates of candidates made up in order to ensure the presence of at least one-third of its members from the least-represented gender, in line with applicable provisions. Furthermore, on the topic of diversity, when formulating the above-mentioned recommendations UniCredit, *inter alia*, took the following factors into account: i) the presence of Auditors with a balanced mix of training and professional experience, ii) the presence of members having the expertise and experience to enable the control body to understand the business areas and risk exposures of the UniCredit Group, as well as iii) different age. Furthermore, some areas of competence were selected, with the recommendation that candidates preferably possess two or more of them.

Training, professional experience, age

Compliance with the diversity composition requirements stated in the profile was checked by the Board of Directors and the Board of Statutory Auditors at the end of the Statutory Auditors' appointment process. The Statutory Auditors' personal qualities and gender diversity (the female component is above the quota established under the applicable provisions) comply with the principles in the theoretical profile. The body's composition ensured a balanced mix of profiles and experiences (legal auditing of accounts, control activities in the banking sector and/or at listed companies; professional activities in fields relating to the banking, financial and securities industries; teaching, at university level, on subjects in the field of banking operations, business economics, accountancy, and management of securities markets); all Statutory Auditors possessed more than three of the areas of competence envisaged under the profile.

Moreover, it should be noted that in UniCredit there is an active and permanent induction program for the Board members, also for the benefit of the Board of Statutory Auditors members, consisting, *inter alia*, of recurring trainings sessions to preserve over time the expertise needed for the proper fulfilment of their duties.

With regard to the issue of gender balance, throughout the whole organization and Group, UniCredit has adopted specific guidelines concerning all processes and practices regarding selection and internal appointments, professional development, remuneration, work/life balance, as well as information and training. [Gender at UniCredit](#)

Moreover, in 2018 UniCredit became a signatory to the UK's HM Treasury Women in Finance Charter, to pledge its full support to helping improve gender diversity in the financial services sector worldwide.

* * *

For further information on the UniCredit corporate governance structure, in addition to the specific Sections contained in this Report, please see the Company's website where such information is available alongside information of an economic and financial nature, data, and documents of interest to shareholders in general.

Information on the ownership structure

2.1 Share capital structure

As at December 31, 2019, the UniCredit fully subscribed and paid-up share capital amounted to Euro 20,994,799,961.81, divided into 2,233,376,842 ordinary shares of no nominal value.

UniCredit 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 in any event offer the same rights.

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

As at March 5, 2020, the UniCredit fully subscribed and paid-up share capital amounts to Euro 20,994,799,961.81, divided into 2,233,376,842 ordinary shares of no nominal value.

Rights and obligations

Each **ordinary share** entitles holders to 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.

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

Other financial instruments granting the right to subscribe new shares

	Listed /not listed	Number of outstanding instruments	Category of shares serving the conversion/exercise	Number of shares serving the conversion/exercise
Convertible bonds	=	=	=	=
Warrant	Not listed	9,239,200	Ordinary shares	330,187

Since 2000, UniCredit has set up equity-based incentive plans for Top Management (also including the CEO and 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. Regarding this, please refer to "Part I) – Share-based payments" in the notes to the consolidated financial statements⁵, to the information documents⁶ prepared in compliance with Section 84/*bis* of the CONSOB Issuers' Rules, and to the Group Remuneration Policy and Report⁷ prepared in compliance with Section 123/*ter* of the TUF and Section 84/*quater* of the CONSOB Issuers' Rules.

⁵ The UniCredit website address where the Company financial statement is available is:

<https://www.unicreditgroup.eu/en/investors/financial-reports.html>

⁶ The UniCredit website address where the information documents are available is:

<https://www.unicreditgroup.eu/en/governance/compensation/incentive-systems.html>

⁷ The UniCredit website address where the Group Remuneration Policy and Report is available is:

<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>

It should further be noted that with regard to the capital increase approved by the Extraordinary Shareholders' Meeting of UniCredit S.p.A. on November 14, 2008, 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. were used to service the issue of and underlie *Convertible and Subordinated Hybrid Equity-linked Securities* ("Cashes") financial instruments. These Cashes were subscribed in full by institutional investors. Mediobanca gave the right of usufruct over such shares to UniCredit, maintaining bare ownership (ownership deprived of the rights to which the usufruct rights holder is entitled) of the shares. As a result of reverse-split transactions on these shares conducted in December 2011 and January 2017, at the date of the Report's approval the number of the aforesaid ordinary shares is equal to 9,675,640.

2.2 Restrictions on stock transfers

At the date of the Report's approval, there are no restrictions on stock transfers, taking into account the 9,675,640 ordinary shares used to service the Cashes of which Mediobanca holds bare ownership (see the previous section on *Share capital structure*).

2.3 Relevant equity holdings

On the basis of the contents of the Shareholders Register, supplemented by communications received in accordance with Section 120 of the TUF and other information available to the Company, direct and indirect relevant equity holdings as at December 31, 2019 are stated below.

According to notifications received pursuant to current provisions, the shareholders listed below hold significant shareholdings (more than 3%), and do not qualify for disclosure exemptions (Section 119/*bis* of CONSOB Rule no. 11971/99).

Declarant	Direct Shareholder	% of ordinary capital	% of voting capital
BlackRock Inc.		5.084%	5.084%
	<i>BlackRock Institutional Trust Company, Na</i>	1.327%	1.327%
	<i>BlackRock Fund Advisors</i>	1.205%	1.205%
	<i>BlackRock Advisors (UK) Ltd</i>	0.623%	0.623%
	<i>BlackRock Advisors, LLC</i>	0.535%	0.535%
	<i>BlackRock Investment Management, LLC</i>	0.513%	0.513%
	<i>BlackRock Asset Management Deutschland Ag</i>	0.454%	0.454%
	<i>BlackRock Investment Management (UK) Ltd</i>	0.253%	0.253%
	<i>BlackRock Asset Management Canada Ltd</i>	0,066%	0,066%

Information on the ownership structure

	<i>BlackRock Investment Management (Australia) Ltd</i>	<i>0.042%</i>	<i>0.042%</i>
	<i>BlackRock Financial Management, Inc.</i>	<i>0.025%</i>	<i>0.025%</i>
	<i>BlackRock Japan Co. Ltd</i>	<i>0.023%</i>	<i>0.023%</i>
	<i>BlackRock (Netherlands) B.V.</i>	<i>0.012%</i>	<i>0.012%</i>
	<i>BlackRock (Singapore) Ltd</i>	<i>0.003%</i>	<i>0.003%</i>
	<i>BlackRock International Ltd</i>	<i>0.002%</i>	<i>0.002%</i>
	<i>BlackRock Asset Management North Asia Ltd</i>	<i>0.001%</i>	<i>0.001%</i>
Dodge & Cox	Dodge & Cox	5.002%	5.002%

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

2.4 Restrictions on voting rights

At the date of the Report's approval, there is no limitation on the exercise of voting rights.

At the date of the Report's approval, the voting rights of the 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 party granted a usufruct right to UniCredit, are suspended (see the previous section on *Share capital structure*).

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

2.5 Changes to control clauses and by-laws provisions on public purchase offers

UniCredit S.p.A. is not a Company controlled by any shareholder or subject to any shareholder agreement, as provided for under Italian law.

No UniCredit subsidiaries executed agreements that may 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 under 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 under 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 free share capital increases, with the exclusion of option rights, 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.

The UniCredit Shareholders' Meeting held on April 11, 2019, resolved an authorisation to purchase and dispose of treasury shares so that, also taking into account market trends and the strategy the Company intends to pursue, the Board could start the procedure aimed at achieving a revocation from trading of the UniCredit shares acquired on the Warsaw Stock Exchange and registered with the Polish National Depository of Securities, in accordance with the resolution taken on September 2017 concerning a strengthening of corporate governance.

At the end of the financial year to which this Report refers, the amount of own shares held was equal to 4,760.

In its meeting held on February 5, 2020, the Board of Directors resolved to submit to the Shareholders' Meeting convened for approval of the 2019 financial statements an authorisation to purchase treasury shares, and their following cancellation, to be carried out with no reduction in nominal value of the share capital, as part of the activities envisaged under the 2020-2023 Strategic Plan (Team 23) aimed, *inter alia*, at increasing remuneration in favour of the Company's shareholders.

Shareholders' Meetings

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 for which it is responsible pursuant to current laws and the Articles of Association. 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 on single call in accordance with the provisions of law. However, in order to maintain adequate organisational flexibility, the Articles of Association retain the option for the Board to issue more than one call for single meetings.

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

By the deadline for publication of the Shareholders' Meeting call notice provided for each item on the Agenda – or by any other deadlines envisaged under 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, according to the cases, methods, terms and conditions outlined in the current provisions, be exercised by shareholders who individually or jointly represent at least 0.50% of 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 shall take place at the Company's Registered Office in Milan or at another location in Italy, as indicated in the Meeting call notice. The Meeting resolves with the majorities envisaged under current laws.

The Articles of Association do not provide for particular quorum. Relevant legal and regulatory provisions must be complied with in order for a Shareholders' Meeting and the resolutions it takes, to be valid.

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

- changes made to the Articles of Association to comply with legal requirements;
- merger through incorporation of companies in situations envisaged under Articles 2505 and 2505/*bis* of the Italian Civil Code;
- de-merger of companies in situations envisaged under Article 2506/*ter* of the Italian Civil Code;
- the reduction of share capital in the event of a shareholder withdrawing;
- decisions on 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 current provisions issued by Banca d'Italia concerning the remuneration and incentive policies and practices for banks and banking groups, in addition to establishing the compensation payable to the corporate bodies appointed by the Shareholders' Meeting, in its ordinary session the Shareholders' Meeting approves: (i) remuneration and incentive policies for members of the supervisory, management and controlling bodies, as well as for remaining employees; (ii) equity-based compensation schemes; (iii) the criteria for determining 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, during approval of remuneration and incentive policies, the Ordinary Shareholders' Meeting may exercise the faculty to determine a ratio of variable-to-fixed remuneration for employees higher than 1:1, but in any case not exceeding a ratio of 2:1. In

accordance with Section 123/ter of the TUF, the Shareholders' Meeting resolves on the Group Remuneration Policy and Report, explaining, *inter alia*, the Company's policy on the remuneration of Board of Directors members, the General Manager (when appointed), executives with strategic responsibilities and, without prejudice to the provisions set forth by Article 2402 of the Italian Civil Code, Board of Statutory Auditors members, as well as the procedures used to adopt and implement this policy.

The Shareholders' Meeting is informed about the ways in which the Remuneration Committee may exercise its functions and on the activities it has carried out via the "Group Remuneration Policy and Report".

Legitimation, how to attend and voting rights

Pursuant to current provisions, the holders of voting rights from whom the Company has received notification through the broker holding their accounts by the deadline established by law are entitled to attend the Shareholders' Meeting. Shareholders who hold voting rights may arrange to be represented at the Shareholders' Meeting via proxy.

The UniCredit Articles of Association provide an option for voting rights holders to participate remotely at Shareholder's Meetings via means of telecommunications, and to exercise their voting rights using electronic methods, referring the decision to activate such instruments to the Board of Directors on a single meeting basis.

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 relevant items so as to enable shareholders to take informed decisions on matters within their sphere of competence, in particular by ensuring that Directors' Reports and any additional information has been supplied within the time frame established by law and by regulatory provisions in force.

Shareholders' Meetings conduct

Since 1998 the Shareholders' Meeting has adopted rules oriented towards ensuring the orderly and effective conduct of ordinary and extraordinary meetings. The Regulations governing general meetings, most recently approved in April 2018, may be consulted online at the UniCredit S.p.A. website under the *Governance/Shareholders' Meeting Section*⁸.

Clause 7 of the Regulations on general meetings state that those entitled to attend the Shareholders' Meeting are entitled to take the floor in respect of each of items presented for discussion. Shareholders intending to exercise this right must ask the Chairman for permission, via the Notary or the Secretary, providing the Chair with a written request containing details of the issue or the issues to which the request refers to, up until he declares discussions regarding the issue or the issues the request to take the floor refers to are closed. The Chairman usually allows persons to take the floor as per the chronological order in which they have submitted their requests. The Chairman may moreover authorise the submission of requests to take the floor by a show of hands.

* * *

⁸ The UniCredit website address where the Regulations governing general meetings are available is:

<http://www.unicreditgroup.eu/en/governance/shareholders-meeting/meeting-regulations.html>

Shareholders' Meetings

In 2019, the UniCredit market capitalisation increased by ca. 7 billion, reaching 29.5 bn. In a broadly positive trend for the European banking sector, the UniCredit stock price performance was +33.24%, outperforming (+24.65%) the sector benchmark (the performance of SX7P index, comprising the 600 largest banks in Europe, was +8.59% over the Period).

Moving on to changes that affected the shareholder structure, during 2019, taking into account the threshold of market disclosure obligations that qualify as relevant shareholdings (Legislative Decree no. 25/2016), BlackRock Inc. and Dodge & Cox have passed the 5% threshold.

No proposals were put to the Shareholders' Meeting to amend the Articles of Association in regard to the percentages set for exercising rights and prerogatives to safeguard minorities.

Board of Directors

4.1 Appointment and replacement

In accordance with current legal and regulatory provisions, UniCredit Directors are appointed on the basis of a proportional representation mechanism (“*voto di lista*”) in compliance with composition criteria concerning, *inter alia*, minority and independent Directors, and gender balance (for more on this, please see the procedures specified in Clause 20 of the Articles of Association, available for consultation on the UniCredit website⁹).

The legitimate parties who are entitled to submit slates are the Board of Directors and shareholders who individually or collectively with others represent at least 0.5% of share capital in the form of shares with voting rights at the ordinary Shareholders’ Meetings. Each party entitled to file a slate of candidates may submit or contribute to the submission of just one slate (including via proxies or trustee companies). Shareholders belonging to the same group or shareholders who are parties to a shareholders’ agreement concerning UniCredit shares may not submit more than one slate (including via proxies or trustee companies). Candidates must be included in one slate only, under penalty of ineligibility.

The UniCredit Articles of Association envisage that, regardless of the total number of the Board members, two Directors shall be appointed from the second 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, to ensure to the minority shareholders a greater presence on the Board of Directors.

In compliance with the provisions of Section 147/*ter* of the TUF, UniCredit has established that slates of candidates for the position of Director should be filed at the Registered Office in Milan no later than the twenty-fifth day prior to the date of the Shareholders’ Meeting called to resolve the appointment of members to the Board. Slates must be made publicly available at the Registered Office, on the Company’s website and via other channels provided for under prevailing laws, at least twenty-one days prior to the date of the Shareholders’ Meeting. As regards the minimum percentage of share capital needed to submit a slate, Clause 20, sub-section 6, of the Articles of Association specifies that the amount is 0.5% of the share capital in the form of shares with voting rights at an ordinary Shareholders’ Meetings, consistent with the minimum shareholding percentage established by CONSOB on the basis of the provisions of Section 147/*ter* of the TUF (Section 144/*quater* of the CONSOB Issuers’ Rules). Ownership of the minimum number of shares required to file a slate is calculated with regard to the shares registered for each individual shareholder, or for several shareholders together, on the day on which the slates are filed with the Company.

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

In compliance with current national and European provisions, also concerning time commitment and limits upon the maximum number of offices Directors may hold, the Board of Directors establishes its qualitative and quantitative composition deemed optimal for the effective fulfilment of the duties and responsibilities entrusted to the body with supervisory functions by law, by the Supervisory Provisions and by the UniCredit Articles of Association. The Board has also established requirements for UniCredit Directors to meet, in addition to the possession of requirements envisaged under current provisions.

⁹ The UniCredit website address where the Articles of Association are available is:
<https://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html>

Before appointing new members, the Board shall inform shareholders about the composition deemed to be optimal in order for choosing candidates, taking the expertise required into consideration. It goes without saying that shareholders may carry out their own assessment of the optimal composition of the body with supervisory functions, and file candidacies consistent with that assessment, giving their reasons for any difference vis-à-vis the analyses carried out by the Board.

With regard to the qualitative and quantitative composition of the Board of Directors and the profile necessary for candidates to the position of Director, and in particular the time commitment and limits upon the maximum number of offices Directors may hold, as well as the diversity composition criteria for the body with supervisory functions, reference is made to the document¹⁰ "Qualitative and Quantitative Composition of the UniCredit S.p.A. Board of Directors" - as most recently approved on February 7, 2018 - published on the Company's website, and in the information provided in Section 4.2 "Composition".

* * *

Based on the discussions that in 2016 took place in the Corporate Governance, Nomination and Sustainability Committee, the Board of Directors approved some actions to improve UniCredit governance and to align it with best national and international practices, including, *inter alia*, the significant changes to the Board's composition recommended to shareholders during the 2018 renewal of the Board of Directors. In particular:

- a reduction in number from seventeen to fifteen Directors, and in the number of Vice Chairmen from three to one;
- a maximum number of three mandates for Board members.

Furthermore, the Articles of Association was amended in order to:

- empower also the outgoing Board of Directors, in the event of its renewal, the faculty to file its own slate of candidates;
- increase from one to two the number of Directors selected from the second slate having received the highest number of votes, without any connection with the shareholders who, jointly or severally, filed, or voted for the slate first by number of votes, regardless of body composition.

On the topic, the procedure for identifying candidates for the posts on the Board of Directors, including the posts of Chairman and the Chief Executive Officer, was approved by the Board¹¹.

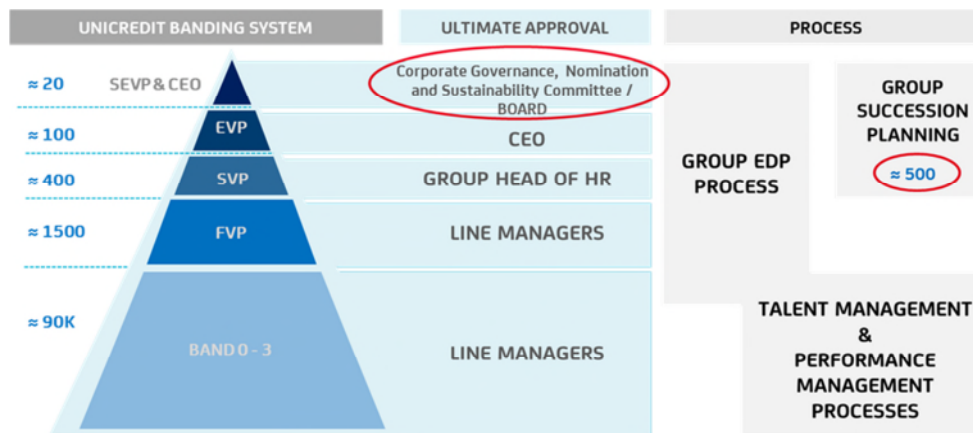
Succession plans

With reference to the recommendations in CONSOB Resolution no. DEM/11012984 dated February 24, 2011, and to the provisions of Criterion 5.C.2. in the Italian Corporate Governance Code, please be informed that, **since 2006, UniCredit has in place a structured process, aimed at managing and developing the Leadership Pipeline across the Group, called Executive Development Plan (EDP)** related to all Group Executives (approx. 3,200), including the Chief Executive Officer position.

¹⁰ The UniCredit website address where the "Qualitative and Quantitative Composition of the UniCredit S.p.A. Board of Directors" is available is: <https://www.unicreditgroup.eu/en/governance/board-of-directors/directors-qualitative-and-quantitative-profiles.html>

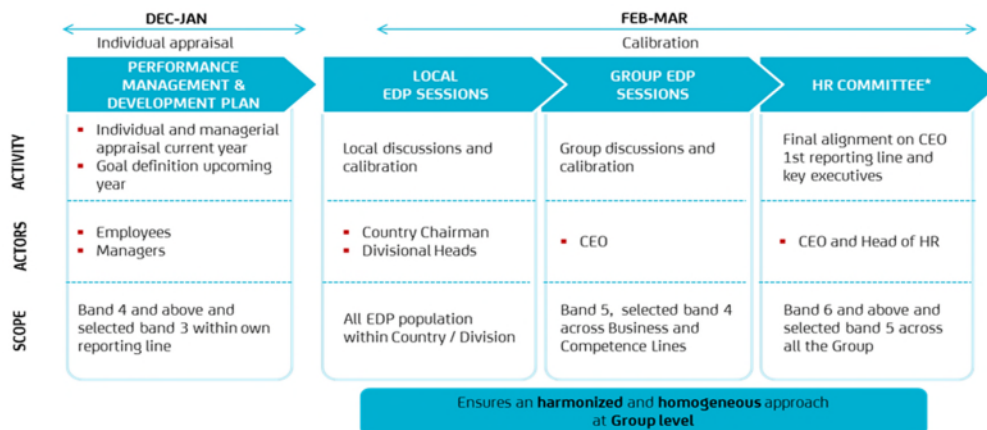
¹¹ The UniCredit website address where the "Process for selecting candidates" approved by the Board of Directors is available is: <https://www.unicreditgroup.eu/en/governance/board-of-directors/process-for-selecting-candidates.html>

Board of Directors



Process

EDP consists in a **bottom-up process** that begins with individual appraisal by each direct manager of any participant in the process, then followed by a number of calibrations at local and Group level, ultimately aiming at having a consistent Group view of each manager. The Chief Executive Officer personally reviews the appraisals and career/succession plans for top positions at Group level, as well as for key players in the positions below.



* By HR Committee, we refer to individual meetings between the CEO and the Head of HR at Group level

Timing wise, the update of the **succession plans occurs on a yearly basis**. At the end of each cycle, a results summary is discussed by **the Board of Directors** and **the Corporate Governance, Nomination and Sustainability Committee**, which looks more specifically at succession planning for the Group Management Team, which represents the key managerial positions.

During the year, the CGN&S Committee regularly analyses the evolution of the succession planning, for Group Executives positions, and for the CEO and his first reporting line.

Moreover, **CEO succession planning** is reviewed on a periodical basis, with regular **internal and external** scouting for potential successors identification. Outcomes of this exercise are **shared with the Corporate Governance, Nomination and Sustainability Committee and/or with the Chairman of the Board of Directors** along the process in a timely manner.

Content

The Executive Development Plan is based on the Group Leadership Competency Model and fosters Group Leaders growth, **ensuring business sustainability** through an identification of short- and medium-term successors for all key managerial positions.

In the event of early or unforeseen replacement of Executives, including the CEO, the Executive Development Plan's results serve as the reference point for decisions on new appointments and evaluation of possible candidates.

More specifically, **succession planning of the Executive Management Committee** (EMC – normally the first reporting lines to the CEO) for the Group is based on a “pool” approach, whereby a number of Executives are selected based on their potential and ability to prospectively cover one or more positions at EMC level.

To add an external market perspective to the internal appraisal of identified candidates, as well as to provide additional development opportunities, since 2016 a specific **assessment process** has been launched in partnership with external Executive Search Firms. This process ascertains the standing of UniCredit leadership pipeline against external market benchmarks and validates the perceived “quality” of the selected Executives in addition to their internal performance evaluation. The exercise with the external party also gives the opportunity of drafting a series of individual development plans to accelerate individual Executives growth.

4.2 Composition

Pursuant to the Articles of Association, the UniCredit Board of Directors may be comprised of between a minimum of nine up to a maximum of twenty-four members. As at March 5, 2020, the number of Directors is 14.

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

The Ordinary Shareholders' Meeting held on April 12, 2018, appointed Directors for financial years 2018-2020, whose term runs until the date of the Shareholders' Meeting called to approve the 2020 financial statements.

According to Clause 20 of the Articles of Association and pursuant to applicable laws and regulations, the Board submitted a proposal to the April 2018 Ordinary Shareholders' Meeting to establish the number of Directors and appoint them. In such circumstance, the Board recommended that when submitting slates of candidates shareholders should take into account the document on the Board of Directors' qualitative and quantitative composition deemed optimal for the effective fulfilment of its duties, as approved by the Board in February 2018.

As expressly provided for in the Articles of Association, with reference to the faculty held by the Board of Directors to submit its own slate of candidates, on February 7, 2018, the outgoing Board unanimously approved its own slate of candidates to the post of Director. The Board's approach took into account what was deemed the body's optimal quantitative composition. In execution of its February 2018 resolutions, the Board submitted a proposal to the Shareholders' Meeting to set the number of Directors at fifteen, including a Chairman and a Vice Chairman. Slate candidates were chosen via the procedure for identifying candidates approved by the Board. The criteria adopted for issuing this slate complied with the requirements highlighted in the qualitative and quantitative profile approved by the Board on that same date.

Board of Directors

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

- Slate no. 1 was submitted by the outgoing Board of Directors:
Mr. Fabrizio Saccomanni (Chairman), Mr. Jean Pierre Mustier (Chief Executive Officer), Mr. Mohamed Hamad Al Mehairi, Mr. Lamberto Andreotti, Mr. Sergio Balbinot, Mr. Cesare Bioni, Ms. Martha Dagmar Boeckenfeld, Ms. Isabelle de Wismes, Mr. Stefano Micossi, Ms. Maria Pierdicchi, Mr. Andrea Sironi, Mr. Alexander Wolfgring, Ms. Elena Zambon, Ms. Elisabetta Pizzini and Mr. Giuseppe Cannizzaro;
- Slate no. 2 was submitted by several Funds, with an overall shareholding equal to 1.63% of the share capital:
Ms. Francesca Tondi and Mr. Vincenzo Cariello.

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

- a statement of shareholders, others than those who, also jointly, hold a controlling or relative majority shareholding, stating that there is no connection with the latter pursuant to Section 144/*quinquies* of CONSOB Issuers' Rules, taking into account the recommendations issued by CONSOB in Communication no. DEM/9017893, dated February 26, 2009;
- exhaustive information on the personal and professional characteristics of candidates on the slate (*curriculum vitae*) and a list of supervisory, managerial and controlling offices held at other companies;
- statements from each candidate in acceptance of the position (subject to his/her appointment) and attesting, under his/her own responsibility, that for no reason is their candidacy liable to ineligibility, forfeiture or incompatibility, and that they meet the requirements established under the current provisions, also of a regulatory nature, especially the professional experience and integrity requirements;
- statements from each candidate concerning his/her fulfilment or not of the independence requirements pursuant to Section 148, sub-section 3, of the TUF and the Corporate Governance Code (which coincide with those envisaged under the UniCredit Articles of Association) as well as information on knowledges and expertise gained in the areas covered by the theoretical profile.

Information on the personal and professional characteristics of each candidate, as shown in their *curriculum vitae*, statements envisaged under current law and the UniCredit Articles of Association as well as those provided for in the theoretical profile, and, more specifically, statements certifying their compliance or otherwise with the independence requirements prescribed by law and in the Corporate Governance Code, may be found on the UniCredit website (<https://www.unicreditgroup.eu/en/governance/shareholders-meeting.html>). In particular, when submitting their candidacies Mr. Saccomanni, Mr. Al Mehairi, Mr. Andreotti, Mr. Bioni, Ms. Boeckenfeld, Mr. Cariello, Ms. de Wismes, Mr. Micossi, Ms. Pierdicchi, Mr. Sironi, Ms. Tondi, Mr. Wolfgring and Ms. Zambon declared their independence pursuant to the TUF, the Articles of Association and the Corporate Governance Code. Mr. Balbinot declared his independence pursuant to the TUF.

The April 12, 2018, Shareholders' Meeting, after resolving that the members of the Board of Directors should in total be 15 as proposed by the outgoing Board, appointed the following Directors for the financial years 2018 – 2020:

- Mr. Fabrizio Saccomanni, Mr. Jean Pierre Mustier, Mr. Mohamed Hamad Al Mehairi, Mr. Lamberto Andreotti, Mr. Sergio Balbinot, Mr. Cesare Bioni, Ms. Martha Dagmar Boeckenfeld, Ms. Isabelle de Wismes, Mr. Stefano Micossi, Ms. Maria Pierdicchi, Mr. Andrea Sironi, Mr. Alexander Wolfgring and Ms. Elena Zambon were appointed from Slate no. 1, obtaining the relative majority of the shareholders' votes;
- Ms. Francesca Tondi and Mr. Vincenzo Cariello were appointed from Slate no. 2, voted for by a minority of the shareholders.

The Board composition resulting from the appointment process was:

- Quantitatively corresponding to that singled out as optimal by the Board itself. The Board had determined in 15, the quantitative composition deemed to be optimal and the shareholders, who are in charge to decide on, agreed on such proposal, which was consequently approved by the Shareholders' Meeting;
- Qualitatively corresponding to the theoretical profile established by the Board, as well as suitable pursuant to the ECB "Guide to fit & proper assessment".

More specifically, taking into consideration information provided by the person concerned, compliance was achieved vis-à-vis requirements, *inter alia*, concerning experience, integrity and independence, as well as time commitment and limits upon the maximum number of offices a Director may hold¹² established under the provisions of the CRD IV Directive (Directive 2013/36/EU, dated June 26, 2013).

Directors' personal qualities, age and gender diversity (the female component was equal to one-third of the total) - in line with the composition criterion the Board of Directors established under applicable provisions) fully comply with the principles in the theoretical profile.

With reference to the time commitment recommended for effective attendance at Board and Committees meetings, all Directors, *inter alia*, declared their ability to commit sufficient time to duly perform their functions. The commitments Directors declared were deemed to be compatible with the commitment required to conduct their duties at UniCredit, including sitting on Board Committees, where applicable.

Furthermore, with reference to professional expertise accrued in areas of competence envisaged under the theoretical profile (i.e., Banking Business, Banking Governance, Risk and Control, Legal and Regulatory, Strategic Planning, Accounting & Audit, Financial and International Markets, and Sustainability), all of these areas were represented on the Board. Considering that they possess good understanding and experience in more than two of the areas of competence required in the qualitative and quantitative profile, the experience gained by all Directors is in line with the requirements in the profile.

Regarding the "collective suitability", the sum of the candidates' profiles matched with the ideal overall Board composition. Specifically, almost all Directors have expertise in financial and international markets, in addition to their international experience; about 40% of them had previous experience in top executive roles; expertise in Banking Business, Risk and Control, Accounting, Audit and Legal areas are all well represented; on average, Directors have six areas of competence of the nine identified by the Board, and all the core competencies are covered on the Board.

After these appointments, subsequent to Director Mr. Andrea Sironi's resignation, at its February 6, 2019 meeting, the Board of Directors co-opted Ms. Elena Carletti as Director (effective February 7, 2019), then confirmed in such office by the April 11, 2019 Shareholders' Meeting.

Selection of this Director was conducted pursuant the articulated process for selecting candidates to the Board of Directors, as approved by the Board on July 6, 2017. Having heard the proposal of the Corporate Governance, Nomination and Sustainability Committee, Ms. Carletti's selection was undertaken in compliance with applicable requirements and in accordance with the criteria defined in the theoretical profile approved by the Board in February 2018. This appointment further improved the Board's gender diversity, increasing the percentage of female Directors above the quota recommended under applicable provisions. After the appointment, an assessment was carried out of the body's collective suitability in terms of the theoretical profile defined by the Board, including compliance with the maximum number of offices to be held.

¹² See the following section on the "Maximum number of offices held at other companies"

Board of Directors

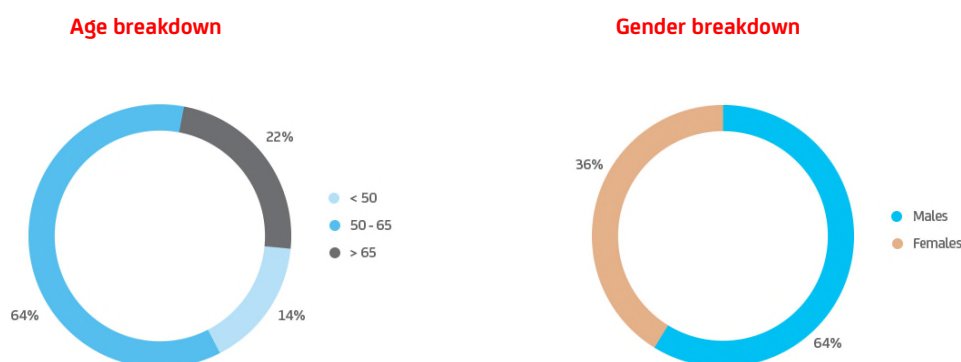
After the passing of Mr. Fabrizio Saccomanni (August 8, 2019), the resignations handed in by Directors Ms. Martha Dagmar Boeckenfeld (effective on September 18, 2019) and Ms. Isabelle de Wismes (effective on March 4, 2020), following receipt of a proposal from the Corporate Governance, Nomination and Sustainability Committee, the Board appointed Mr. Cesare Bisoni, previously the Deputy Vice Chairman, as Chairman of the Board of Director (September 20, 2019 meeting) and Director Lamberto Andreotti as Deputy Vice Chairman of the Board (October 8, 2019 meeting), as well as has co-opted as Directors Ms. Beatriz Ángela Lara Bartolomé and Mr. Diego De Giorgi (February 5, 2020 meeting). The appointments of Ms. Lara Bartolomé and Mr. De Giorgi shall be submitted for approval to the April 9, 2020 Shareholders' Meeting, to restore the Board's composition.

More specifically, the selection of Directors Ms. Lara Bartolomé and Mr. De Giorgi was undertaken pursuant the articulated process for selecting candidates to the Board of Directors, approved by the Board on July 6, 2017. Having heard the proposal of the Corporate Governance, Nomination and Sustainability Committee, the choice was made in compliance with the necessary requirements and in accordance with the criteria defined in the theoretical profile approved by the Board in February 2018. Considering their professional experience, the Board also benefits from skills in the digital/technology sector, with specific application to banking, that the Board deems crucial for implementing the 2020-2023 multi-year plan, and a special focus on retail commercial banking.

After these appointments, an assessment was carried out of the body's collective suitability in terms of the theoretical profile defined by the Board, including compliance with the maximum number of offices to be held.

The composition of the Board in office at the date of the Report's approval is provided at the end of this Section.

The Board of Directors broken down by age and gender is detailed below.



The Board of Directors members comply with the professional experience and integrity requirements envisaged under current provisions.

For more details on the composition of this corporate body and each Director's personal and professional characteristics, please consult the information published on the UniCredit website¹³. With regard to the requirements UniCredit Directors must meet, in addition to those envisaged under current laws and regulatory provisions, please consult the "Qualitative and Quantitative Profile of UniCredit S.p.A. Board of Directors" document, which is published on the Company's website.

¹³ The UniCredit website address where the information on Directors is available is:

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

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

Directors	First appointment date	Directors	First appointment date
Al Mehairi Mohamed Hamad	October 2015	Beatriz Ángela Lara Bartolomé	February 2020
Andreotti Lamberto	April 2018	Micossi Stefano	April 2018
Balbinot Sergio	June 2016	Mustier Jean Pierre	June 2016
Bisoni Cesare	May 2015	Pierdicchi Maria	April 2018
Cariello Vincenzo	April 2018	Tondi Francesca	April 2018
Carletti Elena	February 2019	Wolfgring Alexander	May 2013
De Giorgi Diego	February 2020	Zambon Elena	May 2015

Time commitment and number of offices

Based upon the nature, quality and complexity of the office, and given the provisions contained in the relevant regulations, having sufficient time to fulfil the role is an essential requirement that Directors must guarantee, including in relation to activities arising from taking part in Board Committee proceedings.

According to its qualitative and quantitative profile approved in February 2018, the UniCredit Board recommends that candidates accept the office only if they believe they are able to dedicate the necessary time to that position, considering the following factors: their other professional or personal commitments and circumstances, as well as performing roles covered at other companies; the nature, scale and complexity of the activities performed, the size and the situation of the entities where such positions are held, and the place or country where such entities are based.

Also in line with the ECB guidelines, the Board carried out an estimate to be intended as a reference for assessing the minimum time needed for appropriate meeting attendance, which is summarised in the following chart.

Chairman of the Board of Directors	2/3 days per week
Chief Executive Officer	full time
Chairman of a Board Committee	2 days for each Committee's meeting
Non-executive Director	20 days per year
Member of the Corporate Governance, Nomination and Sustainability Committee	12 days per year
Member of the Internal Controls & Risks Committee	12 days per year
Member of the Remuneration Committee	9 days per year
Member of the Related-Parties Committee	15 days per year

With specific reference to Board and Committee meeting attendance percentages, this should not fall any lower than 75% per annum; attendance should preferably be physical, save for extraordinary meetings.

Board of Directors

Finally, with reference to limits upon the maximum number of offices that UniCredit Directors may hold, it should be noted that since December 2008, in its Regulations and in the qualitative-quantitative profiles approved in March 2012 and 2015, the Board has expressed an opinion on the maximum number of offices that may be held at the same time according to the provisions of the Corporate Governance Code and to Supervisory Regulations on banks' organisation and corporate governance, as issued by Banca d'Italia.

In the document dealing with the qualitative and quantitative profile as most recently approved in February 2018, the Board deemed it necessary to recall the specific minimum limits envisaged under the CRD IV Directive (Directive 2013/36/EU, dated June 26, 2013) for Directors of an institution that is "significant" in terms of its size, internal organisation and the nature, scope and complexity of its activities, further taking into account the principles contained in the draft Ministerial Decree concerning the rules on suitability requirements and criteria for holding offices in the process of being issued pursuant *inter alia*, to Section 26 of Legislative Decree no. 385/1993.

According to the above-mentioned theoretical profile, UniCredit consequently envisages that each Director may in total (in any type of company, excluding organisations that do not pursue primarily commercial objectives) hold:

- one executive office and two non-executive offices
- four non-executive offices

with the following specifications, without prejudice to other relevant provisions that may apply following transposition of the Directive into national law:

- a) offices refer to positions held on the Board of Directors, Supervisory Board, Management Board, Board of Statutory Auditors, or as General Manager; in foreign companies, offices refer to positions equivalent to the above, on the basis of relevant regulations applicable to the companies;
- b) all of the offices covered are considered to be a single office, *inter alia*, if they are in:
 - i. the same group;
 - ii. enterprises that do not belong to the group in which UniCredit has a qualified holding, as envisaged under Section 4 of the Regulation (EU) no. 575/2013.

* * *

The following chart shows the overall number of offices as Director held in other companies by current Directors as at the approval date of this Report. Compliance with the limits on the maximum number of offices that Directors may hold in other companies envisaged under the CRD IV Directive was evaluated by taking into consideration the weighting applicable to offices held in the same group, pursuant to declarations made by 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	7 ⁽¹⁾	Beatriz Ángela Lara Bartolomé	1
Andreotti Lamberto	1	Micossi Stefano	--
Balbinot Sergio	7 ⁽¹⁾	Mustier Jean Pierre	--
Bisoni Cesare	--	Pierdicchi Maria	3
Cariello Vincenzo	--	Tondi Francesca	1
Carletti Elena	--	Wolfgring Alexander	5 ⁽²⁾
De Giorgi Diego	--	Zambon Elena	12 ⁽¹⁾

(1) Weighting applicable to offices held within the same group was taken into consideration.

(2) Weighting applicable to offices held within the same group and the fact that offices that do not mainly pursue commercial aims do not count were taken into consideration.

* * *

Moreover, Directors must take into account the provisions of Section 36, Law Decree no. 201/2011 (a ban on interlocking directorships) which was approved as a statute under Law no. 214/2011, which establishes that the holder of a seat on a managerial, supervisory or controlling body, as well as top management officers in companies or groups of companies active in banking, insurance and financial markets, are forbidden from holding similar offices, or to exercise similar duties, in competing companies or groups of companies. The Board must ascertain whether such situations pertain, under the provisions of Section 36 and circumstances that supervene the prohibition on coexistence.

Induction initiatives and recurring training

In UniCredit a permanent induction program is active for the Board members, also for the benefit of the Board of Statutory Auditors members, based on three year cycles connected to the Board mandate, with the aim of ensuring an ad hoc training on a continuous basis that takes in account both their individual and collective needs.

The induction program, which is put in place with the support of an external consultant, includes both sessions aimed at fostering the integration of new Directors and recurring trainings to preserve over time the expertise needed for the proper fulfillment of their duties.

In addition, individual training plans will be activated in the event it is deemed necessary to strengthen specific individuals' technical knowledge and expertise, also to increase the level of diversity and the collective experience of the Board of Directors.

Over the Period, training sessions and in-depth study initiatives have focused on topics of strategic relevance, business and relevant organisational structures, knowledge of macroeconomic scenarios, markets development, and legal/regulatory topics, with the aim of ensuring awareness and knowledge of the risk profile adopted by the Group.

More specifically, inclusion programmes for new appointees to corporate bodies as well as training schemes focused on the in-depth examination of the above-mentioned topics, along with specific meetings focused on perspectives and key elements for both the Group's and the entire European banking sector strategies, were prepared and implemented (open to the members of both the Board of Directors and the Board of Statutory Auditors).

Specific initiatives for an in-depth examination of topics that fall under the competencies of Board Committees have also been delivered to members of each Committee.

4.3 Board of Directors' role

Meetings and functioning

During the Period, the Board of Directors met 18 times, with an average length of about 4 hours and 40 minutes. The means of attendance of Board members at meetings held during the most recent operating year are highlighted in the chart at the end of this Section.

For the 2020 financial year, 12 meetings have been planned, of which 3 already held as at March 5, 2020.

Board of Directors

Planning Board meeting proceedings is one of the Chairman's responsibilities with regard to scheduled items on the Agenda, having received a proposal from the Chief Executive Officer. Furthermore, the Chairman ensures that the time necessary for effective discussion of the items on the Agenda is allowed, and during meetings encourages Directors to share their input.

Executive Management Committee members and permanent guests to that Committee, the Head of Internal Audit, the Manager charged with preparing the company financial reports, as well as other members of Management at the Company and Group were invited to attend Board meetings, as ever without voting rights, in order to report on specific issues as well as, *inter alia*, to assist the Chief Executive Officer in making presentations to the Board.

The UniCredit Corporate Bodies and Committees Regulation establishes that, as a rule, appropriate pre-meeting documentation and information necessary for Directors to express their opinions in an informed manner on the topics under deliberation are made available at least three working days prior to the Board, Directors and Statutory Auditors. This timescale was generally complied with and normally moved on, except for particular cases and for justified reasons due to the type of the resolution to be taken. In specific cases, if it was impossible to comply with the necessary information flow pursuant to the above terms, the Chairman saw to it that in-depth research was shared during the Board meetings.

Duties

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

Moreover, in compliance with Corporate Bodies and Committees Regulation, the Board shall have exclusive competence for:

- determining general operational guidelines for the Group's growth policies preparatory to drafting strategic, industrial and financial multi-year plans and operating budgets for the Company and the Group, in addition to periodically reviewing whether these guidelines match corporate activities and external circumstances, adopting and amending such plans and checking that they are appropriately implemented;
- establishing guidelines for the internal controls system consistent with the strategic guidelines and risk appetite established by the Board itself, according to instructions issued by the Supervisory Authorities and applicable law. On a yearly basis, the Board sets out and approves the Group Risk Appetite Framework consistent with the Budget process timeline, defines the financial plan and establishes policies to govern the risks to which the Group may be exposed, as well as risk targets and tolerance thresholds. Furthermore, with regard to credit risk, the Board approves general guidelines for the risk mitigation technique management system;
- approving the UniCredit organisational structure and corporate governance, in order to ensure a clear distinction of responsibilities and functions, as well as preventing conflict of interest, covering the corporate structure and Group governance models and guidelines;
- examining and approving transactions undertaken by the Company and companies belonging to the Group which are significant from a strategic, economic, balance-sheet and financial perspective.

For the purpose of informing the Company's Board of Statutory Auditors on such topics pursuant to applicable regulatory provisions, the Board has defined criteria for identifying transactions of strategic, economic, equity-related and financial relevance to UniCredit S.p.A., with specific reference to situations in which one or more Directors hold an interest directly or on behalf of third parties and, more in general, transactions with related parties. Specifically, all 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, resolutions concerning obligations of any kind or purchase or sale agreements implemented by the UniCredit corporate officers, directly or indirectly, with the same bank fall within the Board of Directors' exclusive responsibility.

* * *

The Board of Directors:

- continuously monitors general management performance, with special reference to conflict of interest management - also by analysing the information received from the delegated bodies and the Board Committees, and periodically comparing results against targets, - as well as assessing the adequacy of the organisational, administrative and accounting structure of UniCredit and, also by issuing policies and guidelines, of all of its strategically-relevant subsidiaries, with particular regard to the internal control system and conflict-of-interest management;
- ensures that major corporate risks are correctly identified, measured, managed and adequately monitored, taking into account how they evolve and interact and, furthermore, establishing criteria to ensure that such risks are compliant with sound and prudent Company management.

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

The role played by the Chairman of the Board

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

In particular, the Chairman ensures that:

- i) in good time, Directors are sent supporting documentation on the Board's deliberations or, at the very least, initial information on the issues under debate;
- ii) supporting documentation and information on 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) the Heads of the corporate control functions have direct access to the Board of Directors when necessary. To this end, meetings between the Chairman and the Heads of the corporate control functions are organized on a regular basis;
- v) as a rule on a quarterly basis, opportunities are arranged for all Directors to meet, also apart from Board meetings, in order to investigate and discuss strategic issues;

Board of Directors

- vi) the self-assessment process is undertaken effectively, its terms and conditions comply with the degree of complexity of the Board's work, and envisaged corrective measures are adopted to tackle any detected shortcomings;
- vii) inclusion programs and training schemes are prepared and implemented for members of the Board of Directors and Board of Statutory Auditors, along with succession plans for senior management positions.

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

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

Where absent or impeded, the Chairman is replaced by the Vice Chairman. Where both the Chairman and Vice Chairman are absent or impeded, the meeting is chaired by the oldest Director.

Self-assessment

On March 5, 2020, the Board of Directors closed the recurring self-assessment process focused on the adequacy of the Board and its Committees in terms of composition and functioning. The self-assessment process focused on the second year of the 2018-2020 mandate, has been performed in accordance with the provisions of the Corporate Bodies and Committees Regulation, adopted in compliance with Supervisory Regulations on banks' corporate governance, and in line with the recommendations in the Italian Corporate Governance Code.

For performance of the self-assessment process, UniCredit engaged the Korn Ferry company as an independent external consultant. Korn Ferry was selected by the Chairman of the Board, upon proposal of the Corporate Governance, Nomination and Sustainability Committee, and entrusted with providing consultancy during each stage of the process. Chosen in view of its competence and expertise in corporate governance, this company is acknowledged as possessing the neutrality, impartiality and independence of judgement required by the Corporate Bodies and Committees Regulation.

As far as independence is concerned, please note that in 2019 UniCredit assigned some other projects and activities to Korn Ferry, that do not affect the independent and unbiased position of the latter.

In compliance with the provisions of the Corporate Bodies and Committees Regulation, the process also covers:

- 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 appointments 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, a trust-based relationship, cooperation and interaction among members, awareness of the role covered, and the quality of debate on the Board.

With assistance from the Korn Ferry company, the process has been broken down into the following stages:

- examination: carried out in accordance with the provisions of the Corporate Bodies and Committees Regulation, 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 used, the individuals involved and the results achieved, highlighting strengths and weaknesses, and any proposed necessary corrective action.

The questionnaires (which for the first time also included a section for peer review in order to explore individual perceptions of each Director's contribution to Board activities) and interviews were focused on a variety of topics concerning the composition and functioning of the Board of Directors and its Committees, with the aim of supporting Directors in identifying further areas in which to improve Board of Directors' performance.

The results of the self-assessment on 2019 activities define a positive aggregated picture of the functioning of the Board and its Committees, showing that these bodies interact effectively and productively between themselves and the Management.

In view of a continuous improvement, some insights from the Directors were gathered which were useful to further develop the level of effectiveness already achieved over the first two years of their mandate.

The results of self-assessment highlight the following strengths:

- The Board showed it is able to react to strong solicitations when called to discuss and decide on critical issues within a short period of time.
- The Directors have an independent mindset and judgement when analysing and discussing the strategic and operational proposals from the Management.
- The Directors believe the composition of the Board guarantees a balanced mix in terms of age, gender and experience.
- The Directors acknowledge the need to adjust the current mix of competence areas outlined in the Board's theoretical profile to the evolution of the Group business strategy, thus introducing the competencies in the fields of commercial banking and digital transformation. Accordingly, they integrated the Board with two new members meeting these requirements.

Among the issues pointed out by some Directors:

- The acknowledgment of the effective functioning of the Board, considering that the discussion among Directors intensified as they have been called to resolve on issues of particular strategic importance, which influenced the Board's dynamics.
- Further strengthening teamwork, fostering an open discussion among the Directors and between Directors and the Management during Board meetings.
- Different views among the Directors on the level of detail required for analysis and discussion during the meetings of the Board Committees and those of the full Board.

Moreover, some points of attention emerged in the previous self-assessment have not been fully implemented yet, namely:

- greater visibility and understanding of local geographies and business in which the Bank works;
- pre-meeting documents, to be shared more in advance in order to allow Directors to carry out a deeper analysis.

Competitive business

At the Shareholders' Meeting held on April 12, 2018, when the Board of Directors was undergoing renewal, no request of general and prior authorisation was submitted regarding the exercise of competing business by Board members, pursuant to Article 2390 of the Italian Civil Code.

No relevant cases pursuant to this Article emerged during the Board's assessment of the requirements envisaged under law for Directors appointed by the above-mentioned Shareholders' Meeting.

Board of Directors

Furthermore, 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 situations during the Period.

4.4 Delegated Bodies

Chief Executive Officers

The empowerment (and disempowerment) of Directors is the Board's responsibility. It is the Board that sets out the subject matter, limits and performance criteria for delegation of powers.

The only Board member with managerial 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 with the faculty to sub-delegate them, across all sectors of Bank business. For information on what powers have been granted, please consult the "Managerial powers" to this Report.

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

Chairman of the Board of Directors

The Chairman has not been granted managerial authorities and does not undertake operational functions, not even in a *de facto* manner, and therefore does not fulfil any executive role. The Chairman does not hold a relevant share of the Company equity.

Other executive Directors

None of the Directors who sits on the UniCredit Board of Directors – besides the Chief Executive Officer – may be defined as executive pursuant to Criterion 2.C.1. of the Corporate Governance Code.

Reporting to the Board

Information flows among and within the corporate bodies is a prerequisite for achieving managerial efficiency and effective control objectives.

UniCredit has procedures to ensure adequate information flows among its corporate bodies. As regards in particular the internal controls system, these flows, their content and deadlines have been identified in detail by the Board of Directors in its approved Document of corporate bodies and control functions. The Corporate Bodies and Committees Regulation identifies a list of parties required to dispatch information flows on a regular basis to corporate bodies, including an illustration of minimum content and the timing of the main flows.

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

Furthermore, the Chief Executive Officer, having been empowered by the Board to carry out activities the Company may undertake pursuant to Clause 4 of the Articles of Association, has provided the Board of Directors with adequate information flows on the exercise of delegated powers, specifically highlighting any relevant associated risk according to the terms and conditions defined by the Board. Information on such powers is contained in the “Managerial powers” Annex to this Report.

4.5 Independent Directors

In compliance with the criteria established in Section 3 of the Corporate Governance Code (which coincide with those envisaged under the UniCredit Articles of Association) and the provisions set out in Section 148 of the TUF, Directors’ independence shall be assessed by the Board of Directors every time the Board is renewed, as well as on an annual basis and whenever a person is appointed as Director, on the basis of information provided by the Director him/herself or however available to the Company. The outcome of these Board assessments shall be disclosed after the appointment, through a press release to the market and, subsequently, via the Corporate Governance Report.

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 and the Board of Directors, the latter at the annual verification carried out during its meeting held on July 9, 2019, as well as at the verification of individual Directors made at its meetings held on March 5 and May 8, 2019, and March 5, 2020 meetings, carried out the assessment of the Directors’ independence requirements based on statements made by the parties concerned and on information available to the Company.

With specific reference to the independence requirements laid down by the Corporate Governance Code and the Articles of Association, information was taken into account relating to the existence of direct or indirect relationships (credit relationships, business/professional relationships and employee relationships, as well as significant offices held) that Directors and their other connected subjects may have with UniCredit and Group Companies.

In order to assess the potential significance of the above-mentioned relationships, the Board of Directors has decided not to proceed with merely identifying predefined economic targets, which if simply exceeded could automatically indicate that independence has been compromised, as such check requires an overall assessment of both objective and subjective aspects. Therefore, for this purpose, the following criteria should be taken into account: (i) the nature and characteristics of the relationship; (ii) the amount in absolute and relative terms of the transactions; and (iii) the subjective profile of the relationship.

More specifically, when assessing the significance of such a relationship, the following information, where available, is considered by the Board:

- as far as credit relations are concerned, the amount in absolute value of the credit granted, its weighting in relation to the system and, where appropriate, the economic and financial situation of the borrower;
- as far as professional/commercial relations are concerned, the characteristics of the transaction/relationship, the amount of the consideration and, where appropriate, the economic and financial situation of the counterparty;
- as far as offices held in Group companies are concerned, the total amount of any additional remunerations.

In all of the above cases, all the parties involved (Director or family member; UniCredit or Group Company) and, for relationships with companies/entities, the related kind of “connection” (post held/controlled participation) with the Director or the family member, were taken into account.

In view of the above, at its March 5, May 8 and July 9, 2019, and March 5, 2020 meetings, the Board checked that independence requirements were met as declared by the Directors. In particular, with regard to Directors concerning whom information acquired highlighted the existence of such relationships, the Board came to the conclusion that they were not of a nature such as to affect the Director’s independence.

Board of Directors

With reference to the Board of Directors' composition as at the approval date of this Report, credit relations with UniCredit and/or Group companies have been identified – and evaluated as being of no significance on the basis of the above-mentioned criteria adopted – for Directors Ms. Carletti, Mr. De Giorgi, Mr. Micossi and Ms. Zambon, and relations of a professional/commercial nature with UniCredit and/or Group companies for Director Mr. Micossi. In detail:

- Director Ms. Elena Carletti has no significant direct credit relations, of a personal nature, and has a professional relation of low amount;
- Director Mr. Diego De Giorgi has no significant indirect credit relations, of family members, of low amount;
- Director Mr. Stefano Micossi has indirect credit relations via companies in which he is a prominent representative. In addition, Director Mr. Micossi is a prominent representative of a company that received economic contributions for institutional activities;
- Director Ms. Elena Zambon has indirect credit relations via companies in which she is a prominent representative.

In view of the above, as a result of these assessments, the number of independent Directors as defined in the Corporate Governance Code provisions is equal to 11. The outcome is stated below:

“Independent” Directors pursuant to the Articles of Association and the criteria envisaged under the Code:

Mr. Al Mehairi, Mr. Andreotti, Mr. Cariello, Ms. Carletti, Mr. De Giorgi, Ms. Lara Bartolomé, Mr. Micossi, Ms. Pierdicchi, Ms. Tondi, Mr. Wolfgring and Ms. Zambon.

* * *

Moreover, in its meetings on March 5, May 8 and July 9, 2019, and March 5, 2020, pursuant to the rules and regulations on listed issuers contained in the TUF, the Board of Directors also checked that the independence requirements pursuant to Section 148 of the TUF had been met. The outcome of these assessments is stated below:

“Independent” Directors pursuant to Section 148 of the TUF: Mr. Bisoni, Mr. Andreotti, Mr. Al Mehairi, Mr. Balbinot, Mr. Cariello, Ms. Carletti, Mr. De Giorgi, Ms. Ms. Lara Bartolomé, Mr. Micossi, Ms. Pierdicchi, Ms. Tondi, Mr. Wolfgring and Ms. Zambon.

In accordance with the Corporate Governance Code, at its meetings held on March 13, May 8 and July 10, 2019, the Board of Statutory Auditors ascertained, with a positive outcome, the proper application of the criteria and procedures adopted by the Board of Directors to assess the independence of its own members. Proper application of the criteria and procedures adopted by the Board of Directors at its March 5, 2020 meeting to assess the independence of individual Directors will be ascertained by the Board of Statutory Auditors at a future meeting following the approval date of this Report.

Independent Directors' meeting

As at the approval date of this Report, the annual meeting of the independent Directors pursuant to criterion 3.C.6 of the Corporate Governance Code is not yet held, in the absence of a specific necessity for the Board, also considering its composition almost entirely consisted of independent Directors.

Pursuant to the Code provisions, in the following months, the independent Directors will meet for an exchange of views concerning corporate governance topics and, in particular, related to the results of the 2019 self-assessment process for the Board of Directors and its Committees, none of the other Directors in attendance.

4.6 Lead Independent Director

The UniCredit Board of Directors has not so far designated an independent Director as Lead Independent Director, considering that the conditions set forth by the Corporate Governance Code for his/her appointment do not pertain:

- (i) where the Chairman of the Board of Directors is the Chief Executive Officer of the Company;
- (ii) where the office of Chairman is held by the person controlling the issuer;
- (iii) where requested by the majority of independent Directors.

Board of Directors

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	Bisoni Cesare ⁽¹⁾	12-04-2018	Approval of 2020 financial statements	M		X		X	100	--
Deputy Vice Chairman	Andreotti Lamberto ⁽²⁾	12-04-2018	Approval of 2020 financial statements	M		X	X	X	83.33	1
CEO ◊	Mustier Jean Pierre	12-04-2018	Approval of 2020 financial statements	M	X				100	--
Director	Al Mehairi Mohamed Hamad	12-04-2018	Approval of 2020 financial statements	M		X	X	X	83.33	7
Director	Balbinot Sergio	12-04-2018	Approval of 2020 financial statements	M		X		X	88.89	7
Director	Cariello Vincenzo	12-04-2018	Approval of 2020 financial statements	m		X	X	X	100	--
Director	Carletti Elena ⁽³⁾	07-02-2019	Approval of 2020 financial statements	--		X	X	X	100	--
Director	De Giorgi Diego ⁽⁴⁾	05-02-2020	09-04-2020	--		X	X	X	--	--
Director	Lara Bartolomé Beatriz Ángela ⁽⁴⁾	05-02-2020	09-04-2020	--		X	X	X	--	1
Director	Micossi Stefano	12-04-2018	Approval of 2020 financial statements	M		X	X	X	100	--
Director	Pierdicchi Maria	12-04-2018	Approval of 2020 financial statements	M		X	X	X	94.44	3
Director	Tondi Francesca	12-04-2018	Approval of 2020 financial statements	m		X	X	X	100	1
Director	Wolfgring Alexander	12-04-2018	Approval of 2020 financial statements	M		X	X	X	100	3
Director	Zambon Elena	12-04-2018	Approval of 2020 financial statements	M		X	X	X	94.44	12
Directors who left during and after the end of the Period										
Chairman	Saccomanni Fabrizio	12-04-2018	08-08-2019	M		X		X	100	--
Director	Boeckenfeld Martha Dagmar ⁽⁵⁾	12-04-2018	18-09-2019	M		X	X	X	100	6
Director	de Wismes Isabelle ⁽⁶⁾	12-04-2018	04-03-2020	M		X	X	X	88.89	--
Director	Sironi Andrea ⁽⁷⁾	12-04-2018	06-02-2019	M		X	X	X	72.73	3
Quorum required for submission of slates for the latest appointment: 0.5%										

No. of meetings held during the Period: 18**NOTE:**

- * **M** = Member elected from the slate that obtained the majority of the shareholders' votes
m = Member elected from the slate voted for by the minority
- ** 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 at other companies listed on regulated markets (in Italy and abroad), including financial services companies, banks, insurance companies or other large companies. A list of such companies for each Director is attached to the Report
- ◇ Director in charge of the internal controls and risks management system
- (1) Appointed as Chairman on September 20, 2019, in place of Mr. Fabrizio Saccomanni. As Deputy Vice Chairman, Mr. Bioni acted as pro-tempore Chairman from August 8 to September 20, 2019
- (2) Appointed as Deputy Vice Chairman on October 8, 2019, in place of Mr. Bioni
- (3) Co-opted effective from February 7, 2019, in place of Mr. Andrea Sironi, and confirmed by the Shareholders' Meeting held on April 11, 2019
- (4) Co-opted on February 5, 2020, in place of Mr. Fabrizio Saccomanni and Ms. Martha Dagmar Boeckenfeld
- (5) Resigned effective from September 18, 2019
- (6) Resigned effective from March 4, 2020
- (7) Resigned effective from February 7, 2019

* * *

The following chart presents the attendance of Directors (in office as at December 31, 2019) at Board meetings held in 2019.

Board of Directors	2019					
	Meetings	Attendance	%	Means of attendance		
				physical	by teleconference	via phone
Bioni Cesare (<i>Chairman</i>)	18	18	100%	18		
Andreotti Lamberto (<i>Deputy Vice Chairman</i>)	18	15	83.33%	9	5	1
Mustier Jean Pierre (<i>CEO</i>)	18	18	100%	17	1	
Al Mehairi Mohamed Hamad	18	15	83.33%	8		7
Balbinot Sergio	18	16	88.89%	7	4	5
Cariello Vincenzo	18	18	100%	18		
Carletti Elena	16	16	100%	13		3
de Wismes Isabelle	18	16	88.89%	13	2	1
Micossi Stefano	18	18	100%	13	4	1
Pierdicchi Maria	18	17	94.44%	16		1
Tondi Francesca	18	18	100%	15	2	1
Wolfgring Alexander	18	18	100%	14	1	3
Zambon Elena	18	17	94.44%	12		5
average attendance	232	220	94.83%	173	19	28

Board of Directors' Internal Committees

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

The Committees consist, as a rule, of a number of members from 3 up to 5. More specifically, the Internal Controls & Risks Committee, the Corporate Governance, Nomination and Sustainability Committee and the Remuneration Committee, all set up in compliance with the provisions contained in the Banca d'Italia Supervisory Regulations on banks' corporate governance envisaging three specialist committees – one on appointments, one on risks and one on remuneration – are composed of non-executives Directors, mostly independent pursuant to the Articles of Association. Such Committees must be differentiated from each other by at least one member and, if a Director elected by the minorities is present, that Director is a member of at least one Committee. The Chairman of each Committee shall be chosen from among the independent members. The Related-Parties Committee, set up for overseeing issues concerning transactions with related and associated parties, in compliance with CONSOB regulatory provisions and Banca d'Italia Supervisory Regulations, consists only of independent Directors pursuant to the Italian Corporate Governance Code.

None of the functions of one or more specialist Committees on appointments, risks and remuneration envisaged under the Code has been reserved for the Board of Directors. Moreover, none of these Committees *per se* performs the multiple functions of two or more committees as envisaged under the Code. Committee functions have not been allocated amongst the various Committees in a manner that differs from the Code's provisions.

The Committee's tasks are coordinated by its Chairman, who exercises all necessary powers for its proper functioning. Each Committee draws up an annual plan of activities to ensure the fulfillment of its tasks. Committee meetings are convened by the Chairman with a frequency adequate to the fulfilment of its tasks and plan of activities, or when needed or requested in writing, with proper motivation, by at least two members of the Committee. The provisions set out for the Board of Directors' functioning shall apply, as compatible, to the Board Committees. With reference to the Related-Parties Committee's meetings, only for reasons of urgency, in specific cases dealing with transactions falling into the decision-making powers of the Board of Directors, a meeting may be convened at least twelve hours in advance.

Committee meetings are valid if attended by the majority of their members and their resolutions are taken with a majority of votes cast. Should the Chairman be absent or impeded from attending, the meeting shall be chaired by the oldest Committee member. Should the Chairman of each Committee consider it appropriate, meetings may be held via conference call or video conference.

The meetings of each Committee were minuted by its Secretary, who is not a member of the Committee, appointed on proposal of its Chairman.

With reference to the composition of the Board Committees, on April 13, 2018, the Board of Directors, appointed by the Shareholders' Meeting on April 12, 2018 set the number of each Committee's members and appointed members to them, taking into account, *inter alia*, each Director's expertise and experience. More specifically, the Board:

- set at five the number of members of the Corporate Governance, Nomination and Sustainability Committee and of the Internal Controls & Risks Committee, appointing the following Directors as respective members:
 - Mr. Stefano Micossi (Chairman), Mr. Cesare Bisoni, Ms. Francesca Tondi, Mr. Alexander Wolfgring and Ms. Elena Zambon;
 - Mr. Alexander Wolfgring (Chairman), Ms. Martha Dagmar Boeckenfeld, Ms. Isabelle de Wismes, Ms. Maria Pierdicchi and Mr. Andrea Sironi;

- set at three the number of the members of the Remuneration Committee and of the Related-Parties Committee, appointing the following Directors as respective members:
 - Mr. Lamberto Andreotti (Chairman), Mr. Andrea Sironi and Ms. Elena Zambon;
 - Mr. Cesare Bisoni (Chairman), Mr. Vincenzo Cariello and Mr. Stefano Micossi.

Further to the resignation handed in by Director Mr. Andrea Sironi, the Board of Directors appointed Ms. Elena Carletti as member of the Remuneration Committee and the Internal Controls & Risks Committee, effective from February 7, 2019.

Further to the appointment of Mr. Cesare Bisoni as Chairman of the Board of Directors and the resignation of Director Ms. Boeckenfeld, at its October 8, 2019 meeting, on the proposal of the Corporate Governance, Nomination and Sustainability Committee, the Board appointed:

- ✓ Ms. Maria Pierdicchi as Chairwoman of the Related-Parties Committee;
- ✓ Ms. Francesca Tondi as a member of the Internal Controls & Risks Committee.

Chairman Bisoni remained member *pro-tempore* of the Corporate Governance, Nomination and Sustainability Committee, so that he could play an active role in the process for selecting two non-executive Directors in place of Mr. Saccomanni and Ms. Boeckenfeld. Being the selection process completed, Mr. Bisoni resigned from the Committee effective on February 27, 2020.

On March 4, 2020 the independent Director Isabelle de Wismes resigned from the Board of Directors of UniCredit S.p.A. with immediate effect; as a consequence, from the same date she no longer holds the post of member of the Internal Controls & Risks Committee.

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

The following chart shows **Committee composition as at the date of the Report's approval**, and any changes that occurred during the 2019 financial year.

Members	Exec.	Non-exec	Indep. as per Articles of Association and Code	Internal Controls & Risks Committee		Corporate Governance, Nomination and Sustainability Committee		Remuneration Committee		Related-Parties Committee	
				*	**	*	**	*	**	*	**
Bisoni Cesare		X				M ⁽¹⁾	100%			C ⁽¹⁾	100%
Andreotti Lamberto		X	X					C	91.67%		
Mustier Jean Pierre	X										
Al Mehairi Mohamed Hamad		X	X								
Balbinot Sergio		X									
Cariello Vincenzo		X	X							M	100%
Carletti Elena		X	X	M ⁽²⁾	100%			M ⁽²⁾	100%		
De Giorgi Diego		X	X								
Beatriz Ángela Lara Bartolomé		X	X								

Board of Directors' Internal Committees

Micossi Stefano		X	X			C	100%			M	100%
Pierdicchi Maria		X	X	M	100%					C ⁽²⁾	100%
Tondi Francesca		X	X	M ⁽³⁾	100%	M	100%				
Wolfgring Alexander		X	X	C	100%	M	100%				
Zambon Elena		X	X			M	86.67%	M	91.67%		
----- Members who left during and after the end of the Period -----											
Boeckenfeld Martha Dagmar		X	X	M ⁽⁴⁾	100%						
de Wismes Isabelle		X	X	M ⁽⁵⁾	100%						
Sironi Andrea		X	X	M ⁽⁶⁾	100%			M ⁽⁵⁾	100%		
No. of meetings held during the Period				IC&RC: 17		CGN&SC: 15		RC: 12		RPC: 11	
Note:											
* A "C" (Chairman) or an "M" (Member) in this column shows that the member of the Board of Directors belongs to the Committee and also indicates his/her position											
** Meetings' attendance percentage (number of meetings attended/number of meetings held during the concerned party's term of office with regard to the Period)											
(1) Further to the appointment of Mr. Bisoni as Chairman of the Board of Directors, effective from September 20, 2019, at its October 8, 2019 meeting, on the proposal of the Corporate Governance, Nomination and Sustainability Committee, the Board of Directors appointed Ms. Maria Pierdicchi as Chairwoman of the Related-Parties Committee. Chairman Bisoni was member of the Corporate Governance, Nomination and Sustainability Committee until February 26, 2020											
(2) Office held since February 7, 2019											
(3) Office held since October 8, 2019											
(4) Office held until September 18, 2019											
(5) Office held until March 4, 2020											
(6) Office held until February 6, 2019											

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

During the Period, the spending requirements of the Board Committees were met by an *ad hoc* budget. In fact, in order to perform their duties, Board Committees have access to the financial resources necessary to guarantee their operational independence and, within the limitations of the budget approved by the Board of Directors, may consult independent external experts and invite them to attend meetings; in the event of specific requirements, the relevant budget may be supplemented.

Furthermore, Committees are assured the necessary tools and information flows from the competent functions to enable them to conduct their evaluations.

Each Committee Chairman reported to the Board of Directors during the first available meeting on activities carried out by the Committee, with the support of specific documentation.

Board Committees' functions and competencies are set out in the UniCredit Corporate Bodies and Committees Regulation as resolved by the Board¹⁴. For information on Board Committees composition, please refer to the UniCredit website¹⁵.

* * *

The following chart presents the means of attendance of Board Committees members (in office as at December 31, 2019) at meetings held during 2019.

Internal Controls & Risks Committee	2019					
	Meetings	Attendance	%	Means of attendance		
				physical	by teleconference	via phone
Wolfgring Alexander (<i>Chairman</i>)	17	17	100%	17		
Carletti Elena ⁽¹⁾	14	14	100%	14		
de Wismes Isabelle	17	17	100%	16	1	
Pierdicchi Maria	17	17	100%	15		2
Tondi Francesca ⁽²⁾	5	5	100%	3	2	
average attendance	70	70	100%	65	3	2

(1) Office held since February 7, 2019

(2) Office held since October 8, 2019

Corporate Governance, Nomination and Sustainability Committee	2019					
	Meetings	Attendance	%	Means of attendance		
				physical	by teleconference	via phone
Micossi Stefano (<i>Chairman</i>)	15	15	100%	14	1	
Bisoni Cesare	15	15	100%	14	1	
Tondi Francesca	15	15	100%	14	1	
Wolfgring Alexander	15	15	100%	14	1	
Zambon Elena	15	13	86.67%	12		1
average attendance	75	73	97.33%	68	4	1

Remuneration Committee	2019					
	Meetings	Attendance	%	Means of attendance		
				physical	by teleconference	via phone
Andreotti Lamberto (<i>Chairman</i>)	12	11	91.67%	7	4	
Carletti Elena ⁽¹⁾	10	10	100%	9		1
Zambon Elena	12	11	91.67%	8		3
average attendance	34	32	94.12%	24	4	4

(1) Office held since February 7, 2019

¹⁴ The UniCredit website address where the Corporate Bodies and Committees Regulation is available is:
<https://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html>

¹⁵ The UniCredit website address where information on Directors is available is:
<https://www.unicreditgroup.eu/en/governance/board-of-directors.html>

Board of Directors' Internal Committees

Related-Parties Committee	2019					
	Meetings	Attendance	%	Means of attendance		
				physical	by teleconference	via phone
Pierdicchi Maria (<i>Chairwoman</i>) ⁽¹⁾	2	2	100%	2		
Cariello Vincenzo	11	11	100%	11		
Micosi Stefano	11	11	100%	7	2	2
average attendance	24	24	100%	20	2	2

(1) Office held since October 8, 2019

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 and industry best practices.

Since October 18, 2018, the Board of Directors has assigned the Internal Controls & Risks Committee responsibilities over equities investments held by banks and banking groups allocated in Banca d'Italia Circular no. 285/2013 to independent Directors.

Composition

According to the provisions in the Corporate Bodies and Committees Regulation, the Internal Controls & Risks Committee consists of 5 non-executive Directors. Further to the resignation handed in by Director de Wismes effective on March 4, 2020, the Internal Controls & Risks Committee as at the approval date of the Report consists of 4 Directors.

Therefore, the composition of the Internal Controls & Risks Committee as at March 5, 2020 is the following: Mr. Alexander Wolfgring (Chairman), Ms. Elena Carletti, Ms. Maria Pierdicchi and Ms. Francesca Tondi.

All members of the Internal Controls & Risks Committee, in its composition at such date, comply with the independence requirements prescribed by the Corporate Governance Code, which coincide with those envisaged by the UniCredit Articles of Association, and are independent pursuant to Section 148, sub-section 3, of Italian Legislative Decree no. 58 dated February 24, 1998.

All members of the Committee have the experience required under applicable provisions, covering the provided areas of competence related to risk and control as well as accounting and audit.

Operations

Committee meetings are attended by the Chairman of the Board of Statutory Auditors, the Head of Internal Audit, the Chief Compliance Officer and the Group Chief Risk Officer. At the invitation of the Committee Chairman, the Chief Executive Officer, other Directors, the Manager in charge of drafting the Company financial reports, as well as personnel belonging to the Company and the Group, may attend Committee meetings. Furthermore, representatives from the external audit firm may also be invited.

During the different phases of 2019, the following were involved in the Committee activities:

- the Chairman of the Board of Statutory Auditors in all the cases and the other Statutory Auditors at the invitation of the Committee's Chairman;

- the Heads of the corporate control functions (Internal Audit, Group Risk Management and Group Compliance) in all the 2019 meetings;
- the Chairman of the Board, the Chief Executive Officer and the General Manager (until the reorganization of the management team approved by the Board of Directors on February 6, 2019) at the invitation of the Chairman;
- the Manager in charge of drafting the Company financial reports upon invitation of the Chairman in occasion of discussions dealing with accounting and linked topics;
- the representatives of the external audit firm in 6 meetings for topics concerning its tasks upon invitation of the Chairman.

In 2019, the Committee was not supported by external consultants.

Roles and Responsibilities

The Internal Controls & Risks Committee supports the Board of Directors on risk management and control-related issues. Hereinafter, the main roles assigned in accordance with the current Corporate Bodies and Committees Regulation.

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

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

Furthermore, the Committee:

- a) with the support of the Corporate Governance, Nomination and Sustainability Committee, identifies and proposes to the Board who should be appointed as Head of the corporate control functions or assesses the evaluation of their dismissal; for the Head of Internal Audit function, issues its opinion on setting the remuneration and the performance goals associated with its variable portion in line with the company policies;
- b) pre-examines activity programmes (including audit plans) and annual reports from corporate control functions to be sent to the Board, as well as periodical reports prepared by these functions above and beyond legal or regulatory requirements;
- c) evaluates and issues opinions to the Board on the compliance of the internal control system and corporate organisation with the applicable rules and regulations, and on the requirements that must be complied with by the corporate control functions, drawing the Board's attention to any weaknesses and consequent corrective actions to be implemented; for this purpose, it assesses proposals put forward by the CEO;
- d) through evaluations and opinions, contributes to defining company policy on the outsourcing of corporate control functions;
- e) verifies that the corporate control functions correctly comply with the Board's recommendations and guidelines, assisting the Board in drafting the coordination documents envisaged under Banca d'Italia Circular no. 285;
- f) examines and assesses the correct use of accounting principles and their uniformity with regard to drafting the main accounting documents (such as, by way of example, operating and consolidated financial statements, interim operating reports, etc.), for this purpose coordinating with the Manager in charge of drafting the company financial reports and with the Board of Statutory Auditors;
- g) examines the work carried out by the Group's external auditors and the results stated in their reports or any letters and suggestions;
- h) assesses any findings reported by Internal Audit and Group Compliance, or that may arise from enquiries and/or investigations carried out by third parties;
- i) may seek specific audit interventions, at such time informing the Chairman of the Board of Statutory Auditors;
- j) analyses Group guidelines for the Group Compliance function that fall within its remit, monitoring that they have been adopted and implemented;
- k) requests that the Head of Internal Audit draft any proposals for the qualitative and quantitative improvement of the function itself;

Board of Directors' Internal Committees

l) is involved, within its specific remit, in the process of identifying material risk takers on an ongoing basis.

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

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

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

Activities performed

In 2019, the Internal Controls & Risks Committee held 17 meetings. On average, Committee meetings lasted approx. 4 hours and 30 minutes each.

In 2019, the Committee has performed information-gathering, consultative and proposition-making functions with regard to the duties assigned to it by the Board of Directors. At 5 meetings, focus sessions and "deep dive" sessions have been dedicated to the deepening of topics that fall within the Committee purview. More specifically, the July and October meetings were almost fully focused on deepening for training purposes.

Furthermore, in 2019, the Committee has established the necessary functional links with the Board of Statutory Auditors, in order to carry out the activities deemed to be in common for the two bodies, and exchanging information of mutual interest within the sphere of their respective competencies.

For the 2020 financial year, 15 Committee meetings have been planned. As at March 5, 2020, 4 meetings have been held.

5.2 Corporate Governance, Nomination and Sustainability Committee

In June 2000, the Board of Directors established the Nomination Committee, subsequently renamed the Corporate Governance, HR and Nomination Committee. At the end of the 2016 financial year, its activities expanded to embrace the supervision of sustainability issues and the Committee was renamed the Corporate Governance, Nomination and Sustainability Committee.

Composition

According to the provisions in the Corporate Bodies and Committees Regulation, the Corporate Governance, Nomination and Sustainability Committee consists of 5 non-executive Directors. Further to the resignation handed in by Chairman Bisoni from the Committee effective on February 27, 2020, the Corporate Governance, Nomination and Sustainability Committee as at the approval date of the Report consists of 4 Directors.

Therefore, the composition of the Committee as at March 5, 2020 is the following: Mr. Stefano Micossi (Chairman), Ms. Francesca Tondi, Mr. Alexander Wolfgring and Ms. Elena Zambon.

All members of the Committee, in its composition at such date, comply with the independence requirements prescribed by the Corporate Governance Code, which coincide with those envisaged by the UniCredit Articles of Association, and are independent pursuant to Section 148, sub-section 3, of Italian Legislative Decree no. 58 dated February 24, 1998.

Operations

In 2019, 15 meetings of the Corporate Governance, Nomination and Sustainability Committee were held, each one with an average length of 2 hours. For the 2020 financial year, 13 Committee meetings have been planned. As at March 5, 2020, 4 Committee meetings had been held.

During the Period, the Chairman of the Board of Directors, the Chief Executive Officer and the Secretary of the Board attended meetings; Managers of the Company and external consultants were invited to attend Corporate Governance, Nomination and Sustainability Committee meetings to discuss specific items on the Agenda.

Roles and Responsibilities

The Corporate Governance, Nomination and Sustainability Committee provides opinions and support to the Board regarding the definition of the UniCredit corporate governance system, corporate structure and Group governance models and guidelines.

Furthermore, the Committee;

- a) drafts proposals to be submitted to the Board regarding the optimal qualitative and quantitative composition of the Board, and the maximum number of posts held by Directors in other companies considered compatible with effectively fulfilling these roles at UniCredit;
- b) provides opinions and support regarding the Board self-assessment process, as directed by the Chairman of the Board of Directors;
- c) sets targets for the least well represented gender in corporate bodies as well as for management and staff belonging to the Group, and prepares a plan to bring this proportion up to set targets;
- d) drafts proposals to be submitted to the Chairman of the Board of Directors regarding the selection of staff appointed to conduct the Board's self-assessment process.

Moreover, the Committee provides opinions and support to the Board also regarding:

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

Moreover, the Committee:

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

Board of Directors' Internal Committees

The Committee also oversees sustainability issues linked to the activity carried out by UniCredit and the dynamics underpinning interactions between UniCredit and all of its stakeholders. Within this framework, in particular, the Committee:

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

Activities performed

As regards sustainability, the Corporate Governance, Nomination and Sustainability Committee oversaw activities aimed at ensuring proper procedures for data collection oriented towards drafting the Integrated Report, following the internal and external checks envisaged under current provisions. Moreover, the Committee identified areas for implementing initiatives aimed at integrating ESG (Environmental, Social and Governance) factors and ethical issues into Group business strategies. The Committee also supported strengthening the communication strategy in order to raise the visibility of Bank initiatives in the sustainability field.

As part of its remit over corporate governance, the Committee continued to examine and discuss actions aimed at strengthening the Bank's governance and aligning it with best national and international practices, as well as with investor expectations.

More specifically, during renewal of the Board of Statutory Auditors for the 2019-2021 financial years, the Committee also supported the Board in resolving on the assignment of the Supervisory Body functions to the Board of Statutory Auditors pursuant to Italian Legislative Decree no. 231/2001 and, in light of the complexity of the current Italian and European regulations concerning corporate officers' requirements, in defining an advance theoretical profile for the Board of Statutory Auditors that, although there no specific provision is in place in this regard, may facilitate optimal choices of candidates by shareholders for presentation at the April 2019 Shareholders' Meeting. This resolution was oriented towards strengthening the powers of the Supervisory Body (given its powers of inspection, responsibilities and the independence of the Board of Statutory Auditors) and streamlining the control system thanks in particular to a simplification of information flows with the relevant people at control functions, and with the body with supervisory functions.

During the Period, a dedicated Committee task force was set up to foster the overall simplification and full uniformity of the Delegation of Powers by the Board of Directors, and to introduce a new system for reporting the exercise of delegated powers in order to improve quality of information and attempt to eliminate the information duplication.

With reference to the engagement issue, the Committee supported the Board in adopting a specific internal policy governing any requests for meetings and/or information from UniCredit shareholders (both institutional and non-) or their proxy advisors, addressed to members of the Board of Directors, given the growing number of requests from institutional investors who hold stakes in Italian listed companies and seek direct contact not only with company offices in charge of managing such issues, but also with the Board of Directors and, more specifically, with the Chairmen of Board Committees. More specifically, according to the above internal policy, dialogue with shareholders and/or any related proxy advisor is conducted by (i) the Chairman of the Board of Directors, in agreement with the CEO, if related to strategic corporate governance topics or to the functioning of the Board of Directors; (ii) the CEO, in agreement with the Chairman of the BoD, if related to strategic business topics or to the bank's management. Each Chairman of the Committees may directly maintain the meetings only for specific requests falling under the Committee's competencies, and on previous agreement with the Chairman of the Board.

Furthermore, according to the candidate selection process for a place on the Board of Directors, with the support of a head-hunting firm, the Committee presented the Board of Directors with proposals on the submission of candidates for the post of Director in order to bring the Board of Directors back up to number, and for Board Committee-composition purposes.

Moreover, the Committee expressed its views on the designation of members to corporate bodies at Group companies, and Group Top Management appointments and movements as well as oversaw internal governance-related events/processes such as the Board of Directors' self-assessment process, checking that the composition of the Board of Statutory Auditors resulting from the appointment process corresponded with the theoretical profile approved by the Company, checking fulfilment of requirements envisaged under national and European provisions for corporate officers and, in particular, independence corporate officers, compliance with current provisions on interlocking directorates, and HR strategies with a special focus on the Leadership Pipeline.

Through its Chairman, the Committee had access to all information and corporate functions as required for performing the committee's duties, relying on support from the Company's head office structures and, when deemed appropriate, outside consultants.

5.3 Remuneration Committee

For the required information on the Remuneration Committee's set-up, tasks and functioning, please refer to paragraphs "Role of the Remuneration Committee" and "Report on the Remuneration Committee" in the "2020 Group Remuneration Policy and Report", drawn up in accordance with Section 123/ter of the TUF, Section 84/quarter of the CONSOB Issuers' Rules (last modified under resolution no. 18214 of May 9, 2012), and the provisions set forth under Title IV, Chapter 1, Table 15 of Banca d'Italia Circular no. 263.

5.4 Related-Parties Committee

Set up in accordance with CONSOB Regulation no. 17221/2010 and Banca d'Italia Circular no. 263/2006 (Title V, Chapter 5), the Related-Parties Committee oversees issues concerning transactions with related parties and risk-related activities and conflicts of interest involving associated parties, conducting the specific role attributed to independent Directors by the aforementioned provisions. Furthermore, it carries out any other duties assigned to it under Global Policy on transactions with related and associated parties, as applicable from time to time¹⁶.

Composition

The Related-Parties Committee consists of three Directors, all of whom qualify as independent pursuant to the Corporate Governance Code.

The composition of the Related-Parties Committee as at March 5, 2020 is the following: Ms. Maria Pierdicchi (Chairwoman), Mr. Vincenzo Cariello and Mr. Stefano Micossi.

¹⁶ The UniCredit website address where the Global Policy Transactions with related parties, associated persons and corporate officers ex. Section 136 of the TUB is available is:
<https://www.unicreditgroup.eu/en/governance/related-parties-and-associated-persons.html>

Board of Directors' Internal Committees

Roles and Responsibilities

The Related-Parties Committee operates on a consultative and proposition-making basis. Pursuant to the current provisions, the Committee is in particular in charge of:

- formulating prior, motivated and binding opinions for the purposes of the Board of Directors' resolving on the suitability of internal procedures and subsequent updates in order to achieve the objectives established set in the external regulatory environment;
- formulating prior and motivated opinions, when expressly required, in the event of transactions with members who qualify as persons in conflict of interest (known as the so-called "*Perimetro Unico*")¹⁷ either directly or indirectly with UniCredit, concerning the Company's interest in the performance of such transactions, as well as the profitability and substantial correctness of the conditions of such transactions;
- in the event of transactions of "greater significance", - if deemed necessary by the Committee becoming involved through one or more delegated members - in the negotiation phase and in the preliminary phase via the reception of an exhaustive and timely information flow, including the right to request information and issue observations to delegated bodies and the persons in charge of carrying out negotiations or the preliminary phase.

The Company's competent offices ensure ongoing transaction monitoring as envisaged by procedures for identifying and managing transactions with related and/or associated parties, including with a view to enabling the Committee to put forward corrective actions.

Operations

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

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

For transactions that need to be finalised urgently and require the intervention of the Related-Parties Committee during negotiations and due diligence and/or during the issue of opinions, having acknowledged the urgency and noted that the majority or all members are unable to meet or carry out the required activities in time to conclude the transaction, the Committee Chairman shall promptly inform the Chairman of the Board of Directors of this situation. In any event, these circumstances must be communicated no later than the day after the Committee Chairman was informed that the majority or all Committee members was not available. Having consulted with the CEO and determined that the transaction cannot be delayed, the Chairman of the Board of Directors immediately takes steps to find three Directors to sit on the Committee and follow the process for temporary substitutions in the event of conflicts of interest.

¹⁷ Subjects at Group level to whom as a whole procedures apply as envisaged under the Global Policy Transactions with related parties, associated persons and corporate officers ex section 136 of the TUB, pursuant to both CONSOB resolution no. 17221/2010 and Banca d'Italia Circular no. 263/2006 (Title V, Chapter 5).

Activities performed

In 2019, the Related-Parties Committee held 11 meetings (on average, each Committee meeting lasted 1 hour and 50 minutes).

Company and Group Managers and personnel attended Committee meetings for discussions on Agenda items that fell within their competence.

Furthermore, from the second half of 2019, the Chairman of the Board of Statutory Auditors attended to Committee's meetings. The Chairman of the Board of Directors attended the meeting held on January 30, 2019.

In 2019, the Committee sought support from external independent consultants on one occasion.

In 2019, the Committee issued three opinions on transactions with related parties and/or associated parties managed at UniCredit and/or Group Companies. Adopting the same frequency as the Board of Directors, the Committee furthermore examined reports on transactions with related and/or associated parties at a "*Perimetro Unico*" coverage level, and what actions were taken in order to ensure exhaustive registration, in addition to examining the quarterly reports drafted by Group Risk Management and Group Lending functions on matters that fell within their competence.

It should further be noted that activities oriented towards reviewing and systemising internal regulations on related-parties and risk activities and conflict of interest with associated parties – carried out by the competent structures in the second half of 2018 – concluded on February 6, 2019, with the Board of Directors approving the "Global Policy Transactions with related parties, associated persons and corporate officers *ex* Section 136 of the TUB" document after having received the opinions required from the Related-Parties Committee and the Board of Statutory Auditors.

For the 2020 financial year, 12 meetings have been planned for the Related-Parties Committee.

As at March 5, 2020, 3 meetings have been held.

Directors' Remuneration

For the required information on compensation for executive Directors, non-executive Directors and Executives with Strategic Responsibilities, as well as on 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 section on "Compensation to Directors, Statutory Auditors and Executives with Strategic Responsibilities" in the "2020 Group Remuneration Policy and Report", drawn up in accordance with Section 123/*ter* of the TUF, Section 84/*quater* of the CONSOB Issuers' Rules (last modified by Resolution no. 18214 of May 9, 2012), and the provisions set forth under Title IV, Chapter 1, Table 15 of Banca d'Italia Circular no. 263.

Directors' interest and related-parties transactions

Risks arising from transactions with persons in a potential conflict-of-interest situation are governed, *inter alia*, by the Regulation CONSOB adopted in Resolution no. 17221 dated March 12, 2010 (as subsequently amended), by regulations on "Risk activities and conflicts of interest with associated parties" provided for under 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 subsequent amendments, as well as regulations on the obligations of corporate officers at Banks pursuant to Section 136, Legislative Decree no. 385 dated September 1, 1993.

Under this regulatory framework, with the unanimous and favourable opinion of the Related-Party Committee and the Board of Statutory Auditors, on February 6, 2019 the UniCredit Board of Directors adopted its Global Policy Transactions with related parties, associated persons and corporate officers *ex* Section 136 of the TUB (available from the UniCredit website) with the aim of defining principles and setting out rules for controlling risks that may arise out of a possible conflict of interest caused by a party's close ties with bank decision-makers.

Intended as an organic evolution towards unifying aspects of governance and areas of enforcement, procedural and organisational approaches (due to the significant similarities between CONSOB's regulations on related parties and the Banca d'Italia's on associated parties), this Global Policy details provisions to be complied with when managing transactions with persons in a potential situation of conflict of interest, as defined by the above-mentioned regulations.

Here below is the list of enforcement areas taken into consideration by the provisions in the Policy:

- governance issues and the associated roles of the Board of Directors, the Related-Parties Committee and the Board of Statutory Auditors;
- organisational structures for overseeing and managing transactions with CONSOB related parties and with associated parties;
- perimeter of CONSOB Related Parties and Banca d'Italia associated parties;
- criteria for identifying and detecting transactions with related parties and associated parties, including those of greater relevance;
- cases of exemption set out in the CONSOB Regulations and through Banca d'Italia provisions, and exemptions at UniCredit pursuant to the powers provided for under such provisions;
- procedures for arranging and approving transactions with related parties and with associated parties;
- checks and rules for adoption of the Policy within the Group.

Taking into consideration the peculiarities that characterise these provisions, references are also provided on the following:

- disclosure- and transparency-related obligations required by CONSOB with reference to transactions with related parties;
- risk activities with associated parties pursuant to Banca d'Italia supervisory reporting terms;
- monitoring prudential limits and risk appetite levels of associated persons.

The current version of the Global Policy is available on the UniCredit website¹⁸.

* * *

Compliance with legal requirements on the interests of company Directors and related-parties transactions being unaffected, through its Global Policy the Company must also comply with Section 136 of Legislative Decree no. 385/93 concerning the obligations incumbent upon bank corporate officers, according to which such officers may not take on any obligation, directly or indirectly, with the bank that they manage, direct or control, unless it is

¹⁸ The UniCredit website address where the Global Policy on Transactions with related parties, associated persons and corporate officers *ex* section 136 of the TUB is available is :

<https://www.unicreditgroup.eu/en/governance/related-parties-and-associated-persons.html>

approved unanimously by the Supervisory Body, and with the person concerned abstaining, in a vote in favour by the controlling body's members. Accordingly, corporate officers are required to report the names of individuals or companies with whom entering into relations might constitute an indirect obligation that substantially refers to a corporate officer.

A transaction with a related party involving a bank's corporate officer or a party related to such falls under the provisions of Section 136 and the respective procedure. In such cases, the Related Parties Committee must be granted an early, timely and complete flow of information in accordance with the specific methods envisaged for transactions of greater or lesser relevance.

Internal controls and risks management system

The internal controls system is an essential part of the overall governance system at a bank. It plays a central role in their organisation, and can help ensure the effective management of risks and how they interrelate, to ensure that the activities carried out will comply with the corporate strategies and policies, and be founded on sound and prudent management principles.

An effective internal controls system is a prerequisite for value creation over the medium-to-long term, safeguarding asset quality, correctly perceiving risk and appropriately allocating capital.

The UniCredit Group internal controls system is based on:

- control bodies and functions, involving (each one within its respective sphere of 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, and the corporate functions with specific tasks to that regard;
- information flows and coordination procedures among parties involved in internal controls and risks management system;
- Group Governance mechanisms.

8.1 Bodies and functions

The Board of Directors and the Internal Controls & Risks Committee

Guidelines for internal controls and the risks management system are defined by the Board of Directors, having verified their consistency with the strategic orientation and the risk appetite established by the Board. Consequently, the Board is able to guarantee that the main risks are properly identified, 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 sound and prudent management.

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

The Risk Appetite Framework for 2019 summarises the Group's desired risk profile, including identification of significant risks to which the Group is exposed, by defining thresholds for the following indicators:

- First Pillar indicators in order to ensure compliance at all times with Supervisory Authority requirements (for example, the Common Equity Tier 1 Ratio and the Liquidity Coverage Ratio);
- Management indicators, to monitor the evolution of key variables from both a strategic and Risk Appetite point of view (for example, Exposure to Stressed Loans, Profitability);
- Specific indicators to ensure control of certain risks (e.g. Market, Operating, Liquidity, Interest Rate).

In 2019, the Board approved the new Group Risk Appetite Framework for 2020 and for the Multi-Year Team 23 Group Plan. Risk Appetite for 2020 was defined with the goal of supporting sound growth embedded within the Multi-Year Plan Team 23, while maintaining a prudent risk management strategy for the Group. To achieve this, starting from 2020 the Risk Appetite Framework is being enriched by the introduction of new KPIs to strengthen actions and ensure a leading role for Risk Management. The new KPIs refer to Liquidity Risk, ICT risk (focus on Cyber Security), and Compliance Risk (focus on financial crimes and AML). Moreover, 2023 objectives related to Climate Risk have been included.

The Group Risk Appetite Framework must be consistently implemented at relevant Group Legal Entities. The Risk Appetite Framework includes not just a list of relevant metrics, but also of relevant targets, triggers and limits: i) the targets represent the amount of risk the Group is willing to take on in normal conditions, and they form the reference

thresholds for 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 even under stress conditions the Group can operate within the maximum level of acceptable risk; the Group Risk & Internal Control managerial committee and the Board of Directors shall be notified of trigger breaches; iii) the limits are hard points that represent the maximum level of risk acceptable for the Group; if a limit is breached, the Board of Directors must be involved in assessing and deciding upon 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.

Within its sphere of competence, the UniCredit Board of Directors approves the establishment of corporate control functions, defining their relevant roles and responsibilities, forms of coordination and collaboration, and the information flows between them and the corporate bodies. Additionally, as part of its support of the Internal Controls & Risks Committee, it draws up coordination documents envisaged under Banca d'Italia Circular no. 285, and has mandated the CEO to execute the Board's directions by designing, managing and monitoring the internal controls and risks management system. Within the scope of this, the Board of Directors ensures that corporate control functions are stable and independent, and that they may access all Bank and Group Companies' activities and any data relevant for performing their respective duties.

At least once a year, after considering the opinion issued by the Board of Statutory Auditors, the Board of Directors assesses the organisational structure's adequacy and the number and skills of staff working at the compliance (Group Compliance) and risk management functions (Group Risk Management). Furthermore, the Board resolves on any possible amendments necessary to the internal audit function's (Internal Audit) organisation and staffing.

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

Credit Strategies

Under Basel Pillar II, Group Credit Risk Strategies represent an advanced credit risk management instrument, targeted at ensuring consistency between budget targets and the Risk Appetite Framework. Taking into consideration the macroeconomic and credit scenario, managerial initiatives and the expert industry view, Credit Strategies provide a set of guidelines and operational targets broken down by the countries and business segments in which the Group operates, with the goal of identifying the desired risk profile and business line positioning in order to ensure growth consistent with the Group Risk Appetite Framework, while at the same time minimising the overall credit risk impact without precluding profitable business opportunities.

Market Risk Strategies

At Group level, the UniCredit "Group Financial Risk" function manages the setting of overall limits on the Group's financial risks (i.e. liquidity, interest rate, market, counterparty and trading credit risks).

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

- the Legal Entities' Market Risk functions, which in accordance with the Group business model are entitled to take on exposures to market risks either in the trading or in the banking book and liquidity. Within the defined overall business model, the relationship Market Risk functions have within the overall process of negotiating operational limits alongside the business functions is designed to ensure consistency of the limits assigned in the budget, taking into account dynamics associated with risk indicators, based on historically-observed data, expected market developments and proposed business initiatives;
- the "Risk Appetite & Integrated Risks" Risk Management function in charge of the Group Risk Appetite, with the aim of verifying the limits-related impact on Regulatory and Economic Capital within an iterative process conceived to ensure that limits are consistent with the capital allocation approved at Group level, taking into consideration income goals defined in the annual and strategic plans.

The UniCredit Board sets out the guidelines for the internal controls system, verifying its consistency with established strategic orientations and risk appetite, as well as its capacity to detect the evolution of corporate risks

Internal controls and risks management system

and how they mutually interact, ensuring that the main risks are properly identified, measured, managed and monitored in the appropriate manner, through Internal Controls & Risks Committee activities, in particular, on the basis of:

- reports by the Heads of corporate control functions: the compliance function (Group Compliance), the risk management function (Group Risk Management), the internal audit function (Internal Audit), the anti-money laundering function (Anti-Money Laundering) and the validation function (Group Internal Validation);
- information from the Manager charged with preparing the company financial reports in compliance with the International Accounting Standards and with regulations relevant to preparing the consolidated financial statements;
- any useful information related to monitoring overall corporate risks provided by the relevant Company structures and/or the by the firm assigned to undertake statutory accounting supervision;
- a structured annual process of internal controls system evaluation¹⁹ carried out by the Chief Executive Officer with management support (Group ICS Management Evaluation), coordinated at Group level by the Finance & Risk Processes and ICS.

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

In addition, the Board ensures that the internal controls system and corporate organisation are constantly in harmony with the principles enshrined in laws and regulations applicable at the time, verifying on an at least yearly basis the adequacy, effectiveness and proper functioning of the internal controls and risks management system; should shortcomings or discrepancies emerge, the Board promptly fosters adoption of appropriate corrective measures, the efficacy of which should subsequently be assessed.

Director in charge of the internal controls and risks management system

The Board of Directors' authority over the establishment of corporate control functions and the definition of related roles and responsibilities notwithstanding, as Director appointed by the Board, the Chief Executive Officer manages the internal controls and risks management system, with support from relevant functions. This includes:

- (i) identifying the Company's risks and submitting them to the Board of Directors. To that end, he must have in-depth knowledge about all corporate risks and, as part of an integrated management-oriented approach, their reciprocal relationships, taking into account how external circumstances (including macroeconomic risks) evolve;
- (ii) putting into practice the strategic guidelines, RAF and risk management policies defined by the Board. This he does by planning, managing and monitoring the internal controls and risks management system. In his supervision of these activities, the Chief Executive Officer is formally supported by the Group Risk & Internal Control managerial committee (which he chairs): the session focused on "management and supervision of the internal controls system", for which the Deputy Chairman is the Head of Finance and Controls, addresses topics related to the internal controls system and their associated remediation plans; the session focused on "risks", for which the Deputy Chairman is the Group Chief Risk Officer, handles topics related to risk management and monitoring.

The Chief Executive Officer is responsible for taking all necessary steps to ensure that the organisation and internal controls system comply with the principles and requirements envisaged under current legal provisions. Furthermore, on an ongoing basis and with assistance from the competent functions (as well as directly sitting on *ad hoc* managerial committees aimed at overseeing and/or controlling risks), he supervises the proper management of overall corporate risks and the adequacy, and the effectiveness and efficiency of associated protective structures,

¹⁹ (evaluation further to the one already performed on the internal controls system by the Internal Audit function and by the other control bodies and functions)

including by means of defining optimal policies for managing such risks. To that end, at all levels he facilitates dissemination of an integrated risk culture spanning the various types of risk.

With specific reference to the non-compliance risk, working with support from the Compliance function, the Chief Executive Officer ensures effective management of such risk, deciding on appropriate policies and procedures for compliance with local regulations for the Bank; in the case of a compliance breach, he ensures that the necessary remedies are put in place and defines information flows to ensure that the Bank's competent corporate bodies are fully aware of how to manage the non-compliance risk. Backed by the Compliance function, at least once a year the Chief Executive Officer identifies and evaluates the main compliance risks to which the Bank is exposed, planning management measures and at least once a year reporting to the Board of Directors and the Statutory Auditors on the adequacy of non-compliance risk management.

At the Committee Chairman's invitation, the Chief Executive Officer attends Internal Controls & Risks Committee meetings on specific Agenda items. At these meetings, the Chief Executive Officer reports to the Committee on issues pertaining to items on the Agenda, providing clarifications when necessary and following up on any requests for the Committee to undertake further investigation.

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

Within this field, the Chief Executive Officer makes sure that the Board of Directors engages in effective, ongoing dialogue and exchange, with support from the corporate functions that report to him as Head of the internal structure, in order to allow him to review the choices and decisions they adopt over time. To that end, the Chief Executive Officer receives information from corporate functions necessary to assure the supervision required of him, principally at managerial committees meetings which he attends as Chairman, and meetings by committees of which he is not a member, through specific, systematic information flows.

Moreover, he promotes such initiatives and actions as are necessary to ensure the ongoing exhaustiveness, adequacy, functionality and reliability of the internal controls system, reporting to the Board of Directors on the outcome of checks, arranging and carrying out any necessary corrective measures, and implementing such measures should there be any deficiencies or anomalies, or should relevant new products, activities, services and processes be introduced.

Board of Statutory Auditors

The UniCredit Board of Statutory Auditors is responsible for overseeing the completeness, adequacy, functionality 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 that have control roles and responsibilities within the Company, the Board of Statutory Auditors checks on the efficacy of all controls system structures and functions, the proper performance of duties, proper coordination of such duties, and promoting any corrective actions aimed at remedy any shortcoming or irregularities detected.

Drawing on the contribution of the corporate control functions, as part of its more general overall review of the risks management process, the Board of Statutory Auditors supervises compliance with ICAAP process provisions and the completeness, adequacy, functionality and reliability of the advanced internal risks measurement systems for determining capital requirements, as well as compliance with requirements envisaged under the relevant provisions.

The Board of Statutory Auditors supervises the financial disclosure process and compliance with provisions on the disclosure of non-financial information, external auditing of the annual individual and consolidated accounts, the independence of the external audit firm, in particular with regards to carrying out non-auditing activities, and periodically meets with the external audit firm for a reciprocal exchange of information.

Internal controls and risks management system

With specific regard to the assignment of Supervisory Body functions to the Board of Statutory Auditors pursuant to Legislative Decree no. 231/2001, it should be noted that at its February 6, 2019 meeting, the UniCredit Board of Directors resolved to entrust these tasks to the control body starting from its renewal for the 2019-2021 financial years. Until the Board of Statutory Auditors' renewal, (at the Shareholders' Meeting on April 11, 2019), it has been maintained the previous set-up, ensuring that these functions have been entrusted to a specially-constituted independent body, made up by external members and executives from "top management" positions with guidance, support and control functions (see following paragraph *8.5 Organisation Model as per Legislative Decree no. 231/2001*).

The Board of Statutory Auditors is responsible for establishing appropriate functional links with the Internal Controls & Risks Committee regarding the two bodies conducting joint activities in accordance with their specific skills. The Board of Statutory Auditors also exchanges information with a view to integrated governance alongside members of the Related-Parties Committee.

Control functions

In compliance with current law and drawing inspiration from international best practice, the types of control at UniCredit are structured on three levels:

- line controls (so-called **first-level controls**), in charge of the corporate functions responsible for business/operational activities, and by a dedicated structure (Internal Controls Italy) which supports the Co-CEO Italy as Head of the first-level operational controls system, including those under the "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 regarding the matters in their sphere of competence;
- internal audit (so-called **third-level controls**), in charge of the Internal Audit function.

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

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

The Compliance function

It is the Holding Company Compliance function's mission to govern the management of compliance risk and to assist the Group, its Management, corporate bodies and employees in carrying out their activities in compliance with mandatory rules, internal procedures, best practice and ethical standards and to help safeguard the Group's franchise and reputation while upholding its values.

Bank and of the Group's companies' Compliance function are independent, drawing on human and technological resources that are qualitatively and quantitatively adequate to the task, reporting directly to Senior Management and the corporate bodies, and with access to all corporate information and decision-making processes; when necessary, it can elevate an issue directly up the hierarchy.

In fulfilment of its assigned responsibilities, the UniCredit Compliance function:

- defines and develops (monitoring implementation of and compliance by) Group Compliance Rules, procedures, methodologies, training and, in particular, minimum compliance standards to be followed and implemented within the Group;
- analyses and interprets Italian, EU and international regulations and issues, and as required, interpretative notes/proactive advice notes, issuing opinions and prior evaluations on topics that fall within its brief;

- defines and develops the Compliance yearly plan, monitoring and periodically reporting on progress to Group corporate bodies;
- identifies risks of non-compliance with regulations that fall under its scope, monitors and assesses such risks, identifies mitigation actions and monitors their implementation;
- working with other relevant functions, reports to the Authority (e.g., takes part in consultations, provides assistance in preparing comments on proposed legislation, serves as a link between the Authority and the Bank's structures on specific requests and inspections);
- provides UniCredit Senior Management with a general overview of non-compliance risk trends at the Group.

With reference to Banca d'Italia's provisions, at UniCredit S.p.A. the Compliance model for supervising non-compliance risk with reference to all company activities (except for regulatory areas within the perimeter of the Group Risk Management Department) is applied directly ("*Presidio Diretto*") by Compliance function structures with regards to non-compliance risks like those concerning banking and financial activities, conflict-of-interest management, transparency for customers, and consumer safeguard regulations; as far as other regulations are concerned and with reference to UniCredit S.p.A. alone, Compliance undertakes indirect ("*Indirect Model*")²⁰ monitoring by providing/validating the methodology and procedures for the assessment of non-compliance risk at so-called "Specialised Structures", set up within other company functions and working on specific regulatory areas²¹. Over time, on the basis of the outcomes of their activities, the Compliance function checks that these "Specialised Structures" are following the methodology and procedures provided, and drafts summary reports for the UniCredit S.p.A. corporate and control bodies.

At group level, the Compliance model is structured at the following levels:

- Group Compliance, which has a direct role and offers support, manages local compliance, and has monitoring and control powers with regard to the overall Compliance Plan in order to ensure consistent Groupwide application of Compliance standards.
Within this structure, the following roles exist:
 - The Chief Compliance Officer, who performs general oversight activities on all Group Companies, with the Group Compliance Coordinators' support, through management of Local Compliance Heads. The Chief Compliance Officer of UniCredit is Mr. Carlo Appetiti, who was appointed by the UniCredit Board of Directors, having heard the opinion of the Board of Statutory Auditors, and is empowered with the necessary autonomy and independence from operating structures, as required under current regulations;
 - Group Compliance Coordinators who, also through management of Local counterparts, are in charge of ensuring a consistent group approach in their areas of competence, providing services across the Group and dealing with cross-border issues;
- At individual company level, Local Compliance is responsible for locally overseeing non-compliance risk in accordance with relevant Group standards.

The Risk Management function

On September 21, 2017, the Board of Directors approved a proposal to amend the organisational structure of the Group's risk management and lending activities to further strengthen the effectiveness of its risk controls, improving the focus on risk organisation and enforcing independent control vis-à-vis the operating businesses. In accordance with the evolving regulatory requirements and to enhance its risk organisation, UniCredit has separated its risk management and credit-related Lending operational functions.

In particular, under the Group Chief Risk Officer's responsibility, the "Group Risk Management" structure's mission is to:

- optimise the quality of Group assets, minimising the cost of risk in accordance with the risk/profitability targets set for business areas;

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

²¹ For an example, please refer to the tax provisions.

Internal controls and risks management system

- ensure strategic steering and definition of Group risk management policies;
- define and supply Heads of Business Functions and Legal Entities with criteria for assessing, managing, measuring, monitoring and communicating risks. Additionally, ensure that the procedures and systems designed for risks control 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 relevant Chief Operating Officer functions;
- help find ways to rectify asset imbalances, where needed in conjunction with the Group Chief Financial Office;
- help the business functions achieve their goals, including through assistance in developing products and businesses (e.g., innovation of credit products, competitive opportunities arising out of the Basel accords);
- support the CEO in defining the proposed Group Risk Appetite, to be circulated to the Group Risk & Internal Control Committee and submitted for approval to the Board of Directors as a preliminary and preparatory step for the yearly and multi-year budget plan pertaining to the Group Chief Financial Office. The Group Risk Appetite brings together a series of parameters defined by Group Risk Management, with input from the Group Chief Financial Officer and other relevant Group functions, each within the scope of their competence; parameters may be complemented with limits and triggers proposed by the Chief Risk Officer²² and targets proposed by the Group Chief Financial Office, and/or by relevant Group functions, each with respect to their mission and internal regulations. The Group Chief Risk Officer is responsible for ensuring the overall coherency of proposed parameters and values. Furthermore, the Group Chief Risk Officer is responsible for guaranteeing to the CEO and the Board of Directors that the Group Risk Appetite is consistent with Group strategic guidelines, and that the budget goals are consistent with the Group Risk Appetite, setting and periodically monitoring the RAF. The Group Chief Financial Office remains responsible for monitoring performance by the Group and its business functions in order to identify possible underperforming areas and come up with corrective counter-measures.

The Risk Management function sets up specific information flows to ensure full knowledge about the Group's risks exposure and underlying factors, as well as trends for significant variables included in the Risk Appetite Framework. This information, of which the CEO is aware, in part through chairing the Group Risk & Internal Control Managerial Committee (in view of the Chief Executive Officer drafting proposals/reports for the Board of Directors), mainly relates to the topics summarised below:

- Information regarding the Group Risk Appetite, Strategies and governance of various risks, liquidity adequacy (ILAAP) and capital adequacy (ICAAP);
- Periodic reports on different risk types and associated limits;
- The risks control framework, including initial approval and the adoption of substantial changes to risks measurement and control systems, an annual evaluation of the functionality, adequacy and compliance with regulatory requirements of risks measurement and control systems on the basis of reports by the internal validation function;
- Guidelines for managing distressed assets and the economic repercussions of potential asset disposals.

The UniCredit Group Chief Risk Officer is Mr. Thiam Joo Lim.

The Internal Audit function

The UniCredit Internal Audit function, which reports to the Board of Directors, steers, coordinates and monitors the Group's Internal Audit activities, and performs third-level control activities as well as on-site inspections on the Parent Company and on the Group's Legal Entities that have outsourced internal audit activities to UniCredit on an in-service company basis. In addition, as the Group's Internal Audit function it may conduct on-site controls on any Legal Entity.

The Internal Audit function acts in compliance with the Internal Audit Group Charter, which defines its mission, responsibility, organisational reporting, tasks and authority.

²² Possible triggers and limits on profitability parameters must be agreed by the Chief Risk Officer and Chief Financial Officer.

An independent function, Internal Audit plays an integral part in the internal controls system, carrying out assurance and consulting to evaluate, add value to and improve the internal controls system of UniCredit and its Group.

Internal Audit adheres to the International Professional Practices Framework (Definition of Internal Audit, Core Principles for the Professional Practice of Internal Auditing, and Code of Ethics and International Standards).

The Officer in charge of the Internal Audit function

The Board of Directors has exclusive competence – based on a proposal made by the Internal Controls & Risks Committee, as well as after hearing the Board of Statutory Auditors – over the appointment and removal of the Head of Internal Audit.

Either directly or via the Internal Controls & Risks Committee, the Head of Internal Audit, Ms. Serenella De Candia, reports to the Board of Directors at least once a year, and, in particularly important cases, at the next available meeting, on the adequacy, effectiveness and efficiency of the internal control system.

The Head of the Internal Audit function is not in charge of any operational areas, and reports hierarchically to the Board of Directors.

In addition, after hearing the Internal Controls & Risks Committee's opinion, the Board of Directors has exclusive competence over determining the variable portion of remuneration for the Head of the Internal Audit function, based on criteria and parameters not connected to Bank performance.

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

- develops and executes an annual audit plan and a multi-year audit plan using an appropriate risk-based methodology, taking into account trends and emerging risks. In this context, organisational changes and projects identified by Senior Management and/or governing bodies are considered to be relevant. Both plans are submitted for approval to the Board of Directors after examination by the Internal Controls & Risks Committee;
- ensures adequate Audit coverage, taking into account the competencies of the External Auditors and Supervisory Authorities, including a reasonable overview of expenses;
- issues periodic reports to the Board of Directors, sometimes via the Internal Controls & Risks Committee, that summarise the main findings of audit activities;
- undertakes special investigations, including on its own initiative, at UniCredit S.p.A. and within the Group, reporting the results to Senior Management and governing bodies;
- maintains a professional audit staff with sufficient knowledge, skill, experience and professional certification to meet the requirements stated in the Internal Audit Group Charter;
- reports to the Board of Directors on matters designed to assess Internal Audit performance, including emerging trends and best practice in internal auditing;
- ensures fair and transparent communication with Regulators on audit activities;
- establishes a quality assurance and improvement programme to make it possible to assess internal audit activities and promote professional development.

The Head of the Internal Audit function prepares a quarterly report to provide corporate bodies and Senior Management with an overall assessment of the internal controls system. This report includes not only an assessment of the internal controls system, but also summary information on what activities it has performed, the main risks to emerge, and the implementation status of Management action plans. Updates are also provided on a regular basis regarding the progress status of the annual plan.

Detail is provided of information flows from the Head of Internal Audit to the governing bodies in a dedicated Internal Bank Regulation.

Internal controls and risks management system

The Head of the Internal Audit function arranges the Group Audit Plans, based on the Risk Assessment results and in compliance with the Group Audit guidelines. Group Audit Plans take into consideration requests made by Regulators and corporate bodies.

The Board of Directors empowers the Internal Audit function to have unlimited access to all corporate functions, records, minutes of all consultative and decision-making committees, Company property and staff.

The Head of the Internal Audit function may draw on an appropriate annual budget, which is submitted to the competent governing bodies for approval.

In 2019, pursuant to the guidelines approved by the Board of Directors, the Head of the Internal Audit function performed checks both on the central structure of the Parent Company and on its subsidiaries, in line with the methodology outlined in the Group Audit Regulations. Appropriate and timely information was sent to corporate bodies in all cases deemed particularly significant, in addition to the above-mentioned periodic report. The Head of the Internal Audit function also played a role in steering, coordination and control, managing, 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 during its implementation, reporting and monitoring phases.

In 2019, UniCredit had no total or partial outsourcing agreements in place for 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. Stefano Porro, co-Head of the Group Chief Financial Office area at 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 this role under laws and regulations in force, establishing his/her powers, resources and remuneration; this person is chosen from among company executives who possess all of the following professional qualifications:

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

In performing his duties, the Manager charged with preparing the company financial reports may count on cooperation from all UniCredit Group structures.

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

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

8.2 Financial reporting process, including on a consolidated basis

As regards 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 Italian Legislative Decree no. 58/1998 (“TUF”), the UniCredit Manager charged with preparing the company financial reports (in short, the “Manager in Charge”) draws up, and ensures effective application of adequate administrative and accounting procedures for drafting the UniCredit S.p.A. individual and consolidated financial statements.

Jointly with the CEO, through appropriate certification of the annual and consolidated financial statements and the consolidated first half financial report, the Manager in Charge is required to certify:

- the adequacy and effective implementation of administrative and accounting procedures;
- compliance with applicable international accounting standards recognised in the European Community under Regulation (EC) no. 1606/2002 of the European Parliament and the Council dated July 19, 2012;
- correspondence with the content of accounting books and records;
- suitability to provide a true and fair representation of the earnings and financial position of the company and all consolidated companies;
- inclusion in the management report of a reliable analysis of results from operations, as well as the circumstances of the company and consolidated undertakings, and a description of the main risks and uncertainties to which they are exposed.

To fully comply with regulatory requirements, the Board of Directors approved a specific Global Policy - “Internal control system on financial reporting (Law no. 262/05– Manager in Charge)”, in which general rules are laid out along with a description of responsibilities and relationships between the Holding Company, the Sub-Holdings/CEE Reference Banks and the Companies belonging to the Group in assessing the status of the internal controls system for Financial Reporting, in compliance with the Italian Law on savings (Law no. 262/05).

Furthermore, a Global Process Regulation (“Management of the certification process according to 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 processes and procedures for applying the above-mentioned general criteria were approved and sent to companies within the consolidation area and subject to certification pursuant to Italian Law no. 262/05, on the basis of criteria as resolved from time to time.

The Global Policy aims to ensure correct and complete Financial Reporting through:

- reinforcement and enhancement of Corporate Governance in relation to risks, by ensuring:
 - the take-up of responsibilities for risk monitoring at executive level;
 - a set of rules and behaviours established and implemented by Top Management;
 - a raising of awareness at operational level of risks associated with producing Financial Reporting;
- the systematic monitoring of significant risks by the relevant functions for compliance with the above-mentioned Law.

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

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

The methodological approach the UniCredit Group adopts to comply with Italian Law on the protection of savings (Law no. 262/05) is shared with Internal Audit and is inspired by the “Internal Control - Integrated Framework” (CoSO Framework), issued by the Committee of Sponsoring Organisations of the Treadway Commission (CoSO).

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

Internal controls and risks management system

Operational implementation of the Global Policy envisages the Holding Company and subsidiaries involved in activities envisaged under Law no. 262/05, identifying administrative and accounting, business, managerial and support processes that have a significant impact on financial statement items, based on pre-defined quantitative parameters.

These criteria were established to set minimum materiality thresholds for identifying accounting items to be considered significant, both for the Holding Company and at subsidiaries, and the associated underlying macro processes.

For such processes, existing controls and the owners in charge of their execution are stated; owners are required first and foremost to ensure assessment of the effectiveness of controls, pointing out any possible action necessary to reduce levels of associated risk; in addition, periodical confirmation is required that controls have been implemented.

For the Sub-Holding/CEE Reference Banks and their subsidiaries, a flow of internal certifications is in place for the internal controls system on Financial Reporting, following the approach adopted by the Holding Company. This entails:

- giving the governing bodies of Companies and Sub-Holding/CEE Reference Banks responsibility for certifying adequacy and the effective application of both administrative and accounting procedures as well as controls on the Information System to the Holding Company. In particular, Sub-Holding/CEE Reference Bank bodies/corporate officers are responsible for issuing certification for their respective consolidation areas;
- setting roles for the Manager in Charge and the CEO within the Companies and the Sub-Holding/CEE Reference Banks involved, assigning them responsibility for systematically reporting to their respective governing bodies on the status of the internal controls system on Financial Reporting, along with any improvement action plan;
- validating documentation and confirming the implementation of controls by relevant managers in charge of first-level controls at individual companies and support units, including Back-office and Information Technology (IT). To achieve this goal, each and every procedure and control must be documented, assessed, tested and validated, and individual managerial responsibility must be defined for carrying out the activities involved;
- sharing a data repository in order to:
 - facilitate consolidation of risk and control values at Subsidiary, Sub-Holding/CEE Reference Bank and Holding Company level.
 - support take-up of a common language and approach for describing, assessing, testing and monitoring internal control system adequacy.

Moreover, the Global Policy provides for the involvement of Holding Company governing bodies, in particular:

- at Board of Directors' meetings where individual and consolidated annual financial statements and the consolidated first half financial report are presented, the CEO and the Manager in charge of preparing the company financial reports provide a report regarding both the internal control system on Financial Reporting and the text to be signed to ensure compliance with the requirements laid down in the regulations;
- at the Internal Controls & Risks Committee and at the Group Risk & Internal Control Committee (GR&ICC), in which the individual and consolidated annual financial statements and the consolidated first half financial report are presented, the Manager in charge of preparing the company financial reports provides a report on the results of the analysis of the internal control system on Financial Reporting of the Companies and the Sub-Holding/CEE Reference Banks Companies with a system in place; in addition, with reference to the 1st and the 3rd quarter consolidated interim reports, the Manager in charge of preparing the company financial reports provides an update on the status of any remediation actions identified.

In its operations, the Holding Company is also required to validate documentation and confirm the implementation of controls by relevant staff in charge of first-level controls. To that end, each procedure and control must be documented, assessed, tested and validated, and one managerial owner must be identified for the activities involved.

It should be noted that even in alignment with international best practices, (such as the aforementioned CoSO Framework), no internal control system can completely avoid the risk of fraud, error, malfunction or a need for further improvements, and this may ultimately affect the financial disclosures produced.

8.3 Coordination procedures among parties involved in the Internal Controls and Risks Management System

According to Banca d'Italia provisions, the UniCredit S.p.A. "Document of corporate bodies and control functions" was drafted to define the control bodies' and functions' tasks and responsibilities, information flows among different functions/bodies and between the latter and corporate bodies, and coordination and cooperation procedures to implement when sectors to be controlled have potentially overlapping areas or allow the development of synergies.

The UniCredit means of cooperation and coordination among its control functions range from mutual information flow exchange as appropriately governed in the internal regulations to attending Managerial Committee meetings on control-related topics.

In addition, interactions between 2nd and 3rd level corporate control functions are part of what is overall a steady and active cooperation framework, for the most part formalised via specific internal regulations, and performed through the functions of:

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

Enhanced interaction among control functions and the provision of constant activity updates to governing bodies have the ultimate goal of building a corporate governance environment that, over time, is able to safeguard sound corporate management in part through more the efficient supervision of risks at all levels of the Company.

8.4 Group Governance Mechanisms

An effective internal controls system is also based on appropriate governance mechanisms through which UniCredit, as a Holding Company, conducts its management and coordination of Group Companies, in accordance with the law and regulations in force²³.

In particular, UniCredit acts through:

- indicating "trusted persons" at corporate bodies (Board of Directors members at companies with a traditional system, or Supervisory Board members) and at key management positions within Group companies;
- a management/functional system ("Group Managerial Golden Rules" or "GMGR") that defines mechanisms for coordinating Group management, assigning specific responsibilities to the Heads of UniCredit functions for corresponding functions at the Group Companies as described below;
- the definition, enactment and monitoring of Group rules take-up (the "Global Rules") by companies;
- disseminating best practice, methods, procedures and developing IT systems to standardise operating procedures within the Group and achieve the most effective risk management and wider operational efficiency.

Group's managerial and functional system cuts across existing corporate structures. One example is the Competence Lines,²⁴ which create a strong functional link between the Holding Company's structures and

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

Internal controls and risks management system

corresponding structures at companies, as an expression of responsibilities assigned by local law and regulations to members of corporate bodies and employees, as well as the hierarchical relationships within each company.

Based on the above managerial and functional system, Heads of Competence Lines (and Heads of business/service functions in their respective areas of expertise) have specific powers in relation to budget issues, defining policies and guidelines/competence models to ensure monitoring of Global Rules implementation by the Group Companies.

In accordance with the GMGR guidelines, UniCredit issued Global Rules to regulate, *inter alia*, relevant activities for compliance with law and/or risk management purposes to foster Group stability and ensure a unique approach to corporate planning and overall efficiency.

8.5 Organisation Model as per Legislative Decree no. 231/2001

On July 9, 2019, the UniCredit Board of Directors approved an updated version of the “Organisation and Management Model pursuant to Italian Legislative Decree no. 231/2001. In addition to the usual organisational changes and the results of information flows pursuant to the Model, the new version assigns Supervisory Body functions to the Board of Statutory Auditors²⁵. In this role, the Board of Statutory Auditors is charged with supervising the functioning, compliance and updating of the Model.

On January 14, 2020, the UniCredit Board approved a new update of the “Organisation and Management Model pursuant to Legislative Decree 231/2001” which, in addition to the usual organisational changes and resulting information flows, now covers crimes regarding “Trafficking in illicit influences”, “Fraud in sports competitions”, and “Abusive exercise of gambling or betting activities”.

At the approval date of this Report, the Model consists of:

- a General Section: composed of seven chapters, describing the purpose and perimeter of the Model, the regulatory framework, the Supervisory Body, the disciplinary system, staff information and training, and keeping the Model up to date. The following documents are attached to the General Section of the Model:
 - a “List of predicate offences and illegal conduct”, containing a description of offences referred to under Legislative Decree 231/2001 and regarding banking activity in general;
 - the “Code of Ethics pursuant to Legislative Decree no. 231/2001” that contains the rules with which all Model recipient must comply in order to ensure that their conduct is always guided by the criteria of fairness, collaboration, loyalty, transparency and mutual respect, as well as to avoid conduct that may constitute an offence or crime pursuant to Italian Legislative Decree no. 231/2001;
- a Special Section, the “Decision-making Protocols”, containing principles of conduct and control to be complied with in performing “activities at risk”, that is to say activities where the risk of committing a crime was signalled. Each Decision-making Protocol also includes an “Information Note”, stating the main internal regulatory references for the activities at risk described in the Protocol.

²⁴ Competence Lines are represented by structures/functions that operate across the Holding Company and Group and are aimed at directing, coordinating and controlling overall Group and individual company activities and risks (Planning, Finance & Administration, Risk Management, Legal, Lending, Compliance, Internal Audit and Human Capital, and Group Identity & Communications).

²⁵ On its February 6, 2019 meeting, the UniCredit Board of Directors has resolved on entrusting the Supervisory Body functions pursuant to the Legislative Decree no. 231 to the Board of Statutory Auditors starting from its renewal for the 2019-2021 financial years (Shareholders’ Meeting held on April 11, 2019). The members of the Board of Statutory Auditors meet specific professional experiences within law firms, corporate finance companies/consultancy firms and adequate specialized/professional skills. For any information on the UniCredit Board of the Statutory Auditors, please refer to sections 10 “Appointment of the Statutory Auditors” and 11 “Composition and functioning of the Board of Statutory Auditors”.

The Model's principles and contents are addressed to members of the Corporate bodies, to all UniCredit personnel and to third parties who, although not part an employee at UniCredit, within the scope of existing relationships take part in carrying out the Bank's activities.

Model recipients are therefore required to abide by the principles contained in the organisation model and to report to the Supervisory Body any information concerning breaches of rules in the model or relating to criminal activities.

8.6 Whistleblowing

In July 2015, during an update to its Supervisory Regulations for banks (Circular no. 285/2013), Banca d'Italia established specific requirements on whistleblowing by employees on illegal actions or breaches of the law and internal processes, some of which are additional to those currently implemented at UniCredit.

These additional requirements (among which is identification of a Head of the whistleblowing system, an obligation to inform the whistle-blower and reported persons about developments of any investigation set up following the whistleblowing, and formalisation of the investigation time frame) have been set out and the whole whistleblowing system was submitted to the Board of Directors for its approval.

Law no. 179, published on December 14, 2017, introduced new provisions to protect whistle-blowers who report crimes or irregularities that have come to their attention within the context of public or private employment relationships. In particular for the private sector, Section 2 of the Law covers organisational and management models for entities pursuant to Italian Legislative Decree no. 231/01.

The Law also establishes that retaliatory or discriminatory dismissal of a whistle-blower (whose identity cannot be disclosed) is null, as are changes to duties or other retaliatory or discriminatory measures taken against a whistle-blower.

The UniCredit internal whistleblowing process is already compliant with the new law, and has been reviewed and extended to third parties.

On 26 November 2019, European Directive no. 2019/1937 on the protection of persons who report violations of the law in the European Union was published. All Member States must implement this by December 2021.

8.7 Auditing firm

Having heard the Board of Statutory Auditors' proposal, for financial years 2013-2021, the May 11, 2012 UniCredit Shareholders' Meeting resolved to appoint audit firm Deloitte & Touche S.p.A. for statutory accounting supervision of the UniCredit separate and consolidated financial statements and a limited review of brief interim separate and consolidated financial statements. In addition, the firm was commissioned to check that the Company's accounting records are properly maintained and that its operations are correctly reflected in the accounting records, pursuant to Section 13, sub-section 1, and Section 16 of Legislative Decree no. 39/2010.

The External Auditing firm's report expresses its opinion on the consistency of the report on operations and of specific information included in the report on corporate governance and ownership structure with the financial statements, as well as their compliance with legal provisions pursuant to Section 14, sub-section 2(e) of Legislative Decree no. 39/2010 (as last amended by Legislative Decree no. 135/2016) and Section 123-bis, sub-section 4, of Legislative Decree no. 58/1998.

Under a separate engagement, Deloitte & Touche S.p.A. separately issued the independent auditor's report on consolidated non-financial statements drafted by UniCredit in accordance with Legislative Decree no. 254/2016.

Handling of corporate information

The Corporate Bodies and Committees Regulation designates the body with supervisory functions to define procedures for internal management and the public disclosure of documents and information concerning the Company, including inside information.

In particular, in June 2018 the Bank adopted a dedicated procedure to evaluate, manage and disclose inside information to the market. This procedure is under review to ensure alignment with the current process adopted downstream from the recent reorganisation.

In detail, the current process:

- a) assigns to the two Group Chief Financial Officers, supported by Group Compliance and other relevant functions if requested and according to their respective spheres of responsibility, assessment of the inside nature of information, the decision to disclose inside information and, if applicable, the decision to delay public disclosure about inside information.

Moreover, any employee who believes they are in possession of specific relevant information regarding the UniCredit Group, disclosure of which could affect the price of UniCredit S.p.A. shares or other financial instruments issued by UniCredit, is required to promptly report this to the two Group Chief Financial Officers in order to allow them to carry out an assessment of the inside nature of the information conveyed, and to take all steps necessary for proper management of such information, including its potential timely disclosure to the market or delay of such communications in accordance with the conditions provided for by law;

- b) puts in place appropriate and effective measures to ensure the confidentiality of relevant/inside information, as long as it has not been disclosed to the public.

To this end, upon receipt of a notification the two Group Chief Financial Officers initiate evaluation of the specific relevant information. If required, this may include starting up a *Relevant Information List* pursuant to CONSOB Guidelines.

Dedicated IT tools are used in a process to enter, update and maintain such lists;

- c) describes monitoring the origination and evolution of the specific relevant information until it takes on the characteristics of inside information. Once inside information is flagged, the two Group Chief Financial Officers trigger the process for preparing a draft press release informing the competent department and Media Relations, which will subsequently take over drafting and public disclosure. Alternatively, after a preliminary evaluation by Group Compliance of the existence of regulatory requirements, the two Group Chief Financial Officers may decide to delay disclosure of inside information to the public. In such cases, the two Group Chief Financial Officers inform the relevant function about their duties of confidentiality and request the timely opening of an *insider* list in order to properly monitor circulation of the information and ensure its confidentiality. Once the conditions for delaying communication of such information to the public cease to pertain, the two Group Chief Financial Officers trigger the above-mentioned process for preparing the draft press release and formally informing CONSOB of the delay to the public disclosure of inside information in accordance with provisions of law;
- d) assigns Media Relations the job of publishing the press release to the market through the "S.D.I.R.-N.I.S." system, to Borsa Italiana and CONSOB. Press agencies will have access to the system directly.

Under the procedure, it is envisaged that if the press release relates to an event of major importance, supported by Group Compliance, the Head of Media Relations announces to CONSOB and Borsa Italiana its submission in advance.

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

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

Since UniCredit is also listed also on the Frankfurt and Warsaw Stock Exchanges, in order to ensure harmonised information, public disclosure of inside information is made according to procedure in a synchronised manner to all categories of investors and in all Member States where UniCredit shares are traded;

- e) introduces a specific escalation process to UniCredit for Group Legal Entities with respect to this information which directly regards these companies but may also have an impact on the price of financial instruments issued by UniCredit. Rules are provided for such cases to evaluate and manage possible inside information.

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

In particular, to monitor and ensure correct internal management of documentation sent 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 two-level access keys.

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

Appointment of Statutory Auditors

In accordance with current legal and regulatory provisions, permanent and substitute members of the UniCredit Board of Statutory Auditors are appointed on the basis of slates submitted by legitimate parties in compliance with the composition criteria, *inter alia*, regarding appointment of the Chairman of the Board by minority shareholders and gender balance (for more on this, please refer to Clause 30 of the Articles of the Association, available for consultation on the UniCredit website)²⁶.

The legitimate parties who are entitled to submit lists are shareholders who individually or collectively with others represent at least 0.5% of share capital in the form of shares with voting rights at an Ordinary Shareholders' Meetings. Each party entitled to file a slate of candidates may submit or contribute to the submission of just one slate (including via proxies or trustee companies). Shareholders belonging to the same group or shareholders who are parties to a shareholders' agreement concerning UniCredit shares may not submit more than one slate (including via proxies or trustee companies). Candidates must be included in one slate only, under penalty of ineligibility.

At least two candidates for the role of permanent Auditor and at least one candidate for the role of substitute Auditor must be enrolled with the Legal Auditors Register and must have practiced legal auditing of accounts for a period of three years in total experience. All candidates should be suitable for the office in accordance with current laws and regulations.

At least one permanent Statutory Auditor must be appointed by the minority shareholders not connected, not even indirectly, with the shareholders who filed or voted for the majority slate. The UniCredit Articles of Association provide that two permanent Statutory Auditors and two substitute Statutory Auditors must be appointed by minorities.

In compliance with the provisions of Section 147/*ter* of the TUF, UniCredit has established that the slates of candidates for the position of Statutory Auditor featuring the names of candidates listed with a progressive number, should be filed at the Registered Office in Milan no later than the twenty-fifth day prior to the date of the Shareholders' Meeting called to resolve upon the appointment of members to the Board of Statutory Auditors. These slates must be made publicly available 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. As regards the minimum percentage of share capital needed to submit a slate, Clause 30 of the Articles of Association specifies that the amount is 0.5% of share capital in the form of shares with voting rights at the ordinary Shareholders' Meeting, consistent 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 CONSOB Issuers' Rules). Ownership of the minimum number of shares required to file a slate is calculated with regard to the shares registered for each individual shareholder, or for several shareholders together, on the day on which the slates are filed with the Company.

In filing slates for renewal of the control body for the financial years 2019-2021, shareholders were invited to take into account the results of an analysis carried out by the UniCredit Board of Directors, in agreement with the outgoing Board of Statutory Auditors, on the body's composition deemed optimal to ensure the proper performance of the functions assigned to it, contained in the "Profile of UniCredit S.p.A. Board of Statutory Auditors", in order to facilitate the best choice of candidates to be presented for appointment to the Board of Statutory Auditors, due in particular to the increasing complexity of the national and European provisions concerning requirements for serving as a bank corporate officers (for more on this, please refer to this document available on the UniCredit website)²⁷. This document takes also into due account the decision – adopted by the Company's Board of Directors at its

²⁶ UniCredit website address where the Articles of Association are available is:

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

²⁷ The UniCredit website address where the "Profile of UniCredit S.p.A. Board of Statutory Auditors" is available is :

<https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/governance/shareholders-meetings/archive/2019/agm-11-april-2019/Profile-of-the-Board-of-Statutory-Auditors-of-UniCredit.pdf>

February 6, 2019 meeting– to assign the duties of the Supervisory Body to the Board of Statutory Auditors starting from this renewal, pursuant to Legislative Decree no. 231 dated June 8, 2001.

Board of Statutory Auditors' composition and functioning

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

The Board of Statutory Auditors' term in office is three financial years and ends on the date of the Shareholders' Meeting called for the approval of the financial statements relating to the last financial year in which they are in office.

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 11, 2019 for the financial years 2019-2021 and their term of office will expire on the date of the Shareholders' Meeting called to approve the 2021 financial statements.

Their appointment took place in accordance with Clause 30 of the Articles of Association and pursuant to current laws and regulatory provisions.

During the process, two slates were submitted, filed and published by the deadline and under the terms provided for in current provisions and the Articles of Association, i.e.:

- Slate no. 1 was submitted by Allianz Finance II Luxembourg S.à.r.l, with a shareholding equal to 0.997% of ordinary share capital:
Permanent Statutory Auditors (1) Mr. Angelo Rocco Bonisconi, (2) Ms. Benedetta Navarra, and (3) Mr. Guido Paolucci
Substitute Statutory Auditors (1) Ms. Raffaella Pagani, and (2) Ms. Paola Manes
- Slate no. 2 was jointly submitted by several Funds, with an overall shareholding equal to 1.677% of ordinary share capital:
Permanent Statutory Auditors (1) Mr. Marco Giuseppe Maria Rigotti, and (2) Ms. Antonella Bientinesi
Substitute Statutory Auditors (1) Mr. Roberto Franchini, and (2) Ms. Enrica Rimoldi.

Along with the two slates, the following documentation was also filed and disclosed, pursuant to the envisaged terms and conditions:

- a statement from the shareholders (other than those holding, even jointly, a control or relative majority shareholding) – attesting that no connection, direct or indirect, exists with the latter, and no significant relationships crucial for existence of the above connections;
- exhaustive information on the personal and professional characteristics of the candidates on the slate (*curriculum vitae*), as well as a list of supervisory and control-related offices held at other companies pursuant to Article 2400 of the Italian Civil Code;
- statements from each candidate irrevocably accepting his/her office (subject to his/her appointment) and attesting, under his/her own responsibility, that there was no reason for his/her ineligibility, forfeiture or incompatibility, as well as his/her fulfilment of the requirements set out under current laws and regulatory provisions, in particular those regarding professional experience, integrity and independence, together with information on the knowledge/experience gained in the areas envisaged by the Profile.

Information on the personal and professional characteristics of each candidate, as shown on their *curriculum vitae*, a list of supervisory and controlling offices held at other companies, and the statements required under current provisions, also of a regulatory nature, or those required in the Profile, were made available on the UniCredit website (<https://www.unicreditgroup.eu/en/governance/shareholders-meeting.html>).

The April 11, 2019 Shareholders' Meeting appointed the new Board of Statutory Auditors, comprised of five permanent Statutory Auditors and four substitute Statutory Auditors, as follows:

- from Slate no. 1, which obtained a relative majority of shareholders' votes, Mr. Angelo Rocco Bonissoni, Ms. Benedetta Navarra and Mr. Guido Paolucci were appointed as permanent Statutory Auditors, while Ms. Raffaella Pagani and Ms. Paola Manes were appointed as substitute Statutory Auditors;
- from Slate no. 2, which obtained a minority of shareholders' votes, Mr. Marco Giuseppe Maria Rigotti (Chairman) and Ms. Antonella Bientinesi were appointed as permanent Statutory Auditors, while Mr. Roberto Franchini and Ms. Enrica Rimoldi were appointed as substitute Statutory Auditors.

Moreover, the Shareholders' Meeting also resolved on the annual remuneration to which members of the Board of Statutory Auditors are eligible for the entire term of their office, also on the basis of information given by the outgoing Board of Statutory Auditors with regard to the commitment required for its members, in order to allow both the shareholders and the candidates to evaluate the adequacy of such remuneration.

Without prejudice to fulfilment of the requirements currently in force, the Board of Statutory Auditors' composition resulting from the appointment process, including on the basis of the declaration provided by the Auditors, qualitatively corresponded to the theoretical profile and was suitable pursuant to the ECB "Guide to fit & proper assessment".

The Statutory Auditors personal qualities and gender diversity (the female component was equal to 40%, well above the quota established under the applicable provisions) comply with the principles of the theoretical profile.

All the Statutory Auditors (both permanent and stand-in) had experience in at least two of the competencies envisaged under the profile, and had stated that they had specific experience in the legal field and proper knowledge of corporate organisation and processes, thus allowing the Board of Statutory Auditors to carry out its 231 Supervisory Body functions.

With reference to the time commitment recommended for an appropriate attendance of the permanent Statutory Auditors to the Board of Statutory Auditors meetings, the Auditors declared their ability to commit sufficient time to duly perform their functions. In particular, the commitments that the Board of Statutory Auditors' members declared were found to be suitable with the commitment required to carry out their duties at UniCredit, including conducting activities related to their functions as a 231 Supervisory Body.

With regard to the maximum number of offices to be held, in line with the position expressed by the ECB on the adoption, also with regard to the statutory auditors, of the limits envisaged under the CRD IV provisions, the permanent Auditors complied with the specific limits recalled in the profile.

With regard to "collective suitability", the profiles of the permanent Statutory Auditors appointees corresponded to the ideal overall Board of Statutory Auditors' composition. In particular, this composition of the Board of Statutory Auditors ensured a balanced mix of profiles and experiences (legal auditing of accounts, control activities in the banking sector and/or in listed companies; professional activities in fields relating to the banking, financial and securities industries; teaching, at university level, on subjects in the field of banking operations, business economics, accountancy, running of the securities markets); all Statutory Auditors possessed more than three of the areas of competence envisaged under the profile.

As at March 5, 2020, the Board of Statutory Auditors has the following composition.

Board of Statutory Auditors' composition and functioning

Position	Members	In office		Slate (M/m) *	Independent as per Code	%	Number of other positions ***
		since	until				
Chairman	Rigotti Marco Giuseppe Maria	11-04-2019	Approval of 2021 financial statements	m	X	100%	2
Permanent Statutory Auditor	Bonissoni Angelo Rocco	11-04-2019	Approval of 2021 financial statements	M	X	100%	--
Permanent Statutory Auditor	Navarra Benedetta	11-04-2019	Approval of 2021 financial statements	M	X	100%	4
Permanent Statutory Auditor	Paolucci Guido	11-04-2019	Approval of 2021 financial statements	M	X	100%	--
Permanent Statutory Auditor	Bientinesi Antonella	11-04-2019	Approval of 2021 financial statements	m	X	100%	2
Substitute Statutory Auditor	Pagani Raffaella ¹	11-04-2019	Approval of 2021 financial statements	M	X		3
Substitute Statutory Auditor	Manes Paola	11-04-2019	Approval of 2021 financial statements	M	X		1
Substitute Statutory Auditor	Franchini Roberto	11-04-2019	Approval of 2021 financial statements	m	X		--
Substitute Statutory Auditor	Rimoldi Enrica	11-04-2019	Approval of 2021 financial statements	m	X		--
----- Statutory Auditors who left during the Period -----							
Chairman	Singer Pierpaolo	14-4-2016	11-04-2019	m	X	100%	--
Substitute Statutory Auditor	Talamonti Maria Francesca	14-4-2016	11-04-2019	m	X		2
Substitute Statutory Auditor	Amato Myriam	04-12-2017	11-04-2019	--	X		1
Quorum required for submission of slates for the latest appointment: 0.5%							
No. of meetings held during the Period: 57							
NOTE							
* M = Member elected from the slate that obtained the majority of shareholders' votes m = Member elected from the slate voted for by a minority							
** Meetings attendance percentage (number of meetings attended/number of meetings held during the concerned party's term of office over the Period)							
*** Number of positions as Director or Auditor held by the concerned party pursuant to Section 148/ <i>bis</i> of the TUF. A list of such positions is published by the CONSOB on its website pursuant to Section 144/ <i>quinquiesdecies</i> of the CONSOB Issuers' Rules.							

The Board of Statutory Auditors' members meet the requirements set forth by current provisions. For any further details on the composition of this corporate body, or the personal and professional characteristics of each Statutory Auditor, please refer to the information published on the UniCredit website²⁸.

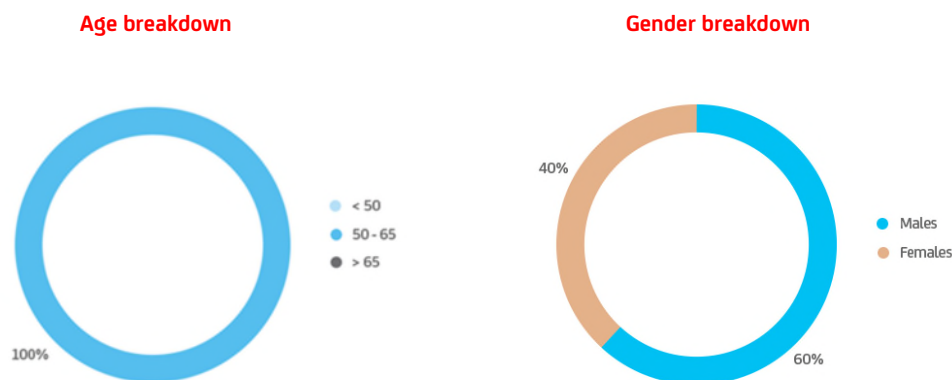
The following chart shows the seniority in office since their first appointment of current members of the Board of Statutory Auditors as at the approval date of this Report:

Member of the Board of Statutory Auditors		First appointment date
Rigotti Marco Giuseppe Maria	Chairman	April 2019
Bonissoni Angelo Rocco	Permanent Statutory Auditor	May 2015
Navarra Benedetta	Permanent Statutory Auditor	April 2016
Paolucci Guido	Permanent Statutory Auditor	May 2017 ⁽¹⁾
Bientinesi Antonella	Permanent Statutory Auditor	October 2017 ⁽²⁾

⁽¹⁾ Mr. Paolucci was in office as a Permanent Statutory Auditor pursuant to Article 2401 of the Italian Civil Code between May 2, 2017 and December 4, 2017

⁽²⁾ Ms. Bientinesi was in office as a Permanent Statutory Auditor pursuant to Article 2401 of the Italian Civil Code between October 26, 2017 and December 4, 2017

The Board of Statutory Auditors broken down by age and gender is detailed below.



During the Period the Board of Statutory Auditors met 57 times.

Board of Statutory Auditors meetings lasted an average approximately 4 hours.

For the 2020 financial year, 58 meetings of the Board of Statutory Auditors have been planned. As at March 5, 2020, 11 meetings have been held.

* * *

²⁸ The UniCredit website address where the information concerning the Auditors is available is:

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

<https://www.unicreditgroup.eu/en/press-media/press-releases.html>

Board of Statutory Auditors' composition and functioning

On February 25, 2020, the Board of Statutory Auditors closed the self-assessment process focused on the Body's adequacy in terms of composition as well as correct and efficient functioning. The self-assessment process has been performed in accordance with the provisions of the Corporate Bodies and Committees Regulation, adopted in compliance with Supervisory Regulations on banks' corporate governance, and in line with the recommendations in the document "The self-assessment of the Board of Statutory Auditors" issued by Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili (the National Council of Chartered Accountants) in May 2019.

The Board of Statutory Auditors assessed its composition to be adequate, also considering its becoming over time and its diversity in terms of skills, knowledge, experience, and gender, that has ensured the ongoing proper functioning of the Body.

* * *

In line with the enforcement criteria envisaged under Section 3 of the Corporate Governance Code and the provisions set out in Section 148 of the TUF, every time the Board of Statutory Auditors is renewed and at least once annually, the Board of Statutory Auditors checks the independence of Statutory Auditors. The outcome of this assessment is submitted to the Board of Directors, that discloses this information, after the appointment, via a press release to the market and, subsequently, in the Corporate Governance Report, in the manner envisaged with reference to Directors.

With reference to the Statutory Auditors in office as at the date of the Report's approval, after the body renewal, in its meeting held on May 8, 2019, the Board of Statutory Auditors checked that its permanent and substitute members complied with the independence requirements envisaged under the Corporate Governance Code and its relevant enforcement criteria, and then evaluated the requirements set out in the TUF.

No further criteria were applied to evaluating independence requirements over and above those established by Section 148, sub-section 3, of the TUF and by the Code.

* * *

The Board of Statutory Auditors meets regularly with the Chairman of the Board of Directors and the Chief Executive Officer for mutual exchanges of information.

In performing its duties, the Board of Statutory Auditors constantly coordinated its activities with the Internal Audit function and the External Auditing firm. Appropriate functional links were established in their respective areas of competence with Board Committees, in accordance with the provisions of the UniCredit Corporate Bodies and Committees Regulation. More in detail, in 2019 the Chairman of the Board of Statutory Auditors, as permanent guest, attended at all meetings of the Internal Controls & Risks Committee; furthermore, the entire Board of Statutory Auditors attended Committee meetings when topics of common interest were examined (namely, the annual and half-year financial reports, and accounting issues related to the new strategic plan Team 23). Moreover, in the second half of 2019, the Chairman of the Board of Statutory Auditors attended meetings of the Related-Parties Committee; the Board of Statutory Auditors attended a meeting with almost all its members present.

* * *

The special authorisation 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 groups of companies.

* * *

During the Period, the Board of Statutory Auditors' members benefitted from the permanent induction program active for the Board of Directors' members, based on three year cycles connected to the Board mandate and put in place with the support of an external consultant. This program ensures *ad hoc* training on a continuous basis that takes into account both the individual and collective needs of the body, with the aim also to preserve over time the background of technical skills necessary to perform the role with awareness.

Over the Period, training sessions and in-depth study initiatives have focused on topics of strategic relevance, business and relevant organisational structures, knowledge of macroeconomic scenarios, markets developments, and legal/regulatory topics, with the aim of ensuring awareness and knowledge about the risk profile adopted by the Group.

More specifically, training schemes focused on the in-depth examination of the above-mentioned topics, along with specific meetings focused on perspectives and key elements for both the Group's and the entire European banking sector strategies, were prepared and implemented, also open to the Board of Statutory Auditors' members.

Relations with Shareholders

In order to foster dialogue with institutional and private investors, analysts and rating agencies, as well as maintain a constant flow of market-bound information, UniCredit has special, readily-recognisable, easy-to-access sections on its website (Governance and Investors) where it provides information on its governance structure and on the Company's internal organisation in order to ensure that shareholders stay informed as they exercise their rights. The site also offers economic/financial information, data and up-to-date documents of interest to shareholders as a whole.

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

Also, in line with Corporate Governance Code provisions, *ad hoc* structures were set up to handle relations with shareholders in general and with investors in particular, in compliance with provisions, also of internal kind, on corporate information. In detail:

- within the Group Planning, Finance, Shareholding and Investor Relations Department, **Group Investor Relations** is in charge of managing dialogue with institutional investors, whether or not they are shareholders, financial analysts and proxy advisors in general, providing the market with timely, transparent and consistent information to support a fair valuation of the Group;
- Corporate Law Advice and Shareholders Relations, within the Group Corporate Affairs Department, is in charge of overseeing and managing relations with Italian and foreign private (i.e. non-institutional) shareholders and managing their requests.

The following dedicated channels are available:

- a dedicated e-mail address (investorrelations@unicredit.eu) for institutional investors;
- a toll-free number, 800 307 307 (only for calls within Italy); dedicated e-mail (azionisti@unicredit.eu) for non-institutional shareholders; fax: +39 02 4953.6941.

In 2019, the Head of Group Investors Relations was Joerg Peter Pietzner.

Shareholders may also communicate with the Company via its website, albeit not in real time.

For specific matters related to corporate governance-related topics and remuneration policies, Group Investor Relations has involved and coordinated itself with Group Corporate Affairs Department and Group Human Capital Department to strengthen long-term constructive dialogue with institutional investors and their proxy advisors on such matters. In particular, at the Group Human Capital Department, the Performance & Reward structure is in charge of managing the dialogue with investors on remuneration-related matters, enabling an exchange on mutual expectations and needs when drawing up remuneration policies. For information on the annual dialogue process with institutional investors and proxy advisors managed by the Group Human Capital Department, please refer to the Group Remuneration Policy and Report.

It should further be noted that during the course of 2019, the Group Corporate Affairs Department also kept up a busy calendar of contacts with institutional investors oriented towards long-lasting and constructive dialogue on corporate governance-related topics.

Positions held by UniCredit Directors at other companies listed on regulated markets (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
Cesare Bioni Chairman		--	--
Lamberto Andreotti Deputy Vice Chairman	Member of the Board of Directors at Corteva Agriscience		X
Jean Pierre Mustier Chief Executive Officer		--	--
Mohamed Hamad Al Mehairi Director	Executive member of the Board of Directors at Mubadala Investment Company PJSC		X
	Member of the Board of Directors at Arabtec Holdings PJSC		X
	Member of the Board of Directors at Abu Dhabi Commercial Bank		X
	Member of the Board of Directors at Wessal Capital Asset Management S.A.		X
	Member of the Board of Directors at Palmassets S.A.		X
	Member of the Board of Directors at DEPA Limited		X
	Member of the Board of Directors at Emirates Investment Authority		X
Sergio Balbinot Director	Member of the Management Board at Allianz SE, responsible for insurance business in the countries of Western and Southern Europe, India and Asia		X
	Member of the Board of Directors at Allianz France S.A.		X
	Member of the Board of Directors at Allianz Sigorta A.S.		X
	Member of the Board of Directors at Allianz Yasam ve Emeklilik A.S.		X
	Member of the Board of Directors at Bajaj Allianz Life Insurance Co. Ltd		X
	Member of the Board of Directors at Bajaj Allianz General Insurance Co. Ltd		X
	Member of the Board of Directors at Borgo San Felice S.r.l.		X
Vincenzo Cariello Director		--	--
Elena Carletti Director		--	--
Diego De Giorgi Director		--	--

	POSITIONS HELD	Company belonging to the UniCredit Group	
		YES	NO
Beatriz Ángela Lara Bartolomé Director	Sole Director of the AHAOW Moment S.L.		X
Stefano Micossi Director		--	--
Maria Pierdicchi Director	Independent Member of the Board of Directors at Autogrill Group		X
	Independent Member of the Board of Directors at Luxottica Group		X
	Independent Member of the Board of Directors at Aurora S.A.		X
Francesca Tondi Director	Member of the Board of Directors at Angel Academe Nominee		X
Alexander Wolfgring Director	Chairman of the Supervisory Board at Österreichisches Verkehrsbüro AG		X
	Member of the Board of Directors at AVZ GmbH		X
	Chairman of the Supervisory Board at Verkehrsbüro Touristik GmbH		X
Elena Zambon Director	Chairman of Zambon S.p.A.		X
	Vice Chairman of GEFIM S.p.A.		X
	Vice Chairman of Zach Systems S.p.A.		X
	Chairman of ENAZ S.r.l.		X
	Member of the Board of Directors at IAVA S.r.l.		X
	Member of the Board of Directors at ITAZ S.r.l.		X
	Member of the Board of Directors at TANO S.r.l.		X
	Member of the Board of Directors at CLEOPS S.r.l.		X
	Member of the Board of Directors at Zambon Company S.p.A.		X
	Member of the Board of Directors at Zeta Cube S.r.l.		X
	Member of the Board of Directors at ANGAMA S.r.l.		X
	Member of the Board of Directors at Ferrari N.V.		X

Delegations of powers

Without prejudice to the authorities assigned to the Board of Directors by laws and the Articles of Association, the Board has granted the Chief Executive Officer the following powers, within pre-defined limits and also with the faculty to further sub-delegate, across all sectors of the Bank's business:

- credit activities;
- equity capital market transactions with an underwriting risk;
- appointment of corporate officers to the governing bodies of companies (including non-investee companies), entities and other bodies as well as assignment of related remuneration;
- management of shareholdings, concerning in particular (i) transactions on shareholdings already held or to be acquired; (ii) instructions for the exercise of voting rights at the Shareholders' Meetings (both ordinary and extraordinary) of its direct investee companies (control/joint control or non-controlled shareholdings); (iii) entering into and/or amending shareholders' agreements related to (direct and indirect) controlling or non-controlling shareholdings;
- funds transactions of any kind, regardless of whether they belong to the Group;
- short and medium/long term liquidity management activities for UniCredit and the Group;
- management of Banking and Trading Book positions, not attributable to debt capital market activities on the Trading Book and to equity capital markets transactions;
- activities connected to the marketing of products and services, including of third parties, and to the identification of conditions;
- powers to authorise expenses and investments for Bank management, within the limits set by the annual Board-approved strategies and cost estimate;
- powers over staff management, in compliance with the collective responsibility principle during the set-up phase;
- definition of and amendments to organisational structures and the organisational book, without prejudice to the Board's remit for i) changing the powers and responsibilities of structures/roles belonging to the first reporting line to the Board itself and to the Chief Executive Officer; ii) setting up/amending/cancelling Managerial Committees where the Chief Executive Officer is an ordinary member that modify mission, members and quorum;
- decision-making powers on matters pertaining to "restructuring" or "non-performing exposures";
- decision-making powers on matters pertaining to expected losses and waivers due to capital and/or capitalised interests, disbursements and settlement offers, arising from proceedings of any nature (including administrative and fiscal), either on the active or passive side, judicial or extrajudicial (including mediation/conciliation proceedings), incidents or customer complaints;
- selling/disposal and management of the Bank's real-estate and movable assets;
- decision-making powers with regard to activities related to debt capital markets on the trading book, for the definition of limits to be assigned for each counterpart (single issuer/economic group), in reason of counterparty credit standing and the transaction's characteristics;
- deciding the limits for overall individual issuer exposure on the trading book (single counterparty/economic group), regardless of the type of instruments on the trading book, based on the creditworthiness of the counterparty and transaction's characteristics;
- entries on the profit and loss account for the settlement of outstanding items;
- transactions related to firms, going concerns and/or "en-bloc" legal relationships.

* * *

In order to ensure proper management of and effective control over these delegated powers, the Chief Executive Officer has provided the Board of Directors, according to the ways established by the Board itself, with adequate information flows specifically highlighting any relevant associated risk.