



Assessment of the  
qualitative and quantitative composition  
of the Board of Directors

26 February 2016

*This is an English translation of the original Italian document. The original version in Italian takes precedence*

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## INTRODUCTION

This document contains guidelines and recommendations that the Supervisory Board of Intesa Sanpaolo makes available to the Shareholders, in order to help them formulate proposals for the composition of the Bank's Board of Directors. The outgoing Directors hope that said proposals may be consistent with the profiles that they have suggested, based on their experience in Bank governance, in the terms expressed on the occasion of the self-assessments of the Management and Supervisory Boards in 2015. They also remind the Shareholders that these proposals must comply with the recommendations of the Supervisory Authority.

In this regard, it is worth recalling that the Supervisory Provisions issued by the Bank of Italy<sup>1</sup> indicate that the "organizational and corporate governance structures of banks, in addition to suiting the interests of the company, must ensure sound and prudent management conditions, which is the overriding objective of the regulations and of the controls performed by the supervisory authorities". In line with the work of supranational bodies, it is deemed that such a goal can be reached through an adequate composition of the banks' governing bodies so as to guarantee the effective performance of the functions they are assigned to carry out.

To this end, the following is required:

1. from the quantitative point of view, the number of members of the bodies must be appropriate to the size and complexity of the organisational structure of the bank and to the effective monitoring of the entire business operations as regards the management and controls;
2. from the qualitative point of view, the bodies must be composed of persons:
  - who are fully aware of the powers and obligations inherent to the role and functions that each of them is expected to perform and carry out;
  - who are endowed with suitable professional skills, including those necessary for any internal committees, which are proportionate to the operations and size of the bank;
  - who, as a group, have skills spread among all members and suitably diversified, so that each of the members, both in the committees they participate in and in board discussions, can effectively contribute to identifying and pursuing adequate strategies and to ensuring effective governance of risks in all areas of the bank;
  - who are able to dedicate suitable time and resources to the complexity of their office, without prejudice to compliance with the limits on concurrent offices, as established by CRD IV;
  - who target their action to pursuing the overall interests of the bank, regardless of the shareholding structure that has voted for them or of the slate from which they were chosen, working with independent judgement.

It must also be pointed out, so that due note is taken at the time of the renewal of banks' bodies, that the applicable international regulations were the subject of constant attention on the part of international Organizations and Authorities (reference is made, by way of example, to the "Core Principles for effective banking supervision" of September 2012 of the Basel Committee on Banking Supervision, to the "Resolution on a corporate governance framework for European companies" of March 2012 of the European Parliament, as well as to the Principles of Corporate Governance of September 2015 issued by the OECD).

In particular, the EBA, in its Guidelines<sup>2</sup>, focuses on the requirements of the members of the bodies and specifies that both the banks and the competent supervisory authorities shall be responsible for assessing the actual fulfilment of the requirements.

Specifically, the EBA requires the members of the corporate bodies to have:

- a good reputation (good reputation criteria), meaning there must be no evidence to suggest otherwise and no reason to have doubts about his or her good repute;
- sufficient experience and knowledge skills (experience criteria);

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

<sup>2</sup> Document issued by the EBA on 22 November 2012, "Guidelines on the assessment of the suitability of members of the management body and key function holders" (still pending transposition into the internal regulations).

- personal qualities consistent with the needs of robust corporate governance (governance criteria): subjective skills suitable to ensure the efficient functioning of the body the person is part of.

The members of the outgoing bodies are required, by the Supervisory Authority, to identify ex ante the qualitative and quantitative composition of the incoming bodies, which they deem to be optimal in relation to the Bank's objectives. The members of the outgoing bodies are therefore required to define and justify the ideal profiles to suggest to the Shareholders, so as to help them identify the candidates for appointment, highlighting the most appropriate characteristics for the tasks to be carried out in the above bodies (and in any internal committee therein).

It is also important to specify that the proposal, by the outgoing Board Members, of guidelines to the Shareholders aimed at the identification of the optimal qualitative-quantitative composition of the management and supervisory bodies, conducted on the basis of the Bank of Italy Provisions and of the EBA Guidelines, also applies for the purposes of the implementation of the provisions of the Corporate Governance Code of Listed Companies<sup>3</sup>.

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

In the one-tier corporate governance structure<sup>4</sup>, Intesa Sanpaolo will operate through a Board of Directors, which will also include the Management Control Committee.

The Articles of Association<sup>5</sup> have arranged the structure of the Board of Directors providing that it is composed of a minimum of 15 to a maximum of 19 members, appointed by the Shareholders' Meeting.

The Management Control Committee (an internal board committee) will consist of five Directors, appointed directly by the Shareholders' Meeting, in accordance with the banking supervision regulations.

The Board features the presence of a large majority of independent Directors (at least two thirds of the Board members, including all the Directors intended to form part of the Management Control Committee) and the appointment, by the Board, of a single managing director and chief executive officer (CEO and General Manager).

## 2. ASSESSMENT OF THE OPTIMAL QUANTITATIVE SIZE

The Supervisory Board of the Bank,

- having considered the results of the Self-assessments of both Boards for 2015, the last year of their mandate, and
- having carefully examined, upon proposal by the Nominations Committee, the optimal qualitative-quantitative composition of the Bank's Board of Directors, in accordance with the Management and Supervisory Boards, in view of preparing adequate guidelines for the Shareholders,

believes that 19 Members (including the 5 members of the Management Control Committee) or, however, a number at the high end of the range set by the Articles of Association, is the optimal quantitative size composition of the future Board of Directors of Intesa Sanpaolo.

Said assessment is substantiated in consideration of:

- all the supervisory, management and control functions that the new Board of Directors will be called on to carry out,

<sup>3</sup> Application Criteria 1.C.1, letter h, concerning the identification and notification to shareholders of the evaluations concerning the professionals it is deemed important to have on the board.

<sup>4</sup> Pursuant to Articles 2409-sexiesdecies and following of the Italian Civil Code, as adopted by the Extraordinary Shareholders' Meeting on 26 February.

<sup>5</sup> For a complete description of the structure and duties that the Articles of Association assign to the corporate bodies, reference is made to the Report submitted by the Management Board to the Extraordinary Shareholders' Meeting on 26 February. A brief summary of these aspects is given in the annex to this document.

- the most appropriate organisation of the new management body into the different internal Board Committees and the need to ensure a correct composition and an effective functioning of each Committee,
- the high complexity of the Bank's activities and the resulting equally complex organisational structure of its board governance,

and it is made being fully aware that the freedom of the Shareholders' Meeting to determine the number of Directors which they consider more appropriate remains unchanged.

### **3. ASSESSMENT OF THE OPTIMAL QUALITATIVE COMPOSITION OF THE BOARD OF DIRECTORS IN TERMS OF PROFESSIONAL SKILLS**

#### *o Professional skills of Directors*

The Bank's Supervisory Board believes that the start, the effectiveness and efficiency of the new one-tier system will strongly depend on the professional distinguished authority and the ability and maturity of the members of the Board of Directors to engage into a dialogue with each other, share decisions and define appropriate disclosure processes thereof.

Therefore, it hopes that the new Board of Directors ensures completeness, high quality and complementarity of professional and personal skills in order to:

- ensure room for detailed analysis, openness and debate capabilities and full awareness of all the complex matters pertaining to the Board and
- allow adequate establishment and functioning of the internal Board Committees.

In this regard, this document expresses the assessments on the opportunity and relevance of the knowledge, skills, experience and aptitudes that should characterize the Board of Directors on the whole, in terms of presence and spread within the body, and that are divided into three groups for the sake of convenience.

The first and second group list the knowledge, skills, experiences and aptitudes that are believed to be of key importance and should be widely present in the future Board of Directors (i.e. a major presence, which is to be from "very widespread" to fully "widespread" among the Directors). The professional features given in the first group concern knowledge and experience, while those included in the second group concern character-related aptitudes.

#### **1: SIGNIFICANT KNOWLEDGE, SKILLS AND EXPERIENCE, WHICH SHOULD BE WIDELY PRESENT AND VERY WIDESPREAD IN THE FUTURE BOARD**

- Knowledge of the banking business, its strategies, the assessment and risk management techniques
- Ability to read and interpret the financial statements data of a financial institution
- Strategic orientation: ability to interpret industry scenarios and trends, performance of competitors and development of companies, ideally of the bank, in the medium to long-term and evaluate alternative strategic lines and options
- Experience in business and entrepreneurial management and in the organization of business activities
- Risk management expertise and knowledge of corporate functions
- Understanding of the global dynamics of the economic and financial system
- Experience in audit and/or control

#### **2: PERSONAL SKILLS AND EXPERTISE WHICH SHOULD BE WIDELY SPREAD IN THE FUTURE BOARD**

- Standing-up capability: ability to explain and defend one's ideas and ability to take a stand for the good of the bank and its stakeholders
- Collaboration and influence skills: knowing how to stimulate and share expertise, develop opinions and help solve conflicts
- Guidance and encouragement towards results: steering, and stimulating one's colleagues to focus constructively on the results to be achieved

- Business judgement and decision-making capacity: encourage attitudes and ensure evaluation capacity geared towards business development and decisions-making

The Shareholders are invited to ensure that, within the Board of Directors that they will appoint, the aforementioned professional qualities and aptitudes are represented. Specifically, those based on the experience acquired in governing the Bank by the Management and Supervisory Boards and on the objectives that the Bank has set itself, are deemed particularly relevant among the abovementioned ones.

So it is hoped, in particular, with reference to the knowledge of the banking business and/or of financial services and the interpretation of the relevant financial statement data, as well as the knowledge of assessment and risk management techniques. Of equal importance is deemed the fact of boasting strategic orientation, meaning the ability to understand and assess the medium to long-term outlook of companies, ideally in the financial and banking sector, risk management and/or corporate skills and, to a lesser extent in terms of spread, experience in audit and control.

The Shareholders are also invited to give priority to candidates that, in addition to high professional skills, have character and personality qualities and skills geared towards action, which are characteristics that are more difficult to assess but equally important, such as: standing-up; being influential and having a spirit of collaboration; focus on achieving results; good judgement and constructive decision-making ability.

The third group below lists the more technical knowledge and experience, which the Supervisory Board believes to be relevant, although sufficiently adequate in the Board even if less widespread than the previously mentioned ones, as long as they are present at a high level of specialization.

### 3: SPECIALIST KNOWLEDGE AND EXPERIENCE OF THE BOARD

- Knowledge of the regulation of financial activities
- Experience in remuneration and incentive systems and tools
- International experience and knowledge of markets of possible interest for the Bank (in relation to its development)
- Knowledge of the socio-political context and of the market mechanisms of the countries where the Bank is present

In terms of professional background, the Supervisory Board suggests to the Shareholders that it is appropriate that the candidates to the new Board of Directors mainly boast a sound managerial, business or corporate and/or entrepreneurial experience, ideally gained in the financial intermediaries sector.

It also values the presence, albeit more limited, of candidates that bring knowledge to the Board, namely outstanding professionals such as university professors, management consultants or freelance professionals.

It also deems it appropriate that the Shareholders of the Bank consider the opportunity to appoint one or more prominent figures who, in addition to the previously mentioned skills, will provide the new Board with their knowledge of foreign countries and internationalisation strategies, the financial market dynamics and the logics that characterize its operators, possibly by virtue of experience in top positions at a large international bank.

The Members of the Supervisory Board are in favour of ensuring, when selecting candidates, the widest gender diversity in the presence of adequate professional skills and diversification of age brackets amongst Directors.

They also hope that all candidates may prove to have a good understanding and good communication skills in the English language, useful to the increasingly predictable relations, even at individual level, with the European regulator.

In indicating possible candidates, the Shareholders should also ensure that the persons proposed to act as Directors can ensure their full availability to attend, physically or, alternatively, by video-conference, the board meetings and the meetings of the Committees, as well as to take part in informal meetings with the other Directors.

Given the corporate governance model change, most of the current Board Members consider it important to ensure an appropriate balance between the outgoing members, in a logic of continuity, and a significant body renewal in pursuit of innovation and a greater diversification of the experience brought to the Board.

o *Significant roles of the Board of Directors*

The Directors of the Bank, aware of the high importance of certain roles within the Board of Directors, also in relation to the change in the governance model, express hope about some specific characteristics of the figures called to hold such positions.

*The Chairman of the Board of Directors*

Should preferably:

- have a high professional and value profile and be recognised as an authoritative, balanced and credible person, in the light of the role of guarantor he/she must play in respect of all the Bank's stakeholders;
- have experience in corporate governance and, preferably, in the supervision of the induction, development and succession planning activities of the Board of Directors;
- have good knowledge of the banking business and of the financial and credit regulations;
- have good leadership, independence and intellectual honesty, as well as synthesis, mediation and communication skills;
- have a good international standing;
- have gained at large listed companies or multinational groups or international organizations comparable to Intesa Sanpaolo by their size or governance or business complexity, experience at the head of Boards of Directors and, consequently, capability for attentive and constructive dialogue with the Chairmen of Committees and Board Members, including the Managing Director.

*The Managing Director*

Appointed by the Board of Directors from among its members, he/she should preferably have:

- gained his/her management experience at the head of large listed companies, in business areas related to the banking or financial intermediaries sector, where he/she achieved verifiable professional success and results;
- vision, a results-oriented strategy and business judgement;
- aptitude to transparency and narrative towards the Board and to sharing decisions with the Directors;
- authority, strong leadership qualities and enforcement capacity, openness to contribution and constructive criticism;
- excellent interpersonal skills.

*Chairman of the Management Control Committee*

Besides meeting the requirements, set out below, set forth for all members of the Management Control Committee he/she should also preferably:

- have gained significant experience as a Member of Boards of Directors, as Chairman of Internal Control Committees and/or Risk Committees, or, alternatively, of the Board of Statutory Auditors, in listed companies or groups that by their size, governance complexity and business, are comparable to those of Intesa Sanpaolo;
- have knowledge of the banking business, and of the regulatory and supervisory issues;
- be an authoritative, highly balanced person, with good leadership skills, pragmatism and judgement capabilities;
- be focused on establishing constructive dialogue with the Chairman of the Board of Directors, with the Managing Director, with colleagues in the Committee and with all the Board Members;
- boast management and corporate experience in groups or companies whose size and complexity are comparable to those of Intesa Sanpaolo, or at the head of large consulting companies, providing professional services requiring skills which are relevant for the

position to be held; alternatively, academic experience on subjects pertaining to the management control functions and complex skills.

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

##### *o Requirements of the Management Control Committee members*

All members of the Management Control Committee shall meet the integrity, professional and independence requirements provided for by the laws and implementing regulations (M.D. 162/2000 and M.D. 161/1998) and must comply with the limits on concurrent positions prescribed by the regulations with reference to a bank issuing shares listed in regulated markets.

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

To conclude, the Directors appointed to the Committee shall ensure compliance with the limits on concurrent positions specifically detailed for them in Articles 13.5.4 and 13.5.5.

##### *o Independence*

Pursuant to the Articles of Association, at least two thirds of the members of the Board of Directors must meet the independence requirements under art. 13.4.3 of the Articles of Association, which make reference to the definitions provided by the Corporate Governance Code of Listed Companies.

Moreover, a Director cannot be considered independent in all cases listed under art. 148, paragraph 3, of Legislative Decree no. 58 of 24 February 1998, where they set out more restrictive conditions.

The Articles of Association state that if the application of this rule does not result in a whole number, the requirement shall be referred to a number of Directors rounded up to the next higher unit.

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

On this issue, it is also pointed out that the provisions of the Bank of Italy mentioned in the introduction expressly require that, in assessing the independence of Board Members, all loans relating to the independent members granted by the Bank must be carefully assessed.

##### *o Requirements for all Directors*

##### *✓ Dedication, time commitment and concurrent positions*

Members of the bodies with strategic supervision, management and control functions shall ensure adequate time dedication to their duties, taking into account:

- the nature and quality of the commitment required and the functions performed at the Bank, also in relation to its characteristics;
- other positions in companies or entities, commitments or occupational activities, especially in compliance with the limits on concurrent positions

To this end, one should take into account that the commitment required from the Bank's Directors is not limited to participation in Board meetings. Indeed, it also concerns participation in internal Board Committees of which he/she is a member. To this one must add the analysis of the (sometimes substantial) documentation sent ahead of each board meeting, as well as participation in informal and/or induction sessions.

In relation to the foregoing, the Shareholders are invited, upon selecting the candidates to be presented, to ensure that such candidates are actually able to devote adequate time to perform their duties, taking into account the nature and quality of the commitment required, and the other positions held in companies or entities, as well as other commitments or occupational activities

carried out.

As indicated in the Articles of Association, the Directors must comply with the limits prescribed by law, and in any case with those provided by European Directive no. 36 of 26 June 2013 to ensure the effective exercise of their duties within the Bank.

In particular:  
the members of the management body of an entity which features a considerable size, internal organization, nature, scope and complexity of its activities, shall simultaneously hold only one of the following combinations of directorship positions:  
a) one executive directorship with two non-executive directorships;  
b) four non-executive directorships;  
- for the purposes of the above, the following shall be considered as one single directorship:  
a) executive or non-executive directorships held within the same group;  
b) executive and non-executive directorship held within i) institutions which are part of the same institutional protection scheme or ii) businesses (including non-financial entities) in which the institution holds a qualifying holding;  
- any directorships held in organizations that do not primarily pursue commercial objectives are not relevant for the purposes mentioned above;  
- the competent authorities may authorize the members of the management body to hold an additional non-executive directorship.

In the past three-year period, in order to ensure adequate availability of time and resources for the performance of the tasks of a Supervisory Board Member, it was recommended that the Directors (and, therefore, candidates for the related position) do not hold additional offices in the bodies of companies in the Intesa Sanpaolo Group or subsidiaries over which Intesa Sanpaolo exercises significant influence. It is deemed appropriate to renew this recommendation also on this occasion, without prejudice to the specific prohibitions set forth by the law and the Articles of Association for the members of the Management Control Committee (Article 13.5.5) and the other Directors (Article 13.4.5).

✓ *Gender diversity*

Pursuant to the Articles of Association, at least one third of the Directors shall be reserved for the less-represented gender, without prejudice to other provisions of law. If this ratio is not a whole number, it is rounded up to the next higher unit.

To this end, the Articles of Association provide that each slate containing a number of candidates equal to or greater than 3 should be composed in such a way as to ensure the balance of genders envisaged by current law.

✓ *Professionalism of Directors*

The members of the Board of Directors shall meet the professional requirements established by the

- Regulation adopted with Ministerial Decree no. 161 of 18 March 1998 for all the Directors of the banks incorporated as joint-stock companies, such as Intesa Sanpaolo,
- the Bank's Articles of Association, according to which at least four members shall be enrolled with the Register of Independent Auditors and must have practised as auditors or acted as member of a limited company control body for at least three years.

✓ *Integrity of Directors*

The requirements of integrity and fairness play an important role from a reputational point of view.

In this respect, the integrity requirements provided for by Ministerial Decree no. 161/1998 and Ministerial Decree no. 162/2000 (applicable to Directors by virtue of the reference made by art. 147-quinquies of the Consolidated Law on Finance) apply.

Without prejudice to the actual fulfilment of the above requirements, the lack of which results in the disqualification from the office held, one should also bear in mind a number of other items relating to the requirement of fairness of the behaviour of corporate officers provided for by the "Guidelines on the assessment of the suitability of members of the management body and key function holders" issued by the EBA (European Banking Authority) on 22 November 2012.

These Guidelines - that establish criteria and procedures that credit institutions and national supervisory authorities are required to comply with when assessing the suitability of the members, candidates and appointed, of the management body of a credit institution - particularly recommend that:  
- a member of the management body should not be considered to meet the requirements of integrity if his/her personal or professional conduct raises reasonable doubts as to his or her ability to ensure the sound and prudent management of the credit institution;  
- the assessment will take into account all factors relating to reputation and proper behaviour, such as: criminal and administrative proceedings for breaches of banking, financial and insurance regulations, non-transparent or non-cooperative conduct towards the supervisory authorities, any proceedings concerning civil or tax liability.

It is hereby recommended that the candidates have the requirements requested from board members so as to enable the Bank and the Group Companies to operate as a financial institution or financial intermediary on the international markets and in order to avoid, in particular, disqualification situations in the USA (especially as regards Title VII of the Dodd-Frank Act and Title VII, § 6s, of the US Code).

In light of this composite legal framework, the Shareholders are invited to ensure that candidates for the post of Board Member:

- are not (and have not been in the past) in situations that may affect (or may have affected), even potentially, their reputation or have caused significant losses for the Bank;
- have not behaved in a manner which, while not constituting a crime, does not appear compatible with the office of Board Member, or may severely jeopardize the Bank's reputation.

Moreover, it is hereby recommended that candidates for the posts of Board Members are not in the situations that can cause suspension from his/her duties as Director under Ministerial Decree no. 161 of 18/03/1998.

✓ *Incompatibility and other material situations*

In recalling the contents of the multiple causes of incompatibility, or which may affect qualification, provided by the applicable Legislation (by way of example: art. 2382 of the Civil Code, art. 187-*quater* of the Consolidated Law on Finance etc.), the Shareholders are invited to pay specific attention to the one on concurrent positions in the credit and financial markets.

Art. 36 of Law no. 214/11, containing provisions relating to "personal cross-holdings in the credit and financial markets" forbids "holders of offices in management, supervisory or control bodies and top management in companies or groups of companies operating in the credit, insurance and financial markets to take on or exercise similar positions in competing companies or groups of companies"

It should be noted that any holders of offices in the management, supervisory or control bodies in companies or groups of companies operating in the credit, insurance and financial markets will have to commit, as from the acceptance of his/her candidacy, to resign from the above mentioned offices upon their appointment or to certify that the positions held do not give rise to situations of incompatibility, stating the reasons in detail.

## 5. INFORMATION ON THE PROFESSIONAL AND PERSONAL BACKGROUND OF THE CANDIDATES

The information on the personal and professional background of each candidate which must be filed on presentation of the slates, shall include - in application of the supervisory provisions, already referred to several times - a sufficiently detailed CV, in order to identify which of the above areas each candidate is suited to.

At the end of this document, it is recommended that, when forming the slates of candidates to be appointed, the above guidelines on the professional and personal qualities developed on the basis of the experience and on the considerations of outgoing Members, which also partly reflect the recommendations of the Supervisory Authority are taken into suitable consideration, always without prejudice to the Shareholders' right to make their assessments on the optimal composition of the bodies and to present candidates with profiles which are consistent with the above, justifying the reason for any differences from the assessments carried out by the Board;

The new Board of Directors elected by the Shareholders' Meeting will be required, upon the assessment of the suitability of the new appointees to be carried out pursuant to Article 26 of the Consolidated Law on Banking, to verify – with the support of the Nominations Committee – the compliance of the new Body with the composition requirements deemed optimal in the terms represented to the Shareholders in advance. The results of the analyses carried out and the assessments made by the Nominations Committee will be submitted to the Supervisory Authority for its evaluation.

The Supervisory Authority will perform, in that regard, an accurate analysis, assessing, among other things, the existence of the requirements by the candidates.

Finally, it is also worth mentioning the opportunity that the slates for the renewal of the bodies in view of the Shareholders' Meeting of 27 April are filed in good time, in order to allow the

Company to make them public - following the necessary completeness and regularity checks - at least 30 days prior to the Shareholders' Meeting.

Turin/Milan, 26 February 2016

for the Supervisory Board  
the Chairman – Giovanni Bazoli

## Summary of the duties that the Articles of Association assign to the corporate bodies

### *a) The Board of Directors: duties and powers*

The duty to resolve on all the relevant corporate deeds is reserved for the Board of Directors.

The Board of Directors - without prejudice to its powers that cannot be delegated, according to the law and the Articles of Association - delegates to the Managing Director the necessary and appropriate powers to ensure consistency in day-to-day management, in implementation of the guidelines decided by the Board. The Board, when delegating the powers to the CEO, determines the content, limits and methods of exercise, also defining the manner in which the information on any delegated activities shall be ensured to the Board.

Therefore, the Board of Directors shall exercise all the Company's strategic supervision duties required by the law currently in force in terms of defining and approving the business model, the strategic guidelines and risk appetite, the risk management objectives and policies, the guidelines of the internal control system and the Company's organisational structure.

Furthermore, the Board of Directors is solely responsible for its additional powers and duties specified by the Articles of Association, including, but not limited to:

- the appointment and removal of the Managing Director and the General Manager, the granting, amendment or termination of his/her powers and the remuneration relating to the office;
- the appointment and removal of the Board nomination Committees provided for by the Articles of Association, including their Chairman and the establishment, if any, of any additional internal Board Committees with investigative and consulting functions;
- the institution of a Steering Committee, chaired by the Managing Director and composed of the executives in charge of major company functions; by proposal of the Managing Director, the Board of Directors determines the composition, duties and powers of the Steering Committee and approves its operating regulations; the Board of Directors determines the manner in which it is to be informed of the activity performed. The members of the Committee may attend the Board of Directors' meetings, without voting powers;
- the establishment, upon the proposal of the Managing Director, of the other Managerial Committees envisaged in the first level organisational structure of which it determines the composition, duties and powers, approves their operating regulations and determines the manner in which the Board of Directors is informed of the activity performed;
- the appointment and removal of the Manager responsible for preparing the Company's financial reports, of the heads of company control functions, and of the head of the Safety and Protection Department;
- the approval of major internal regulations and the amendment thereof;
- the decisions concerning i) the purchase and sale of shareholdings amending the composition of the Banking Group, as well as the investments considered strategic under the supervisory regulations or according to the plans and policies adopted by the Board itself, and in any case ii) the purchase, sale, contribution of companies, business units, assets and legal relationships identified en bloc under Article 58 of the Consolidated Law on Banking which are deemed strategic under the above criteria set forth in point i) above and iii) the investments and divestments, including real estate, deemed to be strategic under the above criteria set forth in point i) and in any case iv) transactions which exceed, individually, the value of 3% of the total assets of the Company's capital calculated on a consolidated basis for supervisory purposes.

### *b) The Chairman*

The Chairman of the Board of Directors shall oversee the work of the Board, organise and direct the activity and perform all the tasks set by the supervisory regulations in force from time to time.

In that context, he/she shall:

- call and chairs the meetings of the Board and set the agenda, ensuring that adequate information and documentation on the items on the agenda are provided promptly to all

members;

- ensure the effectiveness of Board discussions and endeavour in a neutral way so that the resolutions taken by the Board are the result of a proper debate, in particular between the Managing Director and the other Directors, and of the informed and reasoned contribution of all its members;
- ensure that the self-assessment process be conducted in an effective manner;
- proceed with the calling of the Shareholders' Meeting;
- chair the Meeting and oversee its work and proceedings;
- promote and supervise the effective functioning of the corporate governance system, including the aspects related to the internal and external communication, acting as liaison among the Board Committees provided for by the Articles of Association he/she does not sit on, and ensure the balance of powers, with particular regard to the day-to-day management powers delegated;
- entertain the necessary and appropriate relations with the Managing Director;
- request and receive information also on specific aspects of the Company's and the Group's operations and on current and future trends of operations, having access to all corporate functions to this end;
- oversee, thereby verifying the accuracy thereof, the management of Shareholders' relations, in agreement with the Managing Director;
- look after relations with the Supervisory Authorities within the scope and for the purposes of its functions and its activities as point of contact for the Board and the Shareholders' Meeting;
- have the power to take action and delegate the legal representation of the Company vis-à-vis any judicial or administrative authority, including the power to commence court actions, as well as to grant powers of attorney, even of a general nature, in court proceedings, with the obligation of informing the Management Board on decisions taken;
- plan, after consultation with the Managing Director and according to the guidelines approved by the Board, and manage the Company's and the Group's cultural initiatives, with particular reference to the enhancement of the historic, archaeological and artistic heritage and to the management of the "Allowance for charitable, social and cultural contributions";
- exercise the other functional powers in the exercise of his/her office.

*c) Managing Director*

The Managing Director:

- is the Chief Executive Officer and General Manager and supervises the company's management to the extent of his/her assigned powers, in compliance with the general, programmatic and strategic guidelines established by the Board of Directors;
- determines and issues operational directives and is responsible for personnel management;
- within the scope of the powers assigned to him/her, is vested with the power to propose the resolutions of the Board of Directors;
- ensures the implementation of the resolutions of the Board of Directors, with particular reference to the implementation of the strategic guidelines, risk appetite framework and the risk governance policies defined by the Board of Directors;
- also ensures that the organisational, administrative and accounting structure and the internal control system are adequate considering the nature and size of the Company and suited to furnishing a proper representation of operations.

*d) The Management Control Committee: duties and powers*

The Management Control Committee carries out particularly pervasive tasks, being qualified by the same regulations as the company's control body and for that purpose it is vested with all the powers, including inspection and reporting to the Authorities, as provided for by the law and the supervisory regulations.

The Management Control Committee is reserved a special position within the Board to which it belongs. Its members are appointed directly by the Shareholders' Meeting and their removal shall also be approved by the Shareholders' Meeting, which also directly determines the remuneration,

taking into account the different duties that may be assigned to the same Committee.

The Committee, in particular, carries out all the tasks assigned to the control body pursuant to the law.

Among its various duties, the Committee shall: i) oversee the compliance with legal and regulatory provisions and the Articles of Association as well as the principles of correct management; ii) supervise the adequacy, efficiency and functionality of the organisational structure of the Company and the internal control system, as well as of the administration and accounting system; iii) ensure the effectiveness of all the structures and functions involved in the control system and the proper coordination thereof, promoting the corrective measures of any deficiencies and irregularities detected; iv) oversee the methods for the actual implementation of the corporate governance rules laid down by codes of conduct; v) propose to the Shareholders' Meeting the auditing firm to which to assign the audit of accounts and the fee for its mandate, supervise its work, share with it the relevant data and information for the performance of the respective duties and carry out the duties assigned, pursuant to Article 19 of Legislative Decree 39/2010, to the audit committee; vi) promptly report to the supervisory authority and Consob on any management irregularities and breaches of the regulations; vii) report on the supervisory activities carried out, on any omissions and reprehensible facts detected to the Shareholders' Meeting called to approve the financial statements; viii) subject to notice to the Chairman of the Board of Directors, call the Shareholders' Meeting, if, in the performance of its duties, it should detect particularly serious reprehensible facts and urgent measures need to be taken and, where necessary, for the performance of its functions; ix) perform, in line with its control function, the additional duties assigned to it by the Board of Directors.

The Committee is also vested with powers to request information, call the Board of Directors and conduct inspections, as well as the power to avail of the Company's employees for the performance of its functions, in the manner and according to the procedures established by the Consolidated Law on Finance.

The Committee shall work closely with the control bodies of the subsidiaries.

#### *e) The other Internal Board Committees: duties and powers*

The Board of Directors shall establish its own internal Nominations Committee, Remuneration Committee and Risk Committee.

Each Committee is composed of a minimum of three and a maximum of five non-executive Directors who are mainly Independent Directors.

The Director appointed as Chairman of a Committee must be independent on the basis of the supervisory provisions and may not hold the office of Chairman of another Committee appointed by the Board.

With special reference to the powers granted to the Committees under the Articles of Association:

- The Nominations Committee shall carry out investigative and consulting functions to support the Board of Directors with regard to the appointment of the members and the composition of the Board of Directors, when this falls within the remit of the same Board, and it shall perform the other duties assigned to it pursuant to the law or by the Board of Directors.
- The Remuneration Committee is responsible for proposing and consulting on remuneration and on remuneration and incentive systems and it shall perform the other duties assigned to it pursuant to the law or by the Board of Directors.
- The Risk Committee performs the duties assigned to it pursuant to the law and by the Board of Directors.

Moreover, the Board of Directors establishes the Committee for transactions with related parties and associated entities as provided for by law.

Finally, the Board of Directors shall have the power to establish additional Committees with assessment and advisory duties.