
Report of the Management Control Committee to the Shareholders' Meeting on the supervisory activities performed in 2019

pursuant to Article 153, paragraph 1, of Legislative Decree 58 of 24 February 1998, and Article 23.1, letter j), of the Articles of Association

Distinguished Shareholders,

it is worth mentioning that the one-tier governance model adopted by Intesa Sanpaolo S.p.A. ("Bank" or "Parent Company") consists of a Board of Directors ("Board") with steering and strategic supervision duties, management duties as well as control duties performed by the Management Control Committee ("Committee" or "Control Body") appointed by the Shareholders' Meeting as part of the Board itself.

The Committee plays a proactive role, within its own areas of responsibility, towards the Corporate Control Functions and engages in constructive dialogue with the Management of the Bank and the Intesa Sanpaolo Group ("Group"), including on the basis of information received during board meetings and deemed worthy of further in-depth analysis.

The Committee, in the fulfilment of its duties and in the interest of the best performance thereof, exchanges information of reciprocal interest and coordinates the performance of their respective duties with the Risk Committee, established within the Board, and with the Surveillance Body pursuant to Legislative Decree 231/2001. A Committee member usually attends meetings of the Risk Committee, subsequently reporting to the Control Body.

Pursuant to Article 153, paragraph 1, of Legislative Decree 58/1998 ("Consolidated Law on Finance"), the Committee is required to report to the Shareholders' Meeting, called to approve the financial statements for the period, on its supervisory activities and on any omissions or reprehensible facts recorded. This requirement is also stated in Article 23.1, letter j), of the Bank's Articles of Association. The Report was prepared taking into account the Consob recommendations on the matter and, in particular, Communication 1025564 of 6 April 2001 and subsequent updates, expressly referred to in the text.

During 2019, the following meetings were held:

- 25 meetings of the Board of Directors;
- 43 meetings of the Management Control Committee.

10)
Meetings

1. SUPERVISION OF COMPLIANCE WITH THE LAW AND THE ARTICLES OF ASSOCIATION

Regulatory developments

The Committee examined various proposals, within its own remit, for adapting the internal regulatory framework to changes in the Supervisory Provisions and more generally to external legislation, subsequently approved by the Board.

In particular, the Committee examined:

- the new Rules for managing compliance macro processes (so-called Compliance Rulebook) - prepared bearing in mind some comments made by the ECB during the inspections carried out on the Compliance function - setting out the operational rules for managing compliance macro processes and governance activities, with the relevant updates;
- the Programme which outlines the Group's antitrust compliance measures, updating the current internal provisions with respect to the changes in European and national legislation and to the Guidelines on Antitrust Compliance issued by the Italian Antitrust Authority (AGCM) in October 2018.

Therefore, the Committee analysed the following proposals to update:

- Group policies on participation in non-financial companies to align them to the current governance structure, the changed organisational scenario and the 2018 – 2021 Business Plan guidelines;
- Rules on out-of-branch offering or through the Banca dei Territori Division's Remote Communication Techniques;
- Group Compliance Guidelines;

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- Guidelines for combating money laundering and terrorism financing and for managing embargoes.

The Committee also received a memo on the launch of the periodic assessment process of the Group Procedures regulating the conduct of transactions with Related Parties of Intesa Sanpaolo, Associated Entities of the Group and Relevant Persons pursuant to Article 136 of the Consolidated Law on Banking (“RPT Procedures”), aimed at its upcoming update.

Finally, the Committee approved the change in its own Regulations, submitting the amended text beforehand for consideration and the opinion of the Board, as prescribed by the Articles of Association.

Relations with Supervisory Authorities

With regard to relations with the European Central Bank (“ECB”), the Committee received, amongst other things, regular updates on the development of the Supervisory Plans for the On-site Inspections, Thematic Reviews and Deep Dives by the Authority itself, as well as on the preparation and progress of the relative remediation plans. In particular, the Committee received the expected reports about the inspections on “Management of distressed bad loans”, “Internal Governance - Compliance Function” and “Internal Governance - Audit Function”. In addition, the Committee was informed about the checks carried out with regard to Speculative Immovable Property Financing (SIPF) and the Morval Group’s controls system, as well as the results of the assessment process conducted on possession of the necessary requirements by the members of the Board in office.

With reference to relations with the Bank of Italy, the Committee, in expressing the valuations requested by the Authority, examined the following findings provided to the Authority with regard to:

- alignment with Group standards of the safeguards relating to due diligence and profiling of customers of the merged company Fiduciaria Generale e di revisioni contabili S.p.A. adopted by the surviving company Società Italiana di Revisione e Fiduciaria S.I.R.E.F. S.p.A.;
- alleged irregularities in the granting of a mortgage loan, recommending a prompt solution be reached for the position under consideration;
- the progress made with the planned interventions following the detection of anti-money laundering irregularities carried out by employees at a number of branches in Molise;
- events reported by a shareholder relating to the alleged loan from Intesa Sanpaolo to Mercatech as part of the Electrolux purchase, the alleged involvement of the Bank in the case relating to cash flows from the Russian area, the shortcomings discovered by the Internal Audit function on the sustainability of Banca 5's business model;
- the initiatives identified by the Bank to improve the procedures adopted in managing complaints received and claims submitted by customers to the Banking and Financial Ombudsman (ABF) regarding fraudulent use of payment instruments;

Still with regard to relations with the Bank of Italy, the Committee also:

- examined the feedback provided to the Authority concerning the results of the checks on cash recycling machines;
- received a first report on the results of the inspection conducted by the Authority to assess the creditworthiness for customer protection profiles;
- examined the half-yearly reports requested by Bank of Italy, regarding the progress of the remedial actions planned to deal with the critical issues that emerged in the anti-money laundering area, including after the recent branch inspections conducted by the Authority, taking note of the specifically prepared Internal Audit reports and in expressing the requested valuations.

With regard to relations with Consob, the Committee examined the feedback given to the Authority - accompanied by the Compliance Department’s assessments - on the measures put in place by the Bank in implementation of the MiFID II Directive and the MiFIR Regulation, including so as to express the requested assessments.

The Committee received the requested update from the Legal Affairs Department - Group General Counsel on the matter related to the offer of investment diamonds and regarding the administrative offence claim pursuant to Legislative Decree 231/2001 in relation to alleged self-laundering.

Self-assessment and verification of requirements

With reference to the composition of the Board of Directors in office for the three-year period 2019-2022, the Committee checked the compliance of the lists submitted by the shareholders and the absence of any connection between them. The Committee subsequently checked, at the time of appointment, the existence of the requirements of professionalism, competence, personal integrity, fairness and independence, as well

as compliance with the limitation of concurrent positions and the time commitment for its members, in accordance with the provisions of applicable regulations, the Articles of Association and its own Regulations. Prof. Corrado Gatti, having taken temporary leave for personal reasons, from 13 December 2019 until 31 March 2020, from his position as Director and member of the Management Control Committee of Intesa Sanpaolo, resigned on 2 March 2020 with immediate effect.

Moreover, as required by law, the Committee performed a self-assessment of its own composition and operation that was separate to the one carried out by the Board. This exercise was also aimed at assessing the correct and effective performance of the tasks entrusted to the Committee in its capacity as the control body of the Bank according to criteria and methods consistent with its own attributes.

For the purposes of its own self-assessment for 2019, in line with the previous year and with the activities carried out by the Board, the Committee availed itself of the preliminary analysis performed by an independent external consultant. This self-assessment exercise, in light of the renewal of the Body during the year, provided the opportunity to also investigate the effects of the new composition and of the changes in terms of effectiveness and efficiency of operation of the Body compared to the previous assessment.

The qualitative and quantitative results confirmed the Committee's adequacy and high level of overall compliance with the provisions of Borsa Italiana's Corporate Governance Code for listed companies ("Corporate Governance Code"), the guidelines of the European Banking Authority ("EBA"), the provisions of Bank of Italy Circular 285/2013 and with best practices. At the end of the process, on 30 January 2020, the Committee expressed an assessment of adequacy with regard to its own size, composition and operation.

In accordance with the requirements of the internal regulations, which incorporate the guidelines issued by EBA and European Securities and Markets Authority ("ESMA") implementing the principles set out in the EU Directive 36/2013 ("CRD IV"), on 20 February 2020, the Committee assessed the continuing existence of the necessary requisites for each of its members, including the absence of significant financial relationships with Group companies for the purpose of assessing their independence in line with the provisions of the Regulation adopted on this subject by the Board.

As envisaged by the Corporate Governance Code, the members of the Committee ascertained the correct application of the assessment criteria and procedures adopted by the Board for evaluating the independence of its members.

Lastly, the Committee ascertained, issuing the requested opinion, the legitimacy of the co-option procedure followed to reinstate the Board of Directors, following the resignation of a Director, until the Shareholders' Meeting called to confirm the co-opted Director, noting in particular the ongoing presence in office of a majority of Directors appointed by the Shareholders' Meeting.

9)
Opinions

Petitions

Following-up on complaints submitted by shareholders pursuant to Article 2408 of the Italian Civil Code regarding facts they consider to be reprehensible, the Committee examined the results of the internal checks conducted by the competent corporate functions, noting the following:

5)
Complaints

- with reference to a complaint made by a shareholder on the basis of the news that appeared in a newspaper about alleged suspicious transactions carried out by individuals/companies linked to Russia, it was confirmed that the Bank has adequate procedures in place which include - amongst other things - restricting relations with counterparties on whose account reports of non-compliance with anti-money laundering regulations may emerge. The checks carried out on the parties named in the press article did not also reveal continuous relationships with the Bank, consequently the Committee decided action did not need to be taken with regard to the specific facts reported;
- the complaint made regarding the "Regeni case" is irrelevant to Intesa Sanpaolo's business;
- with reference to the criteria that governed the vote on the composition of the Board of Directors and the Management Control Committee for the 2019/2020/2021 financial years at the Shareholders' Meeting of 30 April 2019, the Committee, having carried out the appropriate checks, assessed the actions mentioned in the complaint as correct.

With reference to a further complaint received from a shareholder about trading in diamonds and alleged commercial pressures put in place by Intesa Sanpaolo Managers, the Committee examined the results of the internal audits conducted by the competent corporate functions, which did not bring to light any facts worthy of particular attention nor, therefore, that required the adoption of any measures.

During 2019, there were 2 complaints received, addressed by customers to the supervisory body and related to the Bank's core business. Through the relevant departments, each complaint was the subject of appropriate checks, which did not bring to light any significant omissions or irregularities.

6)
Protests

2. SUPERVISION OF COMPLIANCE WITH THE PRINCIPLES OF CORRECT MANAGEMENT

1)
Principles
of correct
manage
ment

The Committee has overseen compliance with the principles of correct management, holding regular meetings with the heads of the Corporate Control Functions, the Governance Areas and the Group Divisions as well as with the Manager responsible for preparing the Company's financial reports and the independent auditors KPMG ("Independent Auditors"), including in order to verify that management decisions are based on an adequate system of information flows to the Bodies and that the Directors are aware of the riskiness and effects of their choices.

The Committee verified that the flows between the corporate departments and the Managing Director and CEO, as well as between them and the Board, are continuous. Information exchange between the Committee and the Managing Director and CEO is enhanced by regular meetings, mostly focused on the Bank's and the Group's performance, the functionality and effectiveness of the internal control and risk management system as well as on the recommendations made by the Committee in this regard in its own quarterly reports to the Board.

1)
Most
Significant
Trans
actions

The Committee supervised the observance of the obligations envisaged for transactions of greater economic, financial and capital importance carried out by the Bank or the subsidiaries, confirming that they were performed according to law and the Articles of Association, and that they were not manifestly imprudent, hazardous, in conflict of interest, in contrast with resolutions taken by the Shareholders' Meeting, or likely to compromise the integrity of the shareholders' equity. The reports pursuant to Article 150, paragraphs 1 and 2, of the Consolidated Law on Finance, are provided both as part of the information on the preparation of the financial statements given by the Manager responsible for preparing the Company's financial reports and at the regular meetings with the Managing Director and CEO.

The Committee received periodic information in accordance with the internal regulations on governance of the Most Significant Transactions ("MST"), i.e. transactions that involve a potential significant change in the overall risk profile defined in the Risk Appetite Framework ("RAF").

Pursuant to the RPT Procedures, the Committee received the quarterly report on transactions with related parties and associated entities, including an assessment of the relevance of the financial reports for the purposes of the Directors' independence requirement. On such occasions, the Committee received the report on the interests declared by the Directors in performing certain transactions pursuant to Article 2391 of the Italian Civil Code.

Finally, the Committee oversaw the implementation and management of the Group's Code of Ethics, which self-regulates the integration of social and environmental considerations into business processes, practices and decisions.

2)
Atypical
and/or
unusual
Trans
actions

Given all the above, no atypical and/or unusual transactions were carried out either with third parties, or related parties or intragroup - to be understood as transactions that could give rise to doubts concerning the fairness/completeness of the financial statements, conflicts of interest, the safeguarding of company assets, or the protection of minority interests. Likewise, no management irregularities nor performance anomalies emerged.

3)
Adequacy
of
information

Significant events and the main transactions with related parties of major significance (including intragroup ones) and the other significant transactions carried out in compliance with the RPT Procedures, were adequately reported and illustrated in the reports on operations and the notes to the Intesa Sanpaolo S.p.A. draft financial statements as at 31 December 2019 and the Intesa Sanpaolo Group's consolidated financial statements as at 31 December 2019 (together the "2019 Financial Statements").

3. SUPERVISORY ACTIVITIES OF THE PROCEDURES FOR EFFECTIVE IMPLEMENTATION OF THE CORPORATE GOVERNANCE RULES LAID DOWN IN THE CORPORATE GOVERNANCE CODE

17)
Adoption of
the
Corporate
Gover
nance
Code

The Committee examined the Report on Corporate Governance and Ownership Structures ("Report on Corporate Governance") for 2019 which was then approved by the Board of Directors on 25 February 2020, with particular reference to the information about the main features of the risk management and internal controls systems in relation to the financial reporting process.

The Report on Corporate Governance, which should be consulted for further details, illustrates among other things the management and control model of Intesa Sanpaolo and provides a complete disclosure of how the Bank has adopted and implemented the recommendations of the Corporate Governance Code.

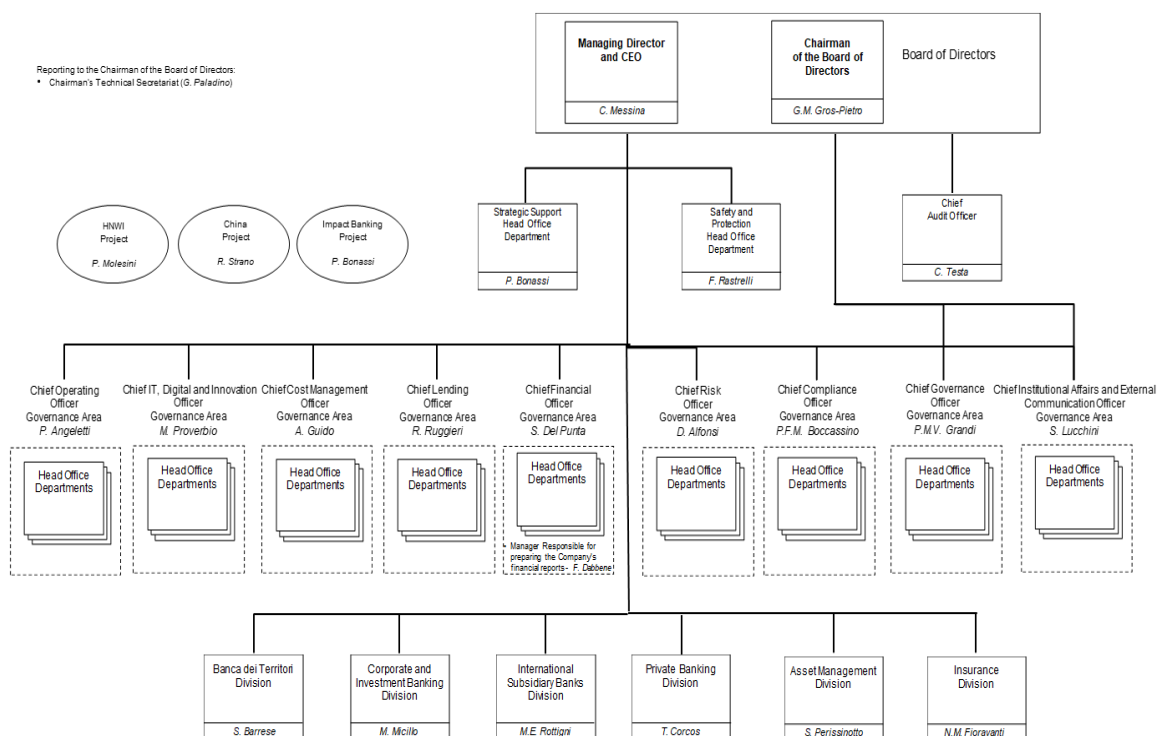
4. SUPERVISORY ACTIVITY ON THE ADEQUACY, EFFICIENCY AND FUNCTIONALITY OF THE ORGANISATIONAL STRUCTURE

The Committee carried out a survey of the organisational structure of the Corporate Control Functions and main Divisions of the Group, focussing on the adequacy of risk management processes and procedures to support the business carried on.

In 2019, the Committee examined:

- the reorganisation of the Private Banking Division’s compliance and anti-money laundering governance model, including following the outsourcing – requested by the Committee - of these functions by Fideuram Intesa Sanpaolo Private Banking to Intesa Sanpaolo, and the impacts of this centralisation on the organisational structure of the Chief Compliance Officer Governance Area as well as the additional organisational changes planned in this Area;
- the plan to incorporate Banca IMI into the Parent Company, focussing on the programme’s main areas of intervention, on the decisions that will help to design the new post-integration structure and on the benefits produced;
- the proposal for the appointment of the new head of the Internal Validation and Controls Head Office Department, who also assumes the role of head of the Validation Function, and the consequent new organisational structure of the Chief Risk Officer Governance Area;
- during a meeting with the head of the International Subsidiary Banks Division, the organisational solutions adopted in order to achieve a strengthening of the governance on the International Subsidiary Banks’ IT projects and the actions identified as part of the onboarding project of the Eximbank Moldova subsidiary;
- an update on the organisational and governance methods adopted as part of the partnership with Intrum;
- the organisational solutions aimed at strengthening the Chief Lending Officer Governance Area to manage the interface with Prelios as part of the UTP Partnership project, aimed at improving the management of Unlikely To Pay positions and further accelerating the Group's non-performing loans reduction programme.

In referring you to the Report on Corporate Governance for further details about the Group’s organisational and operational structure, the Bank’s organisational chart as at today’s date is shown below.



5. SUPERVISORY ACTIVITY ON THE ADEQUACY, EFFICIENCY AND FUNCTIONALITY OF THE ADMINISTRATIVE AND ACCOUNTING SYSTEM

The Committee - including in its capacity as Internal Control and Audit Committee pursuant to Article 19, paragraph 2, letter c), of Legislative Decree 39/2010 - examined the regular report on the activity carried on and the corrective actions prepared by the Manager responsible for preparing the Company's financial

reports to support the statutory certifications and has analysed the causes and remedies of the shortcomings of the accounting structure.

The Management and Financial Governance unit outlined the action plan for 2020, the half-yearly reports on governance and control activities performed on the internal control system that are relevant to the financial reporting process, with the relative *Tableaux de Bord* which summarise the main issues requiring attention and the progress of the relative mitigation actions, as well as the report on the activities carried out in 2019 by the Assets and Liabilities Valuation Assessment function.

Considering the governance and oversight activities carried out in 2019 as well as the reduced level of residual risk, the Management and Financial Governance unit expressed a positive opinion - despite the presence of some areas for improvement for which mitigation measures are under way - on the statutory requirements of the financial reporting, allowing the Managing Director and CEO and the Manager responsible for preparing the Company's financial reports to issue the certifications required under Article 154-bis of the Consolidated Law on Finance for the consolidated half-yearly report as at 30 June 2019, the consolidated results as at 31 December 2019 sent for reporting purposes to the competent Authorities as well as the 2019 Financial Statements.

16)
Meetings
with the
Independent
Auditors

The Committee, together with the Manager responsible for preparing the Company's financial reports, met with the Independent Auditors - in accordance with Article 150, paragraphs 3 and 5 of the Consolidated Law on Finance - to examine the audit plan and the activities carried out to formulate the opinion on the 2019 Financial Statements as well as the points requiring attention highlighted in the letter of recommendations to the Management (Management Letter).

In order to contribute to the assessment of the correct use of the accounting policies and the adequacy of the disclosure to the public, the Committee attended the meetings of the Risk Committee with the Manager responsible for preparing the Company's financial reports and the Independent Auditors to examine the instructions for the preparation of the interim consolidated statements as at 30 September 2019, the consolidated half-yearly report as at 30 June 2019 as well as the 2019 Financial Statements. In particular the Committee examined the trend of non-performing loans and the results achieved in the application of the criteria and procedures for the classification, valuation and management of non-performing exposures.

As part of the aforementioned meetings, the process of preparing Pillar 3 and the Consolidated Non-Financial Statement of Intesa Sanpaolo was also examined, regarding which the Committee checked its compliance with the provisions of Legislative Decree 254/2016. These documents were approved by the Board on 17 March 2020.

The Bank's financial statements and the Group's consolidated financial statements, pursuant to Legislative Decree 38/2005, are prepared in compliance with the IAS/IFRS issued by the International Accounting Standards Board and relative interpretations of the International Financial Reporting Interpretations Committee, endorsed by the European Commission, as provided for by EC Regulation 1606/2002. These documents are drawn up on the basis of the instructions issued by the Bank of Italy with Circular 262/2005 as subsequently amended.

The Intesa Sanpaolo draft financial statements as at 31 December 2019 and the Intesa Sanpaolo Group's consolidated financial statements as at 31 December 2019 were approved on 25 February 2020 by the Board of Directors.

The disclosure to the public, under the provisions of the prudential supervisory regulations, was provided on the Bank's website within the term laid down for publication of the financial statements.

4)
Reports by
the
Independent
Auditors

On the 18 March 2020, pursuant to Article 14 of Legislative Decree no. 39/2010 and Article 10 of EU Regulation 537/2014, the Independent Auditors issued the reports on the audit of the Intesa Sanpaolo S.p.A.'s financial statements and on the consolidated financial statements of the Intesa Sanpaolo Group for the year ended 31 December 2019. In particular, the Independent Auditors:

- issued an opinion in which they affirm that the financial statements provide a true and fair view of the financial position and operating results of Intesa Sanpaolo and the Group, and of the profit and loss and the cash flows for the year ended at that date;
- presented the key aspects of the audit which, in their own professional opinion, are most significant and are used in forming their overall opinion of the financial statements;
- attested that the reports on operations and some specific information contained in the Report on Corporate Governance are consistent with the financial statements to which they refer and are prepared in compliance with the law;
- declared they had nothing to report pursuant to Article 14, paragraph 2, heading e), of Legislative Decree 39/2010, based on the knowledge and understanding of the company and its context acquired during the audit;

-
- verified the approval by the Directors of the Non-financial statement pursuant to Article 4 of the Consob Regulation implementing Legislative Decree 254/2016.

Moreover, on 18 March 2020, the Independent Auditors issued the Committee with the additional report envisaged under Article 11 of EU Regulation 537/2014, according to which no significant shortcomings were found in the internal control system in relation to the financial disclosure process, which should be brought to the attention of those responsible for governance activities.

The annual confirmation of independence was issued, as an annex to this report, pursuant to Article 6, paragraph 2, letter a) of EU Regulation 537/2014 and paragraph 17 of the International Standards on Auditing (ISA Italia) 260.

The Committee also examined - including in the Independent Auditors' presence - the proposal to realign the taxable values of the Bank's real estate to higher carrying values pursuant to Article 1, paragraph 948, Law no. 145/2018.

The Committee also examined the Report on tax risk oversight activities carried out by the Bank in 2019, as required by the co-operative compliance regime.

In light of all the above, the Committee has reason to believe that the Bank's and Group's administrative and accounting system is such as to ensure a fair presentation of the operational events and that there are no significant shortcomings in the internal control system in relation to the financial reporting process. The Committee also found that the administrative and accounting procedures are effectively followed for the preparation of the financial statements and all other financial reports.

16)
Meetings
with the
Independent
Auditors

14)
Adequacy
of the
accounting
system

6. SUPERVISORY ACTIVITY OF THE STATUTORY AUDIT PROCESS AND THE INDEPENDENCE OF THE INDEPENDENT AUDITORS

Intesa Sanpaolo has adopted specific Group Regulations for the governance of appointments given to independent auditors and their networks. Amongst the rules laid down by said Regulations - which are enforced save any different provisions of law or other mandatory legislation - the following rules should be borne in mind: a Sole Auditor for the Group; consistency of appointments with the Parent Company's indications; alignment of the duration of the statutory auditors' appointment.

The Regulations also include specific prior authorisation, monitoring and regular reporting procedures to the Committee, which are aimed at overseeing the independence of the Independent auditors. For the purpose of this monitoring, the following types of appointment are defined:

- Audit, i.e. statutory audit services pursuant to Article 14 of Legislative Decree 39/2010 and Article 2409-bis of the Italian Civil Code as well as the other voluntary audit services;
- Audit Related, i.e. the tasks assigned by law or on behalf of an Authority as well as the operations which represent an extension of the audit appointment (issuance of certificates, examination of reports, agreed audit procedures). These appointments are usually conferred upon the Auditor as, by nature, they do not cause any detriment to the independence thereof;
- Non Audit, involving services not included in the previous Audit or Audit Related types, including of course those that are specifically prohibited pursuant to Articles 10 and 17, paragraph 3, of Legislative Decree 39/2010. These appointments cannot be given to the Main Auditor.

KPMG S.p.A. were appointed for the nine-year period 2012-2020 to carry out the statutory audit of the annual and consolidated accounts of Intesa Sanpaolo, to ascertain that the Company's accounting records are properly maintained and faithfully present the results of operations, as well as voluntary audit and audit related assignments, pursuant to the aforementioned Group Regulations. Consequently, the KPMG network undertook the role of Sole Auditor, pursuant to the Group Regulations, and also in 2019 every assignment proposal involving individuals belonging to this network was monitored in advance and - where applicable - authorised.

Based on the results of this control process, we confirm that during the 2019 financial year no further non audit appointments were granted to KPMG S.p.A. and parties connected to them by ongoing relationships.

According to the provisions of the Group Regulations, the full picture of the assignments to the Independent Auditors is described twice a year to the Committee by the Manager responsible for preparing the Company's financial reports, including for the purposes of the related reporting obligations in the financial statements and to the Shareholders' Meeting. A complete picture of the amounts paid to the Independent Auditors in the 2019 financial year is represented in the Annex to the financial statements entitled "Fees for auditing and the services other than auditing pursuant to Article 149-duodecies of Consob Regulation no. 11971", to which reference should be made.

7-8)
Additional
audit
assign-
ments

The details of the fees for the Audit-Related responsibilities for 2019 are shown below.

Type of service	(millions of euro)			
	Intesa Sanpaolo		Group Companies ^(*)	
	KPMG	KPMG Network	KPMG	KPMG Network
Release of attestations (**)	1,65	-	1,99	-
Other services:				
agreed audit procedures	0,16	-	0,52	-
consolidated non-financial statement	0,12	-	0,06	-
other	-	-	-	-
Totale	1,93	-	2,57	-

(*) Group companies and other consolidated subsidiaries

(**) Including audit costs, on a voluntary basis, for "Pillar 3" disclosure

Amounts net of VAT and reimbursed expenses and Consob contribution

The fees for audit related responsibilities refer - in addition to the Non-Financial Statement - mainly to audits carried out in order to issue Comfort Letters in implementation of international issue programmes (0.7 million euro), to verifications required by international subsidiaries of the Group according to local legislation and to assessments related to certain Pillar 3 disclosures.

9)
Opinions

Finally, for the sake of completeness, it should be noted that during the year the proposal was submitted for approval by the Committee to entrust the assignment to audit the financial reports of the Warsaw branch for the supervisory purposes established by the Polish Financial Supervision Authority (KNF). In fact, in accordance with local legislation (Act on Auditors of 11/05/2017), it was not possible to extend the assignment already entrusted to KPMG beyond the 5 year limit in force locally and the approval of the Committee was required to entrust this assignment to a different auditor for local supervisory purposes. The Committee expressed a favourable opinion on the proposal to appoint Grant Thornton as auditor of the financial reports of the Warsaw branch for local supervisory purposes.

7. SUPERVISORY ACTIVITY ON THE ADEQUACY, EFFICIENCY AND FUNCTIONALITY OF THE INTERNAL CONTROL SYSTEM

13)
Internal control system

The Committee assessed compliance with the supervisory provisions with reference to the general principles of the internal control system, the role of the company Bodies, as well as the role and requirements of all the departments involved in the control system, checking their substantial adequacy, the correct performance of tasks and the proper coordination thereof. Where considered appropriate, the adoption of functional corrective measures was promoted to address any deficiencies detected.

The Group's Integrated Internal Control System Regulation, implementing the current Supervisory Rules, outline the duties and responsibilities of all the stakeholders in the internal control system, the procedures for coordination and interaction between Control Functions, the policy and coordination procedures of the Group companies and international branches and the main information flows between the various stakeholders in the system. The internal control system is structured on three levels:

- Level I: line controls conducted by the operational and business structures, including through units dedicated solely to control duties, and as far as possible incorporated in IT procedures;
- Level II: controls aimed at ensuring the proper implementation of the risk management process, observance of operating limits and compliance of the operations with regulations. The functions assigned to such controls contribute to the definition of the risk governance policies and the risk management process. These controls are performed:
 - ✓ by the Chief Compliance Officer Governance Area, which has the duties and responsibilities of compliance with regulations and also includes the Anti-Money Laundering function,
 - ✓ by the Chief Risk Officer Governance Area, which has the duties and responsibilities of the Risk Management function and also includes the Validation function;
- Level III: Internal Audit controls to identify breaches of procedures and regulations, as well as to assess the completeness, adequacy, functionality and reliability of the internal control system and the Group's IT system, in relation to the nature and intensity of the risks. At Intesa Sanpaolo, the Chief Audit Officer reports directly to the Board of Directors and also reports functionally to the Committee.

The Group's internal control system - described in detail in the Report on Corporate Governance, to which reference should be made for further details - also sees other functions involved with control responsibilities (the Business Continuity function, the IT Security function, the specialised functions), the Manager responsible for the Business Continuity Plan, the Manager responsible for preparing the Company's financial reports, the Independent Auditors and the Parent Company's Surveillance Body pursuant to Legislative Decree 231/2001.

With reference to the latter, the Committee examined - on a six-monthly basis - the report on the activities carried out noting that, according to the disclosure made, there are no facts or circumstances worthy of mention. The Committee and the Surveillance Body promptly exchanged relevant data and information during the year, by coordinating during joint meetings on matters of mutual responsibility.

Moreover, with a view to ensuring consistency at Group level in the manner of transposing and implementing Legislative Decree 231/2001, the Committee analysed the half-yearly report on the activities carried out by the Surveillance Bodies of the Italian companies of the Group.

Below you will find a summary of the activities conducted by the parties responsible for carrying out internal controls.

Chief Compliance Officer

The Chief Compliance Officer delivered the institutional and periodic reports within his remit to the Committee, and in particular the half-yearly report, the annual report and Risk Assessment for 2019 with the action plan for 2020 pursuant to the supervisory regulations of the Bank of Italy and the joint Bank of Italy-Consob Regulations; the Compliance Tableau de Bord, which provides an overview on the outlook for the most significant projects, is enclosed with these reports, that provide also a summary report on the progress of complaints, claims and appeals by customers. The end-of-year report also includes the report on the Governance of the Group asset management companies and details of the human and financial resources allocated to compliance macro-processes.

Pursuant to the regulations issued by Consob, the Chief Compliance Officer submitted to the Committee the annual report on the terms of provision of services and investment activities and ancillary services and of distribution of financial products issued by insurance companies or banks, assisted by the Chief Operating Officer and representatives from the Banca dei Territori Division.

The Chief Compliance Officer submitted the following to the Committee:

- an update on the procedure to acquire the status of Financial Holding Company, in order to be able to carry out underwriting activities of bonds and equity in the USA with US issuers;
- together with the head of the Corporate and Investment Banking Division, as well as the CEO of Banca IMI, and the Chief IT Digital & Innovation Officer, a report about the inspection of the National Futures Association on the activity carried out by Intesa Sanpaolo as a Swap Dealer, as well as the feedback sent to the Authority by the Bank;
- an update on the ongoing AGCM proceedings against Intesa Sanpaolo;
- an update about the measures implemented to transpose the changes made with MiFID II as well as an overview of the main activities that will be carried out during 2020 and which will be the subject of subsequent periodical updates.

To enable the Committee to adequately perform its supervisory role on compliance with the rules for combating money laundering, terrorist financing and for embargo management as well as verifying the completeness, functionality and adequacy of the relative controls system, the head of the Anti-Money Laundering department illustrated the half-yearly report and the annual report for 2019, with their respective Tableaux de Bord, the annual Risk Assessment and the action plan for 2020. These reports include summary information on the progress of the training plan, on any communications from control bodies pursuant to Article 46 of Legislative Decree 231/2007 as renewed by Legislative Decree 90/2017 as well as details of the human and financial resources allocated to compliance macro-processes with respect to anti-money laundering legislation.

The Committee also received specific updates on the progress:

- of the review of the anti-money laundering model and the anti-financial crime controls of the Intesa Sanpaolo New York branch, aimed at addressing – amongst other things – the observations of the Federal Reserve Bank of New York and the New York State Department of Financial Services, together with the results of the independent testing activities carried out by the Internal Audit function on the branch's anti-money laundering system;
- of the remedial action plan to strengthen the anti-financial crime controls in place at the London branch, which were prepared to meet the requests made by the Financial Conduct Authority and making use of

the indications of the Skilled Person appointed at the Authority's request; The Committee acknowledged the advanced implementation of the planned interventions;

- of the Enabling Integrated Financial crime fight project ("ENIF") and the strengthening of the international branches' anti-money laundering model, with the identification of the interventions deemed a priority for 2020.

At the Committee's request, the head of the Anti-Money Laundering function also submitted:

- assisted by the Chief Audit Officer, the requested insights into the Group's operations with Danske Bank and other banks in the Baltic countries and an update on the specific risk mitigation initiatives identified; the Committee recommended their prompt implementation;
- the results of the new due diligence conducted, at the ECB's recommendation, on all the accounts referable to the former Morval Group, as a result of which the Committee ascertained that the governance and control systems had been strengthened.

Chief Risk Officer

The Chief Risk Officer submitted the following to the Committee: the Tableau de Bord of the critical issues in his own Governance Area on a six-monthly basis, the annual report on the activities carried out in 2019, the Risk Assessment and the plan of the activities scheduled for 2020, including those for the Validation function. In accordance with Article 13, paragraph 2, of the Regulations issued by the Bank of Italy and Consob pursuant to Article 6, paragraph 2-bis, of the Consolidated Law on Finance, he also illustrated the risk management activities within the scope of the investment services to customers carried out during 2019. The Chief Risk Officer described the results of the annual assessment on the overall consistency of the ratings of the External Credit Assessment Institutions with the measurements processed independently by the Bank.

At the Committee's request, the Chief Risk Officer provided:

- an update on the progress of the RADAR programme;
- an in-depth analysis of the functioning of the Credit Risk and Pillar 2 Internal Models Committee.

Chief Audit Officer

The Committee mainly uses the Internal Audit function to carry out its supervisory duties. The Chief Audit Officer normally participates at meetings and provides ongoing information about the activities carried out - some of which at the Committee's own request - and on the progress of the remediation plans put in place by the competent corporate functions to overcome the critical issues encountered. The high priority issues reported by the Committee are taken into account at the time of defining the annual Internal Audit plan.

During the year, the Chief Audit Officer systematically and promptly reported to the Committee the main findings that emerged whilst performing his own activities, including at the Committee's specific request. In particular, the results of the checks on the following points should be noted:

- fraudulent transactions perpetrated at the Cornaredo Businesses branch against two customers;
- outsourcing of Card Processing to the company Mercury Processing Services International;
- irregularities perpetrated by a financial advisor of Fideuram Intesa Sanpaolo Private Banking and a financial advisor of Sanpaolo Invest Sim;
- Metropol affair, concerning the alleged involvement of Banca Intesa Russia in relations between Italian individuals and individuals linked to the Russian area that appeared in the press;
- investigations carried out on the IT controls adopted by the Group in Identity Access Management, with a focus on the Active Directory infrastructure;
- control measures over the platform reserved for INBIZ business customers;
- progress of the ENIF project;
- Long-Term Incentives Plan and Deep Dive on "Implementation of remuneration policies", as requested by the ECB's Joint Supervisory Team;
- General Data Protection Regulation (GDPR) compliance programme;
- management of appraisals of real estate collaterals and the related controls system;
- changes in the Data Governance and Data Quality Model;
- progress of the action plan prepared following the ECB's inspection of "Internal Governance – Compliance Function";
- "Pulse" Process, to manage retail positions;
- methods of storing corporate emails.

Every three months, using the Synthetic Audit Tableau de Bord, the Chief Audit Officer reported on the

outlook for the most significant weaknesses found during the internal audit activities including in light of the respective remediation plans. Every six months, within the context of a specific report, he submitted his own considerations and assessments on the adequacy of the internal control system for risk management and presented, at the Committee's request, the changes in the least significant weaknesses set out in the Analytical Audit Tableau de Bord. On an annual basis, he prepared and shared, with the Committee, the final report on the activities carried out and the results of the Risk Assessment Audit and the activities plan for the following financial year. The final report on the activities carried out in 2019 also fulfils the obligations laid down by the Bank of Italy with regard to disclosures to the competent Bodies on some specific areas such as liquidity risk management, anti-money laundering, information systems and business continuity, Parent Company Governance of the asset management companies, the result of the audits carried out at international branches and the internal systems for reporting violations of the rules governing banking (so-called whistleblowing).

The Chief Audit Officer conducted the compulsory assurance activities (amongst which those on the remuneration and incentives system, on transactions with related parties and on the MST) and prepared the following regular disclosures pursuant to the current Supervisory Rules:

- the annual report on the outsourcing of important operational functions;
- the quarterly report on whistleblowing reporting;
- the annual report on internal audit activities required by Article 14 of the Consob-Bank of Italy Joint Regulation pursuant to Article 6, paragraph 2-bis, of the Consolidated Law on Finance.

During Board meetings, the Committee received reports from the Internal Audit function on the results of consistency checks on the operating practices followed in the quantification and approval as well as in the actual delivery of the 2019 incentive system with the policies and the application parameters approved by the various Bodies and with the provisions issued by the Bank of Italy on this subject in transposing the CRD IV. The Chief Audit Officer expressed an opinion of adequacy.

Finally, the Committee examined the results of the Quality Assurance Review of the Chief Audit Officer's area carried out by an independent external consultant.

Integrated Reporting by the Corporate Control Functions

The Integrated Tableau de Bord was submitted to the Committee on a six-monthly basis; it provides a summary of the findings with the greatest impact among those highlighted by the Corporate Control Functions and the Management and Financial Governance unit in their own Tableaux de Bord, with details of the progress of their respective mitigation actions. On the basis of the assessments carried out by the Corporate Control Functions in 2019, the annual summary report was drawn up which shows that overall risk management is adequate in terms of completeness, functionality and reliability of the internal control system. This opinion is supported by the Integrated Risk Assessment, the results of which were included in the 2020 RAF.

Moreover, the Integrated Tableau de Bord of the International Subsidiary Banks was also presented to the Committee on a six-monthly basis; it provides a summary of the findings with the greatest impact on the international perimeter.

To analyse the causes and remedies of the critical issues highlighted by the Corporate Control Functions and monitor the actions aimed at improving the efficiency of the internal control system, the Committee - in the presence of the Chief Audit Officer - held the following meetings:

- with the head of Banca dei Territori Division's corporate segment for an update on the strengthening of corporate customer oversight, the changes in the internal control system and the progress of remedial actions against the critical points highlighted by the Corporate Control Functions, including in consideration of the merger by incorporation of Mediocredito Italiano into the Parent Company;
- with the competent corporate functions to examine the progress of the actions to strengthen the monitoring and control model of the bad loans portfolio following the agreement with Intrum;
- with the head of the Private Banking Division to monitor the progress of the reorganisation and strengthening plan of the internal control system, with particular reference to compliance and anti-money laundering controls, including in light of the internationalisation of the business, and branch fraud risks.
- with the head of the Corporate and Investment Banking Division and the Chief IT, Digital & Innovation Officer to examine the progress of the project to replace the Information System of the International Network;
- with the Chief IT, Digital & Innovation Officer to monitor the progress of ongoing cybersecurity actions and monitor the performance of IT suppliers;

- with the head of the International Subsidiary Banks Division to examine the progress of the remedial actions launched to solve the critical issues related to the New Core Banking System and IT governance of the International Subsidiary Banks, to the outsourced management by Mercury Processing Services International (MPSI) of payment cards, transactions at ATMs and POS terminals for all the Division's international subsidiary banks, to the risk profile of ISPRO Romania's loan portfolio, as well as to the onboarding process of Eximbank Moldova;
- with the head of the Safety Department as Data Protection Officer to examine the progress of the remedial actions identified in order to mitigate the critical issues identified in the process of adjusting to GDPR.

Assessment of the Corporate Control Functions

For the purposes of assessing the suitability of the essential elements of the risk management internal control system architecture, the Committee examined the annual disclosure on the changes in staff, costs and investments directly attributable to the Corporate Control Functions. Further details on the staffing and Target sizing of the structures of the Corporate Control Functions are provided in their respective periodic reports to the Corporate Bodies.

In light of the results obtained during its activities, the Committee expressed its own considerations on the aspects of independence, objectivity and effectiveness of risk management actions for the annual assessment carried out by the Board of Directors regarding the adequacy of the Corporate Control Functions.

After having contributed – within its own remit – to defining the individual targets set for the heads of the Corporate Control Functions for the purposes of the 2019 incentive system, during the Performance Evaluation phase the Committee also examined the final evaluation of the performances of the Chief Audit Officer, the Chief Compliance Officer, the Chief Risk Officer and the head of the Safety Department. The Committee also examined the final evaluation, supplied by the respective direct heads, of the Manager responsible for preparing the Company's financial reports and the heads of the Internal Validation and Controls Department and the Anti Financial Crime Department. Subsequently to the examination of the aforementioned information and its certification by the Chief Operating Officer, the Committee expressed its opinion on the level of achievement of the objectives by said Managers for the purposes of evaluation by the Remuneration Committee of the proposal - then submitted to the Board of Directors - regarding the payment of the variable remuneration for 2019.

For the purposes of the 2020 incentive system, during the Goal & Target Setting phase, the Committee first met with the Chief Audit Officer, the Chief Compliance Officer and the Chief Risk Officer to examine the activities plan envisaged by each of their respective functions for 2020, including in order to evaluate the possible Key Performance Indicators with which to monitor the effectiveness of the action by the relative functions and evaluate the heads' performances. The Committee then expressed its opinion - within its own remit - to the Remuneration Committee for the purpose of defining the objectives and individual performance levels to be attributed to the said Chiefs as well as to the heads of the Validation and Anti-Money Laundering functions, to the Manager responsible for preparing the Company's financial reports and to the head of the Safety Department including in his capacity as Data Protection Officer.

9)
Opinions

9)
Opinions

8. SUPERVISORY ACTIVITY ON THE ADEQUACY, EFFICIENCY AND FUNCTIONALITY OF THE GOVERNANCE AND RISK MANAGEMENT PROCESS

The Committee monitored:

- compliance with the provisions relating to the Internal Capital Adequacy Assessment Process and the Internal Liquidity Adequacy Assessment Process (ICAAP/ILAAP), examining scenarios and methodological and process aspects, the results of the Validation function on the adequacy of the framework for the quantification of economic capital and for managing liquidity risk as well as the results of the Internal Audit self-assessment on the quantification and assessment processes adopted;
- the completeness, adequacy, functionality and reliability of the internal risk measurement systems to determine capital requirements, checking their compliance with regulatory requirements including for the purpose of the annual certification issued by the Board of Directors. The Committee examined the specific annual reports by the Internal Audit and Validation functions as well as the Action Plan of the Risk Management function in order to mitigate the critical points highlighted;
- the completeness, adequacy, functionality and reliability of the 2020 RAF, examining its methodological aspects, definition process and consistency with the Recovery Plan.

The Committee examined the UTP Partnership project, under which the aforementioned agreement with Prelios was signed, in order to also follow up on the framework of the controls on outsourced UTP items.

13)
Internal
control
system

The Committee examined the following periodic reports:

- the results of the annual checks by the Asset Monitors on the Covered Bonds programmes;
- the results of the annual assessment of the IT risk exposure on the procedures in operation in the Group;
- the results of the checks and controls of the Group's business continuity plan;
- preparation of the Group's IT security plan for 2019, also in accordance with the provisions of the Cybersecurity 2018-2021 Business Plan.
- the report by the Data Protection Officer on the activity carried out in 2019 as well as the activities plan for 2020.

The Committee met the Chief IT, Digital & Innovation Officer, including at its own explicit request, to examine:

- a report about an operational incident that occurred in the technological infrastructure which supports payment and clearing applications, and the progress of the remediation plan launched to solve the weaknesses discovered;
- an overview of the main ongoing projects within his Governance Area;
- the integration process of the international branches and legal entities into the Group's IT Security Model, with particular reference to the Corporate and Investment Banking Division;
- the progress of the Data Transformation Programme;
- the progress of the Processes Integrated Governance project.

The Committee met the Data Protection Officer – including in the presence of the Chief Compliance Officer and the Chief, IT Digital & Innovation Officer – to consider aspects of two non-compliance events reported as a precaution to the Data Protection Authority.

At its request, the Committee received timely information on the measures promptly adopted by the Bank to manage the COVID-19 emergency, designed to guarantee workplace safety, whilst also ensuring business continuity, and asked to receive regular updates in this regard.

9. SUPERVISORY ACTIVITIES OF COMPLIANCE WITH THE LEGISLATION APPLICABLE TO THE BANK IN ITS CAPACITY AS THE PARENT

The Committee - including by making use of the support of the Corporate Control Functions - found that the Bank, within the framework of the management and coordination activity of the Group, exercises control over the development of the different business areas in which the Group operates and the incumbent risks, over the maintenance of conditions of economic, financial and equity equilibrium both of the individual companies and of the Group as a whole, as well as over the assessment of the various risk profiles contributed by individual subsidiaries and the total risk. The information flows between the Parent Company and its subsidiaries guarantee an effective exchange of information with regard to the management and control systems and the overall performance of the business. The rules and procedures in place allow the Parent Company to promptly fulfil its disclosure obligations to the public in accordance with current provisions pursuant to Article 114, paragraph 2, of the Consolidated Law on Finance.

The Committee, as foreseen inter alia by Article 151-ter, paragraph 4, of the Consolidated Law on Finance, exchanged information flows with the Boards of Auditors of the main Italian subsidiaries of the Group.

10. CONCLUSIVE ASSESSMENTS ON THE SUPERVISORY ACTIVITY CARRIED OUT

As detailed in the Report, the Committee verified the functionality of the internal procedures, which have been found fit to guarantee compliance with the laws, regulations and the Articles of Association. The Committee ascertained that the decision-making process takes into due consideration the riskiness and the effects of management decisions taken and that company boards have an adequate information flow system, including with reference to any Directors' interests. The organisational structure, the administrative and accounting system and the statutory audit of accounts process were found adequate and functional for the tasks they are expected to perform. The non-existence of critical elements such as to affect the structure of the internal controls system and the governance and risk management process was also verified.

Taking into account all the foregoing, having considered the content of the opinions issued by the Independent Auditors, and having taken note of the attestations issued jointly by the Managing Director and CEO and the Manager responsible for preparing the Company's financial reports, the Committee has not reported - in as far as it is within their remit - any impediment to the approval of the financial statements of

Intesa Sanpaolo S.p.A. as at 31 December 2019 accompanied by the report on operations and the notes thereto, as approved by the Board on 25 February 2020.

The Committee expresses a favourable opinion on the proposed allocation of the profit for the year and the distribution of dividends included in the financial statements.

Milan, 19 March 2020

For the Management Control Committee

The Chairman – Alberto Maria Pisani

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