



## Report on Corporate Governance and Ownership Structures



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**Intesa Sanpaolo S.p.A.** Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8,731,984,115.92 Euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Included in the National Register of Banks No. 5361 ABI Code 3069.2 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund Parent Company of "Intesa Sanpaolo" banking group, included in the National Register of Banking Groups.

*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.*

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# Report on Corporate Governance and Ownership Structures

23 February 2018



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# Introduction

This Report, available in the “Governance” section of the Company’s website, as well as in the authorised storage mechanism eMarket Storage, has been prepared in accordance with Article 123-bis of the Consolidated Law on Finance, which requires issuers to provide the market yearly with detailed information on their ownership structures, their compliance to a corporate governance code, their corporate bodies structure and operation as well as their corporate governance practices.

The Report also seeks to fulfil the public disclosure obligations on organisational structures and corporate governance laid down for banks by the Supervisory Provisions on corporate governance.

In addition to being required by law, the Report also represents an opportunity for Intesa Sanpaolo to carry out a periodic overall self-analysis, as well as an important tool to communicate with its shareholders, investors and the market, illustrating the governance mechanisms that drive the Bank’s operations.

Within this framework, the Report describes the levels of compliance with the Corporate Governance Code, and identifies the rare cases of discordance with the latter and the reasons supporting them, also considering the peculiarities of the one-tier corporate governance model and taking account of the Code Guidelines as to “comply or explain” in the event of any deviation from the recommendations contained in the related principles and application criteria.

The Report contains a chapter (“Overview”) with the most relevant and pertinent information and data which – including through charts and tables - provide a summary overview of the main features of Intesa Sanpaolo’s corporate governance model and the management characteristics of the Bank and the Group, set out in the text of the Report, and also supplement some of the information contained in the Report on Remuneration.

The introductory section of the Report is followed by three parts:

- Part I discloses information on the ownership structure, except for certain information that has been included in Part II for the purposes of greater clarity;
- Part II contains more precise information on the corporate governance, Corporate Bodies, the corporate structure and the internal control and risk management system;
- Part III, finally, includes summary tables on the Bodies' structure.

Information on the provision of the Code concerning remuneration items is mainly contained in the Report on Remuneration.

For more immediate interpretation, specific margin notes have been included alongside the text citing the relevant Principles and Criteria of the Code, along with the requirements of paragraph 1 (ownership structures) and paragraph 2 (corporate governance) of Article 123-bis of the Consolidated Law on Finance.

The Appendix to this document contains two check lists that indicate, on one side, the Principles and Criteria of the Code applied and the provisions of Article 123-bis of the Consolidated Law on Finance and, on the other side, their implementation (with any amendments) or non-application, with reference to the page of the document in which the matter is discussed.

However, these check lists should be read together with the clarifying notes and details provided in the Report as regards application of the individual provisions.

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Information contained in this Report, unless otherwise stated, refers to the position as at 23 February 2018, the date on which the Report was approved by the Board of Directors.

The Report was audited for consistency by the independent auditors KPMG, in accordance with the aforementioned Article 123-bis. Their findings are published in the Independent Auditors’ Reports, prepared in accordance with Article 14 of Legislative Decree No. 39/2010, and annexed to the Parent Company’s and consolidated financial statements for 2017.



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# Adoption of the Corporate Governance Code

Intesa Sanpaolo has adopted the Corporate Governance Code, as updated in July 2015, available on the Corporate Governance Committee website ([www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.htm](http://www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.htm)). Consequently, the Bank's governance is also inspired by the aims and guidelines enshrined therein, with a view to ensuring the effective and transparent separation of the roles and responsibilities of its Corporate Bodies, and, in particular, also in accordance with supervisory provisions, a proper balance of strategic supervision, management and control functions.

Art. 123-bis (2),  
(a) CLF

The Bank adapts the principles and criteria of the Code to its own one-tier governance system, this option being offered by the Code for alternatives to the traditional governance and control models, in a manner consistent with the objectives of good corporate governance, transparent reporting and the protection of investors and the market, as well as of the interests of all the stakeholders that the Bank liaises with. Consequently, the articles of the Code that make reference to the board of directors and the board of statutory auditors, or their members, are applied, in principle, to the Board of Directors and the Management Control Committee or their members, respectively.

10.P.1.  
10.P.3.

Furthermore, the Company, aware that efficient corporate governance is essential for the pursuit of its objectives, constantly updates its corporate governance operation on the basis of past experience and changing regulations, national and international best practices as well as corporate governance principles and recommendations promoted by the main Bodies and Authorities (i.e. the Financial Stability Board, the Basel Committee on Banking Supervision and the European Banking Authority).

All the above, with no prejudice to strict compliance with the overall regulatory framework and, in particular, the provisions laid down in EU sector regulations, in the Consolidated Law on Banking, as well as the supervisory provisions issued by the Bank of Italy in the performance of its supervisory functions, pursuant to which, Intesa Sanpaolo, as a Bank, must however adapt its organisational structure; in this regard, it is noted that Intesa Sanpaolo – as a "significant supervised entity" – is subject to the direct supervision of the European Central Bank, which is responsible for the fulfilment of specific duties regarding the prudential supervision of credit institutions within the Single Supervisory Mechanism, including specific controls on the presence of sound corporate governance principles.

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Finally, it should be noted that the Corporate Governance Committee, by a letter dated 13 December 2017 addressed to the listed companies, has identified certain areas where it is necessary to encourage better adherence to the recommendations contained in the Corporate Governance Code; in this regard, the Committee focused in particular on the pre-meeting information, and on the establishment of the nomination committee, as well as on certain profiles relating to the clarity and completeness of the remuneration policies.

Furthermore, the Committee has identified some additional areas subject to qualitative improvement: succession plans for executive directors, assessments regarding the independence of non-executive directors and board review procedures.

In this regard, it should be noted that all the guidelines formulated by the Committee regarding the governance aspects are adequately fulfilled by Intesa Sanpaolo and are presented in detail in this Report. With reference to the findings relating to the remuneration policies, reference is made to the Report on Remuneration.



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# Overview

Intesa Sanpaolo is a Bank quoted on the MTA market (Mercato Telematico Azionario) organised and managed by Borsa Italiana. The purpose of the Company is the deposit-taking and the carrying out of all forms of lending activities, both directly and through its subsidiaries, together with any other transactions instrumental or related to the achievement of its corporate purpose.

## Corporate Governance model

Intesa Sanpaolo's management and control model is the "one-tier" system, pursuant to Articles 2409-sexiesdecies et seq. of the Italian Civil Code and Articles 147-ter et seq. of the Consolidated Law on Finance, based on the existence of a Board of Directors and a Management Control Committee set up within it, both appointed by the Shareholders' Meeting. In particular, also in compliance with the provisions of the applicable regulations concerning listed companies and in light of the adoption of the Corporate Governance Code, Intesa Sanpaolo's corporate governance system is characterised as follows:

Shareholders' Meeting	Body deemed to represent all shareholders and its resolutions, passed in accordance with the law and the Articles of Association, are binding on all shareholders, irrespective of their attendance or dissent. In ordinary or extraordinary session, it resolves, among other things, on (i) the approval of the financial statements and net income allocation, (ii) the appointment and removal of Board Directors and members of the Management Control Committee and their Chairmen, as well as the remuneration thereof, (iii) the responsibility of Board Directors, (iv) the appointment of the statutory audit mandate, (v) the remuneration policies, (vi) some extraordinary transactions, capital increases and amendments to the Articles of Association.
Board of Directors	The Board, made up of 19 members appointed by the Shareholders' Meeting on the basis of slates submitted by the shareholders for a period of three financial years, is tasked with the management of the company and is responsible for carrying out guidance and strategic supervision functions as well as for resolving on all relevant corporate deeds. The Managing Director, the only executive Director who oversees the company management within the scope of the powers granted to him/her by the Board, including the power to implement resolutions, is appointed among its members.
Management Control Committee	The Management Control Committee – appointed by the Shareholders' Meeting within the Board for a period of three years – is made up of 5 Directors, all independent; it performs the powers and functions conferred by the current regulations upon the body with the control function and upon the internal control and audit committee, pursuant to Legislative Decree No. 39/2010.
Board Committees	The Board Committees – Nomination Committee, Remuneration Committee, Risks Committee and Committee for Transactions with Related Parties and Associated Entities – support, with proposal, advisory and inquiry tasks, each within its own remit, the Board in carrying out its functions, in order to facilitate the adoption of fully informed decisions and increase the efficiency and effectiveness of the Board's work.

## The one-tier governance model: the rationale behind the choice and its application within Intesa Sanpaolo

### Objectives

The Bank intended to pursue objectives aimed at the further improvement of the governance under several aspects:

- simplification of the Bodies' size and structure as well as of the decision-making process;
- strong presence of independent Directors and high representation of minorities;
- model in line with best international practices, consistent with the Bank's shareholding structure.

### Main advantages

The main advantages of the one-tier governance model are:

- centralisation of the strategic supervision and management roles in a single body, with the following benefits:
  - more direct relationship between the Board, which determines the strategic guidelines and the Managing Director, who proposes and implements them;
  - immediacy in the flow of information, thus saving time and costs;
  - greater interaction and dialogue between those in charge of monitoring the consistency of management with strategic guidelines (the Board as a whole, but especially the non-executive Directors) and the Managing Director;
- integration of the strategic supervision function with the performance of an ex-ante control activity;
- enhancing the effectiveness of the control function as centralised in a Committee (the Management Control Committee) established within the Board.

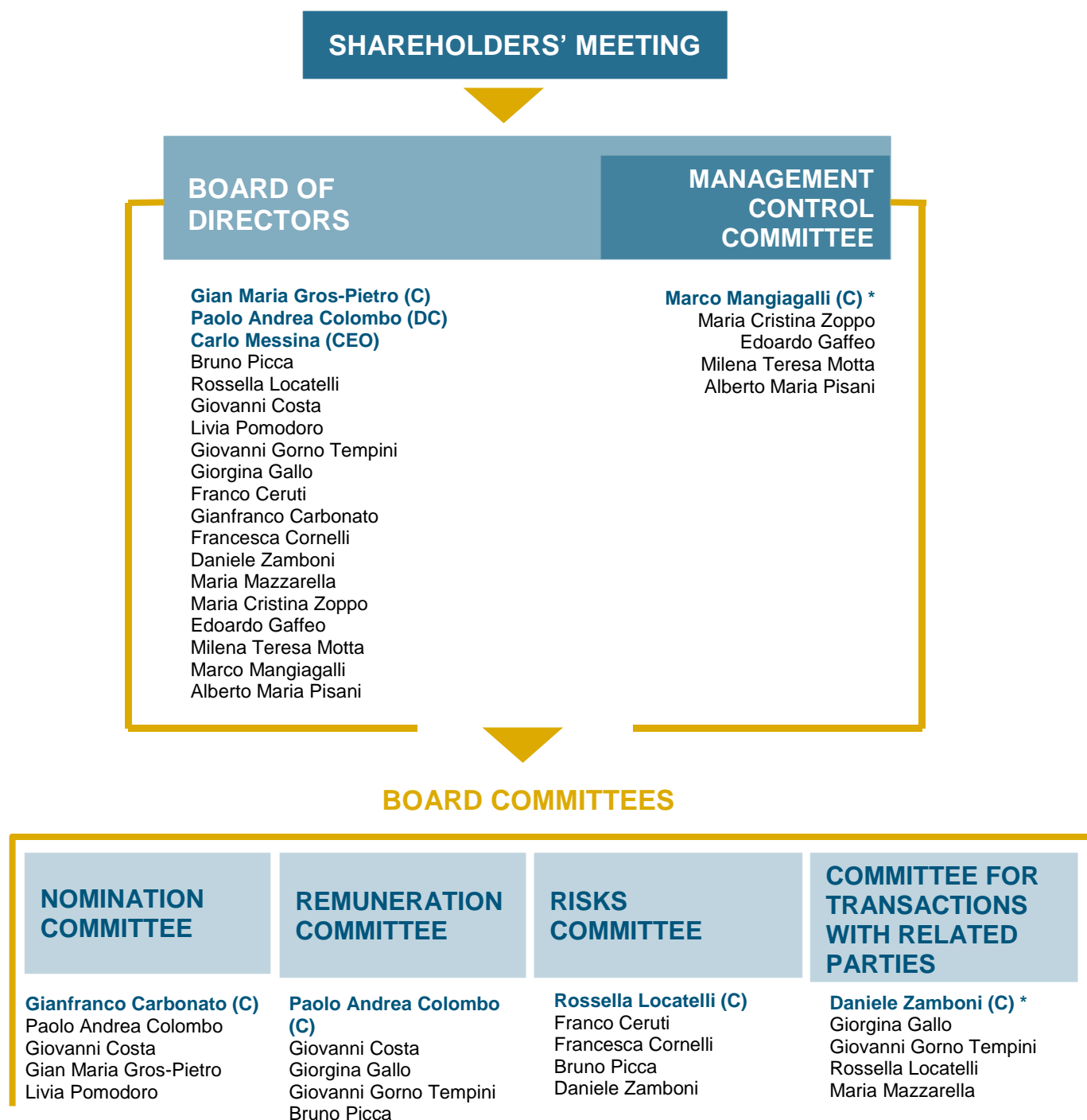
### Main characteristics

The adopted model focuses on the following main guidelines:

- clear division of roles and responsibilities among the various Bodies;
- predominant presence of non-executive Board Directors and, in their area, of the independent Board Directors capable of ensuring a fair and balanced debate within the Board, an effective counterweight to the Managing Director and CEO and the Bank's Management, and adequate monitoring activities on the choices made by them;
- important role of the Chairman of the Board of Directors, aimed at encouraging the effective debate within the Board, ensuring its effective functioning and actual contribution of all Board Directors;
- system of adequate and timely information flows, within the Bodies and between the Bodies and the company departments.



The governance structure with the current composition of corporate Bodies is shown below.



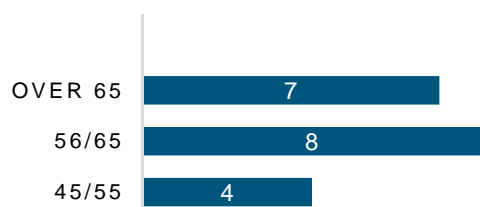
\* Directors elected by the minority

Duties, powers and rules of operation of the corporate Bodies are detailed in the paragraphs of this Report respectively dedicated to the same; summary information is contained in Part III of this Report (Summary Table No. 1).

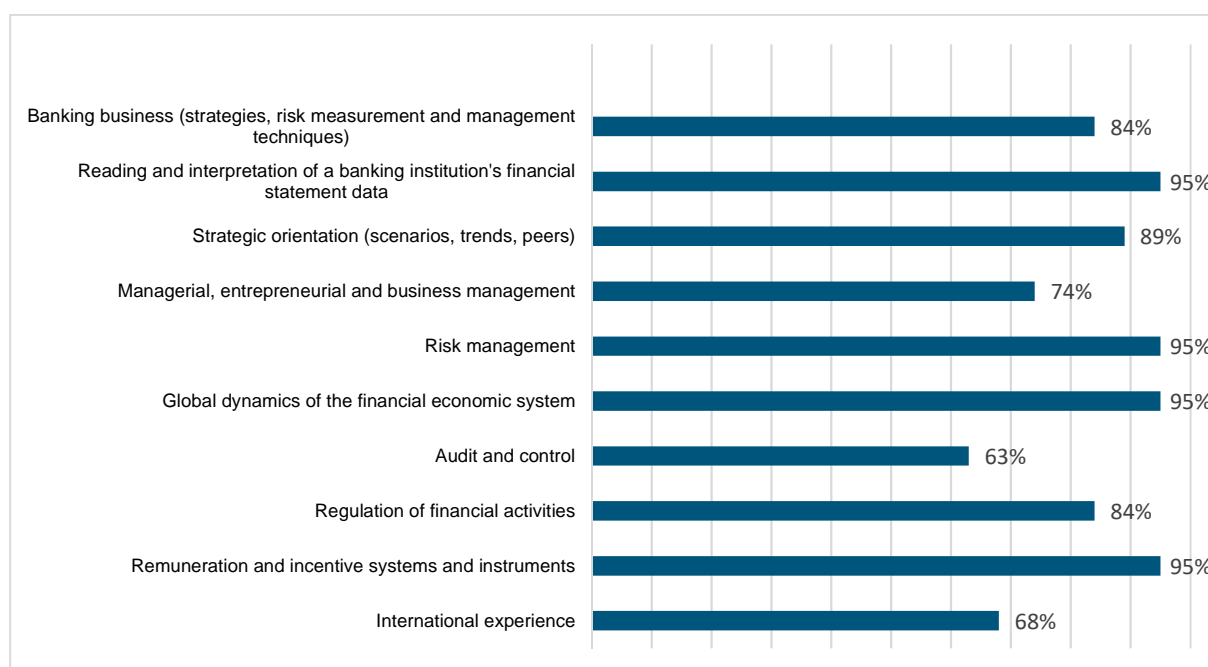
## Board of Directors, Management Control Committee and Board Committees

	<i>Board of Directors</i>	<i>Management Control Committee</i>
Number of members	19	5
Directors elected by the minority	5 (26.3%)	2 (40%)
Directors, less-represented gender	7 (36.8%)	2 (40%)
Executive Directors	1	-
Independent Directors	14 (73.7%)	5 (100%)
Directors' average age	62	57
Independent Directors' average age	60	57
Chairman's status	Non-executive	Non-executive
Lead Independent Director	Not applied	-

### Directors' age range



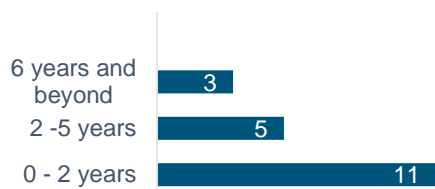
### Skills and expertise overseen by the Board of Directors



The findings shown refer to and consolidate the information provided by the individual Directors, in relation to their assessments at the time of their appointment. The skills and expertise shown above were subsequently strengthened and supplemented on the basis of training programs as well as of the intensive induction plan drawn up since their appointment, and still ongoing, as described in Part II of this Report and in the 2017 Report.

### Term of service

(also referred to the offices held in the Supervisory Board and in the Management Board as part of the two-tier model previously adopted by Intesa Sanpaolo)



### Board of Directors' meeting in 2017

	J	F	M	A	M	J	J	A	S	O	N	D
	••	•••	•••	••	•••	•••	•••	•	••	•	•••	••
Total												28
Average length (h)												4.5
Attendance rate												98.9%
Meetings scheduled for 2018												25
Independent Directors' Meetings												2

### Management Control Committee's meetings in 2017

	J	F	M	A	M	J	J	A	S	O	N	D
	••••	••••	••••••	••••	•••••	•••••	••••••	-	••••	•••••	•••••	•••
Total												51
Average length												5
Attendance rate												98.8%
Meetings scheduled for 2018												45

### Board Committees

Committee	Members	Less-represented gender	Independent Members	Number of meetings	Meetings' Average Length (h)
Nomination Committee	5	1	3	3	1
Remuneration Committee	5	1	3	22	2
Risks Committee	5	2	3	37	5
Committee for Transactions with Related Parties and Associated Entities	5	3	5	15	1.5

*Directors' positions in other limited companies*

Director	Group Company	Other companies		
		Executive Director	Non-executive Director	Control body member
Gian Maria Gros-Pietro			2	
Paolo Andrea Colombo			2	
Carlo Messina				
Bruno Picca				
Rossella Locatelli			2 (*)	2
Giovanni Costa			1	
Livia Pomodoro				
Giovanni Gorno Tempini			3	
Giorgina Gallo			1	
Franco Ceruti	5			
Gianfranco Carbonato		1	2	
Francesca Cornelli			4 (**)	
Daniele Zamboni				
Maria Mazzarella				
Maria Cristina Zoppo				3
Edoardo Gaffeo				
Milena Teresa Motta			1	1
Marco Mangiagalli				
Alberto Maria Pisani				

For details of the positions see Summary Table No. 2, contained in Part III of this Report.

(\*) of which 2 positions within the same corporate group

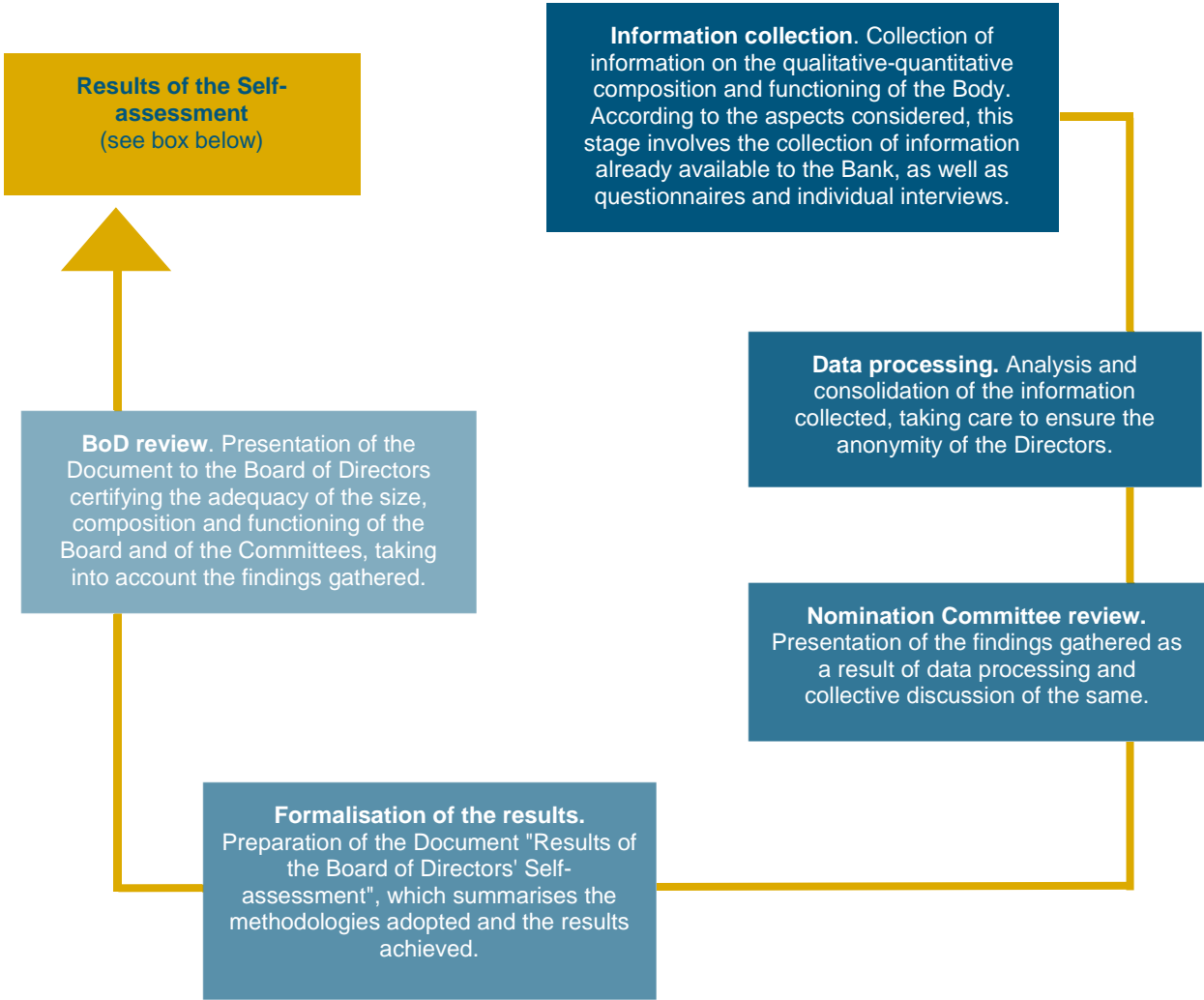
(\*\*) of which 3 positions within the same corporate group

Board Evaluation

Procedure	Self-assessment Regulations	External consultant
Yes	Yes, approved by the Board of Directors on 28 October 2016	The self-assessment is performed with the professional assistance of Crisci & Partners

The self-assessment process is carried out with reference to both the Board of Directors and the Management Control Committee; for details on both self-assessments, reference is made to the chapters dedicated to the two Bodies. The following is a graphical representation of the process concerning the Board and, in summary, the findings in terms of adequacy, progresses made and suggestions for improvement.

**Self-assessment Process and Results of the 2018 Self-assessment**



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## Results of the self-assessment: adequacy profiles and best practices

- Appreciation for the effectiveness of the new one-tier governance model
- Adequacy assessment of the composition of the Board, thanks to its high professionalism, and its positive functioning
- Planning, breadth and quality of the ongoing induction sessions, best practices in terms of structure, intensity and effectiveness
- Excellent adequacy of the structure and smoothness of information flows
- Chairman of high standing in the role and authoritative CEO, in terms of leadership and skills
- Process of development and in-depth sharing within the Board of the new Business Plan: a best practice outlined in this case and to be carried forward
- Appreciation for the activities of the Board Committees and the Management Control Committee which, according to their charters, provide insight into specific issues and determine, some of them, the involvement of over half of the Board in the careful and continuous monitoring of risks

## Focus areas for 2018

- Further development of the induction activities
- Shortening of the time required to send the most complex pre-meeting documentation, which is already deemed to be adequate
- Verification of possible implementations of the Nomination Committee's activities
- Organisation of additional meetings exclusively for Independent Directors

## Remuneration

Below is the remuneration for the members of the corporate Bodies, as resolved by the Shareholders' Meeting held on 27 April 2016, for the 2016-2018 financial years, as well as by the Board of Directors on 14 June 2016, pursuant to the Articles of Association and in line with the provisions laid down by the Remuneration Policies approved by the same Shareholders' Meeting; all the above without prejudice to the reimbursement of any expenses incurred due to their office.

Role	Gross annual remuneration (euro)	Attendance fee
Board Director who is not a member of the Management Control Committee	100,000	/
Chairman of the Board of Directors (additional remuneration)	800,000	/
Deputy Chairman of the Board of Directors (additional remuneration)	150,000	/
Board Director who is also a member of the Management Control Committee	200,000	/
Chairman of the Management Control Committee (additional remuneration)	50,000	/
Managing Director (additional remuneration) (*)	500,000	/
Members of Committees appointed by the Board of Directors		2,000
Chairpersons of Committees appointed by the Board of Directors	50,000	/

(\*) The Managing Director, in his/her capacity as General Manager, is entitled to receive the gross annual remuneration, set at 2,000,000 euro by the Supervisory Board as from 1 March 2016,, as well as to participate in the incentive system and the supplementary pension scheme, and to receive the additional fringe benefits for the position determined by the Board of Directors in accordance with the Remuneration and Incentive Scheme Policies for employees.

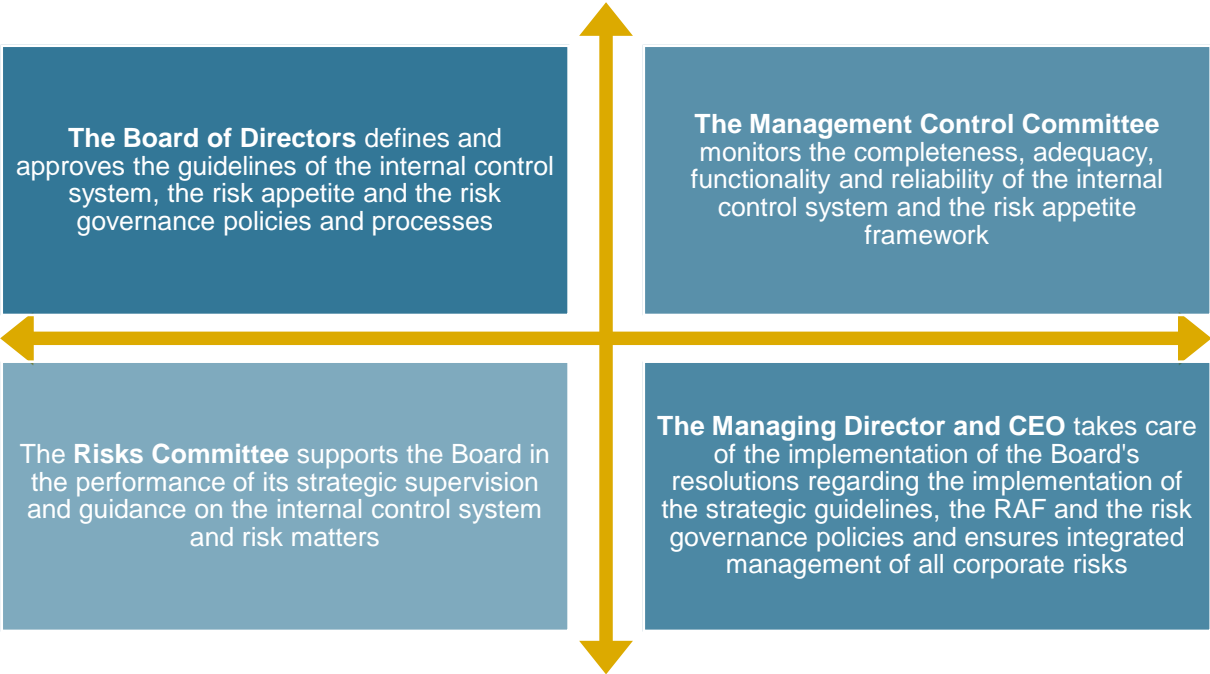
For further information and details on the subject, reference is made to the Report on Remuneration.

Internal control and risk management system

The **internal control system** consists of a set of rules, functions, structures, resources, processes and procedures aimed at ensuring the achievement of the following objectives:

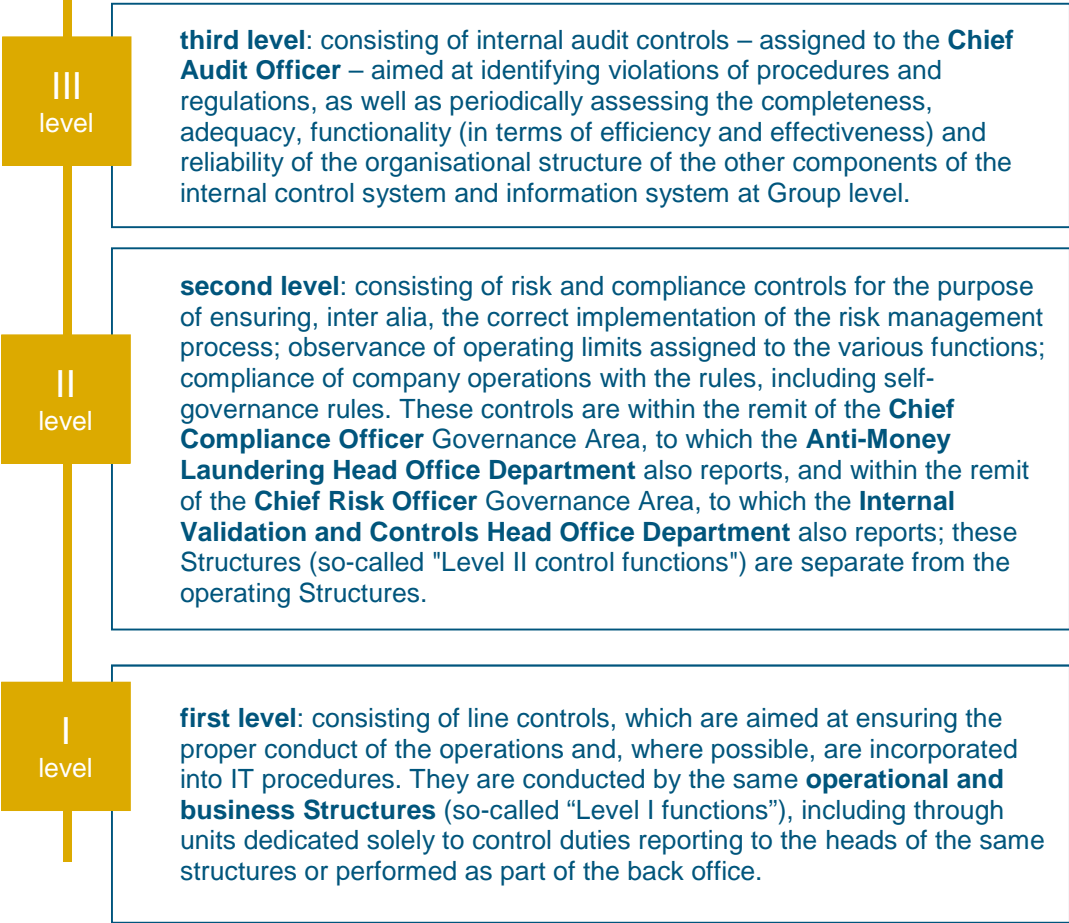
- verification of the implementation of Company strategies and policies;
- containment of risks within the limits indicated by the Bank (Risk Appetite Framework);
- safeguarding of asset value and protection from losses;
- effectiveness and efficiency of the Company processes;
- reliability and security of Company information and IT procedures;
- prevention of the risk that the Bank may be involved, including involuntarily involved, in illegal activities (with special regard to those relating to money-laundering, usury and financing of terrorism);
- compliance of business continuity with the law and supervisory regulations, as well as internal policies, procedures and regulations.

**The corporate Bodies** ensure the completeness, adequacy, functionality and reliability of the internal control system at Group level, as provided for by the Supervisory Provisions on the control system and by the Supervisory Provisions on corporate governance.





The internal control system is **based on three levels**: the first, which is within the remit of the operating and business Structures; the second, conducted by the Risk and Compliance Structures; the third entrusted to Internal Audit.

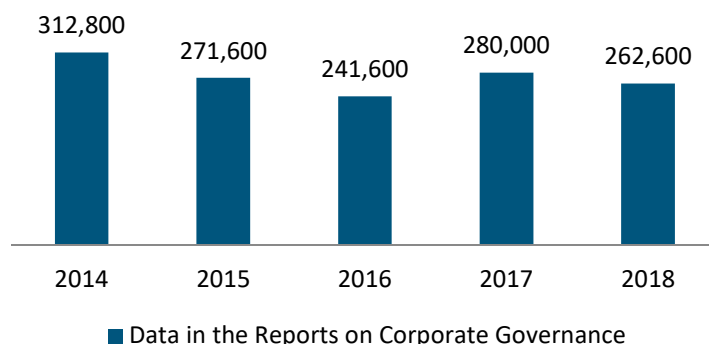


## Share capital and ownership structure

Intesa Sanpaolo's share capital is equal to 8,731,984,115.92 euro, divided into 16,792,277,146 shares of a nominal value of 0.52 euro each; in particular:

Shares	No. of shares	% share capital	Euro	Rights
ordinary	15,859,786,585	94.45%	8,247,089,024.20	Right to attend and vote at ordinary and extraordinary Shareholders' Meetings.
non-convertible savings shares	932,490,561	5.55%	484,895,091.72	Right to vote in the Special Savings Shareholders' Meetings; pre-emption rights in the event of reimbursement of share capital; right to a dividend higher than that of ordinary shares according to the rules provided for by Article 29.3 of the Articles of Association (preferred dividend 5%, two-year drag of the right to a preferred dividend, dividend higher than that of ordinary shares by an amount equal to 2%).

### Evolution of number of ordinary shareholders



### Main ordinary shareholders: 2017 vs. 2018

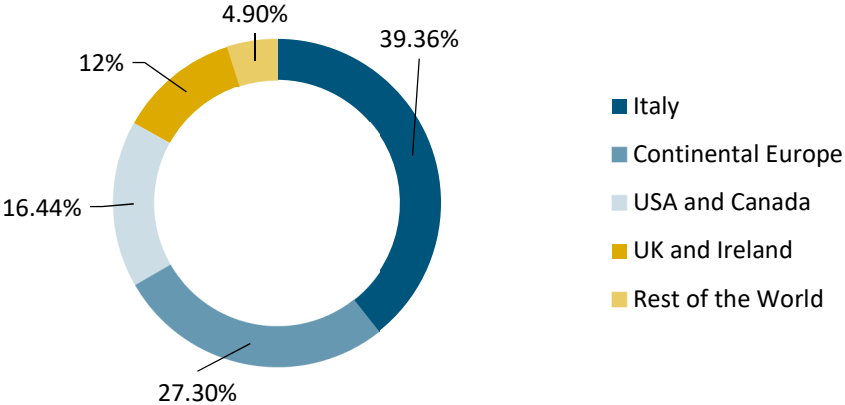
Below is a comparative table of significant shareholders for Consob purposes known at the date of approval of the Report on Corporate Governance and Ownership Structure (the share is calculated with reference to ordinary capital only)

Shareholders 21/02/2017	% (portion with voting rights)	Shareholders 23/02/2018	% (portion with voting rights)
Compagnia di San Paolo	9.340	Compagnia di San Paolo	8.252
Fondazione Cariplo	4.836	BlackRock Inc.	5.010
Assicurazioni Generali S.p.A. <sup>(1)</sup>	4.492	Fondazione Cariplo	4.836
Fondazione CR Padova e Rovigo	3.305		
Market	78.027	Market	81.902

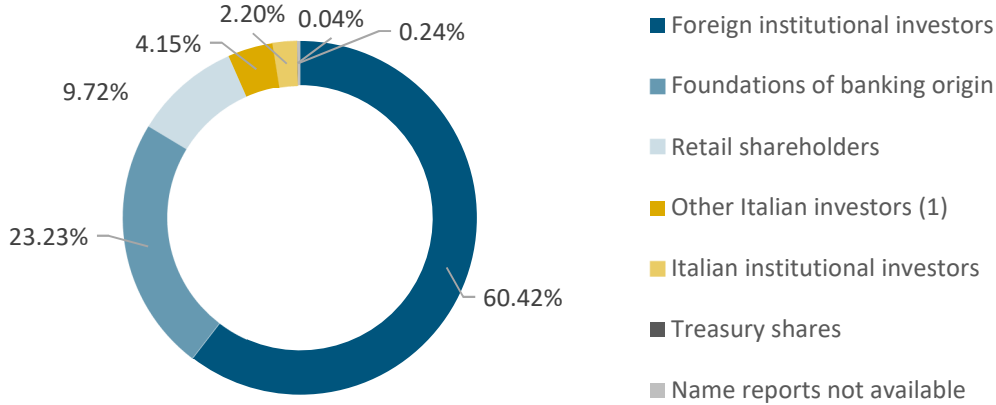
(1) 1.0845% of the voting rights of Assicurazioni Generali in Intesa Sanpaolo's capital is held through securities lending.

Below is the ordinary ownership structure by geographical area and by type of shareholders, on the basis of the names of the recipients of the dividend paid for the 2016 financial year, as performed by intermediaries (ex-dividend date 22 May 2017).

*Ordinary ownership structure by geographical area*



*Ordinary ownership structure by type of shareholders*

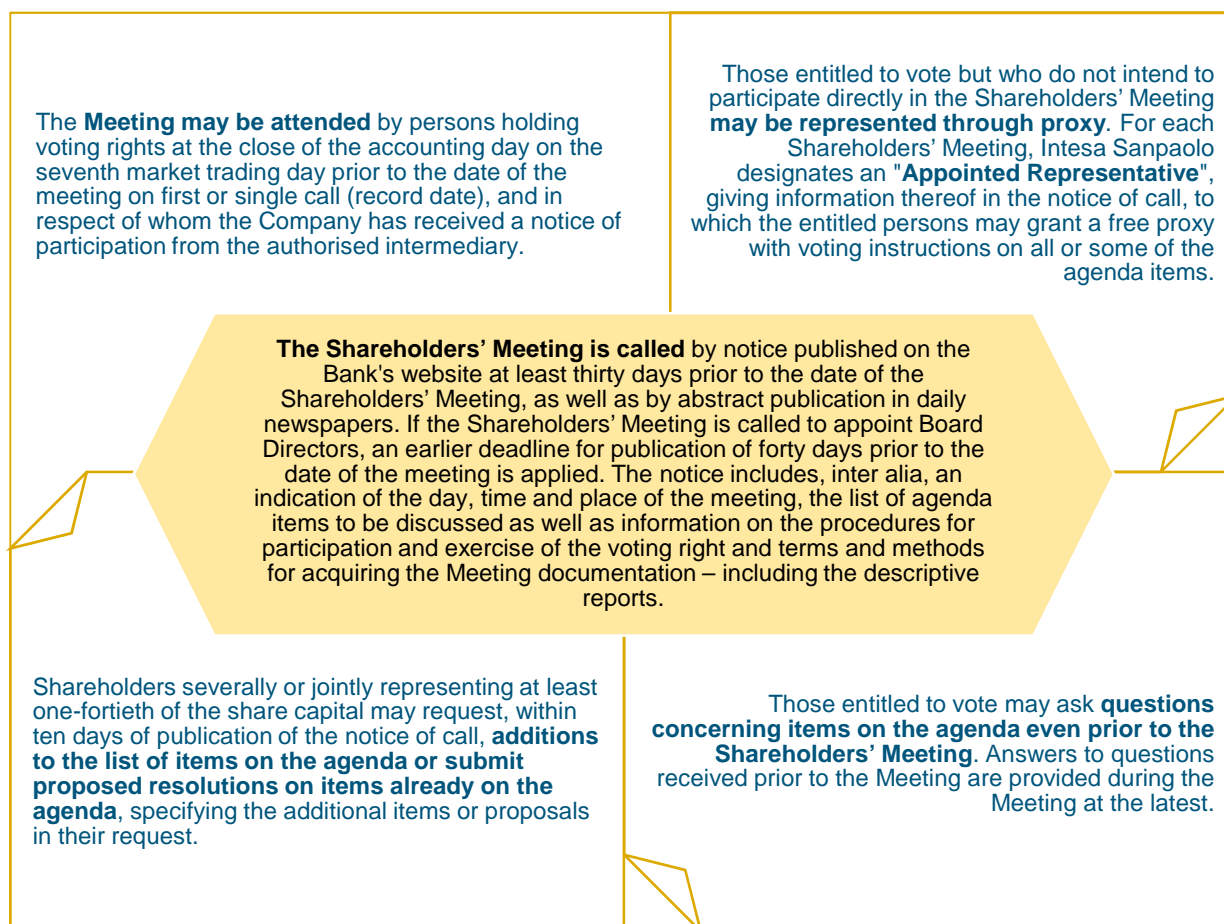


(1) Includes the portion held by Assicurazioni Generali S.p.A. at the ex-dividend date of 22 May 2017

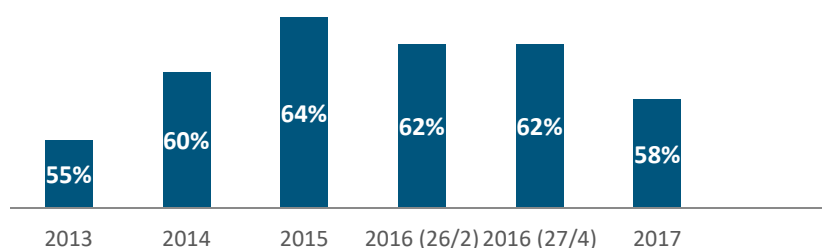
## Shareholders' Meeting and shareholders' rights

The Shareholders' Meeting is for Intesa Sanpaolo one of the main opportunities for contact and dialogue with shareholders and for the latter it represents an opportunity for active participation in the Bank's operations and a chance to express their opinions, through the methods and on the topics envisaged by law and by the Articles of Association. During the course of the meeting, the presentation of the Bank's general performance and its results for the year are generally followed by a full debate – in question and answer format – with shareholders.

The next Shareholders' Meeting will be held on 27 April 2018.



Share capital (%) attendance at the Shareholders' Meeting in the last five years



## Shareholders' majorities

In Intesa Sanpaolo, the validity of the Shareholders' Meeting and the validity of the resolutions taken are governed by the law and regulations on established majorities - both in ordinary and extraordinary session.

The quorum required for Shareholders' Meetings indicates the proportion of share capital required to be represented in order for the Meeting to be declared valid. Voting majorities refer to the proportion of share capital required for shareholder resolutions to be approved.

Ordinary Shareholders' Meeting	First call	Second call	Further calls	Single call
Quorum	Any number of entitled parties representing at least half the share capital	The proportion of share capital represented by the entitled parties attending	N/A	The proportion of share capital represented by the entitled parties attending
Voting majority	Absolute majority of the share capital represented at the Meeting	Absolute majority of the share capital represented at the Meeting	N/A	Absolute majority of the share capital represented at the Meeting

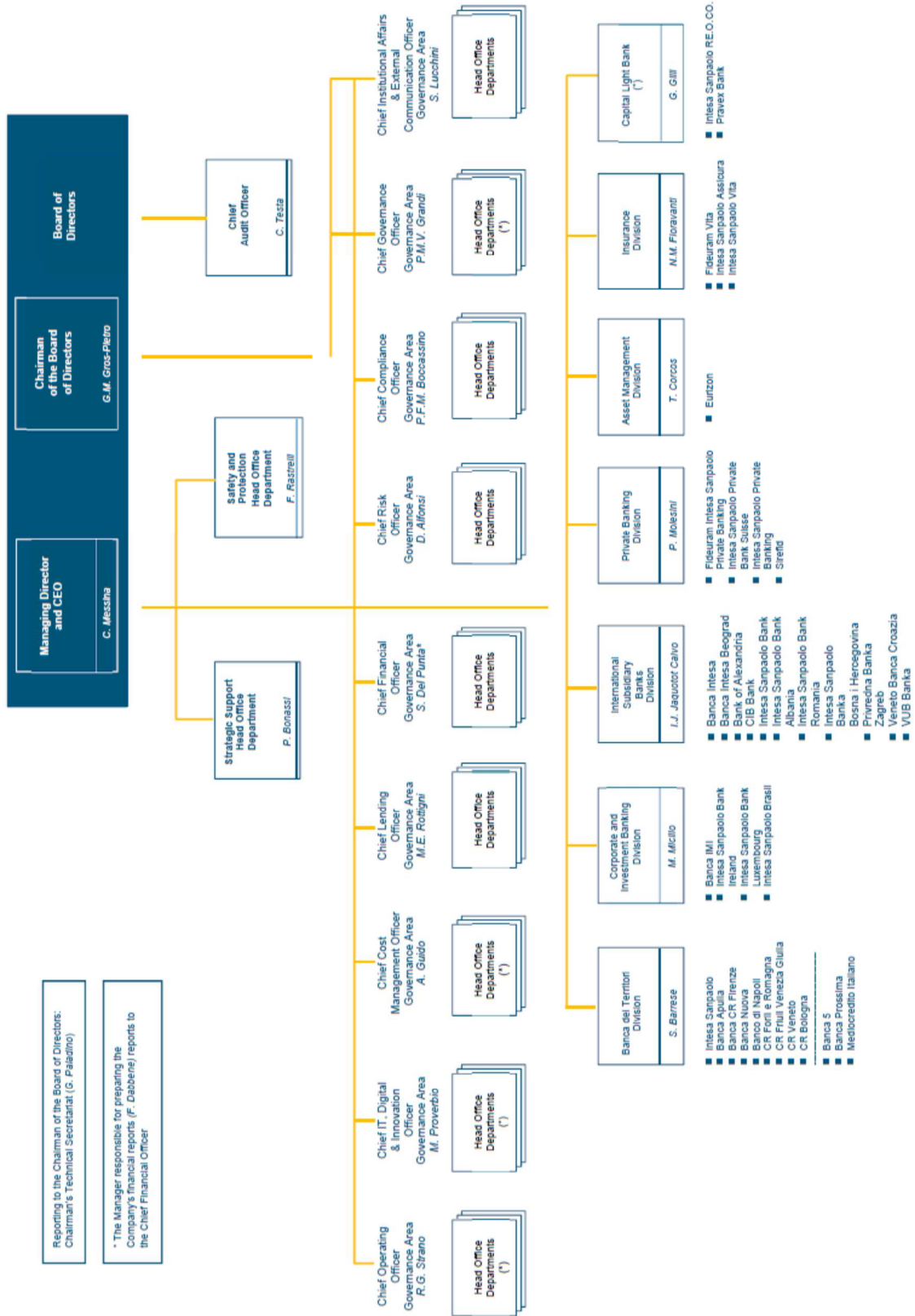
Extraordinary Shareholders' Meeting	First call	Second call	Further calls	Single call
Quorum	Any number of entitled parties representing at least half the share capital	Any number of entitled parties representing over one-third of the share capital	Any number of entitled parties representing at least one-fifth of the share capital	Any number of entitled parties representing at least one-fifth of the share capital
Voting majority	At least two-thirds majority of the share capital represented at the Meeting	At least two-thirds majority of the share capital represented at the Meeting	At least two-thirds majority of the share capital represented at the Meeting	At least two-thirds majority of the share capital represented at the Meeting

Special Meeting of savings shareholders	First call	Second call	Further calls	Single call
Quorum	Any number of entitled parties representing at least half the share capital in the class	Any number of entitled parties representing over one-third of the share capital in the class	The proportion of share capital in the class represented by the entitled parties attending	The proportion of share capital in the class represented by the entitled parties attending
Voting majority (*)	As many shares as representing at least 20% of the shares in the class	As many shares as representing at least 10% of the shares in the class	Majority of those in attendance	Majority of those in attendance

(\*) On the approval of the resolutions of the shareholders' meeting that compromise the rights of savings shareholders and on the settlement of disputes with the company, the Special Shareholders' Meeting resolves with the favourable vote of as many shares as representing at least 20% of the shares in the class

The Shareholders' Meeting is held on single call; the Board of Directors may establish a second call for the Ordinary Meeting and, limited to the Extraordinary Meeting, even a third call.

# The Intesa Sanpaolo Group



(\*) Structures of Intesa Sanpaolo and Intesa Sanpaolo Group Services  
Update: January 2018

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Intesa Sanpaolo is the Parent Company of the Banking Group bearing its name and, in addition to its member companies, it holds controlling interests in other companies belonging to the broader Business Group, which provides banking, financial, investment, collective asset management and insurance services.

As Parent Company of the Banking Group, Intesa Sanpaolo is responsible, pursuant to the Consolidated Law on Banking, for the management and coordination of the companies belonging to the Banking Group and issues provisions as required for the implementation of Bank of Italy instructions in the interest of the Group's stability. Furthermore, pursuant to Articles 2497 et seq. of the Italian Civil Code, Intesa Sanpaolo exercises policy, management and coordination activities for all other subsidiaries, with the exception of Risanamento S.p.A.

Intesa Sanpaolo also exercises these activities over the insurance company Intesa Sanpaolo Vita, which, pursuant to Legislative Decree No. 209/2005 (the "Private Insurance Code") and related enactment provisions, is parent company of the Intesa Sanpaolo Vita Insurance Group. As such, Intesa Sanpaolo Vita exercises policy, management and coordination activities over the Italian companies belonging to the Insurance Group, namely Intesa Sanpaolo Assicura S.p.A. and Fideuram Vita S.p.A., pursuant to Articles 2497 et seq. of the Italian Civil Code.

Intesa Sanpaolo has adopted Group Regulations which govern the institutional operations of the Intesa Sanpaolo Group and intragroup transactions, in accordance with supervisory regulations which assign responsibility for the overall consistency of group governance to the parent company, through management and coordination activities.

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The organisational structure of the Intesa Sanpaolo Group is divided into the following business areas.

## Banca dei Territori

Banca dei Territori Division: focused on the market and the central role of the territory in strengthening relationships with individuals, small and medium enterprises and non-profit entities. The Division includes Italian subsidiary banks and industrial credit, leasing and factoring activities (carried out through Mediocredito Italiano) and instant banking (through Banca 5).

## Corporate and Investment Banking

Corporate and Investment Banking Division: global partner for the balanced and sustainable development of enterprises and financial institutions from a medium-/long-term perspective, at the domestic and international level. It includes capital markets and investment banking activities (carried out through Banca IMI) and operates in 25 countries in support of the cross-border operations of its customers through a specialised network of branches, representative offices and subsidiaries that engage in corporate banking activity. The Division operates in Public Finance as a global partner for the public administration.

## International Subsidiary Banks

International Subsidiary Banks Division: includes subsidiary banks performing commercial banking activities in the following countries: Albania (Intesa Sanpaolo Bank Albania), Bosnia-Herzegovina (Intesa Sanpaolo Banka Bosna i Hercegovina), Croatia (Privredna Banka Zagreb), Egypt (Bank of Alexandria), Czech Republic (the Prague branch of VUB Banka), Romania (Intesa Sanpaolo Bank Romania), Serbia (Banca Intesa Beograd), Slovakia (VUB Banka), Slovenia (Intesa Sanpaolo Bank) and Hungary (CIB Bank). The subsidiary banks Veneto Banka Albania and Veneto Banka Croazia are assigned to the Corporate Centre from an accounting perspective and on a temporary basis.

## Asset Management

Asset Management Division: asset management solutions aimed at the Group's customers, non-Group distribution networks and institutional customers. The Division includes Eurizon, with assets managed of 253 billion euro.

## Private Banking

Private Banking Division: serves customers in the Private and High Net Worth Individuals segment by offering targeted products and services. The Division includes Fideuram – Intesa Sanpaolo Private Banking, with 5,950 private bankers.

## Insurance

Insurance Division: insurance and pension products targeted at Group customers. The Division includes Intesa Sanpaolo Vita, Fideuram Vita and Intesa Sanpaolo Assicura, with direct deposits and technical reserves of 152 billion euro.

## Capital Light Bank

Capital Light Bank: extracting value from non-core activities by managing bad loans and repossessed assets, sale of non-strategic investments and proactive management of other non-core activities (including Pravex-Bank in Ukraine).



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# Part I – Information on ownership structures

## Introduction

This part of the Report provides information on the ownership structures of Intesa Sanpaolo, in accordance with Article 123-bis, paragraph 1, of the Consolidated Law on Finance.

However, some of the information required under paragraph 1 has been exhaustively provided in Part II of this Report, to refer to for greater detail. In particular:

- the topic of shareholders' rights and voting rights at Meetings is examined in the chapter on Meetings;
- the rules applying to the appointment and replacement of members of the Board of Directors and the Management Control Committee are discussed in the chapters on these Corporate Bodies.

Furthermore, information on the absence of agreements between the Company and Board Directors, providing for indemnities in the event of resignation or dismissal without just cause or termination of employment, is contained in the Report on Remuneration.

Art. 123-bis (1), (i) CLF

## Share Capital

Share capital subscribed and paid-in totals 8,731,984,115.92 euro, divided into 16,792,277,146 shares of a nominal value of 0.52 euro each, of which 15,859,786,585 ordinary shares (equal to 94.45% of share capital) and 932,490,561 non-convertible savings shares (equal to 5.54% of share capital). In 2017 share capital did not undergo any changes.

Art. 123-bis (1), (a) CLF

The Articles of Association do not grant any powers to the Board of Directors to issue equity instruments. As already indicated in the Report on Remuneration published in 2014, for the purposes of the full implementation of the Investment Plan based on financial instruments referred to as Leveraged Employee Co-Investment Plan ("LECOIP"), Intesa Sanpaolo's Articles of Association confer powers upon the Board in accordance with Article 2443 of the Italian Civil Code to increase the share capital free of charge and for payment, by 28 February 2018 and in accordance with the terms set out in detail in Article 5.

Art. 123-bis (1), (m) CLF

Finally, it is specified that no shares exist that confer special control rights to their holders.

Art. 123-bis (1), (d) CLF

### *Ordinary shares and savings shares*

Each ordinary share confers the right to cast one vote at ordinary and extraordinary Shareholders' Meetings.

Art. 123-bis (1), (a) and (f) CLF

Savings shares, which may be in bearer form, do not confer the right to attend and vote in ordinary and extraordinary shareholders' meetings but entitle the holder only to attend and vote at the Special Meeting of savings shareholders.

Pursuant to the Articles of Association, savings shares are also recognised pre-emption rights in the event of reimbursement of share capital on the entire nominal value, and the right to a dividend higher than that of ordinary shares, according to the rules specified below.

Based on the Articles of Association, the responsibility for resolutions on the allocation of net income, if any, lies with the ordinary Shareholders' Meeting, on recommendation of the Board of Directors.

Net income as reported in the financial statements, net of allocations to the legal reserve and the unavailable portion as required by law, shall be distributed to shareholders as follows:

- a) a dividend of up to 5% of the nominal value of the non-convertible savings shares shall be distributed to non-convertible savings shares. If in a financial year the dividend is less than 5% of the nominal value of the non-convertible savings shares, the difference shall be added to the preferred dividend paid in the following two accounting periods;
- b) the remaining net income, made available for distribution by the Shareholders' Meeting, shall be divided among all shares so that the dividend allocated to non-convertible savings shares is higher than that allocated to ordinary shares by 2% of the nominal share value.

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### *Securities traded on non-European markets*

Art. 123-bis (1), (a) CLF American Depositary Receipts (ADRs), certificates on Intesa Sanpaolo ordinary shares, are outstanding, currently deposited with and managed by the Bank of New York Mellon. Following the deregistration of the ADRs with the SEC, the securities were admitted to trading in the United States on the OTC market only.

### *Own shares*

Art. 123-bis (1), (m) CLF At the end of the financial year 2017, 10,127,350 residual own shares were held in the Bank's portfolio, after the purchases and allocations made during the year in relation to the Incentive and Investment Plans in favour of Employees. Additional packets of shares are held by other Group companies as part of their own ordinary banking and financial operations or to service the aforesaid Incentive and Investment Plans.

### **Share Transfers**

Art. 123-bis (1), (b) CLF There are no limits envisaged to the possession or transfer of shares.

Art. 123-bis (1), (e) CLF Within Intesa Sanpaolo, there are no employee stock ownership schemes that envisage that voting rights are not to be exercised directly by the employees themselves. For information regarding the existing Incentive System, refer to the Report on Remuneration.

### **Shareholder Base**

#### *Main Shareholders*

Art. 123-bis (1), (c) CLF According to records in the Shareholders' Register and other available information, there are approximately 262,600 Intesa Sanpaolo shareholders; the table below provides the list of shareholders which, in accordance with the communications provided for in Article 120 of the Consolidated Law on Finance and other information received by the Company, directly and/or indirectly hold more than 3% of ordinary share capital (\*).

Declaring Company	% of ordinary share capital
Compagnia di San Paolo	8.252%
Black Rock Inc. (1)	5.010%
Fondazione Cariplo	4.836%

(1) *Fund management. Shareholder owning aggregate investment equal to 5.106% as per form 120 B dated 4 July 2017.*

(\*) *Shareholders being fund management companies may be exempted from disclosure up to the 5% threshold.*

#### *Shareholders' agreements*

Art. 123-bis (1), (g) CLF As far as known, there are no existing shareholders' agreements pursuant to Article 122 of the Consolidated Law on Finance.

#### **“Change of control” clauses**

Art. 123-bis (1), (h) CLF As part of their normal business activities, the Bank and other Group companies are usually party to framework agreements and contracts (especially for funding) which, according to standard financial market practice for certain types of relations, envisage specific effects in the event of a “change of control” (agreements “which take effect, alter or terminate upon a change of control of the Company and/or as a result of related events”).

No such framework agreement or contract may be considered significant, per se, in terms of amount or effect on a consolidated basis.

#### **Allocated Assets**

As at the reporting date, Intesa Sanpaolo has not allocated assets for specific dealings in accordance with the Italian Civil Code.

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# Part II – Information on the adoption of the Corporate Governance Code and other information on governance

## The Board of Directors

The Board of Directors is governed by legal and regulatory provisions, the Articles of Association and the Regulations on its operation, approved in July 2016, which also takes into account the principles and criteria of the Corporate Governance Code.

The Board is the highest body in the current one-tier corporate governance system adopted by Intesa Sanpaolo and it is tasked with managing the company.

1.P.1.

Within the Board of Directors, the typical control functions are reserved for Directors sitting on the Management Control Committee, which will be dealt with in a subsequent section.

Furthermore, in the performance of its duties, the Board receives support from Committees, appointed by the Board from its directors:

- Nomination Committee
- Remuneration Committee
- Risks Committee
- Committee for Transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group,

described in a specific section of this Report.

## Powers of the Board of Directors

The Board of Directors is responsible for corporate management. The Board may therefore undertake all transactions considered necessary, useful or appropriate in achieving the corporate purpose, relating to both ordinary and extraordinary administration. It is assigned guidance and strategic supervision powers for the Company and the duty to resolve on all the relevant corporate deeds.

1.P.2.

As regards the corporate management function, the Board, without prejudice to the powers reserved for it, 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 same Board. The Board determined the content, limits and methods of exercise of the powers granted to the Managing Director and CEO, while also defining the methods whereby the Board is to receive information concerning the delegated activity.

1.C.1. d)

In the performance of its strategic supervision duties, the Board of Directors, pursuant to the Articles of Association:

1.C.1. a), b), c)

- defines and approves the business model, strategic guidelines and risk appetite, and thus approves the risk appetite framework, the strategic, industrial and financial plans of the Company and the Group and any amendments thereof;
- defines and approves the risk governance objectives and policies of the Company and the Group, as well as the general guidelines of the capital and liquidity adequacy assessment process (ICAAP and ILAAP);
- defines and approves the guidelines of the internal control system of the Company and the Group;
- defines the overall governance structure and approves the organisational structure of the Company; identifies the flow of information required to ensure the full circulation of information within the Board as well as the information flows to Bodies and Committees to be addressed also by the corporate departments;
- approves the accounting and reporting systems;
- supervises the public disclosure and information process of the Company and the Group;
- ensures an effective dialogue with the heads of the main corporate functions.

With reference to the risk area, the Board of Directors, with the support of the Risks Committee, defines and approves the general guidelines of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), ensures timely adjustment

1.C.1. b)

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thereof following significant changes in strategic guidelines, the organisational structure or operating context of reference and promotes use of the ICAAP and ILAAP's results for strategic purposes and business decisions. In this context, it approves the definition of the risk level (the "risk appetite") and the correlated system of limits at the level of overall risk and specific risks (the "Risk Appetite Framework"). It also prepares the ICAAP and ILAAP Report (drafted annually and when exceptional circumstances require a review of the process) to be submitted to the Supervisory Authority, the total internal capital and the final opinion on adequacy of the current and prospective regulatory capital, along with supporting documentation.

Furthermore, the Board of Directors is solely responsible for the following matters, among others:

- the appointment and removal of the Managing Director and General Manager, the granting, amendment or termination of his/her powers and the remuneration relating to the office;
- the appointment and removal of members of Committees appointed by the Board of Directors instituted in accordance with the Articles of Association, including their Chairman and the establishment of additional Committees within the Board of Directors with inquiry and advisory functions;
- the establishment of a Steering Committee and additional Managerial Committees, as provided for by the first-level organisational structure;
- the appointment and removal of the Manager responsible for preparing the Company's financial reports, of the heads of corporate control functions, and of the head of the Safety and Protection Department;
- the drafting of the remuneration and incentive policy to be submitted to the Shareholders' Meeting, and the definition of remuneration and incentive systems for top managers;
- 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, ii) the purchase, sale, contribution of firms, business lines, assets and legal relationships identified en bloc under Article 58 of the Consolidated Law on Banking which are deemed strategic under the above criteria and iii) the investments and divestments, including real estate, deemed to be strategic under the above criteria 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;
- the designation of members of corporate bodies of subsidiaries, including executive Directors.

1.C.1. f)

Furthermore, the Board of Directors may confer specific duties upon its members; upon the proposal of the Managing Director, the Board of Directors may also grant Executives, branch managers or other personnel specific powers for certain activities or categories of acts and business activities, establishing the content, limits and methods of performance of such powers and determining when the delegated persons may act separately, jointly or in committees.

1.C.1. c) and e)

The Board periodically assesses the general development of operations, also on presentation of the financial data of the Bank and the Group, taking into account, in particular, the information received from the Managing Director, and periodically comparing results achieved with those previously forecast. The Board also assesses the adequacy of the organisational, administrative and accounting structure of the Company.

## Composition of the Board of Directors

### *Structure, composition and appointment*

Art. 123-bis (2), (d) CLF

The Board of Directors is composed of a minimum of 15 up to a maximum of 19 members, shareholders or otherwise, appointed by the Shareholders' Meeting on the basis of slates submitted by Shareholders.

1.C.1. i)

In this context, the Management Control Committee consists of five Board Directors, also appointed directly by the Shareholders' Meeting, in accordance with the requirements laid down by the banking supervision regulations.

2.P.1  
2.P.2

The presence within the Board of a large majority of independent directors and the appointment by the Board of a single Managing Director and chief executive officer, excluding that other Directors may hold executive positions and that the Board may delegate its duties to an executive committee, were considered a priority.

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The less-represented gender must be reserved a share of at least one third of the total members, as established by current laws in force on the matter of equal access to the administrative and control bodies of listed companies.

In accordance with the Articles of Association, at least four members shall be enrolled with the Register of Statutory Auditors and shall have practised as auditors or acted as member of a limited company control body for at least three years.

The Board of Directors in office at the date of publication of this Report is composed of 19 members elected by the Ordinary Shareholders' Meeting, by way of list voting, on 27 April 2016:

Gian Maria Gros-Pietro	Chairman
Paolo Andrea Colombo	Deputy Chairperson
Carlo Messina	Managing Director
Bruno Picca	Director
Rossella Locatelli	Director
Giovanni Costa	Director
Livia Pomodoro	Director
Giovanni Gorno Tempini	Director
Giorgina Gallo	Director
Franco Ceruti	Director
Gianfranco Carbonato	Director
Francesca Cornelli	Director
Daniele Zamboni	Director
Maria Mazzarella	Director
Maria Cristina Zoppo	Director
Edoardo Gaffeo	Director
Milena Teresa Motta	Director
Marco Mangiagalli	Director
Alberto Maria Pisani	Director

1.C.1. i)  
2.P.4.

The detailed composition of the Board is shown in Part III, Table No. 1, of this Report.

More comprehensive information on the personal and professional background of each Director is available in the documentation published on the Bank's website at the time of their appointment, and is attached to the slate filed by shareholders from which each elected Director was drawn. The Bank website ("Governance" section) provides brief biographical and professional notes on the Directors in office.

In line with the applicable supervisory provisions, for the purposes of appointing or co-opting the Directors, the Board of Directors is required to identify its optimal qualitative and quantitative composition, including, among other things, an adequate level of diversification of the members also in terms of age, gender, geographical origin and skills.

In this regard, Intesa Sanpaolo's Articles of Association specify that the Board adopts the necessary measures to ensure that each Director and the Board as a whole are constantly adequate by degree of diversification, including in terms of experience, gender and international orientation, as well as competence, fairness, reputation, independence of judgement and time commitment (Article 18.2.3 of the Articles of Association).

The Board of Directors currently in office was appointed in compliance with the optimal qualitative and quantitative guidelines established in 2016, upon the appointment of the Board itself, by Intesa Sanpaolo's outgoing Supervisory Board as part of a specific document published on the Bank's website.

The document expressly required shareholders to ensure the widest possible gender diversity within the Board of Directors, the presence of adequate professional skills and diversification among the directors' age groups, as well as a wealth of knowledge and experience.

With particular reference to gender diversity, Intesa Sanpaolo guarantees full compliance with the gender quotas provided for by the regulations, as indicated above. Furthermore, in the current

Art. 123-bis (2),  
(d)-bis,  
CLF

1.C.1. h)

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structure of the Board, the female gender is represented within all the Board Committees, reaches the majority of the members of the Committee for Transactions with Related Parties and has the chairmanship of the Risks Committee.

More generally, with regard to gender diversity, it should be noted that on 22 January 2018 Intesa Sanpaolo was included in the Bloomberg Gender Equality Index (GEI), an index across all business sectors, focused on the issue of gender equality. The index measures in particular gender equality within the company, employee policies, external community support and engagement, and gender-sensitive product offerings. Intesa Sanpaolo is the only Italian company included in the index, comprising 104 companies.

The self-assessment, including on an annual basis, showed that the guidelines set in terms of diversification had been followed.

Upon the renewal of the Board, which will take place in the next financial year, new criteria will be determined on the issues of Board composition and diversity. These will also take into account the indications contained in the new Guidelines published by the EBA in September 2017 on the assessment of the suitability of members of the corporate bodies.

Art. 123-bis  
(1), (l) CLF

In accordance with the provisions of the Articles of Association, the appointment procedure of Board Directors shall take place on the basis of slates of candidates prepared by Shareholders in line with the regulations for listed companies.

The election system defined in the Articles of Association is based on a majority principle, moderated through the provision of a share of Board Directors and members of the Management Control Committee assigned on a proportional basis.

The mechanism put in place thus makes it possible to ensure adequate representation of minority shareholders within the Corporate Bodies, by submitting slates of candidates to the Shareholders' Meeting at the time of the renewal of the Board and, subsequently, also during the replacement of any outgoing Directors.

The minority shareholders are thus given the option to appoint, within both the Board and the Management Control Committee, a number of Directors well above that established by the law.

Such a solution creates a governance structure in line with international standards and enhances the election system by slates, provided for by Italian law, allowing the minorities to appoint Board Directors as well as members of the Management Control Committee.

In any event, the minority slate not connected with the majority shareholders that obtained the highest number of votes in the Shareholders' Meeting is assured the option to appoint, in addition to the Chairman of the Management Control Committee, also a second member of the same Committee, in order to further strengthen the level of protection of the minorities within the control body.

The slates, containing a minimum of 2 to a maximum of 19 names, must be divided into two sections: the first section shall indicate the names of the candidates for the post of Board Director and the second the names of the candidates for the post of Board Director and member of the Management Control Committee.

For the purposes of the appointment, Board Directors are drawn from the majority slate except for 5 or 4 Directors based on the total number thereof. In particular, three Directors are drawn from the majority slate to also take up the position of Management Control Committee members. Among the Board Directors expressed by the minority slates, two are in any case reserved to the minority slate that obtained the second highest number of votes (first minority slate) and has no connection with the majority, as laid down by the regulations. The first of said Directors is appointed Chairman of the Management Control Committee. The other Directors are drawn proportionately from other slates than the one that obtained the highest number of votes, it being understood to be included among these also the first minority slate, provided that such slates, taken as a whole, obtained votes at least equal to 10% of the ordinary share capital represented at the Shareholders' Meeting.

Where it is necessary to complete the composition of the Board upon the outcome of the proportional division, all the other additional Directors are drawn from the slate that obtained the most votes, until the exhaustion of the candidates present therein.

The appointment procedure ensures a Board composition in line with the requirements of professionalism, independence and gender balance.

The Articles of Association contemplate a supplementary mechanism whereby a candidate not meeting the requirements is replaced by one who meets the requirements drawn from the same slate

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as the excluded candidate. In the event whereby the candidates on the slates are not sufficient for that purpose or in any other case in which the established criteria do not make it possible to appoint all Directors in accordance with the requirements, the completion of the structure is ensured by the Shareholders' Meeting with replacement procedures that enable to meet all necessary requirements.

If only one slate of candidates is submitted, the Board Directors are chosen from that single slate, up to the number of candidates on that slate, drawing from the second section of the slate all the members of the Management Control Committee. In this case, the office of Chairman of the Committee is assigned to the candidate placed in first position in the ranking of the second section of the slate.

In the absence of slates, the Shareholders' Meeting elect the board directors and the Management Control Committee members by relative majority of the capital represented at the Shareholders' Meeting, subject to compliance with the requirements established by the applicable regulations and the Articles of the Association. In this case, the Shareholders' Meeting shall appoint the Chairman of the Committee concurrently with the appointment of the Committee members.

The Shareholders' Meeting elects the Chairman of the Board of Directors and one or more Deputy Chairpersons by relative majority.

For additional information on the appointment of Directors, see the relative provisions of the Articles of Association.

#### *Term of office, replacement and removal*

Directors remain in office for three financial years until the date of the next Shareholders' Meeting called to approve the financial statements and the proposal for allocation of net income in accordance with Article 2364 of the Italian Civil Code and may be re-elected.

The term of office for the current Directors covers the years 2016/2017/2018. All Directors will end their tenure simultaneously on the date of the Shareholders' Meeting called pursuant to the aforementioned Article 2364 of the Italian Civil Code, in relation to the approval of the financial statements and the proposal for allocation of net income for 2018.

In the event of a Director's termination of office, the Board of Directors may proceed with the replacement of the outgoing Director by co-option, in compliance with the requirements of the Articles of Association, provided that the majority continues to consist of Directors appointed by the Shareholders' Meeting.

If, on the contrary, a member of the Management Control Committee should leave his/her office, the co-option power shall not apply and the first unelected member from the second section of the slate to which the previous member belonged – in possession of the prescribed requirements – shall take up the position or, failing that, the convened Shareholders' Meeting will see to it immediately. If the substitute thus identified fails to meet the requirements applicable by law, regulations or pursuant to the Articles of Association to the outgoing member, the latter shall be replaced by the subsequent unelected candidate to satisfy those requirements in the second section of the same slate.

If the Chairman of the Committee leaves office, the second ranked member on the same slate as the outgoing Chairman becomes the new Chairman of the Committee.

The new members of the Management Control Committee and the directors appointed by the Board by co-option shall hold office until the next Shareholders' Meeting.

The Shareholders' Meeting called for the appointment of a new Director to replace those removed shall proceed with the appointment in accordance with the principle of necessary representation of minorities, gender balance and the other requirements provided for by the applicable regulations and the Articles of Association.

All Board Directors and members of the Management Control Committee may be removed by the Shareholders' Meeting at all times, notwithstanding the Director's right to be indemnified if the removal occurs without just cause. However, considering the guarantee and control functions carried out by the Management Control Committee and pursuant to the Articles of Association, the proposal to remove one or more Committee members submitted to the Shareholders' Meeting by the Board or the same Committee must be duly substantiated and adopted with a more thorough decision-making procedure. The removal of a member of the Management Control Committee also entails that same member's removal from the Board of Directors.

Art. 123-bis  
(1),  
(l) CLF

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### *Chairman and Deputy Chairperson*

1.C.1. i) The Shareholders' Meeting held on 27 April 2016 elected by a relative majority the Chairman of the Board of Directors, Gian Maria Gros-Pietro, and a Deputy Chairperson, Paolo Andrea Colombo.

2.P.5. The Chairman has a non-executive role and does not carry out, not even de facto, management functions.

Under the governance model currently adopted and considering the duties assigned to him/her by the Articles of Association, as disciplined more extensively in the Regulations of the Board of Directors, the Chairman plays a leading role in the Bank, enhanced by distinguished authority and experience as well as time dedicated to duties.

The Chairman oversees the work of the Board, organises and directs the activity and performs all the tasks set by the supervisory regulations.

In this context, the Chairman, among his various duties: i) promotes and supervises the actual operation of the corporate governance system, including with regards to internal and external communications, while also acting as liaison to the internal Board Committees provided for by the Articles of Association on which he/she does not sit, and ensures the balance of power with particular reference to the delegated day-to-day management powers; ii) entertains the necessary and appropriate relations with the Managing Director; iii) requests and receives information also on specific aspects of the Company and the Group management and on business performance in general, also in terms of business outlook, in any event having access to all corporate functions to this end; iv) supervises relations with Shareholders, verifying that such relations are managed correctly, in agreement with the Managing Director; v) manages relations with the Supervisory Authorities.

In urgent cases, the Chairman or, in the case of his/her absence or impediment, the Deputy Chairperson or the eldest Director, following a binding proposal of the Managing Director, may take resolutions on any matters within the powers of the Board of Directors, with the exception of the strategic matters or those which may not be delegated and are solely within the powers of the Board itself.

With the adoption of the one-tier governance model, the outgoing Chairman of the Supervisory Board, Giovanni Bazoli, has taken the unpaid position of Chairman Emeritus. In that capacity, he may issue opinions and participate in meetings, with advisory functions, at the request of the Chairman of the Board of Directors and/or the Managing Director, in relation to the Bank's one-tier corporate governance system; he also cooperates with the Chairman in relation to the Group's cultural initiatives. The Chairman Emeritus shall not be a member of the Board of Directors.

Said office lasts for this mandate and therefore up to the Shareholders' Meeting that will be called for the approval of the financial statements and the net income allocation for 2018.

### *Managing Director*

Art. 123-bis  
(2), (d),  
2.C.1

The Board of Directors shall elect, with a qualified majority, from among its members, except for the Chairman of the same Board, the members of the Management Control Committee and the minimum number of Independent Directors, a Managing Director vested with the powers related to the Company's day-to-day management.

The Board of Directors' meeting held on 28 April 2016 appointed Carlo Messina as Managing Director, thereby granting him all the necessary and appropriate powers to ensure consistency with day-to-day management, in implementation of the guidelines decided by the Board; such powers were updated in July 2017.

2.C.5. 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 planning and strategic guidelines set forth by the Board of Directors. He/she is responsible for personnel management and determines operational directives. Within the scope of the duties assigned, he/she shall be vested with powers of proposal for the resolutions of the Board, notwithstanding in any case the right to propose of any other Director and the powers typically within the remit of the Board Committees provided for by the Articles of Association, as defined by the applicable regulations and the Articles of Association.



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The Managing Director shall implement the resolutions of the Board of Directors, with particular reference to the implementation of the strategic guidelines, the risk appetite framework and the risk governance policies defined by the Board.

He/she shall also ensure that the organisational, administrative and accounting structure as well as the internal control system are appropriate to the nature and size of the company and suited to furnishing a proper representation of operations.

In performing his or her functions, the Managing Director relies first and foremost on support from the Steering Committee and then the Managerial Committees, reference to which is made in a specific paragraph below.

In urgent cases, the Managing Director and CEO may propose that the Chairman take resolutions on all matters pertaining to the Board (except for strategic matters or those that cannot be delegated); still in urgent cases and on an exclusive basis, he/she shall take resolutions on lending matters.

In the event of absence or impediment of the Managing Director, the powers belonging to the same as General Manager were exercised during 2017 with the joint signatures of two Top Managers, identified by the Board of Directors as the Chief Financial Officer and the Chief Operating Officer.

Taking into account the overall review of the organisational structure, the Board of Directors, in its meeting held on 16 January 2018, identified the Chief Financial Officer and the Chief Governance Officer as managers vested, with joint signatures, with the deputy powers of the Managing Director and CEO, as the General Manager.

In 2016 the Board of Directors established the general guidelines of the Group "Strategic Succession Planning", drawn up with the support of a leading consultancy firm.

5.C.2.

The aim of the aforesaid plan is the definition of processes and methodologies related to the succession of key management positions within the Group. Furthermore, more detailed process rules were set out in July 2017.

With reference to the succession plans for the Managing Director and the General Manager, the Company has brought the internal Regulations into line with the one-tier governance system, specifically the Nomination Committee Regulations, assigning to this Committee the task of supporting the Board, in coordination with the Chairman of the Board of Directors, in the definition of the process relating to the succession plan for his/her replacement.

## Qualification requirements

In order to ensure the sound and prudent management of the Company and the proper functioning of the Board of Directors as a whole, the Directors must meet the qualification requirements for the office as established by the applicable regulations and the Articles of Association.

2.P.1.

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

Moreover, taking into account the chosen corporate governance model and the specific characteristics of the Bank in terms of size and operations, the Articles of Association of Intesa Sanpaolo set out specific additional statutory requirements for Board Directors and particularly for members of the Management Control Committee (reference is made to the next chapter dedicated to this Body).

The qualification requirements for the exercise of the office laid down by the applicable regulations and the Articles of Association for the Board Directors must be verified within 30 days of the appointment and must be subject to specific continuous monitoring.

Specifically, the Board assesses the qualification requirements for the office of all Directors, except for the members of the Management Control Committee, who are assessed by the same Committee.

Where appropriate, the Board proposes the revocation or declares the disqualification or suspension of any Directors who are unable to prove that they meet the established requirements, in the cases provided for in applicable legislation. For the members of the Management Control Committee, any declaration of disqualification is pronounced by the same Committee.

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The assessment of qualification carried out by the Board is subject to a specific supervisory power by the Banking Supervisory Authority.

It is recalled that the regulations on the qualification requirements for the office of Director were reviewed by Italian Legislative Decree No. 72/2015, issued in implementation of the so-called CRD IV Directive, which mandated the definition of the enforcement provisions to new ministerial regulations not yet enacted.

In this regard, since 2011 the EBA has provided precise details about the requirements that must be met by Board Directors in terms of integrity, competence, independence and time commitment ("Guidelines on Internal Governance" of 27/9/2011 and "Guidelines on the assessment of the suitability of members of the management body and key function holders" of 22/11/2012). Said indications have been recently updated with the adoption of new Guidelines to be implemented by the banks by 30 June 2018 (Guidelines on the assessment of the suitability of members of the management body and key function holders of the banks and financial intermediaries).

Additional conditions for undertaking the office and for assessing the suitability of the members of the Corporate Bodies were also defined by the Supervisory Provisions on corporate governance.

Each Director is required to submit to the Board the declarations and documentation proving that he/she meets the qualification requirements and the absence of grounds for incompatibility and to communicate any changes. The investigation process on the assessment of the requirements is formalised in special internal rules.

1.C.1. g) The Board, upon the outcome of the renewal of the Bodies in 2016, successfully conducted the process of assessment of all the qualification requirements for the office and also evaluated the overall compliance of the qualitative and quantitative composition of the Board itself with the recommendations provided by the outgoing Supervisory Board (see document published on the Bank's website at the time of the appointment of the Bodies currently in office).

The assessment of Directors' requirements was renewed in February 2017 and at the time of this Report.

The same positive finding was renewed at the time of approval of this Report.

A similar positive assessment was conducted by the Management Control Committee for the requirements of its members.

Below is a summary of the details of the qualification requirements for the office of Directors.

#### *Integrity requirements*

The Board of Directors has confirmed that all Directors meet the integrity requirements set forth for board members and general managers by the Regulation adopted by Ministerial Decree No. 161/1998, as well as those set forth for members of the Board of Statutory Auditors of listed companies by the Regulation adopted by Ministerial Decree No. 162/2000.

Loss of the requirements leads to disqualification from office.

The regulations also set forth specific causes of suspension from office. Both the disqualification and the suspension must be declared by the Board within thirty days of the appointment or the discovery of the shortcoming.

Some sanctions against such persons may also lead to the temporary loss of the integrity requirement (for example, ancillary sanctions due to breaches of regulations governing market abuse).

#### *Reputation and fairness requirements*

The supervisory regulations require that bank board members must also enjoy a good reputation.

To this end, the criteria for assessing the reputation of the members of a bank's administrative and control bodies as defined by the EBA may be applied directly by the Supervisory Authorities.

In this respect, pending the enactment of the implementing regulatory provisions laid down by Article 26 of the Consolidated Law on Banking concerning requirements of board members and general managers, the Board of Directors, concurrently with the verification of the qualification requirements for the office, conducted a thorough analysis of the reputation and fairness requirements of each Director, thereby specifically evaluating and formally establishing the possible occurrence of the various situations covered by European legislation concerning the conduct of the Director and the grounds for his/her suitability.

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### *Professionalism requirements*

All Directors must meet the professionalism requirements set forth for members of the Board of Directors of banks by the Regulation adopted by Ministerial Decree No. 161/1998, gained for at least three years.

Specific requirements are provided for the Chairman of the Board of Directors and for the Managing Director.

Loss of the professionalism requirements leads to disqualification from office.

Furthermore, pursuant to the Articles of Association, at least four members shall be enrolled with the Register of Statutory Auditors and have practised as auditors or acted as member of a limited company control body for a period of at least three years; the effects of the loss of the requirements are also governed in Articles of Association.

Additional requirements are set forth by the Articles of Association for members of the Management Control Committee, to which reference is made in the chapter dedicated to this Body.

### *Board induction*

The Chairman of the Board of Directors shall ensure that the Bank draws up and implements induction and training programmes for the members of the Board. In this context, he/she organises, and promotes Directors' participation in initiatives aimed at providing them with an increasing degree of knowledge of the sector of operation of the Bank and Group, company dynamics and their development, the principles of sound risk management and the regulatory and self-regulatory environment of reference, and in formal and informal meetings, aimed at further review of strategic matters ("ongoing-induction").

The induction sessions are organised and suitably structured: Directors are formally invited to take part, they are provided with the relevant documentation and are given the option to connect via videoconference if they are unable to attend in person.

In 2017 and up to the approval of this Report, 15 specific induction sessions were held to allow Directors to learn of and discuss the various aspects of the Bank's and Group's business, the regulatory framework of reference and the duties and responsibilities of their office.

The induction sessions covered the following issues, among others:

- tax issues;
- risk management issues;
- ICAAP and ILAAP;
- issues relating to bank financial statements (IFRS 9);
- remuneration and incentive policies;
- anti-money laundering.

In addition to the above, the Board held, starting from June 2017, four brainstorming meetings in preparation for the Intesa Sanpaolo Group's Business Plan, where the main strategic lines of action around which to develop the planning document were dealt with in detail.

Finally, in order to promote better understanding of the reference corporate and regulatory environment and its evolution, a collection of governance documents, regulatory references, key correspondence with the Supervisory Authorities, financial reports and any additional documentation conducive to the performance of their duties is made available to Directors – and regularly updated – through a dedicated IT platform.

### *Independence requirements: independent Board Directors*

Under the Articles of Association of Intesa Sanpaolo, at least two thirds of the Directors must meet the independence requirements established in the Articles of Association.

To this end, Intesa Sanpaolo has chosen to adopt, in the Articles of Association, a particularly strict requirement of independence thereby providing that Independent Directors meet both the conditions required by Article 3 of the Corporate Governance Code and the independence requirements provided for statutory auditors by Article 148, third paragraph, of the Consolidated Law on Finance, where they set out more restrictive conditions.

The choice enshrined in the Articles of Association to provide for such a large number of Independent Directors reflects the great value that the Bank recognises to the role played by such Directors and helps to ensure a composition of the Committees within the Board of Directors that is in line with the best international practices. In particular, both the Management Control Committee and the Committee

2.C.2.

3.P.1  
3.C.3

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for Transactions with Related Parties and Associated Entities are entirely composed of Independent Directors, whereas the majority of independent members is provided for the other Committees. In addition, according to the Articles of Association, the chairmanship of the Committees is always entrusted to Independent Directors.

3.P.2  
3.C.1  
3.C.2  
3.C.4

Upon acceptance of the office, 14 Directors declared that they met the independence requirements laid down by the Articles of Association. The Board of Directors proceeded to verify the independence requirements at the conclusion of the appointment of the 14 Directors concerned, thereby announcing the outcome of the assessment in a press release. This assessment was renewed positively at the time of the approval of this Report (23 February 2018), based on the specific statements made by the parties concerned, the information available to the Bank, as well as the criteria adopted by the Board, after examination of the Management Control Committee, to evaluate the significance of the financial relations entertained by the directors with the Intesa Sanpaolo Group. These criteria take into account the size and significance of any equity investment or credit relations and the credit rating associated with such relations.

In this regard it is noted that the following 14 Directors were found to be in possession of the independence requirements laid down by the Articles of Association: Paolo Andrea Colombo, Rossella Locatelli, Livia Pomodoro, Giovanni Gorno Tempini, Giorgina Gallo, Gianfranco Carbonato, Francesca Cornelli, Daniele Zamboni, Maria Mazzarella, Maria Cristina Zoppo, Edoardo Gaffeo, Milena Teresa Motta, Marco Mangiagalli, Alberto Maria Pisani.

3.C.5

The members of the Management Control Committee, also acting as members of the Board, positively assessed the correct implementation of the criteria and procedures adopted by the Board of Directors to evaluate the independence of the aforesaid 14 Directors.

The Articles of Association govern the effects of the loss of the independence requirements. In particular, the loss of the requirement in the case of a Director, who is not also a member of the Management Control Committee, does not result in his/her disqualification if the minimum number of Directors in possession of the necessary requirements does not change. However, this is without prejudice to the termination of those offices for which said requirement is mandatory under applicable regulations or the Articles of Association.

3.C.6.

The Regulations of the Board of Directors envisage the option that at least once a year the Independent Directors should meet in the absence of the other Directors. The meeting shall be called by the most senior Independent Director in terms of age, who shall chair the meeting, take care of the minutes and report to the Board at its next meeting.

2.C.3 a)  
2.C.4

In 2017 and until the date of approval of this Report, the Independent Directors met three times. The appointment of a lead independent director has not been envisaged.

#### *Grounds for incompatibility*

The Directors are subject to the grounds for incompatibility provided for by the regulations on public employment (Article 53 of Italian Legislative Decree No. 165/2001) and other grounds for incompatibility provided for by law.

#### *Management or control positions of Board Directors and time availability*

1.C.2.

Each Director is responsible for examining and assessing the conditions which enable him/her to perform his/her duties diligently and dedicating the time necessary, also with regard to membership of Committees appointed by the Board.

1.C.3.

The Articles of Association of Intesa Sanpaolo already incorporate the guidelines provided for by the so-called CRD IV Directive concerning limits to the number of concurrent offices, designed to ensure maximum availability of time to the office held.

The Directors may thus concurrently hold only one of the following combinations of directorship positions:

- a) one executive directorship with two non-executive directorships;
- b) four non-executive directorships.

To this end, 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 members of the same institutional protection scheme provided that the conditions set forth by Article 113, paragraph 7, of the

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so-called CRR Regulation are fulfilled or ii) undertakings (including non-financial entities) in which the institution holds a qualifying holding.

Furthermore, by virtue of the antitrust regulations on interlocking directorates (Article 36 of Italian Law Decree No. 201/2011, converted with amendments into Italian Law No. 214/2011), Board Directors cannot accept or exercise office in the management, supervisory or control bodies of competing companies or groups of companies operating in the credit, insurance or financial markets.

1.C.2.

In this respect, note that the Directors holding offices that are covered by the prohibition must inform the Board of the option exercised within 90 days of their appointment. If the option is not exercised by said deadline, the Director in question is required to confirm to the Board that the offices held do not give rise to situations of incompatibility pursuant to the abovementioned Article 36, stating the reasons in detail.

Directors are required to confirm each year that they do not hold offices in the management, supervisory or control bodies of competing companies or groups of companies, to allow the plenary meeting of the Board to perform its annual assessment. The assessment was concluded with a positive outcome also with reference to the 2017 financial year at the time of approval of this Report.

Directors are required to inform the Bank of any office accepted in other companies and entities. In Part III of this Report, in compliance with the Corporate Governance Code, summary table No. 1 indicates the number of other management and control offices that Directors have reported as held in other companies listed on regulated markets (also abroad), in financial, banking, insurance or large companies, while table No. 2 provides the list of such offices.

1.C.2.

For the sake of completeness, finally it is recalled that the Directors cannot act in the capacity of general partners in competing companies, or engage themselves in a competing business on their own account or that of third parties, or take the office of directors or general managers in competing companies, unless authorised by the Shareholders' Meeting (Article 2390 of the Italian Civil Code).

1.C.4

## Conflicts of interest

### *Introduction*

The Intesa Sanpaolo Group has adopted special measures to manage possible conflicts of interest arising from the close connections that some parties and entities may have with company decision-makers.

The set of rules and measures taken is aimed at ensuring that the transactions entered into by the Group are carried out transparently and in line with the substantial and procedural fairness criteria and in compliance with the principle of sound and prudent management, in line with corporate law, banking supervisory regulations and Consob provisions.

2.P.2

The management and control measures for potential conflicts of interest in place to safeguard the Bank's and the Group's capital are described below.

### *Interests of Board Directors*

In line with the provisions of Article 2391 of the Italian Civil Code, each Director is required to promptly inform the other Directors and the Control Body of any personal interests held or interests held on behalf of third parties, with reference to a specific corporate transaction subject to the attention of the Board of Directors, specifying the nature, terms, origin and extent of the interests and, in accordance with the provision laid down by Article 53, paragraph 4, of the Consolidated Law on Banking, to refrain from voting on resolutions where he/she has a conflict of interest on his/her own behalf or on behalf of third parties.

8.C.4

In such cases, the resolution of the Board of Directors in favour of the transaction shall adequately justify the reasons and convenience thereof for the Company.

The Board has always exclusive jurisdiction over decisions regarding transactions in which the Managing Director possesses an interest on his/her own account or through a third party and must therefore abstain from the decision, entrusting the Board as per Article 2391 of the Italian Civil Code.

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In addition, in accordance with the provisions of the Group's Code of Conduct and the new RPT Procedures (see paragraph below), all board members, employees and other staff in the performance of their respective duties are to abstain from making decisions and engaging in activities contrary to, or in conflict with, the interests of the Company and/or the Group, or otherwise incompatible with their duties.

The above is in any event subject to the implementation of the special decision-making procedure set forth in Article 136 of the Consolidated Law on Banking and the regulations regarding transactions with related parties and associated entities, whenever the specific conditions exist.

#### *Transactions with related parties and associated entities and obligations of Board Members and General Managers of the Bank*

The RPT Procedures, recently updated in January 2018, take into account both the regulations issued by Consob, pursuant to Article 2391 bis of the Italian Civil Code, and the Bank of Italy's Supervisory Provisions implementing Article 53, paragraph 4 et seq., of the Consolidated Law on Banking, and, in addition, the rules laid down by Article 136 of the Consolidated Law on Banking.

The Procedures, the full text of which is available on the Bank's website (Governance/Company documents section), apply to the entire Intesa Sanpaolo Group and govern the dealings with related parties of Intesa Sanpaolo and associated entities of the Intesa Sanpaolo Group with respect to the following aspects:

- the criteria for identifying related parties and associated entities;
- the process of analysis, decision-making and information to the Corporate Bodies on transactions executed with related parties and associated entities with an important role of the Independent Directors' Committee within the Board of Directors;
- market disclosure for transactions with related parties;
- the prudential limits and obligations for periodic reporting to the Bank of Italy for assets at risk in relation to associated entities;
- the rules governing organisational controls and safeguards;
- the general rules for disclosure and abstention for the management of the personal interests of board members, employees and other staff, including other than associated entities.

As a form of self-regulation, the Bank has extended the regulations in terms of transactions with related parties, as well as those on activities involving risk and conflicts of interest with respect to associated entities within a wider scope than that required by the regulations.

A more detailed description of the Group procedures is provided in Part H of the Notes to the separate and consolidated financial statements, available on the Bank's website.

The Procedures also govern operations with Directors and parties associated to them pursuant to Article 136 of the Consolidated Law on Banking. This rule requires the adoption of a more thorough decision-making procedure (unanimous decision by the Board excluding the vote of the Director concerned, and the favourable vote of the Management Control Committee members) in order to allow the Directors to undertake obligations, directly or indirectly, with the Bank.

#### **The Board of Directors' self-assessment**

1.C.1. g)  
and i)

In February 2018, the Board of Directors conducted the annual self-assessment of the composition, performance, conduct and dynamics characterising the Body and the Committees established within it. A similar self-assessment was carried out by the Management Control Committee, to which reference is made in the relevant paragraph.

The self-assessment process was performed in accordance with the provisions of the Regulations on the self-assessment process, adopted in implementation of the Supervisory Provisions on corporate governance, as well as in consideration of the recommendations of the Corporate Governance Code.

Self-assessment of the Board was performed with the professional assistance of Crisci & Partners, expert consulting firm which has supported the Bank in the board review process since 2015. This company was deemed to possess the requirements of neutrality, objectivity, expertise and independence envisaged by the Regulations. With regards to the independence profile, it is specified that Crisci & Partners has not recently had economic dealings with the Bank and/or Group companies,

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except for the assignments granted to the company in 2015, 2016 and 2017 for its assistance with the self-assessment process of the Corporate Bodies and for the drawing up of the Regulations on the self-assessment processes of the same.

The self-assessment process, in addition to analysing the activities conducted by the Board during the year, also examined the improvements made on the weaknesses emerged in the previous self-assessment.

Pursuant to the provisions of the Regulations, Crisci & Partners assisted the Board of Directors in the following phases of the self-assessment process:

- Information collection: information was collected on the qualitative-quantitative composition and functioning of the Body. Based on the profiles under analysis, this phase involved the collection of information already available to the Bank, as well as information obtained through questionnaires and individual interviews.
- Data processing: the information collected during the previous phase was analysed and consolidated, taking care to ensure the anonymity of the Directors.
- Preparation of process results: Crisci & Partners, after discussion with the Nomination Committee, on the results of the data processing, and having shared said results on a collective basis, formalised the self-assessment results in the document "Results of the Board of Directors' Self-assessment", which summarises the methods used and results achieved.

The self-assessments were carried out based on questionnaires and individual interviews conducted between 27 November and 20 December 2017. The documents used for the interviews with Directors were structured in such a way as to collect quantitative information, organised into an actual questionnaire, and qualitative information, consisting of an outline of topics, partly comprising those of the questionnaire and partly aimed at guiding the interview.

Before conducting the interviews, the consultants of Crisci & Partners in charge of carrying them out carefully read all the minutes of the Board of Directors' meetings, including the pre-meeting documentation, as well as all the agendas and a large sample of the minutes of the meetings for the same year relating to the Committees established within the Board, including the pre-committee documentation, in order to become acquainted with, and examine, the issues dealt with during the year, the comments expressing the diversified competences within the Board and the discussions held.

The questionnaire and interviews, in line with the approach adopted in the board review of the last few years, focused on various areas regarding the composition and operation of the Board and the Committees established within it.

The main aspects subject to assessment regarded the adequacy of the following:

- professional skills, in terms of knowledge, experience and expertise, of the Board as a whole;
- composition and balancing of roles within the Body, notably, diversity in terms of age, gender and years of service;
- frequency and quality of induction meetings;
- operation of the management body as a whole;
- organisation of meetings in terms of frequency, topics discussed, duration, Board attendance and participation methods, with particular reference to existing relationships of trust, collaboration and interaction among Directors;
- role of the Chairman of the Board and the Chief Executive Officer;
- overall performance of the self-assessment process;
- composition, operation and quality of the discussion of each internal Board Committees.

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The self-assessment highlighted a high level of overall compliance of the board governance with the Borsa Italiana Corporate Governance Code provisions for listed companies, the guidelines of the European Banking Authority, the provisions of Section VI of Circular 285 "Supervisory Provisions for Banks" of Bank of Italy, as well as with the best practices of other listed companies, insofar as comparable with the Bank.

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In the light of the evidences gathered from the submission of the questionnaire and the interview process, some good practices have been identified, which should be kept and developed in the future as a contribution to the progressive refinement of the new governance model, including:

- further development of the induction activities
- shortening of the time required to send the most complex pre-meeting documentation, which is already deemed to be adequate
- verification of possible implementations of the Nomination Committee's activities
- organisation of additional meetings exclusively for Independent Directors.

## Operation of the Board of Directors

### *Calling of meetings*

1.P.1. The Board of Directors is called by the Chairman whenever deemed useful or necessary or when a written request is made by the Managing Director or by at least two Directors, thereby specifying the agenda items to be dealt with; subject to prior notification to the Chairman, the Board may also be called by the Management Control Committee or by its members, including individually.

Art. 123-bis (2), (d) CLF

The Board shall appoint a Secretary who provides support to the Chairman and the Board in exercising their respective duties, arranging all matters necessary to the overall operations of the Board. The Chairman, upon calling the Board meeting, sets the agenda, also taking into account any requests formulated by the Directors, including individually and ensuring prioritisation of matters of strategic importance.

The notice of call, containing the agenda of matters to be discussed, shall be sent to the Directors at least four days before the date set for the meeting, by any suitable means to provide proof of receipt thereof. In particularly urgent cases, the meeting may be called by giving a twenty-four hour notice. In any event, a Board meeting shall be deemed to be validly constituted when, even in the absence of a formal call, it is attended by all Directors.

Agenda items are grouped by topic areas, in order to ensure their orderly discussion. An indication is also given of whether the item will be subject to resolution or examined merely for information purposes.

The Board meets alternatively at the Torino registered office and at the Milano secondary office or, exceptionally, at another venue in Italy. The Articles of Association also permit the holding of valid Board meetings through remote connection systems, provided that the identity of those attending can be verified and that all are able to follow discussions and intervene in real time with regard to the matters on the agenda as well as view, receive and transmit documents. In such cases, at least the Chairman and the Secretary must be physically present at the venue officially designated as that in which the Board meeting is deemed to have taken place.

### *Reports to Directors*

1.C.5. The Chairman, aided by the Secretary of the Board where necessary, ensures that documentation relating to items on the agenda is brought to the attention of all Directors in accordance with criteria of completeness and suitably in advance with respect to the meeting date.

1.P.2. Normally, the documentation regarding the agenda is distributed four business days prior to the meeting in order to allow each Director to inform himself or herself of each agenda item appropriately, and thus to perform his or her duties with awareness, as well as to contribute to adopt informed resolutions on the agenda items; documentation for information purposes only can also be sent after this deadline.

The documentation made available to the Directors must include everything that is useful, necessary and adequate, in quantitative and qualitative terms, to the subject matter to be discussed.

Where the matters subject to the resolution of the Board must be submitted in advance to the internal Board Committees, the Chairman ensures that the documentation is made available to them in the manner and timing indicated in the specific Regulations; subsequently he/she ensures that the documentation in support of the Board's activities includes the opinions or any proposals put forward, on the basis of the records of the minutes of each Committee. The documentation made available to the members of a Committee appointed by the Board for the conduct of the related activities shall also be made available to the other Directors.



If the documentation for submission to the Board contains price-sensitive elements, on a special accompanying form the proposing Department indicates the assessments performed to guarantee correct processing of the sensitive data and prompt compliance with disclosure obligations envisaged by law.

Proposals to the Board are first presented to the Chairman in order to enable the latter an appropriate assessment of the issues to be placed on the agenda and the adequacy of the information provided to the Directors.

In the event that the documentation provided is particularly lengthy or complex, an executive summary is provided, recapping the most significant points of relevance for resolutions, without prejudice to the fact that such document is in no way considered a replacement for the complete documentation sent to Directors.

Directors undertake to observe the Bank's internal policies in order to ensure absolute confidentiality of the documentation that is made available to them for the purpose of their decisions.

Directors may normally consult the documentation made available to the same via a dedicated IT platform, which is managed by the Board of Directors' Secretariat.

Directors who intend to access documentation made available to the Board by other methods must be authorised in advance by the Chairman, who may refuse authorisation if he or she believes that the requested access methods may jeopardise the confidentiality of the documentation to be provided, or for other reasons.

If, in entirely exceptional situations, the Chairman considers it appropriate given the confidential topic and related resolution, or if there are other justified reasons for which the documentation cannot be made available, it may be provided directly at the meeting and its nature as additional material indicated.

In such cases the Chairman shall verify compliance with the principles of completeness and adequacy of the information on the agenda items for all Directors and ensure that all adequate and accurate in-depth analyses are conducted during the meeting; the Directors in any event have the right to request any clarification, further details or additional information considered necessary or appropriate for a correct assessment of the topics.

In any event, the documentation made available to the Directors is kept, as well as on the dedicated IT platform, at the Secretariat of the Board of Directors, remaining available to the Directors.

#### *Conduct of meetings and the decision-making process*

The meeting of the Board of Directors is duly constituted if the majority of its members in office are in attendance.

The Chairman chairs Board meetings and coordinates discussions, ensuring adequate space is given to the discussion of each topic on the agenda, giving priority to key strategic issues and ensuring that the necessary amount of time is dedicated to them. The Chairman ensures the effectiveness of Board discussions and endeavours 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.

In any case, the meeting must ensure the full and exhaustive discussion of each item and special attention to the content of the documents that could not be made available in advance.

The Chairman of each of the Committees appointed by the Board shall report on the activities carried out by the Committee on matters within its sphere of competence subject to discussion, thereby giving account of any opinion issued or proposal formulated by the Committee in relation to the decision to be taken.

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2.P.2. Directors actively participate in Board discussions, contribute to discussions based on their respective skills and knowledge, and analyse the various topics from different viewpoints, contributing to achieving a reasoned decision-making process and to reaching jointly considered Board resolutions. Without prejudice to the prerogatives of the Managing Director and CEO or – where expressly so provided – the Committees, each member of the Board of Directors may formulate proposals or motions regarding the items on the agenda to the Board of Directors.

1.C.6. According to the subject matter to be discussed, the Board of Directors may, for tasks within their purview and in view of the need for further information, admit to its meetings employees and/or board members and general managers of the Bank or Group companies, advisors or external experts of the same Bank or other internal or external parties whose presence is nonetheless deemed an aid to better performance of the Board's duties. The Chief Governance Officer is invited to and has the right to attend meetings of the Board of Directors. Within the scope of duties in support of the Board activities, the Head of the Corporate Bodies Secretariat shall also assist meetings, directly or through assistants.

Such management participation allows the Directors to obtain clarification and additional information on items on the agenda and proves to be particularly important in encouraging adequate contribution and involvement of corporate departments in the decision-making process, through direct involvement in the Board's activities. The Board meetings held during 2017 were regularly attended by Executives of the Bank and the Group companies, as well as by the Heads of the relevant corporate functions according to the items dealt with from time to time.

The Board normally resolves by absolute majority vote of those in attendance; in the event of a tie, the Director in the Chair shall have the casting vote. Resolutions concerning the appointment, removal of the Managing Director, the assignment, modification or revocation of his/her powers and the determination of his/her remuneration, the replacement of outgoing Directors by co-option, the proposed revocation of the members of the Management Control Committee, the appointment and removal of the Manager responsible for preparing the Company's financial reports are adopted by the favourable vote of the majority of members in office.

The Chairman, with the assistance of the Secretary, oversees the preparation of the minutes of the meetings – except when the minutes are drawn up by a Notary pursuant to the law – ensuring the transcription in the appropriate mandatory corporate registers and their storage, including for consultation purposes, at the Secretariat of the Board of Directors.

The minutes illustrate in a complete and detailed manner the Board discussion and the method adopted for decision-making and the underlying reasons for such decisions.

Each Director has the right to ensure that the minutes include a note of any vote against or abstention and the related reasons.

Resolutions made by the Board on the agenda items are sent by the Corporate Secretariat to the departments involved, to ensure timely information or subsequent implementation within the Bank or Group.

Within the Chief Governance Officer Area, the Corporate Affairs and Advisory Department also operates in support of the Board activities. Said Department coordinates the definition of the rules and proposals of the main corporate governance documents within the remit of the Secretary of the Board, to be submitted to the approval of the Corporate Bodies or the Managing Director. Concurrently, the measures concerning the supervision and specialised control of the Group's main corporate governance processes are prepared, ensuring all appropriate legal advice for the proper functioning of the governance arrangements of the company and the Group, including those relating to the qualification requirements of board members and general managers, related party transactions and the accuracy of the decision-making process, as well as the associated interactions with the Supervisory Authorities.

#### *Frequency of meetings and Director attendance*

1.C.1. i) Pursuant to the Articles of Association, meetings of the Board of Directors are held at least once a month. In effect, the Board meets on a regular basis, normally almost twice a month. This frequency has allowed a suitable number of items to be included in the meeting agenda, along with proper discussion and constructive debate.

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In 2017 the Committee held 28 meetings.

As in the past, Directors' attendance at meetings has proved constant, despite the higher number of meetings held during the year. In particular, during 2017, the attendance of Directors at meetings was equal to 100% for 14 Directors, while for five Directors attendance stood at about 96%.

This attendance in the Board meetings ensured the systematic contribution of all members to the management of Group and Bank business, thereby allowing the Bank to make full use of the professional skills represented.

However, the overall commitment of Directors is not expressed merely in their attendance at Board meetings. For all Directors, the activities associated with the meetings (study of documentation on items on the agenda, meeting preparation, queries and requests for information, etc.) and the activities related to participation in internal Board Committees must be taken into consideration.

The Board meetings lasted an average of 4.5 hours, considered adequate to satisfy the need for thorough development and discussion of matters on the agenda, also in view of the appropriate meeting and pre-meeting information, and the number of meetings held.

In 2018, as at the date this Report was approved, the Board of Directors had held 3 meetings. The Company's 2018 financial calendar – announced to the market (and made available on the website) in December 2017 in compliance with the Borsa Italiana Regulations – indicates the following dates: 8 May for the approval of the Interim Statement as at 31 March 2018, 1 August 2018 for the approval of the half-yearly Report as at 30 June 2018 and 6 November 2018 for the approval of the Interim Statement as at 30 September 2018.

#### *Contestation of resolutions*

Resolutions adopted by the Board of Directors in breach of law or the Articles of Association may be contested by the Directors who were absent or who voted against the resolution, by and no later than ninety days from the date the resolution was adopted.

Shareholders may also contest the resolutions of the Board where a resolution is prejudicial to their rights. In this case, the term and procedures for contesting resolutions are determined in application of the provisions governing the contestation of shareholder resolutions in the Italian Civil Code, where compatible, which are addressed in this Report in the chapter on Shareholders' Meetings.

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## The Management Control Committee

### *Duties and powers*

8.P.1. The Management Control Committee, appointed by the Shareholders' Meeting and established within the Board of Directors in accordance with the Articles of Association, shall perform the duties assigned by law to the control body of the parent company of a banking group heading a financial conglomerate and issuing listed shares as provided for – in addition to the legal and regulatory provisions – by the Articles of Association and by its own Regulations which was approved on 24 May 2016, the favourable opinion of the Board having been obtained.

8.P.2. By the aforementioned Regulations, the Committee governs its operations and its organisation, in compliance with legal and regulatory provisions and the provisions of the Articles of Association and, to the extent applicable, with the provisions of the Corporate Governance Code. The Regulations govern the operations of the Committee also in its capacity of Internal Control and Audit Committee in accordance with Article 19, paragraph 2, letter c) of Italian Legislative Decree No. 39/2010, as novated by Italian Legislative Decree No. 135/2016.

In particular, the Management Control Committee is required to:

- oversee the compliance with legal and regulatory provisions and the Articles of Association and the principles of correct management;
- oversee the methods for the actual implementation of the corporate governance rules laid down by the Corporate Governance Code or the codes of conduct drawn up by companies managing regulated markets or by trade associations which the Bank declares to adhere to by public disclosure;
- 7.P.3. d) - oversee 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 and its suitability to furnish a proper representation of operations, as well as the statutory audit process;
- 7.C.2. d) - oversee the adequacy, efficiency and functionality of the internal control system and assess the adequacy and effectiveness of all the structures involved and the proper coordination thereof, by promoting the adoption by the Board or by the Managing Director, of corrective measures of any deficiencies and irregularities detected;
- be consulted by the Board on decisions regarding the appointment and removal:
  - o of the heads of the compliance, risk management, internal validation and internal audit departments, to be taken on the proposal of the Risks Committee,
  - o of the head of the anti-money laundering department,
  - o of the Manager responsible for preparing the Company's financial reports, as well as the assignment of powers and resources to the same to support the performance of his/her duties;
- propose to the Shareholders' Meeting the auditing firm to which to assign the statutory audits of accounts and the fee for its mandate and be consulted on the proposal for the removal of the independent auditors; it shall supervise its work, examine its work plan and provide it with the relevant data and information for the performance of the respective duties;
- 7.C.2. a) - also in its capacity as Internal Control and Audit Committee and with the support of the compliance and internal auditing departments:
  - o oversee the financial reporting process,
  - o oversee the effectiveness of the internal auditing systems,
  - o oversee the statutory audit of the separate and consolidated financial statements,
  - o oversee the independence of the independent auditors, ensuring compliance with the regulatory provisions, the nature and extent of the services other than the statutory audit provided to the Bank and its subsidiaries by the same independent auditors and by the entities that are part of their network; in this context, it shall review the mandates conferred by the Bank upon the independent auditors for the provision of services other than the statutory audit subject to prior consultation with the Manager responsible for preparing the Company's financial reports,
  - o examine the work plan prepared by the independent auditors,
  - o examine, also taking account of the evaluations of the Risks Committee, the report on the fundamental issues that emerged during the audit and, in particular, the significant gaps found in the internal control system in relation to the financial reporting process referred to in Article 14 of Italian Legislative Decree No. 39/2010, as well as of the letter of recommendations prepared by the independent auditors;
- 7.C.2. b) - oversee the completeness, adequacy and functionality of the risk management process; in this context, it shall oversee, among other things, the Risk Appetite Framework, and the enforcement of ICAAP and ILAAP-related provisions;

- oversee the adequacy, overall reliability and security of the information system as well as of the business continuity plan;
- oversee compliance with the regulations applicable to Intesa Sanpaolo as the Parent Company of a banking group issuing shares listed on regulated markets.

The Committee has independent initiative and control powers and, with the support of the corporate control functions, may proceed at any time, even through a specially appointed member, to carry out inspections and controls, also with reference to the companies that are part of the Group. The Committee, for the purposes of performing its duties, shall have unrestricted access to all the Bank's company functions and may also make use of external consultants.

7.C.2. e)  
8.C.5.

The Committee and each member thereof, including individually, may request the heads of the corporate control functions to report any relevant data and information to the Committee.

The Committee shall promptly report to the Bank of Italy and Consob on any management irregularities or breaches of the regulations, pursuant to Article 52, paragraph 1, of the Consolidated Law on Banking and Article 149, paragraphs 3 and 4-ter, of the Consolidated Law on Finance.

The Committee shall report, pursuant to Article 153 of the Consolidated Law on Finance, on the supervisory activities carried out, on any omissions and reprehensible facts detected to the Shareholders' Meeting called to approve the financial statements.

The Committee shall promptly notify the Board and the Managing Director of any gaps and irregularities found, subsequent also to checks specifically requested by the Supervisory Authorities, and request the adoption of suitable corrective measures, thereby verifying their effectiveness over time. At Board meetings, the Committee Chairman discusses the findings of the activities conducted since the last meeting. In any event, the Committee Chairman shall inform the Board of the supervisory activities, checks and audits conducted and their outcomes at least once every quarter.

7.C.2. f)

The Committee shall issue the opinions required from the Control Body by the regulations in force, in accordance with the provisions of the Articles of Association and its own Regulations. The opinions, signed by the Chairman, are submitted to the Chairman of the Board and, through the latter, to all Board Directors, in time for them to take them into due account, including for the purposes of taking the decisions they are aimed at. The Committee, in line with its control function, can perform the additional duties assigned to it by the Board, as well as the activities requested from it by the Chairman of the Board for the purposes and within the scope of the powers assigned to the same pursuant to the Articles of Association.

7.C.2. b)  
and g)

The Committee and/or its individual members, within the limits and in the manner permitted by Article 151-ter of the Consolidated Law on Finance, are vested with the following powers: i) to request news and information to the other Board Directors or to the management and control bodies of the subsidiaries, without prejudice to the fact that such information is provided to all Committee members; ii) to request the Chairman to convene the Committee itself, thereby indicating the agenda items to be discussed; iii) to convene the Board itself, subject to notice to the Chairman. The Committee may, subject to notice to the Chairman of the Board of Directors, convene the Shareholders' Meeting whenever it deems it necessary for the performance of its duties or in the event that, in the performance of its duties, it should detect reprehensible facts of significant severity and urgent measures need to be taken.

### *Composition and appointment*

The Management Control Committee is composed, pursuant to the Articles of Association, of 5 Board Directors, all independent pursuant to the Articles of Association. The members of the Committee may not be members of other Committees set up by the Board.

1.C.1. i)  
10.C.2. b)

In adherence to the guidelines of the Supervisory Provisions on the corporate governance of banks that adopt the one-tier governance model, and as permitted by Article 2409-octiesdecies of the Italian Civil Code, the Articles of Association of Intesa Sanpaolo assign the power to appoint the Committee members to the Ordinary Shareholders' Meeting.

The Committee in office at the time of publication of this Report is composed of the following Board Directors: Marco Mangiagalli, Maria Cristina Zoppo, Edoardo Gaffeo, Milena Teresa Motta and Alberto Maria Pisani, elected by the Shareholders' Meeting on 27 April 2016, which appointed Marco Mangiagalli as Chairman.

Art. 123-bis (2),  
(d) and  
(1), (l) CLF

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As for the appointment of the Committee members and its Chairman, reference is made to what is described above in the paragraph on the appointment of Board Directors, which recalls the provisions of the Articles of Association related to the appointment thereof on the basis of slates of candidates submitted by the shareholders.

The Chairman of the Committee convenes and chairs the meetings, directs, coordinates and moderates the discussion and, on behalf of the Committee, describes the results of the activities carried out. The Chairman ensures the effectiveness of the discussions within the Committee and endeavours so that the resolutions are the result of a proper debate and of the informed and reasoned contribution of all its members. To this end, he/she shall ensure that all members of the Committee are sent – well in advance of the meeting – documentation in support of the Committee's activities or at least a first report on the items up for discussion and he/she shall ensure that the supporting documentation is adequate in terms of quantity and quality with respect to the items on the agenda.

In the event of the Chairman's absence or temporary impediment, his/her duties shall be undertaken by the Committee member placed in the highest ranking position of the second section of the slate from which the Chairman was elected. In the absence thereof, the Chairman's duties shall be undertaken by the longest-serving Committee member or, in the case of equal terms of service, by the eldest Committee member.

#### *Term of office, replacement and removal*

The members of the Management Control Committee shall remain in office for the entire term of office of the Board of Directors on which they were elected; the mandate of the Committee in office thus relates to the 2016/2017/2018 financial years, expiring at the next Shareholders' Meeting called to approve the financial statements for the last year of their office. They may be re-elected.

As regards the replacement and removal of the Committee members, reference is made to what is described in the paragraph on the replacement and removal of Board Directors.

#### *Qualification requirements*

The members of the Management Control Committee must be in possession of all the requirements applicable to Board Directors (for which reference is made to the paragraph on this Body). Moreover, the Committee members shall ensure compliance with the limits on concurrent positions provided by the law and by the current regulations for the performance of the duty of member of the control bodies of a bank issuing shares listed on regulated markets.

8.C.1. All Committee members shall also meet the more stringent independence requirements defined by the Articles of Association, which set out additional requirements in terms of professionalism and the number of concurrent offices.

With regards to the professionalism requirements, the Committee members shall have acquired proven professional experience of at least five years in the internal control, administration and finance sectors. This special requirement of professionalism shall have been acquired as Board Directors or as executives in banking, financial, insurance companies or other companies of qualified size (as defined in the Articles of Association), or at Public Administrations of at least regional importance or Authorities whose area of expertise is connected with the banking-financial-insurance activities or in professional activities carried out to the benefit of the aforesaid companies, or for the performance of activities of university lecturing in legal and economic subjects.

In addition, at least three Committee members shall be enrolled with the register of independent auditors and have practised as auditors or acted as members of a limited company control body for a period of at least three years.

8.C.2. Without prejudice to the limits on concurrent offices envisaged for all Board Directors, the members of the Committee may not take:

- ✓ positions of an executive nature in other companies;
- ✓ more than two non-executive positions in corporate bodies (including those as members of control bodies) of other large companies.

To this end, the candidates for the office of Committee member shall expressly undertake the obligation to immediately step down from any incompatible offices in the event of their appointment.

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The above is in any event subject to the provisions laid down by the supervisory regulations, whereby the members of the Management Control Committee are prohibited from taking up positions in bodies other than those in charge of the control function in other Group companies or belonging to the financial conglomerate, as well as in companies in which the Bank holds a strategic stake. As members of the control body of a listed company, Committee members are also subject to the rules relating to the limits on concurrent offices laid down by Article 148-bis of the Consolidated Law on Finance and the related implementing regulations: these rules set out the limits and parameters to take into account in order to determine the maximum limit to the number of offices, as well as the manner and terms for the disclosure to be provided to Consob and to the public.

For each member of the Committee, the loss of the requirements of independence or professionalism or the failure to comply with the limits to the number of concurrent offices pursuant to the Articles of Association, as set out above, shall result in the disqualification from the office of Board of Directors. It follows that the independent Member of the Committee, that ceases to be eligible as independent member, shall also be disqualified from being a member of the Committee and of the Board. The same applies if he/she ceases to be a statutory auditor, notwithstanding other three members of the Committee who are statutory auditors remain in office.

In accordance with the requirements laid down by the Supervisory Provisions and the internal regulations, on 20 February 2018 the Committee, based on the statements made by the parties concerned and the information available to the Bank, also conducted an annual check to ensure that the necessary requirements were still being satisfied by its members, including that of independence, giving notice thereof to the Board. The members declared their compliance with the professionalism and integrity requirements and with the criteria of competence, fairness, independence and time commitment, as well as the specific limits to the number of concurrent offices and the incompatibilities provided for by the applicable regulations and the Articles of Association.

#### *Operation of the Committee*

The Committee normally meets on a weekly basis and the meeting is convened by a notice of call containing the agenda, typically sent by its Secretariat three days before the date set for the meeting. The Secretariat ensures compliance with the terms and expected timing and the procedures to ensure compliance with any instructions received from Authorities.

The notice of call is typically accompanied by the submission of the available documentation necessary for the performance of the Committee members' duties. In any case, the meeting shall ensure the full and exhaustive discussion of each item and special attention to the content of the documents that could not be made available in advance.

4.C.1 e)

The Committee may ask the departments of the Bank for access to any information considered necessary to perform the duties assigned to it and also rely on the support of external consultants. Upon invitation of the Committee itself, individuals who are not part of the Committee may attend the meetings in relation to specific items on the agenda.

4.C.1. f)

In the performance of its duties, the Committee relies on the corporate control functions and, in particular, on the internal auditing function, reporting functionally also to the Committee which monitors its independence, adequacy, effectiveness and efficiency.

The Committee receives from the heads of the corporate control functions reports on specific situations, breaches or significant shortcomings – periodically or at the express request of the Committee itself – and examines the work plans.

7.C.2. c),  
d), e)

The Committee coordinates with the Risks Committee to the extent applicable, and certain information flows are discussed in joint meetings, it being understood that each Committee shall proceed independently for the respective assessments. One of the Committee members, appointed in rotation by the same Committee, shall attend the meetings of the Risks Committee without voting rights, subsequently reporting to the Control Body.

7.C.3.  
8.C.6.  
10.C.2.b)

The Committee also coordinates with the Surveillance Body, with the Manager responsible for preparing the Company's financial reports and with the independent auditors, with which it convenes regular meetings aimed at the performance of the auditing activities related to the formulation of the opinion on the financial statements and thereby monitoring its independence.

7.C.2 a)

The Committee also meets with the Boards of Statutory Auditors of the Group's main subsidiaries, with which it works closely and exchanges information with respect to their management and control systems and the general performance of their business.

In 2017 the Committee met 51 times in total, with the following attendance percentage for each member:

Members	Independent pursuant to the applicable regulations and the Articles of Association	Attendance percentage at meetings
Marco Mangiagalli – Chairman	X	98%
Edoardo Gaffeo	X	98%
Milena Teresa Motta	X	100%
Alberto Maria Pisani	X	100%
Maria Cristina Zoppo	X	98%

The meetings lasted an average of 5 hours, considered adequate in satisfying the need for thorough development and discussion of items on the agenda, also in view of the proper information, and the number of meetings held.

In 2018, the Committee had held 9 meetings at the date of approval of this Report.

The Committee, in line with the provisions of its own Regulations, supervised compliance with legal and regulatory provisions and the provisions of the Articles of Association, the principles of proper management, the adequacy of the organisational structure, the administration and accounting system and the internal control system. In particular, the Committee examined:

- the proposals for adapting the internal regulations, including the adoption of Principles of conduct in tax matters and of the Guidelines for financial risk management, as well as the update of the Integrated Internal Control System Regulations, the ICAAP and ILAAP Guidelines, the Guidelines for Administrative and Financial Governance, the Group Compliance Guidelines and the Group rules on the internal reporting system of violations (Whistleblowing);
- the disclosure regarding the ECB's 2017 Supervisory Plan for the Group;
- the organisational structures and the control system of the main Government Areas and Business Units.

Within the scope of the activities relating to the verification of the risk management process, the Committee monitored the completeness, adequacy, functionality and reliability of the Risk Appetite Framework and of the internal risk measurement systems for the determination of the capital requirements as well as compliance with ICAAP and ILAAP-related provisions. The Committee also monitored the adequacy, reliability and security of the information system and of the business continuity plan.

Particular attention has been given to the integration project involving the former Venetian banks, in respect of which the Committee examined structure, governance, sites and Audit approach, carefully monitoring the progress of the works and the main critical issues that have emerged.

7.C.2 a) Finally, the Committee was invited to attend the meetings of the Risks Committee both during meetings with the Manager responsible for preparing the Company's financial reports and the Independent Auditors in relation to the preparation of the financial statements and the periodic financial reports, and on other occasions for the review of issues of mutual interest.

7.C.2. f) On a quarterly basis, the Committee illustrated to the Board of Directors the supervisory, inspection and examination activities carried out and the results thereof, and periodically met with the Managing Director to further investigate specific topics of interest and examine the points of attention highlighted in its reports.

#### *Self-assessment of the Committee*

1.C.1. g) The Management Control Committee performs a separate self-assessment on its composition and its operation, inspired by the same purposes of proper and efficient performance of the specific corporate governance duties entrusted to it as the Company's control body and, therefore, in accordance with criteria and methods in line with the characteristics of the principal function performed within the one-tier governance model.

The self-assessment process, which was performed in accordance with the provisions of the Regulations for the Board of Directors' Self-Assessment Process, concerns the Committee as a whole and the contribution that the individual Board Directors who sit on it provide to its work.



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The Members of the Committee are specifically called upon to submit – separately from the Board's self-assessment process as a whole – also an assessment of the qualitative and quantitative composition, operation and effective performance of the Committee's duties.

Considering the Committee's prerogatives of autonomy and independence, such self-assessment process takes place separately from that of the Board of Directors.

Given the need for consistency and overall coherence of the results, the process is typically entrusted to the same individuals designated by the Board, who in this case continue to report directly to the Chairman of the Management Control Committee, that remains responsible for the process as a whole. The Committee's self-assessment for the year 2017 was performed with the professional assistance of Crisci & Partners, expert independent consulting firm which simultaneously also supported the Board of Directors in its self-assessment process.

1.C.1.g)

The Committee's self-assessment process essentially follows similar process rules to those for the Board of Directors (for which reference is made to the paragraph on the self-assessment of this Body). With regard to the assessment of the qualitative and quantitative composition, the following elements acquire specific importance in the context of knowledge, experience and skills specifically relevant for the performance of the Committee's duties:

- in-depth knowledge of the methodologies for identifying, measuring, assessing and controlling risks;
- the ability to assess the overall internal control system.

As regards the independence of the Committee members, which, as mentioned, constitutes a specific requirement for the purposes of the suitability of the members pursuant to the Articles of Association and the loss of which results in disqualification from office, it is subject to a specific assessment in the context of the ongoing review process of the requirements of Board Directors.

As regards the assessment of the operation and the effective performance of the Committee's duties, which relate to the fulfilment of the control functions, specific areas of evaluation by the Committee are represented by the management of relations:

- with Independent Auditors;
- with the Surveillance Body;
- with the Manager responsible for preparing the Company's financial reports;
- with the control functions.

The Committee takes account of the results of the analysis on its operations, in addition to the assessment of the Report on the Company's Governance, including for the purposes of preparation of the report required by law on the supervisory activities carried out, so as to ensure the correct reporting due to shareholders.

The Committee concluded its self-assessment process on 14 February 2018. This assessment involved both the use of questionnaires and the conduct of individual interviews on the operation, efficiency and effectiveness of the Committee. The qualitative and quantitative results of the questionnaires and interviews confirmed the adequacy of the Committee and the high level of overall compliance with the provisions of the Corporate Governance Code, the guidelines of the EBA, the provisions of Bank of Italy Circular 285/2013 and the best practices of other listed companies, in so far as comparable with the Bank. The Committee therefore issued an assessment of adequacy in terms of size, composition and operations of the Control Body.

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## Committees appointed by the Board of Directors: composition and operations

4.P.1.  
4.C.1.c)  
4.C.2.

The Committees constitute an organisational method through which the Board of Directors increases the effectiveness of its strategic supervision function. Without prejudice to the Board's corporate powers and responsibilities, the Committees have the proposal, advisory and inquiry duties (including the issue of opinions, where provided for by applicable regulations) assigned to them by current legislation and, to the extent applicable, the Corporate Governance Code, the Articles of Association, as well as those duties which, in accordance with each Committee's function, may specifically be assigned by special Regulations - approved by the same Board - which also govern the organisation and operations thereof.

4.C.1. b)

4.C.1 a)

Pursuant to the Articles of Association, the Committees are composed of a minimum of three and a maximum of five non-executive Board Directors who are mainly independent Board Directors. No Board Director may take up the office of Chairman of more than one Committee or be part of more than two Committees.

The following Committees are currently established within the Board of Directors:

- 5.P.1.
- Nomination Committee: 5 members – including the Chairman of the Board of Directors – 3 of whom are independent pursuant to the applicable regulations and the Articles of Association;
- 6.P.3.
- Remuneration Committee: 5 members – including the Deputy Chairperson of the Board of Directors – 3 of whom are independent pursuant to the applicable regulations and the Articles of Association;
- 7.P.4.
- Risks Committee, composed of 5 members, 3 of whom are independent pursuant to the applicable regulations and the Articles of Association; two members are also enrolled with the Register of Auditors and have practised the legal auditing of accounts for a period of at least three years.

The Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group is also in place; it is composed of 5 members, all independent pursuant to the applicable regulations and the Articles of Association; one member is also enrolled with the Register of Auditors and has practised the legal auditing of accounts for a period of at least three years.

In establishing the Committees, the Board took into consideration the professional characteristics and experience of the Board Directors, so that each Committee is composed of members whose competence and professional skills are appropriate in terms of the duties attributed and is able to ensure the performance of tasks in a timely manner.

The activities of each Committee are coordinated and directed by a Chairman designated by the Board. The Board Director appointed as Chairman of a Committee must be independent and may not hold the office of Chairman of another Committee appointed by the Board.

The Chairman calls the meetings and describes the activities, proposals and opinions of the Committee during meetings of the Board. In the event of absence or impediment of the Chairman, the longest-serving independent member or, in the case of equal terms of service, the eldest member takes on the functions.

Meetings are generally held at the Torino registered office and at the Milano secondary office. Meetings may also be validly held through telecommunication methods; such meetings are considered to have been held at the location of the Chairman.

4.C.1. d)

The Regulations of each Committee require that minutes specific to each meeting are prepared by an appointed secretary, who may also be a non-Board Director, in which case the secretary should be selected from the Board of Directors' Secretariat.

4.C.1. e)

Each Committee may contact the corporate functions to access the information required to perform their assigned tasks.

Committees can also make use of external consultants, as indicated in each set of Regulations.

4.C.1. f)

Individuals who are not part of a Committee may attend Committee meetings provided they are invited by the Chairman of the Committee concerned, and only in relation to specific items on the agenda.

The Chief Governance Officer and the Secretary of the Board of Directors are invited and may attend the Committee meetings. The head of the Corporate Bodies Secretariat attends sessions, directly or through assistants.

Also in consideration of the time dedicated to each task, Committee work is always performed in a constructive environment based on exchange and dialogue among the respective members, encouraging personal contributions, open discussion and dialectic not only among Board Directors but also with heads of the control functions, Business Units, Governance Areas and of the various Departments involved in meetings within their purview.

Below is a list of detailed information regarding each Committee which the Board established on 19 May 2016 for the 2016/2017/2018 financial years, with reference to the composition, duties attributed and activities performed (in addition to details on meetings and the attendance of the related members).

4.C.1. g)

Art. 123-bis (2), (d) CLF

### *Nomination Committee*

<b>Members</b>	<b>Enrolment with the Register of Statutory Auditors Practice as an auditor</b>	<b>Independent pursuant to the applicable regulations and the Articles of Association</b>	<b>Attendance percentage at meetings</b>
Gianfranco Carbonato – Chairman		X	100 %
Paolo Andrea Colombo	X	X	100 %
Giovanni Costa			100 %
Gian Maria Gros-Pietro			100 %
Livia Pomodoro		X	100 %

1.C.1. i) 5.P.1.

In 2017 the Committee held three meetings. The average duration of meetings was approximately one hour.

The Committee performs advisory and inquiry functions to support the Board in the process of appointment or co-option of the Board Directors to ensure that the Body's composition, in terms of size and professionalism, makes it possible to fulfil its duties efficiently.

In this context, the Committee supports the Board:

- in the activity aimed at the early identification of the qualitative and quantitative composition of the Body considered optimal, including the theoretical profile of the candidates to be presented to the Shareholders' Meeting in time for the appointment of the Board Directors and, subsequently, in the verification, to be conducted as part of the assessment of the suitability of Directors pursuant to Article 26 of the Consolidated Law on Banking, of the match between the composition considered optimal and the one actually resulting from the Shareholders' Meeting appointment, including in the light of the choices formulated by the shareholders when presenting the slates;
- in the verification, also conducted pursuant to Article 26 of the Consolidated Law on Banking, of the fulfilment of the requirements laid down by the applicable regulations and the Articles of Association by Board Directors and in the verification of compliance with the limit to the number of concurrent offices laid down by the applicable regulations and the Articles of Association, as well as the prohibition of interlocking directorships provided for by Article 36 of Law Decree No. 201/2011, converted into Law No. 214/2011. The Committee, in particular, supports the Board for the purposes of assessment of the compliance with the independence requirements as provided for in the Articles of Association, including a review of all credit arrangements between the Bank and board directors considered independent;
- in the definition of the body's self-assessment process and in the actual fulfilment thereof, on an annual basis.

5.C.1. a) and b)

The Committee is also specifically heard by the Board regarding the identification of the Managing Director, pursuant to the Articles of Association, and, in coordination with the Chairman, supports the Board itself in the definition of the process governing succession plans for senior executives, in order to ensure their orderly succession in the respective positions in the event of termination or expiry of the mandate or for any cause, in order to ensure business continuity and avoid economic and reputational repercussions.

5.C.2.

The Committee, finally, works with the Risks Committee for the purpose of identification by the latter of the proposals for appointment and removal of the heads of the Compliance, Risk Management, Internal Validation and Internal Auditing departments.

In the meetings held in 2017, the Committee supported the Board of Directors:

- in the definition of the new Regulations for the assessment of the significance of the financial relations for the purpose of the independence requirement of Directors;

- in the verification of the fulfilment of the legal requirements by each Board Director and the assessment of the adequate collective composition;
- in the self-assessment process of size, composition and operations for 2017;
- in the update, made in July 2017, of the assessment of the qualification requirements for the office of Board Directors of Intesa Sanpaolo for the purposes of acquiring control of companies associated with the former Venetian banks, as requested by the Supervisory Authorities.

### Remuneration Committee

1.C.1. i)  
6.P.3.

Members	Enrolment with the Register of Statutory Auditors Practice as an auditor	Independent pursuant to the applicable regulations and the Articles of Association	Attendance percentage at meetings
Paolo Andrea Colombo – Chairman	X	X	100%
Giovanni Costa			100%
Giorgina Gallo		X	100%
Giovanni Gorno Tempini		X	95%
Bruno Picca	X		100%

In 2017 the Committee held twenty-two meetings. The average duration of meetings was approximately two hours.

The Remuneration Committee, in its current composition, ensures adequate knowledge and expertise in financial matters and remuneration policies.

Pursuant to its Regulations, the Remuneration Committee proposes, advises and inquires on remuneration and incentive matters, thereby supporting the Board of Directors.

6.C.5. With reference to the definition of proposals by the Board for approval by the Shareholders' Meeting, the Committee provides support in the preparation of the remuneration policies of the Board Directors, employees and other staff not bound by an employment agreement, in the preparation of plans based on financial instruments and criteria for determining the remuneration to be granted in the event of early termination of the employment contract or early termination of the office held. It also supports the Board in the definition of any proposal relating to the resolution on the determination of a ratio between the variable and fixed components of remuneration paid to individual employees above the 1:1 ratio, but not exceeding the cap provided for by applicable regulations.

With reference to the advisory and support activity in respect of the Board of Directors in relation to the decisions within its remit, the Committee assists the Board in the process of identifying the Risk Takers and performs an advisory role for the determination of the criteria for their remuneration.

With reference to the propositional function assigned to it, the Committee, on the basis of the remuneration policies approved by the Shareholders' Meeting, submits proposals to the Board in relation to the additional remuneration, including the variable component thereof, due for the specific office of Managing Director and General Manager, the remuneration to be paid to other Board Directors that have been assigned additional specific offices in accordance with the Articles of Association as well as the remuneration for the members of the Surveillance Body. As for the remuneration of its members, the Committee relies entirely on the opinion of the Board of Directors.

6.C.6. With reference to the support and activities aimed at checking the proper implementation of the rules on remuneration, the Committee:

- supports the Board in checking the proper implementation of the remuneration policies approved by the Shareholders' Meeting;
- checks and monitors the implementation of the decisions adopted by the Board;
- monitors the proper implementation of the rules on the remuneration of the heads of the corporate control functions, in close coordination with the Management Control Committee.

The Committee also performs the duties of Committee for Transactions with Related Parties in accordance with the provisions of the RPT Procedures, with regard to transactions with the Bank's related parties and Group associated entities concerning remuneration.

In the performance of the said duty, the Committee in particular, where provided for by the RPT Procedures, issues a reasoned opinion on the Bank's interest in the payment of the remunerations in question, as well as their convenience and substantive correctness.

During 2017, the Committee assisted the Board of Directors in the approval of the proposals concerning:

- amendments to the Group's remuneration policies for 2017, which were subsequently approved by the Shareholders' Meeting;
- KPIs to be implemented for the 2017 Incentive System for the Group's Top Risk Takers;
- periodic updates of the Top Risk Takers' perimeter;
- severance pays in the event of the early termination of the Group's Top Risk Takers' employment agreement;
- remuneration of new Top Risk Takers of the Parent Company.

The Committee also supported the Board of Directors in examining the report of the Internal Auditing Department on the 2017 Remuneration and Incentive System in the part concerning the verification of operating practices.

The Committee did not use any consultants in 2017.

6.C.7.

For additional information on remuneration, see the Report on Remuneration.

### Risks Committee

Members	Enrolment with the Register of Statutory Auditors Practice as an auditor	Independent pursuant to the applicable regulations and the Articles of Association	Attendance percentage at meetings
Rossella Locatelli – Chairwoman		X	100%
Franco Ceruti			100%
Francesca Cornelli		X	97%
Bruno Picca	X		100%
Daniele Zamboni	X	X	100%

1.C.1. i)  
7.P.4.

In 2017 the Committee held thirty-seven meetings. The average duration of meetings was approximately five hours.

The Risks Committee proposes, advises and inquires on the relevant matters, submitting opinions where required by the reference laws. It pays special attention to instrumental activities to enable the Board to come to a fair and efficient determination of the Risk Appetite Framework (RAF) and the risk governance policies, as well as the further determinations regarding risk reserved to it by the applicable regulations.

7.P.3. a) ii)  
7.C.2.

In particular, the Risks Committee supports the Board for the purposes of improved risk monitoring and the effective implementation of the RAF in the performance of the strategic supervisory duties with regard to:

7.C.2. g)  
10.C.2.

- business model, strategic guidelines and risk appetite, in order to make the Board aware of the risks to which this model exposes the Bank and understand the methods through which risks are recognised and assessed;
- corporate governance and organisational structure of the Bank and the Group, in order to verify their consistency with the activity carried out and the business model adopted;
- accounting and budget administrative system and statutory auditing process for the purposes of approval of the accounting and reporting systems and evaluation of the correct implementation of the accounting principles and their consistency with reference to the preparation of the individual and consolidated financial statements;
- internal control system, for the purposes of defining and approving the guidelines of the internal control system as well as checking the effectiveness in capturing the evolution of the business risks and the interaction between them. In this context, it submits to the Board proposals for the appointment and removal of the heads of the Compliance, Risk Management, Internal Validation and Internal Auditing Departments. Furthermore, it supports the Board in the examination of the proposals relating to the appointment of the head of Anti-Money Laundering Department and the head of the Business Continuity Plan;
- risk governance and management, performing support functions, also with specific regard to all Corporate Social Responsibility matters. In this context, it provides support in defining and approving risk governance policies at Group level, including those related to liquidity risk, so as to implement

an integrated and coherent risk management policy; it performs the necessary evaluation and propositional activities to enable the Board to define and approve, taking into account the Managing Director's proposals, risk objectives ("Risk appetite") and, where deemed appropriate, the tolerance threshold ("Risk tolerance") as well as the liquidity risk tolerance threshold;

- information systems, for the purposes of approval of the information system development strategies and the IT security policy;
- business continuity, for the purposes of the definition and approval of the business continuity objectives and strategies, approval of the business continuity plan proposed by the Managing Director and the assessment of the residual risks not managed by the business continuity plan, which must be explicitly accepted by Board.

The Committee also acts as "US Risk Committee" in accordance with the provisions laid down by Section 165 of the Dodd-Frank Act and the tighter supervisory standards envisaged for foreign banks operating in the United States issued by the Federal Reserve.

In order to promptly implement the undertaking of said role within the corporate system, the Committee itself, on 13 April 2017, adopted the "US Risk Committee Framework Document", which sets out the operating methods of performance of the specific US Risk Committee functions.

In said role, with reference to the support activity in the supervision of the transactions carried out by Group units located in the United States, the Committee supports the Board of Directors in evaluating the adequacy – and in the periodic review – of the Group's risk governance policies with respect to all the transactions carried out by the Group units located in the United States. It ensures that the aforesaid policies are implemented and that it receives sufficient information for the performance of its duties.

Committee members are in possession of such expertise, skills and experience as to be able to fully understand and monitor the Bank's risk strategies and guidelines. The Risks Committee meetings are attended, without voting rights, by a member of the Management Control Committee designated by the same in rotation, in order to ensure coordination in the performance of the respective duties and functions.

The Risks Committee has always reported in detail at each Board meeting on the activity carried out and the main findings thereof, through specific reports and in summary format.

With regard to the matters strictly related to its duties, the Committee supported the Board, among other things, in the adoption and implementation of the new internal models (PD, LGD, EAD) for the retail and residential mortgage regulatory segments, of the behavioural models of Demand Deposit and Prepayment, as well as in the approval, including by way of updates, of some main internal regulation documents on the matter of internal control system and risk management.

#### *Committee for Transactions with Related Parties and Associated Entities*

1.C.1. i)

<b>Members</b>	<b>Enrolment with the Register of Statutory Auditors Practice as an auditor</b>	<b>Independent pursuant to the applicable regulations and the Articles of Association</b>	<b>Attendance percentage at meetings</b>
Daniele Zamboni – Chairman	X	X	100 %
Giorgina Gallo		X	100 %
Giovanni Gorno Tempini		X	93 %
Rossella Locatelli		X	100 %
Maria Mazarella		X	100 %

In 2017 the Committee held fifteen meetings. The average duration of meetings was approximately one hour and a half.

The Committee performs the duties and functions assigned to it by the RPT Procedures, in accordance with the provisions laid down by the Consob Regulation on Related Parties, the Bank of Italy regulations and Article 136 of the Consolidated Law on Banking.

In particular, it issues its opinion on the transactions that fall within the scope of the aforesaid Group Procedures, in the cases and in the manner provided for by the same. In this regard it is appropriate to recall that, in accordance with the Regulations for the assessment of the significance of the financial

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relations for the purpose of the independence requirement – approved by the Board of Directors on 3 February 2017 –, the Committee is also required to issue a unanimous opinion with reference to those transactions which, pursuant to the aforesaid Procedures, are subject to the rules and procedures for transactions with related parties. In the fulfilment of its duties, the Committee takes into account the guidelines provided by the competent Supervisory Authorities.

In 2017, the Committee examined 36 transactions, for each of which it issued a favourable, reasoned, non-binding opinion.

The Committee also received an information notice pursuant to Article 136 of the Consolidated Law on Banking and two information notices relating to the classification as “unlikely to pay” of related parties/associated entities.

The Committee also examined, during its meeting held on 12 January 2018, the amendments made to the RPT Procedures in order to update the perimeter of the relevant “Key Managers” and the checks on transactions with related parties, thereby providing for the inclusion therein of the heads of the new Governance Areas introduced by the recent reorganisation.

## Remuneration

For the detailed information required in relation to the Remuneration of Directors and Key Managers and those concerning the Indemnities provided for in the event of early termination of office or termination of the employment contract, reference is made to the contents of the Report on Remuneration published by the Company as required by law and containing the Group Remuneration Policy, pursuant to Article 123-ter of the Consolidated Law on Finance, Article 84-quater of the Consob Issuers' Regulation (last amended by Resolution No. 18214 of 9 May 2012) and the Supervisory Provisions on remuneration.

In this context, full compliance with the binding regulatory provisions for banks is given, as well as with the principles and application criteria defined by the Corporate Governance Code.

In particular, the remuneration of Directors and Key Managers of Intesa Sanpaolo shall be established in a sufficient amount to attract, retain and motivate people with the professional skills necessary to successfully manage the Bank.

The remuneration of non-executive Directors shall be proportionate to the commitment required from each of them, also taking into account their possible participation in one or more Committees and avoiding incentive schemes in line with banking supervisory provisions. The remuneration of the members of the Management Control Committee is defined by the Shareholders' Meeting at the time of their appointment and for the entire term of their office.

The remuneration of the Managing Director and CEO and of the Key Managers is defined in such a way as to align their interests with the pursuit of the priority objective of creating value for shareholders in the medium-long term and – as required by the banking regulations – a significant part of the remuneration is linked to the achievement of specific performance objectives, also of a non-economic nature, identified in advance and determined consistently with the guidelines contained in the policy. For the heads of the Corporate Control Functions, as defined by the Supervisory Provisions on the control system, the incentive schemes are consistent with the tasks assigned and independent of the results achieved by the areas subject to their control.

As already highlighted, the Board of Directors has established a Remuneration Committee within it, composed of non-executive Directors, mostly independent. The Chairman of the Remuneration Committee is chosen among the independent Directors.

When setting up the Committee, the Board also took into consideration the professionalism of its members in order to ensure adequate knowledge and experience in financial matters or remuneration policies.

On the proposal of the Remuneration Committee, the Board defines a Remuneration Policy for Directors and Key Managers which is fully aligned with the banking supervisory provisions and with the guidelines of the Corporate Governance Code, providing an accurate account thereof in the Report on Remuneration. In particular, compliance with banking regulations entails:

6.P.1.  
6.P.2.  
6.P.3.  
6.P.4.  
6.P.5.  
6.C.1.  
6.C.2.  
6.C.3.  
6.C.4.  
6.C.5.  
6.C.6.  
6.C.7.  
6.C.8.

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1. the correct balance between the fixed and variable component of remuneration and compliance with the limits imposed on the variable component by the Banking Supervisory Provisions
  2. the payment of the variable remuneration only against predetermined and measurable objectives, linked to the creation of value for shareholders and adjusted for the risks undertaken
  3. the deferral of significant components of the variable remuneration, the payment of which is subject to the satisfaction of objective conditions (so-called malus condition)
  4. the payment of a portion of the variable remuneration in financial instruments subject to holding periods subsequent to the vesting period
  5. all variable components of remuneration are subject to clawback.

Likewise, in accordance with the requirements of the Supervisory Provisions, remuneration and incentive plans based on shares are subject to approval by the Shareholders' Meeting, in line with the policies defined.

Pursuant to the Articles of Association, the Bank's ordinary Shareholders' Meeting approves the criteria for determining the severance payments to be granted in the event of termination of office and/or early termination of the employment contract, including the limits set in terms of the maximum number of monthly payments of the fixed remuneration payable in compliance with the provisions laid down by banking regulations. Following the conclusion of internal processes leading to the allocation or payment of indemnities and/or other benefits to Key Managers, the Bank discloses the required detailed information to the public.

### **Information flows from Corporate Bodies and to Corporate Bodies**

Effective internal information flows are a key element in Intesa Sanpaolo's organisation and corporate governance: they enable the proper fulfilment of the duties of the Board of Directors, the Board-appointed Committees and the Management Control Committee, as well as the fulfilment of the obligations imposed by the applicable regulations and proper interaction with the corporate Departments.

In this regard, the Articles of Association and the Regulations of the Board and the Committees contain provisions aimed at ensuring these objectives as well as more effective coordination and full liaison between the same Bodies. In particular, the Board Regulations contain a specific "Document on information flows between Corporate Bodies and to Corporate Bodies", which forms an integral part thereof and summarises the necessary exchanges of information between the Board of Directors, the Management Control Committee, other Committees, the Managing Director and the Bank's Departments.

The circulation of information may be carried out periodically at pre-established deadlines or as one-time occurrences, if limited to simple events where regulatory provisions call for reporting, and represents a fundamental condition for the effective achievement of management efficiency and control effectiveness objectives.

The designed framework aims to guarantee a system of information flows between the plenum of the Board, the body responsible for continuing operations, the Management Control Committee and the other Committees, which may be suitable, in terms of frequency and content, to ensure a close and timely connection between the functions performed by the aforesaid Bodies, despite the clear separation of their respective tasks.



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## Operating structure

### *Divisions and Business Units, Governance Areas and Head Office Departments reporting directly to the Managing Director and CEO*

In terms of organisational logic and to ensure that Group governance has the necessary overall coherence, the Parent Company is divided into seven Business Units, comprising business line aggregations with similar characteristics in terms of products and services provided and in terms of regulatory framework, nine Governance Areas and two Head Office Departments in a direct reporting line to the Managing Director and CEO, which exercise guidance, coordination, control, support and service functions at Group level.

- Divisions/Business Units
  - Banca dei Territori Division;
  - Corporate and Investment Banking Division;
  - International Subsidiary Banks Division;
  - Private Banking Division;
  - Asset Management Division;
  - Insurance Division;
  - Capital Light Bank.
- Governance Areas/Head Office Departments reporting directly to the Managing Director and CEO
  - Chief Operating Officer Governance Area;
  - Chief IT, Digital & Innovation Officer Governance Area;
  - Chief Cost Management Officer Governance Area;
  - Chief Lending Officer Governance Area;
  - Chief Financial Officer Governance Area;
  - Chief Risk Officer Governance Area;
  - Chief Compliance Officer Governance Area;
  - Chief Governance Officer Governance Area;
  - Chief Institutional Affairs & External Communication Officer Governance Area;
  - Strategic Support Head Office Department;
  - Safety and Protection Head Office Department.

In addition to the aforesaid structures, the Chief Audit Officer holds a special position in the organisation, in order to enjoy the necessary autonomy and independence, reporting directly to the Board of Directors.

The Heads in charge of the Organisational Structures of the Divisions and Business Units, Governance Areas, Head Office Departments reporting directly to the Managing Director and CEO, and Group companies, in the general policy and guidelines framework, are responsible for the achievement of objectives in their specific business areas, also through the optimum use of assigned human and technical resources.

For additional information on Intesa Sanpaolo's organisational structure, reference should be made to the Bank's website (Group/About us Section, Organisational structure and Top management pages).

Finally it should be noted that all Bank Departments operate on the basis of specific regulations that define the scope of their powers and responsibilities; these Regulations are available throughout the Bank, as are the operating procedures that determine how all the Bank's various processes are to be performed. All the main decision-making and implementing processes concerning Bank operations are encoded and can be monitored and traced by the entire Department.

### *Group's Managerial Committees*

As part of the mechanisms to guarantee effective management of operational matters relevant to the entire Group, to more effectively govern the risk profile within the Group, and to guarantee an adequate level of internal communication and discussion, special Managerial Committees are established by the Bank, composed of Bank Executives and Members of the Group companies' top management.

The Articles of Association assign to the Board of Directors the duty to pass resolutions regarding the establishment and the determination of the composition, the duties and powers of each of the Managerial Committees.

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During 2017, in accordance with the provisions laid down by the Articles of Association, the Board reviewed the structure and regulations of the Managerial Committees.

In particular, the Steering Committee was established, chaired by the Managing Director and CEO and including the Bank's first management line, which ensures a Board sharing process by the CEO and his/her direct reports with regards to decisions/processes of particular relevance in the company's management.

In this context, the Steering Committee acts as a decision-making, consultative and reporting management body with the aim of:

- ✓ supporting the Managing Director and CEO;
- ✓ collaborating with the Managing Director in the preparation of the Business Plan and in the implementation of the main managerial initiatives;
- ✓ strengthening the coordination and cooperation mechanisms between the various business, governance and control areas of the Bank and the Group, with a view to sharing the main business choices;
- ✓ helping ensure the monitoring, coordination and integrated risk management and the safeguarding of the corporate value at Group level.

To this end, the Steering Committee envisages, in addition to a Plenary Session (which represents the phase during which the CEO may deem it useful to involve the entire top management in any highly relevant issue), also specific and separate thematic sessions (Business Plan, Shareholdings, Investments, Group Risk Analysis, Credit Strategies, Recovery Plan, Supervisory Remediation Plans).

The Committee's tasks in the different sessions allow a constantly clear separation of roles between the function of the Board of Directors and of the Board Committees regarding all the matters within the purview of said bodies on strategic and general guidance aspects, as well as the most relevant objectives, plans and investments.

With regards to said tasks, the Steering Committee provides support by carrying out a preliminary discussion of the proposals to be submitted by the Managing Director and CEO to the Board.

The Board also reviewed the regulations of the other Managerial Committees:

- the Group Financial Risks Committee: a technical body with decision-making, consultative and reporting powers, focused both on the banking business (proprietary financial risks for banking and trading books, as well as Active Value Management) and the life insurance business (result exposure to the trend in market variables);
- the Group Control Coordination and Operational Risk Committee: a technical body which operates, within the scope of the guidelines set by the Board of Directors, with the aim of stepping up coordination and interdepartmental cooperation mechanisms:
  - o as part of the Group internal control system, facilitating the integration of the risk management process;
  - o by aiding the effective management of operational risks, including the IT risk (or ICT);
- the Group Credit Committee: a technical body with a decision-making and consultative role that has the task of guaranteeing coordinated management of issues relating to credit risk, adoption of lending decisions to the extent of its assigned powers and issue of "compliance opinions" for the resolutions proposed by the subsidiary companies.

Reference is made to last year's Report on Corporate Governance and Ownership Structures for the description of the Managerial Committees in place up to 25 July 2017.

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## The internal control and risk management system

### Main characteristics

In line with the provisions laid down by the Supervisory Provisions on the control system, the Bank has adopted the “Integrated Internal Control System Regulation”, updated during 2017, which define the guidelines of Intesa Sanpaolo’s internal control system, in its capacity as Bank and Parent Company of the Banking Group, through the adoption of the reference principles and the definition of the responsibilities of the Bodies and of the functions with control duties, which contribute, in various ways, to the proper operation of the internal control system, as well as the identification of coordination arrangements and information flows supporting system integration.

7.P.1.  
7.P.2.

The document is the reference framework of the Intesa Sanpaolo Group’s internal control system, which includes the principles and rules on the controls that must be reflected and incorporated in the regulatory documents issued within the Group with reference to specific areas of prudential supervision. The Group companies adopted the Regulation and – where applicable – approved their own similar document which defines the guidelines of their own internal control system.

The internal control system consists of a set of rules, functions, structures, resources, processes and procedures aimed at ensuring, in compliance with sound and prudent management, the achievement of the following objectives:

- verification of the implementation of company strategies and policies;
- containment of risks within the limits indicated in the reference framework for determining the Bank’s risk appetite (Risk Appetite Framework);
- safeguard of asset value and protection from losses;
- effectiveness and efficiency of the Bank processes;
- reliability and security of company information and IT procedures;
- prevention of the risk that the Bank may be involved, including involuntarily involved, in illegal activities (with special regard to those relating to money-laundering, usury and financing for terrorism);
- compliance of business continuity with the law and supervisory regulations, as well as internal policies, procedures and regulations.

Art. 123-  
bis (2),  
(b) CLF

The internal control system plays a crucial role and involves the entire corporate organisation (Bodies, structures, hierarchical levels, all personnel).

In line with legal and Supervisory regulations, and consistent with the guidelines laid down in the Corporate Governance Code, the Bank has adopted an internal control system aimed at identifying, measuring and monitoring, on an ongoing basis, the typical risks of its business activity and that of the Group companies, involving the Corporate Bodies, special internal control functions, the Surveillance Body and the Manager responsible for preparing the Company’s financial reports. The independent auditors also contribute to the internal control system.

In compliance with the guidelines set forth by the Corporate Bodies, the internal control system of the Bank and the Group is designed to constantly identify, manage and monitor business-related risks. Under this system, the primary references are, inter alia, supervisory provisions on the prudential control of banks and banking groups, organisation and corporate governance of banks, financial conglomerates, service and investment businesses, taking into account developments in international best practices.

7.C.1. a)  
7.P.1.

The internal control system is based on three levels, in line with the legal and regulatory provisions in force. Such a model provides for the following types of control:

- the first consists of line controls, which are aimed at ensuring the proper conduct of the operations and, where possible, are incorporated into IT procedures. They are conducted by the same operating and business structures (so-called “Level I control functions”), including through units dedicated solely to control duties reporting to the heads of the same structures or performed as part of the back office;

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- 7.P.3. c)
- the second consists of the controls on risks and compliance, which are intended to ensure, among other things:
    - o correct implementation of the risk management process;
    - o compliance with the operating limits assigned to the various functions;
    - o compliance of company operations with the rules, including self-governance rules.

The functions assigned to such controls ("Level II control functions") are separate from the ones in charge of operations and contribute to the definition of the risk governance policies and the risk management process. In the Intesa Sanpaolo Group, Level II includes the following Parent Company structures and the equivalent ones of the Group companies, where established:

- Chief Compliance Officer Governance Area, to which the Anti-Money Laundering Head Office Department also reports;
- Chief Risk Officer Governance Area, to which the Internal Validation and Controls Head Office Department reports.

In accordance with the Bank of Italy's Supervisory Provisions, which require said functions to be independent from operating structures and separate from internal auditing, the Heads of the Chief Risk Officer Governance Area and the Chief Compliance Officer Governance Area report directly to the Managing Director and CEO and, as required by the regulations, have direct access to the Corporate Bodies, to which they report on the findings from the monitoring activities carried out without restrictions or intermediation;

- 7.P.3. b)
- the third consists of internal audit controls, aimed at identifying violations of procedures and regulations, as well as periodically assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of the other components of the internal control system and information system (ICT audit) at Group level, at preset intervals depending on the nature and extent of the risks. In line with the Supervisory Provisions, the Head of the Auditing department reports directly to the Board of Directors and functionally to the Management Control Committee.

In Intesa Sanpaolo, in addition to the Corporate Control Functions, there are other Functions with control tasks, such as the business continuity function and the IT security function.

The internal control system envisages a detailed set of information flows for the benefit of the Bodies, the different structures concerned and the Group companies so as to allow full and proper governance of the risk factors.

For the purposes of additional oversight of the internal control system and in implementation of the regulations issued by the Bank of Italy, the "Group rules on the internal reporting system of violations (Whistleblowing)" have been formalised and made available to employees who may report, not anonymously, facts or conduct that may constitute a breach of the rules governing banking activities and any other irregular conduct of which they become aware.

The reporting system ensures the confidentiality of the whistle-blower, excluding the risk of retaliatory, unfair or discriminatory behaviours.

As mentioned above, Intesa Sanpaolo, within the scope of the so-called "Integrated Internal Control System Regulation", has specifically identified the procedures for coordination and collaboration among the Control Functions, adopted in order to pursue an efficiently integrated system of controls and ensure the adequate governance of all corporate risks.

The monitoring of these elements constituting the internal control system is carried out by the same Control Functions, within their respective powers and within the scope of the Managerial Committee Group Control Coordination and Operational Risk, in the Integrated Internal Control System session, designed to strengthen coordination and interdepartmental cooperation mechanisms relating to the internal control system and to aid the integration of the risk management process.

In this regard, the Control Functions adopt appropriate coordination and collaboration mechanisms, based on specific "integration parameters", which apply to all the phases of the risk management process:

- dissemination of a common language;
- adoption of detection and assessment methods and instruments;

- definition of risk reporting models;
- identification of formalised coordination opportunities for the purposes of planning activities;
- provision of continuous information flows;
- sharing the identification of remedial actions.

In this context, the adequacy of essential system elements is assessed on an ongoing basis by the Corporate Bodies, and is taken into consideration in the report on operations attached to the Parent Company's financial statements, in this Report and in the report pursuant to Article 153 of the Consolidated Law on Finance.

7.C.1. b)  
7.P.3.

Given the above, a description is provided below of the main elements of the internal control system, also indicating the breakdown of financial information controls (in reference to the duties of the Manager responsible for preparing the Company's financial reports, the financial information control system and the statutory audit), the Corporate Control Functions as defined in the Supervisory Provisions on the control system (risk control, compliance with regulations, internal auditing, anti-money laundering and validation) and crime prevention models.

7.C.1. d)

### The role of the Corporate Bodies

The task of ensuring the completeness, adequacy, functionality and reliability of the internal control system at Group level falls within the remit of the Corporate Bodies of Intesa Sanpaolo as provided for by the Supervisory Provisions on the control system and by the Supervisory Provisions on corporate governance.

7.P.3. a)  
7.C.1.

In particular, in order to ensure an integrated and consistent internal control system and adequate monitoring of the risks to which the Group is or may be exposed, the strategic decisions relating to the internal control and risk management system at the Group level fall within the remit of the Board of Directors of Intesa Sanpaolo, as the Parent Company. Therefore, in carrying out its functions, it not only considers the actual corporate situation of the Parent Company, but also assesses the Group's overall operating activity and the overall risks to which it is exposed.

In the light of the one-tier governance model adopted by Intesa Sanpaolo, the Board of Directors, with the support of the Risks Committee and taking into account the proposals of the Managing Director and CEO, is called upon to define and approve the overall governance and organisational structure of the Bank and the Group, the guidelines of the internal control system, the risk appetite and the risk governance policies and processes. The Board of Directors is also responsible for addressing and monitoring the information system (including the supervision of the IT risk analysis) and business continuity.

The Board of Directors is also responsible for approving the establishment of the internal control functions, thereby outlining their tasks and responsibilities, and for appointing the Manager responsible for preparing the Company's financial reports and, upon the proposal of the Risks Committee, the heads of the Corporate Control Functions (Head of Internal Auditing, Chief Risk Officer, Chief Compliance Officer, Head of the Validation Department, Head of the Anti-Money Laundering Department).

The Board examines the reports prepared, at least annually, by the Corporate Control Functions and approves the work plan prepared by the head of the Internal Auditing, after examination by the Risks Committee and the Management Control Committee.

7.C.1. c)  
7.C.5. a)

In addition, the Board evaluates the observations formulated by the statutory auditor in the letter of recommendations, if any, and in the additional report on the statutory audit, pursuant to Article 11 of (EU) Regulation 537/2014, after examination by the Management Control Committee and the Risks Committee.

7.C.1. e)

The Board of Directors, in the performance of its strategic supervision and guidance on the internal control system and risk matters, is supported by the Risks Committee. All the matters indicated above within the purview of the Board are previously submitted to the Risks Committee for examination.

7.P.3. a)-  
ii)

The Management Control Committee, as the Body in charge of the duties assigned by current regulations to the Control Body, is tasked with supervising the completeness, adequacy, functionality and reliability of the internal control system and risk appetite framework, and the business continuity plan.

7.P.3. d)

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Furthermore, the Committee ensures 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.

The Management Control Committee monitors the effectiveness of the control, internal auditing and risk management systems, as well as the financial reporting process, the audit of the annual or consolidated financial statements, and the independence of the independent auditors also in the capacity of Internal Control and Audit Committee pursuant to Article 19, paragraph 2, letter c) of Italian Legislative Decree No. 39/2010, as novated by Italian Legislative Decree No. 135/2016. In that role, it is tasked with notifying the Board of Directors of the outcome of the statutory audit and to send to said body the report pursuant to Article 11 of (EU) Regulation 537/2014.

To carry out its functions, the Committee receives adequate flows of information from the other Corporate Bodies and from the corporate functions, including control functions. The Committee in particular receives from the control functions the activity plans, the periodic reports prepared, at least annually, as well as the flow of information relating to specific situations or company trends, with particular reference to any significant deficiencies or breaches detected. The Committee exchanges information of mutual interest and, where appropriate, coordinates with the Risks Committee for the performance of the respective duties, including in relation to information and disclosure notices of mutual interest; it also operates in close liaison with the control bodies of the subsidiaries, thereby contributing to the timely exchange of all relevant information.

7.P.3. a)-i)  
7.C.4.

The Managing Director and CEO has the power to submit proposals for resolutions concerning the internal control and risk system, without prejudice to the power of proposal reserved for individual Board Directors and Committees provided for by the Articles of Association. Furthermore, the Managing Director and CEO shall implement all the resolutions of the Board of Directors, with particular reference to the implementation of the strategic guidelines, the RAF and the risk governance policies defined by the Board of Directors. The Managing Director shall ensure integrated management of all corporate risks, thereby evaluating the internal and external factors that may give rise to them and their mutual interrelations and shall be responsible for the adoption of the necessary measures to make the organisation and internal control system compliant with the regulatory principles and provisions, monitoring compliance therewith within the Bank and the Group on an ongoing basis. The Managing Director is responsible for adopting the provisions aimed at ensuring that the various corporate functions implement the risk management and control process for the Bank and the Group, also taking care of the structure and operations of the risk measurement internal systems and the ICAAP and ILAAP process, in line with the Supervisory Provisions, the strategic guidelines, the RAF and the risk governance policies defined and approved by the Board of Directors.

### **The Manager responsible for preparing the Company's financial reports**

Pursuant to the provisions of Article 154-bis of the Consolidated Law on Finance, Intesa Sanpaolo has provided for the appointment of the Manager responsible for preparing the Company's financial reports.

The Manager responsible for preparing the Company's financial reports meets specific professional requirements connected to adequate skills in financial accounting and management and control of the related administrative procedures, as laid down by the Articles of Association. The Manager responsible for preparing the Company's financial reports also meets integrity requirements for members of control bodies of listed companies envisaged under current regulations.

The Manager responsible for preparing the Company's financial reports was vested with adequate powers and means for the performance of his/her functions. For this purpose he/she relies on:

- a dedicated organisational structure capable of supporting him/her, which is adequate in terms of number and technical and professional skills;
- the Administration and Tax Head Office Department;
- the contribution:
  - from the corporate control functions and, in particular, the Internal Audit Department, which is responsible for conducting overall assurance activities over the internal control system as indicated in the "Integrated Internal Control System Regulation" and from which he/she acquires, in relation to the effects on the financial reporting process and on the reliability of corporate information, the outcomes of the activities carried out;
  - from the other functions of the Parent Company and the Group companies.

Supervision on the reliability of the company financial reports and on the financial reporting process is

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carried out in compliance with the provisions of Article 154-bis of the Consolidated Law on Finance and the related implementing provisions as well as the rules on the administration and accounting system to which the companies that control companies governed by the laws of non-EU countries (Article 15 of Consob Market Regulation No. 20249/2017 in force since 3 January 2018, former Article 36 of Consob Market Regulation No. 16191/2007) are bound.

For the purposes of the aforesaid legal and regulatory provisions, the Manager responsible for preparing the Company's financial reports plays a steering and coordination role in Group companies with regard to administrative matters and in the supervision of internal control system functional to accounting and financial reporting and supervises the fulfilment of the legal obligations according to a shared approach at Group level, defined by specific internal regulations.

In this regard, during 2017, the "Guidelines for Administrative and Financial Governance", the amendments made to the internal and external regulatory framework and the evolution of the financial reporting in terms of breadth and content were updated. The most important changes include:

- the relations between the Manager responsible for preparing the Company's financial reports and the Surveillance Body pursuant to Legislative Decree 231/01;
- the coordination of the supervisory and control activity by the Manager responsible for preparing the Company's financial reports within the scope of the Group Control Coordination and Operational Risk Committee;
- the process of preliminary adaptation by the Manager responsible for preparing the Company's financial reports to the amendments to corporate regulations having effect for administrative and financial governance purposes;
- the review and integration of the information flows addressed to the Manager responsible for preparing the Company's financial reports;
- extension of the perimeter subject to monitoring, both in terms of processes and Group companies. With regards to the latter, the new guidance and coordination procedures envisage the introduction, in each Group company, of the role of the Head in charge of preparing the Company's financial reports, reporting to the Manager responsible for preparing the Company's financial reports in functional terms.

### The financial reporting process monitoring

Within Intesa Sanpaolo, the monitoring of the accounting and financial reporting process is based on the review of:

- the adequacy of the processes and procedures used for drafting the company financial reports and any other relevant financial disclosure pursuant to Article 154-bis of the Consolidated Law on Finance. The focus of the audits is represented by the work stages which, within business processes, entail the recording, processing, evaluation and presentation of data and information, as well as of the IT architecture and application monitoring rules, especially with reference to the management of operations and development interventions on the summary systems instrumental to the financial reporting;
- the completeness and consistency of the information disclosed to the market through a structured system of information flows coming from the functions of the Parent Company and companies on the significant events for the purposes of accounting and financial reporting, especially as regards the main risks and uncertainties to which they are exposed.

Italian legislation does not make express reference to predefined standards in order to assess the adequacy of the administrative and accounting procedures and to ensure the effectiveness of the related internal control system and technology infrastructure. The international benchmarks – typically also used by independent auditors – are represented respectively by the *COSO Framework*<sup>1</sup> in relation to the internal control system and the *COBIT Framework*<sup>2</sup> with regard to information systems. They are also used as benchmarks by Intesa Sanpaolo insofar as they offer the opportunity for a convergence in the analysis and evaluation methodologies with reference to the more widespread consolidated practices at the international level, based on authoritative references and widely recognised, updated on an ongoing basis and accompanied by elements of interpretation that enable a smooth and straightforward dialogue with the regulators, the independent auditors, the relevant bodies and among the control

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<sup>1</sup> The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation.

<sup>2</sup> The COBIT Framework - Control Objectives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.

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functions. In this regard, the “financial reporting risk” was incorporated in the integrated Group risk classification and a measurement metrics was defined, in line with the principles of the “Integrated Internal Control System Regulation”.

In this context, it is noted, finally, that for the purposes of the assessment of the adequacy of the relevant financial reporting processes, the Manager responsible for preparing the Company's financial reports relies on the outcomes of the control activities carried out by the Structures directly reporting to him/her, the Internal Auditing Department and the other Corporate Control Functions. To this end, within the scope of the Control Coordination and Operational Risk Committee provided for by the Integrated Internal Control System, the Corporate Control Functions and the Manager responsible for preparing the Company's financial reports share annual check plans and the related outcomes. Any critical issues arising from inspections conducted by external entities (Independent Auditors, Supervisory Authorities) are also gathered and evaluated in terms of financial reporting risk.

### **The role of the Managerial Committees**

During 2017, within the scope of the risk control and management system, a qualified role was performed by the Managerial Committees operating within the scope of the Bodies' prerogatives and the specific skills of the corporate control functions.

For a description of the Managerial Committees' duties, reference is made to the paragraph “Group's Managerial Committees” contained in the chapter “The operating structure”.

With special reference to the internal control and risk management system, the activities carried out by the following Committees are noted below:

- The Group Control Coordination and Operational Risk Committee, in the “Integrated Internal Control System” session, pursues the goal of reinforcing coordination and the interdepartmental cooperation mechanisms within the Group internal control system, thus promoting the integration of the risk management process.  
On the other hand, within the “Operational Risk” session, the Committee has the task of supervising the implementation of operational risk management guidelines and policies in accordance with indications formulated by the Board of Directors and periodically reviewing the overall operational risk profile of the Group (including IT risk), thereby authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving, in accordance with indications of the Board of Directors, operational risk transfer strategies.  
The Committee sessions are attended by the Heads of the Corporate Control Functions as well as by the Manager responsible for preparing the Company's financial reports. The participation of the Manager responsible for preparing the Company's financial reports in the Committee's sessions as a permanent member contributes to the fulfilment of the legal obligations assigned to the same Committee and the duties set out in the Corporate Regulations on the monitoring of the financial reporting process and also allows the promotion, as far as applicable, of the coordination and interdepartmental integration of the control activities.
- Within the scope of the Steering Committee, the “Group Risk Analysis” session is aimed at ensuring the monitoring and management of risks and the safeguarding of corporate value at Group level, including the internal control system, in implementation of the strategic guidelines and management policies defined by the Board of Directors. This session is assigned several responsibilities on the matter of risks, including the examination of the Group Risk Appetite Framework proposal, ICAAP and ILAAP report and risks Tableau de Bord.  
Furthermore, within the scope of the “Credit Strategies” session, the Committee reviews the Credit Strategy proposal and periodically checks the correct implementation thereof, thereby evaluating any necessary corrective measures.
- The Group Financial Risks Committee's functions are set out in two sessions,
  - the “Risk Analysis and Assessment” session, responsible for evaluating, in advance of approval by the Board of Directors, the guidelines on undertaking and measuring financial risks and the liquidity risk and proposals for operational limits, in addition to defining, within the scope of the powers received, the distribution thereof amongst the Group's major units; in addition, the session verifies the financial risk profile and the exposure to the liquidity and rate risk of the Group and its main operational units;



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- the “Management Guidelines and Operating Choices” session, which provides operational guidelines in implementation of the strategic guidelines and risk management policies laid down by the Board in respect of management of the banking book, liquidity, interest rate and exchange risk and periodically verifies the Group’s overall financial risk profile, as well as appropriate measures aimed at mitigating it.

### **The Chief Risk Officer**

The Chief Risk Officer, directly reporting to the Managing Director and CEO, has the responsibility of the relevant Governance Area – in charge of the risk management functions, including the controls on the risk management and internal validation process – that represents an important element of the “second line of defence” of the internal control system, separate and independent from the business functions.

The Chief Risk Officer Governance Area is set out in the following structures:

- Credit Risk Management Head Office Department
- Financial and Market Risks Head Office Department
- Enterprise Risk Management Head Office Department
- Internal Validation and Controls Head Office Department
- Risk Management Initiatives Coordination.

The risk control functions of subsidiaries with decentralised management model and the representatives of the Parent Company’s risk control function at subsidiaries with centralised management model functionally report to the Chief Risk Officer Governance Area.

The main duties entrusted to the Chief Risk Officer Governance Area are as follows:

- governing the macro-process of definition, approval, control and implementation of the Group’s Risk Appetite Framework (RAF) with the support of the other corporate functions involved;
- consistent with corporate strategies and objectives, assisting the Bodies in defining guidelines and policies on risk management;
- coordinating the implementation of guidelines and policies on risk management by the relevant Group business units, also in the various corporate contexts;
- guaranteeing the measurement and control of Group exposure to the various types of risk, also verifying the implementation of guidelines and policies as above;
- performing II level monitoring and controls on credit quality, composition and evolution of the various loan portfolios and on proper classification and provisioning of single positions (“single name” controls);
- performing II level monitoring and controls for monitoring risks other than credit risk;
- continuously and iteratively validating risk measurement and management systems – used both for the determination of capital requirements and for non-regulatory purposes – in order to assess their compliance with regulatory provisions, operational company demands and the reference market and to manage the internal validation process at Group level.

The Chief Risk Officer Governance Area structures are in charge of the actions implementing management and strategic guidelines along the Bank decision-making process, down to individual operational units. Furthermore, they develop and maintain risk measurement, management and control systems, in line with current regulations and international best practices, as described in the notes to the Financial Statements and the Pillar III - Basel III Disclosure.

### **The Chief Compliance Officer**

The Chief Compliance Officer, to which the Anti-Money Laundering Head Office Department also reports, reports directly to the Managing Director and CEO, in a position that is independent from operating structures and separate from internal auditing; this function ensures the monitoring of the risk of non-compliance with Group regulations, both in the operating and reputational risk component, including the risk of sanctions, losses or damage arising from improper conduct towards customers or such as to jeopardise the integrity and orderly functioning of the markets (so-called conduct risk).

The Chief Compliance Officer is responsible for the following tasks:

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- defining the guidelines and methodological rules for the monitoring and assessment of the risk of non-compliance;
  - identifying and assessing the risks of non-compliance and the related controls and planning the necessary mitigation measures;
  - identifying the applicable regulations, assessing the impact thereof on corporate processes and procedures, and proposing the resulting organisational and procedural changes;
  - providing support to the corporate structures in all matters in which the risk of non-compliance becomes relevant and in the preliminary assessment of innovative projects, including the launching of new activities and the entry in new markets, of operations and new products and services to be introduced to the market;
  - verifying ex post the adequacy and effective application of internal processes and procedures and of the proposed organisational adjustments for the prevention of the risk of non-compliance and, in general, checking the effective compliance with external and internal regulations by the corporate structures;
  - promoting the dissemination of a corporate culture founded on the principles of honesty, fairness and respect for the spirit and the letter of the rules;
  - managing relations with the Authorities with regards to compliance issues and non-compliance events.

The Chief Compliance Officer reports directly to Governing Bodies and has access to all activities within the Bank, as well as any information significant for the performance of his/her duties.

The regulatory scope and the procedures for monitoring regulatory areas subject to significant risks of non-compliance for the Group are defined in the Group Compliance Guidelines. The Chief Compliance Officer ensures disclosure to the Corporate Bodies on the adequacy of compliance monitoring, with reference to all regulatory areas applicable to the bank showing non-compliance risks.

The Chief Compliance Officer plays a guidance, coordination and controlling role on behalf of Subsidiaries not in service and for Branches abroad, for which an internal compliance function is established and a local Compliance Officer is appointed; the Compliance Officers of Subsidiaries report to the relevant Chief Compliance Officer structures in functional terms, whereas those of Branches report in hierarchical terms, save as for those cases where it is not permitted by the local regulations.

### **The Legal Affairs Head Office Department – Group General Counsel**

The Legal Affairs Head Office Department, for the matters attributed to it by the organisational model, oversees the legal risk at Group level, provides legal advice and support, manages and coordinates disputes in and out of court, including through the issue of guidelines and instructions.

The Department, within the scope of its advisory activities, also looks after the evolution of the regulations and, in the management of disputes, evaluates the risk also for the purposes of allocating the provisions.

The Department, including through loss data collection activities, cooperates with the Chief Risk Officer to operational risk measurement and control, as well as the identification of the related mitigation actions. The Department functionally reports to the Chief Governance Officer and functionally coordinates the legal structures of the Group companies.

### **Internal Auditing**

7.P.3. b)  
7.C.5. b)

Internal auditing activities are assigned to the Chief Audit Officer, a structure reporting directly to the Board of Directors (and, on its behalf, to the Chairman), functionally reporting to the Management Control Committee, without prejudice to the appropriate sharing of information with the Managing Director and CEO.. The Internal Auditing Structures of the Group's Italian and international companies report to the Chief Audit Officer in terms of functions.

7.C.1.  
7.C.5. c)

The Head of Internal Auditing enjoys the due autonomy and independence from operating Structures. Internal Auditing has access to all the activities carried out both at central offices and at peripheral structures. In the event whereby third parties are assigned activities inherent to the operation of the

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internal control system (e.g. data processing), the Internal Auditing must have access also to the activities carried out by said entities.

The structure performs overall level III assessment of the internal control system, reporting possible improvements to the Corporate Bodies, with specific regard to the RAF, the risk management process and the relevant measurement and control instruments.

7.C.5.  
a) and g)

In particular, it assesses the completeness, adequacy, functionality and reliability of the components of the internal control system, the risk management process and the corporate processes, also with regard to their ability to identify and prevent errors and irregularities. In this context, amongst others, it audits the risk control and regulatory compliance corporate functions, also through participation in plans, so as to generate added value and improve the effectiveness of the control and corporate governance processes. The audit action directly concerns Intesa Sanpaolo and the Group companies.

The Internal Auditing is also responsible for assessing the effectiveness of RAF definition process, the internal consistency of the overall framework and compliance of Bank operations with the RAF.

The structure uses personnel with the appropriate professional skills and expertise and ensures that its activities are performed in accordance with international best practices and standards for internal auditing established by the Institute of Internal Auditors (IIA). Internal auditors conduct their activity in accordance with the principles laid down in the Internal Auditor's Code of Ethics, inspired by that proposed by the Institute of Internal Auditors. As required by international standards, Internal Auditing is subject to an external Quality Assurance Review every five years; the last assessment was carried out in 2016 and assigned it the maximum rating ("Generally Compliant").

In performing its duties, the Internal Auditing uses structured risk assessment methods to identify situations of greatest interest and the main new risk factors. Based on the assessments emerging from risk assessment and the resulting priorities, as well as on any specific requests for further enquiry expressed by top management and Corporate Bodies, it prepares and submits an Annual Intervention Plan for prior examination by the Management Control Committee, and subsequent approval by the Board of Directors, on the basis of which it conducts its activities during the year, in addition to a Long-Term Plan.

7.C.5.  
d) and e)

The Plan may be subject to changes during the year as a result of extraordinary events, also deriving from potential development of risks and from new requests from the Corporate Bodies. The Chief Audit Officer ensures the correct performance of the internal management process for reporting violations (so-called whistleblowing).

The Chief Audit Officer supports corporate governance and ensures that Top Management, the Corporate Bodies and the competent Authorities promptly and systematically receive information on the status of the control system and on the outcome of activities performed.

Audit is performed directly for the Parent Company and Network Banks, as well as for subsidiaries under an outsourcing contract; for other Group entities vested with their own internal audit functions, on the other hand, indirect control is maintained.

In such cases, indirect audit is conducted via the steering and functional coordination of the Auditing structures of the Italian and international banks and subsidiaries, to guarantee control consistency and adequate attention to the different types of risks, also verifying the effectiveness and efficiency levels under both structural and operational profiles. Furthermore, direct audit and verification are also performed in the institutional capacity as Parent Company.

Any weak points are systematically reported to the Corporate Functions involved for prompt improvement action, with adequate follow-up activities suitable for checking its effectiveness.

7.C.5. f)

Summary internal control system assessments from the checks are periodically submitted to the Management Control Committee and the Board of Directors.

The outcomes of the checks completed with a negative opinion or which highlight major shortcomings were submitted in full to the Board of Directors, the Managing Director and CEO and to the Management Control Committee, as well as to the Boards of Directors and Statutory Auditors of the subsidiaries concerned.

The main weaknesses detected and their development over time are included in the Audit Tableau de Bord (TdB), with evidence of the ongoing mitigation actions as well as of the related managers and expected deadlines, so that they may be systematically monitored.

The Chief Audit Officer also supports the 231 Supervisory Body in ensuring constant and independent auditing of the regular performance of operations and processes, in order to prevent or identify the emergence of anomalous and risky conduct and events and monitor the compliance and adequacy of the rules contained in the 231 Model.

Internal Auditing ensures constant self-assessment of its own efficacy and efficiency in line with the internal “quality assurance and improvement” plan drafted in accordance with the recommendations of international standards for professional audit practice. In this regard, during 2017 it completed an evolutionary process with the aim of strengthening the audit model in line with the new European supervisory standards laid down by the EBA (SREP framework).

**The Surveillance Body and the Organisational, Management and Control Model pursuant to Legislative Decree 231/2001**

The Board of Directors – following the adoption of the one-tier corporate governance system – appointed the Surveillance Body tasked with duties of oversight on the effective and proper functioning, as well as on the updating, of the Organisational, Management and Control Model (“Model”) pursuant to Italian Legislative Decree No. 231/2001 on the administrative liability of entities.

The Body is composed of three external members to Intesa Sanpaolo, who meet the specific professionalism, integrity and independence requirements and is therefore able to ensure autonomy, independence, professionalism and integrity in the performance of the duties entrusted to it. Three alternate members were also appointed.

The activities, operations and duties of the Body, which met 11 times in 2017, in addition to being indicated in the Model, have also been specified in the “Regulations for the Surveillance Body, pursuant to Legislative Decree 231/2001”.

On 12 May 2017, the Body, pursuant to the Model and its Regulations, appointed the Chairman, thereby confirming Silvano Corbella’s office, in a logic of continuity with the previous year.

*Surveillance Body as per Legislative Decree 231/2001*

Members	Independent pursuant to Article 148 paragraph 3 of the CLF	Independent pursuant to the Code	Attendance percentage at meetings
Silvano Corbella – Chairman	X	X	100%
Franco Dalla Sega	X		100%
Paolo Venero	X	X	100%
Elena Brero (alternate)	X		N/A
Oreste Cagnasso (alternate)	X	X	N/A
Francesco D'Alessandro (alternate)	X	X	N/A

For each category of offences contemplated by Italian Legislative Decree 231/2001, the Model identifies “sensitive” company areas and, for each area, the company activities where there is a risk of the illicit offences being committed (so-called “sensitive activities”). For each sensitive activity, control principles and rules of conduct have been set forth, applicable to the people involved in such activities.

In particular, the Model outlines the reference legal context, the role and responsibility of the structures involved in its adoption, the efficient implementation and updating of the Model itself, the “sensitive” areas related to the type of illegal acts prevented, and the areas of company activity in which the risk of committing such acts may emerge, the behavioural principles and control rules for their prevention, related information flows and the disciplinary system.

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The Model is fully and effectively implemented in daily operations through the connection between each sensitive area and the dynamic management of processes and the reference internal regulations. Being based on the control and behavioural principles stated for each activity, these regulations govern company operations at the various levels, thereby forming an integral part of the Model itself.

In 2017 the Board of Directors updated the Model, subject to the favourable opinion of the Body. Said update is mainly related to the development of external regulations, the adoption of the Group Guidelines against corruption as well as other actions aimed at strengthening the same Model.

In performing its duties, the Body avails itself of the heads of the Internal Auditing and Compliance Departments as well as the Manager responsible for preparing the Company's financial reports, who provide, each to the extent applicable, appropriate information and inquiry support to the Body thereby making available the resources required to perform the necessary duties.

Thus the Body ensures constant and independent supervision over the regular performance of Bank processes to prevent and/or identify the emergence of anomalous or risky conduct or events. It assesses the operational nature of the internal control system as a whole and its adequacy in guaranteeing the effectiveness and efficiency of the control processes identified, and ensures their compliance with policies established by the corporate governance bodies and with internal and external regulations.

In order to pursue its functions with total independence, the Body has autonomous spending powers based on an annual budget, approved by the Board and subject to the favourable opinion of the same Body.

As regards the specific activities carried out in 2017, the following is noted in particular:

- the monitoring over the implementation of the Code of Ethics and the social and environmental responsibility principles;
- the examination of the procedures adopted by the Bank in order to manage transactions with related parties and associated entities of the Group;
- the analysis of the periodic reports issued by the corporate control functions;
- the update regarding Intesa Sanpaolo's Internal Control System Regulation as well as the major changes occurred in the organisational structure, processes, and system of powers of the Bank;
- the update on the integration process of the former Venetian Bank, with special reference to compliance and anti-money laundering profiles.

With reference to the value of the Model, Intesa Sanpaolo pushed ahead with the roll-out of the internal communication and staff training plan to facilitate the dissemination of the provisions of the Decree and of the Organisation Model adopted, so that awareness of the subject and observance of the related rules become an integral part of the professional portfolio of each employee. In particular, the Body agreed on the expedience of further reinforcement within the Model of the compulsory nature of 231 training by establishing specific training activities for international branch personnel.

Furthermore, without prejudice to the separate responsibility of each Group company for the adoption and effective implementation of their own models under Italian Legislative Decree No. 231/2001, the Bank, in its capacity as Parent Company, has formalised a series of guidelines on this topic for its subsidiaries with regard, among other things, to the appointment of a Surveillance Body, the preparation of staff training plans, the adoption of suitable controls for sensitive processes, and periodic reports to the Parent Company's Compliance Department.

The Surveillance Bodies of the subsidiaries are responsible for monitoring the functioning of the model adopted by each of the subsidiaries and the fulfilment of the obligations laid down by the regulations and submit the respective reports on the activities carried out to the Management Control Committee.

In 2017, the Body met, jointly with the Management Control Committee, the Boards of Statutory Auditors of the Italian subsidiaries, including in the capacity as Surveillance Bodies pursuant to Italian Legislative Decree No. 231/2001, thereby gaining further insight into matters of mutual interest.

The Organisational, Management and Control Models adopted by Intesa Sanpaolo and the Group companies are available in the Governance section of the Bank's website.

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## Independent Auditing

In Intesa Sanpaolo, as a listed company (Public Interest Entity pursuant to the relevant regulations), auditing of the accounts may only be conducted by an independent auditing firm (Independent Auditor), responsible for verifying, during the year, the regular keeping of corporate accounts and the proper recording of management operations in the books, and for expressing, through the appropriate reports, an opinion on the Parent Company's and consolidated financial statements, after ascertaining that they correspond to the accounting entries and related audits and that such records comply with the relevant regulations. The independent auditors are also entrusted, on a voluntary basis, with the limited audit of the consolidated half-yearly report and the consolidated interim reports.

The independent auditors are KPMG S.p.A., which the ordinary Shareholders' Meeting of 10 May 2011 appointed for financial years 2012-2020, as proposed by the Supervisory Board.

In order to monitor compliance with laws governing independent auditing firms engaged for the auditing of the accounts of Group companies, by ensuring the conditions to protect the independence of independent auditors, Intesa Sanpaolo has adopted the "Group Regulation for the granting of assignments to independent auditors and their networks" whereby a supervision system was set up with the aim of monitoring the nature and eligibility of the proposed mandates for the provision of services by auditors and related parties.

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## Treatment of corporate information

### *Inside information and Insiders List*

Intesa Sanpaolo has adopted the "Regulation for the management of inside information and proprietary transactions", which governs the internal management and processing of confidential information, as well as the procedures to be followed for the disclosure of documents and information relating to Intesa Sanpaolo and its subsidiaries, in line with the reference regulations provided by the EU Regulation on market abuse (so-called "MAR") and further implementing provisions.

1.C.1.j)

The Regulation envisages the adoption of any necessary precautionary measures in the treatment of confidential information, in order to avoid jeopardising its confidential nature, and also outlines a procedure for the management and external disclosure of inside information of which Bank Departments may become aware, as a result of their specific operating responsibilities.

The recipients of the internal regulation are all persons whose role or duties grant them access to and/or management of price sensitive information and/or information that could become price sensitive.

The Regulation identifies the Managing Director and CEO, the Chairman of the Board of Directors, along with other Group employees and departments identified by the Managing Director and CEO and the Chairman, as the persons authorised to issue disclosures to the market regarding inside information on the Bank and the Group.

Furthermore, Intesa Sanpaolo has established and regularly updates a register of persons who have actual access to inside information relating to individual price sensitive transactions carried out by the Group.

A similar register has been established by each Group company that issues financial instruments listed on regulated markets or financial instruments which, albeit not listed on Italian regulated markets, are widely distributed among the public.

### *Internal Dealing*

In line with EU regulations on market abuse, Intesa Sanpaolo has adopted Internal Dealing Regulations, published on the Bank's website (Governance/Internal dealing section). The Regulations govern the disclosure obligations and operating restrictions applicable to the Board Directors and to the Company's top managers and the people closely associated with them, in relation to the completion of transactions involving the Company's listed financial instruments (or other associated instruments).

Any transactions carried out by relevant persons are also disclosed through the Bank's website.

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## Relations with shareholders and the financial community – The website

9.P.2.  
1.C.1. j) Intesa Sanpaolo has a specific interest, as well as an obligation towards the market, in the management of on-going dialogue with shareholders, institutional investors and national and international market operators in compliance with internal rules and procedures governing the disclosure of inside information. In this respect the Bank guarantees a regular and systematic disclosure of accurate, complete and prompt information on Group operations, also in the light of indications provided by Consob, the principles expressed in the Corporate Governance Code and in national and international best practices.

The Articles of Association assign to the Chairman of the Board of Directors the task of supervising relations with shareholders, and verifying that such relations are managed correctly, in agreement with the Managing Director. The Chairman also arranges for the Common Representative of Savings Shareholders to be promptly informed of bank operations that could affect the official price of savings shares, particularly proposals that the Board has decided to submit to the Shareholders' Meeting with regard to capital transactions, mergers and demergers.

9.C.1. Given the size of the Bank and the Group, Intesa Sanpaolo makes use of specialist Structures backed by appropriate tools and professional resources: Investor Relations and Price-Sensitive Communication, which is responsible for relations with institutional investors, and Corporate Duties and Shareholders' Relations, which is responsible for relations with shareholders – or shareholder associations – and supports shareholders by providing them with corporate documentation disclosed pursuant to law. Press and media relations in general, in Italy and abroad, fall under the responsibility of the External Relations Head Office Department – Media Relations, which in this respect is the main contact also for Group companies. Rating Agencies and Investor Coverage is dedicated to the management of relations with analysts of rating agencies and, in concert with Investor Relations and Price-Sensitive Communication, looks after relations with institutional investors.

In its relations with the market, Intesa Sanpaolo adopts a specifically transparent form of conduct, especially with regard to annual and interim financial results and to Group strategies. This also takes place via meetings with the national and international financial community, in a framework of constant dialogue with the market based on correct and timely communication.

Given this line of transparent communications and in order to make information available promptly and as accessible as possible, Intesa Sanpaolo also uses its website.

The Bank focuses special attention on this particular information channel, taking into consideration developments in international best practices in the sector. The institutional website is constantly developed and expanded, so as to highlight its role in showcasing the Group, its values and its distinctive characteristics, and comply with statutory obligations and transparency requirements for the institutional information published online, while satisfying the highest market communication standards in terms of the timeliness and adequacy of messages.

On the website, available in both Italian and English, stakeholders can use an internal search engine to find additional information on the structure and composition of the Corporate bodies, the organisational structure of the Bank and the Group, the Shareholders' Meeting, the ownership structure and dividends, as well as share performance, interim financial reports and presentations of the results, ratings and prospectuses concerning securities issued by Intesa Sanpaolo. The website also publishes the Bank's press releases, the annual financial calendar showing major corporate events as well as information on significant or extraordinary transactions.

Also available on the website is the Intesa Sanpaolo "Shareholder's Guide". The Guide is designed to provide useful information on investing in the Bank's shares, to inform shareholders of the rights attaching to their shareholdings, and to enable shareholders to build a more active relationship with the Bank.

In this way the website becomes the place in which the financial community and stakeholders in general find numerous opportunities for information and dialogue with the Bank within the framework of constant, consistent and complete communication. Telephone contacts and an email address are provided on the website and there are specific links for requesting documentation of interest.



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## Shareholders' Meetings: procedures and shareholders' rights

### *The Shareholders' Meeting of Intesa Sanpaolo*

The Shareholders' Meeting is the Body deemed to represent all shareholders and its resolutions, passed in accordance with the law and the Articles of Association, are binding on all shareholders, irrespective of their attendance or dissent.

For the Bank, Shareholders' Meetings are one of the main opportunities for contact and dialogue with shareholders, as well as important occasions for the disclosure of news, in accordance with the principle of non-selective disclosure and rules on price sensitive information. At the same time, the Shareholders' Meeting represents for shareholders an opportunity for active participation in the Bank's operations and a chance to express their opinions, through the methods and on the topics envisaged by law and by the Articles of Association.

Intesa Sanpaolo has always strived to encourage the broadest possible participation in the Shareholders' Meetings and to guarantee the best quality standards for the information provided in order to realise the full potential of the meeting.

Art. 123-bis (2),  
(c) CLF

9.C.2.

9.P.1.

### *Duties of the Shareholders' Meeting*

Under the one-tier governance model adopted by Intesa Sanpaolo, the Ordinary Shareholders' Meeting shall:

- 1) approve the financial statements and resolve upon the net income allocation;
- 2) appoint, subject to determination of the corresponding number, and remove Board Directors, determine their remuneration and elect the Chairman and one or more Deputy Chairpersons;
- 3) appoint and remove Board Directors who sit on the Management Control Committee and appoint the Chairman, determining their remuneration;
- 4) resolve upon the responsibility of the Board Directors;
- 5) upon the reasoned proposal of the Management Control Committee, assign the statutory audit mandate and determine the amount due for that purpose and, upon consultation with the same Committee, withdraw or amend, where necessary, the mandate assigned;
- 6) approve the Board Directors' and personnel's remuneration policies, as well as the plans based on financial instruments; in this context, it shall approve the criteria for determining the severance payments to be granted in the event of early termination of the employment agreement or early termination of office, including the limits set for such payments as provided by the regulations currently in force, and shall also determine, with the qualified majority threshold defined by the supervisory regulations in force, a ratio between the variable and fixed individual remuneration of the personnel above the ratio of 1:1, but in any case not exceeding the maximum established by the same regulations;
- 7) approve the regulation, if any, of the Shareholders' Meeting proceedings;
- 8) resolve upon the other matters assigned to it by the applicable regulations and the Articles of Association;
- 9) authorise the most significant transactions with related parties in the cases and in the manner envisaged by the procedures adopted pursuant to the Articles of Association and in accordance with the relevant regulations.

The Extraordinary Shareholders' Meeting shall resolve upon the amendments of the Articles of Association (without prejudice to the powers of aligning the Articles of Association to the law recognised to the Board of Directors), on the appointment, removal, replacement and powers of liquidators and on any other matter within its purview pursuant to the law.

### *Calling and conduct of work*

The Shareholders' Meeting is called by the Board of Directors whenever it is deemed appropriate or, according to the provisions of Article 2367 of the Italian Civil Code, upon request by Shareholders representing at least one twentieth of the share capital.

The Shareholders' Meeting may also be called by the Management Control Committee, where required for the fulfilment of its duties, subject to sending notice thereof to the Chairman.

The Ordinary Shareholders' Meeting must be called at least once a year, no later than a hundred and eighty days after the end of the financial year.

The Shareholders' Meeting is called at the registered office of the Bank or in another location in the municipality where Intesa Sanpaolo has its registered office, by notice published on the Bank's website at least thirty days prior to the date of the Shareholders' Meeting, as well as by abstract publication in

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daily newspapers (the abstract notice is normally published in "Il Sole 24 Ore" and in the major national and international newspapers). If the Shareholders' Meeting is called to appoint Board Directors, an earlier deadline for publication of forty days prior to the date of the meeting is applied.

The Shareholders' Meeting is held on single call; the Board may establish a second call for the Ordinary Meeting and, limited to the Extraordinary Meeting, even a third call.

The notice of call provides shareholders with detailed information as regards the procedures for participation and the exercise of voting rights in the Shareholders' Meeting, the record date, the terms and methods for exercising the right to ask questions on items on the agenda, the terms and methods for acquiring the Meeting documentation – including the descriptive reports and the resolution proposals involving issues on the agenda – as well as any other information provided by the Bank.

The reports on the items on the agenda, and documents to be submitted to the Meeting, are made available to the public at the Bank's registered office, in a specific section of its website – accessible directly from the homepage – and in accordance with the other methods prescribed by law, by the deadline for publication of the notice of call prescribed in relation to each item on the agenda.

9.C.2. The Board Directors participate in the Shareholders' Meetings; also attending the Meetings are the Common Representative of Savings Shareholders, Bank executives and employees, as well as directors, statutory auditors, executives and employees of Group companies and representatives of the independent auditors. In addition, other persons may participate whose presence is considered useful by the Chairman of the Meeting with reference to the topics for discussion or the work of the Meeting.

9.C.3. Intesa Sanpaolo has not adopted a Shareholders' Meeting regulation and the Board has not deemed it necessary to propose the approval thereof at the Shareholders' Meeting.

Also on the basis of the experience acquired so far, the lack of a specific regulation has not prevented the Bank from ensuring the orderly and effective conduct of the work of the Meeting and the participation of those entitled in related discussions.

In this regard, as already pointed out, the Articles of Association govern in detail the process that the Shareholders' Meeting is required to follow in order to resolve upon the appointment of the members of the Board of Directors. Moreover, the Chairman of the Shareholders' Meeting, through the powers of management and coordination conferred upon him/her pursuant to the law and the Articles of Association, identifies, in the opening session, the main rules of conduct to be observed and in any event informs the attendees, including during the Meeting, with regard to the voting procedures, in order to allow them to express clear and well-informed opinions on the agenda items.

As concerns the right to speak on the agenda items, and with a view to guaranteeing everyone the opportunity to speak, the Chairman, also on the basis of the number of requests put forward, sets the speaking and answer time for each speaker at a maximum, normally, of five minutes. Requests to speak are made via an automatic booking system at specific stations in the meeting hall.

9.C.4. The Bank has decided not to change the percentage capital thresholds provided for by regulations in force with regard to the exercise of action and prerogatives to safeguard minority interests.

#### *Additions to the agenda and submission of new proposed resolutions*

Pursuant to the law and to the Articles of Association, shareholders severally or jointly representing at least one-fortieth of the share capital may, within ten days from publication of the notice of call, request the addition of items to the Meeting agenda or submit proposed resolutions on items already on the agenda, thereby specifying any further topics or proposals. The deadline is reduced to five days in the cases of shorter deadlines envisaged by law.

Those entitled to vote may individually, even without representing the quota referred to above, submit proposed resolutions on the agenda items directly at the Shareholders' Meeting.

Additional items are not permitted for topics which the Shareholders' Meeting addresses, by law, upon proposal by the Board or based on a project or report prepared by said Board, other than that usually drawn up for all items on the agenda pursuant to Article 125-ter, paragraph 1, of the Consolidated Law on Finance.

Notice of additions to the agenda or the submission of additional proposed resolutions on items already on the agenda is given in the forms prescribed for the publication of the notice of call.

#### *Right to ask questions on items on the agenda*

Those entitled to vote may ask questions concerning items on the agenda even prior to the Shareholders' Meeting. Answers to questions received prior to the Meeting are provided during the

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Meeting at the latest, with the Bank having the right to provide a single response to questions with the same content.

Questions may also be submitted through the appropriate section of the website or by email, according to the specific instructions outlined in the notice of call.

#### *Participation and representation – The Appointed Representative*

The right to participate in the Shareholders' Meeting is recognised for parties that are entitled to vote at the end of the accounting day of the seventh market trading day prior to the date set for the meeting on first or single call (the record date).

Voting by proxy is permitted: those entitled to vote but who do not intend to participate directly in the Shareholders' Meeting may be represented through proxy.

The Articles of Association envisage the possibility for electronic notification of voting proxies to the Bank through the appropriate section of the website or through email.

The notice of call contains specific instructions regarding the voting by proxy procedure and the availability of a facsimile of a proxy form on the Bank's website, as well as the methods with which proxies can be electronically notified.

In addition, if specified in the notice of call, those who are entitled to vote may attend the Meeting through telecommunication means and exercise their right to vote electronically.

As an additional instrument to encourage more widespread participation in the decision-making processes of the Shareholders' Meeting, the Articles of Association allow the Bank to designate for each meeting, disclosing it in the notice of call, one or more "Appointed Representatives" on whom holders of voting rights can confer a proxy with instructions to vote on all or some of the items on the agenda. The appointment of more than one representative, also in different locations, meets the need of increased proximity to shareholders, as well as differentiation by shareholder category.

However, the legal provisions on the requests for proxies by advisors or collective proxies by associations of shareholders remain in force.

Regarding the latter, again to achieve large involvement of shareholders, the Intesa Sanpaolo website also indicates contacts of Shareholder Associations in respect of whom the Bank received notice as of the last Shareholders' Meeting or by previous communications.

Intesa Sanpaolo's Articles of Association do not permit postal voting.

#### *Voting rights*

There are no restrictions on voting rights, except with regard to savings shares, which only carry voting rights at Special Savings Shareholders' Meetings, and not at Ordinary and Extraordinary Shareholders' Meetings.

Art.  
123-bis  
(1), (f) CLF

#### *Contestation of shareholder resolutions*

Resolutions adopted at Shareholders' Meetings in accordance with law and the Articles of Association are binding on all shareholders, including those who dissent or abstain from voting. Resolutions adopted not in accordance with law and the Articles of Association may be contested by absent, dissenting or abstaining shareholders.

The terms and procedures for contesting resolutions are determined by the provisions of law in force, contained in Articles 2377-2378 of the Italian Civil Code.

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In 2017, the ordinary Shareholders' Meeting was held on 27 April.

On that occasion, the Shareholders' Meeting resolved upon the following matters:

- approval of the Parent Company's 2016 financial statements;
- allocation of net income for the year and distribution of dividends and part of the Share Premium Reserve;
- 2017 remuneration policies for employees and other staff not bound by an employment agreement and for certain categories governed by an agency contract;

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- extension of the increase in the cap on the variable-to-fixed remuneration to all the Risk Takers who are not part of the Corporate Control Functions;
  - approval of the criteria for the determination of the compensation, including the maximum amount, to be granted in the event of early termination of the employment agreement or early termination of office;
  - approval of the 2016 Incentive Plan based on financial instruments;
  - authorisation to purchase and dispose of own shares to service the 2016 Incentive Plan.

Shareholders representing approximately 58.44% of the ordinary share capital attended the Meeting, confirming a constantly high participation of shareholders at meetings.

#### *The Special Savings Shareholders' Meeting*

Holders of savings shares have the right to participate and vote at Special Savings Shareholders' Meetings.

In accordance with law, Special Savings Shareholders' Meetings are called, among other things:

- a) to appoint and remove the Common Representative of Savings Shareholders and act against him/her;
- b) to approve shareholder resolutions that compromise the rights of savings shareholders.

Appointment of the Common Representative requires the favourable vote of savings shares representing at least twenty per cent and ten per cent of the shares in this category on first and second call, respectively, and the majority of those present on third call, regardless of the proportion of share capital represented.

The current Common Representative of Savings Shareholders is Dario Trevisan, appointed by the Special Meeting held on 1 December 2017 for the period 2018/2020, which set his fee for the entire three-year period at 25,000 euro.

The Common Representative of Savings Shareholders, who remains in office for three financial years, has the right to participate in ordinary and extraordinary meetings of the Bank and is to be informed without delay by the Chairman of the Board of Directors of any bank operations that could affect the official price of savings shares, and in particular of any proposals that the Board has decided to submit to the Shareholders' Meeting regarding capital transactions, mergers and demergers.

Special Savings Shareholders' Meetings may be called by the Common Representative or by the Board of Directors as necessary and at the request of any number of savings shareholders representing at least one per cent of all savings shares. In the latter case, if the Board fails to act or acts with unjustified delay, the Special Shareholders' Meeting may be called by the Management Control Committee.

#### *The right of withdrawal*

The right of withdrawal may be exercised only in those cases exclusively provided for by Article 2437 of the Italian Civil Code. As permitted by Article 2437, paragraph 2, of the Italian Civil Code, the Articles of Association exclude the right of withdrawal for shareholders that voted against resolutions concerning the extension of the duration of the Bank and the introduction or cancellation of restrictions on the trading of shares.

The terms and methods for the exercise of the right of withdrawal and the criteria for determining the value of the shares and related liquidation procedures are governed by law.

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## Social and environmental responsibility

In setting long-term growth and creation of value objectives, Intesa Sanpaolo is aware of the social and environmental developments that accompany the business activities of the Bank and the Group. It therefore promotes a style of growth that concentrates on long-term sustainability of results, in support of economies and the communities in the areas in which it operates, placing special focus on environmental protection and enhancement.

In order to promote, monitor and coordinate the various issues related to social responsibility, there is a dedicated Intesa Sanpaolo business unit – Corporate Social Responsibility – and CSR delegates have been appointed in the Group's main entities and companies. Specific tools have also been adopted, including the Code of Ethics, the Consolidated Non-financial Statement pursuant to Legislative Decree 254/2016 (formerly the Sustainability Report) and policies on specific sectors of the Bank activities.

The Code of Ethics is a self-regulatory instrument approved by the Board of Directors containing voluntary commitments in the management of relations with all the Group's internal and external parties (the "Stakeholders"). In this perspective, the Code lays down the pillars of the corporate culture and the reference values which underline the rules of conduct with respect to those Stakeholders. Corporate Social Responsibility reports annually to the Management Control Committee and the Surveillance Body with regard to its implementation.

All of the Personnel in the Group, both in Italy and abroad, are expected to behave in a manner that complies and is consistent with the values and principles described in the Code of Ethics and each company in the Group is expected to ensure the adherence of its actions and activities to the values and principles prescribed, albeit consistent with its own specific characteristics.

The Code of Ethics is periodically updated in order to follow the development of the Bank and the context in which it operates.

By way of the Consolidated Non-financial Statement pursuant to Legislative Decree 254/2016, prepared on the basis of international reporting standards and published on the Bank's website, Intesa Sanpaolo is accountable to Stakeholders regarding activities performed during the year and its commitment to pursuing improvement objectives evaluated on the basis of the business strategies and through listening to Stakeholders' legitimate expectations. The Consolidated Non-financial Statement pursuant to Legislative Decree 254/2016 is approved by the Board of Directors and published on the Company Register jointly with the Report on operations.

The Risks Committee assists the Board in the evaluation and review of Corporate Social Responsibility matters, contributing to ensure the most effective risk monitoring, and in the approval of the Code of Ethics.



## Part IV – Summary Tables

Table no. 1: Composition of the Board of Directors and Committees

Board of Directors								Management Control Committee	Nomination Committee	Remuneration Committee	Risks Committee	Related Party Transactions Committee				
Director	Age	In office since	Executive	Slate (1)	Independent (2)	No. of other offices held (3)	Position (4) (3)	Position (4) (3)	Position (4) (3)	Position (4) (3)	Position (4) (3)	Position (4) (3)				
<b>Chairman</b>																
Gian Maria Gros-Pietro	76	2013/05/09		Ms		2	100%		M	100%						
<b>Deputy Chairman</b>																
Paolo Andrea Colombo	57	2016/04/27		Ms	X	2	100%		M	100%	C	100%				
<b>Managing Director and CEO</b>																
Carlo Messina	55	2013/09/29	X	Ms			100%									
<b>Directors</b>																
Bruno Picca	67	2013/05/09		Ms			100%			M	100%	M	100%			
Rossella Locatelli	57	2013/04/22		Ms	X	4	96%					C	100%	M	100%	
Giovanni Costa	75	2007/01/01		Ms		1	100%		M	100%	M	100%				
Livia Pomodoro	77	2016/04/27		Ms	X		100%		M	100%						
Giovanni Gorno Tempini	56	2016/04/27		Ms	X	3	96%				M	95%		M	93%	
Giorgina Gallo	57	2016/04/27		Ms	X	1	96%				M	100%		M	100%	
Franco Ceruti	65	2016/04/27		Ms		5	100%						M	100%		
Gianfranco Carbonato	72	2012/05/28		Ms	X	3	96%		C	100%						
Francesca Cornelli	55	2016/04/27		ms	X	4	100%						M	97%		
Daniele Zamboni	58	2016/04/27		ms	X		100%						M	100%	C	100%

Board of Directors								Management Control Committee	Nomination Committee	Remuneration Committee	Risks Committee	Related Party Transactions Committee	
Director	Age	In office since	Executive	Slate (1)	Independent (2)	No. of other offices held (3)	Position (4) (3)	Position (4) (3)	Position (4) (3)	Position (4) (3)	Position (4) (3)		
Maria Mazzarella	67	2016/04/27		ms	X		100%					M	100%
Maria Cristina Zoppo	46	2016/04/27		Ms	X	3	100%	M	98%				
Edoardo Gaffeo	50	2013/04/22		Ms	X		100%	M	98%				
Milena Teresa Motta	58	2016/04/27		Ms	X	3	100%	M	100%				
Marco Mangiagalli	68	2010/05/01		ms	X		100%	C	98%				
Alberto Maria Pisani	63	2016/04/27		ms	X		96%	M	100%				

(1) Ms = "majority" slate / ms = "minority" slate

(2) Independent pursuant to art. 13.4 of the Articles of Association, the Corporate Governance Code and art. 148, paragraph 3, of the Consolidated Law on Finance

(3) Attendance percentage at, respectively, Board of Directors and Committees meetings

(4) Position in the Committee: "C": Chairman; "M": Member



**Table no. 2: List of other management and control offices of Board Directors in other companies listed on regulated markets (also abroad), in financial, banking, insurance or large companies**

Director	Position	Company
Gian Maria Gros-Pietro	Chairman	ASTM S.p.A.
	Director	Edison S.p.A.
Paolo Andrea Colombo	Chairman	Colombo & Associati S.r.l.
	Chairman	Saipem S.p.A.
Carlo Messina	-	
Bruno Picca	-	
Rossella Locatelli	Chairman	Bonifiche Ferraresi S.p.A.
	Chairman	B.F. Holding
	Member, Supervisory Board	Darma SGR in administrative compulsory liquidation
	Member, Supervisory Board	Sofia Gestione del Patrimonio SGR in special administration
Giovanni Costa	Director	Edizione S.r.l.
Livia Pomodoro	-	
Giovanni Gorno Tempini	Chairman	Fondazione Fiera Milano
	Director	Willis S.p.A.
	Director	Avio S.p.A.
Giorgina Gallo	Director	Zignago Vetro S.p.A.
Franco Ceruti	Chairman	Intesa Sanpaolo Expo Institutional Contact S.r.l.
	Director	Intesa Sanpaolo Private Banking S.p.A.
	Director	Mediocredito S.p.A.
	Director	Banca Prossima S.p.A.
	Director	Intesa Sanpaolo Assicura S.p.A.
Gianfranco Carbonato	Chairman	Prima Industrie S.p.A.
	Chairman	Prima Power North America Inc.
	Director	Prima Power Suzhou Co. Ltd.
Francesca Cornelli	Director	- Swiss Re Europe
	Director	Swiss Re Group - Swiss Re International
	Director	- Swiss Re Holding
	Director	Telecom Italia S.p.A.
Daniele Zamboni	-	
Maria Mazzarella	-	
Maria Cristina Zoppo	Chairman, Board of Auditors	Houghton Italia S.p.A.
	Standing Auditor	Coopers & Standards Automotive Italy S.p.A.
	Standing Auditor	U.S. Alessandria Calcio S.r.l.
Edoardo Gaffeo	-	

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Director	Position	Company
Milena Teresa Motta	Director Chairman, Board of Auditors	Strategie & Innovazione S.r.l. Trevi Finanziaria Industriale S.p.A.
Marco Mangiagalli	-	
Alberto Maria Pisani	-	

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# Appendix



**Table No. 1: “Check List”**

Principles and Criteria of the Corporate Governance Code		Applied with adaptations as appropriate	Not applied	Page of Report
<b>1. ROLE OF THE BOARD OF DIRECTORS</b>				
1.P.1	The issuer is governed by a Board of Directors that meets at regular intervals, adopts an organisation and a modus operandi which enable it to perform its functions in an effective manner.	✓		Page 33, 46, 48
1.P.2.	The directors act and make decisions with full knowledge of the facts and autonomously pursuing and placing priority on the objective of creating value for the shareholders over a medium-long term period.	✓		Page 33,46
1.C.1.	The Board of Directors shall:			
	a) examine and approve the strategic, operational and financial plans of both the issuer and the corporate group it heads, monitoring periodically the related implementation; it defines the issuer’s corporate governance system and the relevant group structure;	✓		Page 33
	b) define the risk profile, both as to nature and level of risks, in a manner consistent with the issuer’s strategic objectives, taking into account any risk that may affect the sustainability of the issuer’s business in a medium-long term perspective;	✓		Page 33
	c) evaluate the adequacy of the organizational, administrative and accounting structure of the issuer as well as of its strategically significant subsidiaries in particular with regard to the internal control system and risk management;	✓		Page 33, 34
	d) specify the frequency, in any case no less than once every three months, with which the delegated bodies must report to the Board on the activities performed in the exercise of the powers delegated to them;	✓		Page 33
	e) evaluate the general performance of the company, paying particular attention to the information received from the delegated bodies and periodically comparing the results achieved with those planned;	✓		Page 34
	f) resolve upon transactions to be carried out by the issuer or its subsidiaries having a significant impact on the issuer’s strategies, profitability, assets and liabilities or financial position; to this end, the Board shall establish general criteria for identifying material transactions;	✓		Page 34
	g) perform at least annually an evaluation of the performance of the Board of Directors and its committees, as well as their size and composition, taking into account the professional competence, experience (including managerial experience) and gender of its members as well as number of years as director. Where the Board of Directors avails of external consultants for such a self-assessment, the Report on Corporate Governance shall provide information on their identity and other services, if any, performed by such consultants to the issuer or to companies having a control relationship with the issuer;	✓		Page 40, 44, 54, 55

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Page of Report
h) taking into account the outcome of the evaluation mentioned under the previous item g), report its view to shareholders on the managerial and professional profiles deemed appropriate for the composition of the Board of Directors, prior to its nomination;	✓		Page 35
i) provide information in the Report on Corporate Governance regarding: (1) its composition, indicating for each member his/her qualification (executive, non executive, independent), the role held within the Board of Directors (including by way of example, chairman or chief executive officer, as defined by article 2), the main professional characteristics as well as the duration of his/her office since the first appointment; (2) the application of article 1 of this Code and, in particular, on the number and average duration of meetings of the Board and of the executive committee, if any, held during the fiscal year, as well as the related percentage of attendance of each director; (3) the procedures for the self-assessment process under the previous item g);	✓		Page 34, 35,38, 44, 48, 51, 57, 58, 59, 60
j) in order to ensure the correct handling of corporate information, adopt, upon proposal of the managing director or the chairman of the Board of Directors, procedures for the internal handling and disclosure to third parties of documents and information concerning the issuer, having special regard to inside information.	✓		Page 47, 77, 78
1.C.2. The directors shall accept the directorship when they deem that they can devote the necessary time to the diligent performance of their duties, also taking into account the commitment relating to their own work and professional activity, the number of offices held as director or statutory auditor in other companies listed on regulated markets (also abroad), in financial, banking, insurance or large companies. The Board shall record, on the basis of the information received from the directors, on a yearly basis, the offices of director or statutory auditor held by the directors in the above-mentioned companies and include them in the Report on Corporate Governance.	✓		Page 42, 43
1.C.3. The Board shall issue guidelines regarding the maximum number of offices as director or statutory auditor for the types of companies referred to in the above paragraph that may be considered compatible with an effective performance of the duties as issuer's director, taking into account the attendance by the directors to the committees set up within the Board. To this end, the Board identifies the general criteria, differentiating them according to the commitment entailed by each role (executive or non-executive or independent director), as well as the nature and size of the companies in which the offices are performed, plus whether or not the companies are members of the issuer's group.	✓		Page 42
1.C.4. If the shareholders' meeting, when dealing with organisational needs, authorises, on a general, preventive basis, derogations from the rule prohibiting competition, as per Article 2390 of the Italian Civil Code, then the Board of Directors shall evaluate each such issue, reporting, at the next shareholders' meeting, the critical ones if any. To this end, each director shall inform the Board, upon accepting his/her appointment, of any activities exercised in competition with the issuer and of any effective modifications that ensue.	✓		Page 43
1.C.5. The chairman of the Board of Directors shall ensure that the documentation relating to the agenda of the Board is made available to directors and statutory auditors in a timely manner prior to the Board meeting. The Board of Directors shall provide	✓		Page 46

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Page of Report
<p>information in the Report on Corporate Governance on the promptness and completeness of the pre-meeting information, providing details, inter alia, on the prior notice usually deemed adequate for the supply of documents and specifying whether such prior notice has been usually observed.</p>			
<p>1.C.6. The chairman of the Board of Directors, also upon request of one or more directors, may request to the managing directors that executives of the issuer or the companies belonging to its group, in charge of the pertinent management areas related to the Board agenda, attend the meetings of the Board, in order to provide appropriate supplemental information on the items on the agenda. The Corporate Governance Report provides information on the effective attendance of the Board meetings.</p>	✓		Page 48
<b>2. COMPOSITION OF THE BOARD OF DIRECTORS</b>			
<p>2.P.1. The Board of Directors shall be made up of executive and non-executive directors, who should be adequately competent and professional.</p>	✓		Page 34, 39
<p>2.P.2. Non-executive directors shall bring their specific expertise to Board discussions and contribute to the adoption of fully informed decisions paying particular care to the areas where conflicts of interest may exist.</p>	✓		Page 34, 43, 47, 48
<p>2.P.3. The number, competence, authority and time availability of non-executive directors shall be such as to ensure that their judgement may have a significant impact on the taking of Board's decisions.</p>	✓		Page 48
<p>2.P.4. It is appropriate to avoid the concentration of corporate offices in one single individual.</p>	✓		Page 35
<p>2.P.5. Where the Board of Directors has delegated management powers to the chairman, it shall disclose adequate information in the Report on Corporate Governance regarding the reasons for such organisational choice.</p>	✓		Page 38
<p>2.C.1. The following are qualified executive directors for the issuer:</p> <ul style="list-style-type: none"> <li>- the managing directors of the issuer or a subsidiary having strategic importance, including the relevant chairmen when these are granted individual management powers or when they play a specific role in the definition of the business strategies;</li> <li>- the directors vested with management duties within the issuer or in one of its subsidiaries having strategic importance, or in the parent company when the office concerns also the issuer;</li> <li>- the directors who are members of the executive committee of the issuer, when no managing director is appointed or when the participation in the executive committee, taking into account the frequency of the meetings and the scope of the relevant resolutions, entails, as a matter of fact, the systematic involvement of its members in the day-to-day management of the issuer.</li> </ul> <p>The granting of deputy powers or powers in cases of urgency to directors, who are not provided with management powers is not enough, per se, to cause them to be identified as executive</p>	✓		Page 38

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<p>directors, provided however that such powers are not actually exercised with considerable frequency.</p>			
<p>2.C.2. The directors shall know the duties and responsibilities relating to their office.</p> <p>The chairman of the Board of Directors shall use his best efforts to allow the directors and the statutory auditors, after the election and during their mandate, to participate, in the ways deemed appropriate, in initiatives aimed at providing them with an adequate knowledge of the business sector where the issuer operates, of the corporate dynamics and the relevant evolutions, of the principles of proper risk-management as well as the relevant regulatory and self-regulatory framework. The issuer shall describe in the Corporate Governance Report the type and organizational manners of the activities that took place during the fiscal year of reference.</p>	✓		Page 41
<p>2.C.3. The Board shall designate an independent director as lead independent director, in the following circumstances: (i) in the event that the chairman of the Board of Directors is the chief executive officer of the company; (ii) in the event that the office of chairman is held by the person controlling the issuer.</p> <p>The Board of Directors of issuers belonging to FTSE-Mib index shall designate a lead independent director if so requested by the majority of independent directors, except in the case of a different and grounded assessment carried out by the Board to be reported in the Report on Corporate Governance.</p>	✓		Page 42
<p>2.C.4. The lead independent director:</p> <p>a) represents a reference and coordination point for the requests and contributions of non-executive directors and, in particular, those who are independent pursuant to Article 3 below;</p> <p>b) cooperates with the chairman of the Board of Directors in order to guarantee that directors receive timely and complete information.</p>	✓		Page 42
<p>2.C.5. The chief executive officer of issuer (A) shall not be appointed director of another issuer (B) not belonging to the same corporate group, in the event that the chief executive officer of issuer (B) is a director of issuer (A).</p>	✓		Page 38
<b>3. INDEPENDENT DIRECTORS</b>			
<p>3.P.1. An adequate number of non-executive directors shall be independent, in the sense that they do not maintain, directly or indirectly, nor have recently maintained any business relationships with the issuer or persons linked to the issuer, of such a significance as to influence their autonomous judgement.</p>	✓		Page 41
<p>3.P.2. The directors' independence shall be assessed by the Board of Directors, after the appointment and, subsequently, on a yearly basis. The results of the assessments of the Board shall be communicated to the market.</p>	✓		Page 42
<p>3.C.1. The Board of Directors shall evaluate the independence of its non-executive members having regard more to the contents than to the form and keeping in mind that a director usually does not</p>	✓		Page 42



appear independent in the following events, to be considered merely as an example and not limited to:

a) if he/she controls, directly or indirectly, the issuer also through subsidiaries, trustees or third parties, or is able to exercise over the issuer dominant influence, or participates in a shareholders' agreement through which one or more persons can exercise a control or dominant influence over the issuer;

b) if he/she is, or has been in the preceding three fiscal years, a significant representative of the issuer, of a subsidiary having strategic importance or of a company under common control with the issuer, or of a company or entity controlling the issuer or able to exercise over the same a considerable influence, also jointly with others through a shareholders' agreement;

c) if he/she has, or had in the preceding fiscal year, directly or indirectly (e.g. through subsidiaries or companies of which he is a significant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship:

- with the issuer, one of its subsidiaries, or any of its significant representatives;

- with a subject who, also jointly with others through a shareholders' agreement, controls the issuer, or – in case of a company or an entity – with the relevant significant representatives;

or is, or has been in the preceding three fiscal years, an employee of one of the above-mentioned subjects;

d) if he/she receives, or has received in the preceding three fiscal years, from the issuer or a subsidiary or a parent company of the issuer, a significant additional remuneration (compared to the "fixed" remuneration of non-executive director of the issuer and to remuneration of the membership in the committees that are recommended by the Code) also in the form of participation in incentive plans linked to the company's performance, including stock option plans;

e) if he/she was a director of the issuer for more than nine years in the last twelve years;

f) if he/she is vested with the executive director office in another company in which an executive director of the issuer holds the office of director;

g) if he/she is shareholder or quotaholder or director of a company or entity belonging to the same network as the company appointed for the auditing of the issuer;

h) if he/she is a close relative of a person who is in any of the positions listed in the above paragraphs.

3.C.2.	For the purpose of the above, the chairman of the entity, the chairman of the Board of Directors, the executive directors and key managers of the relevant company or entity, must be considered as "significant representatives".	✓	Page 42
3.C.3.	The number and competences of independent directors shall be adequate in relation to the size of the Board and the activity performed by the issuer; moreover, they must be such as to	✓	Page 41

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<p>enable the constitution of committees within the Board, according to the indications set out in the Code.</p> <p>As for issuers belonging to FTSE-Mib index, at least one third of the Board of Directors members shall be made up of independent directors. If such a number is not an integer, it shall be rounded down.</p> <p>Anyway, independent directors shall not be less than two.</p>			
<p>3.C.4. After the appointment of a director who qualifies himself/herself as independent, and subsequently, upon the occurrence of circumstances affecting the independence requirement and in any case at least once a year, the Board of Directors shall evaluate, on the basis of the information provided by the same director or available to the issuer, those relations which could be or appear to be such as to jeopardize the autonomy of judgement of such director.</p> <p>The Board of Directors shall notify the result of its evaluations, after the appointment, through a press release to disclosed the market and, subsequently, within the Report on Corporate Governance.</p> <p>In the documents mentioned above, the Board of Directors shall:</p> <ul style="list-style-type: none"> <li>- disclose whether they adopted criteria for assessing the independence which are different from the ones recommended by the Code, also with reference to individual directors, and if so, specifying the reasons;</li> <li>- describe quantitative and/or qualitative criteria used, if any, in assessing the relevance of relationships under evaluation.</li> </ul>	✓		Page 42
<p>3.C.5. The Board of Statutory Auditors shall ascertain, in the framework of the duties attributed to it by the law, the correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of its members. The result of such controls is notified to the market in the Report on Corporate Governance Report or in the report of the Board of Statutory Auditors to the shareholders' meeting.</p>	✓		Page 42
<p>3.C.6. The independent directors shall meet at least once a year without the presence of the other directors.</p>	✓		Page 42

**4. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS**

<p>4.P.1. The Board of Directors shall establish among its members one or more committees with proposing and consultative functions according to what set out in the articles below.</p>	✓		Page 56
<p>4.C.1. The establishment and functioning of the committees governed by the Code shall meet the following criteria:</p> <p>a) committees shall be made up of at least three members. However, in those issuers whose Board of Directors is made up of no more than eight members, committees may be made up of two directors only, provided, however, that they are both independent. The committees' activities shall be coordinated by a chairman;</p>	✓		Page 56

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b) the duties of individual committees are provided by the resolution by which they are established and may be supplemented or amended by a subsequent resolution of the Board of Directors;	✓		Page 56
c) the functions that the Code attributes to different committees may be distributed in a different manner or assigned to a number of committees lower than the envisaged one, provided that their composition rules comply with those indicated from time to time by the Code and the achievement of the underlying objectives is ensured;	✓		Page 56
d) minutes shall be drafted of the meetings of each committee and the Chairman of the committee shall inform the Board of Directors thereof during the first available meeting;	✓		Page 56
e) in the performance of their duties, the committees have the right to access the necessary company's information and functions for performance of their duties, according to the procedures established by the Board of Directors, as well as to avail themselves of external consultants. The issuer shall make available to the committees adequate financial resources for the performance of their duties, within the limits of the budget approved by the Board;	✓		Page 53, 56
f) persons who are not members of the committee, including other Board members or persons belonging to issuer's structure, may participate in the meetings of each committee upon invitation of the same, with reference to individual items on the agenda;	✓		Page 53, 56
g) the issuer shall provide adequate information, in the Report on Corporate Governance, on the establishment and composition of committees, the contents of the mandate entrusted to them, as well as, on the basis of the indications provided for by each committee, the activity actually performed during the fiscal year, the number of meetings held, their average duration and the relevant percentage of participation of each member.	✓		Page 57
<p>4.C.2. The establishment of one or more committees may be avoided and the relevant duties may be assigned to the Board of Directors, under the coordination of the chairman and provided that: (i) independent directors are at least half of the Board of Directors members; if the number of the Board members is odd, a rounding down to the lower unit shall be carried out; (ii) adequate time is dedicated during Board meetings to actions that the Code requires the Committees to carry out, and this circumstance is disclosed in the Report on Corporate Governance; (iii) as far as the control and risk committee is concerned, the issuer is neither controlled by another listed company nor it is subject to direction and coordination.</p> <p>The Board of Directors describes in detail in the Report on Corporate Governance the reasons underlying the choice not to establish one or more committees; in particular, it provides adequate grounds for the choice not to establish the risk and control committee in consideration of the complexity level of the issuer and the sector in which it operates. In addition, the Board shall periodically reassess the choice made.</p>	✓(*)		Page 56 (*) All the Committees have been established, as also required by the Supervisory provisions on banks

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<b>5. APPOINTMENT OF DIRECTORS</b>			
5.P.1. The Board of Directors shall establish among its members a committee to propose candidates for appointment to the position of director (nominations committee), made up, for the majority, of independent directors.	✓		Page 56, 57
5.C.1. The nominations committee shall be vested with the following functions:			
a) to express opinions to the Board of Directors regarding its size and composition and express recommendations with regard to the professional skills necessary within the Board as well with regard to the topics indicated by articles 1.C.3. and 1.C.4.;	✓		Page 57
b) to submit the Board of Directors candidates for directors offices in case of co-option, should the replacement of independent directors be necessary.	✓		Page 57
5.C.2. The Board of Directors shall evaluate whether to adopt a plan for the succession of executive directors. In the event of adoption of such a plan, the issuer shall disclose it in the Report on Corporate Governance. The review on the preparation of the above mentioned plan shall be carried out by the nominations committee or by another committee established within the Board of Directors in charge of this task.	✓		Page 39, 57
<b>6. REMUNERATION OF DIRECTORS</b>			
6.P.1. The remuneration of directors and key managers shall be established in a sufficient amount to attract, retain and motivate people with the professional skills necessary to successfully manage the issuer.	✓		Page 61
6.P.2. The remuneration of executive directors and key managers shall be defined in such a way as to align their interests with pursuing the priority objective of the creation of value for the shareholders in the medium-long term. With regard to directors with managerial powers or performing, also de-facto, functions related to business management, as well as with regard to key managers, a significant part of the remuneration shall be linked to achieving specific performance objectives, possibly including non-economic objectives, identified in advance and determined consistently with the guidelines contained in the policy described in principle 6.P.4.	✓		Page 61
The remuneration of non-executive directors shall be proportionate to the commitment required from each of them, also taking into account their possible participation in one or more committees.			
6.P.3. The Board of Directors shall establish among its members a remuneration committee, made up of independent directors. Alternatively, the committee can be made up of non-executive directors, the majority of which being independent ones; in this case, the chairman of the committee is selected among the independent directors. At least one committee member shall have an adequate knowledge and experience in finance or remuneration policies, to be assessed by the Board of Directors at the time of his/her appointment.	✓		Page 56, 58, 61

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6.P.4.	The Board of Directors shall, upon proposal of the Remuneration Committee, establish a policy for the remuneration of directors and key managers.	✓		Page 61
6.P.5.	In case of the end of office and/or the termination of the employment relationship with an executive director or a general manager, the issuer discloses, through a press release to the market, detailed information, following the internal process leading to the assignment or recognition of indemnities and/or other benefits.	✓		Page 61
6.C.1.	The policy for the remuneration of executive directors and other directors vested with special offices shall define guidelines on the issues and consistently with the criteria detailed below:	✓		Page 61
	a) the fixed component and the variable component are properly balanced according to issuer's strategic objectives and risk management policy, taking into account the business sector in which it operates and the nature of the business carried out;	✓		
	b) upper limits for variable components shall be established;	✓		
	c) the fixed component shall be sufficient to reward the director when the variable component was not delivered because of the failure to achieve the performance objectives specified by the Board of Directors;	✓		
	d) the performance objectives – i.e. the economic performance and any other specific objectives to which the payment of variable components (including the objectives for the share-based compensation plans) is linked – shall be predetermined, measurable and linked to the creation of value for the shareholders in the medium-long term;	✓		
	e) the payment of a significant portion of the variable component of the remuneration shall be deferred for an appropriate period of time with respect to the accrual; the amount of that portion and the length of that deferral shall be consistent with the characteristics of the issuer's business and associated risk profile;	✓		
	f) contractual arrangements shall be provided in order to permit the company to reclaim, in whole or in part, the variable components of remuneration that were awarded (or to hold deferred payments), as defined on the basis of data which subsequently proved to be manifestly misstated;	✓		
	g) indemnities eventually set out by the issuer in case of early termination of directors or non-renewal shall not exceed a fixed amount or fixed number of years of annual remuneration. Termination payments shall not be paid if the termination is due to objectively inadequate results.	✓		
6.C.2.	In preparing plans for share-based remuneration, the Board of Directors shall ensure that:	✓		Page 61
	a) shares, options and all other rights granted to directors to buy shares or to be remunerated on the basis of share price movements shall have an average vesting period of at least three years;			
	b) the vesting referred to in paragraph a) shall be subject to predetermined and measurable performance criteria;			

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<p>c) directors shall retain a certain number of shares granted or purchased through the exercise of the rights referred to in paragraph a), until the end of their mandate.</p>			
<p>6.C.3. The criteria 6.C.1 and 6.C.2 shall apply, mutatis mutandis, also to the definition – by the bodies entrusted with that task – of the remuneration of key managers.</p> <p>Any incentive plan for the head of Internal Auditing and for the manager responsible for preparing the Company's financial reports shall be consistent with their role.</p>	✓		Page 61
<p>6.C.4. The remuneration of non-executive directors shall not be – other than for an insignificant portion – linked to the economic results achieved by the issuer. Non-executive directors shall not be beneficiaries of share-based compensation plans, unless it is so decided by the annual shareholders' meeting, which shall also give the relevant reasons.</p>	✓		Page 61
<p>6.C.5. The remuneration committee shall:</p> <ul style="list-style-type: none"> <li>- periodically evaluate the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key managers, also on the basis of the information provided by the managing directors; it shall formulate proposals to the Board of Directors in that regard;</li> <li>- submit proposals or issues opinions to the Board of Directors for the remuneration of executive directors and other directors vested with special offices as well as for the identification of performance objectives related to the variable component of that remuneration; it shall monitor the implementation of decisions adopted by the Board of Directors and verify, in particular, the actual achievement of performance objectives.</li> </ul>	✓		Page 58, 61
<p>6.C.6. No director shall participate in meetings of the remuneration committee in which proposals are formulated to the Board of Directors relating to his/her remuneration.</p>	✓		Page 58, 61
<p>6.C.7. When using the services of a consultant in order to obtain information on market standards for remuneration policies, the remuneration committee shall previously verify that the consultant concerned is not in a position which might compromise its independence.</p>	✓		Page 59, 61
<p>6.C.8. According to principle 6.P.5., the press release should provide:</p> <p>a) adequate information on the indemnity and/or other benefits, including their amount, timing of disbursement – distinguishing both between the component immediately paid out and the one subject to deferral mechanisms and between the component received as director from the other one related to an employment relationship, if any – and “claw-back” clauses, if any, in particular with reference to:</p> <ul style="list-style-type: none"> <li>- indemnities for the end of office or termination of the employment relationship, specifying the circumstances of its accrual (for example, expiry, revocation or settlement agreement);</li> <li>- maintenance of rights related to any incentive plans, monetary or financial instruments based;</li> <li>- benefits (monetary and non monetary ones) subsequent to the end of office;</li> </ul>	✓		Page 61

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<p>- non-competition commitments, describing their main contents; - any other payment assigned for any reason and in any form;</p> <p>b) information about the compliance or non-compliance of the indemnity and/or other benefits with the remuneration policy and, in case of even a partial non-compliance with the remuneration policy, information about internal procedures applied according to Consob related party transactions' regulation;</p> <p>c) information about the application, or non-application, of any mechanism that provides restrictions or corrections to the indemnity in case of termination due to the achievement of objectively inadequate results, as well as whether requests have been formulated for the reclaim of remuneration already paid out;</p> <p>d) information as whether the replacement of the ceased executive director or general manager is governed by any succession plan adopted by the company and, in any case, information about procedures that have been or will be applied for the replacement of the director or manager.</p>			

## 7. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

7.P.1. Each issuer shall adopt an internal control and risk management system consisting of policies, procedures and organizational structures aimed at identifying, measuring, managing and monitoring the main risks. Such a system shall be integral to the organizational and corporate governance framework adopted by the issuer and shall take into consideration the reference model and the best practices that are applied both at national and international level.	✓		Page 65
7.P.2. An effective internal control and risk management system contributes to the management of the company in a manner consistent with the objectives defined by the Board of Directors, promoting an informed decision-making process. It contributes to ensuring the safeguarding of corporate assets, the efficiency and effectiveness of management procedures, the reliability of the information provided to the corporate bodies and to the market and the compliance with laws and regulations, including the by-laws and internal procedures.	✓		Page 65
7.P.3. The internal control and risk management system involves each of the following corporate bodies depending on their related responsibilities:	✓		Page 67
a) the Board of Directors, that shall provide strategic guidance and evaluation on the overall adequacy of the system, identifying within the Board:	✓		Page 67
(i) one or more directors to be charged with the task of establishing and maintaining an effective internal control and risk management system (hereinafter, the "director in charge of the internal control and risk management system"), and	✓		Page 68
(ii) a control and risk committee in line with the requirements set forth by principle 7.P.4., to be charged with the task of supporting, on the basis of an adequate control process, the evaluations and decisions to be made by the Board of Directors in relation to the internal control and risk management system, as well as to the approval of the periodical financial reports;	✓		Page 59, 67

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b) the head of Internal Auditing, entrusted with the task to verify the functioning and adequacy of the internal control and risk management system;	✓		Page 66, 72
c) the other roles and business functions having specific tasks with regard to internal control and risk management, organised depending on the company's size, complexity and risk profile;	✓		Page 66
d) the Board of Statutory Auditors, also as audit and internal control committee, which is responsible for monitoring the effectiveness of the internal control and risk management system.	✓		Page 50, 67
Each issuer shall provide for coordination methods between the above mentioned bodies in order to enhance the efficiency of the internal control and risk management system and reduce activities overlapping.			
7.P.4. The control and risk committee is made up of independent directors. Alternatively, the committee can be made up of non-executive directors, the majority of which being independent ones; in this case, the chairman of the committee is selected among the independent directors. If the issuer is controlled by another listed company or is subject to the direction and coordination activity of another company, the committee shall be made up exclusively of independent directors. At least one member of the committee is required to have an adequate experience in the area of accounting and finance or risk management, to be assessed by the Board of Directors at the time of appointment.	✓		Page 56, 59
7.C.1. The Board of Directors, with the opinion of the control and risk committee, shall:	✓		Page 67, 72
a) define the guidelines of the internal control and risk management system, so that the main risks concerning the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining, moreover, the level of compatibility of such risks with the management of the company in a manner consistent with its strategic objectives;	✓		Page 65
b) evaluate, at least on an annual basis, the adequacy of the internal control and risk management system taking into account the characteristics of the company and its risk profile, as well as its effectiveness;	✓		Page 67
c) approves, at least on an annual basis, the plan drafted by the head of Internal Auditing, after hearing the Board of Statutory Auditors and the director in charge of the internal control and risk management system;	✓		Page 67
d) describe, in the Corporate Governance Report, the main features of the internal control and risk management system and how the different subjects involved therein are coordinated, expressing the evaluation on its adequacy;	✓		Page 67
e) assess, after hearing the Board of Statutory Auditors, the findings reported by the independent auditors in the suggestions letter, if any, and in the report on the main findings of the auditing stage.	✓		Page 67
The Board of Directors shall, upon proposal of the director in charge of the internal control and risk management system, subject to the favourable opinion of the control and risk committee, as well as after hearing the Board of Statutory Auditors:			



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<ul style="list-style-type: none"> <li>- appoint and revoke the head of Internal Auditing;</li> <li>- ensure that such a person is provided with the adequate resources for the fulfilment of his/her responsibilities;</li> <li>- define the relevant remuneration consistently with company's policies.</li> </ul>	✓		
7.C.2. The control and risk committee, when assisting the Board of Directors shall:	✓		Page 59
<ul style="list-style-type: none"> <li>a) evaluate together with the manager responsible for preparing the Company's financial reports, after hearing the independent auditors and the Board of Statutory Auditors, the correct application of the accounting principles, as well as their consistency for the purpose of the preparation of the consolidated financial statements, if any;</li> </ul>	✓		Page 50, 53, 54
<ul style="list-style-type: none"> <li>b) express opinions on specific aspects relating to the identification of the main risks for the company;</li> </ul>	✓		Page 50, 51
<ul style="list-style-type: none"> <li>c) review the periodic reports of the Internal Auditing concerning the assessment of the internal control and risk management system, as well as the other reports of the Internal Auditing that are particularly significant;</li> </ul>	✓		Page 53
<ul style="list-style-type: none"> <li>d) monitor the independence, adequacy, efficiency and effectiveness of the Internal Auditing;</li> </ul>	✓		Page 50, 53
<ul style="list-style-type: none"> <li>e) request the Internal Auditing to carry out reviews of specific operational areas, giving simultaneous notice to the chairman of the Board of Statutory Auditors;</li> </ul>	✓		Page 51, 53
<ul style="list-style-type: none"> <li>f) report to the Board of Directors, at least every six months, on the occasion of the approval of the annual and half-year financial report, on the activity carried out, as well as on the adequacy of the internal control and risk management system;</li> </ul>	✓		Page 51, 54
<ul style="list-style-type: none"> <li>g) support, with adequate preliminary activities, the Board of Directors assessments and resolutions on the management of risks arising from detrimental facts which the Board may have been become aware of.</li> </ul>	✓		Page 51, 59
7.C.3. The chairman of the Board of Statutory Auditors or another statutory auditor designated by this chairman shall participate in the works of the control and risk committee; the remaining statutory auditors are also allowed to participate.	✓		Page 53
7.C.4. The director in charge of the internal control and risk management system, shall:	✓		Page 68
<ul style="list-style-type: none"> <li>a) identify the main business risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries, and submit them periodically to the review of the Board of Directors;</li> </ul>			
<ul style="list-style-type: none"> <li>b) implement the guidelines defined by the Board of Directors, taking care of the planning, realization and management of the internal control and risk management system, constantly monitoring its adequacy and effectiveness;</li> </ul>			
<ul style="list-style-type: none"> <li>c) adjust such system to the dynamics of the operating conditions and the legislative and regulatory framework;</li> </ul>			

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d) request to Internal Auditing to carry out reviews on specific operational areas and on the compliance of business operation with rules and internal procedures, giving simultaneous notice to the chairman of the Board of Directors, the chairman of control and risk committee and the chairman of the Board of Statutory Auditors;			
e) promptly report to the control and risk committee (or to the Board of Directors) issues and problems that resulted from his/her activity or of which he/she became aware in order for the committee (or the Board) to take the appropriate actions.			
7.C.5. The head of Internal Auditing shall:	✓		
a) verify, both on a continuous basis and in relation to special needs, in conformity with international professional standards, the adequacy and effective functioning of the internal control and risk management system, through an audit plan, to be approved by the Board of Directors. Such a plan shall be based on a structured analysis and ranking of the main risks;			Page 67, 73
b) not be responsible for any operational area and be subordinated to the Board of Directors;			Page 72
c) have direct access to all useful information for the performance of its duties;			Page 72
d) draft periodic reports containing adequate information on its own activity, and on the company's risk management process, as well as about the compliance with the management plans defined for risk mitigation. Such periodic reports contain an evaluation on the adequacy of the internal control and risk management system;			Page 73
e) prepare timely reports on particularly significant events;			Page 73
f) submit the reports indicated under items d) and e) above to the chairman of the Board of Statutory Auditors, the control and risk committee and the Board of Directors, as well as to the director in charge of the internal control and risk management system;			Page 73
g) verifies, as part of the audit plan, the reliability of the IT systems, including the accounting recognition systems.			Page 73
7.C.6. The Internal Auditing may be entrusted, as a whole or by business segments, to a person external to the issuer, provided, however, that it is endowed with adequate professionalism, independence and organization. The adoption of such organizational choices, with a satisfactory explanation of the relevant reasons, shall be disclosed to the shareholders and the market in the Report on Corporate Governance.	✓(*)		(*) The Internal Audit of the Bank can't be entrusted to an external person

## 8. STATUTORY AUDITORS

8.P.1.	The statutory auditors shall act with autonomy and independence also vis-à-vis the shareholders, which elected them.	✓	Page 50
8.P.2.	The issuer shall adopt suitable measures to ensure an effective performance of the duties typical of the Board of Statutory Auditors.	✓	Page 50

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Page of Report
8.C.1. The statutory auditors shall be chosen among people who may be qualified as independent also on the basis of the criteria provided by this Code with reference to the directors. The Board of statutory auditors shall check the compliance with said criteria after the appointment and subsequently on an annual basis, submitting the result of such verification to the Board of Directors that discloses it, after the appointment, through a press release to the market and, subsequently, in its Corporate Governance Report, according to manners complying with the ones provided with reference to directors.	✓		Page 52
8.C.2. The statutory auditors shall accept the appointment when they deem that they can devote the necessary time to the diligent performance of their duties.	✓		Page 52
8.C.3. The remuneration of statutory auditors shall be proportionate to the commitment required from each of them, to the importance of his/her role as well as to the size and business sector of the company.	✓		
8.C.4. A statutory auditor who has an interest, either directly or on behalf of third parties, in a certain transaction of the issuer, shall timely and exhaustively inform the other statutory auditors and the chairman of the Board of Directors about the nature, the terms, origin and extent of his/her interest.	✓		Page 43
8.C.5. In the framework of their activities, the statutory auditors may request to Internal Auditing to carry out reviews on specific operational areas or transactions of the company.	✓		Page 51
8.C.6. The Board of Statutory Auditors and the control and risk committee shall exchange material information on a timely basis for the performance of their respective duties.	✓		Page 53

## 9. RELATIONS WITH THE SHAREHOLDERS

9.P.1. The Board of Directors shall take initiatives aimed at promoting the broadest participation possible of the shareholders in the shareholders' meetings and making easier the exercise of the shareholders' rights.	✓		Page 79
9.P.2. The Board of Directors shall endeavour to develop a continuing dialogue with the shareholders based on the understanding of their reciprocal roles.	✓		Page 78
9.C.1. The Board of Directors shall ensure that a person is identified as responsible for handling the relationships with the shareholders and shall evaluate from time to time whether it would be advisable to establish a business structure responsible for such function.	✓		Page 78
9.C.2. All the directors usually participate in the shareholders' meetings. The shareholders' meetings are also an opportunity for disclosing to the shareholders information concerning the issuer, in compliance with the rules governing inside information. In particular, the Board of Directors shall report to the shareholders' meeting the activity performed and planned and shall use its best efforts for ensuring that the shareholders receive adequate information about the necessary elements for them to adopt in an informed manner the resolutions that are the competence of the shareholders' meeting.	✓		Page 79, 80



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## Table No. 2: “Art. 123-bis - Report on corporate governance and ownership structures”

Art 123-bis - Report on corporate governance and ownership structures	Page of Report
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1. The report on operations of issuers with securities admitted to trading on regulated markets shall contain a specific section entitled: “Report on corporate governance and ownership structures”, providing detailed information on:

- |   |                 |
|---|-----------------|
| a) the capital structure, including securities not traded on a regulated market in an EU Member State, with an indication of the different classes of shares and, for each class of shares, the related rights and obligations and the percentage of total share capital represented;   | Page 31, 32     |
| b) any restriction on the transfer of securities, e.g. limitations in the possession of securities or the need to obtain consent from the company or other securities holders;  | Page 32         |
| c) significant direct and indirect equity investments, for example through pyramid structures and cross-investments, as stated in reports submitted pursuant to article 120;  | Page 32         |
| d) if known, the holders of any securities with special control rights and a description of such rights;  | Page 31         |
| e) the mechanism for the exercise of voting rights in any employee share ownership scheme where voting rights are not exercised directly by the employees;  | Page 32         |
| f) any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for the exercise of voting rights, or systems whereby, with the company’s cooperation, the financial rights attached to the securities are separate from the holding of securities;   | Page 31, 81     |
| g) agreements known to the company pursuant to article 122;   | Page 32         |
| h) any significant agreements to which the company or its subsidiaries are parties and which take effect, alter or terminate upon a change of control of the company, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements; | Page 32         |
| i) agreements between companies and directors, members of the management board or supervisory board which envisage indemnities in event of resignation or dismissal without just cause, or if their employment contract should terminate as a result of a takeover bid;   | Page 31         |
| l) rules applying to the appointment and replacement of directors and members of the management board or supervisory board, and to amendments to the articles of association, if different from those envisaged by legal and regulatory provisions applicable as supplementary measures;  | Page 36, 37, 51 |
| m) the existence of delegated powers regarding share capital increases pursuant to article 2443 of the Italian Civil Code or powers of the directors or members of the management board to issue equity instruments or to authorise the purchase of own shares.   | Page 31, 32     |

2. In the same section of the report referred to in subsection 1, information shall be provided regarding:

- a) adoption of a corporate governance code of conduct issued by regulated market management companies or trade associations, giving reasons for any decision not to adopt one or more provisions, together with the corporate governance practices actually applied by the company over and above any legal or regulatory obligations. The company shall also indicate where the adopted corporate governance code of conduct may be accessed by the public; Page 11
- b) the main characteristics of existing risk management and internal control systems used in relation to the financial reporting process, including consolidated reports, where applicable; Page 65, 69
- c) the operating procedures of the shareholders' meeting, its main powers, shareholders' rights and their terms of exercise, if different from those envisaged by legal and regulatory provisions applicable as supplementary measures; Page 79
- d) the composition and operations of the management and control bodies and their committees. Page 34, 38, 46, 51, 57
- d-bis) a description of the diversity policies applied regarding the structure of the administrative, management and auditing bodies in relation to aspects such as age, gender and training/professional courses taken, with a description of the objectives, implementation methods and results of said policies. If no policy is applied, the company must clearly and precisely indicate the reasons for said choice Page 35

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# Glossary

**European Central Bank or ECB**

the European Central Bank, an EU institution responsible for the prudential supervision of banks within the Single Supervisory Mechanism, which comprises the same ECB and the national competent authorities. Its main aim is to contribute to the safety and soundness of the banking system and the stability of the financial system within the EU as well as to ensure a consistent and efficient prudential supervision ([www.ecb.europa.eu](http://www.ecb.europa.eu))

**Bank of Italy**

Bank of Italy - central bank of Italy, part of the Eurosystem, comprising the central banks of the Eurozone and the European Central Bank - is a public institution whose main functions are designed to ensure, among others, the stability and efficiency of the financial system by pursuing the sound and prudent management of financial intermediaries as well as compliance with relevant laws in force ([www.bancaditalia.it](http://www.bancaditalia.it))

**Italian Stock Exchange or Borsa Italiana**

Borsa Italiana S.p.A. is the company responsible in Italy for the organisation, management and development of markets for the trading of financial instruments, on which Intesa Sanpaolo S.p.A. instruments are also listed ([www.borsaitaliana.it](http://www.borsaitaliana.it))

**c.c.**

Italian Civil Code

**Parent Company**

Intesa Sanpaolo, the Parent Company of the Banking Group, pursuant to the Consolidated Law on Banking

**Corporate Governance Code or Code**

Corporate Governance Code for listed companies, published in March 2006 and updated in July 2015 by the Corporate Governance Committee, on corporate governance principles applicable to companies listed on the stock exchange

**Board**

The Board of Directors of Intesa Sanpaolo

**Consob**

Commissione Nazionale per le Società e la Borsa, the Italian financial market supervisory authority, which monitors the transparency and proper conduct of operators ([www.consob.it](http://www.consob.it))

**Manager responsible for preparing the Company's financial reports**

Manager responsible for preparing the Company's financial reports (pursuant to Article 154-bis of the Consolidated Law on Finance)

**Supervisory Provisions**

Provisions issued by the Bank of Italy as part of its supervisory functions, applicable to banks and banking groups

**Supervisory Provisions on remuneration**

Provisions regarding remuneration and incentive policies and practices in banks and in banking groups, laid down in Circular 285 of 17 December 2013 (First Part, Title IV, Chapter 2)

**Supervisory Provisions on corporate governance**

Provisions on bank corporate governance, laid down in Circular 285 of 17 December 2013 (First Part, Title IV, Chapter 1)

**Supervisory Provisions on the control system**

Provisions on the banks' internal control system, currently laid down in Circular 285 of 17 December 2013 (First Part, Title IV, Chapter 3)

**European Banking Authority or EBA**

European Banking Authority, an independent European Union authority, which works to ensure an efficient and standardised level of regulation and prudential supervision in the European banking sector

**Financial Stability Board or FSB**

Financial Stability Board, independent body that collaborates with the national and international financial institutions to develop and implement effective regulatory, supervisory and other specific sector policies in the interest of global financial stability ([www.financialstabilityboard.org](http://www.financialstabilityboard.org))

**Banking Group or Intesa Sanpaolo Banking Group**

the Banking Group is composed of the Parent Company Intesa Sanpaolo and the banking, financial and instrumental companies – with registered offices in Italy and abroad – controlled directly or indirectly by the Parent Company

**Group or Intesa Sanpaolo Group**

the Group is composed of the Parent Company Intesa Sanpaolo and the companies controlled directly or indirectly by the same, including companies that are not part of the Banking Group – with registered offices in Italy and abroad

**Intesa Sanpaolo or Company or Bank**

Intesa Sanpaolo S.p.A.

**Surveillance Body**

Body with independent initiative and control powers, which is entrusted – according to Legislative Decree No. 231/2001 on the administrative liability of

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companies – with the task of supervising effective implementation, operation and compliance with the Organisational, Management and Control Model pursuant to the aforesaid Decree

***Borsa Italiana Regulations***

Regulations governing markets organised and managed by Borsa Italiana

***Issuers' Regulation***

Regulation implementing the Consolidated Law on Finance and governing issuers, adopted by Consob Resolution 11971 of 14 May 1999, and subsequent amendments thereto

***Consob Regulation on related parties***

Regulation issued by Consob Resolution 17221 of 12 March 2010 (and subsequent amendments), governing transactions with related parties by companies using the venture capital market directly or through subsidiaries

***RPT Procedures***

Group Procedures regulating the conduct of transactions with related parties of Intesa Sanpaolo S.p.A., associated entities of the Group and relevant parties pursuant to Article 136 of the Consolidated

Law on Banking, approved by the Board of Directors on 16 January 2018

***Report on Governance***

the Report on Corporate Governance and Ownership Structures drawn up pursuant to Article 123-bis of the Consolidated Law on Finance

***Report on Remuneration***

the Report on Remuneration drawn up pursuant to Article 123-ter of the Consolidated Law on Finance and subsequent implementation provisions

***Bank's website or Company's website***

the website [group.intesasanpaolo.com](http://group.intesasanpaolo.com)

***Articles of Association***

Intesa Sanpaolo's Articles of Association (available in the Governance section of the Bank's website)

***Consolidated Law on Banking***

Italian Legislative Decree No. 385 of 1 September 1993 – Consolidated Law on Banking

***Consolidated Law on Finance (CLF)***

Italian Legislative Decree No. 58 of 24 February 1998 – Consolidated Law on Finance



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