



## Report on Corporate Governance and Ownership Structures Report on Remuneration



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## Report on Remuneration

**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 8,731,874,498.36 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.



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# Glossary

**European Central Bank or ECB:**

The European Central Bank, a 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 (see also the website [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 (see also the website [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. (see also the website [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

**Consob:**

Commissione Nazionale per le Società e la Borsa, the independent authority whose purpose is to safeguard investors, efficiency, transparency and development of the Italian securities market (see also the website [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 (Title IV, Chapter 2)

**Supervisory Provisions on corporate governance:**

Provisions on bank corporate governance, laid down in Circular 285 of 17 December 2013 (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 (Title V, 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 (see also the website [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 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.

**Joint Bank of Italy/Consob Regulation:**

Regulation issued jointly, pursuant to the Consolidated Law on Finance, by the Bank of Italy and Consob on 29 October 2007, governing the organisation and procedures of intermediaries providing investment services

**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

**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

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

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





# Report on Corporate Governance and Ownership Structures

23 February 2016

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

# 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 a set of information, precisely identified by the said Article, on their ownership structures, their compliance to some corporate governance codes, 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 means of communication 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 two-tier corporate governance system and taking into account 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.

More specifically, the Report comprises four parts:

- Part I provides a brief description of the Company and its corporate governance model as well as of the Intesa Sanpaolo Group;
- Part II discloses information on the ownership structure, except for certain information that has been included in Part III for the purposes of greater clarity;
- Part III contains more precise information on the Bank’s corporate governance, Corporate Bodies, the corporate structure and the internal control and risk management system;
- lastly, Part IV contains a series of summary tables providing information on the structure of the Supervisory Board and the Management Board.

Information on application of Article 6 of the Code is mainly contained in the Report on Remuneration published together with this Report. As regards the content and the procedures for the adoption and implementation of the remuneration policies relating to the year 2015, reference is made to the Report on Remuneration approved on 3 March 2015.

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 and, on the other side, the relative 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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Unless otherwise stated, the information contained in this Report is updated as at 23 February 2016, the date of its approval by the Management Board; the Supervisory Board acknowledged it at its meeting held on 15 March 2016.

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This 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 Italian Legislative Decree 39/2010, annexed to the Parent Company's and consolidated financial statements for 2015.

## 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 (on page <http://www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.en.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, checks and balances between strategic supervision, management and control functions.

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

In this Report, the Bank has also taken into account the amendments introduced to the Corporate Governance Code in July 2015, albeit applicable as from the following year. The last amendments introduced did not give rise to any situations of misalignment of the governance. It is noted that Intesa Sanpaolo also adapts the principles and criteria of the Code to its own two-tier 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 in the conduct of its business.

10.P.1.

Furthermore, the Company, aware that efficient corporate governance is essential for the pursuit of its objectives, constantly updates its corporate governance structure 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.



## Part I – Profile of the Company and the Group

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 adopts the dual management and control model, consisting of a supervisory board, whose members are appointed by the shareholders' meeting, and a management board, whose members are appointed by the supervisory board, pursuant to Articles 2409-octies et seq. of the Italian Civil Code and Articles 147-ter et seq. of the Consolidated Law on Finance.

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

The duties and rules of operation of Intesa Sanpaolo's corporate bodies are set forth in provisions of laws and regulations, relevant resolutions passed by competent Authorities, the Articles of Association and internal Rules.

In general terms, the Supervisory Board, in addition to performing control duties typical of the board of statutory auditors, is also charged, according to the regulatory provisions, with certain duties traditionally attributed to the meeting and, on the basis of a provision of the Articles of Association adopted in accordance with Article 2409-terdecies, f-bis) of the Italian Civil Code, with strategic supervisory functions. The Management Board, on the other hand, has full and exclusive power over company management and, to the extent of its separate duties, contributes to strategic supervisory functions. In compliance with the general guidelines and programmes approved, the Management Board has exclusive power over ordinary and extraordinary company management.

Based on the Supervisory Provisions on corporate governance, the role of strategic supervision is focused on the Supervisory Board.

Detailed information concerning the corporate bodies is contained in specific sections of the third part of the Report.

Certain provisions of the Code concerning the board of directors and individual directors under the traditional system are considered applicable, in addition to the Management Board and its members, also to the Supervisory Board and its members, given that the Articles of Association assign significant powers of strategic supervision to the latter. Moreover, provisions concerning control bodies have been applied to the Supervisory Board, as well as provisions concerning the management of operations have been applied to the Management Board.

10.C.1.

### Governance evolution

The dual corporate governance model adopted by Intesa Sanpaolo has so far confirmed its concrete operation and consistency with respect to the Bank's overall structure, demonstrating its capacity to meet the efficiency and effectiveness needs of governance and of the control system of a structured and complex Group.

Nine years on from its adoption, however, it was considered appropriate to evaluate a change in the governance system, especially in light of the results of the last self-assessment process carried out by the two Corporate Bodies which, while showing the full and extensive adequacy of each Board with regards to all the aspects under examination, identified some areas for improvement:

- long and not always straight-forward decision-making chain;
- information asymmetries within the Bodies and among the Bodies themselves, despite adequate information flows in terms of quality and quantity;

- excessive distance of the management function from those of strategic supervision and control.

Aside from the external factors, other factors suggested a wide-ranging assessment: first and foremost, the amendments introduced in the regulatory framework as well as the ongoing developments at Supervision level (with the transition of prudential supervision to the ECB, with a view to the Single Supervisory Mechanism) and the shareholder base of Intesa Sanpaolo (with the strong growth of foreign investors).

The relevant assessments were entrusted to a Commission set up ad hoc within the Supervisory Board - whose composition reflected the (legal and business) expertise and the (academic and professional) experiences that appeared to be best suited to meet the relevant requirements - with the task of analysing the benefits and advantages underlying the different governance models, in order to identify possible areas for improvement in Intesa Sanpaolo's two-tier governance system or, alternatively, possible reasons leading to its replacement.

To this end, the Commission:

- carried out a thorough assessment, not only by analysing the theoretical and legal profiles of the applicable regulations and the different models available at the national and European level, but actually verifying their implementation and their areas of strength and weakness, not to mention the point of view of institutional investors;
- conducted its own survey by using as a guiding criterion the functions that the regulations assign to the bank's corporate bodies (strategic supervision, management and control), considering that - in the light of the evolution recorded at the international level, especially in the banking sector, with regard to the meaning and scope of the control activity (which is increasingly focused in a previous phase and on interaction and the exchange of flows, in order to safeguard the necessary availability of information on an ongoing basis as well as ex ante) - the choice of the new governance system could not fail to take account of the attribution of the control function to the body in charge of strategic supervision, as a key prerequisite for safeguarding the immediacy, the incisiveness and effectiveness of the control function itself;
- has not committed to identify the best abstract governance model, but the most appropriate in concrete terms, to ensure the efficient management and effectiveness of controls of Intesa Sanpaolo, taking into account the medium and long term strategic objectives, as well as the size and the operational complexity of the Bank and the Group.

Having taken into account all the factors and considerations outlined above, the Commission identified the one-tier system - characterised by the presence of a board of directors and a management control committee established within it, which will be both appointed at the General Meeting - as the most suitable model to ensure actual management efficiency and control effectiveness at Intesa Sanpaolo.

Thus, in the Commission's opinion, the centralisation within a single body of strategic supervision and management functions - together with a balanced system of powers and fair debate within the board - is conducive to pursue the dual objective of greater efficiency in the performance of the governance function and of safeguarding, in line with the two-tier system, the immediacy, incisiveness and effectiveness of the control function, centralised within the management control committee.

The Commission has kept the Supervisory Board and the Chairman of the Management Board constantly updated on the progress of the works, in order to incorporate any useful indications that may be conducive to a more in-depth analysis.

The Management Board - also in the light of the analyses carried out during specific induction sessions - and the Supervisory Board approved, at their respective meetings of 16 October 2015, the proposed new Articles of Association associated with the adoption of the one-tier model. The change in Intesa Sanpaolo's governance was subsequently approved by the Extraordinary Shareholders' Meeting held on 26 February 2016 through the approval of the new Articles of Association.

By adopting a one-tier governance model and in compliance with the Supervisory Provisions on corporate governance, Intesa Sanpaolo has drawn up its Corporate Governance Plan, which aims to fully represent the structure of the Bank's future governance, which was subject to the Supervisory Authority.

## The Intesa Sanpaolo Group

### *The role of the Parent Company and management and coordination activities*

The Intesa Sanpaolo Group provides banking, financial, investment, collective asset management and insurance services.

Intesa Sanpaolo is the Parent Company of the Banking Group bearing its name and holds controlling interests in other companies belonging to the broader business group.

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. The Group's subsidiaries must comply with such provisions.

Intesa Sanpaolo verifies individual Banking Group members' compliance with and adoption of the provisions issued as instructed by the Bank of Italy in order to ensure consistency. In particular, this refers to supervisory, regulatory and prudential reporting regulations on, amongst other things, capital adequacy, investments that can be held, risk containment, corporate governance, the administrative and accounting organisation and internal controls, together with the remuneration and incentive systems, without prejudice to the responsibility of the subsidiaries' corporate bodies to ensure the accuracy of information flows and the adequacy of production and control procedures of the figures provided.

Within the Banking Group – without prejudice to the prerogatives of Intesa Sanpaolo as Parent Company and the aforementioned obligations regarding full implementation of supervisory regulations – sub-holdings can be identified as responsible for coordination activities on behalf of direct or indirect subsidiaries. Sub-holdings are required to observe, and ensure observation by their subsidiaries, of instructions issued by Intesa Sanpaolo in exercising its management and control activities, and to provide data and information on its own activities and those of its subsidiaries.

Currently the role of sub-holding is covered by Fideuram-Intesa Sanpaolo Private Banking, which exercises management and coordination over its own subsidiaries on behalf of Intesa Sanpaolo.

In accordance with Legislative Decree 142/2005, the Intesa Sanpaolo Group constitutes a “financial conglomerate” – whose main field of activity is banking – subject to supplementary supervision, exercised by the competent Authorities and coordinated by the European Central Bank, for the purpose of guaranteeing safeguards for the stability of the financial conglomerate as a whole and of its member companies. Intesa Sanpaolo is at the helm of this financial conglomerate and, as such, is also required to ensure compliance with the regulations on prudential supervision.

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. and Manzoni s.r.l.

In this context, note that Intesa Sanpaolo also exercises these activities over the insurance company Intesa Sanpaolo Vita, which, pursuant to Legislative Decree 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 subsidiaries Intesa Sanpaolo Assicura and Intesa Sanpaolo Smart Care S.r.l., pursuant to Articles 2497 et seq. of the Italian Civil Code.

In its capacity as Parent Company, Intesa Sanpaolo adopts specific risk management procedures and internal control mechanisms for the coordinated and unified management of the Group's various companies, with a view to guaranteeing compliance with statutory requirements, ensuring sound and prudent management, safeguarding the profitability and value of the Parent Company's investments and the investments of each Group company, and warding off any potential threat to the capital base of each Group entity.

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### *Group Regulations*

In consideration of the common business strategy and for the purpose of optimising synergies created by the Group, while at the same time maximising the key strengths of the various entities, the Company 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.

The Regulations are the reference discipline for relations between Intesa Sanpaolo and Group companies and between the latter, whose conduct – in compliance with legal independence and the principles of correct governance and management of such companies – must reflect common organisational and management rules.

The document specifically defines the Group's overall architecture and guarantees standardised management, through compliance with the basic operating principles and through the policy, management and support role of the competent departments within the Parent Company. In this way the Regulations identify precise responsibilities for the Parent Company and Group companies, in a well defined and reciprocal commitment framework.

All Group companies adopt the Regulations by means of a specific resolution adopted by the competent corporate bodies.

For the purpose of actual application of rules contained in the Regulations, Intesa Sanpaolo has designed reporting procedures to be followed with subsidiaries, through which the latter refer to the Parent Company with regard, amongst other things, to prior authorisation of corporate transactions, equity investments and on governance issues as well as activating adequate information flows to the Parent Company.

The Parent Company also prepares and distributes Group governance documents, targeted at either individual Group members or the Group as a whole and addressing either general governance matters or specific issues. The bodies of the companies that receive these documents are required to implement the instructions provided, as far as they are concerned, immediately, and to put in place whatever may be deemed necessary in order to implement them.

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For the main Intesa Sanpaolo Group subsidiaries and the related business areas, reference should be made to the Bank's website, section About us/Organisational structure.

## Part II - 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 III 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 Supervisory Board and Management Board are discussed in the chapters on these Corporate Bodies.

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

### Share capital

Share capital subscribed and paid-in totals 8,731,874,498.36 euro, divided into 16,792,066,343 shares of a nominal value of 0.52 euro each, of which 15,859,575,782 ordinary shares (equal to 94.44% of share capital) and 932,490,561 non-convertible savings shares (equal to 5.56% of share capital).

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

In this regard, it is noted that the share capital increased on two occasions in 2015.

A first capital increase - from 8,724,861,778.88 euro to 8,729,881,454.84 euro - was completed as of 22 July 2015 following the mergers by incorporation of Banca Monte Parma S.p.A. and Banca di Trento e Bolzano S.p.A.

Subsequently, with effective date as from 2 December 2015, the share capital increased from 8,729,881,454.84 euro to 8,731,874,498.36 euro, as a result of the merger by incorporation into Intesa Sanpaolo of Cassa di Risparmio della Provincia di Viterbo S.p.A.

The Articles of Association do not grant any powers to the Management Board 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 Management 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) CLF

Savings shares, which may be in bearer form, do not confer the right to 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 Management Board.

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.

### **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 2015, 7,097,593 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 241,600 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 2% of ordinary share capital.

Declaring Company	% of ordinary share capital
Compagnia di San Paolo	9.372%
Blackrock Inc.*	4.893%
Fondazione Cariplo	4.836%
Fondazione C.R. Padova e Rovigo	3.350%
Ente C.R. Firenze	2.615%
Norges Bank	2.090%

\*Held as assets under management

### **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").

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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.



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

### The Supervisory Board

The Supervisory Board is governed by the legal and regulatory provisions, the Articles of Association and its own Regulations, last updated in 2014. It is the highest body in the current two-tier corporate governance system adopted by Intesa Sanpaolo and performs steering, strategic supervision and control duties.

For effective implementation of these duties, the Supervisory Board receives support from Committees, appointed by the Board from its members and described in a specific section of this Report:

- Risk Committee;
- Internal Control Committee and Surveillance Body pursuant to Italian Legislative Decree 231/2001;
- Nominations Committee;
- Remuneration Committee;
- Committee for transactions with related parties of Intesa Sanpaolo and associated entities of the Group.

The Supervisory Board approved the adoption of the Regulations of each Committee as well as its own Regulations, taking into account the principles and criteria laid down in the Corporate Governance Code. The Regulations apply to the Supervisory Board jointly as a whole and severally to the Chairman and Board Members, who as such contribute to forming the decisions of the Board.

1.P.1.  
8.P.2.

### Duties of the Supervisory Board

The Supervisory Board is given powers which, in the traditional system, are exercised by the Shareholders' Meeting, such as, first and foremost, the approval of the Parent Company's financial statements and consolidated financial statements which takes place after a thorough analysis of the draft financial statements submitted to it by the Management Board. When examining the Parent Company's financial statements, the Supervisory Board also analyses the proposed net income allocation as formulated by the Management Board, expressing its opinion to the Shareholders' Meeting in its report on supervisory activities, as per Article 153 of the Consolidated Law on Finance.

The Supervisory Board is also responsible for the appointment, removal and determination of remuneration of Members of the Management Board. Finally, the Supervisory Board, acting independently from the Shareholders' Meeting, may promote the exercise of liability actions vis-à-vis the Management Board.

As to strategic supervision, pursuant to Article 2409-terdecies, paragraph 1, letter f-bis) of the Italian Civil Code, the Supervisory Board has been entrusted with duties which strengthen its steering powers and permit the joint involvement of its members in the main governance decisions of the Bank and the Group.

Accordingly, the Supervisory Board, pursuant to the Articles of Association and also taking into account the proposals of the Management Board:

- defines and approves the business model, the strategic guidelines and the risk governance policies of the Bank and the Group;
- approves the business and/or financial plans and budgets of the Bank and the Group and their amendment, if any;
- authorises transactions of strategic relevance, as identified in the Articles of Association;
- defines and approves the guidelines of the internal control system;
- defines the overall governance structure and approves the Bank's organisational structure and corporate governance;
- approves the remuneration policies in favour of employees and staff not bound to the Bank by an employment agreement;

1.C.1.  
a), c), f)

- approves the accounting and reporting systems;
  - supervises the public disclosure and information process of the Bank;
- without prejudice to the Management Board's responsibility for action taken.

In particular, the Supervisory Board authorises:

- (i) Management Board proposals to be submitted to the Shareholders' Meeting on share capital transactions, issues of convertible and cum warrant bonds in securities of the Bank, mergers and demergers and other amendments to the Articles of Association, without prejudice to the Shareholders' powers to submit proposals as envisaged by law;
- 1.C.1. f) (ii) purchases or sales by the Bank and its subsidiaries of controlling stakes in companies whose unit value exceeds 6% of consolidated regulatory capital;
- (iii) investments or disinvestments entailing commitments for the Bank totalling, for each transaction, more than 6% of consolidated regulatory capital;
- (iv) other transactions as expressly identified by the Articles of Association.

Furthermore, the Supervisory Board is granted the power to represent to the Management Board its opinion, in order for relevant proposals to be drafted, with reference to the transactions of strategic relevance expressly specified in the Articles of Association. The Supervisory Board has not yet exercised this right with reference to specific transactions.

- 1.C.1. e) The Supervisory Board receives, at least every three months, reports regarding, amongst other things, the general business performance, transactions with a major economic, financial and capital impact, and transactions with related parties and, on a quarterly basis, reports on the key performance data for the period compared with system data.

With regard to the Internal Capital Adequacy Assessment Process or ICAAP, the Supervisory Board, also taking into account the proposals of the Management Board and with the support of the competent Committees, defines and approves the general guidelines of the internal process, ensures timely adaptation to significant changes in the strategic guidelines, organisational structure and operational environment and promotes use of the ICAAP's results for strategic purposes and business decisions. In this context, it approves the definition of the maximum acceptable risk level for the Group (its "risk appetite") and the correlated system of limits at the level of overall risk and specific risks (the "Risk Appetite Framework"). It also approves the ICAAP Report (prepared annually and when exceptional circumstances require a review of the process) to be submitted to the Bank of Italy, the total internal capital and the final opinion on adequacy of the current and prospective regulatory capital, along with supporting documentation, to be submitted to the Supervisory Authority using the required procedures.

1.C.1. b)

In 2015, a complete ICAAP Report was prepared using current data as at the end of 2014 and prospective data for the 2014-2017 period, and was submitted to the Supervisory Authority by the scheduled deadline of 30 April. The Supervisory Board's resolution to approve the Report was based on an in-depth look at the process itself, the assessment outcomes of the process and the process report, with the support of the Internal Control Committee and the Risk Committee.

The Supervisory Board is responsible for the control of the Bank and therefore performs the duties envisaged in Article 149, paragraph 1, of the Consolidated Law on Finance, as indicated in the Articles of Association. These duties mainly involve the supervision of, amongst other things, compliance with legal and regulatory provisions and the Articles of Association, correct governance, and the adequacy of the organisational structures and administration and accounting system.

7.P.3. a)  
and d)

The Supervisory Board is also responsible for control duties as envisaged in supervisory regulations. Among these is the task of assessing the efficiency and adequacy of the internal control system, with particular reference to risk control, internal audit operations and the information accounting system. As part of control activities, the Supervisory Board monitors the independence of the independent auditors, in liaison with the Internal Control Committee, pursuant to Article 19 of Italian Legislative Decree 39/2010.

As a control body, the Supervisory Board must also inform the Bank of Italy and, where envisaged, Consob without delay of all other acts or facts of which it becomes aware in the exercise of its duties, and which could represent management irregularities or a violation of regulations governing banking activities or financial intermediation.

Another task of the Supervisory Board, pursuant to the Articles of Association, is to appoint and remove - subject to an adequately reasoned resolution - the heads of the regulatory compliance, risk control and internal audit functions, as well as to indicate to the Management Board the Managing Director and executive board members and express an opinion on the appointment of the Manager responsible for preparing the Company's financial reports according to the provisions of Article 154-bis of the Consolidated Law on Finance. In this regard, during 2015, the Supervisory Board appointed the new Chief Compliance Officer, Group Risk Manager and the new head of the internal auditing, thereby also issuing a favourable opinion on the appointment of the new Manager responsible for preparing the Company's financial reports.

Lastly, according to a specific provision of the Articles of Association and a consolidated tradition in support of culture and charities, the Supervisory Board is also required to resolve upon the cultural initiatives of the Bank and Group and manage the "Allowance for charitable, social and cultural contributions", set up by the Shareholders' Meeting from the allocation of a part of net income. In this respect, the Supervisory Board adopted a specific regulation that identifies the principles and application criteria for the management of the aforementioned Allowance, delegating relevant tasks which for this purpose are attributed by the Articles of Association to the Supervisory Board and its Chairman.

Given the significance and complexity of the matters and duties which, together with related regulations and the Articles of Association, are the responsibility of the Supervisory Board, and taking into account the provisions of Article 151-bis, paragraph 3, of the Consolidated Law on Finance, the Board receives support from a specific Department formed by it.

8.P.2.

The role of the General Secretariat of the Supervisory Board is to provide support to the Board, the Chairman, Deputy Chairpersons and Committees formed within the Board in the performance of their respective duties, also with regard to the preventive analysis and study of relevant matters.

In addition, this office provides support to the Supervisory Board Secretary in the performance of his/her duties, with particular reference to those linked to the carrying of resolutions for which Supervisory Board and Management Board intervention is required, and guarantees contact with the Corporate Bodies with Bank management responsibilities on all matters of interest to the Board. In performing its duties, the General Secretariat of the Supervisory Board acts in liaison with other Bank and Group Departments.

## Composition of the Supervisory Board

### *Composition and appointment*

The Supervisory Board is composed of a minimum of 15 up to a maximum of 21 members, shareholders or otherwise, appointed by the Shareholders' Meeting. The Articles of Association require that at least 10 members should be independent in accordance with the Code, and that four are enrolled in the register of auditors and have practised the legal auditing of accounts for a period of at least three years.

3.C.3.  
1.C.1. i)

The less-represented gender must be reserved at least the number of members established by current laws in force on the matter of equal access to the administrative and control bodies of listed companies.

The Supervisory Board in office at the date of publication of this Report is composed of 19 members elected by the Bank's ordinary Shareholders' Meeting, by way of list voting, on 22 April 2013, with the exception of Marcella Sarale:

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

1.C.1. i)

Board Members	Office	Age	In office since
Giovanni Bazoli	Chairman	83	01.01.2007
Gianfranco Carbonato	Deputy Chairperson	70	28.05.2012
Mario Bertolissi	Deputy Chairperson	67	01.05.2010
Gianluigi Baccolini	Board Member	54	22.04.2013
Francesco Bianchi	Board Member	59	22.04.2013
Rosalba Casiraghi	Board Member	65	01.01.2007
Carlo Corradini	Board Member	55	22.04.2013
Franco Dalla Sega	Secretary	55	01.01.2007
Piergiuseppe Dolcini	Board Member	75	22.04.2013
Jean-Paul Fitoussi	Board Member	73	01.05.2010
Edoardo Gaffeo	Board Member	48	22.04.2013
Pietro Garibaldi	Board Member	47	01.01.2007
Rossella Locatelli	Board Member	55	22.04.2013
Giulio Stefano Lubatti	Board Member	68	01.01.2007
Marco Mangiagalli	Board Member	66	01.05.2010
Iacopo Mazzei	Board Member	61	22.04.2013
Beatrice Ramasco	Board Member	57	22.04.2013
Marcella Sarale	Board Member	65	21.05.2013
Monica Schiraldi*	Board Member	46	22.04.2013

\* Monica Schiraldi suspended herself as from 10/02/2016

The Bank website ("Governance" section) provides brief biographical and professional notes on the Members in office. More comprehensive information on the personal and professional background of each Member is available in the documentation published in the Bank's website upon appointment, and is attached to the list filed by shareholders from which each elected Board Member was taken.

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

With reference to the appointment of Supervisory Board Members, the current Articles of Association provide that candidates are appointed on the basis of lists submitted by a number of shareholders representing at least 0.5% of the ordinary share capital, unless otherwise required by laws in force. The above percentage corresponds to that established by the Issuers' Regulation (Article 144-quater).

Lists containing the names of two or more candidates must be filed at the registered office at least 25 days prior to the date of the Shareholders' Meeting, together with the identification data of the shareholders nominating the lists, the percentage of share capital they hold jointly, comprehensive information on the personal and professional background of the candidates, and a declaration by the candidates stating that they meet the requirements provided for by law, regulations and the Articles of Association for appointment to the Board and, where applicable, the independence criteria required by the Corporate Governance Code, and their acceptance of the nomination. Certificates attesting ownership of the shares must be produced at least 21 days prior to the Shareholders' Meeting.

Shareholders nominating candidates, with the exception of those that, even jointly, represent a controlling or relative majority interest, file, pursuant to Article 144-sexies, paragraph 4, letter b) of the Issuers' Regulation, declarations stating that they are not affiliated in any way (as per Article 144-quinquies of the Issuers' Regulation and Consob Communication 9017893 of 26 February 2009) with the above-mentioned controlling/majority shareholders.

The control body, with the support of the Internal Control Committee, is required to examine the lists of candidates filed and the absence of affiliations.

The Supervisory Board appointment procedure envisages a Member election system with a proportional list voting mechanism that also ensures that minority shareholders are represented as prescribed by law for listed companies, i.e. at least one Member must be elected by minority shareholders that have no

direct or indirect link with shareholders presenting or voting on the list receiving most votes. Seven of the current Supervisory Board Members are from minority lists.

For election purposes, members were chosen proportionately from each list that has obtained votes, which were divided by 1, 2, 3, 4 and so on depending on the number of members to be elected. The resulting quotients were progressively assigned to the candidates on each list in the agreed order. The quotients assigned to the candidates on the various lists were then arranged in a single list in decreasing order: the Supervisory Board Members elected were those achieving the highest quotients.

The appointment procedure guarantees that the less-represented gender be reserved the number of Directors established by the current laws in force on the matter of equal access to the management and control bodies of companies listed on regulated markets. In this respect, note that one fifth of the members is reserved to the less-represented gender.

The Articles of Association also cover special situations. If more than one candidate obtains the same quotient, the candidate appointed is that on the list from which no Board Member has yet been appointed or from which the least number of Members has been appointed. If all lists have failed to appoint a Board Member or if all lists have appointed the same number of Members, the candidate on the list achieving the highest number of votes is appointed. If lists receive an equal number of votes and the quotients are equal, a second ballot is arranged on which the entire Shareholders' Meeting votes. The candidate appointed is that achieving the simple majority of votes.

The Articles of Association also contemplate a supplementary mechanism in the event that an insufficient number of Board Members have been elected meeting the independence criteria provided for by the Code and/or the registration and professional practice requirements for auditors and/or the gender balance requirement established by current applicable legislation, as well as specific provisions in the event that only one list or no lists are filed.

Where the number of members of the Supervisory Board is set at a lower number than the maximum provided, the Shareholders' Meeting may increase that number during the term of office of the Supervisory Board originally elected. New members may be elected at ordinary Shareholders' Meetings in accordance with Article 23 of the Articles of Association, using list voting procedures.

For additional information on the appointment of Supervisory Board Members, see the relative provisions of the Articles of Association.

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

Members of the Supervisory Board remain in office for three financial years, with their term of office expiring at the date of the subsequent Shareholders' Meeting provided for by Article 2364-bis, of the Italian Civil Code, and they may be re-elected.

The term of office for the current Supervisory Board Members covers the years 2013/2014/2015.

Where during the year a member of the Supervisory Board leaves service for whatever reason, he/she is to be replaced by the first non-appointed candidate belonging to the list on which the outgoing Supervisory Board Member was nominated, while continuing to ensure observance of the gender balance required by current applicable legislation (to this end, the Articles of Association envisage specific mechanisms, to which reference should be made for further details) and observance of legal, regulatory and Articles of Association requirements for the Member to be replaced. If for whatever reason this is not possible, the Board Member who left service will be replaced without delay by the ordinary Shareholders' Meeting with resolution passed by a simple majority of votes cast upon the proposal of the parties with voting right attending the Meeting, without the presentation of lists. The above is in any event subject to the principles of gender balance and the protection of minorities.

The procedures envisaged in the Articles of Association for the replacement of Board Members were applied in 2013 when Marcella Sarale was appointed to the Board, following her acceptance of the office on 21 May 2013. This Board Member, in possession of the legal and regulatory requirements, was in fact the first non-appointed candidate on the same list as Giuseppe Berta, who resigned with effect from 16 May 2013.

All Supervisory Board Members, including those who were appointed during the course of the term, will end their tenure simultaneously on the date of the Shareholders' Meeting called pursuant to the aforementioned Article 2364-bis of the Italian Civil Code, in relation to the proposal for the net income allocation for 2015.

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

Where during the year, for whatever reason, the majority of the Members of the Supervisory Board resign, the entire Supervisory Board will forfeit office as of the date on which newly appointed Members take office. A Shareholders' Meeting is to be called without delay to appoint a new Supervisory Board, in accordance with the provisions of the Articles of Association.

The members of the Supervisory Board may be removed by the Shareholders' Meeting at any time, by a resolution passed with the favourable vote of at least one-fifth of the share capital, without prejudice to the right of the Member to be indemnified if the removal occurs without just cause. The Shareholders' Meeting may remove Members of the Internal Control Committee with just cause, in accordance with the Articles of Association.

### *Chairman and Deputy Chairpersons*

1.C.1. i) The Shareholders' Meeting of 22 April 2013 appointed Giovanni Bazoli as Chairman of the Supervisory Board, confirming him in the role he already held.

In accordance with Article 2409-duodecies, paragraph 9, of the Italian Civil Code, the Articles of Association provide for the powers of the Chairman of the Supervisory Board.

In light of the current governance model and the duties assigned by the Articles of Association, as specified in the Supervisory Board Regulations, the Chairman plays a significant role in the Bank, enhanced by distinguished authority and experience as well as time dedicated to duties.

The Chairman has the power to drive and coordinate Supervisory Board activities and has the duty to promote productive and continuous cooperation with the Management Board, its Chairman and Managing Director, also for the purpose of identifying and sharing strategies and general guidelines of the Bank and the Group with regard to the duties of each Board.

Pursuant to the Articles of Association, in a manner functional to the exercise of Supervisory Board duties, the Chairman performs tasks relating to:

- a) the corporate bodies and their operations;
- b) the Bank strategies and general guidelines;
- c) supervision and control functions;
- d) external relations.

With regard to corporate bodies and their operations, the Chairman supervises and directs their activities, thereby contributing to the productive interaction with the management function and the balance of powers pursuant to the corporate governance system adopted by Intesa Sanpaolo; entertains relations with the Management Board, through its Chairman, and the Managing Director; supervises relations with shareholders, verifying that such relations are managed correctly, in agreement with the Chairman of the Management Board and with the Managing Director.

With regard to duties relating to strategies and general guidelines, amongst other things, the Chairman requests and receives information on specific Bank and Group management aspects and on management performance and outlook in general from the Chairman of the Management Board and the Managing Director.

The Chairman of the Supervisory Board does not participate in Management Board meetings in order to avoid influencing its work. This decision, implemented since the introduction of the current two-tier corporate governance system, is consistent with the prerogatives of the role of Chairman and upholds the operational independence of the Management Board.

With regard to supervisory and control duties, amongst other things, the Chairman of the Supervisory Board supervises and starts control procedures and systems for Bank and Group activities.

7.C.3 The Chairman is not a member of the Internal Control Committee, in line with the Supervisory Provisions on corporate governance adopted by the Articles of Association, to ensure objective and impartial relations between the many duties assigned to the Supervisory Board.

In relation to Supervisory Board control activities, the Chairman is responsible for relations with the Supervisory Authorities and reports to the Board on the activities conducted by Authorities, including any inspections on the Bank or Group companies.

Lastly, with regard to the Supervisory Board's duties on cultural initiatives of the Bank and Group, the Chairman of the Supervisory Board has the duty of planning these initiatives, after consulting the Chairman of the Management Board and the Managing Director and subsequently managing the initiatives with particular reference to the enhancement of the historic, archaeological and artistic heritage and management of the Allowance for charitable, social and cultural contributions. In this respect, the Chairman of the Supervisory Board exercises duties attributed by the Articles of Association, as specified in the Supervisory Board Regulations, with operating support from the General Secretariat of the Supervisory Board.

The Articles of Association require the Shareholders' Meeting to appoint two Deputy Chairpersons for the Supervisory Board. The exercise of their duties is also regulated by the Articles of Association and Supervisory Board Regulations, in the case of the absence or unavailability of the Chairman. The Shareholders' Meeting of 22 April 2013 appointed Gianfranco Carbonato and Mario Bertolissi as Deputy Chairpersons.

### ***Requirements of integrity and professionalism***

The requirements of integrity aim to ensure that the Bank can rely on corporate bodies composed of individuals of proven honesty and moral integrity.

Accordingly, as expressly provided for by the Articles of Association and as representatives of a listed bank, Supervisory Board Members are required to meet the integrity requirements set forth for bank managers (Regulation adopted with Ministerial Decree 161 of 18 March 1998, implementing Article 26 of the Consolidated Law on Banking), as well as those of integrity and professionalism set forth for statutory auditors of listed companies (Regulation adopted with Ministerial Decree 162 of 30 March 2000).

The steering and strategic supervision role assigned to the Supervisory Board affects the qualifications of its members, who must therefore possess the requirements of professionalism for members of bank boards of directors (Regulation adopted with Ministerial Decree 161 of 18 March 1998) which include, amongst other things, having successfully practised the profession for at least three years through proper and qualified professional activities or functions relevant to the office covered. Consequently, the Chairman of the Supervisory Board is required to have at least five years' experience in exercising the aforementioned functions or professional activities.

Lastly, again based on the Articles of Association, at least four members of the Board must be included on the register of auditors and must have at least three years' professional experience in the legal auditing of accounts. Four members of the Board currently possess the requirement of professionalism.

Within 30 days of appointment, the Supervisory Board verifies that each Member meets such requirements, in compliance with supervisory regulations issued by the Bank of Italy, together with the requirement of independence pursuant to Article 148, paragraph 3, of the Consolidated Law on Finance. The Board also verifies the grounds for independence according to criteria indicated in the Corporate Governance Code with regard to individuals declaring possession of such grounds at the time of appointment. For each Member, the Supervisory Board verified, upon appointment thereof, compliance with said requirements of independence, based on documentation provided by the parties involved, as requested by or already held by the Bank.

3.C.4.  
8.C.1.

### ***Management or control positions of Supervisory Board Members***

Each Board Member 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 internal Board Committees.

1.C.2.  
8.C.2.

1.C.3. With regard to rules on the concurrent positions by Supervisory Board Members, the Board has expressed its opinion on the maximum number of offices that can be held, without prejudice to the fact that Board Members are subject to the accumulation of office limits envisaged in current pro tempore legal and regulatory provisions or in the Articles of Association. More specifically, Supervisory Board Members:

- shall accept office in any corporate body exercising strategic supervision or management functions with other Group companies or within the financial conglomerate, or with companies with which the Bank holds direct or indirect strategic investments (at least equal to 10% of the share capital or the voting rights at the ordinary shareholders' meetings of the subsidiary or 5% of the banking group consolidated shareholders' equity);
- shall refrain from taking posts in any body exercising a control function with other Group companies or within the financial conglomerate, as well as companies upon which the Bank exercises a significant influence. A similar recommendation was extended by the Supervisory Board to Management Board Members in reference to management offices.

As members of the control body of a listed company, Supervisory Board Members are required to comply with Consob's disclosure requirements regarding the number of offices held in joint-stock companies at the time of the appointment, along with all subsequent variations (new offices, terminations, approval of financial statements) within the deadlines and according to the instructions envisaged by the Issuers' Regulation. In accordance with the provisions of Article 144-quinquiesdecies of the Issuers' Regulation, Consob discloses on its website information regarding management or control offices held by members of control bodies of listed companies and with widely-distributed shares. The information disclosed by Consob reflects the content of declarations provided by the Supervisory Board Members, who have sole responsibility for the accuracy of publicly disclosed information. According to the Issuers' Regulation, those holding the office of member of the control body of only one issuer (listed company or company with widely-distributed shares) are exonerated from compliance with the aforementioned reporting requirements relating to offices held in joint-stock companies.

Following the coming into effect of Article 36 of Law Decree 201/2011 (the "*interlocking prohibition*"), converted with amendments into Law 214/2011, Supervisory Board Members cannot accept or exercise any office in the management, supervisory or control bodies of competing enterprises or groups of enterprises operating in the credit, insurance or financial markets.

In this respect, note that the Supervisory Board Members 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 Supervisory Board Member 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.

Members of the Supervisory Board are required to renew each year their certification that they do not hold offices in the management, supervisory or control bodies of competing enterprises or groups of enterprises, to allow the plenary meeting of the Board to perform its annual assessment. Said certification was renewed with a positive outcome also with reference to the 2015 financial year.

1.C.2. Board Members are required to inform the Bank of any office accepted in other companies and entities. As an attachment to this Report, in compliance with the Corporate Governance Code, summary table No. 1 indicates the number of other management and control offices that Members of the Supervisory Board 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.

### Independent members

All Members of the Supervisory Board are required to satisfy the independence criteria of Article 148, paragraph 3, of the Consolidated Law on Finance. Accordingly, the law requires, inter alia, the absence of any self-employment or established employment, or any other relations of an economic or professional nature between the Member and the Bank or its subsidiaries, parent companies or companies under common control, which could otherwise compromise independence.

The Bank requires that each Member provides an annual declaration confirming the continued possession of independence requirements.

Before approving this Report, the Supervisory Board assessed the independence of all Members, each of whom confirmed, as requested by the Bank, he/she continues to meet all the independence criteria mentioned above.

The Articles of Association also require that at least 10 members of the Supervisory Board must meet the independence requirements envisaged in the Corporate Governance Code.

When submitting their candidatures, members of the Supervisory Board are asked to certify their independence, under their own responsibility, in accordance with the application criteria indicated in the Code. Each Board Member claiming independence must evaluate his/her own situation based on the parameters listed in the aforementioned criteria. The relevant declarations, following appointment, were disclosed to the market.

The Supervisory Board assesses the independent status of Members based on information available to the Bank or on statements provided by the Members themselves, acquired upon request.

The Supervisory Board incorporated the abovementioned operational method into its own Regulations, considering it adequate also for its role as a control body and confirming that assessment of the independence of its own members will not diverge from the principles of the Code.

After appointment, the Supervisory Board carries out an annual verification that each Member meets the criteria of independence.

Prior to approval of this Report, and in order to allow the Supervisory Board to assess whether or not its members are independent, each Board Member was asked to carry out a personal assessment of his/her own independence status, taking into consideration the application criteria given in Article 3 of the Code and providing a specific declaration in this respect.

The last assessment was carried out on 23 February 2016. All Supervisory Board Members, based on declarations made by each of them and on information already available to the Bank, were found to be in possession of the independence criteria pursuant to Article 148, paragraph 3, of the Consolidated Law on Finance. With respect to the requirements of the Code, the following 17 Members were qualified as independent: Mario Bertolissi, Gianluigi Baccolini, Francesco Bianchi, Rosalba Casiraghi, Carlo Corradini, Franco Dalla Sega, Piergiuseppe Dolcini, Jean-Paul Fitoussi, Edoardo Gaffeo, Pietro Garibaldi, Rossella Locatelli, Giulio Stefano Lubatti, Marco Mangiagalli, Iacopo Mazzei, Beatrice Ramasco, Marcella Sarale and Monica Schiraldi.

Their number allows them to participate in all the internal Board Committees in order to make full use of their respective professional skills in relation to the specific duties attributed to each Committee. In this regard, the composition of the Committees, particularly the Internal Control Committee and Remuneration Committee, also proves compliant with the provisions of Articles of Association, as amended to comply with the Supervisory Provisions on corporate governance, and the Committee for transactions with related parties with the Consob Regulation on related parties and the regulation issued by the Bank of Italy on 12 December 2011 governing activities at risk and conflicts of interest of banks and banking groups in relation to “associated entities.”

The Bank’s website has an updated list of Members which points out for each one whether or not the status of independence according to the Code applies.

The Supervisory Board Regulations envisage the option that at least once a year the Members of the Board independent pursuant to the Code should meet in the absence of other Members, following call by the more senior independent Board Member in age terms, that minutes of the meeting are drafted and reported to the next full meeting of the Supervisory Board. As at the date of approval of this Report, the independent Members have not yet felt the need to hold such a meeting, also given the composition of the Board. Likewise, and again given that it is composed almost entirely of independent Board Members, the Supervisory Board decided not to appoint a *lead independent director*.

## Supervisory Board's Internal Committees: composition and operations

4.P.1.  
4.C.1.  
a) b) and c)  
4.C.2.

With regard to their specific specialist duties, the internal Board Committees play an important role in the research, analysis and in-depth study of matters put forth before the Supervisory Board. Such activities – also expressed in the formulation of proposals, recommendations, assessments and opinions – facilitate the task of the Supervisory Board in making more reasoned decisions, without limiting the powers and responsibilities of the Board, and rather increasing the effectiveness and efficiency of its work, particularly with regard to the discussion of sensitive matters which could be a source of conflict of interest.

7.P.4.

The following Committees are currently established within the Supervisory Board:

- Internal Control Committee, composed of five members, all independent pursuant to the Code, of which three are enrolled with the Register of Auditors and have practised the legal auditing of accounts for a period of at least three years;
- 5.P.1. – Risk Committee, composed of five members, four of whom are independent according to the Code; 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;
- Nominations Committee: five members - including the Chairman of the Supervisory Board and the two Deputy Chairpersons - three of whom are independent pursuant to the Code;
- 6.P.3. – Remuneration Committee: three members, all independent pursuant to the Code;
- Committee for transactions with related parties of Intesa Sanpaolo S.p.A. and associated entities of the Group: five members, all independent according to the Code; 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 Supervisory Board took into consideration the independence requirements and the professional characteristics and experience of its Members, 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 Supervisory Board. The Chairman calls the meetings and describes the activities, proposals and guidelines of the Committee during meetings of the Supervisory Board. In the event of absence or impediment of the Chairman, the longest-serving member or, in the case of equal terms of service, the eldest member takes on the functions.

4.C.1. b)

The duties of each Committee are specified in special Regulations, approved by the Supervisory Board, which govern the operation and organisation of the Committees.

Meetings are generally held at the Torino registered office and 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 Member, in which case the secretary should be selected from the General Secretariat of the Supervisory Board.

4.C.1. e)

Each Committee may ask the departments of the Bank and, where permitted in their Regulations, those of subsidiaries, for access to any information considered necessary to perform the duties assigned to them. Such access may be direct or via the General Secretariat of the Supervisory Board and also, where envisaged, via structures established for this purpose (the Internal Control Committee can also rely on Internal Auditing and Compliance).  
Every Committee meeting receives the support of preliminary work performed by the General Secretariat of the Supervisory Board. 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 Committee concerned, and only in relation to specific items on the agenda. The Secretary of the Board and the head of the Secretariat of the Supervisory Board normally participate in the activities of the Committees.

Also in consideration of the time dedicated to each task in hand, Committee work is always performed in a constructive environment based on exchange and dialogue among the respective members, encouraging personal contributions, open discussion and criticism not only among Board Members 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 that operated in 2015 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

### Internal Control Committee

Members	Enrolment with the Register of Auditors Practice as an auditor	Independent pursuant to the Code	Attendance percentage at meetings
Giulio Stefano Lubatti - Chairman	X	X	98%
Rosalba Casiraghi	X	X	98%
Carlo Corradini		X	98%
Edoardo Gaffeo		X	98%
Beatrice Ramasco	X	X	98%

The average duration of the Committee's meetings was approximately 5 hours.

1.C.1. i)

The Internal Control Committee is the permanent reference point for the organisational departments of the Bank performing control functions, from which it receives periodic reports or briefings on specific situations or company trends. The Members of the Internal Control Committee may be removed by the Shareholders' Meeting or replaced by the Supervisory Board solely with just cause.

Within the scope of the Supervisory Board's duties, the Committee, in its capacity as body with control functions, proposes, advises and enquires on the relevant matters, submitting opinions where required by the reference laws, within the terms laid down by the Regulations approved by the Supervisory Board with resolution dated 19 December 2014.

7.C.2. b)

In particular, the Committee supports the Board in supervising:

- compliance with legal and regulatory provisions and the Articles of Association and the principles of correct management;
- adequacy of the organisational structure;
- completeness, adequacy, functionality and reliability of the Risk Appetite Framework;
- also in its capacity as Internal Control and Audit Committee pursuant to Italian Legislative Decree 39/2010, completeness, adequacy, functionality and reliability of the internal control system;
- compliance with anti-money laundering regulations and the completeness, functionality and adequacy of money laundering controls;
- completeness, adequacy, functionality and reliability of internal risk measurement systems for determining capital requirements and their compliance with the requirements laid down by the regulations;
- adequacy and functionality of the management and accounting system, including the related information systems, as well as its reliability in correctly representing the management operations;
- methods for the actual implementation of the corporate governance rules laid down by codes of conduct drawn up by management companies of regulated markets or by trade associations which the Bank declares to adhere to;
- adequacy of the instructions given by the Bank to its subsidiaries;
- compliance with the principles and values enshrined in the Code of Ethics.

7.P.3. d)  
7.C.1.a)  
7.C.1. b)  
7.C.2. d)

1.C.1. c)

Moreover, the Committee supports the Supervisory Board:

- in verifying that the Bank, as part of the Group's management and coordination activities, acting as the Parent Company, strategically controls the development of the different business areas in which the Group operates and of the risks affecting the business portfolio as well as in verifying that the Bank carries out a managerial control aimed at ensuring that the balance sheet, income statement and financial balance conditions of the individual companies and of the Group as a whole continue

to be met;

- in reporting to the Management Board any gaps and irregularities found, in requesting the adoption of appropriate corrective measures and verifying their effectiveness over time;
- in preparing the report on the supervisory activity to be submitted to the Shareholders' Meeting pursuant to Article 153 of the Consolidated Law on Finance.

The Committee also performs the following functions, including in the capacity as Internal Control and Audit Committee pursuant to Italian Legislative Decree 39/2010, in support of the Board:

- in supervising
  - o the financial reporting process and verifying the adequacy of the controls and procedures adopted to ensure compliance with public disclosure regulations;
  - o the effectiveness of internal audit systems;
  - o the auditing of the annual reports and consolidated financial statements, thereby also supporting the Board in exchanging relevant data and information with the independent auditors, also pursuant to Article 150, paragraph 3, of the Consolidated Law on Finance, for the performance of their respective duties;
  - o the independence of the independent auditors, supporting the Board in verifying compliance with the regulatory provisions, the nature and extent of the services other than auditing provided to the Bank and its subsidiaries by the same independent auditors and by the entities belonging to their network;
- in examining
  - o the work plan prepared by the independent auditors;
  - o the report on the main findings of the auditing stage and, in particular, on any significant shortcomings found in the internal control system with regard to the financial reporting process (pursuant to Article 19 of Italian Legislative Decree 39/2010) as well as the letter of recommendations prepared by the independent auditors;
  - o the reasoned proposal to be submitted to the Shareholders' Meeting with regard to the assignment and removal of the independent auditors as well as the related remuneration.

7.C.1. e)

The Committee must be consulted on decisions regarding the appointment and removal of the heads of the corporate control functions and the definition of the essential elements of the overall structure of the control system (powers, responsibilities, resources, information flows, management of conflicts of interest), in coordination with the Risk Committee.

The Committee must promptly inform the Supervisory Board of any action or fact that may be regarded as significant under Article 52 of the Consolidated Law on Banking, and make any necessary reports and/or complaints to the competent bodies and/or Authorities.

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

The Committee may at any time, through the appropriate corporate functions (Internal Auditing, Compliance and Anti-Money Laundering) carry out inspections and controls, and exchange information with the control bodies of Group companies with respect to their management and control systems and the general performance of their business.

Finally, the Committee performs the additional duties and tasks attributed to it by the Supervisory Board and, in particular, it also performs the functions of the Surveillance Body pursuant to Italian Legislative Decree 231/2001 on the administrative liability of companies, supervising operations and compliance with the Organisational, Management and Control Model adopted by the Bank.

In accordance with the Articles of Association, members of the Committee are required to participate in meetings of the Management Board. To this end they receive, with reference to each calling of the Management Board's meetings, the documentation on the items placed on the agenda from time to time.

8.C.6.

In order to ensure the best possible coordination between the Internal Control Committee and the Risk Committee, in accordance with the respective roles and responsibilities, the meetings must be attended by a member of the Internal Control Committee acting as a standing member of the Risk Committee, and common information flows must be provided, limited solely to cases in which their analysis by both Committees is actually functional to the effective performance of their duties.

In 2015 the Internal Control Committee held 48 meetings, including some joint meetings held with the Risk Committee, providing detailed information at every Supervisory Board meeting, also by means of specific reports, on the activities and main findings of the Committee, and, on a half-yearly basis, reporting summarily on the effectiveness of the internal control system.

7.C.2.f

In this regard, the Committee supported the Supervisory Board in examining numerous proposals for adapting the Group's regulations (regulations and guidelines) regarding internal controls, business continuity and information systems (for further information, reference is made to the paragraph "The internal control and risk management system").

The Internal Control Committee, including upon consultation with the Risk Committee, supported the Supervisory Board:

- in approving: (i) the Guidelines on the most significant transactions; (ii) the outcome of the ICAAP process and (iii) the Corporate Governance Plan;
- in reviewing the profiles of the candidates to the appointment of Chief Compliance Officer, Group Risk Manager, and head of the internal auditing;
- in assessing the performance of the Manager responsible for preparing the Company's financial reports and the head of the Internal Auditing Department, for the purposes of payment of the variable part of remuneration due to them for the purposes of the 2014 incentive system.

Furthermore, the Internal Control Committee also supported the Board in the process of appointment of the Manager responsible for preparing the Company's financial reports and in the issue of the related favourable opinion that the Articles of Association attribute to the control body, pursuant to Article 154-bis of the Consolidated Law on Finance.

A copy of the Internal Control Committee's half-yearly report to the Supervisory Board is issued by the Chairman of the Supervisory Board to the Chairman of the Management Board and the Managing Director in order to enhance information exchange between the bodies with strategic, management and control duties. During the year, the Committee held a series of regular meetings with the Managing Director, to ensure constant reporting of activities.

In accordance with the Articles of Association, members of the Internal Control Committee participated in meetings of the Management Board.

The Committee also performed the duties and tasks of a Surveillance Body pursuant to Italian Legislative Decree 231/2001 on the administrative liability of companies, supervising operations and compliance with the Organisational, Management and Control Model adopted by the Bank.

### Nominations Committee

Members	Enrolment with the Register of Auditors Practice as an auditor	Independent pursuant to the Code	Percentage of attendance at meetings
Mario Bertolissi – Chairman		X	100%
Giovanni Bazoli			100%
Gianluigi Baccolini		X	80%
Gianfranco Carbonato			100%
Iacopo Mazzei		X	100%

The average duration of the Committee's meetings was approximately 1 hour.

1.C.1. i)

In accordance with the provisions of the Articles of Association, the current Nominations Committee consists of a majority of Board Members meeting the independence criteria envisaged by the Code. Pursuant to the Regulations, it supports the Supervisory Board:

5.P.1.

- in carrying out the appointment process regarding the Supervisory Board Members by the Shareholders' Meeting, so as to ensure that the Members of the latter are qualified and sufficient in number to perform the Board's duties. To this end, the Committee supports the Supervisory Board, among other things, in the body's annual self-assessment in terms of composition, powers and operation, as well as in the annual review of the requirements laid down by the law, the Articles of Association and the Supervisory Provisions applicable to its members;

5.C.1.  
a) and b)

- in carrying out the appointment process regarding the Management Board, so as to ensure that the Members of the latter are qualified and sufficient in number to perform the Board's duties. To this end, the Committee:
    - submits proposals to the Supervisory Board concerning the size and composition of the Management Board and the professional skills considered appropriate to the body, the appointment of the Chairman and the two Deputy Chairpersons and the indication to the Management Board of the candidate as Managing Director;
    - provides instructions, in coordination with the Chairman of the Management Board, on the plan for the replacement of the Managing Director and of the members who qualify as General Managers pursuant to Article 27 of the Articles of Association;
    - examines any proposal to remove Management Board Members;
  - in issuing an opinion, in compliance with the provisions laid down in the Articles of Association, on the appointment and removal of the General Managers pursuant to Article 27 of the Articles of Association.
- The Committee also contributes to drafting the proposal, by the Risk Committee, of the heads of the internal corporate control functions, whose appointment falls within the remit of the Supervisory Board. In 2015 the Nominations Committee held 5 meetings. In the first two sessions, it supported the Supervisory Board with reference to the periodic verification of compliance with legal requirements on the part of its members as well as the self-assessment in terms of powers, size, composition and operation of the Board. In the further three sessions, the Committee also supported the Supervisory Board in the assessments associated with the resignation, during 2015, of two Management Board members. In this regard, in view of the expiry of the Boards in office in spring 2016, the concurrent anticipated adoption of a different governance system and the opinion, expressed by the Bank of Italy at the time, regarding the desirable gradual transposition of the Supervisory Provisions on corporate governance and, in particular, composition of the Boards, it was agreed not to proceed with the integration of the Management Board.

### Remuneration Committee

1.C.1. i)

Members	Enrolment with the Register of Auditors Practice as an auditor	Independent pursuant to the Code	Percentage of attendance in meetings
Piergiuseppe Dolcini – Chairman		X	100%
Gianluigi Baccolini		X	100%
Edoardo Gaffeo		X	100%

The average duration of the Committee's meetings was approximately 2 hours.

6.P.3.

The Articles of Association require the majority of members of the Remuneration Committee to meet the independence criteria set forth in the Code. All Members of the Remuneration Committee meet said independence criteria. Also in the current composition, adequate knowledge of and experience in finance and remuneration policies is guaranteed, especially on the part of the Chairman.

Pursuant to its Regulations, the Remuneration Committee proposes, advises and enquires on remuneration matters, thereby supporting the Supervisory Board. In the performance of the said role, it submits proposals to the Board, among others:

6.C.5.

- with regard to the Management Board Members' remuneration policies, to be submitted to the Shareholders' Meeting, also taking into account risk management, business strategies and any payment of a variable component of remuneration;
- regarding the remuneration payable to the Management Board Members, Chairman, Deputy Chairpersons, Managing Director, executive Management Board Members, and Management Board Members vested with special offices, duties or powers, on the basis of remuneration policies approved by the Shareholders' Meeting and any plans based on financial instruments. In this regard, the Committee must take into account, among other things:
  - the presence of executive and non-executive Management Board Members;
  - the significance, role and responsibilities of Management Board Members within the scope of the corporate organisational structure;
  - the economic results achieved overall by the Bank and the attainment of specific objectives approved by the Supervisory Board in relation to the Bank's business plans and Budget;

- o consistency with the risk target system set by the Bank, in coordination with the Risk Committee, each within its remit.

Moreover, the Committee also supports the Supervisory Board:

- o in examining, for the purposes of their approval, the remuneration and incentive policies in favour of employees and staff not bound to the company by an employment agreement (including the criteria for the determination of the remuneration to be granted in the event of early termination of the employment agreement or early termination of office, to be submitted to the Shareholders' Meeting), thereby verifying the clarity and effectiveness of the representation, among other things, (i) of the characteristics relating to the remuneration structure, with special regard to the balance between fixed and variable component and the use of financial instruments; (ii) of the link between the level of risk taken and the achievement of stable, effective results, as well as the mechanisms for ex-post adjustment of the indicators taken as reference for the purposes of payment of the variable remuneration and (iii) of the process followed in the development of the remuneration policies, with specific reference to the involvement of any external consultants and the role played by the bodies and functions involved;
- o also taking account of what must be defined by way of proposal to the Management Board and the related opinions of the same Supervisory Board and in view of the approval of the more general policies referred to above, in examining and finally approving the remuneration and incentive systems of general managers, assistant general managers, deputy general managers and similar roles, heads of the main business lines, corporate functions or geographical areas, those who report directly to the Supervisory Board and the Management Board, heads and most senior staff from the corporate control functions, including the Manager responsible for preparing the Company's financial reports; with reference to those same entities, the Committee is also assigned the task of submitting proposals during the determination of their related remuneration;
- o in examining the proposals to be submitted to the Shareholders' Meeting for resolution on remuneration, with specific reference to the proposed remuneration plans based on financial instruments.

6.C.3.

The Committee, finally, expresses an opinion on the achievement of the performance targets to which the incentive plans are linked and on the determination of the other requirements for the payment of the remuneration.

The Committee is also required to express its motivated opinion on remuneration matters concerning transactions with related parties, in the cases envisaged by the Group Procedures regulating the conduct of transactions with Intesa Sanpaolo S.p.A. Related Parties and Group Associated Entities. In this regard, in 2015 the Committee issued a favourable opinion on the terms of the definition of the employment agreement with four Group top managers.

In 2015, the Remuneration Committee – which is not qualified in terms of remuneration of the Board to which it belongs, as this is determined by the Shareholders' Meeting – was held 17 times and with regard to the matters strictly related to its duties, supported the Supervisory Board, among other things, in approving:

- the amendments to the 2015 remuneration and incentive policies associated with the transposition of the new Supervisory Provisions on remuneration;
- the amendments to the 2014 incentive system reserved for the Top Management and Risk-Takers specified by the Supervisory Provisions and the associated application profiles;
- the guidelines and governance processes of the Group's remuneration policies.

The Committee also supported the Supervisory Board in expressing an opinion regarding the variable remuneration of General Managers, heads of control functions and the Manager responsible for preparing the Company's financial reports, in relation to achievement of the 2014 budget objectives as well as to determination of the parameters for recognition of the variable remuneration for the 2015 budget.

6.C.6.

The Committee did not use any consultants in 2015.

For additional information on remuneration, see Section I of the Report on Remuneration.

6.C.7.

## Risk Committee

1.C.1. i)	Members	Enrolment with the Register of Auditors Practice as an auditor	Independent pursuant to the Code	Percentage of attendance at meetings
	Marco Mangiagalli – Chairman		X	97%
	Jean-Paul Fitoussi		X	71%
	Pietro Garibaldi		X	100%
	Rossella Locatelli			100%
	Giulio Stefano Lubatti	X	X	95%
	Beatrice Ramasco (alternate)			100%

The average duration of the Committee's meetings was approximately 4 and a half hours.

The Risk Committee proposes, advises and enquires on the relevant matters, submitting opinions where required by the reference laws.

With reference to the functions regarding general, planning and strategic guidelines, the Committee supports the Supervisory Board:

- also taking into account the proposals of the Management Board, in defining and approving the business model, including 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;
- in examining the Management Board's proposals concerning the business and/or financial plans and annual budgets, as well as the strategic transactions identified in Article 25.1.2 of the Articles of Association.

7.C.1. a) With reference to risk governance functions, the Committee supports the Supervisory Board, also taking into account the proposals of the Management Board, in defining and approving:

- the strategic direction and risk governance policies at Group level, which take into account the specific operations and associated risk profiles of each company belonging to the Group, in order to achieve an integrated and consistent risk governance policy. This is also done by performing the activities conducive to their periodic review by the Board, in relation to the evolution of the business and the external environment, in order to ensure their effectiveness over time;
- the risk appetite and, where applicable, the tolerance threshold (given the Risk Capacity in the terms defined in the Risk Appetite Framework), thereby making the necessary assessments and proposals;
- the general lines of the ICAAP process, thereby also supporting the Board: (i) in ensuring consistency with the RAF and the timely adjustment thereof in relation to significant changes in the strategic guidelines, organisational structure and reference operational context; (ii) in promoting full use of the ICAAP outcome for strategic purposes and in making business decisions and (iii) in examining the scope of the relevant risks for the Group and the summary of the ICAAP process and in preparing the report to be sent to the competent Supervisory Authorities, together with the resolution;

7.C.2. g) - the assessments and resolutions relating to the management of risks arising from adverse facts.

The Committee also supports the Supervisory Board for the purposes of the approval of the Management Board's proposals with reference: (i) to the risk management process; (ii) to the policies and processes for evaluating company activities; (iii) to the adoption of internal systems for determining capital requirements; (iv) to the Code of Ethics; (v) to the policies on investments in non-financial companies and the repayment plan prepared in case the investments held in non-financial companies exceed the concentration limit and/or the overall limit, in coordination with the Internal Control Committee; (vi) to the guidelines on strategies and procedures aimed at ensuring compliance on a consolidated basis with public disclosure requirements ("Pillar 3") and (vii) to the criteria for classification, assessment and management of non-performing loans.

Once again with reference to the risk governance functions, the Committee also supports the Supervisory Board:

7.C.1. b)

- in verifying the correct implementation of strategies, risk governance policies and the RAF;
- in ensuring the overall consistency of the strategic plan, the RAF, the ICAAP, the budgets and the internal control system, also with regard to the evolution of the internal and external conditions in which the Bank and the Group operate;
- in assessing the related operational, reputational and financial risks, thereby identifying the monitoring activities to mitigate them and ensuring effective control thereof, in the event that the Bank operates in jurisdictions that have limited transparency or through particularly complex structures;
- in ensuring that an accurate, complete, and timely information flow system regarding risk control and management has been set up;
- in overseeing the Bank's public disclosure and reporting process, including disclosure on Corporate Social Responsibility;
- in approving the report prepared by the internal auditing relating to the controls carried out on outsourced major operational or control functions, the gaps found, if any, and the resulting corrective measures taken;
- in case of adoption of internal risk measurement systems to determine capital requirements (i) in overseeing the proper use of the internal systems for management purposes (use tests) and their compliance with regulatory requirements and (ii) in examining, with reference to the internal systems in respect of the credit, counterparty and market risk, the report prepared by the Risk Management function with regard to the results of the stress tests.

With reference to the functions regarding the information accounting system and financial statements, the Committee supports the Supervisory Board:

7.C.2. a)

- in approving the Parent Company's and consolidated financial statements; in this area, in particular, the Committee supports the Supervisory Board in order to (i) assess the correct use of the accounting standards and their consistent application in the preparation of the Parent Company's and consolidated financial statements in coordination with the Manager responsible for preparing the Company's financial reports and upon consultation with the independent auditors; (ii) examine the drafts of the Parent Company's and the consolidated financial statements approved by the Management Board and (iii) examine the audit report relating to the Parent Company's financial statements and consolidated financial statements (referred to in Article 14 of Italian Legislative Decree 39/2010);
- in approving the accounting and reporting systems; in this area, in particular, the Committee supports the Supervisory Board in order to examine their report on the main findings of the auditing stage and especially any significant shortcomings found in the internal control system in relation to the financial reporting process (pursuant to Article 19 of Italian Legislative Decree 39/2010) as well as of the letters of recommendations prepared by the independent auditors (flow in common with the Internal Control Committee);
- in examining the information on the Bank and Group operating performance which the Management Board sends periodically as required by the Articles of Association; in this area, in particular, it supports the Supervisory Board in order to verify the compliance of the results with the forecasts contained in the multi-year plans and the budget for the year.

With reference to the functions regarding the organisation, corporate governance and the internal control system, the Committee supports the Supervisory Board:

- in defining and approving, also taking into account the Management Board's proposals, the Bank overall governance structure and guidelines of the internal control system (in coordination with the Internal Control Committee), thereby also supporting the Board in verifying that it is consistent with the strategic guidelines and risk appetite defined and is able to understand the evolution of business risks and their interaction;
- in approving the Management Board's proposals with reference: (i) to the organisational structure; (ii) to the establishment of corporate control functions, their duties and responsibilities, the procedures for coordination and collaboration, the information flows between these functions and between them and the corporate bodies; (iii) to the appointment and removal of the head of Anti-Money Laundering, in coordination with the Internal Control Committee; (iv) to the appointment and removal of the head of the Business Continuity Plan; (vi) to the control coordination document,

which takes into account the overall control structure of the Group and (vii) to the Corporate Governance Plan, in coordination with the Internal Control Committee;

- in identifying and proposing to the Board, also taking into account the proposals put forward by the Management Board, upon consultation with the Nominations Committee and in coordination with the Internal Control Committee, the heads of regulatory compliance, risk control and internal validation functions;
- 7.C.1. c) - in identifying and proposing to the Board, upon consultation with the Nominations Committee and in coordination with the Internal Control Committee, the head of Internal Auditing;
- in reviewing, subject to the approval by the Supervisory Board, the annual business plan (including the audit plan) and the multi-year audit plan prepared by the internal auditing and in the examination in advance of the annual report prepared by the same (flows in common with the Internal Control Committee);
- 7.C.2. c) - in reviewing beforehand the activities planned and the reports prepared, at least on an annual basis, by the other corporate control functions (flows in common with the Internal Control Committee);
- in verifying that the corporate control functions properly comply with the guidelines and directives of the Supervisory Board;
- in ensuring that the Bank and Group structure is consistent with the activities carried out and with the business model adopted, avoiding the creation of complex structures that are not justified by operational purposes.

With reference to the functions regarding information systems, the Committee supports the Supervisory Board:

- in approving the development strategies of the information system, including the reference model for the information system architecture and IT risk appetite, having regard to internal services and those offered to customers, in line with the risk targets and the framework for the determination of the risk appetite defined at the corporate level;
- in examining the report prepared at least on an annual basis by the Management Board on the adequacy of IT costs and services and the state of IT risk compared to the risk appetite and the disclosure of the internal auditing and the other corporate functions responsible for the evaluation of IT security.

With reference to the functions regarding business continuity, the Committee supports the Supervisory Board:

- in defining and approving the objectives and strategies of business continuity of the service, ensuring adequate human, technological and financial resources to achieve the objectives set;
- in approving the business continuity plan and the subsequent changes following technological and organisational adjustments, as well as the assessment of the residual risks not managed by the business continuity plan, which must be expressly accepted by the Board;
- in examining the report, issued at least annually, on the outcome of the checks on the adequacy of the plan as well as the verification of the business continuity measures (flow in common with the Internal Control Committee).

In 2015 the Risk Committee held 38 meetings, providing detailed information at every Supervisory Board meeting, also by means of specific reports, on the activities and main findings, as well as reporting summarily thereupon. With regard to the matters strictly related to its duties, the Committee supported the Supervisory Board, among other things, in checking consistency between the incentives underlying the remuneration and incentive system and the Risk Appetite Framework and in approving:

- the Parent Company's and consolidated financial statements as at 31 December 2014;
- the 2015 Budget;
- the definition of the maximum acceptable risk level for the Group and the correlated system of limits;
- the new rules on product governance of complex and structured products;
- the new Guidelines on data governance and IT risk management;
- the Business Continuity Plan;
- the 2014 Sustainability Report.

Furthermore, the Risk Committee, jointly with the Internal Control Committee, supported the Supervisory Board:

- in approving: (i) the Guidelines on the most significant transactions; (ii) the outcome of the ICAAP process and (iii) the corporate governance plan;

- in reviewing the profiles of the candidates to the appointment of Chief Compliance Officer, Group Risk Manager, and head of the internal auditing;
- in assessing the performance of the Manager responsible for preparing the Company's financial reports for the purposes of payment of the variable part of remuneration due for the purposes of the 2014 incentive system.

### *Committee for transactions with related parties and associated entities*

Members	Enrolment with the Register of Auditors Practice as an auditor	Independent pursuant to the Code	Percentage of attendance at meetings
Franco Dalla Sega – Chairman	X	X	100%
Francesco Bianchi		X	73%
Carlo Corradini		X	100%
Marcella Sarale		X	100%
Monica Schiraldi		X	100%

The average duration of the Committee's meetings was approximately three hours.

1.C.1. i)

The Committee performs the duties assigned to it by the Consob Regulation on Related Parties, Bank of Italy provisions and Group Regulations ("Regulations") with regard to transactions with related parties of Intesa Sanpaolo and associated entities of the Group carried out by the Bank or its subsidiaries.

The Committee does not oversee the Bank's transactions with related parties concerning remuneration issues.

In exercising its duties, the Committee in particular:

- expresses a motivated opinion on the Bank's interest in carrying out the transaction, as well as on the suitability and fairness of the related conditions;
- expresses an opinion if the transaction involves subsidiaries and, where it is influenced by the Bank management and coordination activities, indicates - through the opinion under the previous point - the reasons and interests influencing it;
- where envisaged by the Regulations, in accordance with the applicable provisions, participates in the negotiation and preparatory phases, receiving a complete and timely flow of information, with the power of requesting information and submitting comments to the delegated bodies and to the parties conducting the negotiations or preparatory activities;
- receives a report regarding the transaction if the same falls under Article 136 of the Consolidated Law on Banking;
- in the cases envisaged by the Regulations, in accordance with the applicable provisions, receives a report on decisions regarding the classification of positions with related parties of the Bank or Group associated entities as substandard or doubtful.

Finally, the Committee provides assessments, support and proposals on the organisation and conduct of internal controls on the overall activities relating to the assumption and management of risks vis-à-vis associated entities, as well as performing an overall check of consistency of the activities with the strategic and management guidelines. In this regard, it collaborates with the Internal Control Committee for the definition and in the event of changes or substantial integrations of the procedures identified in the Regulations, thereby issuing - for the aspects within its remit - an analytical, reasoned and binding opinion on their overall suitability to ensure the transparency and substantive and procedural fairness of the transactions with the Bank related parties and the Group associated entities.

In 2015 the Committee met 15 times and examined 43 transactions, almost all of which were classified as less significant transactions. The Committee issued a favourable, reasoned, non-binding opinion for each of these.

## Supervisory Board operations

1.P.2. The role of strategic supervision entrusted to the Supervisory Board involves Supervisory Board Members in key decisions, including the definition of the overall governance structure and the approval of the Bank's organisational and corporate governance structure; the taking on of the overall responsibility for the guidance and control of the information system and the approval of the Business Plan and the strategic guidelines identified to achieve results set out in the Plan itself, in agreement with the Management Board, also through the constant supervision of general operations development, to pursue Group consolidation objectives, growth and the creation of value for shareholders over the medium-long term, without prejudice to observance of the sound and prudent management and capital adequacy of the Bank.

Board Members are bound to secrecy on any documents, data or information of a confidential or price-sensitive nature that they may learn through the performance of duties, and to uphold the confidentiality of the information beyond their term of office. They are also required to comply with the procedure adopted for internal management and external communication of said documents or information.

### *Calling of meetings*

1.P.1. Board meetings are called by the Chairman or, in the event of absence or impediment, by the Deputy Chairperson, normally on a monthly basis, in accordance with terms established in the Articles of Association, or at the initiative of the Chairman, as he/she deems necessary, or upon request of just one Board Member, unless particular reasons hinder the holding of meetings and, in any event, in cases envisaged by law or the Articles of Association.

The meeting is called by the issue of a notice of call containing the agenda of matters for discussion, sent by the General Secretariat of the Supervisory Board to each member of the Board at least four days prior to the date of the meeting. In particularly urgent situations, the meeting may be called with any suitable means by giving 24 hours' notice.

The Supervisory Board generally meets alternatively at the Torino registered office and Milano secondary office or, exceptionally, at another venue in Italy.

### *Reports to Board Members*

1.C.5. When Board meetings are called, the Members of the Supervisory Board are provided, to all extents possible, with information and documents relevant to the agenda items to be discussed for informed decisions to be made.

Also in 2015, the General Secretariat of the Supervisory Board ensured compliance with the methods and timing envisaged in the Supervisory Board Regulations and procedures to ensure compliance with any instructions received from Authorities.

For every Supervisory Board meeting, the agenda is required to include reports on the activities of the Committees.

The documentation provided during Board meetings is held on file and each Board Member has access to a dedicated IT portal on which documents relating to all Supervisory Board meetings and those of its Committees can be consulted.

### *Board Induction*

2.C.2. Also in 2015, the attendance of the members at Board and Committee meetings was high and constant, ensuring a systematic contribution by all members to the activities and growing knowledge of Bank and Group business and trends, as well as of the main reference legal and regulatory changes.

In this perspective, upon the joint initiative of the Chairmen of the Supervisory and Management Boards, also in the light of the aforesaid review of the Bank's corporate governance structure, the Board members have benefited from in-depth seminar sessions on the subject.

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

Also in 2015, Board meetings were conducted in an open and constructive way between members, with the added value of contributions from the Committees. A sense of responsibility adopted in office along with the skills acquired by each member contributed to consolidating the structure and operation of the Board, in which specific individual competences help contribute to discussions in a cohesive, cooperative context in order to make reasoned, informed and, usually, unanimous decisions.

2.P.2.

The adopted governance model allows to enhance the specific professional qualities and competences of all Members, also by means of participation in at least one of the Committees established within the Board. The participation in such Committees, together with the technical competence acquired outside the Bank, during studies, in the exercise of professions or other corporate offices, fosters the Members' contribution of their specific skills to the Board's work.

Members of the Supervisory Board, on the basis of information that must be received from the Management Board, and the support of the Committees and the Secretariat of the Supervisory Board, act and pass resolutions independently and with full knowledge of the facts.

8.P.1.  
1.P.2.

In 2015, as previously, the Chairman of the Supervisory Board invited the Chairman of the Management Board and the Managing Director to take part in Supervisory Board Meetings each time achieved results were presented, or when a general and/or strategic issue was addressed, as well as the heads of Business Units, Governance Areas, Head Office Departments and Internal Control Functions of the Bank to provide information and figures as appropriate on matters submitted to the Board for examination.

1.C.6.

The Articles of Association provides for the holding of valid meetings also 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.

At least the Chairman and the Secretary must always be physically present at the venue officially designated as that in which the Board Meeting is deemed to have taken place.

For the validity of resolutions a majority of members in office must attend the meeting; resolutions are adopted with vote in favour by the absolute majority of members attending the meeting, without prejudice to special decisions, e.g. those relating to the appointment of the Chairman and of one or two Deputy Chairpersons of the Management Board, for which vote in favour by the majority of Supervisory Board Members in office is necessary. Minutes are prepared for each meeting, fully illustrating the agenda items discussed and related decisions adopted.

### *Frequency of meetings and Board Member attendance*

In 2015 the Supervisory Board met a total of 14 times, with the following attendance percentage for each Member:

1.C.1.i)

Giovanni Bazoli – Chairman	100%	Giulio Stefano Lubatti	93%
Mario Bertolissi - Deputy Chairperson	93%	Marco Mangiagalli	93%
Gianfranco Carbonato – Deputy Chairperson	100%	Piergiuseppe Dolcini	100%
Franco Dalla Sega – Secretary	93%	Edoardo Gaffeo	100%
Gianluigi Baccolini	100%	Rossella Locatelli	100%
Rosalba Casiraghi	93%	Iacopo Mazzei	100%
Carlo Corradini	100%	Beatrice Ramasco	100%
Francesco Bianchi	93%	Marcella Sarale	100%
Jean-Paul Fitoussi	86%	Monica Schiraldi	93%
Pietro Garibaldi	100%		

The Board meetings lasted an average of 3 hours, considered adequate in satisfying the need for thorough development and discussion of matters on the agenda, also in view of the proper meeting and pre-meeting information, and the number of meetings held.

In 2016, the Supervisory Board had held 2 meetings at the date of approval of this Report.

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The Company's 2016 financial calendar indicates 15 March 2016 as the date of the Supervisory Board meeting for approval of the Parent Company's and consolidated financial statements as at 31 December 2015.

### *Contestation of resolutions*

Resolutions adopted by the Supervisory Board in breach of law or the Articles of Association may only be contested by board members who were absent from the relative meeting or who voted against or abstained, by and no later than 90 days from the date the resolution was adopted.

Shareholders may also contest the resolutions of the Supervisory Board where a resolution is prejudicial to their rights. In this case, as to terms and procedures for contesting resolutions, provisions governing the contestation of shareholder resolutions shall apply, where compatible, as per Articles 2377-2378 of the Italian Civil Code.

Special rules are in place for contesting resolutions approving the financial statements, in accordance with Article 157 of the Consolidated Law on Finance and Article 2409-quaterdecies, paragraph 2, of the Italian Civil Code.

## The Management Board

The Management Board is governed by the legal and regulatory provisions, the Articles of Association and its own Regulations, last updated in 2014.

The Regulations are applicable to the Management Board jointly as a whole and severally to the Chairman and Members of the Management Board, who contribute to forming the resolutions of the Board.

These Regulations - in compliance with the legal and regulatory provisions - provide the Board with an accurate set of organisational and operating rules which specifically govern, inter alia, the following:

- composition and structure;
- duties and powers, based on a criterion of subdivision by topic;
- duties of the Chairman, with particular reference to tasks associated with Management Board operations and relations with the Supervisory Board and its Chairman;
- duties of the Deputy Chairpersons and the Managing Director;
- decision-making process, mechanisms of circulation of the corporate information and organisation of Board discussions: methods and timing for the calling of meetings, sending of documentation to Board Members, meeting attendance and conducting of the same.

1.P.1.

### Duties and powers of the Management Board

The Management Board has sole responsibility for corporate management. It shall see to the implementation of the strategic guidelines as well as the risk governance policies defined and approved, for the Bank and the Group, by the Supervisory Board, with which it cooperates, to the extent of its own powers, in performing the strategic supervisory role.

1.C.1. i)

For this purpose, the Board resolves on all transactions – relating to both ordinary and extraordinary administration – necessary, useful or appropriate in achieving the corporate purpose. The Board shall also ensure the completeness, adequacy, functionality and reliability of the information system.

Pursuant to the Articles of Association and in accordance, inter alia, with the provisions contained in the Supervisory Provisions on corporate governance and in the Joint Bank of Italy/Consob Regulation, the Management Board is guaranteed sole responsibility for certain matters of greater importance – identified in a precise and analytical manner – beyond those strictly envisaged in the regulations. On such matters joint decision-making makes it possible to actively involve Board Members who therefore participate, with independent judgement, in key moments in the operational governance of the Bank.

More specifically, in addition to the powers that according to law may not be delegated, those reserved to the Board include, amongst others:

- the drawing up of proposals regarding the overall governance structure, the business model, the Bank and the Group's strategic guidelines, risk governance policies as well as the purchase or sale of strategic equity investments falling within the responsibility of the Supervisory Board;
- the preparation of business and/or financial plans as well as the budgets of the Bank and the Group to be submitted to the Supervisory Board for approval;
- periodic monitoring of the implementation of strategic, business and/or financial plans of the Bank and the Group;
- the purchase and sale of equity investments leading to changes in the Banking Group;
- the preparation of the organisational and corporate governance structure to be submitted to the Supervisory Board for approval and the assessment of its adequacy, as well as the preparation of the accounting and reporting systems to be submitted to the Supervisory Board for approval;
- the determination of criteria for the coordination and management of Group companies in compliance with the strategic guidelines and the risk governance policies defined and approved by the Supervisory Board, as well as the determination of the criteria for the implementation of the Bank of Italy's provisions;
- the appointment, on the recommendation of the Supervisory Board, and removal of the Managing Director and the delegation, amendment and revocation of the relevant powers;
- the assignment of particular duties and the delegation of specific powers to one or more Board Members and the determination of the relevant powers;
- the appointment and removal of one or more General Managers and the determination of the relevant powers and duties, on the recommendation of the Managing Director and subject to the mandatory opinion of the Supervisory Board;

1.C.1. a)

1.C.1. c)

- the appointment and removal, subject to the mandatory opinion of the Supervisory Board, of the Manager responsible for preparing the Company's financial reports and the determination of the relevant powers and means;
- supervision to ensure that the Manager responsible for preparing the Company's financial reports has the powers, means and resources needed to fulfil the duties assigned to him/her;
- preparation of the draft Parent Company's and consolidated financial statements and of documentation on merger and demerger projects;
- 1.C.1. f) - the arrangement of transactions to be submitted for Supervisory Board authorisation or approval pursuant to the Articles of Association, and resolutions on transactions with a unit value exceeding 3% of the consolidated regulatory capital;
- the determination of criteria to identify related-party transactions for which the Management Board has sole decision-making responsibility;
- the designation of members of corporate bodies of subsidiaries, including executive board members;
- the approval of major internal regulations and the amendment thereof;
- the definition of proposals concerning incentive and remuneration schemes for top managers in the Bank's organisational and operational structure, to be submitted to the Supervisory Board for approval.

Without prejudice to regulatory provisions and the Articles of Association, the Management Board resolves on all other matters reserved to the Board under its own Regulations and on those it decided not to delegate.

In particular and solely by way of example, the Board is responsible for the following matters, without prejudice, where required, to joint responsibility of the Supervisory Board:

- a) structure, organisation and operations of the Board;
- b) the strategic guidelines of the Bank and the Group;
- c) corporate governance;
- d) remuneration;
- e) structure and organisation of the Bank and the Group;
- f) internal controls, risk management and prudential supervision;
- g) financial and corporate information, financial statements and relations with independent auditors;
- h) Shareholders' Meetings and relations with Bank shareholders.

The Board, taking account of each segment of the Group operations, supports strategic supervision regarding the internal control system, in line with the relevant supervisory provisions and, in particular, submits to the Supervisory Board its assessments and proposals with regard to the system, guidelines and operating instructions of such a system for the Bank and the Group.

- 7.P.3. a) The Board ensures integrated management of all risks, including those that may be relevant with a view to the medium to long-term sustainability of the Bank's business, thereby evaluating the internal and external factors that may give rise to them and their mutual interrelations. The Board is 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 Board adopts the provisions aimed at ensuring that the Managing Director and 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 process, in line with the supervisory provisions, the strategic guidelines, the RAF and the risk governance policies defined and approved by the Supervisory Board.

The Board, in order to ensure proper interaction among all Group corporate bodies and functions holding control duties, defined and submitted to the Supervisory Board for approval specific Integrated Internal Control System Regulations in accordance with the relevant Supervisory Provisions, disseminated to all the Departments involved. These Regulations include the main duties and responsibilities of the Management Board regarding internal controls; the other duties of the Board relating to specific areas of prudential supervision are set out in specific governance documents specifically dedicated to them.

With regard to the powers relating to the internal control and risk management system, reference is made to the dedicated chapter.

The Management 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.

1.C.1. e)

On recommendation from the Chairman, the Board appoints a Secretary. The Secretary provides support to the Chairman and the Board in exercising their respective duties, arranging all matters necessary to operations of the Board, pursuant to law, the Articles of Association, regulations and procedures adopted by the Bank.

The Corporate Secretariat provides support for Management Board activities, reporting, through the competent Department, to the Chairman and Managing Director. The Secretariat is entrusted with handling Board-related activities and providing support to the various members in carrying out their respective duties, especially to the Chairman, Deputy Chairpersons and Managing Director.

The Corporate Secretariat also guarantees reporting and organisational coordination as necessary with the Supervisory Board and its internal Departments, as well as the appropriate links between the Management Board and the other corporate bodies and Departments, and in general ensures that corporate obligations for which the Board and its Members are responsible, are fulfilled.

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Board Members act independently and pass resolutions on an informed basis, pursuing the corporate interest and the priority of creating value for shareholders over the medium to long-term period, in accordance with the principle of sound and prudent management and the principles and values of reference adopted by the Bank.

1.P.2.

Board Members are required to uphold the confidentiality, also beyond their term of office, of all documents, information and data concerning the Bank or the Group or otherwise learnt through the performance of their duties, and to comply with Bank procedures for the internal management and disclosure of such information. Board Members are further required to refrain from using information or knowledge about business opportunities learnt during their term of office to their own advantage or to the advantage of third parties.

## Composition of the Management Board

### *Composition and appointment*

In accordance with the Articles of Association, the Management Board is composed of a minimum of 7 and a maximum of 11 members, including non-shareholders, appointed, with the support of the Nominations Committee, by the Supervisory Board, which determines their number at the time of appointment. In doing so, the Supervisory Board is required to ensure that the Board has a sufficient number of members and the professionalism to fulfil its duties effectively.

1.C.1. i)

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

The Articles of Association envisage that the Board includes a significant percentage, varying according to the number of members, of Executives from companies in the Intesa Sanpaolo Banking Group (excluding the Managing Director from this percentage, who at the time of appointment or later holds the title of Executive in any companies in the Banking Group).

In addition, the less-represented gender is reserved at least the number of Board Members established by current laws in force on the matter of equal access to the management and control bodies of listed companies.

The Management Board in office at the date of publication of this Report consists of:

Gian Maria Gros-Pietro - Chairman  
 Marcello Sala - Senior Deputy Chairperson  
 Giovanni Costa – Deputy Chairperson  
 Carlo Messina – Managing Director and CEO  
 Stefano Del Punta  
 Piera Filippi  
 Gaetano Miccichè  
 Bruno Picca

The Management Board was unanimously appointed by the Supervisory Board in the meeting held on 9 May 2013, which set the number of its members at 10, appointing Gian Maria Gros-Pietro as Chairman, Marcello Sala (Senior Deputy Chairperson) and Giovanni Costa as Executive Deputy Chairpersons. Effective - respectively from 16 March 2015 and from 14 July 2015 - Giuseppe Morbidelli and Carla Ferrari resigned from the office of Management Board Member.

1.C.1. i) The Governance Section of the Bank's website provides and updates brief biographical and professional notes on each of the Board Members in office.

Also note that with regard to seniority of office since first appointed, the two Deputy Chairpersons are now in their third term of office with Intesa Sanpaolo (for Giovanni Costa also including the office of Supervisory Board Member in 2007/2008/2009) while for six Board Members (including the Managing Director) this is their first term of office.

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

Art. 123-bis (2), (d) and (1), (l) CLF The Members of the Management Board remain in office for a maximum period of three financial years, as determined by the Supervisory Board, with their term of office expiring as of the date of the Supervisory Board meeting called to approve the financial statements relating to the last year of their office, but effective as of the actual appointment of a new Board by the Supervisory Board. Board Members may be re-elected.

The current Management Board will remain in office for the 2013/2014/2015 financial years. Expiry of the term of office for all Members is envisaged as the date of the Supervisory Board meeting called to approve the 2015 financial statements.

The current provisions of the Articles of Association do not envisage a differentiated term of office for all or part of the Management Board.

Where one or more Management Board Members leave service, for any reason whatsoever, the Supervisory Board shall replace them without delay, in compliance with provisions on the Board's composition. The term of office of the newly-appointed Board Members expires simultaneously with the term of the members in office at the time of their appointment.

Where during the year, for whatever reason, the majority of the Board Members originally appointed by the Supervisory Board ceases to be in office, the entire Management Board shall forfeit office as of the date on which the newly appointed Board Members take office. The term of office of the newly-appointed Board Members expires on the date on which the office of the replaced Management Board would have expired.

Members of the Management Board may be removed by the Supervisory Board at any time, without prejudice to the right of the removed Member to be indemnified for removal without just cause.

Management Board Members may also be removed as a result of the Shareholders' Meeting exercising liability actions as per Article 2393 of the Italian Civil Code - by resolution approved by a number of shareholders representing at least one-fifth of the share capital, or by resolution of the Supervisory Board pursuant to Article 2409-decies of the Italian Civil Code, approved by at least two-thirds of its members. In the latter case, the Supervisory Board is required to appoint replacements for the removed Management Board Members at the same meeting.

With regard to members of the Board chosen from among the Banking Group Executives, if for any reason the office or managerial duties covered at the time of appointment should terminate, this constitutes just cause for removal from the Management Board unless the Supervisory Board considers there are exceptional grounds for the term of office to continue.

#### ***Executive and non-executive Members***

1.C.1. i) 2.P.1. 2.P.2. 2.P.3. 2.C.1. In accordance with the Supervisory Provisions on corporate governance - which require the Management Board to be a "corporate body characterised by a predominance of executives" - the Management Board currently consists of 6 Executive Board Members: the Managing Director as Chief Executive Officer and in relation to the role as head of operational management of the Bank and the Group, three Executive Board Members from the Group's Management (Bruno Picca as the Head of the Chief Risk Officer Governance Area, Stefano Del Punta as the Head of the Chief Financial Officer Governance Area, and Gaetano Miccichè as the Head of the Corporate and Investment Banking Division) and two external Executive

Deputy Chairpersons (Marcello Sala and Giovanni Costa), through the assignment of the office of Group's Managerial Committees member or in other forms in line with the aforementioned Supervisory Provisions (as set out in further detail in the following paragraphs).

The majority presence of Executive Board Members is consistent with the character and tasks assigned to the Board, enhancing its executive nature in terms of active participation in the management process, without prejudice to the fact that, as mentioned previously, the Articles of Association envisage a system of duties not to be delegated, which reinforces the joint decision-making of the Board's operations and actively involves all members, enhancing their respective professional expertise, as part of and in support of management activities as a whole.

With reference to the replacement plans, the Bank has adapted the internal regulations, in particular with reference to the Nominations Committee, attributing to the latter the task of supporting the Supervisory Board with the directives of the plan for the replacement of the Managing Director and of the members who qualify as General Managers.

The Supervisory Board is supported by the Nominations Committee, which carries out consulting, investigation and propositional tasks. In submitting nomination proposals to the Supervisory Board, the Committee also takes into account the requirements of the Articles of Association and regulations in force for Management Board Members, as well as of the qualitative and quantitative composition deemed optimal and the professional skills considered appropriate to have, including with respect to the appropriate assessments conducted by the Management Board itself.

Following proposals by the Nominations Committee, the Supervisory Board appoints the new Board Member, indicating said individual to the Management Board as Managing Director or executive Board Member. Based on the indications of the Supervisory Board, the Management Board appoints the Managing Director.

#### *Chairman and Deputy Chairpersons*

The Chairman and Deputy Chairpersons of the Management Board are appointed by the Supervisory Board.

The Chairman is a non-executive Board Member: in fact he/she does not have assigned operating powers and the current organisation of the Bank keeps his/her duties separate from those of the Managing Director.

The corporate governance structure adopted by Intesa Sanpaolo gives the Chairman of the Management Board a special role, the fulfilment of which calls for deep commitment and proven managerial skills, also in order to promote the Board's role in pursuing the strategic objectives of the Bank and of the Group.

The Chairman, who is the Bank's legal representative, is in charge of promoting and coordinating the activity of the Board, which he/she has the power to submit proposals to, and is responsible for ensuring a profitable and ongoing collaboration among Management Board Members - in particular, among executive and non-executive Board Members - and with the Supervisory Board and its Chairman, with the aim of achieving an efficient coordination of the activities of the two Corporate Bodies.

In general, the Chairman exercises all powers appropriate to his/her office, and based on provisions of the Articles of Association and Management Board Regulations, fulfils duties relating, amongst other things, to relations with the other corporate bodies, to the Bank's strategic guidelines, external relations, corporate information, and relations with the Supervisory Authorities.

Lastly, the Chairman – in agreement with the Managing Director – has the power to adopt resolutions in urgent cases on any matter relevant to the Management Board, with the exception of matters that the latter may not delegate.

The same rules apply to the approval of urgent resolutions that may not be delegated under the Articles of Association, concerning:

- transactions having a unit value greater than 3% of the consolidated regulatory capital, and equal to or lower than 6% of said capital, provided that such transactions are unrelated to matters for which a resolution, approval or authorisation by the Supervisory Board is required under the Articles of Association;
- the designation of members of corporate bodies of subsidiaries, including executive board members.

The Management Board shall be informed of such resolutions at the next meeting.

5.C.2.

1.C.1. i)  
2.P.4.  
2.P.5.

The current corporate structure of Intesa Sanpaolo calls for the appointment of two Executive Deputy Chairpersons, acting as deputy to the Chairman: in view of the foregoing, in the case of absence or impediment of the Chairman, he/she shall be replaced by Marcello Sala, as the longest-serving Deputy Chairperson, intended as the Deputy Chairperson with the longest uninterrupted service.

In addition to acting as deputy to the Chairman, as indicated above the Deputy Chairpersons perform duties of an executive nature.

In particular, the Deputy Chairpersons participate, with voting rights, in the Group's Managerial Committees (described in detail in the next section): they both participate in the Group Risk Governance Committee, Marcello Sala participates in the Group Credit Committee and Giovanni Costa participates in the Group Financial Risks Committee.

As a result of their active participation in these Committees, the Deputy Chairpersons have direct access to information and resolutions that form the Bank's and the Group's day-to-day management, and are directly involved in the decision-making process on issues under the Board's responsibility.

In addition, the Board has assigned the following tasks to the Deputy Chairpersons:

- to the Senior Deputy Chairperson, Marcello Sala, the task of handling the development of international relations and the internationalisation projects of the Bank and the Group, in agreement with the Managing Director and in coordination with the Chairman of the Management Board;
- to the Deputy Chairperson, Giovanni Costa, the task of developing territorial relations and relations between the Management Board and the governance of the Banks pertaining to the Banca dei Territori Division, with the duty of monitoring implementation of the Board's resolutions, in strict liaison with the Chairman of the Management Board, Managing Director and Head of the Chief Governance Officer Governance Area.

The Deputy Chairpersons shall report periodically to the Management Board on the most significant activities and, on an annual basis, on all the activities undertaken.

### ***Managing Director***

1.C.1. i)

The Management Board, upon the indication of the Supervisory Board, is required to appoint a Managing Director from among its members, by resolution adopted by favourable vote of the majority of the Board Members in office. The Management Board also determines the powers to be delegated, along with their limitations and how they may be exercised.

The Managing Director, Carlo Messina, appointed on 29 September 2013, with immediate effect and for the remainder of the term underway, holds the role of Chief Executive Officer of the Bank and the Group, as well as that of General Manager.

The Managing Director - whose duties are governed by the Articles of Association and the Management Board Regulations - is the Chief Executive Officer, supervising corporate management by means of powers attributed in compliance with strategic guidelines of the Corporate Bodies. He/she ensures implementation of the resolutions of the Management Board, is responsible for personnel management, determines and implements operational directives, has the power to submit proposals to the Management Board, has the power to make credit proposals in accordance with applicable regulations, and ensures that the Bank's organisational, management and accounting structure is adequate considering the nature and size of company.

He/she is in charge of the operational management of the Bank and the Group, with full powers of ordinary and extraordinary administration, with the sole exception of the powers that cannot be delegated according to law and of those reserved to the Management Board under the Articles of Association.

By way of example only, the powers attributed to the Managing Director include:

- submitting proposals on strategic guidelines, multi-year plans and annual budgets of Intesa Sanpaolo and the Group for approval by the Management Board;
- submitting proposals on the organisational structure of the Bank and the Group;
- defining strategic guidelines, multi-year plans, budgets and detailed organisation of the Group business units reporting to the Managing Director, either directly or indirectly;
- acquiring, increasing (also via share capital increases) and disposing investments not implying a change in the Banking Group to a limit of 25 million euro; authorising the waiver or disposal of

- option rights on share capital increases in subsidiaries and the waiver of pre-emption rights, where these do not imply a change in the Banking Group;
- authorising, without limit, compulsory expenses and other expenses up to a unit limit of 25 million euro;
  - authorising the purchase and sale of real estate assets with a commercial value of no more than 25 million euro and concession of such assets on free loan;
  - ensuring application of the Group's corporate governance rules.

With regard to the responsibilities regarding the internal control and risk management system, reference is made to the next dedicated chapter.

7.P.3. a)

### ***Independent Management Board Members***

Pursuant to the Articles of Association, at least one Member of the Management Board must meet the independence requirements pursuant to Article 148, paragraph 3 of the Consolidated Law on Finance, particularly with regard to management offices held in Group companies or self-employment, established employment or other relations of an economic or professional nature with the company – or with its subsidiaries, parent companies or companies subject to joint control – which might compromise his/her independence.

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

To this end, the provisions in the Issuers' Regulation contemplate the requirement for listed issuers to make an assessment regarding possession by one or more Board Members of the prerequisites envisaged by the aforementioned provision and, following the appointment, to inform the market of the results of said assessments.

The Management Board verified with regard to each Board Member that he/she meets the independence criteria upon appointment and subsequently on an annual basis, also taking into consideration individual statements; the last verification in this respect, performed on 23 February 2016, in the presence of members of the Internal Control Committee, made it possible to determine – including in the light of the elements considered and indications provided by Consob and the Bank of Italy – that the following Board Members proved to be independent: Gian Maria Gros-Pietro and Piera Filippi.

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

During the assessment of independence of the aforesaid Board Members, the Management Board - in adherence to the Supervisory Provisions on corporate governance - also took into account the loans that Board Members declared to have with the Bank and/or its subsidiaries and that are attributable to the same.

The Members declaring their independence under applicable law are committed to informing the Board should they find themselves in a situation of non-independence.

A list of the Board Members and an updated indication of their qualification as independent pursuant to article 148 of the Consolidated Law on Finance can be found on the Bank's website.

The Articles of Association do not insist that members of the Management Board meet the independence requirements envisaged in the Corporate Governance Code, in line with the special features of the two-tier system in which most of the independent members are on the Supervisory Board. However, the Management Board has not waived their presence and, in particular, one of the independent Board Members was appointed Chairman.

3.C.4.

### ***Requirements of integrity and professionalism***

In order to ensure the sound and prudent management of the Bank and, in particular, the proper operation of the Management Board, Members of the latter – as board members of a listed bank – shall meet the specific requirements of integrity and professionalism in compliance with current pro tempore laws and regulations.

2.P.1.  
2.P.3.

The requirement of integrity aims to ensure that the Bank can rely on Corporate Bodies composed of Members of proven honesty and moral integrity. At the same time, in terms of professionalism, these Board Members are expected to have successfully practised the profession for at least three years through proper and qualified activities relevant to the office covered.

In any case, the Members promptly inform the Board of any elements that may be of relevance to the assessment of the integrity requirements, in accordance with the applicable legislation.

Loss of the requirements leads to disqualification from office.

More specifically, in accordance with laws in force, the Chairman is required to have a total of at least five years' experience in the aforementioned professional activities, while the Managing Director is required to have specific management experience in a position of high responsibility, given the fundamental role the Managing Director has in managing the company.

The appointment of Management Board Members, along with the choice of Chairman and Managing Director, consequently involves an adequate examination of the personal and professional characteristics of the candidates to such office, with decisions oriented towards those of the highest professional standing and wide-ranging managerial experience. In any event, the Management Board verifies the possession of the aforesaid requirements by each Board Member, in compliance with supervisory regulations and its own Regulations.

In this respect, note that the presence of Executive Board Members from the Group's Management has contributed to increased Board professionalism, with particular regard to banking business, the dynamics of the economic and financial system, banking and finance regulations and risk management and control methods.

The wide-ranging and diversified characteristics of professional, managerial and academic experience of each of the Members provides the Management Board with an overall level of expertise that is adequate to ensure the efficient performance of its duties.

#### ***Management or control positions of Management Board Members***

1.C.2. Management Board Members, especially if executives, accept and maintain office in the full awareness of the need to dedicate the effective time necessary for performance of the duties and responsibilities assigned to them, also taking into account other offices held and any commitments associated with any other professional activities they may pursue.

In this respect, it must be mentioned that Intesa Sanpaolo Management Board is not required to issue guidelines regarding the maximum number of offices of an individual Board Member that may be considered compatible with an effective performance of his/her duties in the Bank, nor is it required to identify any specific general criteria in this regard.

1.C.3.  
1.C.4. This issue is governed indeed by the Articles of Association, pursuant to which those members who have exceeded the limit of four management, steering or control offices in other listed companies, their parent companies or subsidiaries (several offices, up to a maximum of four within the same group, count as one; if in excess of four, they count as two) may not be appointed as Board Members and, if appointed, such office shall lapse.

With reference to the offices held with banking, financial, insurance or other companies of significant size outside the Group, it should also be taken into account that specific impediments were introduced by Article 36 of Italian Law Decree 201/2011, according to which it is forbidden for "holders of offices in the management bodies [...] of companies or groups of companies operating in the credit, insurance and financial markets to take on or exercise similar posts in competing companies or groups of companies".

In this respect, and on the basis of verifications conducted, note that one Board Member holds office in an unlisted company, one Board Member holds office in a listed company and one Board Member holds offices in two listed companies. In all these cases, however, the companies involved do not operate on the aforementioned markets and therefore the Board has acknowledged lastly in the meeting on 23 February 2016 that no Member is subject to disqualification of office as envisaged in the previously mentioned Article 36.

Given his/her additional role as Chief Executive Officer of the Bank and the Group, the Managing Director holds no offices as director of other issuers outside the Intesa Sanpaolo Group in which an Intesa Sanpaolo Management Board Member is chief executive officer.

2.C.5.

The Management Board checks and assesses the suitability of each Board Member to fulfil their respective duties upon their appointment and on an on-going basis, as well as the number of offices held by each Board Member, with focus placed on those demanding the greatest involvement in ordinary company operations.

Summary table No. 3, provided as an attachment to this Report, illustrates the number of other management or control offices held by Members of the Management Board in other companies listed on regulated markets (also abroad), in financial, banking, insurance or large companies; Table No. 4 provides the list of such offices.

1.C.2.

## Management Board operations

### *Calling of Meetings*

The Management Board is called by the Chairman when deemed necessary or when a written request is made by the Managing Director or by at least two Members of the Management Board; subject to prior notification to the Chairman of the Management Board, the Board may also be called by the Supervisory Board or by its individual Members in accordance with law.

1.P.1.

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

In calling a Board Meeting, the Chairman decides on the agenda, also taking into consideration proposed resolutions submitted by the Managing Director or other Members.

The Board meeting is called by issuing a notice of call containing the agenda items for discussion, addressed to Board Members at least four days prior to the date of the meeting. In urgent situations the meeting may be called by giving at least 24 hours' notice. The notice of call and agenda are also sent to the Supervisory Board Members.

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 merely for information purposes.

The Management Board meets alternatively at the Torino registered office and Milano secondary office or, exceptionally, at another venue in Italy. The Articles of Association also permit the holding of valid Management 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 Board Members*

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 Board Members in accordance with criteria of completeness and suitably in advance with respect to the meeting date, also with a view to necessary reporting symmetry between executive and non-executive Board Members.

1.C.5.

Except in any cases of price sensitivity or urgency, the documentation regarding the agenda is distributed two business days prior to the meeting in order to allow each Board Member to inform himself or herself thereof appropriately, and thus to perform his or her duties with awareness, as well as to adopt informed resolutions on the agenda items; documentation for information purposes only can also be sent after this deadline.

1.P.2.

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.

In order to guarantee adequate reporting to Board Members, proposals to the Board are first presented to the Chairman, in order to allow the Chairman to more appropriately structure the meeting agenda.

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 Board Members.

In order to optimise the information circulation process and timing, documents relating to Board meetings are made available through a dedicated IT platform accessible by Board Members. This application, accessible via intranet in protected mode, enables management of the information flows in full compliance with the internal security and system security standards.

If confidentiality has to be guaranteed or if the Chairman considers it appropriate given the 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 Board Members and ensure that all adequate and regular in-depth analyses are conducted during the meeting; the Board Members 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 case, the documentation provided at meetings of the Board is filed in company records and remains available for consultation at the Corporate Secretariat, as well as on the dedicated IT platform.

The documentation is also sent and made available to the Secretary of the Supervisory Board and to members of the Internal Control Committee.

The Bank Departments involved from time to time ensure that the utmost attention is focused on the information provided to Board Members on the business to be discussed at meetings, in the awareness that such information is fundamental for Board Members to adopt suitable resolutions and dedicate more time to in-depth analysis and discussion at meetings.

### ***Board induction***

2.C.2. Pursuant to the Board Regulations, the Chairman has the specific task to ensure that Board Members, during their mandate, increase their business and corporate awareness, including with respect to the Group, in order to fulfil their role in the most effective manner.

The said objective is pursued not only within the scope of Board meetings, but also through the Board Members' participation in specific induction sessions aimed at acquiring knowledge of the reference regulatory and self-regulatory framework, as well as to guarantee full and suitable knowledge of banking business, the economic and financial system, the corporate dynamics and the relevant evolutions and, above all, the control system and principles of proper management and control of risks ("ongoing-induction").

The induction sessions are organised according to adequate structure levels: Board Members 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 2015 and up to the publication of this Report, 12 specific induction sessions were held to allow Board Members 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 in particular: Performance of the Board self-assessment process, New governance structure - one-tier system, Fund Internal Transfer Prices in the implementation of the Guidelines for Group Liquidity Risk Management, Quarterly results, Strategy regarding the Group's international presence, IT risk assessment, IT Risk Action Plan, 2016 Risk Appetite and 2016 Budget.

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, accounting positions and any additional documentation conducive to the performance of their duties is made available to Board Members - and regularly updated - through the aforementioned dedicated IT platform.

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

The Management Board meeting 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, along with the time necessary for related analysis, and encouraging the Board's effective interaction and constructive debate, with particular attention placed on the appropriate sharing of information between executive and non-executive Board Members.

Board Members 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. On their part, non-executive Board Members monitor the decisions made by executive members and contribute to enhancing and promoting Board debate.

2.P.2.  
2.P.3.

On invitation from the Chairman, the General Managers, the Manager responsible for preparing the Company's financial reports, Heads of the Control Functions and top Managers of the Bank and the Group can attend Board meetings. Other Heads of Bank and Group Departments, members of the independent auditors and external consultants can also be invited to attend – in accordance with criteria of strict relevance – in relation to items on the agenda that might require specific technical skills. Such management participation has allowed the Board Members to obtain clarification and additional information on items on the agenda and has proved 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 Management Board meetings held during 2015 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.

1.C.6.

Management Board meetings are attended by the Secretary of the Supervisory Board and, in accordance with the Articles of Association, by the members of the Internal Control Committee, though without voting right.

Management Board resolutions are normally carried by absolute majority vote of the Members in attendance (in the event of a tie, the meeting Chairman has the casting vote); certain resolutions involving, amongst other things, the appointment and removal of the Managing Director and the delegation of his/her powers, as well as the appointment and removal of the Manager responsible for preparing the Company's financial reports are carried by majority vote of all members in office. Resolutions regarding the appointment, revocation and determination of powers and duties of General Managers are adopted by majority vote in favour by Members of the Management Board in office, subject to the mandatory opinion of the Supervisory Board.

Following the meetings, the Secretary draws up the draft minutes, illustrating in a comprehensive manner the method adopted for decision-making and the underlying reasons for such decisions. The draft of the minutes is sent to the Chairman and Managing Director and subsequently to all Board Members for comments, if any, collected by the Corporate Secretariat, and forwarded to the members of the Internal Control Committee. Upon approval, the minutes are forwarded without delay to the Chairman of the Supervisory Board, pursuant to the Articles of Association.

Each Board Member 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 and subsequent implementation within the Bank or Group.

1.C.1. i)

### ***Frequency of meetings and Board Member attendance***

Pursuant to the Articles of Association, Management Board meetings 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.

In 2015 the Committee held 21 meetings.

As in the past, Board Members' attendance at meetings has proved constant, despite the higher number of meetings held during the year. In particular, during 2015, the attendance of Board members at meetings was equal to 100%.

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 Board Members is not expressed merely in attendance at Board meetings. For all Board Members, in fact, the activities associated with the meetings (study of documentation on items on the agenda, meeting preparation, queries and requests for information, etc.) must be taken into consideration whilst, with particular regard to executive Board Members, the activities performed as Heads of Bank operating Departments (for Board Members from the Group's Management) or in relation to participation in Group's Managerial Committees and the assignment of specific tasks (for executive Deputy Chairpersons) also have to be considered.

The Board meetings lasted an average of 4 hours, considered adequate in satisfying 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 2016, the Management Board had held 5 meetings at the date of approval of this Report. The Company's 2016 financial calendar - announced to the market (and made available on the website) in December 2015 in compliance with the Borsa Italiana Regulations - indicates the following dates: 4 May for the approval of the Interim Statement as at 31 March 2016, 2 August 2016 for the approval of the 2016 Interim Statement and 2 November 2016 for the approval of the Interim Report as at 30 September 2016.

### ***Contestation of resolutions***

Resolutions adopted by the Management Board in breach of law or the Articles of Association may be contested by the Supervisory Board and Management Board Members 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 Management 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.

## **Powers**

In accordance with the Articles of Association, and within the scope of its powers, as mentioned, for ordinary and extraordinary administration, the Management Board may appoint, by resolution adopted by majority vote of the members in office, a Managing Director, delegating relevant powers and determining their scope, limitations and how they may be exercised, and may delegate specific powers or assign special duties to one or more Board Members, and determine the related powers.

For certain categories of legal acts and business activities, specific powers can also be delegated to Bank personnel, provided the limits and methods of exercise of powers are defined, and establishing whether the appointed individuals may act individually or jointly in committees.

In implementation of the provisions of the Articles of Association, the Management Board, as mentioned, elected a Managing Director from among its own members, upon whom powers were delegated, without prejudice to its power of issuing directives and calling back decisions on matters delegated, and assigned specific tasks to the two executive Deputy Chairpersons.

The Board also defined and approved the decision-making powers and expenditure limits of Heads of Bank Departments, in accordance with the organisational and management responsibilities assigned to them respectively, and set limits and rules for the subdelegation of those powers.

The power to subdelegate is exercised through a transparent process that is constantly monitored and graded on the basis of the role and responsibilities of the subdelegate, who has the obligation to report back to the delegating function.

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.

Finally, the Management Board decides the methods for reporting to the Board on resolutions adopted under delegated powers. In this regard it should be noted that the Board assesses the general performance of operations on a periodic basis, also taking into consideration information received from Delegated Bodies.

1.C.1. d)

### Information flows to Corporate Bodies and between Corporate Bodies

Effective internal information flows constitute a key element of the organisation and corporate governance of Intesa Sanpaolo, not only because they allow for the correct fulfilment of obligations imposed by current regulations, but because they also offer effective Management and Supervisory Board activities and efficient relations between the two Bodies. The circulation of information between and within the Corporate Bodies 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 Articles of Association and Board Regulations contain provisions to ensure the correct flow of information between Bank Departments and the Managing Director and between the latter and the Management Board and between the Management and Supervisory Boards, in addition to effective coordination and full liaison between the Management and Supervisory Boards. The main participants of these processes are outlined below, as well as the respective roles carried out.

The Managing Director, in accordance with the Articles of Association, reports to the Management Board, usually on a monthly basis, on the key performance data for the period compared with system data; reports on general business performance and outlook, and on the most significant transactions carried out by the Bank and its subsidiaries, are made at least every three months. The Managing Director also activates the Departments of the Bank and Group in order to ensure the appropriate flows of information to the Management Board, particularly as regards risk management, the control system, compliance and management-financial governance. On a quarterly basis, pursuant to Article 150 of the Consolidated Law on Finance, the Managing Director reports to the Management Board and, consequently, to the Supervisory Board, on transactions with related parties of Intesa Sanpaolo and the Group associated entities with a major economic, capital and financial impact completed during the reference period by the Parent Company or by subsidiaries.

1.C.1. d)  
and e)

The Management Board promptly provides the Supervisory Board with up-to-date reports, or reports at least once every three months, on the general business performance and on transactions with a major economic, capital and financial impact carried out by the Bank and its subsidiaries; in particular the Board reports on transactions in which Management Board Members have personal or third-party interests, or which are influenced by the entity responsible for management and coordination activities; it provides the Supervisory Board with reports at least once a month on the key performance data for the period compared with system data.

As part of its responsibilities attributed by the two-tier system, the Supervisory Board provides the Management Board with periodic Internal Control Committee reports on analyses and studies completed with regard to the control system operation, also to allow the Management Board to implement corrective measures or improvements as necessary.

7.C.2. The Internal Control Committee periodically meets the Managing Director and CEO in order to discuss issues considered significant for the efficiency and effectiveness of the internal control system. The members of the Internal Control Committee are required to attend meetings of the Management Board, without voting rights, and for this purpose any documentation prepared for the Management Board is also made available to members of the Internal Control Committee.

In its capacity as Surveillance Body pursuant to Italian Legislative Decree 231/2001, the Committee submits, at least on a half-yearly basis, a report on the adequacy of and compliance with the relative Organisational, Management and Control Model to the Management Board and Supervisory Board. The Committee reports to such Boards on its activities.

Specific provisions in the Articles of Association and internal regulations aim at the Chairman of the Management Board and the Chairman of the Supervisory Board for the purpose of ensuring the appropriate sharing of information between each other and with the Managing Director, also with a view to guaranteeing accuracy of information flows to the Management Board. In particular:

- the Chairman of the Management Board ensures that all Members receive adequate reporting on matters on the agenda, exchanging information with the individual Board Members in relation to their delegated powers or duties; the Chairman also receives information on resolutions adopted by the Supervisory Board together with all other significant communications subject to assessment by the Management Board;
- the Chairman of the Supervisory Board is promptly informed and consulted by the Chairman of the Management Board and Managing Director on specific aspects of Bank and Group management and on business performance in general, also in terms of business outlook, and on initiatives regarding the Bank's general strategies and guidelines and strategic transactions subject to Supervisory Board approval; in this respect, the Chairman reports and may submit observations and proposals to the Board for resolution as appropriate. In Intesa Sanpaolo's governance practice, the Chairman of the Supervisory Board does not take part in the meetings of the Management Board.

## Self-Assessment of the Supervisory Board and the Management Board

The Supervisory Board and the Management Board have carried out their annual self-assessment on the composition, performance, conduct and trends characterising the Boards and the Committees established within the Supervisory Board.

1.C.1. g)  
and i)

The self-assessment process was performed in accordance with the provisions of the respective 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 Boards was performed with the professional assistance of Crisci & Partners, expert consulting firm which supported the Bank in the board review process last year as well. This company was deemed to possess the requirements of neutrality, objectivity, expertise and independence envisaged by Article 4 of 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, except for the assignments granted to the company in January 2015 for its assistance with the self-assessment process of the Management Board and the Supervisory Board for the year 2014 and in September 2014 for the drawing up of the Regulations on the self-assessment processes of the same Boards.

The self-assessment process, in addition to analysing the activities conducted by the Boards during the year, also examined the improvements made on the weaknesses emerged in the previous self-assessment. Since 2015 is the third year of their mandate, the Board Members, as part of the board review process, also expressed some guidance to shareholders on the managerial and professional figures whose presence is deemed appropriate in the Board of Directors that will be appointed following the adoption of the one-tier corporate governance system. The results of these recommendations are not described in this document; they are illustrated separately in a stand-alone document addressed to the Bank's shareholders.

Pursuant to the provisions of Article 5 of the Regulations, Crisci & Partners assisted the Supervisory Board and the Management Board in the following phases of the self-assessment process:

- Information collection: information was collected on the qualitative-quantitative composition and functioning of the Boards. 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 Board Members with regard to their relevant Board;
- preparation of process results: Crisci & Partners, after discussion with the Nominations Committee, as far as the Supervisory Board is concerned, and with the Management Board on the results of the data processing, and having shared said results on a collective basis, formalised the self-assessment results in the documents "Results of the Supervisory Board Self-assessment" and "Results of the Management Board Self-assessment", which summarise the methods used and results achieved.

The self-assessments were carried out based on questionnaires and individual interviews conducted between 23 November 2015 and 12 January 2016. The documents used for the interviews with Board Members 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 Supervisory Board meetings and a large sample of the minutes of the Management Board meetings for 2015, 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 Supervisory 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 Boards and the discussions held.

The questionnaire and interviews, in line with the approach adopted in last year's board review, focused on various areas regarding the composition and functioning of the Supervisory Board - and its internal Committees - and the Management Board. The main aspects subject to assessment regarded the adequacy of the following profiles:

- professionalism, in terms of knowledge, experience and skills, recognised with regard to the Boards in their entirety, and their individual members;
- composition and balancing of roles within the Boards;
- frequency and quality of induction meetings;
- overall functioning of the Boards;
- organisation of meetings in terms of frequency, topics discussed, duration, attendance and Board participation methods, with particular reference to existing relationships of trust, collaboration and interaction among Board Members;
- role of the respective Chairmen;
- information flows between the Supervisory Board and the Management Board, between the Supervisory Board and its internal Committees, and between Management Board and the Control Committee;
- overall performance of the self-assessment process;
- shareholders' recommendations.

With regard to the Supervisory Board in particular, specific focus was placed on:

- composition, functioning and quality of the debate characterising the internal Board Committees, as well as the information flows between the Supervisory Board and the Committees;
- functioning of the Board as a control, guidance and strategic supervision body.

The profiles specifically subject to assessment with respect to the Management Board regarded:

- organisation of the meetings in terms of frequency, topics discussed, duration, attendance and participation methods, with particular reference to existing relationships of trust, collaboration and interaction among Board Members;
- the role of the Chief Executive Officer as part of the Management Board;
- the strategic and monitoring role performed by the Board.

Since, as mentioned, in the year 2016, the Bank will adopt the one-tier governance system, the Board Members were also asked to report on any good practices adopted by the Boards worthy of being kept in the future under the new governance model.

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

In the light of the results of the self-assessment as well as the evidence emerged following the submission of the questionnaires and interviews conducted, the following good practices worthy of being kept in the future under the new governance model have been identified: n

- development of the induction activity, especially on not strictly regulatory matters and in line with the Bank's business plan and strategic objectives. In the future, this activity could be carried out with the direct involvement of the Bank's excellent research centre;
- high quality of the Board and pre-Board meeting documentation, and timeliness of its transmission;
- quality of the preliminary work carried out by the internal Board Committees;
- organisation of informal meetings among the Board Members, to address issues of interest for the Bank.

## 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, six Governance Areas and Head Office Departments under the direct responsibility of 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 (COO) Governance Area.  
The head of the Chief Operating Officer Governance Area, within the scope of his/her duties, works with Intesa Sanpaolo Group Services, which is responsible for providing services and support to the Group in order to achieve effectiveness, efficiency and quality standards;
  - Chief Innovation Officer (CIO) Governance Area;
  - Chief Lending Officer (CLO) Governance Area;
  - Chief Financial Officer (CFO) Governance Area;
  - Chief Risk Officer (CRO) Governance Area;
  - Chief Governance Officer (CGO) Governance Area;
  - Chief Compliance Officer (CCO);
  - International and Regulatory Affairs Head Office Department;
  - Safety and Protection;
  - Project Coordination.

In addition to the aforesaid structures, the Internal Auditing Head Office Department holds a special position in the organisation, in order to enjoy the necessary autonomy and independence, reporting directly to the Chairman of the Management Board and to the Chairman of the Supervisory Board. The External Relations Head Office Department, which reports directly to the Managing Director and CEO, to the Chairman of the Management Board and to the Chairman of the Supervisory Board, is also present.

With regard to the main changes in the organisational structure that occurred during 2015, it is noted that, as from 1 July 2015, the Chief Compliance Officer (CCO) was appointed, with the task to ensure, at Group level, the monitoring of the risk of non-compliance with regulations, as well as to set, in line with corporate strategies and objectives, the Group guidelines and policies relating to compliance with regulations, coordinating their implementation by the responsible units.

Also as from 1 July 2015, the Administration and Tax Head Office Department, previously reporting directly to the Managing Director and CEO, comes under the scope of the Chief Financial Officer Governance Area.

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).

### *General Managers*

The Management Board, upon proposal by the Managing Director and subject to the mandatory opinion of the Supervisory Board, is responsible for the appointment, removal and determination of the duties and powers of one or more General Managers, one of whom acts as deputy to the Managing Director, excluding duties which must be exclusively performed by the latter.

The General Managers report to the Managing Director within the scope of their duties and powers, and assist the Managing Director in the management of the company to the extent of the powers delegated to them upon their appointment.

The Management Board has appointed the Managing Director and CEO Carlo Messina, and the Head of the Corporate and Investment Banking Division Gaetano Miccichè as General Managers, without prejudice – in accordance with the principle of the unified management of the Bank – to the Managing Director's responsibility for the general management of all Bank and Group operations.

### *Group 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 Intragroup Committees are established by the Bank, composed of Bank Managers and Top Managers of the Group companies:

- Coordination Committee, consultative body with the role of facilitating intragroup operations and top level communication between the Bank Departments, with a view to sharing and coordinating the main corporate decisions;
- Group Risk Governance Committee, formed with decision-making, consultative and reporting powers to ensure the monitoring and management of risks and the safeguarding of corporate value at Group level. The Committee also coordinates the internal control system, in implementation of the strategic guidelines and management policies defined by the Corporate Bodies;
- Group Financial Risk Committee, technical body with a decision-making and reporting role, focusing both on banking business (proprietary financial risks of banking and trading books as well as Active Value Management) and the insurance business, in the life assurance sector (result exposure to the trend in market variables), which operates on the basis of operating powers and duties assigned by the Management Board;
- Group Control Coordination and Operational Risk Committee, technical body which operates within the scope of the guidelines set by the Corporate Bodies and on the basis of the operational and functional powers delegated by the Management Board, 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);
- Group Credit Committee, technical body with a decision-making and consultative role that has the task of guaranteeing coordinated management of issues relating to credit risk to the extent of its assigned powers;
- Group International Markets Coordination Committee, a body with a reporting and consultative role that has the task of promoting synergistic action and appropriate sharing of information by the Management of the Business Units of the Bank and the Group operating on international markets, and of strengthening the interdepartmental coordination and communications between the Business Units and the Governance Areas.

## 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 prepared the "Integrated Internal Control System Regulation", which defines 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 Integrated Internal Control System Regulation defines the duties and responsibilities of the different Bodies and control functions, the information flows between the various functions/Bodies and between these and the Corporate Bodies as well as the procedures for coordination and collaboration. 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 (policies and processes relating to: management of individual risk profiles, risk measurement internal systems used for management purposes or for the calculation of capital requirements, preventing the compliance risk and money laundering risk, risk mitigation techniques, RAF, ICAAP, public disclosure, securitisation transactions, covered bonds, conflicts of interest, evaluation of business operations, new products/services or launch of new start-ups or penetration into new markets, equity interests, management and financial governance, business continuity, IT security, information system, IT risk analysis, etc.).

In this perspective, the aforementioned Regulation and Governance Documents / Rules relating to specific areas of prudential supervision - issued by Intesa Sanpaolo at Group level - constitute, as a whole, an integrated and harmonised set of regulations on the control system of the Intesa Sanpaolo Group.

The Regulation was approved by the Management Board and the Supervisory Board, each acting within their remit, on 17 June 2014 and subsequently updated in the meetings held on 12 January 2016.

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, units, 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, managing and monitoring, on an ongoing basis, the typical risks of its activity and that of the Group companies, involving the Boards, special internal control functions, the Surveillance Body pursuant to Italian Legislative Decree 231/2001, 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 monitor, identify and manage business-related risks. Under this system, the primary reference are, inter alia, supervisory provisions on the prudential control of banks

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

and banking groups, organisation and corporate governance of banks, financial conglomerates, service and investment, taking into account developments in international best practices.

The Intesa Sanpaolo Group adopts an internal control system 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 operational and business structures (so-called "I level 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;
- the second consists of controls on risks and compliance, which are intended to ensure, among other things:
  - o the 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 are separate from the ones in charge of production and contribute to the definition of the risk governance policies and the risk management process. Within the Intesa Sanpaolo Group, the II level mainly falls under the responsibility of the Chief Risk Officer Governance Area and the Chief Compliance Officer, which include specific functions that involve:

within the Chief Risk Officer Governance Area:

- risk management controls, which are intended to contribute to the definition and implementation of the RAF (Risk Appetite Framework) and risk governance policies, ensure the measurement and control of the Group's exposure to different types of risk, contribute to the definition of the structure of the operating limits on risk assumption;
- credit quality monitoring, aimed at supervising credit granting and management processes, including rating allocation and update processes, as well as the individual exposures or clusters of exposures characterised by signs of anomalies;
- validation of internal risk measurement systems;

within the Chief Compliance Officer:

- compliance controls, which are aimed at preventing the risk of incurring legal and administrative penalties, significant financial loss or damage to reputation as a consequence of infringements of laws and regulations or self-regulation codes;
- compliance controls with regard to anti-money laundering, combating the financing of terrorism and embargo management.

In accordance with the Bank of Italy's Supervisory Provisions, which require said functions to be independent from operating departments and separate from internal auditing, the Chief Risk Officer and the Chief Compliance Officer report directly to the Managing Director and the 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.

- 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 Intesa Sanpaolo, in addition to the Corporate Control Functions, there are other Functions with control tasks or functions which, under any legislative, regulatory, Articles of Association or self-regulation provisions, are vested with control tasks.

In this context, within Integrated Operating Strategies, in compliance with the supervisory regulations, control tasks are performed by the Head of the Group Business Continuity Plan, the business continuity function and the IT security function.

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 as prepared by the Management Board, in this Report and in the report of the Supervisory Board 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 independent auditing), Corporate Control Functions as defined in the Supervisory Provisions on the control system (risk control, compliance with regulations, internal audit, anti-money laundering and validation) and crime prevention models.

7.C.1. d)

The Supervisory Board, as control body, is the centre of the control system, with the task of supervising compliance with legal and regulatory provisions, and the Articles of Association as well as correct governance and the adequacy of the Bank organisational and accounting structures.

7.P.3.

In this regard, the Board has, among other duties and considering the multiple functions having control tasks and responsibilities, the duty to assess the adequacy of all the functions involved in the control system, the proper fulfilment of the duties and the proper coordination thereof, thereby promoting actions aimed at remedying any gaps and irregularities found.

To carry out its functions, the Supervisory Board receives adequate flows of information from the other Corporate Bodies and from the Corporate Functions, including control functions.

## The role of 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 supervision 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 Corporate Bodies of Intesa Sanpaolo, as the Parent Company. Therefore, in carrying out their functions, they not only consider the actual corporate situation of the Parent Company, but also assess the Group's overall operating activity and the overall risks to which it is exposed.

Considering the two-tier corporate governance system adopted by Intesa Sanpaolo, the Supervisory Board and the Management Board cooperate in the performance of the strategic supervision function, and play an active role in risk management and control activities. In particular:

- the Supervisory Board, taking into account the proposals submitted by the Management Board, defines and approves the risk appetite, tolerance threshold and risk governance policies; the guidelines of the internal control system, the criteria for identifying the most significant transactions to be submitted to the prior opinion of the risk control function; the general lines of the ICAAP process, moreover, it approves the establishment of corporate control functions, their duties and responsibilities, the procedures for coordination and collaboration, the information flows between these functions and between them and the corporate bodies; in this context, in particular, it approves: the Integrated Internal Control System Regulation, which takes into account the overall control structure of the Group; furthermore, the Supervisory Board appoints and removes the heads of the corporate control functions and the Head of the Business Continuity Plan; the risk management process; the accounting and reporting systems; the policies and processes for evaluating business activities; the adoption of internal risk measurement systems for determining capital requirements; the process for the development and validation of internal risk measurement systems not used for regulatory purposes; the general lines of the management system for credit and counterparty risk mitigation techniques, which oversees the entire process of acquisition, evaluation, control and implementation of the risk mitigation instruments used; the process for the

7.P.3. d)

approval of new products and services, the launch of new start-ups, the penetration into new markets; the company's policy on outsourcing of corporate functions.

- The Management Board, taking account of each segment of the Group operations, supports strategic supervision regarding the internal control system, in line with the relevant Supervisory Provisions and, in particular, shall submit to the Supervisory Board its assessments and proposals with regard to the system, guidelines and operating instructions of such a system for the Bank and the Group and with regards to all the matters resolved upon by the latter in its capacity as a body with strategic supervision function.
- The Management Board, subject to the mandatory opinion of the Supervisory Board, appoints and removes the Manager responsible for preparing the Company's financial reports, thereby establishing his/her powers and means.
- The Management Board, including through the Managing Director and CEO, ensures the completeness, adequacy, functionality and reliability of the information system; promotes the development, periodic monitoring and updating of the business continuity plan.

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

In relation to internal controls and risk management, the Managing Director and CEO shall prepare the measures necessary for ensuring that an effective and efficient control system is established and maintained and shall put forward the appropriate proposals on the matter to be submitted to the Management Board. The Managing Director and CEO shall steer guidelines, laid down by the Management Board and the Supervisory Board, towards the Departments involved for implementation.

7.P.3. a)-ii)  
7.P.4.  
7.C.2.

The Supervisory Board is supported by

- the Risk Committee in the performance of guidance and strategic supervision on matters of general, programmatic and strategic guidelines, risk governance, organisation, corporate governance and internal control system, information accounting system and financial statements, information systems and business continuity;
- the Internal Control Committee in the performance of the supervisory and control functions as it is the permanent reference point for the corporate control functions.

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

In July 2015 the Management Board, based on the opinion of the Supervisory Board, appointed Fabrizio Dabbene as the Manager responsible for preparing the Company's financial reports, pursuant to the provisions of Article 154-bis of the Consolidated Law on Finance; until 30 June 2015 the office was held by Ernesto Riva.

The new Manager responsible for preparing the Company's financial reports, chosen among the Bank executives, meets specific professional requirements connected to adequate skills in financial and accounting disclosures, management or 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 functions. In this regard, he is provided with a structure that is adequate in terms of numbers, technical and professional skills and ongoing training programmes to support him in the fulfilment of his duties, with the cooperation of other structures of the Administration and Tax Head Office Department, as well as with the contribution of corporate and control functions of the Parent Company and Group companies.

Supervision on the reliability of the company financial reports and on the financial reporting process is 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 supervisory rules on the management and accounting system to which the companies that control companies governed by the laws of non-EU countries (Article 36 of Consob Market Regulation) are bound.

In order to comply with 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 obligations according to a shared approach at Group level, approved by the Management Board, with the favourable opinion of the Supervisory Board.

To this end, the Manager responsible for preparing the Company's financial reports:

- coordinates the instructions for the correct and uniform application of the accounting standards and measurement criteria, formalised as part of the Group Accounting Regulations, subject to regular periodic updates;
- prepares appropriate administrative and accounting procedures regulating the preparation of the financial statements and the consolidated financial statements, taking care of their adaptation in relation to the corporate disclosure requirements applicable from time to time;
- oversees the consistency of the accounting statements contained in the corporate documents disclosed to the market; to this end, he/she has the power to promptly obtain any information deemed necessary for the performance of his/her duties and coordinates the exchange of information with the independent auditors;
- submits public disclosures to the Management Board and certifies the compliance of financial documents and reports in accordance with the provisions of Article 154-bis of the Consolidated Law on Finance.

Furthermore, the Manager responsible for preparing the Company's financial reports monitors the assignments granted to independent auditors to supervise the auditors' independence and impartiality, in compliance with legal provisions and in accordance with methods governed by the specific Company Regulations.

The Manager responsible for preparing the Company's financial reports oversees the periodic reports that enable the Management Board to fulfil its legal and regulatory obligations, thereby monitoring the adequacy of powers and means granted. These reports are also submitted to the Supervisory Board Committees, which, to the extent applicable, report to the Board itself in order for it to perform its supervisory task of monitoring the information accounting system, as required by law and the Articles of Association.

### The financial reporting process monitoring

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

- 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 Group 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;
- compliance of the processes and procedures used for the preparation of the company financial reports, in particular, the consistency of the auditing approach and the proper conduct of the activities functional to the financial reporting process; 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 process.

As known, the Italian legislation does not make express reference to predefined standards in order to assess the adequacy of the management and accounting procedures and to ensure the effectiveness of the internal control system over the financial reporting process. The international benchmark - which normally constitutes also a common reference for independent auditors - is represented by the *COSO Framework* and the *COBIT Framework*<sup>1</sup>. They are also used as benchmarks by Intesa Sanpaolo insofar as they offer the opportunity for a convergence in the analysis and evaluation methodologies compared to the more widespread consolidated practices at the international level, based on authoritative references

<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. 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.

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 functions.

### Internal governance structures

Policies concerning the assumption and management of risk are approved by the Supervisory Board as recommended by the Management Board. The Supervisory Board carries out its activity through specific internal committees, among which mention should be made of the Internal Control Committee and the Risk Committee, mentioned earlier. The Management Board relies on the support of specific Managerial Committees, among which mention should be made of the Group Risk Governance Committee. Both Boards rely on the action of the Chief Risk Officer, who is a member of the Management Board and reports directly to the Chief Executive Officer.

The risk management strategy aims to achieve an integrated and consistent management of risks, in consideration of the Group's risk profile within the macroeconomic scenario, while fostering a culture of risk-awareness and enhancing the transparent and accurate representation of the risk level of the Group's portfolios.

The Group Risk Governance Committee, chaired by the Managing Director and CEO, is a Group body with decision-making, consulting and reporting powers, established with the aim of ensuring the monitoring and management of risks and the safeguarding of corporate value at Group level, including the internal control system, in the implementation of the strategic guidelines and management policies defined by the Corporate Bodies. It is in charge of the following duties:

- examining the Group's Risk Appetite Framework proposal submitted by the Chief Risk Officer Governance Area to share the content with the Top Management and evaluate the overall consistency, in a preparatory and conducive manner to the approval from the Boards, each within its remit;
- examining forward-looking economic scenarios and market evolution;
- examining the Risks Tableau de Bord, prepared by the Chief Risk Officer Governance Area, thereby analysing I and II pillar capital requirements, compliance with the limits on liquidity indicators and the main specific risks as defined in the RAF and the evolution of the main Group risks (credit, market, operating and other II pillar risks);
- in cases of specific impact and relevance, also with implications for the Group's reputation, analysing the Group's risk profile and managing with urgent decisions the potentially significant deterioration of risk, reporting to the Boards on any assessments and actions taken at the first convenient opportunity;
- examining the Group's ICAAP report prepared by the Chief Financial Officer Governance Area prior to presentation to the Boards;
- within the scope of the country risk and credit risk concentration limits defined by the body with management function, seeing to the allocation of operating limits within the remit of the Divisions/Departments and the further breakdown of these limits (by country, duration and type of operations);
- authorising individual new product, service and asset initiatives in the event whereby, following a negative opinion issued by an assessment function in the clearing process, the proposing function reiterates the request for an assessment on the impact on risks, processes and operational procedures, on the accounting system as well as in fiscal and compliance terms;
- authorising, following a favourable opinion from the relevant Chief Compliance Officer departments, in the cases where authorisation is expressly granted by the corporate bodies, the exceptions to the Guidelines/Regulations and examining the other cases for which the corporate bodies entrust the Committee with a specific assessment role;
- examining the strategies aimed at dealing with major crisis situations relating to the business continuity operations proposed by the Crisis Manager and taking key decisions having significant and binding implications in order to overcome them;
- examining the Credit Strategy proposal, submitted by the Chief Financial Officer Governance Area, in order to share the content with the Top Management and assess the overall consistency with the other credit processes;

- regularly checking the correct implementation of Credit Strategies, evaluating the necessary corrective measures proposed by the Chief Financial Officer Governance Area.

The Committee is also responsible for Basel 2 and 3 project governance and supervising the projects and measures necessary to guarantee compliance.

The Group Financial Risks Committee and the Group Control Coordination and Operational Risk Committee play an important role in terms of Group risk monitoring.

The Group Financial Risks Committee is a technical body with decision-making 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 insurance business, in the life assurance sector (result exposure to the trend in market variables). The functions of said Committee are set out in two sessions:

- the Risk Analysis and Assessment Session, chaired by the Chief Risk Officer, is responsible for evaluating, in advance of approval by the Corporate Bodies, the methodological and measurement guidelines for financial risks and proposals for operational limits, in addition to defining the distribution thereof amongst the Group's major units; in addition, the session verifies the financial risk profile of the Group and its main operational units;
- the Management Guidelines and Operating Choices Session, chaired by the Chief Financial Officer, provides operational guidelines in implementation of the strategic guidelines and risk management policies laid down by corporate bodies 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 Group Control Coordination and Operational Risk Committee, in the Operational Risk session chaired by the Chief Risk Officer, has the task of supervising the implementation of operational risk management guidelines and policies, including the IT risk (or ICT), in accordance with indications provided by the Corporate Bodies. It periodically verifies the Group's overall operational risk profile, defining any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and, in accordance with indications received from the Corporate Bodies, approving the operational risk transfer strategies.

### **The Chief Risk Officer**

The Chief Risk Officer, to which the Governance Area in charge of the risk management functions as well as the controls on the risk management and internal validation process reports, represents a "second line of defence" of the internal control system that is separate and independent from the business functions. Said functions are carried out by the Group Risk Manager area and by the Internal Validation Service. The Group Risk Manager area was set up during 2015, combining the Risk Management Department and the Credit Quality Monitoring Unit.

In particular, the Chief Risk Officer is responsible for:

- 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 departments;
- guaranteeing the measurement and control of Group exposure to the various types of risk, also verifying the implementation of guidelines and policies as above;
- guaranteeing the credit quality monitoring and the observance of credit guidelines and strategies through the constant monitoring of risk, and submitting proposals on the structure of delegated powers of the Corporate Bodies;
- validating internal risk measurement systems.

### **The Group Risk Manager**

Within the Chief Risk Officer Governance Area, the Group Risk Manager is in charge of the actions

implementing management strategies and guidelines along the decision-making process, down to each of the Bank operational units.

The Group Risk Manager is responsible for:

- 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;
- assisting the body with strategic supervision functions, consistent with corporate strategies and objectives, 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 departments;
- guaranteeing the measurement and control of Group exposure to the various types of risk, also verifying the implementation of guidelines and policies as above;
- guaranteeing the monitoring of credit quality and the observance of credit-related guidelines and strategies through the constant monitoring of the quality, composition and evolution of the credit portfolio (at Bank and Group level), and proposing to the Corporate Bodies, through the Chief Risk Officer, the powers of granting and managing credit.

Furthermore, the Group Risk Manager is responsible for the risk management methods and controls implemented in each business unit, reporting on the general situation to the corporate governance bodies, proposing operational limits on financial risks (for both the banking and trading books), promoting the use of risk measurement tools in granting and managing credit, overseeing the methodological and organisational framework for operational risks, using capital-at-risk measurements in management reporting and for assessing the Group's internal capital adequacy, and ensuring statutory reports are sent to Supervisory Authorities.

For the purposes described above, Intesa Sanpaolo uses a wide-ranging set of tools and techniques for risk assessment and management which take from best practices, as comprehensively described in the notes to the Financial Statements and the Pillar III - Basel III Disclosure.

### *Internal Validation*

Internal Validation Service reports directly to the Chief Risk Officer and is independent of the functions that manage internal system development activities and the function in charge of internal auditing. It ensures that internal models, whether already operational or in the development stages, are validated with regard to all risk profiles covered by pillars I and II of the Basel Accord, in accordance with the independence requirements established by the Bank of Italy.

The validation process is mainly driven by Intesa Sanpaolo's roll-out plan and any requests coming from the Regulator. On an annual basis, the Internal Validation Service prepares a validation plan that is submitted to the Management Board and the Supervisory Board for approval.

With respect to pillar-one risks, the validation is a prerequisite for use of the internal systems for regulatory purposes. The validation function conducts assessments of risk management and measurement systems in terms of models, processes, information technology infrastructure and their compliance over time with regulatory provisions, company needs and changes in the market of reference.

Both during the initial application phase and on an ongoing basis (at least annually), the results of the Internal Validation Service's activities are presented to the competent functions, transmitted to the Internal Auditing Department for its related internal auditing work, as well as to the competent Managerial Committees and Governance Bodies for certifying the compliance of internal systems with regulatory requirements, and forwarded to the Supervisory Authorities.

With respect to pillar-two risks, the Internal Validation Service conducts analyses of methodologies, verifying in particular that the measurement or assessment metrics adopted in quantifying significant risks are economically and statistically consistent, the methodologies adopted and estimates produced to measure and assess significant risks are robust and comparing alternative methodologies for measuring and aggregating individual risks. The analyses are conducted both in advance, when adopting/modifying the internal systems used for Pillar 2 purposes, and ex post as part of the prudential control process. The latter are summarised in the ICAAP report while, for substantial or significant modifications of internal systems, the Internal Validation Service produces a report to be submitted to the competent Managerial Committees and the Governance Bodies.

The function also manages the internal validation process at the Group level, interacting with Supervisory

Authorities, the Corporate Bodies of reference and the functions responsible for the level-three controls provided for in regulations. The Internal Validation Service adopts a decentralised approach for companies with local validation functions (certain international companies), coordinating and supervising the activities of such companies, and a centralised approach for the others. The methodologies adopted were developed in implementation of the principles that inspire the Supervisory Provisions for banks, UE directives and regulations, general orientations of international committees and best practices in the area and take the form of documentary, empirical and operating practice analyses.

The function generally also provides advice and suggestions to company and Group functions on an ongoing basis with the aim of improving the efficacy of the processes of risk management, control and governance of internal risk measurement and management systems for determining capital requirements. Finally, the Internal Validation Service is responsible for the validation of the internal systems used for management purposes and it contributes to the risk model development process for both I and II pillar risks.

### **The Chief Compliance Officer**

The Chief Compliance Officer, directly reporting to the Managing Director and CEO, is independent from operating departments and separate from internal auditing and ensures the monitoring of the risk of non-compliance with Group regulations, with respect to both the operating risk and the reputational risk, 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:

- consistent with corporate strategies and objectives, defining guidelines and policies on regulatory compliance;
- coordinating the implementation of guidelines and policies on compliance with regulations by the relevant Group business units, also in the various corporate contexts;
- verifying the implementation of guidelines and policies as above;
- supervising the identification and monitoring of any misalignment of current regulations, and arranging consulting, support and awareness-rising of Corporate Functions as regards regulations;
- ensuring the monitoring of compliance risk in terms of anti-money laundering, combating the financing of terrorism and embargo management.

The Chief Compliance Officer is vested with the necessary autonomy and independence from the operating Departments, 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 related procedures for monitoring regulatory areas that present 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 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; in functional terms, the Compliance Officers of subsidiaries report to the relevant Chief Compliance Officer departments, whereas those of branches report in hierarchical terms, save as for those cases where it is not permitted by the local regulations.

### ***Anti Money Laundering Head Office Department***

The Anti-Money Laundering Head Office Department, reporting directly to the Chief Compliance Officer, is specifically responsible for preventing and combating the implementation of money laundering transactions and financing of terrorism at the Group level. It reports directly to Governing Bodies and has access to all activities within the Bank, as well as any information significant for the performance of its duties.

The Head of the Head Office Department operates with the necessary autonomy and independence from the operating Departments and carries out supervision at the Group level across all corporate

Departments that are assigned the various tasks as part of compliance with anti-money laundering regulations.

The "Guidelines on anti-money laundering, combating the financing of terrorism and embargo management" approved by the Management Board and Supervisory Board identify the key principles and define responsibilities, duties and main processes for the Parent Company and for all Group companies in managing the risk of money laundering, in combating terrorism financing and in managing embargoes.

To ensure a uniform approach to managing money laundering risk at the Group level, there is a high level of coordination between the local units within Group companies and the Anti-Money Laundering Head Office Department, with reference to both the reporting of suspicious activity and monitoring of the adequacy of the processes and procedures envisaged to mitigate money laundering risk.

### **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.

In line with government guidelines, the activities are carried out for the Parent Company and the Group companies that have entered into service contracts. This improves the quality and timeliness of the services rendered and makes it possible to pursue operational efficiencies and economies of scale. It also ensures an effective risk control, including through consistent policies, guidelines and indications.

The Department collaborates with the Chief Risk Officer in the collection of loss data, measurement and control of operational risk, as well as in identifying the related mitigation actions.

The Department functionally reports to the Chief Governance Officer and functionally coordinates the legal departments of the Group companies.

### **Internal Auditing**

7.P.3. b)  
7.C.5. b) Internal auditing activities are performed by a special Department - the Internal Auditing Head Office Department - which reports directly to the Chairman of the Management Board and the Chairman of the Supervisory Board. It also liaises with the Internal Control Committee and has no direct operating responsibilities.

The Department has a structure and a control model which is organised consistently with the organisational model of Intesa Sanpaolo and, more generally, of the Group.

The Internal Auditing Departments of the Group's Italian and international companies report to Internal Auditing Head Office Department in terms of functions.

7.C.1.  
7.C.5. c) The Head of Internal Auditing enjoys the due autonomy and independence from operating Departments. It has free access to the activities, data and documents of all Corporate Functions.

7.C.5.  
a) and g) The Internal Auditing Head Office Department performs overall III level assessment of the internal control system, reporting possible improvements to the Corporate Bodies, with specific reference to the RAF, the risk management process, and the relevant measurement and control instruments.

In particular, the Department 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 create value added and to improve the effectiveness of the control and corporate governance processes. The audit action directly concerns Intesa Sanpaolo and the Group companies.

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

The Internal Auditing Head Office Department uses personnel with the appropriate professional skills and expertise and ensures that its activities are performed in accordance with international best practice 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. The Department has long earned the maximum rating in the external Quality Assurance Review envisaged by the international standards: "Generally Compliant".

In performing its duties, the Internal Auditing Head Office Department uses structured risk assessment methods to identify situations of greatest interest and the main new risk factors on which the supervisory action must concentrate. 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 executive positions and Corporate Bodies, it prepares and submits an Annual Intervention Plan for prior examination, to the extent applicable, by the Supervisory Board Committees, and subsequent approval by the Supervisory Board, on the basis of which it conducts its activities during the year, as well as a Multi-Year Plan with the hedging commitments. The Audit Plan contains a specific section on the review of the information system (ICT auditing).

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.

It 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 departments 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 by the Department suitable for checking its effectiveness.

7.C.4.  
7.C.5. f)

Summary internal control system assessments from the checks are periodically submitted to the Internal Control Committee, Management Board and Supervisory Board. The main weaknesses detected and their development over time are included in the Audit Tableau de Bord (TdB) so that they may be systematically monitored. The reports relating to the actions completed with a negative opinion or which highlight major deficiencies are submitted in full to the Supervisory Board and the Management Board of the Parent Company as well as to the Boards of Directors and Statutory Auditors of the subsidiaries concerned.

A similar approach is used with regard to administrative liability pursuant to Italian Legislative Decree 231/2001 for the Internal Control Committee in its capacity as a Surveillance Body.

The Internal Auditing Head Office Department 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 2015 it pursued an evolutionary path with the aim of strengthening the audit model in line with the new European supervisory standards laid down by the EBA (SREP framework).

## Management of 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 and, on the other hand, with respect to the multiple activities and services carried out.

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.

The management and control measures for potential conflicts of interest that were put in place to safeguard the Bank's and the Group's capital as well as the customers' interests are separately described below.

### *Interests of Management Board Members*

In line with the provisions of Article 2391 of the Italian Civil Code, each Board Member is required to inform the other Management Board Members and the control body of any personal interests held or interests held on behalf of third parties, with reference to a specific corporate transaction governed by the Board, specifying the nature, terms, origin and extent of the interests and, in accordance with the new provision laid down by Article 53, paragraph 4, of the Consolidated Law on Banking, to refrain from voting on resolutions where such Board Member has a conflict of interest on his/her own behalf or on behalf of third parties.

The Management Board has always 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. In such cases, any resolution adopted by the Management Board is to suitably explain the reasons and convenience of the transaction for the Bank.

In addition, in accordance with the provisions of the Group's Code of Conduct and the Group Procedures regulating the conduct of transactions with Intesa Sanpaolo related parties and group associated entities, all board members and general managers, 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 Bank and/or the Group, or otherwise incompatible with their duties.

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

### *Interests of Supervisory Board Members*

8.C.4. In line with the provisions of the Corporate Governance Code, the Supervisory Board Regulations require each Board Member holding a personal interest or interests on behalf of third parties, whether direct or indirect, in a specific transaction under examination by the Supervisory Board to promptly and fully inform the Supervisory Board of the nature, terms, origin and extent of the interests.

Furthermore, the Articles of Association include a specific provision governing the transparency of interests held by Supervisory Board Members in transactions of strategic relevance. Under Article 25.1.2 of the Articles of Association, under such circumstances, Supervisory Board Members are required to promptly disclose the interest and state its nature, terms, origin and extent. In this case, any resolution adopted by the Supervisory Board is to suitably explain the reasons and convenience of the transaction for the Bank.

Where applicable, the provisions of Article 136 of the Consolidated Law on Banking also apply to Supervisory Board Members.

### ***Transactions with related parties and associated entities***

As of 31 December 2012, the Group has applied the "Group Procedures regulating the conduct of transactions with Intesa Sanpaolo S.p.A. related parties and Group associated entities", approved in June 2012 by the Management Board and Supervisory Board, upon favourable opinion by the Internal Control Committee. These Procedures take into account both the rules issued by Consob, pursuant to Article 2391-bis of the Italian Civil Code, and the Supervisory Provisions introduced by the Bank of Italy on 12 December 2011 on risk and conflicts of interest of banks and banking groups with respect to associated entities, issued in accordance with Article 53, paragraphs 4 et seq. of the Consolidated Law on Banking and CICR (Interdepartmental Committee for Credit and Savings) Resolution 277 of 29 July 2008.

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 by Group companies with related parties and associated entities, and the terms and conditions for involvement of the Committee composed of Supervisory Board's independent members (Committee for transactions with related parties of Intesa Sanpaolo S.p.A. and associated entities of the Group);
- market disclosure for transactions with related parties;
- the prudential limits and obligations for periodic reporting to the Bank of Italy on activities at risk in relation to associated entities;
- the rules regarding organisational control and monitoring, to which paragraph 12 of the Group Procedures regulating the conduct of transactions with Intesa Sanpaolo S.p.A. related parties and Group associated entities is specifically dedicated;
- the general rules for disclosure and abstention for the management of the personal interests of board members and general managers, employees and other staff, including other than associated persons.

Pursuant to the abovementioned Procedures, the following are considered related parties of Intesa Sanpaolo: parties that exercise control or significant influence, subsidiaries and associates, joint ventures, pension funds of the Group, Board Members and Key Managers of Intesa Sanpaolo and their close family members and significant shareholdings.

The set of associated entities of the Group consists of the associated entities of each bank of the Group (including the Parent Company) and each significant intermediary monitored with regulatory capital greater than 2% of the consolidated shareholders' equity. The following are considered to be associated entities for each bank or significant intermediary monitored of the Group: i) shareholders that exercise control, significant influence or that are required to request authorisation pursuant to Article 19 of the Consolidated Law on Banking or that may appoint a member of the management or strategic supervisory body and the relative corporate groups; ii) subsidiaries, associated companies under joint control and associated companies, as well as the companies controlled by the latter, also jointly with others; iii) board member and general managers and their relative close family members up to the second degree and significant shareholdings.

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, to shareholders of Intesa Sanpaolo and to the relative corporate groups with an equity investment in the Bank's voting capital of over 2%, calculated only based on shares owned or under management. This approach allows closer monitoring of transactions with the main shareholders - by subjecting them to the same requirements for analysis, decision-making process and subsequent disclosure to the Corporate Bodies and the market as for transactions with related parties and associated entities - and by keeping the risk activities carried out by the Group with said parties within the prudential limits set by the Bank of Italy.

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.

### ***Obligations of Board Members and General Managers of the Bank***

Article 136 of the Consolidated Law on Banking, as amended by Italian Legislative Decree 72/2015, requires the adoption of a more thorough decision-making procedure (unanimous decision by the

management body, excluding the vote of the interested member, and favourable vote of members of the control body) in order to allow the board members and general managers to undertake obligations, directly or indirectly, with the bank in which they hold their office.  
The banking regulation is supported by criminal penalties.

In Intesa Sanpaolo, the special decision-making procedure set forth in Article 136 of the Consolidated Law on Banking – even regarding related parties or associated entities – requires a prior resolution adopted unanimously by the Management Board, excluding the vote of the interested member, and favourable vote of members of the Supervisory Board. Without the approval of all the members of the control body, it is strictly prohibited for the transaction to go ahead.

### ***Conflict of interest management policy***

Intesa Sanpaolo carries out a broad range of activities which may give rise to significant conflicts of interest between the companies of the Group, the Relevant Parties (e.g. shareholders with controlling interests, board members and general managers, executives, employees, financial advisors, other staff) and its Clients or between its Clients, when providing investment services and activities or ancillary services or a combination of the two.

Consequently, Intesa Sanpaolo and the Group Companies that carry out activities subject to trading regulations apply and maintain a Policy to manage conflicts of interest, which is formulated taking account of the nature, size and complexity of its activity and of the circumstances of which such Companies are or should be aware and which might give rise to conflicts of interest also due to the structure and activities of other Group members as well as to the activities carried out by the Relevant Parties.

The “Conflict of interest management policy”:

- identifies the circumstances which generate or are likely to generate a conflict of interest that could seriously harm the interests of one or more Customers;
- describes the organisational procedures and measures adopted to manage such conflicts of interest.

### ***Regulations on personal transactions***

In accordance with the provisions laid down by the reference regulations, Intesa Sanpaolo has adopted specific internal regulations on personal transactions in order to prevent relevant parties involved in activities that may give rise to conflicts of interest, or that have access to inside or confidential information, from performing personal transactions prohibited under regulations governing market abuse, or that involve the abuse or disclosure of confidential information, or that breach regulations governing conflicts of interest.

Regulations on personal transactions are applicable to all Group companies that provide investment services, as well as asset management companies and open-ended collective investment schemes, and identify as Relevant Parties: (i) board members and general managers; (ii) executives, employees and other natural persons involved in the provision of investment services under outsourcing, temporary or collaboration agreements; (iii) shareholders that are natural persons and that hold a corporate office in a Group company; (iv) shareholders that are legal entities and that hold significant investments in a listed or non-listed Group company and have board members and general managers in the corporate bodies of the company, with the exception of shareholders that are legal entities subject to supervision and joint-stock companies that have adopted the models contemplated by Italian Legislative Decree 231/2001.

The Regulations introduce a set of specific restrictions on the transactions that relevant parties may perform, in order to prevent conflicts of interests or the abuse of inside or confidential information from arising in areas of greatest risk (e.g. corporate or extraordinary finance, treasury services, proprietary trading, trading services, equity investment management, portfolio or UCI management, structures tasked with investment research studies, financial analyses or other forms of recommendation, corporate customer relationship management, financial institutions, supranational bodies, states, public entities and companies or loan arrangements with such customers).

Relevant parties are required to notify their companies, or companies in which they hold an investment, of any transactions they order through accounts held in their name or held jointly in their name at

companies other than the Italian banks of the Intesa Sanpaolo Group, as well as any transactions they order through accounts held by persons for whom the relevant party has power of attorney, or any transactions ordered on their behalf by any third person.

For situations of greatest risk involving relevant parties subject to specific restrictions, in accordance with regulations in force, the Regulations require notification of the names of all persons with whom the relevant party has kinship ties (spouse or cohabiting partner, children living at home, and any other relative up to the fourth degree of kin that has lived with the relevant party for at least a year at the transaction date) or close links (natural persons or legal entities linked to the relevant party through a controlling interest or equity interests of over 20% of the voting rights or share capital of a company).

In order to identify any non-compliance with the Regulations, all personal transactions performed by or on behalf of relevant parties are subject to registration and monitoring, together with any transactions ordered through accounts held at Intesa Sanpaolo or other Italian bank of the Group, by persons with kinship ties or close links to relevant parties subject to specific restrictions.

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

In Intesa Sanpaolo the role and responsibilities of the Surveillance Body as per Italian Legislative Decree 231/2001 have been conferred upon the Internal Control Committee.

The decision made by the Bank was determined to be consistent with the provisions of the law. In fact, Article 14 of Italian Law 183/2011 allows joint-stock companies to assign the duties of the Surveillance Body to the control body, in order to simplify controls within the company.

The members of the Internal Control Committee are, therefore, also effective members of the Surveillance Body, whose composition includes three alternate members of the same Body, selected from professionals outside the Board. The latter may act in the place of effective members, within the limits of the functions assigned to Surveillance Body members, where more than one effective member is suspended or temporarily unable to act, as in the cases contemplated by the Model. To date, no alternate member has been required to substitute an effective member.

Intesa Sanpaolo, by decision of its Management Board and Supervisory Board, has adopted an "Organisational, Management and Control Model" for the prevention of crime, in accordance with Italian Legislative Decree 231/2001 (the "Model").

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 departments 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.

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.

The Surveillance Body is responsible for supervising implementation and compliance with the Model and for providing support to the Corporate Bodies for implementation and updating purposes. Specifically, the Surveillance Body, with support from Internal Auditing and Compliance, guarantees 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.

The operations and duties of the Surveillance Body, which met 29 times in 2015, in addition to those indicated in the Model, were specified in a special section of the “Regulations for the Internal Control Committee and Surveillance Body, pursuant to Legislative Decree 231/2001”, adopted by the Supervisory Board.

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.

In addition to this, without prejudice to the separate responsibility of each Group company for the adoption and effective implementation of their own models under the Decree, 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.

In particular, on proposal of the Management Board, the Supervisory Board authorised subsidiaries to assign their Boards of Statutory Auditors the duties of Surveillance Body, without prejudice to the need to ensure adequate separation of roles, in a manner similar to the practice at Intesa Sanpaolo.

The Surveillance Bodies of subsidiaries are responsible for monitoring the implementation of the model and compliance with the statutory requirements of the Decree, and for reporting to the Parent Company’s Surveillance Body on their respective activities.

The “Organisational, Management and Control Model” adopted by Intesa Sanpaolo and the Group companies is available in the Governance section of the Bank’s website.

### **Independent Auditing**

For 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 (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, as well as on the half-yearly report, 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 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 auditors engaged for the auditing of the accounts of Group companies, while ensuring the conditions to protect the independence of independent auditors, Intesa Sanpaolo has adopted specific Group Regulations used to introduce a supervisory system aimed at monitoring the appointment of independent auditors and other engagements awarded by the Parent Company’s Departments and Group companies to independent auditors, their business networks and their affiliates, in accordance with the guidelines set forth by the Management Board and Supervisory Board.

Based on current Group provisions, the appointment of independent auditors by Parent Company Departments and Group companies to provide services other than accounting audits requires prior examination in the Parent Company by the Manager responsible for preparing the Company’s financial reports and subsequently by the Parent Company’s Internal Control Committee or Board of Statutory Auditors of the company concerned. The Manager responsible for preparing the Company’s financial reports is also responsible for reporting to the Internal Control Committee, the Supervisory Board and the Management Board on a periodic basis on assignments awarded during the period to the independent

auditors of the Parent Company and other Group companies by the Group and the fees paid to them over the year.

### **The internal control and risk management system coordination**

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 corporate 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 Group Control Coordination and Operational Risk Committee, 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.

For its part, the Committee performs the following duties, among other things:

- implementation and maintenance of the integrated internal control system on ongoing basis, through coordination between control functions and guidance of common actions taken to this end;
- sharing of the planning of the activities by the control functions and the results/remedial action, promoting the standardised assessment of common evidence;
- coordination of the preparation of an annual summary report drawn up by the corporate control functions;
- coordination of the control functions in defining/updating the cross-sectional control methods for the control functions (e.g. risk assessment, taxonomies).

## Treatment of corporate information

### *Inside information*

1.C.1.j) Intesa Sanpaolo - aware that the flow of price-sensitive information must be governed, pursuant to the provisions in force, according to the principles of fairness, clarity and equal access to information - has already adopted the "Regulation on disclosure to the market of inside information", governing the internal management and treatment of sensitive information and procedures to be observed for the external disclosure of documents and information regarding Intesa Sanpaolo and its subsidiaries, with particular reference to price sensitive data pursuant to Article 114, paragraph 1, of the Consolidated Law on Finance.

The recipients of the Regulation - also prepared in the light of Article 18.1 letter f) and Article 26.1 letter l) of the Articles of Association and the provisions of the Group Regulation on corporate disclosure management - 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 (i.e. members of the Corporate Bodies, executives, employees and contractors of the Bank and its subsidiaries).

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

The Regulation envisages the adoption of any necessary precautionary measures in the treatment of sensitive 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.

In compliance with this regulation, the Bank relies on the External Relations Head Office Department and Investor Relations and Price-Sensitive Communication and Rating Agencies and Investor Coverage Services, which report directly to the Chief Financial Officer. The first of these – answerable to the Chairman of the Supervisory Board, Chairman of the Management Board, Managing Director and CEO – is responsible for managing press and media relations and relations with consumer associations; Investor Relations and Price-Sensitive Communication is responsible for managing relations with institutional investors and financial analysts in order to standardise the disclosure of information and news on operations, results, strategies and business outlook of the Group and, lastly, Rating Agencies and Investor Coverage is responsible for relations with the rating agencies.

### *Internal Dealing*

In compliance with the provisions contained in the Consolidated Law on Finance and the Issuers' Regulation, Intesa Sanpaolo has adopted specific Internal Dealing Regulations, aimed at implementing regulations on reporting requirements for transactions involving listed financial instruments issued by the Bank (or other related financial instruments) by relevant parties and/or strictly related parties, in order to ensure the necessary transparency and consistency of disclosures to the market.

These Regulations, in addition to identifying the "relevant parties" (members of the Corporate Bodies, General Managers and Key Managers of Bank departments), defining their conduct and disclosure requirements, also forbid such transactions in the 30 days preceding the Management Board meeting called to approve the draft financial statements and the half-yearly report and in the 15 days preceding the Management Board meeting called to approve interim reports. Each relevant party is informed from time to time of the start of the aforementioned "blocking periods", well in advance of the date of approval of the above accounting positions, as well as of their expiry, after the publication of the press release announcing the related results.

In this regard, pending the entry into force of the provisions laid down by European Regulation No. 596 of 16 April 2014, the Management Board resolved to bring forward the effective date of the blocking period relating to the approval of the draft financial statements as at 31/12/2015 as well as the periodic report as at 31/03/2016 to 15 days following the close of the reference reporting period, in order to comply with the terms for submission of the information flows to be sent to the Supervisory Authorities under EC Regulation No. 680/2014.

The Regulation also identifies the "competent party" - in charge of receiving, managing and disclosing information - in the Head of the Corporate Affairs Department, who, in the performance of this function, shall rely on the support of the Corporate Secretariat, where the Register of the "relevant parties" is held.

Any transactions by "relevant parties" are also published on the Bank's website (Governance/Internal Dealing section), through which the text of the Regulation can also be consulted.

### *Insiders List*

Again on the basis of provisions contained in the Consolidated Law on Finance and the implementing provisions issued by Consob, Intesa Sanpaolo has created and regularly updates a register of people who, due to their work or professional activities or duties performed, have permanent or occasional access to inside information concerning the Bank (the "Insiders List").

The regular and accurate updating of the Insiders List is governed by specific internal rules that, on the one hand, identify the people who by virtue of their role and/or responsibilities may have permanent access to inside information, and on the other, set forth the criteria to be used to identify any people who have occasional access to such information as a result of participating in relevant and strategic projects.

All Group companies that issue listed securities are required to keep and update an Insiders List identifying the people who, by virtue of their work or professional activities or duties performed, may have permanent or occasional access to inside information concerning the companies. The List has been created by Intesa Sanpaolo Group Services to identify the people who may have access to inside information on Group listed issuers, on whose behalf Intesa Sanpaolo Group Services operates under ongoing mandates.

In compliance with the same law, a Temporary Insiders List – Third-Party Issuers has been created and is regularly updated, identifying all people who, by virtue of the duties they perform on behalf of third-party issuers of listed securities, have occasional access to inside information on said issuers. The List is kept and updated in accordance with the "Rules for the management of conflicts of interest and inside and confidential information flows regarding third-party issuers".

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Following the enactment of the aforesaid European Regulation No. 596, the above matters were subject to regulatory changes, the main consequences of which will be reflected as from the second half of 2016. The update of the internal regulations and procedures is currently being implemented by the relevant Intesa Sanpaolo functions.

## 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, principles expressed in the Corporate Governance Code and national and international best practices.

The Articles of Association assign to the Chairman of the Supervisory Board the task of supervising relations with shareholders, and verifying that such relations are managed correctly, in agreement with the Chairman of the Management Board and with the Managing Director. The Chairman of the Management Board also arranges for the Common Representative of Savings Shareholders to be informed of bank operations that could affect the official price of savings shares and particularly of proposals that the Management 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 Departments backed by appropriate tools and professional resources: Investor Relations and Price-Sensitive Communication, which are responsible for relations with institutional investors, and Corporate Secretariat, which are 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 Service, which in this respect is the main contact also for Group companies. As mentioned above, Rating Agencies and Investor Coverage Service is instead dedicated to the management of relations with analysts of rating agencies.

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 Intesa Sanpaolo 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 site and there are specific links for requesting documentation of interest.

## 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 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.P.1.

### *Duties of the Shareholders' Meeting*

In the two-tier system adopted by Intesa Sanpaolo, the Shareholders' Meeting is, amongst other things, expected to resolve upon:

- the appointment, removal and remuneration of members of the Supervisory Board, including Board Members vested with special duties;
- the responsibilities of members of the Supervisory Board and, without prejudice to the concurrent duties of the Supervisory Board, of members of the Management Board;
- the distribution of profits;
- appointment and removal of the independent auditors;
- the approval of financial statements unless approved by the Supervisory Board;
- the approval of the Management Board Members' remuneration policies, the plans based on financial instruments, as well as of the criteria for determining the severance payments agreed in the event of early termination of the employment agreement or early termination of office, including the limits set for such payments in accordance with the provisions of law and regulations in force;
- transactions reserved by the law to resolution of the Extraordinary Shareholders' Meeting.

Despite the fact that the Meeting agenda does not normally include approval of the financial statements, at the start of meetings, the Chairman of the Supervisory Board, Chairman of the Management Board and Managing Director provide shareholders with information on the general performance of the Bank and its results for the year. Such reports are generally followed by a full debate – in question and answer format – with shareholders.

9.C.2.

### *Calling and conduct of work*

Shareholders are called to the Shareholders' Meeting by the Management Board, whenever it is deemed appropriate or, pursuant to Article 2367 of the Italian Civil Code, upon request by shareholders representing at least one-twentieth of share capital. The Ordinary Shareholders' Meeting must be called at least once a year, no later than a hundred and twenty days after the end of the financial year. Where the legal requirements are met, the Shareholders' Meeting can be called within one hundred and eighty days of 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 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 members of the Supervisory Board, an earlier deadline for publication of forty days prior to the date of the meeting is applied.

The Shareholders' Meetings are normally held on single call; the Management 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 Bank generally makes reports on items on the agenda, as well as the documents to be submitted to the Meeting, available to the public at the Bank's registered office, in a specific section of its website – made accessible directly from the homepage – and according to 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 Management Board and Supervisory Board Members participate in the Shareholders' Meetings. Also attending the Meetings are the Common Representative of Savings Shareholders, Bank executives and employees, as well as directors, auditors, executives and employees of Group companies and representatives of the independent auditors. In addition, other persons whose presence is considered useful by the Chairman of the Meeting may participate in the topics for discussion or in the work of the meeting.

9.C.3. Intesa Sanpaolo has not adopted a Shareholders' Meeting regulation and the Management 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 Supervisory Board Members.

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.

Intesa Sanpaolo's Articles of Association do not currently permit the holding of Shareholders' Meetings using remote connection systems.

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.

Additional items are not permitted for topics which the Shareholders' Meeting addresses, by law, upon proposal by the Management 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 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.

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, could meet 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.

It should also be mentioned that for the election of members of the Supervisory Board, the Articles of Association envisage a proportional list voting system.

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

### ***Quorum and voting majorities***

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.

At Intesa Sanpaolo, the quorum required for the validity of ordinary and extraordinary Shareholders' Meetings – and for the validity of related resolutions – is determined by law, except as provided by the Articles of Association for the election of Supervisory Board Members.

The table below recaps the quorum and voting majorities required under law and applicable to Intesa Sanpaolo.

<b>Ordinary Shareholders' Meeting</b>		<b>First call</b>	<b>Second call</b>	<b>Further calls</b>	<b>Single call</b>
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
<b>Extraordinary Shareholders' Meeting</b>					
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

### ***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 assenting, dissenting or abstaining shareholders and by the Supervisory Board.

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 2015, the ordinary Shareholders' Meeting was held on 27 April.

The agenda items included: the proposal for allocation of net income; the resolution regarding the Report on Remuneration pursuant to Article 123-ter, paragraph 6, of Legislative Decree 58/1998; the proposal for approval of the Incentive System based on financial instruments and authorisation for the purchase and use of own shares; the proposal for approval of the criteria for the determination of the compensation to be granted in the event of early termination of the employment contract or early termination of office; the proposal for approval of the increase to 2:1 of the ratio between variable remuneration and fixed remuneration for specific and limited professional categories and business segments.

Shareholders representing approximately 64% 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.

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The current Common Representative of Savings Shareholders is Dario Trevisan, appointed by the Special Meeting held on 15 December 2014 for the period 2015/2017, 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 Management Board of any bank operations that could affect the official price of savings shares, and in particular of any proposals that the Management 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 members of the Management Board as necessary and at the request of any number of savings shareholders representing at least one per cent of all savings shares. Where Management Board members fail to act or act with unjustified delay, Special Savings Shareholders' Meetings may be called by the Supervisory Board.

#### ***The right of withdrawal***

The right of withdrawal may be exercised only in those cases exclusively provided 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 vote 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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## Corporate social 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 and on providing significant benefits for all stakeholders.

In order to 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 all the Group's main entities and banks. Specific management tools have also been adopted in this respect, including the Code of Ethics and policies on specific sectors of the Bank activities, in addition to the Sustainability Report.

The Code of Ethics is a Governance document approved by the Management Board and by the Supervisory Board. It spells out the reference culture and core values of Intesa Sanpaolo that lead to conduct principles to be followed by all individuals – internal and external - with whom direct or indirect relations are entertained: first of all, customers, shareholders and other staff, but also suppliers, the community and the local areas in which the Bank operates, in addition to the natural environment affected by the activities of any business. Corporate Social Responsibility reports annually to the Internal Control Committee with regard to its application.

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.

By way of the Sustainability Report, prepared on the basis of international reporting standards and published on the Bank's website, also in interactive form, 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. A Summary of the Report, prepared on the basis of Linee Guida dei Dottori Commercialisti (Italian Accounting Profession Guidelines), is published as part of the Report on Operations in the Parent Company's Financial Statements. The Report is approved by the Management Board and the Supervisory Board.

The Risk Committee supports the Supervisory Board in the approval of the Management Board's proposals, including with reference to the provisions laid down in the Code of Ethics and also supports it in the supervision of the public disclosure process adopted by the Bank, with specific expertise in Corporate Social Responsibility and in particular with regard to the Sustainability Report.

## Part IV – Summary Tables

**Table No. 1: Composition of the Supervisory Board and Committees**

Board Member	Office	Independent pursuant to the Corporate Governance Code	No. of other offices held	Nominations Committee	Remuneration Committee	Related Party Transactions Committee	Internal Control Committee	Risk Committee	Governance Commission
Giovanni Bazoli	Chairman			X					X
Gianfranco Carbonato	Deputy Chairperson		4	X					X
Mario Bertolissi	Deputy Chairperson	X	1	X					X
Gianluigi Baccolini	Board Member	X	1	X	X				X
Francesco Bianchi	Board Member	X				X			X
Rosalba Casiraghi	Board Member	X	6				X		X
Carlo Corradini	Board Member	X	3			X	X		
Franco Dalla Sega	Director and Secretary to the Board	X	1			X			
Piergiuseppe Dolcini	Board Member	X			X				
Jean-Paul Fitoussi	Board Member	X	1					X	
Edoardo Gaffeo	Board Member	X			X		X		
Pietro Garibaldi	Board Member	X				X		X	
Rossella Locatelli	Board Member	X	2					X	X
Giulio Stefano Lubatti	Board Member	X					X	X	
Marco Mangiagalli	Board Member	X						X	
Iacopo Mazzei	Board Member	X	3	X					
Beatrice Ramasco	Board Member	X	9				X		
Marcella Sarale	Board Member	X				X			X
Monica Schiraldi	Board Member	X	1			X			

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

Board Member	Office	Company
Giovanni Bazoli		
Mario Bertolissi	Board Member	Equitalia S.p.A.
Gianfranco Carbonato	Chairman and Managing Director Chairman Chairman Board Member	Prima Industrie S.p.A. Prima Electro S.p.A. Prima Power North America Inc. Prima Power Suzhou Co. Ltd.
Gianluigi Baccolini	Managing Director	Renografica S.r.l.
Francesco Bianchi		
Rosalba Casiraghi	Chairman, Board of Auditors Board Member Board Member Board Member Standing Auditor Standing Auditor	Nuovo Trasporto Viaggiatori S.p.A. Luisa Spagnoli S.p.A. Recordati S.p.A. Fondo Strategico Italiano S.p.A. Indesit Company S.p.A. Fila S.p.A.
Carlo Corradini	Board Member Board Member Board Member	PLT Energia S.p.A. YLF S.p.A. Value Investments
Franco Dalla Sega	Chairman	Mittel S.p.A.
Piergiuseppe Dolcini		
Jean-Paul Fitoussi	Board Member	Telecom Italia S.p.A.
Edoardo Gaffeo		
Pietro Garibaldi		
Rossella Locatelli	Supervisory Board Member Chairman	Darma Sgr in liquidation Società Bonifiche Ferraresi S.p.A.
Giulio Stefano Lubatti		
Marco Mangiagalli		
Iacopo Mazzei	Board Member Board Member Board Member	Marchesi Mazzei S.p.A. ADF Aeroporto di Firenze S.p.A. Residenziale Immobiliare 2004 S.p.A.

Board Member	Office	Company
Beatrice Ramasco	Standing Auditor	IBM Italia S.p.A.
	Chairman, Board of Auditors	FCA Partecipazioni S.p.A.
	Chairman, Board of Auditors	Iveco Acentro S.p.A.
	Chairman, Board of Auditors	Iveco Partecipazioni Finanziarie S.r.l. (in liquidation)
	Chairman, Board of Auditors	Astra Veicoli Industriali S.p.A.
	Chairman, Board of Auditors	IN.TE.S.A.
	Standing Auditor	Tyco Electronics AMP Italia S.p.A.
	Standing Auditor	Comau S.p.A.
Marcella Sarale	Standing Auditor	Petrolog S.r.l.
Monica Schiraldi	Managing Director	Ca.Nova S.p.A.

**Table No. 3: Composition of the Management Board**

Board Member	Office	Executive	Manager	Non-executive	Independent pursuant to art. 148, Consolidated Law on Finance	No. of other offices held	Age	Continuity of office
Gian Maria Gros-Pietro	Chairman			X	X	2	74	2013
Marcello Sala	Senior Deputy Chairperson	X					47	2007
Giovanni Costa	Deputy Chairperson	X				1	73	2010(*)
Carlo Messina	Managing Director and Chief Executive Officer	X	X				53	2013
Stefano Del Punta	Board Member	X	X				55	2014
Piera Filippi	Board Member			X	X		78	2013
Gaetano Miccichè	Board Member	X	X			2	65	2013
Bruno Picca	Board Member	X	X			1	65	2013

(\*) Board Member who, by virtue of the 2007/2010 mandate, held the office of Supervisory Board Member

**Table No. 4: List of other management and control offices of Members of the Management Board in other companies listed on regulated markets (also abroad), in financial, banking, insurance or large companies**

Board Member	Office	Company
Gian Maria Gros-Pietro	Chairman	ASTM S.p.A.
	Board Member	Edison S.p.A.
Marcello Sala		
Giovanni Costa	Board Member	Edizione S.r.l.
Carlo Messina		
Stefano Del Punta		
Piera Filippi		
Gaetano Miccichè	Deputy Chairperson	Banca IMI S.p.A. (*)
	Board Member	Prada S.p.A.
Bruno Picca	Board Member	Intesa Sanpaolo Group Services S.c.p.A. (*)

(\*) Intesa Sanpaolo Group companies



# INTESA SANPAOLO

## Report on Corporate Governance and Ownership Structures Report on Remuneration



# Introduction

In the last few years, international bodies and regulators have been paying growing attention to remuneration matters of listed companies and, in particular, of the financial sector; the aim is to direct issuers and intermediaries in the adoption of remuneration systems that are consistent with the principles – reinforced after the economic and financial crisis – defined with regard to design and approval of remuneration policies, compensation structures and their transparency.

In particular, according to these principles, remuneration systems are asked both to take into account current and future risks and capitalization levels of each intermediary, and to guarantee that remunerations are based on effectively achieved results.

In accordance with European Community regulations and with effect from 2011, Italian Authorities defined a set of key rules on these matters.

In addition to ask for the pay out of a portion of the bonus in financial instruments, Bank of Italy regulation, dated March, 30<sup>th</sup> 2011, defines balanced rules for banks' remuneration policies, systems and practices with reference to their design and control, to compensation structures and disclosure obligations. The Supervisory Authority further intensified the monitoring of this last issue, including remuneration systems and practices among the information to be disclosed under Pillar 3, pursuant to Circular 263 of December, 27<sup>th</sup> 2006.

Moreover, with regulation no. 39 of June, 9<sup>th</sup> 2011, ISVAP (now IVASS), defined remuneration policies principles for insurance companies in terms of decision-making processes, structure and disclosure obligations.

With resolution no. 18049 of December, 23<sup>rd</sup> 2011, Consob regulated the implementation of the Article 123-ter provisions of the Consolidated Law on Finance, which requires the drawn up and the disclosure of a report on remuneration.

Important updates have been introduced on self-governance level as well. After being initially modified (March 2010) in the remuneration part, the Corporate Governance Code has been subject to a complete review that resulted in a new edition published on December 2011.

Thereafter, with communications dated March, 2<sup>nd</sup> 2012 and March, 13<sup>th</sup> 2013, Bank of Italy returned to remuneration policies topics, generally highlighting the opportunity for banks to define a strategy consistent with the objective of preserving, also in a perspective view, the balance of the company's position, as well as maintaining the capital adequacy conditions and the prudent liquidity risk management.

In 2014, according to EBA proposal, the European Union published the new Regulatory Technical Standards (RTS), defining qualitative and quantitative criteria for the identification of the categories of personnel whose professional activities have a material impact on the institution's risk profile (the "Risk Takers").

Then, in application of 2013/36/EU Directive of the European Parliament and of the Council of 26 June 2013 (CRD IV), published in the EU Official Journal on 27 June 2013, the Bank of Italy updated and published the "Provisions regarding remuneration and incentive policies", Title iv – Chapter 2, Circular 285 of 17 December 2013 in the Official Gazette of the Italian Republic on 2 December 2014.

Lastly, in December 2015, EBA, on the basis of CRD IV provisions, published the CEBS "Guidelines on sound remuneration policies" update, defining in details the rules related to remuneration structure, to remuneration policies and the governance and implementation processes.

National Authorities have been asked to express their intentions of compliance or non compliance to the above-mentioned guidelines – that will come into force from 1 January 2017 – within the first quarter of 2016.

Art. 123-ter, c. 1, Tuf

This Report has been drawn up in accordance with the aforementioned Article 123-ter of the Consolidated Law on Finance, also taking into account the obligations of disclosure to the shareholders' meeting, in compliance with Bank of Italy supervisory provisions.

Moreover, Intesa Sanpaolo has always extensively focused its attention on remuneration matters, on relative regulation compliance and on maximum transparency to the market. The Report gathers into a single, well-organised and structured document all the qualitative and quantitative information, until 2011 separately disclosed by topic in the Report on Corporate Governance and Ownership Structures, in the Supervisory Board report submitted to the Meeting - pursuant to Article 153 of the Consolidated Law on Finance - and in the financial statements.

Art. 123-ter, c. 2, Tuf

This Report, available in the "Governance" section of the website [www.group.intesasanpaolo.com](http://www.group.intesasanpaolo.com), is divided into two Sections. The first regards the remuneration policies adopted by the Bank with respect to its corporate bodies, the corporate bodies of its subsidiaries and the employees and other staff of the Group - with a particular focus on the General Managers and Key Managers - and the procedures for adoption and implementation of these policies. The second section, subdivided into four parts, provides quantitative, analytical and aggregate information.

6.C.8.

With a view to disclose information in accordance with the regulatory obligations, the document illustrates, based on the dual corporate governance system, the levels of compliance with the remuneration provisions envisaged by Article 6 of the Corporate Governance Code. In this respect, for more immediate interpretation, specific margin notes citing the relevant Principles and Criteria have been provided alongside the text, together with the indications provided in Articles 123-bis and 123-ter of the Consolidated Law on Finance.

The Appendix to this document contains specific check lists that indicate, on one side, the Principles and Criteria of the Code applied and the provisions of Articles 123-bis and 123-ter and, on the other side, the relative implementation (with any amendments), with reference also to the page of this Report in which the matter is discussed.

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

Information contained in this Report, unless otherwise stated, refers to the position as at 3 March 2015, the date of its approval by the Supervisory Board, upon proposal by the Management Board.

Art. 123-ter, c. 6, Tuf

This Report is subject to binding resolution by the Shareholders' Meeting called pursuant to Article 2364-bis, paragraph 2, of the Italian Civil Code, as expressly requested by Bank of Italy in Circular n.285, First Part, Title IV – "Remuneration and incentive policies and practices".

# Section I – 2016 Remuneration policies adoption proposal

## 1. Procedures for adoption and implementation of the remuneration policies

Art. 123-ter, c. 3, lett. a) e b) Tuf

### 1.1. *The role of corporate bodies*

#### 1.1.a. *The Shareholders' Meeting*

The Articles of Association require the Shareholders' Meeting to approve the Board members' 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.

#### 1.1.b. *The Board of Directors*

The Board of Directors may determine, in addition to the fixed remuneration determined by the Shareholders' Meeting, the remuneration of the Board members to whom the Board itself assigns further special duties in compliance with the Articles of Association, including the office of Managing Director.

Furthermore, in accordance with the Articles of Association, the Board of Directors is solely responsible for determining the remuneration of the General Manager and of the Manager responsible for preparing the Company's financial reports, pursuant to Article 154-bis of Legislative Decree 58 of 24 February 1998, as well as of all other Top Risk Takers and the higher-level personnel from the Group control functions, in accordance with the provisions of the legislation currently in force.

Finally, the Board of Directors is responsible for the drafting of the remuneration and incentive policy to be submitted to the Shareholders' Meeting and the definition of the remuneration and incentive systems of persons for whom supervisory regulations require this task be performed by the body charged with strategic supervision, including the identification of parameters used to evaluate performance objectives and the definition of the variable remuneration deriving from the application of said systems.

### 1.2 *The Human Resources Head Office Department and the Control Functions*

As mentioned above, the Shareholders' Meeting is responsible for approving remuneration policies for employees upon proposal of the Board of Directors and with the involvement of the Remuneration Committee.

The Human Resources Head Office Department is responsible for drawing up the aforementioned remuneration policies, that undergo the relative approval procedure, involving the following, to the extent of their responsibilities, as envisaged by the Regulations:

- the Risk Management Head Office Department, in order to ensure consistency of the remuneration policies and resultant incentive systems with the Group's risk appetite framework (RAF);
- the Planning, Strategic ALM and Capital Management Head Office Department and the Budget and Control Head Office Department in order to ensure consistency of the remuneration policies and resultant incentive systems with:
  - o the strategic short-and medium-long term objectives of the Companies and of the Group;
  - o the level of capitalisation and liquidity of the Companies and of the Group;
- the Chief Compliance Officer, in order to verify compliance of the remuneration policies and resultant incentive systems with rules, regulations, codes of ethics and standards of conduct applicable to the Group.

6.P.2.

On an annual basis, the Internal Auditing Head Office Department, in accordance with the guidelines of the Supervisory Authority, verifies the compliance of the remuneration implementation procedures to the relevant policies, informing the Board of Directors and the Shareholders' Meeting on the results of the

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verifications conducted (see the subsequent section IV “Internal auditing department assessment of the remuneration system”).

### ***1.3. Criteria used to assess the performance targets at the basis of assignment of variable components***

Identification of parameters used to evaluate performance objectives, on which incentives granting to management, Risk Takers and, more in general, all personnel of the Group is based, is carried out by the competent functions, considering most significant economic and financial indicators for achievement of the budget objectives, periodically monitored through internal reporting tools and available at the consolidated level as well as at division and/or business unit.

The process used to identify these parameters involves Group control functions (risk management, compliance), in order to ensure full compliance with the Group’s RAF and with regulatory provisions in force from time to time.

This allows the selection of a complex mix of qualitative and quantitative parameters – anyway transparent, objective and measurable (see the following paragraph “The correlation between remuneration, risk and performance”) – allowing a 360-degree evaluation of company’s performances in terms of profitability, risks taken, capitalisation and liquidity.

## 2. Remuneration of the members of the Board of Directors

### 2.1. General criteria

The Bank's Articles of Association envisage that the members of the Board of Directors be entitled, in addition to the reimbursement of expenses incurred due to their office, to a remuneration for the services rendered, which is determined in a fixed amount for the entire period of their office by the Shareholders' Meeting at the time of their appointment.

The Shareholders' Meeting is therefore called upon to determine the fixed annual gross remuneration of the members of the Board of Directors, upon the appointment thereof at the start of the mandate.

An insurance policy is signed in favour of the members of the Board of Directors, in terms and conditions described below.

### 2.2. Fixed remuneration for special offices

The Articles of Association envisage that the Shareholders' Meeting determine the remuneration of Board Members vested with special offices.

The Shareholders' Meeting is therefore called upon to determine the additional annual gross fixed remuneration of the Chairman of the Board of Directors and the Deputy Chairpersons as well as both of the Board members appointed to sit on the Management Control Committee and the additional fixed amount due to the Chairman of the Management Control Committee.

As mentioned above, the Board of Directors is instead responsible for determining the additional annual gross fixed remuneration for supplementary offices appointed by the Board to its members in compliance with Articles of Association provision, such as the Secretary (where appointed among its members), of the Chairmen of the other internal Board Committees as well as the members of the latter.

It is noted, that, as laid down in the Supervisory Provisions on remuneration, the amount of the remuneration paid to the Chairman must not be higher than the fixed remuneration paid to the Managing Director and CEO.

### 2.3. Remuneration for the Managing Director and CEO

Pursuant to the Articles of Association, the Managing Director also acts as the General Manager of Intesa Sanpaolo.

In this perspective, in addition to fixed remuneration paid to the offices of member of the Board of Directors and Managing Director (as above), the same is entitled to the annual gross remuneration, the bonus system and the supplementary pension scheme, as well as the additional fringe benefits of the role that are determined by the Board of Directors in compliance with the Remuneration and Incentive Policies for employees.

### 2.4. Remuneration for participation in the Management Control Committee

Pursuant to the Articles of Association, the Shareholders' Meeting has the duty to determine, at the time of the appointment of the Management Control Committee and for the entire term of office, additional remuneration for the members of the Board of Directors sitting on said Committee, according to the same per capita proportion but with a special increase for the Chairman taking into account the additional duties that may be assigned to the Committee by the Board of Directors pursuant to the Articles of Association.

The Shareholders' Meeting is therefore invited to determine said remuneration.

### 2.5. Remuneration for participation in the other Board Committees

In relation to the activities that the members of the Board of Directors are required to perform as members of the internal Board Committees, the Board of Directors may, in accordance with the Articles of Association, provide the payment of an additional annual gross fixed remuneration for the Chairmen of these Committees, as well as by way of an attendance fee for the actual participation of each member in the meetings of these Committees.

### 2.6. Termination of office; employee termination indemnities

With the exception of the Managing Director and CEO, the members of the Board of Directors are not in the regular employ of the Bank.

No agreements exist obliging the Bank to pay Board Members an indemnity in the event of their resignation or termination of their office following a public takeover bid.

The criteria and maximum limits for determining the indemnities payable under the provisions of the

personnel remuneration policies (see the following section "Criteria and maximum limits for the determination of severance payments in the event of termination of the employment agreement") shall apply to the Managing Director and CEO, in the event of early termination of the employment agreement or early termination of office.

### ***2.7. Insurance policy for board members and general managers***

In line with the best practice in international financial markets and taking into account the nature, size and operational complexity of the Bank and the Group, in accordance with Shareholders' resolution of 3 May 2007, an insurance policy was taken out – and subsequently renewed within the limits set by the above resolution and in line with best market standards – to cover the administrative liability of the Bank's Board Members, as well as all the board members and general managers of subsidiaries and associated companies (D&O - Directors' and Officers' Liability Insurance).

The current terms of the D&O policy are as follows:

- Effective date: from 31 December 2015 until 31 December 2016
- Maximum cover: 200,000,000.00 euro per claim, by way of annual aggregate
- Annual premium: approximately 2,000,000.00 euro.

It is assumed that the maintenance of such insurance coverage meets the interests of the Bank and the Group and that it therefore represents a necessary component of remuneration policies.

### 3. Remuneration policy for the corporate bodies of subsidiaries

Remuneration for members of the corporate bodies of Group companies is defined by Intesa Sanpaolo in its capacity as majority shareholder and entity responsible for management and coordination activities, pursuant to the relative statutory and banking regulations.

The remuneration policy for corporate bodies, therefore, complies with the following principles, applied uniformly at Group level, in accordance with the regulatory context of the various countries in which Intesa Sanpaolo operates through its subsidiaries.

Members of the management and supervisory boards of companies of the Intesa Sanpaolo Group receive remuneration according to their assigned duties and responsibilities.

To ensure uniformity in accordance with Group standards, specific determination of the remuneration of directors is carried out by considering parameters such as the capital and economic size and organisational complexity of the company in question, as well as other objective and qualitative elements, such as the nature of the business carried out by the subsidiary and its operating risk profile.

Similar criteria apply to the determination of remuneration of directors appointed to special offices, pursuant to Article 2389 of the Italian Civil Code and similar provisions in force in foreign countries.

Variable remuneration amounts, bonuses linked to results, profit-sharing clauses or options to buy shares at predetermined prices are not normally envisaged. Exemptions from this principle are envisaged only on an exceptional and justified basis, in accordance with the Group remuneration Policies and the relative supervisory regulations in force.

In general, there are no differences in the remuneration of directors who are Group employees, professionals, independent, etc. The remuneration of Group employees who are appointed as directors in subsidiaries is paid through the company with which an employment agreement is in place.

Remuneration of members of the board of statutory auditors of Italian subsidiaries is determined upon appointment for the entire term of office, pursuant to Article 2402 of the Italian Civil Code, with a fixed yearly amount.

The amount paid to statutory auditors is determined through a uniform calculation method at Group level that takes into account objective parameters, namely capital and revenues of the company, in order to identify a specific remuneration amount.

Members of the corporate bodies normally have the right to reimbursement of the expenses incurred as a result of their office.

Finally, an insurance policy is signed for board members and general managers of subsidiaries (so-called "D&O policy").

## 4. Remuneration policy for employees and other staff not bound by an employment agreement

Art. 123-ter, c. 3, lett. a), Tuf

This chapter deals with 2016 remuneration policy for all personnel for the purposes of approval with binding vote by the Shareholders' Meeting, as provided for by the Bank of Italy for the One-tier Corporate Governance System.

6.P.4.

### 4.1. Objectives of the remuneration policies

6.P.2.

The remuneration policies of the Intesa Sanpaolo Group are based on the following principles:

- a) alignment of the conduct of management and employees with the interests of shareholders, the medium and long-term strategies and the company objectives, as part of the set of rules aimed at accurate monitoring the current and future corporate risks and maintenance of an adequate level of liquidity and capitalisation;
- b) merit, to guarantee better matching with actual performance and the managerial quality identified, through:
  - remuneration flexibility via the variable component linked to results achieved;
  - focus on key staff members demonstrating high management quality, to whom competitive salary brackets, aligned with the reference market, are reserved;
  - differentiation of the best performances to which variable bonus levels significantly in excess of the average are to be assigned;
- c) equity, in order to promote proper conduct and standardise treatment in terms of remuneration, through:
  - correlation of a person's fixed salary to the weight of the role held;
  - differentiation of salary brackets and the ratio of the variable component to the total remuneration according to professional categories;
- d) external competitiveness of total annual remuneration with respect to the levels in the large European banking groups, obtained through periodic specialist surveys, in order to attract and retain the best management and professional resources on the market;
- e) sustainability, to limit expense deriving from application of the policy to values compatible with medium- and long-term strategies and annual targets, by means of:
  - mechanisms to adjust allocations to the overall incentive provisions according to the company's profitability and the results achieved, while also taking account of the reference peer group;
  - selective reviews of fixed remuneration;
  - use of objective parameters when reviewing pay;
  - determination of appropriate caps regarding both total incentives and the amount of individual bonuses;
- f) compliance with the international, European and national legal and regulatory provisions and the consequent focus on Key Managers, Risk Takers and Group Control Functions.

6.P.1.

6.P.1.

### 4.2. Segmentation of personnel

The remuneration policy guidelines of the Intesa Sanpaolo Group have always been based on the principle of segmentation, according to the role and contribution provided, with respect to the corporate governance processes as well as the systems and tools adopted.

The rationale underlying the segmentation principle was subsequently used by the Regulator with reference to the type and content of operational risk assumed by personnel.

In 2014, following a proposal from the EBA, the European Union arranged the issue of new Regulatory Technical Standards (RTS) relating to suitable qualitative and quantitative criteria for the identification of categories of personnel whose professional activities have a material impact on the institution's risk profile (so-called "Risk Takers"), with retroactive effect from 1 January 2014.

The Intesa Sanpaolo Group applied the European Commission Delegated Regulation (EU) No. 604 to all Group companies, through the self-assessment process instructed, addressed and coordinated by the Parent Company, and submitted to the Supervisory Board the list of personnel who has a material impact on the Group's risk profile.

The RTS application led to the identification of around 350<sup>1</sup> Risk Takers, on the basis of the following criteria:

- qualitative criteria, which relate to the role, the decision-making power and managerial responsibilities of members of the personnel and are aimed at identifying top management members, risk takers and the personnel engaged in control functions;
- quantitative criteria, which relate to the thresholds associated with the level of total gross remuneration attributed to a member of the personnel, in absolute or relative terms, and to the parameters that enable to place the personnel in the same remuneration range as the one applicable to top management and risk takers.

However, institutions are entitled to determine that, based on objective conditions and in accordance with specific restrictions laid down in the Regulation, certain personnel members, identified only on the basis of quantitative criteria, have no actual significant impact.

Furthermore, as part of the identification process of personnel who meets the quantitative criteria, those business units with a significant impact on Group risk profile have been identified; to that effect, in the current organisational context, the business units, among others, dealing with investment banking, private banking and asset management are considered to be significant, as well as those Regional Divisions of Retail Banking Division not identified through qualitative criteria related to internal capital absorption.

Following the application of said criteria, three clusters were identified:

- "Risk Takers";
- Other managers;
- Remaining Personnel.

Within the scope of the first segment ("Risk Takers"), the Supervisory Provisions on remuneration identify a further cluster represented by the so-called "Top Risk Takers" comprising in the current organisational context:

- Managing Director and Chief Executive Officer;
- General Manager;
- Heads of the Divisions and of Capital Light Bank;
- Chief Operating Officer, Chief Financial Officer, Chief Lending Officer, Chief Governance Officer, Chief Innovation Officer, Chief Risk Officer and Chief Compliance Officer;
- Head of the Internal Auditing Head Office Department and Heads of the Head Office Departments reporting directly to the Managing Director;
- Head of Administration and Tax Department, as the manager responsible for preparing the company's financial reports.

The Risk Takers identified through qualitative criteria are:

1. the members of Intesa Sanpaolo Management and Supervisory Boards;
2. the Heads of the Group Control Functions and their direct reports;
3. the Heads of the Relevant Business Units - i.e. those to which internal capital was distributed under Article 73 of Directive 2013/36/EU, representing at least 2% of the institution's internal capital – and their direct reports;
4. the Heads, identified by role, of the Legal Affairs Head Office Department, of the Administration and Tax Head Office Department and Tax Service, of the Planning, Strategic ALM and Capital Management Head Office Department, of the Management Control Head Office Department, of the Treasury Head Office Department, of the Research Head Office Department, the Group Human Resources Director, the Heads of the Performance Systems, Remuneration and Labour Cost Service, of the ICT Head Office Department, of the Corporate Affairs Head Office Department;
5. the roles that manage risk categories other than credit and market risk or have the power to approve or prohibit the introduction of new products which, at the time of defining the scope, are identified within the Group as members, with voting right, of the Risk Governance Committee, of the Financial Risk Governance Committee, of the the International Markets Coordination Committee and of the Control Coordination and Operational Risk Committee - in its Operational Risk session -

<sup>1</sup> As at 01/01/16. On the basis of the new EBA Guidelines of December 2015, the list of Risk Takers includes people who have been identified as such during the year for a period of over three months.

and the Heads of those business units necessarily engaged in the clearing process for new products, services and new activities, as defined in the internal regulation;

6. the roles that have the power to grant credits above the prudential amount of 30 million euro - calculated with reference to the defined limit in detail (0.5% of Common Equity Tier 1 capital) and applying it to the Group methodology expressed in Risk Weighted Assets (RWA) - and the members, with voting right, of Group Credit Committee;
7. the roles, within the Parent Company and Banca IMI, which were tasked with managing a trading portfolio with a VaR equal to or greater than the limits referred to in the RTS.

The application of the qualitative criterion resulted in the identification of about 240 Risk Takers.

The application of the quantitative criterion resulted in the identification as Risk Takers of the roles falling within the scope in terms of remuneration attributed to them with the exception of those which, despite carrying out their activities in a relevant business unit, are not considered to have a significant impact on the institution's risk profile on the basis of objective criteria and those that have no material impact on the institution's risk profile insofar as they carry out their activities in a non significant operational unit (following the application of this criterion, about 40 Risk Takers were identified).

Furthermore, 70 roles were identified due to their significance in the Asset Management and Private Banking Divisions, in BIMI's Corporate & Strategic Finance Business Unit and in some Region Units of the Banca dei Territori Division.

The second segment (Other Managers) includes the remaining department heads not included amongst Risk Takers.

The third segment (Remaining Personnel) includes all of the other employees and financial advisors of the Group whose remuneration is predominantly defined by the contractual provisions in effect from time to time in the countries in which the Group operates.

#### **4.3. The correlation between remuneration, risk and performance**

The correlation between remuneration, risk and performance is ensured for all employees through:

- 6.C.1.a) - the use of a balanced pay mix, as the fixed component is sufficiently high to allow the variable portion, which is never guaranteed, to decline significantly, even down to zero, upon occurrence of the conditions specified below;
- the application of the principle of selectivity, which differentiates the best performances and, in return, assigns significantly higher-than-average bonuses;
- 6.P.2.  
6.C.1.d) - the introduction, on the basis of the "financial sustainability principle", of a structured mechanism for funding the variable component (bonus pool), which correlates the amount to be allocated to incentives for all company segments to the performance of a Group parameter, currently identified as Income before tax from continuing operations;
- the use of a solidarity mechanism between Group and Division/Business Unit results, according to which the amount of total bonuses paid to the employees of each Business Unit depends in part on the Group's overall performance (reflected in the size of the bonus pool) and in part on the performance of the specific Organisational Unit, measured in terms of the degree of expected contribution to the Group's Income before tax from continuing operations;
- the application of the "guided discretion principle", which translates into the assignment to the CEO of a limited part of the Group's bonus pool (10%), eligible for allocation once the threshold has been reached, to departments that have exceeded their access thresholds, as further recognition for the quality and level of performance achieved;
- the observance of the access conditions provided for in international and national regulations, namely:
  - o at Group level, the achievement of capital adequacy and liquidity levels and, in more general terms, compliance with the limits envisaged in its own Risk Appetite Framework (RAF);
  - o at individual level, the propriety of conduct (absence of disciplinary measures resulting in one or more days of suspension);
- 6.P.2.  
6.C.1.d) - the measurement of performance from multiple perspectives, both quantitative (profitability, growth, productivity, cost of risk/sustainability) and qualitative (strategic actions or projects and managerial qualities), as well as extending to different scopes (Group/Department/Individual). The following are some examples of indicators for performance drivers:

- profitability: Operating income/Risk Weighted Assets, Portfolio Mix (assets under management vs. assets under administration), Revenues/Assets;
- growth: Operating income, asset under management (asset management), net inflows (private banking);
- productivity: Cost/Income, Optimisation of response times in relation to credit granting, Operating income/Full Time Equivalent, Costs/Asset under Management;
- cost of risk/sustainability: Adjustments to loans/Period-end loans, Concentration Risk, Balance sheet quality and active risks profile; Maintaining Liquidity Coverage Ratio target levels;
- the use of an additional mechanism that measures the residual risk level of each Business Unit (Q-Factor) and that acts as a possible de-multiplier of the bonus achieved in the event of failure to reach the target.

For the Manager responsible for preparing the Company's financial reports, the Heads and higher-level personnel of the Group Control Functions, assuming application of conditions set out above and the "malus condition" described below, determination of the incentive accrued is strictly defined with reference to the specific qualitative and quantitative indicators of the respective functions, in accordance with the Supervisory Provisions. In the particular case of the Manager responsible for preparing the Company's financial reports, such indicators are related, for example, to the definition of tax compliance check procedures, to the definition of the new structure of the accounting and supervisory system and to some projects aimed, among other things, at improving the timeliness in the preparation of the financial statements, in accordance with the provisions of the so-called "Fast Closing".

6.C.3.

With regard to the Chief Risk Officer, the Group Risk Manager, the Chief Compliance Officer, the Head of the Anti-Money Laundering Corporate Division, the Head of the Internal Auditing Head Office Department and the higher-level personnel of these departments, these indicators measure the control activity regarding the various types of risk (market, credit, interest rate, liquidity, operational, country, conduct and compliance, as well as money laundering and terrorism financing). Performance is measured both in quantitative terms (e.g., % growth of net non-performing loans, reduction of missing electronic due diligence questionnaires, average seniority days of the reports on suspicious activities, ...) and qualitative terms (e.g. development of a culture of controls, Integrated assurance among the Control Functions, efficient management of the programme of adaptation to the Risk Data Aggregation and Risk Reporting standards, ...).

6.C.3.

#### **4.4. Remuneration components**

Employee remuneration is broken down into the following:

- a) fixed component;
- b) variable component.

##### **4.4.1. Fixed remuneration**

The fixed component is defined based on the contractual agreement, the role held, the responsibilities assigned, and the specific experience and expertise acquired by the employee.

The following are considered fixed components of remuneration:

- allowances tied to the role held, envisaged for the Risk Takers belonging to the Group Control Functions and for the heads of commercial roles within the scope of the Banca dei Territori local network;
- allowances paid to expatriate personnel in order to cover for any differences in cost, quality of life and/or remuneration levels of the target reference market;
- allowances and/or fees deriving from offices held in corporate bodies, provided that same are not reversed to the companies to which they belong;
- any benefits designed to increase employee motivation and loyalty of resources and assigned not on a discretionary basis.

The benefits paid to Group employees may be of a contractual nature (e.g., supplementary pension, health benefits, etc.) or remuneration policy decisions (e.g., company car) and, therefore, have different treatment with respect to different categories of personnel.

With regards to the allowances provided for Risk Takers belonging to the Group Control Functions, the ratio of their introduction lies in the need to ensure internal equity in terms of total target remuneration among these employees, whose ratio between variable remuneration and fixed remuneration was reduced and

limited to 33% as of 1 January 2014 and the rest of the employees, whose cap remained unchanged at 100% (as described in paragraph 4.5.a and except as provided in paragraph 4.5.b). This allowance takes the form of fixed remuneration as it is given on a non-discretionary basis and regulated as follows:

- it is assigned to all employees identified as Risk Takers belonging to the Group Control Functions in Italy;
- it is defined univocally in % of the annual gross remuneration;
- it is communicated to stakeholders by means of an individual letter;
- it is paid as long as the person continues to hold the role identified as Risk Taker belonging to the Group Control Functions;
- it is not tied to any kind of performance indicator.

On the other hand, as regards the heads of Network commercial roles, their allowance is defined in order to allow, at the same time, the provision of adequate remuneration commensurate with the role envisaged under the current service model of the Banca dei Territori Division, as well as the remuneration flexibility which has become necessary in view of the novelty of the role and the high number of employees called upon to hold it for the first time. This allowance takes the form of fixed remuneration as it is given on a non-discretionary basis and regulated as follows:

- it is assigned to the heads of commercial roles;
- it is defined univocally in a predetermined amount having regard to the fixed target remuneration level for the role;
- it is communicated to stakeholders by means of an individual letter;
- it is paid as long as the person continues to hold the role in question;
- it is not tied to any kind of performance indicator.

The allowances paid to expatriate personnel are aimed at ensuring the equity of the net remuneration treatment between the amount received in the country of origin and in the target country, so as to cover for any differences in cost, quality of life and/or remuneration levels of the target reference market.

This allowance takes the form of fixed remuneration as it is given on a non-discretionary basis and regulated as follows:

- it is assigned to all expatriate personnel, in the event of a negative differential between the target country and the country of origin;
- it is defined according to predefined country-specific parameters provided by a specialist consulting firm;
- it is communicated to stakeholders by means of an individual letter;
- it is paid as long as the person continues to be resident in the country in question;
- it is not tied to any kind of performance indicator.

#### 4.4.2. Variable remuneration

The variable component is linked to employee's performance and aligned to the results actually achieved and the risks prudentially assumed, and consists of:

- short term variable component, assigned through:
  - the incentive system (see paragraph 4.6);
  - the performance award (see paragraph 4.7);
- long-term variable component, based on certificates associated with Intesa Sanpaolo shares, introduced in 2014 at the time of launch of the 2014-2017 Business Plan through the Leveraged Employee Co-Investment Plans ("LECOIP Plans") (see paragraph 4.8);
- any stability, non-competition, one-off retention and similar agreements (see paragraph 4.9).

The distinction of the variable remuneration in a short-term and a long-term component allows both to enhance the performance targets on the basis of an annual accrual period and to consider the long-term strategic targets defined in the Business Plan.

Remuneration may not be paid in forms, instruments or methods aimed at avoiding provisions of law.

### 4.5. The remuneration pay mix

#### 4.5.1. General criteria

6.C.1.a) For the purposes of this Report, the term "pay mix" refers to the weight of the fixed and variable components expressed as a percentage of total remuneration, as described above.

In accordance with the regulatory guidelines, the Intesa Sanpaolo Group traditionally adopts a pay mix that is appropriately balanced between the aforementioned components, in order to:

- allow flexible management of labour costs, as the variable portion may significantly decline, even down to zero, depending on the performance actually achieved during the year in question;
- discourage behaviour focused on the achievement of short-term results, particularly if these involve taking on greater risk.

6.C.1.c)

In order to achieve the above objectives, it is standard Group practice to establish ex ante limitations in terms of balanced maximums for variable remuneration, through the definition of specific caps on the increase of bonuses in relation to any over-performance.

6.C.1.b)

The aforesaid cap to the variable remuneration was determined:

- at 100% of the fixed remuneration for roles not belonging to the Group Control Functions, since 1 January 2013, adopting the provisions of Directive 2013/36/EU (so-called CRD IV) in advance of a year, save as otherwise specified in paragraph 4.5.b;
- at 33% of the fixed remuneration for roles belonging to the Group Control Functions, since 1 January 2014, thereby incorporating the provisions laid down in the former Bank of Italy's document for consultation on remuneration (confirmed during 2014 by the Supervisory Provisions on remuneration).

The calculation of the variable remuneration takes into account both the short-term component relating to the Incentive System and the long-term component assigned through the LECOIP Plans. The latter have an impact on the pro-rata variable remuneration for the entire accrual period.

However, in terms of cap compliance between fixed and variable remuneration (1:1), appropriate pay mix differentiations were identified with reference to the various professional or business segments, in line with the results obtained by means of specific benchmark analyses related to the leading European global banks that also ensure compliance with the internal equity principle, given the use of common benchmarks for each cluster.

The adequacy of the amounts is further verified in comparison to market practices, with ongoing participation in national and international remuneration surveys; for management roles and other particular business positions, the comparison is based on specific peer groups, in order to evaluate the competitive alignment with the most appropriate reference market.

6.P.1.

In relation to market data, the Intesa Sanpaolo Group aims to align the overall remuneration with median values, notwithstanding the possibility to make the appropriate differentiations for particularly critical positions and/or resources with high management skills.

In terms of guidelines, the ratio of the variable component to the overall remuneration is periodically revised for the various categories of personnel according to the performance of the business, human resources management and development strategies and the law in force at the time.

6.C.1.a)

In general, remuneration of personnel is subject to periodic review, in order to verify constant alignment with developments in the internal situation and in the market, also taking into account the results of the performance evaluation process. In these cases, under the annual budget allocations (based on the overall economic compatibility), measures aimed at adjusting the total pay of personnel, through tools defined by the Group management policies and in accordance with the powers in terms of personnel effective from time to time, may be envisaged.

The appropriateness of total pay is also evaluated in cases of assignment of tasks or changes in organisational position, in order to verify consistency with the required skills and assigned responsibilities in the new position.

All decisions regarding remuneration are to be taken in accordance with the Group's Remuneration Policies, in collaboration with the Human Resources Head Office Department and in compliance with international and national regulations.

#### 4.5.2. Increase in the variable remuneration-to-fixed remuneration cap for specific and limited professional categories and business segments

The maximum limit laid down in the general criteria (1:1) is increased to 2:1, as permitted by CRD IV the Bank of Italy upon the binding approval by qualified majority of the Shareholders' Meeting, for specific and limited professional categories and business segments:

- Asset Management managers both belonging to the Asset Management Division (Eurizon CEO/GM excluded) and ISP Vita (ISP Vita CEO excluded);
- so-called "Investment Banking" (Departments: Global Markets and Corporate & Strategic Finance; BIMl GM excluded) and the Industry Leaders of the International Network & Global Industries, Corporate and Public Finance, Financial Institutions;
- head of the Department and resources belonging to the Money Market and Payments, Portfolio Management, Foreign Treasury and MLT Finance Services in the Treasury Department, insofar as those professional profiles are similar to those of the Investment Banking;
- Private banking (ISPB GM excluded).

There are many reasons behind the corporate need to differentiate the maximum limit of the variable remuneration for these clusters.

Firstly, these clusters belong to business segments that, in current and future terms, are particularly important for the implementation of the 2014-2017 Business Plan, and they significantly contribute to the Group Results with regard both to the operating income and income before tax from continuing operations.

In addition, business segments involved, strictly "people-based", are characterized by high level of competitiveness on people and talents and though by strong difficulties in retention and attraction, which is key in a growing strategy.

In terms of compensation, the reference competitive context is uneven, considering that:

- EU-based banks (13 of 14<sup>2</sup>) have already requested and got the 2:1 cap increase;
- due to the global nature of these businesses, important players which are located in Switzerland or in United States, and for that with no obligations in cap application, expand their attraction power to best talents also outside their domestic borders;
- asset managers are mostly "independent" and do not belong to large banking groups: they do not have any cap to variable remuneration and, for that, they are very aggressive players in terms of people competition, often not actually correlated with their business size.

In any case this provision ensures compliance with prudential regulations given that:

- it impacts on a limited number of employees;
- it does not involve an increase in people with variable remuneration because it does not impact on the structured, ex ante, Incentive System funding mechanism; it only implicates a different bonus distribution and a higher differentiation in respect of the most talented employees in the above mentioned businesses (furthermore, consistently with those businesses' organizational culture);
- the strong correlation between bonus pay out and prudential requirements in terms of capital and liquidity is guaranteed at multiple levels through the links between the Incentive System and the Risk Appetite Framework (RAF), that are:
  - o compliance with the CET1 and NSFR limits set by the RAF as preliminary conditions to access the System (and with Malus Condition in the settlement of bonus deferred portions);
  - o KPIs are drilled down from the budget targets and the budgeting process starts from the assumption of the general and specific limits envisaged in the RAF as not negotiable boundaries.

The cap increase affects 2.236 Group resources<sup>3</sup>, of which:

- 581 in Asset Management, of which 11 Risk Takers;
- 866 in Private Banking, of which 32 Risk Takers;
- 644 in Investment Banking and Industry Leaders, of which 51 Risk Takers;
- 145 in Treasury, of which 7 Risk Takers;

Overall, these resources equate to approximately 3.4% of the Group's personnel and 31% of the scope of Risk Takers.

<sup>2</sup> Société Générale, Crédit Agricole, BNP Paribas, Natixis, Deutsche Bank, UniCredit, UBI Banca, Mediobanca, Lloyds Banking Group, HSBC, Barclays, Banco Santander, BBVA.

<sup>3</sup> At the time of notification to Competent Authority (end of February 2016)

#### 4.6. Incentive systems for Group personnel

##### 4.6.a. Conditions to activate incentive systems

All of the Group's personnel incentive systems are subject to three conditions:

1. minimum activation conditions required by the Regulator at Group level (4.6.b)
2. financing conditions envisaged by the bonus funding mechanism at Group and department level (4.6.c)
3. individual access condition (4.6.d)

##### 4.6.b. Minimum activation conditions required by the Regulator

The minimum conditions required by the Regulator are based on the principles of financial sustainability of the remuneration variable component and therefore represent an assessment of the "quality" of income results achieved and the consistency with the limits envisaged in the Risk Assessment Framework (RAF).

In the Intesa Sanpaolo Group these conditions are as follows:

1. Common Equity Tier Ratio (CET1) at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. No loss or positive Income before tax from continuing operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

6.C.1. a)  
6.C.1. d)

Non-achievement of even only one of the above conditions results in non-activation of the incentive systems for the Group personnel. Top Risk Takers are subject to a further condition represented by the Liquidity Coverage Ratio (LCR), the level of which must be at least equal to the limit envisaged in the RAF.

6.C.1. c)

##### 4.6.c. Group's bonus funding mechanism and configuration by department

All of the incentive systems for Group personnel are funded by a structured bonus pool mechanism (see 4.3) that requires the implementation of financing conditions at both the Group and department level.

The Group's bonus pool is activated if, and only if, having verified the conditions under the above point, Income before tax from continuing operations exceeds the minimum Access Threshold, and it gradually increases as the thresholds are exceeded, up to a predefined maximum (cap).

6.C.1. a)  
6.C.1. b)  
6.C.1. d)

In the specific case where Income before tax from continuing operations does not exceed the Access Threshold but the conditions 1 and 2 under the above point exist, a limited portion of the Group's bonus pool is available, both in relative and absolute terms - the so-called "buffer" - with the aim of ensuring transparent, regulated and ex-ante governance, in line with the requirements of the prudential regulations, by way of priority, of any positive performance of units that opposes the performance of the rest of the Group, which is a likely scenario given the many types of business and the various countries in which Intesa Sanpaolo operates. More specifically, having positively verified the conditions relating to the CET1 and NSFR referred to in the previous paragraph:

1. "Buffer 1" (limited by amount and, in any event, significantly lower than the Bonus Pool) is made available if the Income before tax from continuing operations does not exceed the Access Threshold but remains positive, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.
  - This Buffer is allocated to the Divisions/Capital Light Bank (hereafter "CLB") with positive Income before tax from continuing operations, in order to reward:
    - i. primarily, in the units in line with the budget: the best performers at every organisational level with the exception of the Top Risk Takers;
    - ii. secondarily, for the Divisions/CLB not in line with the budget: solely the employees identified neither as Risk Takers nor as management;
2. "Buffer 2" (with a significantly lower impact than Buffer 1) is made available in the event of loss or negative Income before Tax from continuing operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.
  - This Buffer is allocated to the Divisions/CLB if the Income before tax from continuing operations is positive and exceeds the budget threshold and only rewards the employees identified as neither Risk Takers nor management.

The portion of Income before tax from continuing operations to be allocated to funding the Group's bonus pool is determined in advance, on an annual basis, according to an historical analysis and budget forecasts. The resulting Group bonus pool is adjusted according to an evaluation of the performance of Intesa Sanpaolo relative to a panel of its international and domestic peers defined during the budgeting process (+/- 10%), on the basis of criteria of comparability by size (assets), capital and talent market and business mix.

The allocation of the Group's bonus pool by department is correlated to size (relative weight of the department's target bonus on the Group's total bonus) and adjusted according to the degree of contribution during the year concerned (the department's Income before tax from continuing operations with respect to the Access Threshold).

The financial sustainability principle is also adopted at Division/CLB level. Therefore, only Divisions/CLB that exceed their access threshold receive the predefined pool (once the Group's minimum threshold has been reached). The bonus pool of the Division/CLB that has not exceeded its access threshold (the "additional" bonus pool) may be allocated to those Divisions/CLB that have exceeded their thresholds. Exception is made for the amounts allocated to fund the Divisions/CLB buffers, defined in accordance with provisions laid down at Group level, where regulation provided for Divisions/CLB on the matter of eligible recipients applies to the each units defined through organizational charts and covered by a multiperspective performance measurement system<sup>4</sup>.

#### 4.6.d. Individual access condition

6.C.1. a)  
6.C.1. c)  
6.C.1. d)

In each department, after verifying the conditions pursuant to the two paragraphs above, payment of the individual bonus is proportional to the level of achievement of the individual performance objectives and, in any case, subject to the verification of the so-called individual compliance breaches:

- disciplinary measures involving suspension from service and pay for a period equal to or greater than one day, including as a result of serious findings received from the Bank's control functions (as is the practice in Intesa Sanpaolo);
- in case of breaches specifically sanctioned by the Supervisory Authorities of the obligations as per Article 26 of the Consolidated Law on Banking regarding the requirements of professionalism, integrity and independence or Article 53, paragraph 4, of Consolidated Law on Banking and following on the matter of related-party transactions and of the obligations regarding remuneration and incentives referred to in CRD IV, if involving a penalty of an amount equal to or greater than 30,000 euro.

#### 4.6.e. Risk Takers

The variable component of the remuneration for Risk Takers is regulated by specific guidelines laid down in the Supervisory Provisions on remuneration:

- at least 60% must be subject to deferred payment systems for not less than 5 years, if it represents a particularly significant amount and, in any event, for executive board members, general manager, co-general managers, deputy general managers and other similar roles, heads of the main business lines (and those with a higher risk profile, e.g. investment banking), corporate functions or geographical areas, as well as those who report directly to bodies with strategic supervisory, management and control duties;
- said component must be reduced to 40% and the deferral period to 3 years for the remaining Risk Takers;
- a significant portion of at least 50% must be adequately balanced among shares, instruments linked to shares or, for unlisted banks, equivalent instruments and, where appropriate, innovative and non-innovative capital instruments up to 50% of Tier 1 capital and that adequately reflect the bank's credit quality on an on-going basis; this percentage is applied, in the same proportion, to the deferred variable component as well as to the non-deferred (upfront) component;
- a specific retention mechanism must be in place (of at least 2 years for the upfront component, shorter for the deferred component) for the above financial instruments;
- it must be subject to the appropriate ex-post (malus or clawback) adjustment mechanisms to reflect, among other things, the levels of performance net of the risks actually taken or ensuing, up to

<sup>4</sup> As described in paragraph 4.3

significant reduction or elimination in the event of results that are substantially lower than forecasts or negative.

Intesa Sanpaolo Group has defined the following in application of the foregoing:

*Deferred payment of variable remuneration:*

The deferred portions are differentiated by cluster of Risk Taker and amount of the variable remuneration:

- 60% for Top Risk Takers not belonging to the Group Control Functions and for those who, among the Risk Takers, accrue a bonus in excess of 100% of the fixed remuneration;
- 40% for Top Risk Takers belonging to the Group Control Functions and for all the remaining Risk Takers.

6.C.1.e)

*Payment of variable remuneration through financial instruments:*

The assignment of financial instruments of the Intesa Sanpaolo Group is envisaged for all Risk Takers categories with respect to:

- 50% of the upfront remuneration
- 50% of the deferred remuneration.

6.C.2.

*Deferral period:*

For Top Risk Takers not belonging to the Group Control Functions and for those who, among the Risk Takers, accrue a bonus in excess of 100% of the fixed remuneration, the deferral period is equal to 5 years, with payment of 60% of the bonus by instalments as follows:

- 20% in the year following that of accrual of the upfront component;
- 40% in the 4 years following the year of allocation of the first deferred instalment, in equal amounts of 10%.

6.C.1.e)

For Top Risk Takers belonging to the Group Control Functions and for all the remaining Risk Takers, the deferral period is equal to 3 years, with payment of 40% of the bonus by instalments as follows:

- 20% in the year following that of accrual of the upfront component;
- 20% in the 2 years following the year of allocation of the first deferred instalment, in equal amounts of 10%.

*Breakdown of deferred portions:*

The breakdown of the deferred portion for Top Risk Takers not belonging to the Group Control Functions and for those who, among the Risk Takers, accrue a bonus in excess of 100% of the fixed remuneration is as follows:

- 1st deferred portion: 100% cash;
- 2nd deferred portion: 100% financial instruments;
- 3rd deferred portion: 100% financial instruments;
- 4th deferred portion: 100% financial instruments;
- 5th deferred portion: 100% cash.

6.C.2.

The breakdown of the deferred portion for Top Risk Takers belonging to the Group Control Functions and for all the remaining Risk Takers is as follows:

- 1st deferred portion: 50% cash and 50% financial instruments;
- 2nd deferred portion: 100% financial instruments;
- 3rd deferred portion: 100% cash.

An appreciation on the deferred component in cash is recognised in line with market interest rates, as laid down by the Supervisory Provisions on remuneration.

*Retention period:*

The following holding period is envisaged for the assigned financial instruments:

- 2 years for the upfront component;
- 1 year for those assigned as the deferred portion to Top Risk Takers;
- 6 months for those assigned as the deferred portion to those who, among the Risk Takers, accrue a bonus in excess of 100% of the fixed remuneration;
- 1 year for those assigned as the deferred portion to all remaining Risk Takers not included in the previous categories.

6.C.2.

*Relevant Bonus:*

The threshold for identification of a “Relevant Bonus” is set at 80,000 euro.

Bonuses equal to or below that threshold are paid entirely in cash and upfront, inasmuch as the amounts that would result from the application of the deferral mechanisms, payment in shares and holding period would be quite insignificant in both absolute and relative terms with respect to total remuneration collected, to such an extent as to result in effective invalidation of the principle that inspires the mechanism (correlation between the amount of a bonus and assumption of risks).

In the specific case where the bonus below 80,000 euro is higher than 100% of the fixed remuneration, the pay out will be 60% as upfront cash and 40% in a single tranche, once again in cash, with 2 years of vesting, subject to malus condition and clawback mechanisms (see below).

*Variable remuneration payment conditions:*

The deferred portion is subject to the individual remaining with the Group at the end of the deferral period or at the deadlines envisaged for actual delivery of the financial instruments, save as provided in paragraph 4.9, as well as to the "malus condition" mechanism described below and to the non-existence of negative events directly attributable to the individual's behaviour, in carrying out their activities, that jeopardises the sustainability of results over time.

*Calculating the total incentive payable:*

The total amount due (sum of the upfront and deferred components) to Top Risk Takers is granted on the basis of the individual performance scorecards built around the criteria illustrated above (see paragraph 4.3), assigned to each manager.

The evaluation of the Top Risk Takers' performance falls within the remit of the Board of Directors which, upon the proposal of the Remuneration Committee, defines any bonus resulting from this evaluation, to be paid in the manner envisaged for this type of bonus in terms of deferral, assignment of financial instruments, breakdown of deferred portions, retention period, malus condition and clawback mechanisms.

For Risk Takers not included in the Top Risk Takers category, the amount of any bonus granted is defined annually according to the position achieved in the "internal ranking" of their Business Unit/department.

Such ranking is obtained by ordering the scores of the results of the individual performance scorecards, constructed according to the criteria illustrated above (see paragraph 4.3), assigned to each manager.

6.C.1. a)  
6.C.1. b)

Those who place in the top range of the ranking (equivalent to 20% of managers) receive the maximum bonus that can be granted through the Incentive System (as described in paragraph 4.5).

In the event whereby the budget is reached and/or exceeded, the remaining Risk Takers (equivalent to 80% of managers) are placed on three ranges of bonus that are a function of the share of the bonus pool assigned to their business unit/department according to the funding mechanism described above, after deducting the total bonus attributable to the best performers (i.e., managers who place in the top range).

Conversely, in the event whereby the budget is not reached but the threshold is exceeded, at least 10% of those placed in the lower range do not receive any bonus.

The individual incentive calculation mechanism described above allows the application of the principles of selectivity, merit and differentiation of performance.

*Malus condition on the deferred portion of variable remuneration:*

Payment of the deferred portion of variable remuneration is subject to:

- occurrence of the condition of individual access;
- application of the ex post correction mechanism.

Assessment of the individual access condition, namely the absence of disciplinary measures that call for at least a 1-day suspension (so-called individual compliance breach), is a necessary condition but not sufficient for payment of the deferred portion.

6.C.1.c)

Each deferred portion is, indeed, subject to an ex-post adjustment mechanism - the so-called malus condition - according to which the relative amount recognised and the number of financial instruments assigned, if any, may be reduced, even to zero, in the year to which the deferred portion refers, in relation to the level of achievement of the minimum conditions set by the Regulator (see 4.6.b), namely:

6.P.2.  
6.C.1. d)  
6.C.2

1. Common Equity Tier Ratio at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. No loss or positive Income before tax from continuing operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

In particular, if either condition 1 or 2 does not occur individually, the deferred portion is reduced by 50%; if condition 3 is not met, the deferred portion is brought down to zero.

6.C.1. c)

For Top Risk Takers, in parallel with the provisions for activation of the Incentive System, a fourth condition – in addition to the three mentioned above – is also envisaged, relating to verification of the LCR compared to the RAF limits. As regards this cluster, if either condition 1 or 2 or that relating to the LCR does not occur individually, the deferred portion is reduced by a half; if condition 3 is not met, the deferred portion is brought down to zero.

#### 4.6.f. Other Managers

The remaining managerial cluster is subject to an incentive system that is consistent with the provisions envisaged for Risk Takers. In fact, bonuses are determined according to the results achieved with respect to the targets set out in the individual performance scorecards, the structure of which is entirely analogous to that applied to Risk Takers.

Accordingly, the individual incentive calculation mechanism also implements the principles of selectivity, merit and differentiation of performance of this cluster as well.

Any "Relevant Bonuses" recognised to this cluster insofar as they are above the threshold of 80,000 euro (see paragraph 4.6.e), if of an amount above 100% of the fixed remuneration, will be paid in the manner envisaged for non-Top Risk Takers, namely:

#### *Deferred payment of variable remuneration:*

The deferred portion is equal to 40%.

6.C.1. e)

#### *Payment of variable remuneration through financial instruments:*

Assignment of financial instruments of the Intesa Sanpaolo Group regarding:

- 50% of the upfront remuneration
- 50% of the deferred remuneration.

6.C.2.

#### *Deferral period:*

The deferral period is equal to 3 years, with payment of 40% of the bonus by instalments as follows:

- 20% in the year following that of accrual of the upfront component;
- 20% in the 2 years following the year of allocation of the first deferred instalment, in equal amounts of 10%.

6.C.1. e)

#### *Breakdown of deferred portions:*

The breakdown is as follows:

- 1st deferred portion: 50% cash and 50% financial instruments;
- 2nd deferred portion: 100% financial instruments;
- 3rd deferred portion: 100% cash.

6.C.2.

An appreciation on the deferred component in cash is recognised in line with market interest rates, as laid down by the Supervisory Provisions on remuneration.

*Retention period:*

6.C.2. The following holding period is envisaged for the assigned financial instruments:

- 2 years for the upfront component;
- 1 year for the deferred portion.

In specific cases where the bonus accrued:

- represents a "relevant bonus" and is below 100% of the fixed remuneration;
  - does not qualify as a "relevant bonus" but is above 100% of the fixed remuneration
- 60% thereof will be paid as upfront in cash and 40% in a single tranche, once again in cash, with 2 years of vesting, subject to malus condition e clawback mechanisms (see below).

*4.6.g. Specific professional business categories*

Among Group personnel, specific professional business categories covered by specific incentive systems drawn up in accordance with the abovementioned principles, guidelines and rules envisaged for management have been identified.

In an effort to build fair and motivating bonuses, studies were conducted on internal practices and their alignment with specific market benchmarks.

The incentive systems adopted call for bonus-award mechanisms that are differentiated by business area with the aim of implementing measures consistent with the specific corporate professional qualities, recognising individual merit and rewarding teamwork. In any event, payment of the individual bonus is subject to assessment of the individual compliance breach (absence of disciplinary measures resulting in one or more days of suspension).

The amount of bonuses paid is correlated to the performance of both the Division/Business Unit and the Group as a whole (financial sustainability and solidarity mechanisms).

The rationale underlying the incentive systems introduced and applied by the company can be summarised as follows:

- private banking: the assignment of individual bonuses is related to the measurement of quantitative and qualitative performance, both at individual and team level. The parameters used for determining incentives refer to the typical revenues of the business under examination (e.g. improvement in net interest income), to the increase in assets, including in terms of customer loyalty and quality/risk monitoring indicators (taking account of the compliance guidelines), duly combined with customer satisfaction and service quality indicators;
- investment banking and asset management: for Banca IMI's Global Markets and Corporate & Strategic Finance Business Unit, treasury professional categories and asset management managers (Eurizon Capital, some subsidiaries of Banca Fideuram) bonuses are awarded primarily to reward individual merit, also considering qualitative and behavioural elements, within the limits of team spirit, rewarding outstanding performance with incentives comparable to the target levels of reference markets;
- financial advisors: without prejudice to the specific characteristics of the agency mandate (remuneration through commissions) in dealings with Banca Fideuram and Sanpaolo Invest, financial advisors, in accordance with the legislative provisions in force from time to time, benefit from annual incentive schemes that, given suitable qualitative indicators, are connected with the level of achievement of the business objectives defined to support the corporate growth, sustainability and profitability targets;
- international subsidiary banks: without prejudice to the use of adequate qualitative-quantitative indicators and compliance with the general Group policy, incentives are awarded on the basis of the procedures and local regulations in force from time to time in each country.

Retail Banking professional business categories are covered by a particular form of short-term variable remuneration (Performance Award, paragraph 4.7).

Any "Relevant Bonuses" recognised to this cluster insofar as they are above the threshold of 80,000 euro (see paragraph 4.6.e), if of an amount above 100% of the fixed remuneration, will be paid in the manner envisaged for non-Top Risk Takers, namely:

*Deferred payment of variable remuneration:*

The deferred portion is equal to 40%.

6.C.1. e)

*Payment of variable remuneration through financial instruments:*

Assignment of financial instruments of the Intesa Sanpaolo Group regarding:

6.C.2.

- 50% of the upfront remuneration
- 50% of the deferred remuneration.

*Deferral period:*

The deferral period is equal to 3 years, with payment of 40% of the bonus by instalments as follows:

6.C.1. e)

- 20% in the year following that of accrual of the upfront component;
- 20% in the 2 years following the year of allocation of the first deferred instalment, in equal amounts of 10%.

*Breakdown of deferred portions:*

The breakdown is as follows:

6.C.2.

- 1st deferred portion: 50% cash and 50% financial instruments;
- 2nd deferred portion: 100% financial instruments;
- 3rd deferred portion: 100% cash.

An appreciation on the deferred component in cash is recognised in line with market interest rates, as laid down by the Supervisory Provisions on remuneration.

*Retention period:*

The following holding period is envisaged for the assigned financial instruments:

6.C.2.

- 2 years for the upfront component;
- 1 year for the deferred portion.

In specific cases where the bonus accrued:

- represents a "relevant bonus" and is below 100% of the fixed remuneration;
- does not qualify as a "relevant bonus" but is above 100% of the fixed remuneration

60% of this bonus will be paid as upfront in cash and 40% in a single tranche, once again in cash, with 2 years of vesting, subject to malus condition e clawback mechanisms (see below).

*4.6.h. Guaranteed bonuses*

The assignment of guaranteed bonuses is not envisaged, with the sole exception of limited cases of recently hired employees, without prejudice to thorough assessment and analysis of market practice, solely for the first year.

*4.6.i. Clawback mechanisms*

The company reserves the right to activate clawback mechanisms, namely the return of bonuses already paid as required by regulations, as part of the disciplinary initiatives and provisions envisaged for fraudulent behaviour or gross negligence by personnel, also taking into account the relative legal, contribution and fiscal profiles.

*4.6.l. Prohibition of hedging strategies*

It is expressly prohibited for individual employees to undertake personal hedging or insurance strategies on the remuneration or other aspects that may alter or undermine the effects of the alignment with company risk inherent in the remuneration mechanisms described. Remuneration may not be paid in forms, instruments or methods aimed at avoiding provisions of law.

*4.7. Performance award*

Within the framework of the Intesa Sanpaolo Group II level National Collective Bargaining Agreement, a Performance Award was introduced to replace the Company Bonus and Incentive System, thereby consolidating what was provided for on a trial basis for the year 2015.

*4.7.1 Objectives*

The objectives of the Performance Award are as follows:

- recognise the contribution of each single individual to the implementation of the 2014-2017 Business Plan;
- link more directly the productivity and profitability at Group and Department level to the variable remuneration of each resource, also according to role played and seniority attained;
- contribute to support internal equity, with mechanisms for payment of higher bonuses for lower remuneration;
- reward individual merit in a distinctive manner.

#### 4.7.2. Structure

Given the purposes referred to above and in the manner described below, the Performance Award is a bonus that consists of one or more cumulative portions:

- Base award;
- Additional award;
- Excellence award.

The Performance Award, in the Base award component, is intended for all personnel belonging to Professional Areas and Middle Managers, employed with an open-ended contract (including skilled labour apprenticeship contracts) at companies that apply the national collective bargaining agreement - CCNL - for Credit Sector of the Intesa Sanpaolo Group, with the exclusion of ISP Casa, whose personnel is the recipient of a dedicated system.

The Performance Award, in the Additional award and Excellence award components, is intended for all personnel belonging to Professional Areas and Middle Managers, employed with an open-ended contract, with the exception of those who are employed in specific professional categories (private banking, asset management, treasury, investment banking) for which there are specific incentive systems comprising - where applicable - even the Base award component.

##### 4.7.2.a. Base award

The Base award is aimed, firstly, at rewarding all Group employees for their collective contribution to achieving the Results envisaged in the Business Plan as well as at supporting, also for internal equity purposes, the lower remuneration. Given its "participatory" nature, the Base award is independent of the contractual agreement and the professional role held/seniority accrued.

##### 4.7.2.b. Additional award

The Additional award is designed to recognise the contribution provided "by role" to the results of the relevant department and to contribute to greater internal equity in terms of total remuneration. In particular, the Additional award is differentiated by professional role or seniority and professional category cluster in order to enhance the specific contribution to department results, taking into account the external reference remuneration market.

The table value of the Additional award is reduced, proportionally, for employees whose gross annual remuneration is higher than the average figure of the professional role/ seniority level attributed.

##### 4.7.2.c. Excellence award

The Excellence award is intended to reward individual merit and distinctive contribution made to the team's results, with different modalities for general employees and the professional roles of the Banca dei Territori Network.

For general employees, the individual allocation of the Excellence award is at the Direct Head's discretion, with priority given to the two highest levels of professional evaluation, within the limits of the bonus pool allocated and in line with the guidelines defined by the Human Resources Head Office Department, according to the available financial resources, the relevant remuneration markets, also having regard to the principle of internal equity.

For the professional roles of the Areas and Branches of the Banca dei Territori network, the Excellence award is intended to reward the work of the best teams and enhance distinctive behaviour, with a focus on achieving sustainable performance over the medium to long term in terms of profitability, extensibility, credit quality, sustainable growth, quality of service, customer satisfaction, joint responsibility and multichannel drive.

The Compliance indicator aims to measure synthetically compliance with the relevant rules on the exercise of banking and intermediation activities, management of conflicts of interest, transparency towards customers and regulations for consumer protection. In addition, it provides a summary on the quality of

the service provided in terms of efficiency and optimisation of the time taken to meet customer credit requirements and their proper management.

The Excellence award is subject to the achievement of a minimum score both of the Compound Performance Indicator and the Compliance Indicator and is proportional to the performance achieved and measured through the Synthetic Performance Indicator by result range.

#### *4.7.3. Minimum activation conditions*

The Performance Award, as provided for the Incentive Systems for Group personnel, is subject to three conditions:

- Minimum activation conditions at Group level;
- Funding condition;
- Individual access condition.

##### *4.7.3.a. Minimum activation conditions at Group level*

The minimum activation conditions of the Performance Award, in line with the Regulator's requirements and as envisaged for the Incentive Systems for Group personnel, are based on the principles of financial sustainability of the remuneration variable component and therefore represent an assessment of the "quality" of income results achieved and the consistency with the limits envisaged in the Risk Assessment Framework (hereinafter, RAF).

These conditions are as follows:

- Group Common Equity Tier Ratio (CET1) at least equal to the limit envisaged in the RAF;
- Group Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
- At Group level, positive Income before tax from continuing operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

Non-achievement of even only one of the above conditions results in non-activation of the Performance Award.

##### *4.7.3.b. Funding conditions*

Performance Award bonus pool has a three-fold structure, insofar as it is intended to specifically fund the three bonus components that make up the Performance Award. The Performance Award, as the Group Incentive Systems, is financed by a structured bonus pool mechanism, aimed at ensuring its economic and financial sustainability, determined each year ex ante.

Said mechanism requires the implementation of the financing conditions at both Group and structure level:

##### *Funding condition at Group level*

The Performance Award bonus pool is activated and finances the portion intended for the Base award if, once the Group minimum activation conditions have been met, the Group Income before tax from continuing operations exceeds the Access Threshold (corresponding to the budget), and it gradually increases as the thresholds are exceeded, up to a predefined maximum (cap).

In the specific case where Income before tax from continuing operations does not exceed the Access Threshold but the conditions under point 4.1 have been met, a part of the Performance Award bonus pool portion intended to finance the base award is made available.

Once the Group minimum activation conditions and funding mechanism described above have been met, the Base award is assigned to all Group employees.

##### *Funding condition at Department level*

The Performance Award bonus pool is activated and finances the portions intended for the additional bonus and the excellence award if the Group minimum activation and funding conditions (Group's Income before tax from continuing operations above the budget) have been met, the department's Income before tax from continuing operations is equal to or higher than the budget.

Conversely, in the special case where all the aforesaid conditions at Group level have been met and the department's Income before tax from continuing operations is lower than the budget but above a "tolerance" threshold, established within the same budget, only a part of the portion intended to finance solely the additional bonus is made available.

In the Group Divisions, the department's Income before tax from continuing operations is understood to be the Division's Result; in the remaining departments, it is understood as the Group's Income before tax from continuing operations.

#### 4.7.3.c. Individual access condition

Within the scope of each department, once the Group minimum activation conditions, Group funding condition and department funding condition have been met, the payment of one or more Performance Award portions (Base award, additional award and excellence award) is, in any event, subject to verification of the so-called individual compliance breach: the absence of disciplinary measures involving suspension from service and pay for a period equal to or greater than one day, including as a result of serious findings received from the Bank's control functions.

Furthermore, once the aforesaid conditions have been met, in line with the Regulator's requirements and as laid down in the Group's remuneration policies, the excellence award will not be payable in the event of:

- evaluation below "in line with the role's expectations", for general employees;
- failure to reach the minimum result required for the compound performance indicator or Compliance KPI, for the professional roles of the Areas and Branches of the Banca dei Territori network.

#### 4.8. Employee share ownership

The Intesa Sanpaolo Group is always seeking innovative ways to motivate and retain its resources, the involvement and development of which constitute key and enabling factors in the achievement of results at all levels of the organisation.

The Group believes that the employee share ownership encourages identification and alignment with the medium/long-term objectives and constitutes a desirable form of sharing the value created over time.

This took on particular importance during 2014, concurrently with the launch of the 2014-2017 Business Plan, whose implementation requires the commitment and activation of the energy of all individuals working in the Intesa Sanpaolo Group.

##### 4.8.1. Employee investment plan – LECOIP (Leveraged Employee Co-Investment Plan)

In this regard, the Bank's desire to offer all of its employees an investment instrument meeting such characteristics (LECOIP Plans) falls under this scope.

##### 4.8.1.a. Principles

- Strengthening of the sense of belonging (ownership);
- Alignment with a medium/long-term time frame which coincides with that of the Business Plan;
- Express sharing of the "challenge" offered by the Business Plan: participation in the LECOIP Plans assumes an individual investment choice that is both voluntary and informed;
- Protection and promotion of employees' savings by offering an efficient investment instrument;
- Inclusion and cohesion: the Investment Plan targets all employees;
- Equity: the Investment Plan is offered through a uniform structure to all employees.

##### 4.8.1.b. Characteristics

The share ownership proposal, launched in 2014, is subdivided into two phases:

1. launch by the Bank of an *Employee Share Ownership Plan* that offered each employee the opportunity to share a part of the value of Intesa Sanpaolo (ownership) and, therefore, to increase their sense of belonging;
2. the possibility for each employee to use the shares received and:
  - a. maintain them in their securities account, in order to sell them subsequently or transfer them immediately;
  - b. invest them in a long-term financial instrument, the LECOIP Certificate, with term aligned with the Business Plan, which upon maturity:
    - i. guarantees a "protected capital" (higher than the value corresponding to the amount of shares invested);
    - ii. participates in the share value increase on a larger number of shares.

With regard to the *Employee Share Ownership Plan*, the amounts assigned in free shares to all employees were differentiated by clusters and, in any case, represented a slightly significant value compared to the

fixed remuneration. The methods for implementation of the *Employee Share Ownership Plan* were discussed by company members, in accordance with the provisions of the collective labour and company agreement in force, who shared the spirit thereof and contributed to the success of the initiative.

With regard to the LECOIP Certificate, the protected capital that the employee receives upon maturity - if he/she has chosen to invest in the Plans - may reach the maximum amount envisaged for the relevant cluster.

Participation in the growth of the share value was defined at 75% on a basis equal to 5 times the protected capital.

The LECOIP Plans were subscribed by around 80% of the recipients of the offer, as shown below:

Category	Number of applicants	Percentage compared to the total number
Risk Takers	218	88%
Executives	654	91%
Employees overall	49,426	79%
<b>Total</b>	<b>50,298</b>	<b>79%</b>

#### 4.8.1.c. Diversification by cluster

Essentially in line with the segmentation of personnel referred to in paragraph 4.2 and with its guiding principles, the LECOIP Plans are differentiated by cluster (Risk Takers, Other Managers - Executives, Remaining Personnel - Middle Managers and Professional Areas).

Risk Takers and Executives, by virtue of the specific influence that they may have on business performance and in compliance with the Provisions on remuneration, were the recipients of specific categories of LECOIP Certificates which envisage "trigger events" that replicate the typical operating mechanisms of the malus conditions provided for the Incentive System.

Said trigger events, therefore, as laid down in the Risk Taker LECOIP Certificate, may decrease both the protected capital amount and the share ownership amount.

More specifically, such trigger events include, within a time frame of one year or more of duration of the Plan:

1. maintenance or non-maintenance of the capital adequacy levels laid down in the RAF, measured both in terms of Common Equity Tier 1 Ratio (CET1) and AFR Core/Economic Capital, subject to subsequent changes in the regulations on capital adequacy, application by the supervisory authority of target ratios above the regulatory levels and/or updates to the Group RAF;
2. maintenance or non-maintenance of adequate liquidity levels laid down in Intesa Sanpaolo's Risk Appetite Framework, measured in terms of Net Stable Funding Ratio (NSFR);
3. no loss - both at Group level and at the level of the competent Division - and positive Income before tax from continuing operations (net of any contribution of profits from the buyback of the Bank's own liabilities, from the fair value measurement of Bank liabilities and from income components arising from accounting policies following changes to the internal model on core deposits);
4. value distribution or non-distribution to shareholders (this meaning the distribution of dividends and/or reserves and/or the buyback of own shares).

Moreover:

- deterioration of the capital adequacy and liquidity levels provided for by the RAF involves a deduction of the protection ensured by the Risk Taker LECOIP Certificate, which can also lead to the elimination thereof; any deduction is based on annual observations with application over the entire period of the plan of the most penalising finding;
- loss - both at Group level and at the level of the competent Division - and negative Income before tax from continuing operations, in one or more years of the Investment Plan's duration, entails the gradual reduction in the protection ensured by the Risk Taker LECOIP Certificate, until the elimination thereof;
- lack of value distribution to shareholders, in one year or more of the Investment Plan's duration, entails the gradual reduction in the shareholding amount to the appreciation of the ISP stock value.

The trigger events envisaged in the Executive LECOIP Certificate are built according to proportional application compared to those provided for Risk Takers and include, in one or more years of duration of the Plan:

1. maintenance or non-maintenance of the capital adequacy levels laid down in the RAF, measured in terms of Common Equity Tier 1 Ratio (CET1), subject to subsequent changes in the regulations on capital adequacy, application by the supervisory authority of target ratios above the regulatory levels and/or updates to the Group RAF;
2. maintenance or non-maintenance of adequate liquidity levels laid down in Intesa Sanpaolo's Risk Appetite Framework, measured in terms of Net Stable Funding Ratio (NSFR).

As provided for the Risk Takers, the deterioration of the capital adequacy and liquidity levels provided for by the RAF involves a deduction of the protection ensured by the Executive LECOIP Certificate, which can also lead to the elimination thereof; any deduction is based on annual observations with application over the entire period of the plan of the most penalising finding.

Each trigger event generates effects independently of the other; in other words, the occurrence of a single trigger event is sufficient to reduce either the level of protection provided by the Risk Taker/Executive LECOIP Certificate or the percentage of participation in the appreciation of the Intesa Sanpaolo stock value of the Risk Taker LECOIP Certificate.

In any event, upon the occurrence of the trigger events, the right that would have been granted to the Executives and Risk Takers under the Executive LECOIP Certificate and the Risk Taker LECOIP Certificate, respectively, shall be transferred to Intesa Sanpaolo.

#### *4.8.1.c.i. Compliance with Provisions on remuneration*

Although these are Co-Investment Plans, freely subscribed by each employee on an individual level, in compliance with the Provisions on remuneration, they:

- are classified as an instrument of variable remuneration linked to the continuation of employment;
- supplement but do not substitute the variable short term components;
- are calculated as the annualised portion of the "protected capital", the contribution to participation in the increase in the stock value and the "sell to cover"<sup>5</sup>, within the maximum limits envisaged for the variable remuneration against the fixed remuneration as described in paragraph 4.1;
- are diversified compared to provisions regarding employees overall, for Executives and Risk Takers, due, respectively, to the role played by the former and the specific influence that the latter may have on the risk profile and company results.

In particular:

- the Free Shares paid to the Risk Takers are subject - in any case, and regardless of the amount assigned - to a deferral period of 2 years and to the same malus conditions provided for in the Annual Incentive Plans, if they decide not to join the Investment Plan;
- the combination of all forms of variable remuneration (annual incentive systems and LECOIP) assigned to the Risk Taker requires that at least 65% thereof be granted in shares each year (thereby exceeding the minimum limit required by the applicable Provisions and equal to 50% of the variable remuneration);
- the availability of the benefit is subject to a vesting (cliff) period of over 3 years, i.e. both the "protected capital" and the amount of participation in the increase in the stock value are paid entirely and exclusively at the end of the vesting period;
- the Risk Taker LECOIP Certificate is fully paid in shares;
- for Executives and Risk Takers, trigger events are adopted which reduce (until elimination thereof) the amount of protected capital, as exactly occurs with the existing annual incentive systems (see paragraph 4.6);
- the shares paid to the Risk Takers at the end of the Plan - net of any tax impacts - shall be subject to holding requirement.

<sup>5</sup> Allowance paid in order to cover tax and contributions obligations linked to the time horizon of LECOIP Long- term Co-Investment Plan shares granting.

#### 4.8.1.d. Individual conditions governing participation in the LECOIP Plans

The Investment in LECOIP Plans is subject to verification of the existence of an employment agreement with Intesa Sanpaolo, or with one of the Group companies at the moment of actual participation in the Plans.

In particular, any rights arising from the Certificate, including the right to protection with regard to the shares assigned free of charge, shall lapse in the event of resignation, termination for just cause or justified reason of the Employees involved, mutual termination of the employment agreement and similar situations. However, at the end of the LECOIP Plans and based on the actual period of office, amounts/shares accrued may be in any case recognised in the case of termination of the employment agreement due to achievement of the direct pension requirements or through access to the Solidarity Fund or participation in the Emergency Fund. In all of the above cases, the rights that would have been recognised to Employees under the Certificates shall be transferred to Intesa Sanpaolo.

Conversely, in the event of disciplinary measures involving suspension from service and pay for a period equal to or greater than one day, including as a result of serious findings received from the Bank's control functions (as is the practice in Intesa Sanpaolo), any rights arising from the Certificate, including the right to protection with regard to the shares assigned free of charge, shall equally lapse.

Finally, in case of breaches specifically sanctioned by the Supervisory Authorities of the obligations as per Article 26 of the Consolidated Law on Banking regarding the requirements of professionalism, integrity and independence or Article 53, paragraph 4, of the Consolidated Law on Banking and following on the matter of related-party transactions and of the obligations regarding remuneration and incentives referred to in CRD IV, if involving a penalty of an amount equal to or greater than 30,000 euro, any rights arising from the Certificate, including the right to protection with regard to the shares assigned free of charge, shall equally lapse.

The same claw-back mechanisms already provided for in the remuneration policies of the Group (see paragraph 4.6) are extended and applied to the LECOIP Investment Plans.

#### 4.8.1.e. Early Settlement Event

In the event of an Early Settlement Event (namely, a Change of Control<sup>6</sup> or an unlawful event<sup>7</sup>), the employee receives, on a pro rata basis, the value of the protected capital (in any case equal to at least the value of the shares invested by the employee from the *Employee Share Ownership Plan*), plus what has been accrued up to that moment in terms of participation in any stock value increase.

#### 4.8.1.f. Expected benefits

- Support of motivation;
- Increase in personnel retention and attraction levels;
- Efficient use of the economic resources available to the Bank (the cost of the Investment Plan is largely lower than traditional forms of remuneration, with equal net benefit for the employee);
- Distribution of the Plans' costs over a multi-year time frame;
- Tax advantage, in favour of employees, compared to traditional forms of remuneration, as participation in any appreciation of the share value compared to its original market value is subject to taxation on financial income.

<sup>6</sup> It refers to: (i) the circumstance according to which an entity, or several entities bound by a shareholders' agreement governing the voting powers at Intesa Sanpaolo Shareholders' Meeting, is, or becomes, directly or indirectly, the beneficial owner of more than 50% of the voting rights that may be exercised at Intesa Sanpaolo Shareholders' Meeting; or (ii) the sale, lease, assignment, transfer or other types of sale (other than merger, consolidation or other business combination), in a transaction or a series of related transactions of all (or almost all) of Intesa Sanpaolo assets to one or more entities that are not Intesa Sanpaolo shareholders at the date of this Prospectus, or (iii) a change in Intesa Sanpaolo ownership structure, or other similar circumstance, such that an entity, or several entities bound by a shareholders' agreement governing the voting powers at Intesa Sanpaolo Shareholders' Meeting, becomes able to express the majority of Intesa Sanpaolo management and control bodies, or to change Intesa Sanpaolo corporate purpose, or even to transform Intesa Sanpaolo into a non-commercial bank, including, without limitation, through a merger or acquisition of a stake in the share capital of Intesa Sanpaolo; each of the above cases, to the extent that it does not constitute Nationalisation, as defined in Section VI, Chapter 4, Paragraph 4.3.2 of the Prospectus.

<sup>7</sup> This is understood as the circumstance whereby (i) by virtue of the entry into force of a law or regulation (including, without limitation, the tax legislation) (each an "Applicable Regulation"), or (ii) as a result of a ruling, order or order by a judicial authority, or a decision or notice by a regulatory authority (expressly including CONSOB, the Bank of Italy and the Borsa Italiana), including of a mere interpretative nature (expressly including any decision by a tax authority), one or more terms, conditions or characteristics of the Certificates, or the fulfilment of one or more of the obligations arising from the Certificates, is, or becomes, in whole or in part, unlawful, illegal, or howsoever contrary to or partially contrary to an Applicable Regulation.

#### 4.9. Termination of the employment agreement

6.C.1. f)

The termination of the employment agreement involving personnel with state pension or seniority pension rights and/or A.G.O. pension treatment does not result in loss of the right to payment of the entitled amounts, even deferred.

In all other cases, the Bank has the right to award any amounts, depending on the specific situations, upon termination of the employment agreement, also through consensual retrenchment agreements providing termination payments.

In any case, in compliance with the principles contained in the Group's Code of Ethics, the Intesa Sanpaolo Group does not enter into individual agreements with its managers and employees in advance (i.e. prior to termination of the employment agreement) that govern compensation to be granted in the event of early termination of the employment agreement.

In recent years, the Bank has signed specific agreements with the trade unions with regard to the "solidarity fund", applied to employees of all levels, including executives, which also governs the treatment of sums payable to personnel on termination of the employment agreement in the event of extraordinary transactions and/or company reorganisations.

##### 4.9.1. Criteria and maximum limits for the determination of severance payments in the event of termination of the employment agreement

According to the Supervisory Provisions on remuneration, the severance payment agreed in view of or upon early termination of the employment agreement or early termination of office for the amount exceeding the provisions of the national collective bargaining agreement concerning payments related to the duration of the notice period constitutes the so-called golden parachutes, including any compensation paid according to the non-competition agreement.

In Intesa Sanpaolo Group, the principles for the definition of this payments - inspired to both the correlation between severance pay and ongoing performance criteria and the control of potential litigations – are:

- regulatory capital adequacy requirements maintenance;
- no reward for failure;
- unobjectability of individual behaviours (consistency with compliance breaches' criteria);
- alignment with international and domestic best practices.

Pursuant to those criteria and Supervisory Provisions on remuneration, when negotiating these kind of remunerations, the Group defined that those payments:

- have a maximum limit equal to 24 monthly payments of the fixed remuneration<sup>8</sup>, including payment related to the duration of the notice period as laid down by the national collective bargaining agreement; the adoption of said limit may result in a maximum severance payment equal to 5 million euro;
- are paid according to methods set for short-term variable remuneration, for each cluster, except for the payment related to the duration of the notice period.

As provided for by EBA Guidelines of December 2015, the payments set for early termination of the employment relationship or for early termination of the office are subject to above-mentioned Regulations only in cases where this would be contrary to the provisions of law relating to the early termination of the employment relationship in a single country, or to the provisions laid down by the judicial authority or specifically represented and arranged with Bank of Italy.

It should be noted that the definition of said maximum limit adopted by the Group falls well below the provisions of the sector's national collective bargaining agreement (which allows to issue up to a maximum of 39 monthly payments, including the payment related to the duration of the notice period) and national practices (36 monthly payments, of which up to 24 in excess of the payment related to the duration of the notice period), discounting, de facto and ex ante, the assumption that the early termination of the

<sup>8</sup> The fixed remuneration includes the gross annual remuneration and any role allowance and/or remuneration received for the office and not paid.

employment relationship should not represent a rewarding element, which translates into the containment of the sums payable on that account, in line with the application of the "no reward for failure" principle.

The specific determination of the remuneration for Top Risk Takers is subject to assessment and approval, for the amount exceeding payment related to the duration of the notice period, by the Board of Directors, which establishes, within the maximum limit approved by the Shareholders' Meeting, the amount deemed adequate taking into account the overall assessment of the work of the person in different roles held over time and paying particular attention to the capital, liquidity and profitability levels of the Group<sup>9</sup> and to any individual sanctions imposed by the Supervisory Authority<sup>10</sup>.

In terms of process, the Board of Directors bases its assessments on the proposal made by the Remuneration Committee, based on an inquiry conducted by the Human Resources Head Office Department, with the opinion of the Compliance Head Office on the compliance of the proposal to the regulatory provisions in force from time to time and on its consistency with the remuneration and incentive policies.

Similarly to what is provided for the Top Risk Takers, as far as relates the remaining cluster, including the Risk Takers, the Human Resources Head Office Department provides for a symmetrical process by determining the adequate amount payable as severance pay, for the portion in excess of the payment related to the duration of the notice period, within the scope of the maximum limit approved by the Shareholders' Meeting, taking into consideration the overall evaluation of the individual's work in the different roles held over time and having particular regard to the levels of capitalisation, liquidity and profitability of the Group, and the presence or absence of individual sanctions imposed by the Supervisory Authority (as described above).

In addition, with regard to the remaining cluster, the Human Resources Head Office Department, with the support of the Planning and Active Value Management Head Office Department, ensures, through a process of verification every six months, that the compensation paid by way of severance in accordance with the terms defined in this paragraph, at the level of total and net amount due as payment related to the duration of the notice period, may not cause prejudice to the level of capitalisation of the Group, i.e. they do not have an impact on the level of the Common Equity Tier Ratio (CET1) such as to imply - due to their payment - a reduction of this level below the threshold provided for by RAF for this indicator.

As regards the payment methods, finally, these are differentiated by personnel category.

In particular, the severance payment agreed in view of or upon early termination of the employment relationship, for the amount exceeding the provisions of the national collective bargaining agreement as payment related to the duration of the notice period, is granted as follows:

1. Top Risk Takers not belonging to the Group Control Functions:
  - 40% upfront at the time of terminating the employment agreement, of which:
    - 20% in cash;
    - 20% in shares, subject to a two-year holding period;
  - 60% deferred, of which:
    - 20% in cash in the year following the one of termination of the employment agreement;
    - 30% in shares, in equal amounts, in the second, third and fourth years following the one of termination of the employment agreement, subject to a 1-year holding period;
    - 10% in cash, five years following the one of termination of the employment agreement.

<sup>9</sup> Reference is made, specifically, to the conditions to activate incentive systems (see paragraph 4.6.b):

1. Common Equity Tier Ratio at least equal to the limit envisaged in the Risk Appetite Framework (RAF);
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. No loss or positive Income before tax from continuing operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

For the Top Risk Takers reference is made to a further condition represented by the Liquidity Coverage Ratio (LCR), the level of which must be at least equal to the limit envisaged in the RAF.

<sup>10</sup> As stated in paragraph 4.6.d "Breaches specifically sanctioned by the Supervisory Authorities of the obligations as per Article 26 of the Consolidated Law on Banking regarding the requirements of professionalism, integrity and independence or Article 53, paragraph 4, of Consolidated Law on Banking and following on the matter of related-party transactions and of the obligations regarding remuneration and incentives referred to in CRD4, if involving a penalty of an amount equal to or greater than 30,000 euro".

2. For Top Risk Takers belonging to the Group Control Functions and for all the remaining Risk Takers (as identified at the time of terminating the employment agreement):
  - 60% upfront at the time of terminating the employment agreement, of which:
    - 30% in cash;
    - 30% in shares, subject to a two-year holding period;
  - 40% deferred, of which:
    - 10% in cash and 10% in financial instruments in the year following the one of termination of the employment agreement;
    - 10% in shares in the second year following the one of termination of the employment agreement, subject to a 1-year holding period;
    - 10% in cash in the third year following the one of termination of the employment agreement.

For all remaining clusters, 60% of the severance payment exceeding the provisions of the national collective bargaining agreement as payment related to the duration of the notice period - if higher than 80,000 euro - is paid out upfront in cash and the remaining 40% is paid out always in cash after a two-year deferral.

Each deferred portion of said severance payment agreed in view of or upon early termination of the employment relationship reflects the provisions laid down in the Incentive System, indeed, subject to an ex-post adjustment mechanism – the so-called malus conditions – according to which the relative amount recognised and the number of financial instruments assigned, if any, may be reduced, even to zero, in the year to which the deferred portion refers, in relation to the level of achievement of the activation conditions at Group level (see paragraph 4.6.b), namely:

1. Common Equity Tier Ratio (CET1) at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. No loss or positive Income before tax from continuing operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

In particular, if either condition 1 or 2 does not occur individually, the deferred portion is reduced by 50%; if condition 3 is not met, the deferred portion is brought down to zero.

For Top Risk Takers, in parallel with the provisions for activation of the Incentive System, a fourth condition – in addition to the three mentioned above – is also envisaged, relating to verification of the LCR compared to the RAF limits. As regards this cluster, if either condition 1 or 2 or that relating to the LCR does not occur individually, the deferred portion is reduced by 50%; if condition 3 is not met, the deferred portion is brought down to zero.

Severance payments awarded, net of the payment related to the duration of the notice period, for values below 80,000 euro are granted entirely in cash and paid upfront, regardless of the cluster concerned.

#### **4.10. Discretionary pension benefits**

6.C.1. f)

Discretionary pension benefits, when recognised, are assigned to beneficiaries in accordance with the regulations in force and, therefore:

- in the case of resources who are not entitled to receive a pension, shall be invested in Intesa Sanpaolo shares or other related instruments, held by the bank for a period of at least five years and subject to ex-post adjustment mechanisms related to the Group's performance net of risk;
- in the case of resources entitled to a pension, shall be invested in Intesa Sanpaolo shares or other related instruments and held by the bank for a period of at least five years.

## Section II - 2015 Remuneration policies disclosure

### Introduction

Section II of the Report aims to describe the implementation of the Remuneration Policies for 2015, as required by both the European regulations on public disclosure obligations (Capital Requirements Regulation Article 450, then reflected in the Bank of Italy Circular 285), and by Consob resolution 18049 of 23 December 2011.

The Remuneration Policies which are hereby reported were approved by the Shareholders' Meetings in 2013 and 2015, by the Management and Supervisory Boards during 2015, each within its remit, and in compliance with the functions assigned to them by the two-tier governance model, according to the provisions of the Articles of Association.

Section II is divided into topics.

The first part ("2015 Remuneration Policies") is descriptive and aims at showing:

- the criteria and structural elements of the existing remuneration policies of the Members of the Supervisory Board and of the Management Board, approved by the Shareholders' Meeting on 22 April 2013;
- the 2015 incentive system for Risk Takers, approved by the Shareholders' Meeting of 27 April 2015, for aspects relating to the relevant plan based on financial instruments, as defined within the scope of Intesa Sanpaolo's 2015 remuneration and incentive policies approved by the Supervisory Board on a proposal of the Management Board on 17 March 2015 and, limited to the areas of responsibility, subject to the advisory vote of the Shareholder's meeting.

The second and third parts concern quantitative aspects and provide disclosures on:

- remuneration data for 2015, represented as required by Consob Resolution of 23 December 2011, concerning Board Members, General Managers and the other Key Managers;
- data referring to 2015, represented as required by the Bank of Italy in Circular 285 (Chapter 2, Section VI, Paragraph 1), concerning the fixed and variable component of personnel expenses divided by business segments and the remuneration of those falling within the "Key Personnel" category as at 31 December 2015.

The fourth part ("Internal auditing department assessment of the Incentive System") provides a report of the analysis of operational practices with respect to the Policies resolved by the Boards.

# PART I – 2015 Remuneration Policies

## 1. Description of remuneration items and consistency with the relevant policy

Art. 123-ter, c. 4, lett. a), Tuf

The remuneration of Board Members, General Managers and the other Key Managers consists of:

- a) a **fixed component** including, for:
1. Supervisory Board Members, the remuneration resolved by the Shareholders' Meeting, including remuneration for special offices and attendance fees;
  2. Management Board Members, the remuneration resolved by the Supervisory Board in accordance with the specific remuneration policies approved by the Shareholders' Meeting, including remuneration for special offices;
  3. General Managers and the other Key Managers, the gross remuneration amount defined individually based on the contractual agreement, the role held, the responsibilities assigned, and the specific experience and expertise acquired by the manager, including any indemnity;
- b) a **short-term variable component** (not due to Supervisory Board Members or non-executive Management Board Members), linked to performance and aligned to short and long-term results actually achieved by the Bank and by the overall Group, as resulting from application of the incentive systems approved by the relative corporate bodies in accordance with the remuneration policies in force; as required by the Supervisory Provisions on remuneration, the short-term variable component is assigned through the annual incentive plan also financial instrument-based addressed to the so-called Risk Takers, approved by the Management Board and the Supervisory Board - each within its remit - in coherence with remuneration policies;
- c) a **long-term variable component**, introduced in 2014 at the launch of 2014-2017 Business Plan through the Leveraged Employee Co-Investment Plans ("LECOIP Plans"), based on instruments associated with Intesa Sanpaolo shares, and assigned, as provided by the Plans, to the executive Management Board Members chosen among the Group Executives and to the other Key Managers;
- d) a component resulting from valuation of **benefits** assigned to the General Managers and the other Key Managers, including the amount paid by the company into the manager's supplementary pension fund and the premiums (taxable) paid by the Bank for the relative insurance coverage; the statements do not include any other benefits granted to said personnel (for example, a company car) that are not taxable, also due to specific conditions under company policy (for example, if a monetary contribution by the manager is required).

6.C.2.

No prior agreements are envisaged to govern benefits or in terms of severance payments to be paid upon termination of the employment agreement to Supervisory Board Members, Management Board Members, General Managers and other Key Managers, to which the provisions in the previous paragraphs 2.6 and 4.9 of Section I apply.

## 2. Remuneration of the Supervisory Board Members

### 2.1. General criteria

Art. 123-ter c. 3, lett. a) TUF

The Bank's Articles of Association envisage that the Supervisory Board Members be entitled, in addition to the reimbursement of expenses incurred due to their office, to a remuneration for the services rendered, which is determined for the entire period of their office by the Shareholders' Meeting at the time of their appointment, also taking into account the remuneration due to Board Members vested with special offices.

The Supervisory Board Members in office receive a gross, fixed annual remuneration of 100,000 euro as established by the Shareholders' Meeting held on 22 April 2013, which appointed them.

The characteristics of the remuneration system - predetermined and invariable - for members of the body also responsible for control are a guarantee of the independence of their activity, whose diligence must never be based on expectations of an increase in remuneration depending on the results achieved by the

Bank. The Supervisory Provisions on remuneration confirm that members of the control body may not receive any variable remuneration.

The insurance policy (“D&O policy”) has been renewed in favour of the Supervisory Board Members.

### ***2.2. Conduct of special offices***

The Articles of Association envisage that the Shareholders' Meeting determine the remuneration of Board Members vested with special offices.

The Shareholders' Meeting, on 22 April 2013, has therefore established the following additional annual remuneration: 800,000 euro gross to the Chairman; 100,000 euro gross to each Deputy Chairperson; 100,000 euro gross to the Secretary.

It is noted, however, that, as laid down in the Supervisory Provisions on remuneration, the amount of the remuneration paid to the Chairman is not higher, but rather lower than the fixed remuneration paid to the Managing Director and CEO.

### ***2.3. Membership of Committees***

With regard to the activities that the Board Members are required to carry out as members of the Committees established within the Supervisory Board also pursuant to the Articles of Association, the Shareholders' Meeting held on 22 April 2013 has recognised the following additional remuneration: 30,000 euro gross amount for the Committees' Chairmen; 1,800 euro gross, by way of an attendance allowance, for each Supervisory Board Member who is part of the Committees, based on actual attendance at each meeting. The Chairmen of the internal Board Committees have waived the annual remuneration envisaged for this office.

Pursuant to the Articles of Association, the members of the Internal Control Committee are required to participate in meetings of the Management Board. The Shareholders' Meeting held on 22 April 2013 has envisaged that this task be remunerated and, in this respect, has recognised a gross, unit attendance allowance of 1,800 euro to each member of the Control Committee, based on actual attendance at each meeting of the Management Board.

### ***2.4. Termination of office; employee termination indemnities***

The Supervisory Board Members are not in the regular employ of the Bank. No agreements exist obliging the Bank to pay Board Members an indemnity in the event of their resignation or termination of their office following a public takeover bid.

Art. 123-bis, c. 1, lett. i), Tuf

### 3. Remuneration policies for Management Board Members

#### 3.1. Objectives and structure

Art. 123-ter, c. 3, lett. a), Tuf

The Articles of Association require the Shareholders' Meeting to approve the remuneration policies for Management Board Members and the Supervisory Board to determine the relative remuneration amount.

On renewal of the corporate bodies, as proposed by the outgoing Supervisory Board (which had made use of the Remuneration Committee), the Shareholders' Meeting of 22 April 2013 approved the remuneration policies for the Management Board Members appointed for 2013/2014/2015.

6.P.4.

These policies combine the following objectives:

- aligning the interests of Management Board Members with pursuit of medium-/long-term value creation for shareholders, as part of the set of rules aimed at accurate monitoring of current and future corporate risks and maintenance of an adequate level of liquidity and capitalisation;
- boosting the Bank's and Group's competitiveness in the domestic and international context in which they operate;
- attracting qualified resources, having the appropriate professional skills and qualities necessary to successfully manage the Bank and steer and coordinate the Group it heads;
- promoting the sustainability of the remuneration policies over time, to limit expense deriving from application of the policy to values compatible with medium- and long-term strategies and annual targets, by means of:
  - mechanisms to adjust allocations to the overall incentive provisions according to the company's profitability and the results achieved, while also taking account of the reference peers;
  - use of objective parameters when reviewing pay;
  - determination of appropriate caps regarding both total incentives and the amount of individual bonuses;
- guaranteeing compliance with international, European and national legal and regulatory provisions.

The remuneration policies for Management Board Members as resolved by the Shareholders' Meeting are based on assessment of individual positions (Non-Executive Management Board Member; Management Board Member vested with special offices; Executive Management Board Member chosen from among Executives in the Intesa Sanpaolo Group; Executive Management Board Member not chosen from among Executives; Managing Director), the extent of which must be based on a careful assessment of the following elements:

- the responsibilities associated with the position under the law and the Articles of Association;
- the peculiar aspects and complexity of the duties of the position;
- the expected long-term contribution to increasing the sustainability of the Bank's performance, not only in economic terms, and to value creation for shareholders and stakeholders.

In line with the above criteria and with the reference to the regulatory framework, the remuneration policies for Management Board Members include a fixed part for each Board Member, the amount of which shall match the importance of the position and the time required to correctly perform the tasks assigned, and a variable part, to be exclusively reserved for executive Board Members.

The fixed components are determined by the Supervisory Board so that:

- all Management Board Members, being members of the Bank's management body, shall receive a fixed, annual remuneration for each year of their term of office;
- Management Board Members vested with special offices (Chairman, Deputy Chairperson, Managing Director, Executive Board Member) shall receive an additional remuneration consisting of a fixed annual amount for each year of their term of office. If more than one office is held, only the higher remuneration is allocated.

With reference to the variable component of the remuneration, the incentive system for executive members shall apply to the Managing Director, Executive Management Board Members chosen from among Executives and Executive Management Board Members not chosen from among Executives.

In addition to the above fixed remuneration in relation to the position held on the Management Board, the Managing Director shall receive an additional remuneration, specifically connected with the management functions of the Chief Executive Officer.

This annual remuneration shall consist of a fixed portion and a variable portion, based on the provisions set forth in the Remuneration Policies of the Intesa Sanpaolo Group approved by the Supervisory Board and reported in the Report on Remuneration.

The variable portion comprises a short-term component, determined on the basis of the annual performance through the processes and in the manner provided for by the Incentive System for Top Risk Takers, and a long-term component comprising the 2014-2017 Leveraged Employee Co-Investment Plan (LECOIP).

The remuneration for Executive Management Board Members chosen from among Group Executives shall be composed of the above fixed remuneration in relation to the position of Board Member in addition to the remuneration for the management role held. This remuneration shall be structured on an annual basis, consisting of a fixed portion and a variable portion, based on the provisions set forth in the Remuneration Policies of the Intesa Sanpaolo Group approved by the Supervisory Board and reported in the Report on Remuneration. The variable portion comprises a short-term component, determined on the basis of the annual performance through the processes and in the manner provided for by the Incentive System for Top Risk Takers, and a long-term component comprising the 2014-2017 Leveraged Employee Co-Investment Plan (LECOIP).

Lastly, the Executive Deputy Chairpersons and any additional Executive Board Members not chosen from among the management component of the Board shall receive a pre-established variable remuneration equal to a maximum of 20% of the fixed component.

This remuneration is linked to the objectives and measured using the parameters established for the Managing Director and CEO, according to the provisions set forth in the Incentive System within the scope of the Remuneration Policies of the Intesa Sanpaolo Group approved by the Supervisory Board and reported in the Report on Remuneration.

The Supervisory Board must ensure that the short-term variable components:

- are indexed to indicators that are quantitative (profitability, growth, productivity, cost of risk/sustainability) and qualitative (strategic actions or projects) performance drivers;
- are subject, in the amount of no less than 60%, to a deferred payment system for a period of time of no less than 5 years, so that the remuneration takes into account the trend over time of the risks taken by the bank ("malus mechanisms");
- are paid - for a substantial amount of at least 50% of the upfront as well as the deferred component - via financial instruments of the Intesa Sanpaolo Group and there is a specific retention mechanism in place (of at least two years for the upfront component, shorter for the deferred component) for the aforesaid financial instruments, unless the relevance threshold of 80,000 euro has not been exceeded (under which the variable components may be paid in cash);
- are subject to the appropriate ex post (malus or clawback) adjustment mechanisms to reflect, among other things, the levels of performance net of the risks actually taken or ensuing, up to significant reduction or elimination in the event of results that are substantially lower than forecasts or negative.

Identification of the parameters and their relative values for awarding short-term variable components shall be carried out by the Supervisory Board which – in line with the remuneration policies adopted to date for the Management Board – takes into consideration pre-established quantitative and qualitative indicators which can be objectively measured and are capable of ensuring there is a link between the level of risk taken and the achievement of stable, effective results.

As regards the long-term variable component (LECOIP Plan), which is attributed to the Executive Management Board Members chosen from among the Group Executives, it presents the following characteristics:

- it is paid by way of Risk Taker LECOIP certificates which entail:
  - the "protected capital" pay out at the end of the Plan;
  - the pro-rata shareholding (75%) related to the increase in shareholder value of the security spread over a larger number of shares (equal to five times the protected capital);
  - "trigger events" replicating the operating mechanisms of the malus conditions provided for by the Incentive System.

More specifically, such trigger events include, within a time frame of one year or more of duration of the Plan:

- maintenance or non-maintenance of the capital adequacy levels laid down in the RAF, measured both in terms of Common Equity Tier 1 Ratio (CET1) and AFR Core/Economic Capital, subject to subsequent changes in the regulations on capital adequacy, application by the supervisory authority of target ratios above the regulatory levels and/or updates to the Group RAF;
- maintenance or non-maintenance of adequate liquidity levels laid down in Intesa Sanpaolo's Risk Appetite Framework, measured in terms of Net Stable Funding Ratio (NSFR);
- no loss - both at Group level and at the level of the competent Division - and positive Income before tax from continuing operations (net of any contribution of profits from the buyback of the Bank's own liabilities, from the fair value measurement of Bank liabilities and from income components arising from accounting policies following changes to the internal model on core deposits);
- value distribution or non-distribution to shareholders (this meaning the distribution of dividends and/or reserves and/or the buyback of treasury shares).

Moreover:

- deterioration of the capital adequacy and liquidity levels provided for by the RAF involves a deduction of the protection ensured by the Risk Taker LECOIP Certificate, which can also lead to the elimination thereof; any deduction is based on annual observations with application over the entire period of the plan of the most penalising finding;
- loss - both at Group level and at the level of the competent Division - or negative Income before tax from continuing operations, in one or more years of the Investment Plan's duration, entails the gradual reduction in the protection ensured by the Risk Taker LECOIP Certificate, until the elimination thereof;
- lack of value distribution to shareholders, in one year or more of the Investment Plan's duration, entails the gradual reduction in the shareholding amount to the appreciation of the ISP stock value.

The insurance policy ("D&O policy") has been renewed also in favour of the Management Board Members.

The following paragraphs describe the Supervisory Board's decisions, as proposed by the Remuneration Committee and in implementation of the policies approved by the Shareholders' Meeting, in favour of the Management Board in office.

6.P.1  
6.C.4.

### **3.2. Fixed remuneration for Management Board Members**

Management Board Members shall receive a fixed gross annual remuneration of 100,000 euro. Executive Management Board Members chosen from among Group Executives have waived this remuneration.

### **3.3. Fixed remuneration for special offices**

The Supervisory Board has established the following additional annual remuneration: 800,000 euro gross to the Chairman; 150,000 euro gross to each executive Deputy Chairperson.

The Senior Deputy Chairperson also continues to receive the additional fixed, gross amount of 150,000 euro, due to a special task assigned previously by the Management Board, in agreement with the Managing Director and in coordination with the Chairman of the Management Board, to handle development of the Bank's and the Group's international relations and internationalisation projects.

For the ██████████ ██████████ ██████████ ██████████, the Supervisory Board established the gross annual remuneration payable as General Manager and Chief Executive Officer of Intesa Sanpaolo as 1,300,000 euro, confirming, on one hand, the additional remuneration components already recognised to Mr. Messina as supplementary pension scheme, insurance coverage and accident insurance together with further contractual benefits and, on the other hand, the gross annual remuneration associated with the office of Managing Director (350,000 euro).

Since 1 March 2016, the gross annual fixed remuneration has been increased to 2.000.000 euro.

### 3.4. Variable remuneration for the Managing Director and Executive Management Board Members

The gates of 2015 Incentive System, reserved for the Managing Director and CEO and the Executive Management Board Members, were confirmed as follows:

- Common Equity Tier Ratio at least equal to the limit envisaged in the RAF;
- Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
- No loss or positive Income before tax from continuing operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

Non-achievement of even only one of the above conditions results in non-activation of the incentive systems for the Group personnel. Top Risk Takers are subject to a further condition represented by the Liquidity Coverage Ratio (LCR), the level of which must be at least equal to the limit envisaged in the RAF.

In line with this approach, the same indicators are part of the Malus Conditions, to be verified in the years following payment of the deferred portion of the premiums:

1. Common Equity Tier Ratio at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. Liquidity Coverage Ratio (LCR) at least equal to the limit envisaged in the RAF;
4. No loss or positive Income before tax from continuing operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

If either condition 1 or 2 or 3 does not occur individually, the deferred portion is reduced by one third; if condition 4 is not met, the deferred portion is brought down to zero.

Consequently, and in compliance with the principle that activation of the incentive system must be consistent and compatible with the distribution of dividends, the Supervisory Board established that the variable component of remuneration for the [REDACTED], also in relation to the office of Chief Executive Officer has, as a maximum limit, the fixed remuneration multiplied by 0.75 (limit determined by taking into account the annual pro rata of the LECOIP Plan on the cap of the overall variable remuneration set at 100% of the fixed one) and is indexed to score of the performance scorecard. The performance scorecard shows the assigned targets defined by the 2014-2017 Business Plan subdivided into Group targets, which are the KPIs identified for the implementation of the strategic drivers Profitability, Productivity and Cost of Risk/Sustainability, accounting for 70% of the total, and those relating to the evaluation of managerial qualities and strategic actions, accounting for 30% of the total.

The 70-30 breakdown is different from that of the previous year (60-40), reflecting an increased weight of the business parameters vis-à-vis the already excellent result achieved last year on the talent management KPI.

In particular, the Group KPIs, each of which has the same weighting and entails the identification of threshold values and targets, are:

- the distributable dividends as stated in the Business Plan, KPI based on the profitability driver: the target is defined according to the Plan and communicated to the market, 2 billion euro, the minimum threshold is defined as 80% of this value;
- the increase in operating income, newly introduced KPI compared to the 2014 System aimed at strengthening the focus on the profitability growth of many of the Group's business activities: the target is defined by the 2015 budget expected value, the threshold is determined taking into account the elasticity of the KPI, as 80% of the budget expected value; revenues in relation to RWAs, profitability KPI adjusted for the risks: the target to be reached is the budget expected result, more challenging compared to 2014, the minimum threshold, given the elasticity of the KPI, is defined as 80% of target value;
- the Cost/Income ratio, based on the productivity driver, confirms the ability to control costs and, in line with the Group's performance, the target is defined by a more ambitious budget compared to last year while the threshold, given the low elasticity of KPI to minimize for better results, is calculated as 110% of the target value;
- the ratio of adjustments to loans to year-end loans, within the scope of the cost of risk-sustainability driver, envisages a better 2015 budget target compared to the 2014 budget and the

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6.C. 1 a)  
6.C.1 c)

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threshold, taking also into account the impact of macroeconomic effects, is set at 125% of the budget value.

Conversely, the qualitative assessment of the Managing Director is set out in two areas:

- talent management and job rotation, the indicator representing one of the main objectives of people's engagement and motivation, in support of the achievement of the Business Plan's objectives, with a weight of 10%. This aspect will be the subject of a positive assessment by the Chairmen of the Supervisory Board and the Management Board, supported by the positive opinion of the Remuneration Committee, a relevant process element in terms of the verification of the Bank's management;
- two of the strategic actions planned by the 2014-2017 Plan, each with a weight of 10%:
  - Banca 5 project, the target is defined by the budget expected value, the threshold is defined at 75% thereof; the indicator represents one of the main drivers of the objective aimed at personnel reallocation from low added value activities to commercial activities with greater added value;
  - project for the Rationalisation of local presence, the target is defined by the budget expected value, the threshold is defined at 120% thereof.

It is also necessary to verify the Q Factor, calculated with reference to the entire Intesa Sanpaolo Group: in particular, in the case that said Q Factor has a "high" rating, the previously identified variable remuneration shall be reduced by 10%; if the rating is "very high", the reduction in the variable compensation shall be equal to 20%.

Bonuses so determined will be paid 50% in cash and 50% in shares (based on the assumption that the materiality threshold has been exceeded) and shall be subject to deferral of 60% over 5 years. The payment of such deferred portion will be subject to verification, each year, of the above mentioned Malus Conditions.

Lastly, in relation to the two Deputy Chairpersons, without prejudice to the aforementioned need for consistency between activation of the incentive system and the remuneration of shareholders, the Supervisory Board decided that the variable component should be established as follows:

- an amount of variable remuneration equal to 20% of the fixed component for the office;
- the variable remuneration by cash payment only, as the amount (50,000 euro) does not exceed the materiality threshold;
- verification of the achievement of the targets assigned to the Managing Director in relation to the Group, namely the aforementioned KPIs for the implementation of the strategic drivers Profitability, Productivity and Cost of Risk/Sustainability.

6.C. 1 a)  
6.C.1 d)  
6.C.1. e)

The variable remuneration due for 2015 will therefore be determined according to the described system, will be bound to verification of the Group Q Factor and will be subject to deferral of 60% over 3 years, as the related amount is below the materiality threshold. The payment of such portion will be subject to verification, each year, of the above mentioned Malus Conditions.

No stock option plan is currently in place for the Managing Director or other Management Board Members.

### **3.5. Termination of office; employee termination indemnities**

Art. 123  
ter c. 1,  
lett. i) TUF

The Management Board Members, with the exception of the Managing Director who is also General Manager and the three Executives, are not in the regular employ of the Bank. No agreements exist that envisage severance payment in the event of resignation or termination of employment following a public takeover bid.

6.C. 1. f)

In that regard, please note that during 2015, the Supervisory Board - upon favourable opinion by the Remuneration Committee - has authorised the amendment of the Remuneration Policies in force with reference to the criteria for the determination of the compensation to be granted in the event of early termination of the employment contract or early termination of office. These changes, in compliance with the Supervisory Provisions, were approved by the Shareholders' Meeting on 27 April 2015, which set as the minimum limit of compensation ("golden parachute") 24 months of fixed remuneration, also including the indemnity for failed notice set by the national collective bargaining agreement.

In any case, the golden parachutes must comply with the methods envisaged for the different clusters: (i) linked to qualitative and quantitative indicators that reflect real and lasting results; (ii) paid partly in financial instruments subject to an appropriate retention policy; (iii) divided into an up-front portion and a

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deferred portion for a reasonable period of time and (iv) subject to all the ex-post adjustment mechanisms (e.g. malus and clawback).

In particular, with regards to point (i), the specific determination of the remuneration for Top Risk Takers is subject to assessment and approval, for the amount exceeding the indemnity for failed notice, by the Supervisory Board, which establishes, within the maximum limit approved by the Shareholders' Meeting, the amount deemed adequate taking into account the overall assessment of the work of the person in different roles held over time and paying particular attention to the capital, liquidity and profitability levels of the Group and to any individual sanctions imposed by the Supervisory Authority.

In terms of process, the Supervisory Board bases its assessments on the proposal made by the Remuneration Committee, based on an investigation conducted by the Human Resources Head Office Department, with the opinion of the Chief Compliance Officer on the compliance of the proposal with the regulatory requirements in force from time to time and on its consistency with the remuneration and incentive policies.

#### 4. The 2015 incentive system for Top Management and Risk Takers

The gates of 2015 Incentive System, for the Top Management and Risk Takers, were confirmed as follows:

- Common Equity Tier Ratio at least equal to the limit envisaged in the RAF;
- Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
- No loss or positive Income before tax from continuing operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

Non-achievement of even only one of the above conditions results in non-activation of the incentive systems for the Group personnel. Top Risk Takers are subject to a further condition represented by the Liquidity Coverage Ratio (LCR), the level of which must be at least equal to the limit envisaged in the RAF.

In line with this approach, the same indicators are part of the Malus Conditions, to be verified in the years following payment of the deferred portion of the premiums:

5. Common Equity Tier Ratio at least equal to the limit envisaged in the RAF;
6. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
7. Liquidity Coverage Ratio (LCR) at least equal to the limit envisaged in the RAF;
8. No loss or positive Income before tax from continuing operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

6.C.1 c) If either condition 1 or 2 or 3 does not occur individually, the deferred portion is reduced by one third; if condition 4 is not met, the deferred portion is brought down to zero.

Consequently, and in compliance with the principle that activation of the incentive system must be consistent and compatible with the distribution of dividends, the variable component of remuneration for Top Management and Risk Takers is equal to, at most, one fixed remuneration (reduced to a third for the Group Control Functions and increased to twice the remuneration only for some limited and specific clusters), based on the achievement of the targets assigned in the individual performance scorecard, where the KPIs for the implementation of the strategic drivers Profitability, Productivity and Cost of Risk/Sustainability are identified, sub-divided into the Division, Group targets and those relating to the qualitative assessment.

For the Manager responsible for preparing the Company's financial reports, Heads and higher-level personnel of Group Control Functions, the incentive accrued is strictly determined in compliance with the Supervisory Provisions, with reference to qualitative and quantitative indicators specific to the functions concerned<sup>11</sup>.

Use is also made of an additional mechanism to adjust the bonus accrued, that measures the residual risk level of each business unit (Q-Factor) and that acts as a possible de-multiplier of the bonus achieved in the event of failure to reach the target: in particular, in the case that said Q Factor has a "high" rating, the previously identified variable remuneration shall be reduced by 10%; if the rating is "very high", the reduction in the variable compensation shall be equal to 20%.

The bonus payable to each Risk Taker, with the exception of Top Risk Takers, whose responsibility is established by the Supervisory Board, is defined based on the position reached in the "internal ranking" of their specific Business Unit/department.

Bonuses so determined will be paid 50% in cash and 50% in shares (based on the assumption that the materiality threshold has been exceeded) and shall be subject to deferred payment systems. The deferral

<sup>11</sup> In the particular case of the Manager responsible for preparing the Company's financial reports, such indicators allow assessment of i) the quality of management and financial reporting disclosures to the market, ii) accuracy in the preparation of the consolidated financial statements, iii) the effectiveness of guidelines and policies governing financial reporting and tax obligations and iv) the effective, timely fulfilment of accounting and supervisory obligations. With regard to the Chief Risk Officer, the Head of the Risk Management Head Office Department, the Head of the Compliance Head Office Department, the Head of the Anti-Money Laundering Service, the Head of the Internal Auditing Head Office Department and the higher-level personnel of these departments, these indicators measure the control activity regarding the various types of risk (market, credit, interest rate, liquidity, operational, country, and compliance, as well as money laundering and terrorism financing). Performance is measured both in quantitative terms (e.g., percentage of assets on which the advanced models validated by the regulator are used, number of units on which the Credit Risk Appetite is implemented, etc.) and qualitative terms (e.g., adaptation of processes and infrastructure to the new SSM requirements, extension of RWA metrics for the definition of decision-making levels, the quality of cooperation with the business in improving the ways in which compliance is managed, etc.).

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amounts, as illustrated in further detail below (PART III – Aggregate quantitative information pursuant to the supervisory provisions of the Bank of Italy), are differentiated by Risk Taker clusters and by amount of the variable remuneration:

- 60% for Top Risk Takers not belonging to the Group Control Functions and for those who, among the Risk Takers, grant a bonus in excess of 100% of the fixed remuneration;
- 40% for Top Risk Takers belonging to the Group Control Functions and for all the remaining Risk Takers.

The payment of such deferred portion will be subject to verification, each year, of the above mentioned Malus Conditions.



## PART II – QUANTITATIVE ANALYTICAL TABLES

### Remuneration

Table No. 1: Remuneration paid to members of the Supervisory Board and Management Board, General Managers and the other Key Managers

(thousands of euro)

Name and Surname	Office	Office held since	End of office	Fixed remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
■■■ ■■■	■■■■■■■■■■ ■■■	1/01/2015	31/12/2015	800							800		
	■■■■■■■■■■	1/01/2015	31/12/2015	100							100		
	■■■■■■■■■■ ■■■■	1/01/2015	31/12/2015			9					9		
■■■ ■■■	■■■■■■■■■■ ■■■■	1/01/2015	31/12/2015	100							100		
	■■■■■■■■■■	1/01/2015	31/12/2015	100							100		
	■■■■■■■■■■ ■■■■	1/01/2015	31/12/2015		(**)	9					9		
■■■ ■■■	■■■■■■■■■■	1/01/2015	31/12/2015	100							100		
	■■■■■■■■■■ ■■■■	1/01/2015	31/12/2015	100							100		
	■■■■■■■■■■ ■■■■	1/01/2015	31/12/2015		-	9					9		

Name and Surname	Office	Office held since	End of office	Fixed remuneration	Remuneration for participation in committees	Non-equity variable remuneration			Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
						Attendance fees	Bonuses and other incentives (x)	Profit-sharing			
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015	100					100		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015		-	7			7		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015		-	31			31		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015	100					100		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015			20			20		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015	100					100		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015			85			85		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015			31			31		
[REDACTED]	a) [REDACTED]	1/01/2015	31/12/2015	43					43		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015	100					100		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015			27			27		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015			85			85		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015		-	34			34		

Name and Surname	Office	Office held since	End of office	Fixed remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015	100							100		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015	100							100		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015		(**)	27					27		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015	100							100		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015		(**)	31					31		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015	100							100		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015			49					49		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015	100							100		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015			85					85		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015			31					31		
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015		-	34					34		

Name and Surname	Office	Office held since	End of office	Fixed remuneration	Remuneration for participation in committees	Non-equity variable remuneration			Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
						Attendance fees	Bonuses and other incentives (x)	Profit-sharing					
██████	████████████████████	1/01/2015	31/12/2015	100							100		
██████	████████████████████	1/01/2015	31/12/2015				68				68		
██████	████████████████████	1/01/2015	31/12/2015	100							100		
██████	████████████████████	1/01/2015	31/12/2015				68				68		
██████	████████████████████	1/01/2015	31/12/2015	100							100		
██████	████████████████████	1/01/2015	31/12/2015		(**)		85				85		
	████████████████████	1/01/2015	31/12/2015				56				56		
	████████████████████	1/01/2015	31/12/2015		-		34				34		
a)	████████████████████	1/01/2015	16/03/2015	18							18		
a)	████████████████████	1/01/2015	31/12/2015	7							7		
██████	████████████████████	1/01/2015	31/12/2015	100							100		
██████	████████████████████	1/01/2015	31/12/2015		(**)		67				67		
██████	████████████████████	1/01/2015	31/12/2015	100							100		
	████████████████████	1/01/2015	31/12/2015		-		9				9		

Name and Surname	Office	Office held since	End of office	Fixed remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
██████	████████████████████	1/01/2015	31/12/2015	100							100		
██████	████████████████████	1/01/2015	31/12/2015			85					85		
	████████████████████	1/01/2015	31/12/2015			4					4		
	████████████████████	1/01/2015	31/12/2015			32					32		
██████	████████████████████	1/01/2015	31/12/2015	100							100		
██████	████████████████████	1/01/2015	31/12/2015			27					27		
██████	████████████████████	1/01/2015	31/12/2015	100							100		
██████	████████████████████	1/01/2015	31/12/2015		-	27					27		
██████	████████████████████	1/01/2015	31/12/2015	800							800		
	████████████████████	1/01/2015	31/12/2015	100							100		
██████	████████████████████	1/01/2015	31/12/2015	150							150		
██████	████████████████████	1/01/2015	31/12/2015	100			54				154		
	████████████████████ (*)	1/01/2015	31/12/2015	150							150		



Name and Surname	Office	Office held since	End of office	Fixed remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
██████████ ██████████	████████████████████ ████████████████████	1/01/2015	31/12/2015	150							150		
	████████████████████ ████████████████████	1/01/2015	31/12/2015	100			54				154		
██████████ ██████████	████████████████████	1/01/2015	31/12/2015	1.300			502		59	119(xx)	1,980	1.243	
	████████████████████ ██████████	1/01/2015	31/12/2015	350							350		
	████████████████████ ████████████████████	1/01/2015	31/12/2015	g)									
██████████ ██████████	████████████████████ ████████████████████	1/01/2015	31/12/2015	g)									
	████████████████████	1/01/2015	31/12/2015	799			267		41	69 (xx)	1,176	695	
a)	████████████████████	1/01/2015	1/04/2015	b)							-		
██████████ ██████████	████████████████████	1/01/2015	14/07/2015	54			5				59	31 (1)	
a)	████████████████████ ████████████████████	1/01/2015	31/12/2015	19 i)							19		
██████████	████████████████████	1/01/2015	31/12/2015	100							100		

Name and Surname	Office	Office held since	End of office	Fixed remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015	1,194			327		52	110 (xx)	1,683	837	
[REDACTED]	[REDACTED]	1/01/2015	31/12/2015	g)							-		
	a) [REDACTED]	1/01/2015	14/04/2015	c)							-		
	a) [REDACTED]	15/04/2015	27/07/2015	c)							-		
	a) [REDACTED]	27/07/2015	31/12/2015	c)							-		
[REDACTED]	[REDACTED]	1/01/2015	16/03/2015	21							21		
	a) [REDACTED]	01/01/2015	31/12/2015	250							250		
[REDACTED]	[REDACTED]	01/01/2015	31/12/2015	g)							-		
	[REDACTED]	01/01/2015	31/12/2015	906			153		62	35 (xx)	1,156	464	
	a) [REDACTED]	01/01/2015	31/12/2015	d)							-		

Name and Surname	Office	Office held since	End of office	Fixed remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Key Managers (***)	Total remuneration in the company drawing up the financial statements			7,005				2,160	350	501 (xx)	10,016	5,670	2,215 f)
	Total remuneration and attendance fees in subsidiaries and associates			1,594 e)			610		85	186 (xx)	2,475 e)	2,114	2,360 h)

a) Remuneration/Attendance fees in subsidiaries and associates.

b) Remuneration for offices held in subsidiaries and/or associates as representatives of Intesa Sanpaolo S.p.A., which amounts to 7.5 thousand euro, has not been included in this item, as it was fully transferred to the Bank.

c) Remuneration for offices held in subsidiaries and/or associates as representatives of Intesa Sanpaolo S.p.A., which amounts to 80 thousand euro, has not been included in this item, as it was fully transferred to the Bank.

d) Remuneration for offices held in subsidiaries and/or associates as representatives of Intesa Sanpaolo S.p.A., which amounts to 25 thousand euro, has not been included in this item, as it was fully transferred to the Bank.

e) Additional remuneration for offices held in subsidiaries and/or associates as representatives of Intesa Sanpaolo S.p.A., which amounts to 678 thousand euro, has not been included in this item, as it was fully transferred to the Parent Company and to Key managers' companies in the amount of 345 thousand euro.

f) Exit incentives for 1,715 thousand euro, of which 1,515 thousand euro disbursed in 2015 and 200 thousand euro to be paid in 2016; non-competition agreement for 500 thousand euro to be paid within the 2017-2019 period.

g) The Executive Management Board Members chosen from among Executives of the Intesa Sanpaolo Group waived the remuneration due for their office.

h) Exit incentives for 860 thousand euro, disbursed in 2015 and non-competition agreement for 1,500 thousand euro to be paid in quarterly instalments in advance, as from 1 July 2015 and for the three-year period.

i) The remuneration for the office of Chairman of Equiter amounts to 35 thousand euro, we did not indicate the amount of 16 thousand euro transferred to Compagnia San Paolo

(\*) [REDACTED] receives an additional remuneration for the [REDACTED].

(\*\*) The Chairmen of the Committee waived the remuneration due to them.

(\*\*\*) Remuneration refers to 19 Key Managers, 16 of which still in office as at 31 December 2015.

(x) The amounts shown refer to the payment of the deferred portions of the incentives allocated in previous years according to the 2014 and 2015 results (deferred cash portions of 2011 and/or 2012 incentive systems and cash upfront of 2014 incentive system) and the upfront portion in cash for 2015 performance (see table 3B for details).

(xx) Allowance paid in order to cover tax and contributions obligations linked to the time horizon of LECOIP Long-term Co-Investment Plan shares granting.

Table No. 2: Stock options granted to members of the Management Board, General Managers and the other Key Managers

A Name and Surname	B Office	Options held at the beginning of the year							Options assigned during the year			Options exercised during the year			Options expired during the year	Options held at end of the year	Options for the year
		(1) Plan	(2) Number of options	(3) Exercise price	(4) Possible exercise period (from - to)	(5) Number of options	(6) Exercise price	(7) Possible exercise period (from - to)	A Name and Surname	B Office	(1) Plan	(2) Number of options	(3) Exercise price	(4) Possible exercise period (from - to)	(5) Number of options	(6) Exercise price	(7) Possible exercise period (from - to)

Table No. 3A: Incentive plans based on financial instruments other than stock options, in favour of members of the Management Board, General Managers and other Key Managers

(thousands of euro)

A Name and surname	B Office	(1) Plan	Financial instruments assigned in previous years and not vested during the year		Financial instruments assigned during the year					Financial instruments vested during the year and not assigned	Financial instruments vested during the year and assigned	Financial instruments for the year	
			(2) Number and type of financial instruments	(3) Vesting period	(4) Number and type of financial instruments	(5) Fair value at assignment date	(6) Vesting period	(7) Assignment date	(8) Market price at assignment	(9) Number and type of financial instruments	(10) Number and type of financial instruments	(11) Value at maturity date	(12) Fair value
██████	██████	2011 Incentive	65,025	Mar. - Jun.2016						32,512	130,049	400	400
██████	██████	2012 Incentive	227,445	Mar.2016/ Jun.2017						-	151,630	467	467
		2013 Incentive	-	-						-	-	-	-
		2014 Incentive	152,730	Mar.2017/ Oct.2019						-	-	-	-
		2015 Incentive			(*)	612	May2016/Oct.2020	(*)	(*)	-	-	-	245
		LECOIP Plans 2014-2018	266,667 (X)	Dec. 2014/ Apr. 2018						-	-	-	132
██████	██████	2011 Incentive	5,201	Mar. – Jun. 2016						-	10,079 (1)	31	31
██████	██████	2011 Incentive	35,438	Mar. - Giu.2016						17,719	70,877	218	218
		2012 Incentive	136,467	Mar.2016/ Giu.2017						-	90,978	280	280
		2013 Incentive	-							-	-	-	-
		2014 Incentive	88,262	Mar.2017/ Oct.2019						-	-	-	-
		2015 Incentive			(*)	302	May.2016/Oct.2020	(*)	(*)	-	-	-	121
		LECOIP Plans 2014-2018	153,812 (X)	Dec.2014/ Apr. 2018						-	-	-	76

A Name and surname	B Office	Financial instruments assigned in previous years and not vested during the year			Financial instruments assigned during the year						Financial instruments vested during the year and not assigned	Financial instruments vested during the year and assigned	Financial instruments for the year
		(1) Plan	(2) Number and type of financial instruments	(3) Vesting period	(4) Number and type of financial instruments	(5) Fair value at assignment date	(6) Vesting period	(7) Assignment date	(8) Market price at assignment	(9) Number and type of financial instruments	(10) Number and type of financial instruments	(11) Value at maturity date	(12) Fair value
██████	██████	2011 Incentive	-							-	-	-	-
██████	██████	2012 Incentive	272,934	Mar.2016/ Jun.2017						-	181,956	560	560
	██████	2013 Incentive	-							-	-	-	-
	██████	2014 Incentive	139,226	Mar. 2017/ Oct. 2019						-	-	-	-
		2015 Incentive			(*)	384	May.2016/Oct.2020	(*)	(*)	-	-	-	153
		LECOIP Plans 2014-2018	249,450 (X)	Dec.2014/ Apr. 2018						-	-	-	123
██████	██████	2011 Incentive	29,261	Mar. - Jun.2016						14,630	58,522	180	180
██████	██████	2012 Incentive	90,978	Mar.2016/ Jun.2017						-	60,652	187	187
	██████	2013 Incentive	-							-	-	-	-
	██████	2014 Incentive	34,244	Mar.2017/ Oct.2018						-	-	-	-
		2015 Incentive			(*)	99	May.2016 / Oct2019	(*)	(*)	-	-	-	59
		LECOIP Plans 2014-2018	77,687 (X)	Dec.2014/ Apr. 2018						-	-	-	38



A Name and surname	B Office	Financial instruments assigned in previous years and not vested during the year			Financial instruments assigned during the year						Financial instruments vested during the year and not assigned	Financial instruments vested during the year and assigned	Financial instruments for the year
		(1) Plan	(2) Number and type of financial instruments	(3) Vesting period	(4) Number and type of financial instruments	(5) Fair value at assignment date	(6) Vesting period	(7) Assignment date	(8) Market price at assignment	(9) Number and type of financial instruments	(10) Number and type of financial instruments	(11) Value at maturity date	(12) Fair value
Key managers (**) (Remuneration assigned by Intesa Sanpaolo)	2011 Incentive	181,849	Mar.- Jun.2016						90,925	429,375	1,322	1,322	
	2012 Incentive	761,908	Mar.2016/ Jun.2017						-	619,767	1,908	1,908	
	2013 Incentive	-	-						-	-	-	-	
	2014 Incentive	624,104	Mar. 2017/ Oct. 2018						-	-	-	-	
	2015 Incentive				(*)	2,249	May.2016 /Oct.2020	(*)	(*)	-	-	-	955
	LECOIP Plans 2014-2018	1,130,209 (X)	Dec.2014/ Apr. 2018							-	-	-	676
Key managers (**) (Remuneration assigned by subsidiaries)	2011 Incentive	21,457	Mar.- Jun.2016						10,729	43,566	134	134	
	2012 Incentive	447,307	Mar.2016/ Jun.2017						-	386,656	1,190	1,190	
	2013 Incentive								-	-	-	-	
	2014 Incentive	239,389	Mar 2017/ Oct. 2018						-	-	-	-	
	2015 Incentive				(*)	627	May2016/Oct.2020	(*)	(*)	-	-	-	251
	LECOIP Plans 2014-2018	404,936 (X)	Dec.2014/ Apr. 2018							-	-	-	200

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(1) Shares deriving from the 2011 Incentive System by way of an upfront portion in shares in relation to the employment agreement in force at the time.

(x) The number indicated represents the number of ISP shares underlying the "protected capital".

(\*) The figures on granted shares with respect to the incentive based on 2015 results will be available following the resolutions of the Ordinary Shareholders' Meeting called on 27 April 2016.

(\*\*) Remuneration refers to 19 Key Managers, 15 of which still in office as at 31 December 2015.

N.B.: The figures indicated refer to the remuneration assigned by Intesa Sanpaolo or, where indicated, by subsidiaries; the granting of variable remuneration by associates is not envisaged.

Table No. 3B: Monetary incentive plans in favour of Management Board Members, General Managers and other Key Managers

(thousands of euro)

A Name and surname	B Office	(1) Plan	(2) Bonus for the year			(3) Bonus for previous years			(4) Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/Paid	Deferred	Deferral period	No longer payable	Payable/ Paid	Still deferred	
██████████	██████████ ██████████ ██████████	2011 Incentive				-	-	-	
		2012 Incentive				-	14	14	
		2013 Incentive				-	-	-	
		2014 Incentive				-	20	30	
		2015 Incentive	20	30	May 2016 / Jun. 2019				
██████████	██████████ ██████████ ██████████	2011 Incentive				-	-	-	
		2012 Incentive				-	14	14	
		2013 Incentive				-	-	-	
		2014 Incentive				-	20	30	
		2015 Incentive	20	30	May 2016 / Jun. 2019				
██████████	██████████ ██████████ ██████████	2011 Incentive				33	67	-	
		2012 Incentive				-	-	100	
		2013 Incentive				-	-	-	
		2014 Incentive				-	190	285	
		2015 Incentive	245	367	May 2016 / Jun. 2021				

A Name and surname	B Office	(1) Plan	(2) Bonus for the year			(3) Bonus for previous years			(4) Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/Paid	Deferred	Deferral period	No longer payable	Payable/Paid	Still deferred	
██████ ██████	██████ ██████ ██████	2011 Incentive				18	36	-	
		2012 Incentive				-	-	60	
		2013 Incentive				-	-	-	
	2014 Incentive				-	110	165		
	2015 Incentive	121	181	May 2016 / Jun. 2021					
██████ ██████ (1) ██████ ██████	██████ ██████ ██████	2011 Incentive				3	5	-	
		2011 Incentive				-	-	-	
		2012 Incentive				-	-	120	
	2013 Incentive				-	-	-		
	2014 Incentive				-	173	260		
2015 Incentive	153	230	May 2016 / Jun. 2021						
██████	██████ ██████ ██████	2011 Incentive				15	30	-	
		2012 Incentive				-	-	40	
		2013 Incentive				-	-	-	
	2014 Incentive				-	64	43		
	2015 Incentive	59	39	May 2016 / Jun. 2017					

A Name and surname	B Office	(1) Plan	(2) Bonus for the year			(3) Bonus for previous years			(4) Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/Paid	Deferred	Deferral period	No longer payable	Payable/Paid	Still deferred	
Key managers (*) (Remuneration assigned by Intesa Sanpaolo)		2011 Incentive				93	186	-	
		2012 Incentive				-	-	335	
		2013 Incentive				-	-	-	
		2014 Incentive				-	1,019	1,088	
		2015 Incentive		955	1,294	May 2016 / Jun. 2021			
Key managers (*) (Remuneration assigned by subsidiaries)		2011 Incentive				11	22	-	
		2012 Incentive				-	-	197	
		2013 Incentive				-	-	-	
		2014 Incentive				-	337	407	
		2015 Incentive		251	376	May 2016 / Jun. 2021			

(\*) Remuneration refers to 19 Key Managers, 15 of which still in office as at 31 December 2015.

(1) Portion deriving from the 2011 Incentive System in relation to the employment agreement existing at the time.

## Equity investments

Table No. 1: Equity investments of Supervisory Board and Management Board members and of General Managers

Name and surname	Office	Subsidiary	Number of shares held at the end of prior year (-)	Number of shares purchased	Number of shares sold	Number of shares held at the end of current year (-)
██████████	██████████	Intesa Sanpaolo ord. shares	1,557	---	---	1,557
██████████	██████████	Intesa Sanpaolo ord. shares	819(a)	---	---	819
██████████	██████████	Intesa Sanpaolo ord. shares	3,720	---	---	3,720
██████████	██████████	Intesa Sanpaolo ord. shares	52,856(b)	---	---	52,856
██████████	██████████	Intesa Sanpaolo ord. shares	108,629	161,855 (*)	---	270,484
██████████ (1)	██████████	Intesa Sanpaolo ord. shares	34,138	10,079 (**)	34,138	10,079
██████████	██████████	Intesa Sanpaolo ord. shares	2,200	---	---	2,200
██████████	██████████	Intesa Sanpaolo ord. shares	195,074	281,679 (***)	---	476,753
██████████	██████████	Intesa Sanpaolo ord. shares	570,553	181,956 (****)	82,000	670,509 (c)
██████████	██████████	Intesa Sanpaolo ord. shares	50,000	119,174 (*****)	119,174	50,000

(-) Or start / end date of the office, if different from the reference period specified.

(1) Office held until 14 July 2015.

(a) shares owned by spouse.

(b) shares held indirectly.

(c) of which 293,409 shares held directly and 377,100 shares held indirectly through a trust company.

(\*) of which 70,877 shares deriving from the 2011 Incentive System and 90,978 shares deriving from the 2012 Incentive System by way of upfront portions in shares.

(\*\*) shares deriving from the 2011 Incentive System by way of an upfront portion in shares in relation to the employment agreement in force at the time.

(\*\*\*) of which 130,049 shares deriving from the 2011 Incentive System and 151,630 shares deriving from the 2012 Incentive System by way of upfront portions in shares.

(\*\*\*\*) Shares deriving from the 2012 Incentive System by way of an upfront portion in shares.

(\*\*\*\*\*) of which 58,522 shares deriving from the 2011 Incentive System and 60,652 shares deriving from the 2012 Incentive System by way of upfront portions in shares.

*Table No. 2: Equity investments of other Key Managers*

Number of other key managers	Subsidiary	Number of shares held at the end of prior year (*)	Number of shares purchased	Number of shares sold	Number of shares held at the end of current year (*)
19	Intesa Sanpaolo ord. shares	2.062.910 (a)	1.455.114 (***)	564.104	2.953.920
(**)	Intesa Sanpaolo rnc.	5.000 (a)			5.000

(\*) Or start / end date of the office, if different from the reference period specified.

(\*\*) Total number of other Key Managers who do not yet hold any equity investments.

(\*\*\*) Shares deriving from the 2011 Incentive System and from the 2012 Incentive System.

(a) Of which 10,743 ordinary shares and 5,000 savings shares owned by spouse.

N.B.: The values at the beginning and end of the period vary depending on the changes in the composition of Key Managers.

# PART III - AGGREGATE QUANTITATIVE INFORMATION PURSUANT TO THE SUPERVISORY PROVISIONS OF THE BANK OF ITALY

## The 2015 incentive system for Top Management and Risk Takers

### *Introduction*

Intesa Sanpaolo's remuneration and incentive policies were approved by the Supervisory Board based on a proposal of the Management Board on 17 March 2015 and, limited to the areas of responsibility, subject to an advisory vote of the Shareholders' Meeting of 27 April 2015, which was favourable. The Management and Supervisory Boards, each within its remit, approved the financing of the incentive system for the Top Management and the so-called Risk Takers (hereinafter also referred to as the "System"), implementing said policies, on 17 March 2015.

The System is fully consistent with the Supervisory Provisions on remuneration, with particular reference to:

- identification of the so-called Material Risk Takers, meaning those whose decisions have a significant impact on the Bank's risk profile, to which specific remuneration rules must be applied in terms of payment of variable remuneration;
- the variable and fixed ratio component of the remuneration, appropriately balanced;
- the structure of the variable component of which:
  - a) at least 40% must be subject to deferred payment systems for not less than 3 years (this can be raised to 60% for not less than 5 years for executive directors, top managers and heads of the main business lines, corporate functions or geographical areas, as well as those who report directly to bodies with strategic supervisory duties);
  - b) at least 50% must be disbursed in shares or instruments linked to shares; this percentage is applied, in the same proportion, to the deferred variable component as well as to the non-deferred (upfront) component;
- a specific retention mechanism in place (of at least two years for the upfront component, shorter for the deferred component) for the financial instruments mentioned under point b).

### *Beneficiaries*

The System is addressed to the so-called Risk Takers, as defined in application of EBA Regulatory Technical Standards, identified as the members of the Management Board and the Supervisory Board, the Chief Executive Officer, the General Manager, other Key Managers, Top Heads of the Group Control Functions and those whose activities have a significant impact on the entity's risk profile.

Therefore, recipients include Executives who have regular access to inside information and have the power to make management decisions which may affect the issuer's evolution and outlook.

### *Plan rationale*

Incentive plans are designed, in general terms, to retain employees and support their motivation to achieve the long-term corporate goals. Where they include financial instrument-based remuneration, they also strengthen the alignment of Management conduct, Shareholders' interests and medium-/long-term results, also via the executives' direct participation in corporate risk.

In this context, these plans are a completing part of Intesa Sanpaolo Group remuneration system for Management and other employees; in a long-term sustainable development and a strong accountability of all stakeholders framework, they operate fully in line with Intesa Sanpaolo investment in human capital development, by fostering the achievement of targets identified by the competent corporate functions among the indicators that best reflect Group profitability over time, also taking into account risks assumed, cost of capital, liquidity and capitalisation level required to handle the activities implemented.

The structure of the incentive mechanism is also functional for being compliant with the Supervisory Provisions in force, when these require that at least 50% of the variable component granted to Risk Takers has to be assigned in shares or related instruments.

### *Characteristics of the financial instruments to be assigned*

The System provides for a bonus granted to recipients identified above composed by 50% of cash and 50% of Intesa Sanpaolo ordinary shares, which shall be purchased on the MTA market (mercato telematico azionario) in compliance with the delegated powers duly given by the Shareholders' Meeting.

60% of the entire bonus of Risk Takers and Top Risk Takers belonging to the cluster of the Group Control Functions (percentage reduced to 40% for the Chief Executive Officer and other Top Risk Takers) shall be paid out in the year following the year the bonus refers to (upfront portion) according to the same cash/shares ratio as above.

The remainder, equal to 60% for Top Risk Takers, excluding those belonging to the Group Control Functions, and to 40% for the remaining Risk Takers, shall be allocated on a pro-rata basis in the following years as follows:

- for Top Risk Takers, excluding those in the Group Control Functions: the deferral period is equal to 5 years, through payment by instalments of 20% of the entire bonus in the first year (100% in cash) and 10% of the entire bonus in the following four years (the first three in financial instruments and the last in cash);
- for the other Risk Takers: the deferral period is equal to 3 years, through payment by instalments of 20% of the entire bonus in the first year (100% in cash) and 10% of the entire bonus in the following two years (in financial instruments).

As per the Supervisory Provisions, each portion of the bonus assigned in shares shall be subject to a retention period of 2 years for the upfront portion and a shorter period (6 months) for the deferred portions. The retention period starts from the accrual date of the bonus. The Supervisory Provisions also state that interests can be calculated, in line with market rates, on the deferred portions paid in cash.

The shares accrued in each case shall be delivered only at the end of the retention period described above and, but for the cases described below, subject to continuation of employment in any company of the Group.

In the light of the above, on the basis of the powers delegated by the Shareholders' Meeting, the shares to be purchased may be delivered to the recipients starting from 2018 (for the upfront portion) and until 2020 (for the last deferred portion due to Top Risk Takers not belonging to the Group Control Functions).

In any event, incentives granted to Risk Takers lower than or equal to 80,000 euro gross and below 100% of the fixed remuneration are paid entirely in cash and upfront, considering that the amounts resulting from the application of the regulations in terms of deferral, pay out in shares and holding period would be quite insignificant in both absolute and relative terms with respect to total remuneration collected, to such an extent as to result in effective invalidation of the principle that inspires the mechanism (correlation between the amount of the incentive and assumption of risks).

As by this time a traditional practice in the Group and in compliance with regulators' indications (based on which the ratio between the variable and fixed component of remuneration "must be suitably balanced, exactly determined and carefully assessed in relation to the characteristics of the intermediary and of the various categories of personnel"), the potential paid out bonus is related to the level of each recipient's fixed remuneration.

More in details, already as from 2013, in advance compared to the timing envisaged in the Provisions, recipients may at the most receive a variable remuneration inclusive of the bonus granted through the Incentive System and the annual amount resulting from the LECOIP Co-Investment Plans<sup>1</sup>, equal to 50% of the remuneration pay mix, down from the previous 60% in relation to the ratio between the variable and the fixed component of remuneration. In light of regulator's indications, the Heads of the Group Control Functions, even if they are included under Key Managers, may benefit from a variable portion of remuneration, including the portion resulting from the LECOIP Co-Investment Plans, granted by the

<sup>1</sup> They are approved by the Shareholders' Meeting on 8 May 2014 and represent the long-term variable component, based on instruments associated with Intesa Sanpaolo shares, introduced at the time of launch of the 2014-2017 Business Plan through the Leveraged Employee Co-Investment Plans ("LECOIP Plans").

Incentive System, with the same characteristics as that paid to the remaining Risk Takers, but more limited and equal to, at most, 33% of the fixed remuneration<sup>2</sup>.

Limited to specific professional categories and business segments, the maximum limit established (1:1) is increased to 2:1, according to CRD IV, as permitted by the Bank of Italy and submitted to the binding approval by qualified majority of the Shareholders' Meeting.

The granting of incentives to recipients is funded by a structured bonus pool mechanism. In full harmony with the criteria of bonuses paid amount and actual performance achieved symmetry, the total amount of the incentives at Group level is linked to the trend of an economic indicator, the Income before tax from continuing operations, appropriately adjusted (approximately +/- 10%) in relation to an evaluation of the performance of Intesa Sanpaolo relative to a panel of its international and domestic peers, identified based on comparability in terms of size, business mix, capital and talent markets.

The activation of the bonus pool at Group and department level is based on the exceeding of the so-called "access threshold", expressed ex ante as the minimum value of the relative Income before tax from continuing operations.

Financial sustainability principle is ensured, in accordance with the requirements of the Regulator, by three preliminary conditions:

1. Common Equity Tier Ratio (CET1) at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. No loss or positive Income before tax from continuing operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

Non-achievement of even only one of the above conditions results in non-activation of the incentive systems for the Group personnel.

Top Risk Takers are subject to a further condition represented by the Liquidity Coverage Ratio (LCR), the level of which must be at least equal to the limit envisaged in the RAF.

Once the above-mentioned conditions have been exceeded, the total amount due to the recipients is defined, in compliance with the Group and Division/Business Unit bonus pools, based on the position reached by each Manager in the "internal ranking" of their specific Division/Business Unit. This ranking is obtained by ordering the scores of the results of the individual scorecards, which measure performance at several levels, both quantitative (profitability, growth, productivity, cost of risk/sustainability) and qualitative (2014-2017 Business Plan projects, strategic actions and managerial qualities).

Moreover, each deferred portion is subject to ex-post adjustment mechanisms – the "malus conditions" – according to which the relative amount to be paid out and the number of financial instruments to be assigned, if any, may be reduced, even down to zero, in the year to which the deferred portion refers, in relation to the level of achievement of the minimum conditions set by the Regulator, namely:

1. Common Equity Tier Ratio at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. No loss or positive Income before tax from continuing operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

In particular, if either condition 1 or 2 does not occur individually, the deferred portion is reduced by 50%; if condition 3 is not met, the deferred portion is brought down to zero.

For Top Risk Takers, in parallel with the provisions for activation of the Incentive System, a fourth condition – in addition to the three mentioned above – is also envisaged, relating to verification of the LCR compared to the RAF limits. As regards this cluster, if either condition 1 or 2 or that relating to the LCR does not occur individually, the deferred portion is reduced by one third; if condition 3 is not met, the deferred portion is brought down to zero.

<sup>2</sup> Including the role allowance representing a portion of fixed remuneration, assigned according to the period holding that role, paid monthly and not counted in the calculation for employee termination indemnities and supplementary pension (if the fund has a Base Salary calculation basis). Social security contributions are calculated on the amount paid.

## Quantitative information broken down by business area

At Group level, thereby considering employees of all grades and employees of the international subsidiaries, the total variable component allocated in the financial statements to reward 2015 results, including the contractual portion (the so-called Performance Award) or the amount relating to the 2014-2017 LECOIP Plans, is equal to approximately 2.4% of the Group's operating income, about 0.9% of its shareholders' equity, about 0.06% of total assets and about 7.8% of the total cost of labour. These data are essentially stable compared to those of the 2014 financial year.

More specifically, 41% of the above variable component comprises sums available for the payment of the annual incentive, 36% comprises the amount pertaining to 2015 of the 2014-2017 LECOIP Plans and 23% comprises sums payable by way of company bonus (the so-called Performance Award). As in past years, distribution of the amounts allocated in the financial statements for payment of the variable component referring to 2014 results gives priority to resources belonging to the business sectors most exposed to market variations (asset management, finance and investment banking), consistently with the results of specialised surveys of a sample of Italian and European banking groups which, due to size and composition of the business, constitute the reference benchmarking for Intesa Sanpaolo.

COMPARISON OF PERCENT DISTRIBUTION OF STAFF,  
FIXED COST AND THE VARIABLE COMPONENT/PERFORMANCE AWARD FOR 2015

	Staff	Fixed Cost 2015	Variable Component / Performance Award 2015
Head Office Departments (including Top Management)	13%	15%	20%
Banca dei Territori	50%	60%	34%
Corporate & Investment Banking	3%	6%	17%
International Subsidiary Banks	26%	11%	10%
Private Banking	3%	5%	10%
Insurance	1%	1%	2%
Asset Management	1%	1%	5%
Capital Light Bank	3%	1%	2%

## Quantitative information broken down by various categories of “key personnel”

(thousands of euro)

Cluster (as at 31/12/2015)	Num.	Percentage Ratio between Variable Remuneration and Fixed Remuneration		Total Remuneration 2015			Detail of Short-Term Variable Component for 2015				Variable deferred amount from prior years <sup>d</sup> :		Variable deferred amount and upfront shares from prior years paid and granted during 2015 <sup>e</sup>
		Theoretical	Actual <sup>a</sup>	Fixed Rem. <sup>b</sup>	Short- term Variable Rem.	Long-term Variable Rem. <sup>c</sup>	Upfront Cash	Upfront Shares	Deferred Cash	Deferred Shares	Accrued following 2015 performance	Not Accrued	
	1	Max 100%	95%	1,650	1,223	352	245	245	367	367	390	-	934
MD, Other Key Managers <sup>1</sup>	16	Max 100%	91%	10,193	6,819	2,457	1,389	1,389	2,201	2,201	2,623	-	5,286
Heads of the Group Control Functions <sup>2</sup>	9	Max 33%	24%	4,336	724	296	304	180	120	120	319	-	1,231
Other individuals who, individually or collectively, take on significant risk <sup>3</sup>	312 <sup>4</sup>	Max 200% Max 100% Max 33% <sup>5</sup>	69%	58,920	30,396	10,113	12,658	6,693	5,522	5,522	5,195	-	14,493

<sup>1</sup>Excluding 6 Key Managers who are included under Heads of Group Control Functions. Remuneration refers to 16 Key Managers, 14 of which still in office as at 31 December 2015.

<sup>2</sup>Remuneration also refers to 6 Key Managers, 4 of which still in office as at 31 December 2015.

<sup>3</sup>Verified on the basis of the EBA Regulatory Technical Standards for the identification of Material Risk Takers.

<sup>4</sup>Amounts refer to n. 312 Risk Takers, of which n.23 terminated their contract during 2015 and n.13 Risk Takers who stayed in the perimeter for more than 3 months but exit it before 31.12.2015.

<sup>5</sup>Maximum theoretical amounts differentiated according to belonging cluster (specific business segments for whom Shareholders' Meeting approved the increase to variable remuneration cap in April 2015, other governance businesses or roles, Group Control Functions or similar roles).

<sup>a</sup>The actual ratio between variable remuneration to fixed remuneration takes into account all the components of the remuneration, whether short or long-term.

<sup>b</sup>The amount indicated under the column "Fixed Remuneration" also includes remuneration received as [redacted] or any amounts paid as role allowances.

<sup>c</sup>The amount shown includes the annual component of LECOIP long-term Co-Investment Plans, of: "protected capital" at fair value, option evaluation (B&S) and the so-called Sell to cover.

<sup>d</sup>The amounts shown include the amount of the cash deferred components and the value, at the time of definition of the incentive, of the shares attributed to Management in previous years as part of the 2012 and 2014 incentive plans, where such shares may actually be granted only in the following years because of the retention period and they are anyway always subject, except in specific cases, to continuation of employment.

<sup>e</sup>The amounts shown refer to 2011 and 2012 Incentive systems.

As shown in the table above, amounts accrued during the year but assigned in prior years (2014 Incentive System for the upfront bonus amount paid in cash, 2012 Incentive System for the upfront bonus amount paid in shares and 2011 Incentive System for the deferred portion paid in cash and in shares) were paid during 2015.

Therefore, taking into account the fixed remuneration levels recognised, a total of 14 Managers, in office as at 31 December 2015, received total remuneration for 2015 of at least 1 million euro. In particular:

- 1 Manager with total remuneration between 2.5 and 3 million euro;
- 1 Manager with total remuneration between 1.5 and 2 million euro;
- 12 Managers with total remuneration between 1 and 1.5 million euro.

In terms of the information required on employee termination indemnities defined during the year, it is specified that during 2015 there were 4 cases of termination of Key Managers and 33 additional cases of Managers under the Risk Takers category.

The total amount of termination indemnities payable to the above 37 Managers amounted to 12,245 thousand euro, the highest of which was 860 thousand euro, in application of the Executives' Agreement of 17 March 2014.

21 Managers were recruited on the market in 2015, 2 of whom under the Risk Takers category.

## PART IV – INTERNAL AUDITING DEPARTMENT ASSESSMENT OF THE INCENTIVE SYSTEM

The Internal Auditing Head Office Department of Intesa Sanpaolo has carried out the planned audit, aimed at analysing the operational practices followed in defining the incentive system for 2015, in accordance with the Policies resolved by the Bodies and the relative Provisions issued by the Bank of Italy (CRD IV acknowledgement).

The audit was broken down in order to examine the operational phases of the process: quantification and approval of the main components of the incentive system (economic requirements, certification of results achieved, allocation of the bonus pool); payout of incentives, with particular reference to Risk Takers.

As envisaged, the remuneration policies, the principles of the incentive system, the financing methods for the bonus pool and the relative activation thresholds, the identification, incentive and remuneration guidelines relating to Risk Takers were approved by the Boards, each within its remit.

In adopting the changes introduced by CRD IV, the current 2015 incentive system structure has been confirmed.

The structure has been assessed as compliant with Regulations by the Compliance Department.

Among the changes introduced for 2015, the following are reported: the increase of the cap to the variable to fixed remuneration ratio at 2:1 for specific business segments, the re-design (within the framework of the Intesa Sanpaolo Group II level National Collective Bargaining Agreement) of the variable remuneration component for the remaining personnel (Performance Award).

The threshold defined by the rules for Group bonus pool activation were achieved, in accordance with the Net Income (positive), the Income before tax from continuing operations and RAF indicators (CET1R and NSFR), and it was therefore financed according to the pre-established application methods.

Based on the observations made, the Internal Auditing Department expressed an opinion of overall adequacy of the operational procedure followed, in accordance with the policies and profiles defined, and made a number of recommendations for 2016, in order to improve the overall set of internal operating procedures (timing for formalisation of the management objective forms and measuring methods for certain objectives related to management efficiency).

The audit process will be completed with the assessments on accuracy of the effective pay out process, including the deferred portion, in order to ensure alignment with what was defined and approved by the relevant corporate bodies.

In addition to the information presented in the Report on Remuneration illustrated for the Shareholders' Meeting on 27 April 2015, the 2014 incentives payout process that took place between June and July 2015 has been assessed, it took place in the approved bonus pool limits and substantially in line with both approved policies and application profiles. About those areas, enhancing suggestions have been formulated and already acknowledged and implemented in 2015.



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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	Not applicable	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 27, 46 (S.B.) Page 49, 57 (M.B.)
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 46, 47 (S.B.) Page 51, 57 (M.B.)
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 27 (S.B.) Page 49 (M.B.)
	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 28 (S.B.)
	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 27, 37 (S.B.) Page 49 (M.B.)
	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 61 (M.B.)
	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 28 (S.B.) Page 51, 61 (M.B.)
	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 27, 28 (S.B.) Page 50 (M.B.)
	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 63

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	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;	✓			No conditions occurred to apply the principle
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 29, 30, 32, 37, 39, 40, 42, 45, 47 (S.B.) Page 49, 51, 52, 53, 54, 55, 60 (M.B.) Page 63
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 84, 86
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 33, 34 (S.B.) Page 56, 57 (M.B.)
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 34 (S.B.) Page 56 (M.B.)
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 56 (M.B.)

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of Report
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 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.	✓			Page 46 (S.B.) Page 57 (M.B.)
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.	✓			Page 47 (S.B.) Page 59 (M.B.)
<b>2. COMPOSITION OF THE BOARD OF DIRECTORS</b>				
2.P.1. The Board of Directors shall be made up of executive and non-executive directors, who should be adequately competent and professional.	✓			Page 52, 55 (M.B.)
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.	✓			Page 47 (S.B.) Page 52, 59 (M.B.)
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.	✓			Page 52, 55, 59 (M.B.)
2.P.4. It is appropriate to avoid the concentration of corporate offices in one single individual.	✓			Page 53 (M.B.)
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.	✓			Page 53 (M.B.)
2.C.1. The following are qualified executive directors for the issuer: <ul style="list-style-type: none"> <li data-bbox="292 1626 965 1727">- 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 data-bbox="292 1756 965 1834">- 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 data-bbox="292 1863 965 2016">- 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>	✓			Page 52 (M.B.)

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of Report
<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 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 46 (S.B.) Page 58 (M.B.)
<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 35 (S.B.)
<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 35 (S.B.)
<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 57 (M.B.)
<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 35 (S.B.) Page 55 (M.B.)
<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 35 (S.B.) Page 55 (M.B.)

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of Report
<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 appear independent in the following events, to be considered merely as an example and not limited to:</p> <p>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;</p> <p>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;</p> <p>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:</p> <ul style="list-style-type: none"> <li>- with the issuer, one of its subsidiaries, or any of its significant representatives;</li> <li>- 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;</li> </ul> <p>or is, or has been in the preceding three fiscal years, an employee of one of the above-mentioned subjects;</p> <p>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;</p> <p>e) if he/she was a director of the issuer for more than nine years in the last twelve years;</p> <p>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;</p> <p>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;</p> <p>h) if he/she is a close relative of a person who is in any of the positions listed in the above paragraphs.</p>	✓			Page 35 (S.B.)

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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 35 (S.B.)
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 enable the constitution of committees within the Board, according to the indications set out in the Code.	✓			Page 29, 35 (S.B.)
<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 33, 35 (S.B.) Page 55 (M.B.)
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.	✓			Page 35 (S.B.)
3.C.6. The independent directors shall meet at least once a year without the presence of the other directors.	✓			Page 35 (S.B.)
<b>4. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS</b>				
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.	✓			Page 36 (S.B.)
4.C.1. The establishment and functioning of the committees governed by the Code shall meet the following criteria:				

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of Report
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;	✓			Page 36 (S.B.)
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 36 (S.B.)
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 36 (S.B.)
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 36 (S.B.)
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 36 (S.B.)
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 36 (S.B.)
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 36 (S.B.)
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.			✓	Page 36 (S.B.)
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.				

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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 36, 39 (S.B.)
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 40 (S.B.)
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 40 (S.B.)
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 53 (M.B.)
<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 108, 113, 136, 137
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 103, 108, 110, 119, 137, 163
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 36, 40 (S.B.) Page 111

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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 108, 134
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.	✓			No conditions occurred to apply the principle
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:	✓			
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;	✓			Page 110, 112, 113, 115, 116, 118, 137, 138
b) upper limits for variable components shall be established;	✓			Page 113, 115, 118
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;	✓			Page 113, 115, 116, 119, 137, 140 163
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;	✓			Page 110, 115, 116, 119, 138, 163
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;	✓			Page 117, 119, 121, 138,
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;	✓			Page 128, 130, 138
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.	✓			Lacking condition to apply the principle
6.C.2. In preparing plans for share-based remuneration, the Board of Directors shall ensure that:	✓			Page 117, 119, 120, 121, 132, 163
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;				

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b) the vesting referred to in paragraph a) shall be subject to predetermined and measurable performance criteria;				
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.				
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.	✓			Page 41 (S.B.) Page 111
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.				
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.	✓			Page 136
6.C.5. The remuneration committee shall:  - 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;  - 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.	✓			Page 40 (S.B.)
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.			✓	Page 41 (S.B.)
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.	✓			Page 41 (S.B.)
6.C.8. According to principle 6.P.5., the press release should provide:  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: - 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);	✓			Page 102

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<ul style="list-style-type: none"> <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> <li>- non-competition commitments, describing their main contents;</li> <li>- any other payment assigned for any reason and in any form;</li> </ul> <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 67
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 67
7.P.3. The internal control and risk management system involves each of the following corporate bodies depending on their related responsibilities:	✓	Page 69 (S.B.)
a) the Board of Directors, that shall provide strategic guidance and evaluation on the overall adequacy of the system, identifying within the Board:	✓	Page 28 (S.B.) Page 50, 55 (M.B.) Page 69
(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 70 (M.B.)

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(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 70 (S.B.)
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 68, 76
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 68
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 28, 37 (S.B.) Page 69
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 36, 70 (S.B.)
7.C.1. The Board of Directors, with the opinion of the control and risk committee, shall:	✓			Page 69, 76
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 37, 42 (S.B.) Page 67
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 37, 43 (S.B.) Page 69
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 44 (S.B.)
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 69

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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 38 (S.B.)
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:				
- appoint and revoke the head of Internal Auditing;				
- ensure that such a person is provided with the adequate resources for the fulfilment of his/her responsibilities;				
- define the relevant remuneration consistently with company's policies.				
7.C.2. The control and risk committee, when assisting the Board of Directors shall:	✓			Page 62, 70 (S.B.)
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;	✓			Page 43 (S.B.)
b) express opinions on specific aspects relating to the identification of the main risks for the company;	✓			Page 37 (S.B.)
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;	✓			Page 44 (S.B.)
d) monitor the independence, adequacy, efficiency and effectiveness of the Internal Auditing;	✓			Page 37 (S.B.)
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;	✓			Page 38 (S.B.)
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;	✓			Page 39 (S.B.)
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.				Page 42 (S.B.)
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 32 (S.B.)
7.C.4. The director in charge of the internal control and risk management system, shall:	✓			Page 70, 77

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<p>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;</p> <p>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;</p> <p>c) adjust such system to the dynamics of the operating conditions and the legislative and regulatory framework;</p> <p>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;</p> <p>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.</p>				
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 76
b) not be responsible for any operational area and be subordinated to the Board of Directors;	✓			Page 76
c) have direct access to all useful information for the performance of its duties;	✓			Page 76
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 77
e) prepare timely reports on particularly significant events;	✓			Page 77
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 77
g) verifies, as part of the audit plan, the reliability of the IT systems, including the accounting recognition systems.	✓			Page 76
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.			✓	

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<b>8. STATUTORY AUDITORS</b>					
8.P.1.	The statutory auditors shall act with autonomy and independence also vis-à-vis the shareholders, which elected them.	✓			Page 47 (S.B.)
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 27, 29 (S.B.)
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 33, 35 (S.B.)
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 33 (S.B.)
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 78 (S.B.)
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 38 (S.B.)
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 38 (S.B.)
<b>9. RELATIONS WITH THE SHAREHOLDERS</b>					
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 87
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 86
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 86

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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 87,88
9.C.3. The Board of Directors shall propose to the approval of the shareholders' meeting rules laying down the procedures to be followed in order to permit an orderly and effective conduct of the shareholders' meetings of the issuer, without prejudice, at the same time, to the right of each shareholder to express his or her opinion on the matters under discussion.		✓		Page 88
9.C.4. In the event of significant changes in the market capitalisation of the company's shares or in the composition of its shareholders, the Board of Directors shall assess whether proposals should be submitted to the shareholders' meeting to amend the Articles of Association in respect to the majorities required for exercising action and prerogatives to safeguard minority interests.		✓		Page 88

## 10. TWO-TIER AND ONE-TIER CORPORATE GOVERNANCE SYSTEMS

10.P.1 In the event of adoption of a two-tier or one-tier corporate governance system, the above articles shall apply insofar as compatible, adapting individual provisions to the particular system adopted, consistently with the objectives of good corporate governance, transparency of information and protection of investors and the markets pursued by the Code and in the light of the criteria provided by this article.	✓			Page 17, 19
10.P.2. In the event that a new corporate governance system is proposed, the directors shall inform the shareholders and the market with regard to the reasons for such proposal, as well as on how it is envisaged that the Code will be applied to the new corporate governance system.			✓	
10.P.3. In the first Report on Corporate Governance published after the modification of the corporate governance system, the issuer shall describe in detail how the Code has been applied to such system. Such information shall be published also in the subsequent reports, indicating any amendments to the procedure followed in applying the Code to the selected corporate governance system.	✓			Page 19
10.C.1. In the event of adoption of the two-tier corporate governance system, the Code shall be applied according to the following criteria: a) except as provided in paragraph (b) below, 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 Management Board and Supervisory Board, or their members respectively;	✓			Page 19

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of Report
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- b) due to the specific options of the by-laws adopted, in the configuration of the management and supervisory bodies - also in relation to the number of their members and the powers and duties attributed to them - as well as of the specific circumstances existing, the issuer may apply the provisions concerning the Board of Directors or directors to the Supervisory Board or its members;
- c) the provisions relating to the appointment of directors provided by Article 5 of this Code shall apply, insofar as compatible, to the appointment of the members of the Supervisory Board and/or the members of the Management Board.

## 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
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 23, 24
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 24
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 24
d) if known, the holders of any securities with special control rights and a description of such rights;	Page 23
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 24
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 89
g) agreements known to the company pursuant to article 122;	Page 24
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 24
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 105, 133, 138
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 30, 31 (S.B.) Page 51, 52 (M.B.) Page 89
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 23 (M.B.) Page 24

**Art 123-bis - Report on corporate governance and ownership structures****Page of Report**

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

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| 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 15, 17                                  |
| 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 67                                      |
| 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 87                                      |
| d) the composition and operations of the management and control bodies and their committees.   | Page 29, 37 (S.B.)<br>Page 51, 52, 57 (M.B.) |

### Table No. 3: “Art. 123-ter - Report on remuneration”

Art. 123-ter - Report on remuneration	Page of Report
1. At least twenty-one days prior to the date of the shareholders' meeting established by article 2364, paragraph two, or the shareholders' meeting established by article 2364-bis second paragraph of the Italian Civil Code, companies with listed shares shall make a report on remuneration available to the public at the company registered offices, on its internet website or in any of the other ways established by Consob regulation.	Page 102
2. The report on remuneration shall be laid out in the two sections established by paragraphs 3 and 4 and is approved by the Board of Directors. In companies adopting the two-tier system, the report is approved by the supervisory board, upon proposal, limited to the section established by paragraph 4, letter b), of the management board.	Page 102
3. The first section of the report on remuneration explains: <ul style="list-style-type: none"> <li data-bbox="292 842 1129 931">a) the company's policy on the remuneration of the members of the management bodies, general managers and key managers with reference to at least the following year;</li> <li data-bbox="292 954 1129 987">b) the procedures used to adopt and implement this policy.</li> </ul>	Page 103, 108, 132, 134 Page 103
4. The second section, which is intended for the members of the management and control bodies, general managers and, in aggregate form, without prejudice to the provisions of the regulation issued in accordance with paragraph 8, for key managers: <ul style="list-style-type: none"> <li data-bbox="292 1111 1129 1223">a) provides a suitable representation of each of the items comprising remuneration, including treatment provided for in the event of cessation of office or termination of employment, highlighting the consistency with the company's policy in terms of remuneration approved the previous year;</li> <li data-bbox="292 1245 1129 1447">b) analytically illustrates the remuneration paid during the financial year of reference, for any title and in any form by the company and by subsidiaries or associates, noting any components of said remuneration that refer to activities performed in years prior to that of reference, in addition to highlighting the remuneration to be paid in one or more subsequent years in exchange for the work performed in the year of reference, potentially specifying an estimated value for components that cannot objectively be quantified in the year of reference.</li> </ul>	Page 132 Page 143
5. Remuneration plans established by article 114-bis are attached to the report, or the report specifies the section of the company's website where these documents can be viewed.	Page 152
6. Without prejudice to the provisions of articles 2389 and 2409-terdecies, first paragraph, letter a) of the Italian Civil Code and article 114-bis, the shareholders' meeting called in accordance with article 2364, paragraph two or article 2364-bis, paragraph two, of the Italian Civil Code, resolves in favour or against the section of the report on remuneration established by paragraph 3. This resolution is non-binding. The outcome of voting is made available to the public in accordance with article 125-quater, paragraph 2.	Page 102

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