

Guiding principles and policies on the appointment, succession, resignation and removal of individuals with key functions

The Supervisory Board of UniCredit International Bank (Luxembourg) S.A. (“**the Bank**”), in order to fully exert its functions of supervision and control, and aiming to support a durable development of the business in the framework of a continuous risk control and management for protecting the Bank’s long-term financial interests, solvency and liquidity situation in the interest of the stakeholders of the Bank and UniCredit Group, has approved these “*Guiding principles and policies on the appointment, succession, resignation and removal of individuals with key functions*”.

The document, laid down in compliance with the CSSF circular 12/552 of December 11th 2012 as amended (“**the Circular**”) as well as with the CSSF prudential authorisation procedure for the appointment of key function holders in credit institutions dated June 30th 2017 (“**the Prudential Authorisation Procedure**”), takes also into consideration the regulations issued in this matter by the holding company UniCredit S.p.A. (“**the Holding Company**”) and applicable to all legal entities belonging to UniCredit Group.

For the purpose of this document, and in compliance with the point 1 of the Circular as well as with the Prudential Authorisation Procedure, “key function” refers to any function the exercise of which may have a significant influence on the conduct or monitoring of activities.

The following functions of the Bank are considered as “key functions”:

- members of the Supervisory Board;
- members of the Management Board;
- persons in charge of the three internal control functions as defined by the Circular and the Prudential Authorisation Procedure:
 - the Chief Risk Officer;
 - the Chief Compliance Officer;
 - the Chief Internal Auditor.

The Supervisory Board promotes the adoption of all appropriate measures allowing the Bank to appoint as key function holders people with high levels of professional and personal skills.

Policies and procedures established in this regard are consistent not only with the Circular and the Prudential Authorisation Procedure, but also with guidelines established by the European Banking Authority (EBA/GL/2012/06 “*Guidelines on the assessment of suitability of members of the management body and key function holder*”, hereinafter: “**the EBA guidelines**”), as well as with those stated in the relevant Group Global Rules issued by the Holding Company and approved and implemented by the Bank.

In order to protect the interest and the good reputation of the Bank and UniCredit Group, as well as the integrity of the overall financial sector, it is crucial that all key function holders are of good repute and have the professional skills and personal qualities required to fulfil their duties.

For this reason key function holders cannot be appointed without a previous in-depth assessment of their professional standing, professional skills and personal qualities. The assessment has to be made in writing, prior to the appointment and on a regular basis during the mandate (and, if necessary, on an *ad hoc* basis), under specific criteria, consistently with the criteria provided for in points 13, 14 and 15 of the EBA guidelines (reputation, experience and governance criteria).

1. Appointment, succession, resignation and removal of the members of the Supervisory Board, remuneration of the members of the Supervisory Board

The Holding Company, in order to exert its functions of steering, coordination and control, has established regulations applicable to all legal entities belonging to UniCredit Group concerning the composition and qualification of their governing and controlling bodies.

In particular, through the Global Rule 2017_091 “*Global Policy – General guidelines on the structure, composition and remuneration of the Corporate Bodies of Group Companies, as well as procedures for the appointment of corporate officers*” (hereinafter: “**the Global Policy**”) and the Global Rule 2018_002 “*Global Process Regulation – Procedures for the definition of the Corporate Bodies of the Group’s subsidiaries in terms of structure, composition, remuneration and appointment of Corporate Officers*” (hereinafter: “**the Global Process Regulation**”), the Holding Company has provided all UniCredit Group legal entities with appropriate instructions which meet, *inter alia*, the requirements of the Section 4.1.2. of the Part II. of the Circular.

The strict compliance with the Global Policy and the Global Process Regulation, which implies *inter alia* a strong coordination between the Bank and the Holding Company for all matters related to the appointment and succession and remuneration of the Supervisory Board members, ensures that:

- The Supervisory Board is composed by a sufficient number of members with appropriate professional and personal skills, including appropriate integrity requisites, for meeting its responsibilities. The required professional and personal skills are defined in the Global Policy, consistently with the EBA guidelines¹.
- The personal qualities of the Supervisory Board members enable them to properly perform their mandate, with the required commitment, availability, objectivity, critical thinking and independence.

¹ Under a qualitative profile, members of the Supervisory Board have firstly to meet suitable professional requirements to carry out their function, resulting from experience gained in specific areas of business, as well as adequate honorability requirements: the absence of these requirements is incompatible with the function of Supervisory Board member and could imply serious consequences for the Bank at reputational level.

In particular, in compliance with the Global Policy, a Supervisory Board member should have a good knowledge and experience preferably in two or more of the following competence areas:

- the banking industry and techniques for assessing and managing risks connected with banking;
- business management and company organisation;
- reading and understanding financial statements of a financial institution;
- corporate affairs (auditing, compliance, legal affairs, etc.);
- financial regulation;
- international experience and international markets knowledge;
- global dynamics of the economic/financial system;
- knowledge of socio-political situation and market mechanisms of countries in which UniCredit Group has a strategic presence.

In addition, the following principles have to be strictly complied with:

- A member of the Management Board cannot be a member of the Supervisory Board at the same time (article twenty-two of the Articles of Association).
- Members of the Supervisory Board have to ensure that their mandate is and remains compatible with any other position or interest they may have, in particular in terms of conflicts of interest and availability. In this respect, they inform the Supervisory Board of the mandates they have outside the Bank.
- Appropriate measures, including professional training, have to be taken in order to ensure that the members of the Supervisory Board are and remain qualified throughout their mandate.

In compliance with the Circular and the Prudential Authorisation Procedure, **the first appointment of a member of the Supervisory Board is subject to the prior agreement of the ECB – European Central Bank.**

Once the future member of the Supervisory Board has been evaluated by the Bank in compliance with the provisions stated in the Circular and in the Prudential Authorisation Procedure and in coordination with the Group Shareholding Operations Unit of the Holding Company as stated in the Global Policy and in the Global Process Regulation, the Bank shall complete an authorisation file to be sent to the CSSF – Commission de Surveillance du Secteur Financier, which is in charge of its transmission to the ECB for approval.

In compliance with the Prudential Authorisation Procedure, the authorisation file shall provide at least the following documents:

- the “*Fit and Proper Declaration*”² to be submitted by Significant Institutions, duly completed and signed by the Bank and by the candidate to the position of Supervisory Board member;
- all the annexes as listed in the section 8 of the Fit and Proper Declaration:
 - curriculum vitae with all the information required by the Prudential Authorisation Procedure, point 12;
 - copy of the ID card/passport(s) of the candidate;
 - candidate’s criminal record of the Grand-Duchy of Luxembourg (bulletin n° 3);
 - candidate’s criminal record of the most recent country of principal residence and countries that have issued an ID card/passport, if different from Luxembourg;
 - Signed ECB Privacy Statement;
 - Board minutes regarding the appointment;
 - previous ECB approvals (where applicable);
 - other (where applicable).

² The “Fit and Proper Declaration” is available on the CSSF website.

Members of the Supervisory Board are appointed by the Shareholders General Meeting, in compliance with article 23 of the Articles of Association.

As stated in the Prudential Authorisation Procedure, and in compliance with applicable laws, the appointment of a Supervisory Board member cannot take effect before the formal agreement of the ECB.

When mandate is about to be renewed or is subject to be modified, or when an event occurs and triggers the necessity of a reevaluation according to the EBA guidelines, the Bank, in compliance with point 13 of the Prudential Authorisation Procedure, shall inform the CSSF and transmit a file containing at least new information which complement the initial authorisation file transmitted for the first appointment.

In case of resignation or removal of a member of the Supervisory Board, the Bank shall notify the ECB at short notice, attaching to the notification the reasons for the decision as well as the letter of resignation/removal.

In the context of the notification to the ECB, the Bank is required to specify whether it intends to replace the resigning/removed person and in what period of time.

The remuneration of the Supervisory Board members is resolved by the Shareholders General Meeting. It shall always comply with the principles stated in the Global Policy and in the Global Process Regulation.

The Supervisory Board approves specific procedures, consistent with the Section 4.1.3. of the Part II. of the Circular as well as with this document, concerning its organisation and operation.

2. Appointment, succession, resignation and removal of the members of the Management Board

The role and responsibilities of “authorised management”, as defined in the Sub-chapter 4.2. of the Part II. of the Circular, is assigned to the Management Board, the members of which are appointed by the Supervisory Board in compliance with article 13 of the Articles of Association.

The members of the Management Board must have the necessary professional skills and personal qualities, including appropriate integrity requirements, to manage the Bank and effectively determine the business direction.

Such skills and qualities, which are mainly the same as those required for the appointment of the Supervisory Board members, are carefully assessed by the Supervisory Board together with the competent functions of the Holding Company. The assessment is adequately documented in the minutes of the meeting of the Supervisory Board in which the appointment is resolved.

In compliance with the Circular and the Prudential Authorisation Procedure, **the first appointment of a member of the Management Board is subject to the prior agreement of the ECB – European Central Bank.**

Once the future member of the Management Board has been evaluated by the Bank in compliance with the provisions stated in the Circular and in the Prudential Authorisation Procedure and in coordination with the competent functions of the Holding Company, the Bank shall complete an authorisation file to be sent to the CSSF, which is in charge of its transmission to the ECB for approval.

In compliance with the Prudential Authorisation Procedure, the authorisation file shall provide at least the following documents:

- the “*Fit and Proper Declaration*” to be submitted by Significant Institutions, duly completed and signed by the Bank and by the candidate to the position of Management Board member;
- all the annexes as listed in the section 8 of the Fit and Proper Declaration:
 - curriculum vitae with all the information required by the Prudential Authorisation Procedure, point 12;
 - copy of the ID card/passport(s) of the candidate;
 - candidate’s criminal record of the Grand-Duchy of Luxembourg (bulletin n° 3);
 - candidate’s criminal record of the most recent country of principal residence and countries that have issued an ID card/passport, if different from Luxembourg;
 - Signed ECB Privacy Statement;
 - Board minutes regarding the appointment;
 - previous ECB approvals (where applicable);
 - other (where applicable).

As stated in the Prudential Authorisation Procedure, and in compliance with applicable laws, the appointment of a Management Board member cannot take effect before the formal agreement of the ECB.

In case a member of the Management Board no longer meets the necessary integrity requirements, the Supervisory Board takes the appropriate measures.

When mandate is about to be renewed or is subject to be modified, or when an event occurs and triggers the necessity of a revaluation according to the EBA guidelines, the Bank, in compliance with point 13 of the Prudential Authorisation Procedure, shall inform the CSSF and transmit a file containing at least new information which complement the initial authorisation file transmitted for the first appointment.

In case of resignation or removal of a member of the Management Board, the Bank shall notify the ECB at short notice, attaching to the notification the reasons for the decision as well as the letter of resignation/removal.

In the context of the notification to the ECB, the Bank is required to specify whether it intends to replace the resigning/removed person and in what period of time.

3. Appointment, succession, resignation and removal of the persons in charge of the internal control functions

The Supervisory Board is responsible for the appointment and revocation of the persons in charge of the internal control functions:

- Chief Risk Officer, in charge of the risk control function;
- Chief Compliance Officer, in charge for the compliance function;
- Chief Internal Auditor, in charge of the internal audit function.

In general, the Supervisory Board appoints the persons in charge of the internal control functions upon proposal of the Management Board.

Considering the importance of their role within the organisation, the persons in charge of the internal control functions are required to have high professional skills and personal qualities. Such skills and qualities are carefully assessed by the Supervisory Board, based on information received from the Management Board. The assessment is adequately documented in the minutes of the meeting of the Supervisory Board in which the appointment is resolved.

The appointment of the persons in charge of the internal control functions is reported in writing by the Bank to the competent authority (ECB – Joint Supervisory Team) with a complete file which shall contain at least the following documents:

- declaration of honor for natural persons published on the CSSF's website to be duly completed and signed by the candidate;
- certified copy of valid ID/passport;
- candidate's criminal record of the Grand-Duchy of Luxembourg (bulletin n° 3);
- candidate's criminal record of the most recent country of principal residence and countries that have issued an ID card/passport, if different from Luxembourg;
- curriculum vitae with all the information required by the Prudential Authorisation Procedure, point 15 (the curriculum vitae shall be exhaustive and precise, in order to show the knowledge, competence and experience of the candidate in relation with the requested position);
- a confirmation of the Bank that appointment has been duly approved by the Supervisory Board, that it complies with the guiding principles and policies for the appointment and succession of key function holders as established by the Bank in compliance with points 17 and 18 of the Circular, that it complies with implemented internal policy for the management of conflicts of interests and the requirements of point 25 and sub-chapter 7.2. of the Part II. of the Circular, that it has been preceded by a previous assessment of the concerned person in compliance with the Orientations EBA/GL/2012/06;
- any information or negative information about the member to be appointed and the reasons why the Bank considers that this information should not constitute an obstacle for such appointment.

The appointment of a holder of an internal control function does not require any formal agreement from the competent authority.

When appointment is about to be renewed or is subject to be modified or when an event occurs which triggers the necessity of a reevaluation according to the EBA guidelines, the Bank will inform the ECB – Joint Supervisory Team and transmit a file containing at least new information which complement the initial authorization file transmitted for the first appointment.

In case of resignation or removal of a holder of an internal control function, the Bank shall notify the ECB – Joint Supervisory Team at short notice, attaching to the notification the reasons for the decision as well as the letter of resignation/removal.

In the context of the notification to the ECB – Joint Supervisory Team, the Bank is required to specify whether it intends to replace the resigning/removed person and in what period of time.