

Rules of Procedure of the Supervisory Board of UniCredit International Bank (Luxembourg) S.A.

(procedures governing the composition, responsibilities, organisation and operation of the Supervisory Board in compliance with CSSF circular 12/552 as amended, point 17)

1. Introduction

The CSSF circular 12/552 of December 11th 2012 as amended (hereinafter: “**the Circular**”), point 17, states that the board of directors approves and lays down in writing, amongst other, “*the procedures governing the composition, responsibilities, organisation and operation of the board of directors*”.

In the context of the governance model chosen by UniCredit International Bank (Luxembourg) S.A. (hereinafter: “**the Bank**”), responsibilities assigned by the Circular to the board of directors are assumed by the Supervisory Board (point 1 of the Circular).

In compliance with such regulatory provisions, the Supervisory Board of the Bank has approved this internal procedure “*Rules of Procedure of the Supervisory Board*”, which is consistent with the guiding principles and policies on the appointment, succession, resignation and removal of individuals with key functions (approved by the Supervisory Board in the meeting held on May 31st 2018), as well as with the relevant regulations issued by UniCredit S.p.A. (hereinafter: “**the Holding Company**”), and in particular with 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**”).

In case of new laws on this matter or new relevant regulations issued by the CSSF, the ECB or the Holding Company, the General Affairs function is in charge of updating this internal procedure, and submitting the new version to the approval of the Supervisory Board.

2. Responsibilities of the Supervisory Board

In compliance with the Circular, the Supervisory Board has the overall responsibility for the Bank. It ensures execution of the activities and preserves business continuity by way of sound central administration and internal governance arrangements.

To this end, and for the purpose of protecting the Bank and its reputation, the Supervisory Board approves and lay down in writing in particular the strategies and guiding principles as listed at point 17 of the Circular.

According to article 28 of the Bank's Articles of Association, the Supervisory Board is in charge of the permanent supervision and control of the Bank's management by the Management Board and of such other tasks incumbent upon it pursuant to applicable legal and regulatory provisions. It may in no case interfere with such management, and the members of the Supervisory Board are not entitled to carry out the daily management of the Bank.

The Supervisory Board has an unlimited right of information regarding all operations of the Bank and may inspect any of the Bank's documents. It may request the Management Board to provide with any information necessary for exercising its functions and may directly or indirectly proceed to all verifications which it may deem useful in order to accomplish its functions.

Article 29 of the Articles of Association specifies a list of matters for which the related decisions require a prior approval of the Supervisory Board¹.

¹ Article twenty-nine of the Bank's Articles of Association.

Without prejudice of the powers granted to the Management Board, resolutions on the following decisions of the Management Board shall require the prior written approval of the Supervisory Board:

- (i) the transfer of the registered office of the Company according to article 2;
- (ii) approval or proposal to the General Meeting (as the case may be) of any share capital transaction regarding the Company;
- (iii) any issue of securities (except for Shares) by the Company;
- (iv) strategic investments and divestments;
- (v) approval of the Company's annual budget and charges therein;
- (vi) proposal of the payment of a dividend to the General Meeting;
- (vii) decision to distribute any pay interim dividends;
- (viii) distribution out of the Share Premium Account;
- (ix) approval of transactions giving rise to a conflict of interest between the Company and a member of the Management Board, according to article 15, last paragraph;
- (x) launch/approval of new activities regarding the Company;
- (xi) launch/approval of new Human Resources compensation strategies;
- (xii) approval of the corporate governance rules of the Company as well as proposed amendments thereto;
- (xiii) proposal of any operation related to the transformation or restructuring of the Company (including e.g. mergers, divisions, contributions, ...);
- (xiv) proposal of winding-up or liquidation of the Company.

Moreover, the Supervisory Board monitors the implementation by the Management Board of the internal governance strategies and guiding principles, and critically assesses and approves, at regular intervals and at least once a year, the internal governance arrangements of the Bank.

The Supervisory Board is also in charge of promoting an internal risk culture which heightens the awareness of the Bank's staff as regards the requirements of sound and prudent risk management and which fosters a positive attitude vis-à-vis internal control and compliance; it is also in charge of stimulating the development of the internal governance arrangements which allow reaching these objectives.

In respect of the internal control functions, the Supervisory Board ensures that the tasks of these functions are executed in compliance with recognised standards, and approves the annual summary reports of the internal control functions as well as the internal audit plan.

In case the Supervisory Board becomes aware that the central administration and/or internal governance arrangements no longer enable sound and prudent business management, or that the risks incurred are or will no longer be properly managed by the Bank (due to the ability of managing such risks, or to regulatory or internal own funds or liquidity reserves), it requires the Management Board to provide it, without delay, with the appropriate corrective measures, and informs the CSSF accordingly.

It also informs the CSSF in case of doubts on the qualification or professional standing of one of its members, or a member of the Management Board or a person in charge of an internal control function.

3. Composition of the Supervisory Board

Effective organisational structures and corporate governance are essential to the achievement of business objectives for all enterprises. For banks, these are particularly important in view of the nature of banking activities and their relationship to the public interest, which is subject to specific attention in supervisory regulations. The organisational structure and corporate governance of banks, in addition to responding to the needs of enterprises, must guarantee conditions of prudent and sound management, which is the essential aim of regulations and supervisory controls.

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 Policy and 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 (“*Composition and qualification of the board of directors*”²).

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 guidelines.
- 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.

According to the Circular and to the Global Policy, the Supervisory Board has to be properly composed, in terms of number of members and their skills, in order to fully meet its responsibilities.

² According to point 1 of the Circular, the term “board of directors” is not to be understood in its legal sense, as banks and investment firms can also take a legal form which does not provide for a “board of directors” in the meaning of company law. In the Circular, the term “board of directors” means the body which monitors the management of the bank or the investment firm by the authorised management.

In the context of the governance model chosen by the Bank, all references to the board of directors included in the Circular have to be referred to the Supervisory Board.

The composition of the Supervisory Board is decided together with the Holding Company, sole shareholder of the Bank, in compliance with the quantitative criteria as foreseen in the Global Policy and consistently with applicable laws and regulations.

In particular, such criteria apply for the definition of:

- the sizing of the Supervisory Board;
- the structure of the Supervisory Board, which should always be composed of managers representing the business, the governance functions and other supporting functions for the Group's core and operational activities, as well as of external members;
- the limits in terms of number of mandates of the Supervisory Board members.

Before the appointment of Supervisory Board members, a careful assessment has to be performed in order to ensure that they meet suitable professional requirements to carry out their function as well as adequate honorability requirements: the absence of these requirements is considered incompatible with the function of Supervisory Board member, as it could imply serious consequences for the Bank and the Group at reputational level.

The assessment is preliminary performed by the Holding Company, with the coordination of the Group Shareholding Operations Unit, and afterwards by the Supervisory Board itself.

As specified in 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.

An age limit of 75 years is indicated in the Global Policy concerning the appointment of the President and the Vice-President of the Supervisory Board.

In order to ensure efficient and effective internal dialogue in the context of the Supervisory Board meetings it is recommended, in addition to an adequate gender balance, to include external representatives: people who do not have continuous employment relations with the Group with specific skills in economic/financial sectors or specialists in business sectors, whose presence can further enhance the Group's brand and leadership.

When assessing a candidate to be appointed as new member, the Supervisory Board does not limit the assessment to the individual characteristics of the candidate, but is required to perform an assessment, or re-assessment, of the Board as a whole, in order to ensure that it is and remains adequate at any moment.

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

- The Supervisory Board must be composed of at least three members (article 22 of the Articles of Association).
- A member of the Management Board cannot be a member of the Supervisory Board at the same time (article 22 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.
- No more than one former member of the Management Board can be appointed as Supervisory Board member.
- Supervisory Board members are obliged to maintain secrecy even after the termination of their mandate; along with the termination of the mandate, all confidential documents have to be returned to the Bank. In addition, Supervisory Board members have to ensure that the persons called in by them for certain tasks (if any) comply with this duty to maintain secrecy in the same way, and have to disclose these persons to the Supervisory Board.
- Supervisory Board members are obliged to act in the interest of the Bank. When making decisions, they may not pursue personal interests nor exploit business opportunities with the Bank for their own purposes.

Article 26, paragraph 7, of the Articles of Association describes how conflicts of interest involving Supervisory Board members have to be managed in compliance with article 60bis – 18 (1) of the law of August 10, 1915 on commercial companies, as amended.

The remuneration of the Supervisory Board members (if any) is resolved by the Shareholders General Meeting, consistently with the guidelines defined by the Holding Company and explained in the Global Policy

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

In compliance with the Circular and the CSSF prudential authorisation procedure for the appointment of key function holders in credit institutions dated June 30th 2017 (hereinafter: “**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*”³ 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:
 - i. first and last names, place and date of birth, address and nationality of the candidate;
 - ii. education, as well as training and certificates in connection with the position applied;
 - iii. all jobs held by the candidate throughout his/her professional life by indicating the names and activities of the employers, a description of the responsibilities and the tasks carried out, the date of commencement of employment and the date of termination of employment including reasons for termination, starting with the most recent one;
 - iv. a comprehensive list of mandates and other functions currently held by the candidate, both remunerated and non-remunerated, specifying the average time (hours/month) required to discharge itself of its responsibilities under each of these mandates;
 - v. the mandates and other functions previously held in relation with a supervised activity;
 - vi. the current and previous approvals issued by a financial sector supervisory authority of any country as well as the nature, the scope and the duration of the approval;

³ The “Fit and Proper Declaration” is available on the CSSF website.

- vii. the additional available time (hours/month) that the candidate deems necessary to dedicate to the new position of Supervisory Board member.
- 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).

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

The same article also states that:

- the term of the office of a Supervisory Board member may not exceed six years;
- any member of the Supervisory Board may be re-elected for successive terms;
- members of the Supervisory Board may be removed by the Shareholders General Meeting at any time, without notice and without cause.

Article 24 of the Articles of Association specifies that the members of the Supervisory Board have the right to resign from their function at any time, and that in case a vacancy in the office of a member of the Supervisory Board for whatever reason occurs, such vacancy may not be filled on a temporary basis by the remaining Supervisory Board members.

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 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 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.

5. Organisation and operation of the Supervisory Board

As already mentioned at paragraph 2 of this document, the main responsibilities of the Supervisory Board are described at articles 28 and 29 of the Articles of Association.

5.A President and Vice-President of the Supervisory Board

- i. According to article 25 of the Articles of Association, the Supervisory Board elects from among its members a President and a Vice-President.
- ii. The President of the Supervisory Board is in particular in charge of the tasks assigned to him/her by the applicable legal and regulatory provisions, by the Articles of Association, and by the resolutions taken by the Supervisory Board.
- iii. The President represents the Supervisory Board externally. If the President is unavailable, the Vice-President acts in his/her place.
- iv. The President is in charge for convening and chairing the meetings of the Supervisory Board. In his/her absence, meetings are convened and/or chaired by the Vice-President. If also the Vice-President is absent, the Supervisory Board may appoint another member for chairing a meeting.
By chairing the meetings, the President promotes within the Board a culture of informed and contradictory discussion, and coordinates the work of the Board. He/she prepares the Supervisory Board decisions and monitors their implementation.
- v. The first meeting of the Supervisory Board after the appointment of the Supervisory Board members is chaired, until the election of the President, by the oldest member by years of age.
- vi. The President of the Supervisory Board maintains, in between meetings, ongoing contacts with the Management Board and in particular with the President of the Management Board, and discusses with him/her the matters relating to strategy and planning, business development and possible planning deviations, the risk situation, the risk management and the compliance of the Bank. The President of the Supervisory Board is informed without delay by the President of the Management Board of any events which are relevant for the assessment of the operation, management and risk and compliance status of the Bank; he/she notifies the Supervisory Board in this respect and, if necessary, convenes a special Supervisory Board meeting.

5.B Meetings of the Supervisory Board

- i. The Supervisory Board meets as many times as the business of the Bank requires, and at least every three months, as specified at article 25 of the Articles of Association.

- ii. Articles 25 and 26 of the Articles of Association also define the formalities for convening a Supervisory Board meeting, how a meeting can be held in the event of emergency, and how a member can be represented to a meeting by another member, or can attend a meeting by conference-call, videoconference or any other means of communication which allow such member's identification and which allow that all the persons taking part in the meeting hear one another on a continuous basis and may effectively participate in the meeting.
Also the rules for passing unanimous resolutions in writing, with the same effects as the resolutions passed at a Supervisory Board meeting duly held, are defined at article 26 of the Articles of Association.
- iii. According to article 26 of the Articles of Association, the Supervisory Board can act and deliberate validly only if at least half of its members are present or represented at a Board meeting.
Resolutions are adopted with the approval of a majority of the members present or represented, provided that at least two Supervisory Board members are physically present. In case of an equality of votes, the President of the Supervisory Board has a second or casting vote.
- iv. The Supervisory Board may choose a secretary, who does not need to be a Board member. The secretary draws the minutes of the Board meeting, which need to be signed, after review by all the members present at such meeting, by the President and the secretary. The minutes are submitted to the Board approval in the next meeting, and are kept in a secured cupboard under the responsibility of General Affairs function.
Any copy and any excerpt of the original minutes to be produced in judicial proceedings or to be delivered to any third party needs to be signed by the President or by any two Supervisory Board members.
- v. The language of the Supervisory Board meetings and all related documents is English. The English version of Board minutes, resolutions and documents is legally binding. If required, simultaneous translations can be provided at meetings by certified translators.
- vi. In the context of the Supervisory Board meetings, the Management Board provides the Supervisory Board with complete information on all relevant matters concerning the operation, management and risk and compliance status of the Bank.
It presents to the Supervisory Board the status of the strategy implementation, and provides explanations regarding the deviations from forecasts and approved budgets.
- vii. The Supervisory Board receives from the Management Board, on a regular basis and at least once a year, comprehensive written information about the implementation, adequacy, effectiveness and compliance with the internal governance arrangements.
- viii. The Management Board must inform the Supervisory Board when it becomes aware that the central administration and internal governance arrangements of the Bank no longer allow sound and prudent business management, or that the Bank is no longer or will no longer be able to manage the risks incurred.
In this case, the Supervisory Board instructs the Management Board to implement the appropriate corrective measures, and immediately informs the CSSF.

5.C Audit Committee

- i. Subject to applicable legal and regulatory provisions, the Supervisory Board may set up an Audit Committee from among its members, consisting of at least three Supervisory Board members who are free of any relationship that, in the opinion of the Supervisory Board, would interfere with the exercise of their independence from the Management Board and the Bank.
- ii. If an Audit Committee is set up, the Supervisory Board:
 - lays down in writing the Audit Committee mandate, composition and working procedures;
 - appoints the Audit Committee's members;
 - appoints the Chairman of the Audit Committee, who cannot be the President of the Supervisory Board.
- iii. The Chairman of the Audit Committee reports to the Supervisory Board, on a regular basis, on all matters falling within the competence of the Audit Committee.
- iv. In particular, the following matters are assigned to the Audit Committee:
 - Analyses concerning the External Auditor to be appointed for the certification of the financial statements of the Bank, taking into account UniCredit Group Guidelines.
 - Discussion of the audit report with the External Auditor and checking of risk monitoring.
 - Deliberation on the quality of the work performed by the External Auditor, its independence, objectivity and compliance with the professional ethics rules applicable to audit.
 - Monitoring of the financial reporting process.
 - Monitoring of compliance with legal, statutory and regulatory provisions for the drafting of the annual accounts.
 - Monitoring of the effectiveness of the risk management system.
 - Monitoring of the effectiveness of the internal control system.
 - Monitoring of the effectiveness of internal audit.
 - Deliberation on actions to be taken in case of weaknesses identified by the internal control functions and the External Auditor.
 - Review of the effectiveness of the system for monitoring compliance with laws and regulatory provisions and the results of management's investigations and follow-up (including disciplinary actions) of any instances of non-compliance and of the recommendations of internal and external audit.
 - Meeting, at least on a yearly basis, with the Chief Internal Auditor and the Chief Compliance Officer in separate session, without the presence of Management Board members.
 - Confirmation of the internal audit charter and the internal audit plan, before their submission to the Supervisory Board for approval.
- v. The Audit Committee conducts consultations on the basis of the reports received from the Management Board. In case the Audit Committee identifies risks, it requests the Management Board to provide appropriate clarification and reporting.
- vi. The Management Board must immediately submit to the Audit Committee any significant information on the risks incurred by the Bank.
- vii. The Audit Committee meets at least twice a year.

- viii. Meetings of the Audit Committee are convened by the Chairman. Written notice of any meeting of the Audit Committee is given to its members twenty-four hours at least in advance by mail, facsimile, electronic mail or any other means of communication, except in case of emergency, in which case the nature and the reasons of such emergency have to be indicated in the notice.
Written notices of Audit Committee meetings can be avoided or waived under the same conditions as stated at article 25 of the Articles of Association concerning the meetings of the Supervisory Board.
- ix. The Audit Committee may choose a secretary, who draws the minutes of the meetings. Minutes are signed by the Chairman and the secretary, are submitted to the Audit Committee approval in the next meeting, and are kept in a secured cupboard under the responsibility of the Chief Internal Auditor.
- x. Three-fourths of the members of the Audit Committee, or two members in case the Audit Committee is composed of three members, constitute a quorum.
- xi. If not differently stated in these Rules of Procedure or in the Audit Committee mandate, the same rules established for the operation of the Supervisory Board apply for the operation of the Audit Committee.

6. Date of implementation – modification of this internal procedure

This internal procedure comes into force after its approval by the Supervisory Board.

The Supervisory Board assesses on a regular basis the internal procedure governing its operation, in order to improve it and ensure its effectiveness.