

Guiding principles, policy and procedure governing the appointment, succession, resignation and removal of Members of the Management Body and other Key Function Holders

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1. INTRODUCTION

The Supervisory Board of UniCredit International Bank (Luxembourg) S.A. (the **Bank**), in its functions of supervision and control, and with the aim 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, defines and issues the present guiding principles, policy and procedure governing the appointment, succession, resignation and removal of members of the Management Body and other key function holders (the **Policy**) in accordance with applicable laws and regulations and in accordance with rules and procedures in place at the UniCredit Group's level as further detailed below.

This Policy is in particular issued in accordance with the following requirements:

- Law of 5 April 1993 on the financial sector, as amended (the **LFS**);
- Law of 7 December 2015 on the insurance sector (the **LIS**);
- CSSF circular 12/552 on central administration, internal governance and risk management, as amended (the **CSSF Circular**");
- the CSSF prudential procedure for the appointment of members of the management body and key function holders in credit institutions applicable as from 1st January 2021 (the **Prudential Procedure**);
- the joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU of 2 July 2021 (EBA/GL/2021/06) (the **EBA Guidelines**);
- the ECB Guide to fit and proper assessments (updated in December 2021 in line with the EBA Guidelines) (the **ECB Guide**);
- CAA circular Letter 19/5 introducing new forms for the notification of natural persons subject to CAA supervision (the **CAA Circular Letter**);
- the Bank's conflicts of interest policy for members of the Management Board and members of the Supervisory Board (the **Conflicts of Interest Policy**);
- the UniCredit Group Global Rule 2021_013 "Global Policy – General Guidelines on the structure, composition and remuneration of the Corporate Bodies of Group Subsidiaries, as well as procedures for the appointment of the Group designated corporate officers" dated January 2021 (the **Group Global Policy**);
- the UniCredit Group Global Rule 2022_125 "Global Process Regulation – Procedures for the definition of the Corporate Bodies of the Subsidiaries in terms of structure, composition and remuneration and for the appointment of the corporate officers appointed by the Group" (the **Group Global Process Regulation**).

Further legal, corporate and regulatory texts will or may also be of relevance, such as general corporate law applicable, the Articles of Association of the Bank and the internal rules and regulations of the Management Board of the Bank and, in particular in relation to the application of the principle of proportionality, the EBA Guidelines on Internal Governance

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(EBA/GL/2021/05) as well as for competencies of the ECB the SSM Regulation¹ and the SSM Framework Regulation².

For the purpose of this Policy, and in compliance with Point 1, 9) of the Part I. of the CSSF Circular as well as with the Prudential Procedure, "**Key Function Holders**" refers to the heads of functions whose performance allows a significant influence over the conduct or monitoring of the activities of the institutions. They include, in particular, the heads of the three internal control functions in all institutions, i.e. the Chief Risk Officer (**CRO**) for the risk control function, the Chief Compliance Officer (**CCO**) for the compliance function and the Chief Internal Auditor (**CIA**) for the internal audit function, as well as the head of the financial function (Chief Financial Officer, **CFO**) in significant institutions.

This Policy applies to the following function holders, identified as members of the Management Body (as defined here below) and/or as Key Function Holders within the Bank:

- members of the Supervisory Board;
- members of the Management Board (together with the Supervisory Board the **Management Body** in accordance with point 1, 5) of the Part I. of CSSF Circular);
- persons in charge of the internal control functions as defined by the Circular and the Prudential Procedure:
 - the Chief Risk Officer;
 - the Chief Compliance Officer;
 - the Chief Internal Auditor.

The Bank currently does not qualify as a significant institution (*établissement d'importance significative*) within the meaning of point 1, 4) of the Part I. of CSSF Circular and the Bank therefore does not consider the CFO as being in scope of this Policy. Additional function holders within the Bank are also not considered by the Bank as being Key Function Holders and within the scope of this Policy.

The Supervisory Board promotes the adoption of all appropriate measures allowing the Bank to appoint as members of the Management Body and Key Function Holders people with high levels of professional and personal skills.

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, the approval of members of the Management Body and Key Function Holders must be given in advance following an in-depth assessment of the candidate.

In this respect, the assessment must in particular ensure that members of the Management Body and Key Function Holders are of good repute, honesty, integrity and independence of

¹ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

² Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (ECB/2014/17).

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mind and that they possess appropriate knowledge, skills, experience and availability required to fulfil their duties.

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 principles set out below, the Prudential Procedure, the EBA Guidelines and the ECB Guide.

The Bank must comply with this Policy whenever material changes occur, including *inter alia*:

- when a change in the qualifying shareholding structure occurs;
- when appointing new members of the Management Body (including subsequent material changes that affect their functions);
- when re-appointing members of the Management Body, if the requirements of the position have changed or if the member is appointed to a different position within the Management Body; or
- when appointing new Key Function Holders.

The entry into office of a new member of the Management Body can only take effect after the approval by the competent supervisory authorities. The *Commission de Surveillance du Secteur Financier (CSSF)* and the European Central Bank (ECB), have to be informed immediately and without delay about the appointment as well as about the departure of members of the Management Body and Key Function Holders.

The prior notification to or approval of the *Commissariat aux Assurances (CAA)* must also be obtained in accordance with Articles 274 and 280 *et seq.* of the LIS, where the relevant member of the Management Body or Key Function Holder change triggers such requirement due to the insurance brokerage firm (*société de courtage d'assurances*) status of the Bank in addition to its credit institution licence status, notably where a Management Body member or Key Function Holder is authorized as a brokerage firm authorized manager (*dirigeant agréé de société de courtage d'assurances*), authorized insurance broker (*courtier agréé*) or authorized insurance sub-broker (*sous-courtier agréé*) of the Bank in accordance with the relevant provisions of the LIS and CAA Circular Letter.

The Human Resources, Legal and Compliance departments shall be involved with a view to the Bank liaising with the CAA for determining and accomplishing the required CAA regulatory process in cooperation with the leaving Management Body member or Key Function Holder and/or candidate Management Body member or Key Function Holder.

2. RULES REGARDING MEMBERS OF THE MANAGEMENT BODY

2.1 Appointment of members of the Management Body

The appointment of a member of the Management Body must be preceded by the assessment of the candidate. Such assessment must comply with the requirements of the CSSF Circular, the Prudential Procedure, the EBA Guidelines, the ECB Guide and the Group

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Global Policy and Global Process Regulation, and must be documented in a written assessment report.

When assessing a candidate, the Bank should:

- gather information on the assessed individual's suitability through various channels and instruments (e.g. diplomas and certificates, recommendation letters, curriculum vitae, interviews, questionnaires);
- gather information on the reputation, integrity and honesty and independence of mind of the assessed individual;
- require the assessed individual to verify that the information provided is accurate and to provide proof of information, where necessary;
- require the assessed individual to declare any actual and potential conflicts of interest;
- validate, to the extent possible, the correctness of the information provided by the assessed individual;
- evaluate the assessment results and adopt corrective measures where necessary.

In order to assess the suitability of the candidate, the Bank should in particular assess the criteria and items listed in Title VII as well as in Annex II and Annex III of the EBA Guidelines together with the Group Guidelines and the ECB Guide. The Group Guidelines notably provide for qualitative and quantitative criteria that must be assessed before the appointment of new members of the Management Body. These criteria include inter alia that:

- The Management Body must be composed by a sufficient number of members with appropriate professional and personal skills, including adequate knowledge, skills, experience and appropriate integrity requisites for meeting its responsibilities, in accordance with the criteria set out in the Group Global Policy and Group Global Process Regulation, Sections 6 and 8 of the EBA Guidelines and the ECB Guide.
- The personal qualities of the Management Body members enable them to properly perform their mandate, with the required commitment, availability, objectivity, critical thinking and independence, in accordance with the criteria set out in the Group Global Policy and Group Global Process Regulation, Section 9 of the EBA Guidelines and the ECB Guide.
- Section 4.2.2 of the Part II. of the CSSF Circular further requires that the members of the authorised management, i.e. of the Management Board, shall, both individually and collectively, have the necessary professional qualifications (knowledge, skills and experience), the good repute and personal qualities to permit them to manage the Bank and determine the business direction effectively.

In addition, the assessment of the members of the Supervisory Board should in particular fulfil the requirements regarding the balance of composition of the Supervisory Body set out in Section 4.1.2. of the Part II. of the CSSF Circular, the ECB Guide and Section 2.1.1. C. of the Group Global Policy.

The following principles must also be strictly complied with:

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- 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 Management Body 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. The Bank shall involve its Compliance department, in respect of the assessment of the compatibility of the appointment of a candidate with the Conflicts of Interest Policy of the Bank.
- The chairperson of the Supervisory Board shall ensure a balanced composition thereof, in particular in terms of diversity, shall ensure its proper functioning, shall promote a culture of informed discussion in which all parties are heard and shall propose the appointment of independent members. The chairperson of the Supervisory Board shall not exercise executive functions within the Bank, save in exceptional situations to be authorised by the competent authority and where permitted under the Articles of Association of the Bank and corporate law.
- Appropriate measures, including professional training, have to be taken in order to ensure that the members of the Management Body are and remain qualified throughout their mandate.
- In accordance with point 22 of the Part II. of the CSSF Circular and Section 10 of the EBA Guidelines, there shall be in particular a specific induction training of new Supervisory Board members in order for them to understand the structure, business model, risk profile and governance arrangements and the role of the Supervisory Board members within them (receipt of key information 1 month after taking up their position at the latest; induction to be completed within 6 months after taking up of position at the latest) and then vocational training programs permitting to the Supervisory Board members, on the one hand, to understand the operations of the Bank and their role and, on the other hand, to remain up-to-date and develop their skills. Section 10 of Title III of the EBA Guidelines provide further detail.
- The induction and training programs and necessary training measures for Management Body members shall be established and determined in more detail by the Management Body with input from the HR function and the function responsible for the budgeting and organization of training as well as relevant internal control functions, where appropriate (paragraphs 100 and 101 of EBA Guidelines). The induction and training of members of the Management Body, shall be planned, scheduled and carried out in accordance with the rules set out under Sections 10 and 11 of the EBA Guidelines and the Bank's Induction and Training Policy implementing those sections.
- The Bank shall at least have one independent member on the Supervisory Board in accordance with point 23 of the Part II. and Annex I of the CSSF Circular. In case there is no independent member on the Supervisory Board, appropriate measures shall be taken by the Bank to remediate to the situation and find, assess, elect and appoint a suitable candidate as soon as possible.

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The impact of an appointment on the collective suitability of the Management Body, and in particular of the Supervisory Board, must be assessed in accordance with the criteria set out in Sub-Chapter 4.1.2 of the CSSF Circular, the EBA Guidelines (notably Sections 7, 12 and 19) and the ECB Guide. The Bank must in particular assess whether the diversity (meaning the characteristics of the members of the Management Body, including their age, gender, geographical origin and educational and professional background) and the collective knowledge, skills and experience remain adequate considering the Bank's business model and the nature, scale and complexity of its activities and inherent risks. While the Management Board should collectively have a high level of managerial skills, the Supervisory Board should collectively have sufficient management skills to organise its tasks effectively and to be able to understand and challenge the management practices applied and decisions taken by the Management Board (the authorized management (*direction autorisée*) of the Bank). For collective suitability assessments, the Bank shall use the template for the assessment of collective suitability enclosed as Annex I to the EBA Guidelines. The diversity assessment shall be made, and diversity objectives shall be reached, in accordance with the diversity policy of the Bank and in accordance with Title V (section 12) of the EBA Guidelines.

Another aspect which must be taken into account is whether the candidate is able to commit sufficient time to perform his or her functions and responsibilities including understanding the business of the institution, its main risks and the implications of the business and the risk strategy. The criteria listed in point 43 of the EBA Guidelines and in point 3.4 of the ECB Guide shall be taken into account when assessing the sufficient time commitment of a candidate. The Bank shall record in writing the roles, duties and required capabilities of the various positions within the relevant Management Body and the expected time commitment required for each position, also taking into account the need to devote sufficient time for induction and training.

The assessments of persons concerned or of the relevant Management Body as a whole as well as re-assessments (including in each case also the conclusions of such assessments) and appointment decisions shall be documented in writing in accordance with point 12 of the Prudential Procedure, as well as with CSSF Circular, the EBA Guidelines and the ECB Guide.

Following the assessment process, members of the Supervisory Board are appointed by the Shareholders General Meeting, in compliance with Article 23 of the Articles of Association and members of the Management Board are appointed by the Supervisory Board in accordance with Article 13 of the Articles of Association. The appointment as chairperson or president of the Management Body is to be made in accordance with the Articles of Association and the relevant Management Body regulations.

In compliance with the CSSF Circular and the Prudential Procedure, the effectiveness of the appointment of a member of a Management Body is subject to obtaining the prior approval by the ECB for the specific role in the Supervisory Board or Management Board.

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In compliance with the Prudential Procedure and the ECB Guide, the authorisation file to be submitted via the ECB's IMAS Portal shall provide at least the following documents:

- the “FAP Luxembourg” online declaration to be filled in directly in the IMAS Portal;
- all the annexes as listed in the section 8 of the FAP Luxembourg declaration;
- detailed and comprehensive professional curriculum vitae covering the candidate's academic and professional past and including inter alia the information listed in Annex III, paragraph 1 of the EBA Guidelines;
- 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);
- others (where applicable).

In addition, the appointment of executives of the Bank as an insurance brokerage firm is subject to a prior approval by the CAA as well as the registration in the register of distributors for insurance and reinsurance intermediaries.

The authorization file shall provide at least the following documents:

- the FP3 form "Application for approval or for notification of a natural person as a broker, a licensed manager ("Dirigeant agréé") or as a member of the board of directors of a brokerage firm" available on the CAA's website;
- all the annexes listed in the form.

Further requirements apply to changes of Management Body members generally and to changes or new appointment of authorized brokers or sub-brokers within the Bank in its capacity as insurance brokerage firm (see for further guidance Section 1 (*Introduction*) above). The suitable departments of the Bank (such as in particular legal, compliance and HR) shall be involved for analyzing the applicable requirements and process and to seek assistance with the accomplishment of the selection of candidate for new positions and relevant notification or approval processes with the CAA.

2.2 Renewal of members of the Management Body, modification of mandate or occurrence of certain events

When the functions of a Management Body member are significantly modified, be it on the occasion of the renewal of or during term of the mandate (including notably a change in the executive or non-executive nature of the mandate), or when an event occurs and triggers the necessity of a reevaluation according to the Prudential Procedure, the EBA Guidelines or the ECB Guide (e.g. doubts on suitability arising, formal review of the internal governance arrangements (e.g. due to change of business model or inherent risks), significant incident on the reputation of a person concerned, departure of Management Body member without replacement, and more generally any other event that is capable of having a significant

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impact on the suitability of the persons concerned), the individual suitability of the candidate and the collective suitability of the Management Body must be formally reassessed taking into account the impact of the relevant new elements on the rules and principles set out in Section 2.1. of the Policy.

When the functions of a Management Body member are significantly modified, be it on the renewal of or during term of the mandate, the Bank shall transmit to the CSSF/ECB, in accordance with paragraph 15 of the Prudential Procedure, a modifying file containing all elements having changed compared to the initial file for the person(s) concerned, as well as the results of the reassessment carried out by the Bank.

The Bank shall further inform the CSSF/ECB without delay (*sans délai*) of the renewal of a mandate of a Management Body member (without any change in the executive or non-executive nature of the mandate).

The Bank shall further inform the CSSF/ECB without delay (*sans délai*) of any event or information of which the Bank gains knowledge and which is capable of calling into question the suitability of a person concerned, any significant vacancy detected concerning the collective composition of the Management Body as well as corrective measures envisaged by the Bank and the deadline for their implementation, in accordance with point 16 of the Prudential Procedure.

2.3 Resignation or removal of members of the Management Body

In case of resignation of a member of the Management Body, the Bank shall notify the CSSF/ECB at short notice (*dans les meilleurs délais*). The notification shall comprise all the reasons stated by the resigning person and, where applicable, the letter/agreement of resignation.

In case of dismissal or internal removal (*mutation interne*), the Bank must notify the CSSF/ECB immediately by providing a detailed and comprehensive justification of this decision. The Bank shall not omit any argument having influenced the decision or having been invoked vis-à-vis the person concerned.

The dismissal or internal removal (*mutation interne*) of the Management Body member requires a prior decision or written approval by the Supervisory Board, which needs to be enclosed to the notification of the CSSF/ECB. At the request of the CSSF/ECB, the Bank needs to provide also a copy of the dismissal letter or reasoning letter as the case may be addressed to the person concerned.

On the occasion of the above notifications to the CSSF/ECB, the Bank is required to specify whether and when it intends to replace the person concerned.

The above notifications shall be made, in accordance with point 25 of the Prudential Procedure electronically without delay (*sans délai*) and the files submitted need to contain any information and documents required. The Bank has to confirm in the accompanying

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letter that the documents submitted in the file constitute a true copy of the originals and that the originals are or will be kept in the archives of the Bank.

A reassessment of the Management Body as a whole must be carried out in order to ensure the collective suitability of the Management Body in accordance with points 18 and 24 of the Prudential Procedure.

3. RULES REGARDING PERSONS IN CHARGE OF THE INTERNAL CONTROL FUNCTIONS

3.1 Appointment of 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 by the Management Board.

The appointment of persons in charge of the internal control functions must be preceded by the assessment of the candidate. Such assessment must comply with the requirements of the Prudential Procedure (notably point 14 thereof) and the EBA Guidelines, and must be documented in a written assessment report, including the conclusions of the assessment.

When performing this assessment, the Supervisory Board takes into account the candidate's professional skills and personal qualities and assesses them 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 notified in writing electronically without delay (*sans délai*) by the Bank to the competent authority (ECB – Joint Supervisory Team) with a complete file which shall contain at least the following documents:

- a "Fit & Proper" declaration for key function holders published on the CSSF's website, filled in with due care and signed by the institution in the spaces provided;
- 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 covering the candidate's academic and professional past and including inter alia the information listed in Annex III, paragraph 1 of the EBA Guidelines;
- board minutes regarding the appointment;

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- others (where applicable);
- a confirmation of the Bank that the appointment has been duly approved by the Supervisory Board in compliance with point 118 of the Part II. of the CSSF Circular and that it complies with the present Policy and the Conflicts of Interests Policy;
- a confirmation that the appointment has been preceded by an individual assessment (any information or negative information about the person to be appointed and the reasons why the Bank considers that this information should not constitute an obstacle for such appointment should be included in the assessment report).

Additionally, the Bank shall confirm in the accompanying letter that the documents submitted in the file constitute a true copy of the originals and that the originals are or will be kept in the archives of the Bank.

The appointment of a holder of an internal control function does not require any formal agreement from the competent authority, if that person is not expected to become a member of the authorised management (*direction autorisée*), i.e. the Management Board, of the Bank.

Reassessments of holders of internal control functions are to be made in accordance with the EBA Guidelines. In case of reassessment triggering events (e.g. new material facts), the Bank shall consider communication with the CSSF/ECB and where appropriate (or required) proceed with such communication.

3.2 Resignation or removal of a holder of an internal control function

In case of resignation or amiable termination of the employment contract of a holder of an internal control function, the Bank shall notify the ECB (JST) at short notice (*dans les meilleurs délais*). The notification shall comprise all the reasons stated by the resigning person and, where applicable, the letter/agreement of resignation.

In case of dismissal or internal relocation (*mutation interne*), the Bank must notify the ECB (JST)/CSSF immediately by providing a detailed and comprehensive justification of this decision. The Bank shall not omit any argument having influenced the decision or having been invoked vis-à-vis the person concerned.

The dismissal or internal relocation (*mutation interne*) of the internal control function holder requires a prior decision or written approval by the Supervisory Board, which needs to be enclosed to the notification of the ECB (JST)/CSSF. At the request of the ECB/CSSF, the Bank needs to provide also a copy of the dismissal letter or reasoning letter as the case may be addressed to the person concerned.

On the occasion of the above notifications to the ECB (JST)/CSSF, the Bank is required to specify whether and when it intends to replace the person concerned.

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The above notifications shall be made, in accordance with point 26 of the Prudential Procedure electronically without delay (*sans délai*) and the files submitted need to contain any information and documents required. The Bank has to confirm in the accompanying letter that the documents submitted in the file constitute a true copy of the originals and that the originals are or will be kept in the archives of the Bank.

By introducing the file of a member of the Management Body or Key Function Holder, the Bank and the concerned person accept that the information of the file are processed by the CSSF and the ECB in accordance with their respective procedures and the regulation in force.

4. MISCELLANEOUS

The communication with the competent authorities in relation to the matters covered by this Policy shall in principle be made by the Management Board member in charge of communicating with the competent authorities, without prejudice to the right of the president of the Supervisory Board to communicate with competent authorities (notably where the assessment, appointment or other change of Management Board members is at stake).

The remuneration of Management Body members or Key Function Holders is subject to specific legal and regulatory provisions and governed by dedicated policies of the Bank and UniCredit Group. These have to be complied with when agreeing on the remuneration of Management Body members and Key Function Holders.

In case of any conflict of this Policy with applicable mandatory laws or regulations or published administrative practice of the ECB or the CSSF (including for instance amendments to the laws and regulations or updates of or further specifications to the published administrative practice referred to herein), such laws, regulations or practice shall prevail and be complied with by the Bank.

Where required or deemed appropriate for the appointment, succession, resignation and removal of Management Body members and Key Function Holders and related processes, the Management Board of the Bank (supported by appropriate functions of the Bank) may supplement this Policy by further implementing processes and procedures, which shall be approved by the Supervisory Board to the extent required by the CSSF Circular. Such processes and procedures may for instance further specify the processes for drafting a description of the roles and capabilities expected for a particular appointment, the pre-selection and selection of candidates, the (re-)assessment of candidates or existing Management Body members or Key Function Holders and the drawing up of assessment reports to be reported to the appointing body before decision taking, the appointment, the re-appointment and the succession planning of Management Body members and other Key Function Holders, including responsibilities of internal support functions for the assessment (e.g. HR) and documentation detail specific aspects.