

**GROUP PROCEDURES  
REGULATING THE CONDUCT OF  
TRANSACTIONS WITH RELATED  
PARTIES  
OF INTESA SANPAOLO S.P.A.,  
ASSOCIATED ENTITIES OF THE  
GROUP AND RELEVANT PARTIES  
PURSUANT TO ART. 136 OF THE  
CONSOLIDATED LAW ON BANKING**

*PURSUANT TO:*

- I) CONSOB REGULATION ADOPTED BY RESOLUTION NO. 17221 OF 12 MARCH 2010 AS SUBSEQUENTLY AMENDED*
- II) TITLE V, CHAPTER 5 OF THE NEW REGULATIONS FOR THE PRUDENTIAL SUPERVISION OF BANKS (CIRCULAR 263 OF 27 DECEMBER 2006, UPDATE NO. 9 OF 12 DECEMBER 2011)*
- III) ART. 136 OF ITALIAN LEGISLATIVE DECREE 385/1993*

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## **PART I - REFERENCE FRAMEWORK**

### **PREMISE AND GROUP SCOPE OF APPLICATION**

The Intesa Sanpaolo Group has special controls in place to govern the risk deriving from potential conflicts of interest connected with the particular proximity of certain parties to the company decision-making centres.

The control system deriving from these procedures as a whole aims to ensure objectivity and impartiality in decisions of corporate groups, in the interest of their sound, prudent management. To this end, specific risk management procedures must be applied to decisions and contractual relationships concerning transactions with Board Members and General Managers, Key Managers, main shareholders, subsidiaries and associates and other related entities.

In particular, the special regulations adopted by **Consob** for **companies with listed shares or shares widely distributed among the public** and by the **Bank of Italy** for **banks and banking groups, as well as the banking rules on the obligations of Board Members and General Managers** require the adoption of procedures and controls referring to relations with two sets of entities, partially overlapping, with respect to which the Group operations are subject to a different type of measure: “related parties”, “associated entities” and “board members and general managers and entities related thereto” in accordance with art. 136 of Italian Legislative Decree no. 385/1993 (all collectively defined as “**Relevant Parties**”).

The controls envisaged in the reference regulations for transactions with said set of entities concern the following aspects:

- i) the preliminary assessment and decision-making process for transactions concluded with Relevant Parties;
- ii) Reporting to corporate bodies for the transactions concluded with related parties and with associated entities;
- iii) market disclosures on transactions with related parties;
- iv) the prudential limits and periodic reporting obligations to the Bank of Italy on risk-related activities pertaining to associated entities.

The special measures of an organisational and procedural nature referring to relations with such sets of entities are in addition to the more general rules for preventing conflicts of interest. The latter also refer to transactions in which the need for control is not driven by the nature of a particular category of counterparties, representing a significant interest external to that of the Group. The general rules are based on a principle of disclosure and abstention by Board Members and General Managers, employees and collaborators in conflict of interest.

Intesa Sanpaolo S.p.A. (hereinafter, also “**Intesa Sanpaolo**”, the “**Parent Company**” or the “**Company**”) and its direct or indirect Italian and international subsidiaries subject to management and coordination by Intesa Sanpaolo (“**Subsidiaries**”) apply and maintain a policy for management of transactions with Relevant Parties in line with the applicable procedures, as an integral part of the rules for preventing conflicts of interest applied by the Group.

These Procedures (hereinafter, also “**Procedures**”) establish the following for the entire Intesa Sanpaolo Group (hereinafter, also “**Group**”, to be understood as inclusive of the Parent Company and all the Italian and international subsidiaries):

I) with regard to transactions with related parties of Intesa Sanpaolo and associated entities of the Intesa Sanpaolo Group

- the criteria for identifying related parties and associated entities (see section 3);
- cases of exemption from application of the rules on assessment, decision-making and reporting to corporate bodies and from market disclosure rules (see section 5);
- the procedures for assessment, proposal of and resolution on transactions with related parties and associated entities (see sections 7 and 8);
- the subsequent requirements for reporting on transactions with related parties and associated entities to the corporate bodies of the Parent Company (see section 9);
- the controls applied to transactions concluded with related parties and associated entities that give rise to losses, reclassification as doubtful and settlement agreements ordered through legal proceedings or arranged out of court (see section 9 and Attachment 5);
- the controls required to ensure disclosure of transactions with related parties and financial reporting to the market (see section 10).
- the restrictions on risk-related activities pertaining to associated entities (see section 11);
- periodic reporting obligations to the Bank of Italy on risk-related activities pertaining to associated entities (see section 17);

II) with reference to the transactions with the Board Members and General Managers of Italian banks and entities related to them in accordance with art. 136 Legislative Decree no. 385/1993 (hereafter also “Relevant Parties for the purpose of art. 136 of the Consolidated Law on Banking”)

- the criteria to identify Board Members and General Managers and entities related to them (cf. section 12).
- the transactions concerned and the exemptions (cf. sections 13 and 14);
- the preliminary assessment and decision-making process for the transactions (cf. sections 15 and 16);

III) with reference to the transactions with all Relevant Parties

- the rules regarding organisational controls and monitoring (see section 17).

Note that the Procedures also establish general rules for managing personal interests of Board Members and General Managers, employees and collaborators also other than Relevant Parties (see section 17.1.1).

All of Intesa Sanpaolo's direct or indirect subsidiaries, in Italy or abroad, are required to implement these Procedures, which are adopted by the Parent Company as Group procedures, by resolution of the respective competent bodies, also pursuant to art. 61, paragraph 4, of Italian Legislative Decree no.385/1993 (the “**Consolidated Law**”

**on Banking” or “TUB”)** and art. 114 of Legislative Decree no. 58/1998 (**“Consolidated Law on Finance” or “TUF”**).

In particular, these Procedures are applicable in full by Subsidiaries, except for the decision-making rules indicated specifically for the Parent Company (see section 8.1) and the rules regarding restrictions on risk-related activities and supervisory reports applying only to companies forming part of Intesa Sanpaolo Banking Group (see section 11). The Procedures contain guidelines and coordination measures referring to the Subsidiaries (see section 18).

This is without prejudice to the fact that the Subsidiaries that are not subject to the guidance or coordination by Intesa Sanpaolo are not obliged to acknowledge and apply these Procedures. Nevertheless, for the purpose of disclosure to Bodies, to the Supervisory Authorities and to the market, Intesa Sanpaolo shall gather the information that needs to be acquired from said companies, in the cases in which the regulation makes reference thereto.

These Procedures and any related amendments are published on the Intesa Sanpaolo website, as well as in the annual report on operations, by referring to said site, and by way of other methods envisaged in Consob provisions on regulated disclosure.

## **1. REFERENCE REGULATIONS**

**1.1.** By virtue of the provisions of art. 2391 bis of the Italian Civil Code, the management boards of open joint stock companies must adopt, according to general principles indicated by Consob, rules which ensure “transparency and substantial and procedural fairness of all transactions with related parties” carried out directly or through subsidiaries.

The control body is required to monitor compliance with the rules adopted and reports on such monitoring at the shareholders’ meeting.

For the purpose of regulating the above mentioned subject, Consob adopted the Regulations containing provisions relating to transactions with related parties, approved on 12 March 2010, with resolution no. 17221, later amended by resolution no. 17389 of 23 June 2010 (hereinafter, also “**Consob Regulation**”). The Consob Regulation also contains provisions implementing articles 114 and 154 ter of the Consolidated Law on Finance on immediate and periodic disclosure. In a subsequent communication, Consob also provided indications on the approach it intends to take in supervising the implementation of the regulations <sup>(1)</sup> and made specific requests pursuant to art. 114, paragraph 5, of the Consolidated Law on Finance, in a specific subsequent communication <sup>(2)</sup>.

The overall regulations established aim to strengthen the protection of minority shareholders of companies with shares listed on regulated markets or widely distributed among the public.

**1.2** In line with the provisions of art. 53, paragraph 4 et seq. of the Consolidated Law on Banking, the Bank of Italy is responsible for regulating conflicts of interest and the conditions and restrictions on undertaking risk-related activities involving persons that could have direct or indirect influence over management of the bank or banking group and its associated entities, in line with CICR (Interministerial Committee for Credit and Savings) instructions.

In implementation of those provisions, the CICR adopted resolution no. 277 of 29 July 2008, in accordance with which the Bank of Italy issued on 12 December 2011 the enactment regulations - contained in Title 5, Chapter 5, of the New Regulations for the Prudential Supervision of Banks and Banking Groups - Circular no. 263 of 27 December 2006 (hereinafter also referred to as the “**Bank of Italy Regulations**”). These regulations apply at individual level to banks authorised in Italy and at consolidated level to banking groups. For certain provisions the regulations also regard international subsidiary banks and other Group companies.

The established regulations aim to preserve objectivity and impartiality of decisions on granting loans and on other transactions, and to avoid possible distortion in the resource allocation process and the banks’ exposure to risks that are not adequately monitored.

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<sup>1</sup> Consob Communication no. DEM/10078683 of 24 September 2010. Consob also amended the Regulation on Markets in relation to the rules for listing companies controlled by other listed companies.

<sup>2</sup> Consob Communication no. DEM/10094530 of 15 November 2010.

**1.3** Art. 136 of the Consolidated Law on Banking governs the special terms that the Italian banks must observe to conclude financial transactions with their Board Members and General Managers <sup>(3)</sup>.

The regulation prescribes the obligations necessary to overcome the prohibition stated in general terms for the Board Members and General Managers of Italian banks (understood as the subjects who perform "administrative, management, or control functions" in said companies) to take on any obligations of any type or make any purchases or sales, directly or indirectly, with the bank in which said persons carry-out their duty as Board Member or General Manager

Said prohibition may be overcome only subject to the implementation of a special resolution procedure (an unanimous favourable resolution by the Board of Directors, with the exclusion of the vote of the Board Member or General Manager concerned and a favourable vote by all members of the of the control body). The violation of the abovementioned regulation is also criminally punished.

**1.4** It is important to note that, for a large group such as the Intesa Sanpaolo Group, said regulations must be harmonized and applied concurrently with other similar provisions.

It remains understood that for financial reporting, legal regulations and the international accounting standards shall apply for the purpose of preparing the annual and half-yearly reports (in compliance with IAS 24), which sets forth specific disclosure requirements for transactions with related parties, as defined by the IAS <sup>(4)</sup>. This accounting regulation must be applied by all Group companies which report in compliance with the IAS, for this purpose being required to disclose transactions carried out by each of these companies also with their own related parties.

From this point of view, the illustration of transactions with related parties of Intesa Sanpaolo to the market falls under the administrative and accounting procedures which must be prepared by the Manager responsible for preparing the Company's financial reports, pursuant to the third paragraph of art. 154 *bis* of the Consolidated Law on Finance. To this end, these Procedures are coordinated with the Guidelines for Administrative Financial Governance adopted by the Group.

Similarly, for Group insurance companies, it is necessary to consider application of the special rules for intragroup transactions envisaged by IVASS <sup>(5)</sup>.

In addition to the abovementioned special rules, further specific rules provided for by the Consolidated Law on Banking are added as regards the agreements regarding

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<sup>3</sup> Please note that the text of art. 136 of the Consolidated Law on Banking was significantly amended by Italian Law no. 221 of 17 December 2012 (Law converting Decree Law no. 179 of 18 October 2012, laying down additional urgent measures for the Country's growth - the so-called. "*Crescita bis* Decree Law") and more recently by Italian Legislative Decree no. 72. of 12 May 2015.

<sup>4</sup> In this regard, it is important to note that the definition of related party set forth in IAS 24 - as recently amended by EU Regulation no. 632 of 19 July 2010 and applied to financial year 2011 - does not fully match the definition included in the Consob Regulation, as it deviates on several aspects.

<sup>5</sup> This is the regulation ISVAP (currently IVASS) adopted implementing articles from 215-*quater* to 216-*bis* of Italian Legislative Decree no. 209/2005 (the Private Insurance Code).



intragroup financial support, transposing the EU regulations on the recovery and resolution of credit institutions and of investment companies <sup>(6)</sup>.

Clearly, special and general corporate law provisions governing conflicts of interest in relation to transactions with specific related parties, such as shareholders and the members of the corporate bodies (art. 2391 of the Italian Civil Code and the related provisions on criminal offences pursuant to art. 2629 *bis*, art. 2634, and art. 2373 of the Italian Civil Code, art. 53, paragraph 4, of the Consolidated Law on Banking, article 6, paragraph 2-*novies*, of the Consolidated Law on Finance) and the companies exercising management and coordination activities (art. 2497 of the Italian Civil Code), remain valid.

## **2. ADOPTION OF THE RULES**

**2.1** Intesa Sanpaolo adopted the one-tier corporate governance system. In line with said structure, the Board of Directors defines the rules intended to ensure that the Intesa Sanpaolo Group's operations with Relevant Parties are carried out in accordance with the provisions of Consob Regulations, the Bank of Italy Regulations, and art. 136 of the Consolidated Law on Banking.

Resolutions are passed subject to obtaining a detailed, justified favourable opinion of the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group and the Management Control Committee, in its capacity as control body. Said Board Committees are composed entirely of Independent Directors pursuant to the Corporate Governance Code of listed companies, and pursuant to art. 148, paragraph 3, of the Consolidated Law on Finance.

**2.2** Using the same process set forth for their adoption, the Procedures are generally reviewed every three years or upon the occurrence of relevant circumstances which require amendments and/or integrations, to ensure that the measures identified are closely monitored and consistency is ensured with the overall framework of compliance risk management rules within the Group. The Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group and the Management Control Committee express their opinion also with regard to any decision not to proceed with any amendment, upon completing the assessment of the existing procedures.

The Corporate Affairs and Advisory Department may adopt any amendments that do not concern essential elements of these Procedures in order to ensure the adoption of legislative provisions, subject to a favourable opinion of the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group and the Management Control Committee.

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<sup>6</sup> These are the provisions set forth by articles 69-*duodecies* – art. 69-*septiesdecies* of the Consolidated Law on Banking.

## **PART II - THE REGULATION OF TRANSACTIONS WITH RELATED PARTIES OF INTESA SANPAOLO AND ASSOCIATED ENTITIES OF THE GROUP**

### **3. RELATED PARTIES OF INTESA SANPAOLO AND ASSOCIATED ENTITIES OF THE INTESA SANPAOLO GROUP**

#### **3.1 Related Parties of Intesa Sanpaolo**

Based on the definitions in the Consob Regulations, transactions with **related parties of Intesa Sanpaolo** (hereinafter “**ISP Related Parties**”) are those carried out by the Parent Company or by another company of the Group with a party which:

- a) *controls* Intesa Sanpaolo, directly or indirectly, also through subsidiaries, trustees or through a third party, even jointly or *is controlled* by or is *under common control* with Intesa Sanpaolo or possesses an interest in Intesa Sanpaolo which enables it to exercise *significant influence*;
- b) is an *associate* of Intesa Sanpaolo;
- c) is a joint venture in which Intesa Sanpaolo is a participant;
- d) is one of the Key Managers of Intesa Sanpaolo or its parent, if any;
- e) is a close relative of a natural person included in letters a) or d) above;
- f) is an entity in which a party referred to in letters d) or e) exercises control, joint control or significant influence or owns, directly or indirectly, a significant portion, but not less than 20%, of voting rights;
- g) is a collective or individual Italian or foreign supplementary pension fund established for the employees of Intesa Sanpaolo or of any other entity related thereto.

Additional functional definitions to classifying a person or entity as a related party, deriving from the Consob Regulation, to which reference is made, are attached hereto (**Attachment 1**).

With specific regard to Key Managers, the Consob Regulation identifies these as persons who have the power and responsibility, directly or indirectly, for planning, directing and controlling activities of the company, including directors (executive or otherwise) of the company.

In the Parent Company's current organisational structure, in addition to the members of the Board of Directors (therein including the Management Control Committee, and the Managing Director and CEO), *the following are also considered Key Managers*:

- the Manager responsible for preparing the Company's financial reports,
- the Heads of the Divisions and of the Capital Light Bank;
- *the Chief Officers, Heads of Governance or Control Areas*;
- the Heads of Head Office Departments that report directly to the Managing Director and CEO, or the Chairman of the Board of Directors.

An updated assessment to identify Key Managers of the Parent Company is periodically conducted by the Human Resources Department on the basis of the actual organisational structure of Intesa Sanpaolo and the Group.

Any changes in the top level organisational structure approved by the Board of Directors will be incorporated into these Procedures (according to the methods set forth in section 2).

### **3.2. Associated Entities of the Group**

Based on provisions of the Bank of Italy Regulations, the set of **associated entities** comprises the entities associated with **each bank in the Intesa Sanpaolo Group** and **each supervised intermediary** <sup>(7)</sup> with own funds greater than 2% of consolidated own funds (hereinafter also “**Significant supervised intermediary**”), based in **Italy or abroad** (hereinafter the “**Group Associated Entities**”). Therefore, each company in the Group has to refer to the same set of Group Associated Entities as defined in these Procedures.

Associated entities are represented by the set of **related individuals and entities** of each bank or Significant supervised intermediary of the Group and their **connected individuals and entities**.

To this end, the **related individuals and entities** of the Parent Company and each bank and Significant supervised intermediary of the Intesa Sanpaolo Group are:

1. the Corporate Officers (members of the board of directors, and of the management control committee in the one-tier corporate governance system, members of the board of directors and board of statutory auditors in the traditional system and members of equivalent bodies for the international subsidiary banks, the general manager and persons with duties involving exercise of the functions equivalent to general manager);
2. shareholders with an investment that involves the exercise of control or significant influence or with at least 10% of voting rights or which are in any event required to request authorisation pursuant to art. 19 of the Consolidated Law on Banking;
3. parties other than those indicated in point 2 above, who alone are able to appoint one or more members of the management board or strategic supervisory board, also on the basis of agreements in any form or by-laws clauses allowing or with the effect of allowing the exercise of such rights or powers;
4. companies or businesses, also established in a non-corporate form, over which the Bank or an Intesa Sanpaolo Banking Group company is able to exercise control or significant influence.

**Connected individuals and entities of the related individuals and entities** are:

- companies or businesses also established in a non-corporate form that are controlled by a related individual or entity;

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<sup>7</sup> According to Bank of Italy Regulations, supervised intermediaries are investment companies, Italian and foreign asset management companies, electronic money institutions (EMIs), financial intermediaries registered on the list envisaged in Art. 106 of the Consolidated Law on Banking, and payment institutions.

- individuals and entities with control over a related party among those indicated in points 2 and 3 above of the related definition, or parties subject to direct or indirect joint control with the same related individual or entity;
- close relatives of a related individual and the companies or businesses they control.

Additional functional definitions on qualification of associated entities deriving from the Bank of Italy Regulations, to which reference should be made, are attached hereto (**Attachment 2**).

It should be emphasised that in reference to the set of associated entities, the definition of control also includes joint control.

### **3.3 Entities identified as ISP Related Parties and Associated Entities of the Group through the self-regulation process**

In addition to the provisions of sections 3.1 and 3.2, from the perspective of *best practices*, the regulations on transactions with related party and on risk-related activities and conflicts of interest regarding associated entities apply to a broader range of entities than those considered by the reference regulations, in consideration of a potential position of influence with respect to the Bank's decision-makers.

In this perspective, the relations with following counterparties are subject to these Procedures:

- a) the shareholders of Intesa Sanpaolo and the relevant corporate groups (parent companies, subsidiary companies, including those controlled jointly with others, or subject to joint control) which have **an equity investment in Intesa Sanpaolo's voting share capital greater than the minimum threshold provided for by the regulation on the communication of relevant shareholdings in listed companies**, calculated on registered shares or shares under management <sup>(8)</sup>. This level of investment is determined with reference to the provisions of art. 120 of the Consolidated Law on Finance and the implementing regulations, which identify the required disclosure to Consob, to the market and to the issuer. The corporate groups associated with the shareholders classified as States, Central Banks, and Central Authorities and supranational bodies are excluded.

Subject to a favourable opinion of the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group and the Management Control Committee, the Board of Directors may assess whether to exclude all or part of certain situations from application of the Procedures, where due to their particular characteristics, voting rights - over and above the minimum thresholds indicated above - cannot be exercised and there are no further significant elements to qualify such shareholders as related parties.

- b) the **companies in which close family relatives of executive corporate officers of banks and Significant supervised intermediaries of the Group have**

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<sup>8</sup> In line with Consob Regulations, this excludes corporate groups which own intermediaries that carry out asset management activities, where the conditions of independence required by the Issuers' Regulation are in place. Likewise, it excludes parties for whom the Issuers' Regulations provides for an exemption from the reporting requirements pursuant to art. 120 of the Consolidated Law on Finance.

**executive offices.** For this purpose, “corporate officers” are considered the persons within the company who serve in the office of managing director and of general manager, while “close relatives” are the persons defined in Attachment 1;

- c) **the companies where the Group holds significant investments or with which it has significant financial ties** in so far as they refer to at least two of the following indicators: i) the counterparty's investment in Intesa Sanpaolo's capital with a portion between 1% and the minimum threshold provided for by the regulation on the communication of relevant shareholdings in listed companies; ii) investment by ISP Group companies in the other party greater than 10% of the voting share capital; iii) significant credit exposure of the Group towards the other party<sup>(9)</sup>. The implementing regulations of these Procedures govern the identification and monitoring, at least once a year, of the relevant positions and their communication to the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group and the Management Control Committee.

Via self-regulation, for the purpose of defining the scope of the ISP Related Parties and of the Associated Entities of the Group, the **situations of economic connection**, as defined by the EU Regulation no. 575/2013<sup>(10)</sup>, are equivalent to the situations of control in cases where said information is acquired by the Group for the purpose of determining the value of the credit exposure.

With regard to the set of parties indicated, all rules specified in these Procedures apply.

#### **4. TRANSACTIONS WITH ISP RELATED PARTIES AND ASSOCIATED ENTITIES OF THE GROUP**

**4.1** A transaction with a related party or associated entity is any transaction with such parties that involves undertaking risk-related activities, the transfer of resources, services or obligations, regardless of whether a price is agreed.

The following are also included:

- mergers and spin-offs, where implemented with ISP Related Parties or Associated Entities of the Group;

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<sup>9</sup> A “significant credit exposure” is a credit risk position, in any technical form granted, of an amount equal to or greater than 2% of Intesa Sanpaolo's own funds or which entails for the Group a position as the main lender to the company's Group, based on a credit risk position, in any technical form granted, that gives rise to a percentage interest in the overall debt of the company equal to or greater than 33%. This measure applies only for companies whose credit is recorded by the Central Credit Register and therefore normally referring to Italian business groups.

<sup>10</sup> In compliance with art. 4, paragraph 1, no. 39, of EU Regulation no. 575/2013, “a group of connected clients” is defined to be:

a) two or more natural or legal persons who, unless it is shown otherwise, constitute a single risk because one of them, directly or indirectly, has control over the other or others;

b) two or more natural or legal persons between whom there is no relationship of control as described in point (a) but who are to be regarded as constituting a single risk because they are so interconnected that, if one of them were to experience financial problems, in particular funding or repayment difficulties, the other or all of the others would also be likely to encounter funding or repayment difficulties

- any decision on the allocation of remuneration and economic benefits, in any form, to Corporate Officers and other Key Managers, except in reference to specifically expressed derogations.

**4.2** The Consob and Bank of Italy Regulations set forth special rules for managing transactions with related parties and associated entities, requiring different procedures based on the importance and characteristics of such transactions.

In implementation of these criteria, for the Intesa Sanpaolo Group the various categories of transactions with ISP Related Parties and Associated Entities of the Group are defined as follows:

- “Exempt transactions”: the transactions identified in section 5 and in Attachment 3;
- “Transactions of negligible amounts”: transactions with a total value equal to or less than 250 thousand euro if the counterparty is a natural person, or equal to or less than 1 million euro if the counterparty is not a natural person;
- “Transactions of lesser significance”: the transactions with a total value equal to or less than the thresholds calculated according to the criteria in Attachment 4 but higher than 250 thousand euro if the counterparty is a natural person, or higher than 1 million euro if the counterparty is not a natural person;
- “Transactions of greater significance”: the transactions identified according to the significance criteria set forth in Attachment 4;
- “Transactions to be approved by the shareholders’ meeting”: the transactions which, according to law or the Articles of Association, must be decided or approved by the shareholders’ meeting.

**If the economic terms of the transaction have been established**, the value of the transaction is:

- for cash components, the amount paid;
- for financial instrument components, the fair value at the transaction date, in compliance with the international accounting standards; without prejudice to the application of fair value, the transactions involving derivative instruments carried out with related counterparties not belonging to the Intesa Sanpaolo Group cannot be classified as “Transactions of negligible amounts” in the event that the notional value of the derivative instrument exceeds the threshold of 100 million Euro;
- for financing transactions, the maximum amount that can be disbursed;
- for the granting or acquisition of guarantees, the maximum amount covered by the guarantee;
- for the bank funding transactions, the aggregate amount of the interest to be recognised to the counterparty.

With particular reference to financing transactions, note also that in calculating the total value maximum care needs to be taken regarding the transactions which for an economic Group result in new grants or increases in credit facilities, calculated on the basis of the nominal value <sup>(11)</sup>.

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<sup>11</sup> For the purpose of these Procedures only, in determining the significance of a transaction, the extent of increases in a single credit facility must be taken into account, without regard to any offsetting of

In cases of extended maturities of credit facilities falling due and reinstatement of past due credit facilities (“credit facility extensions”) the total value must be calculated in reference to the full amount of the new facility.

Vice versa, the “renewal of standing credit facilities” (for internal purposes only) that does not require a change to the credit ratio in conditions of risk profile stability, is not considered as a transaction.

If, on the contrary, **the economic terms** of the transaction depend fully or partially on variables **not yet known**, the value of the transaction is the maximum amount receivable or payable under the terms of the agreement.

## **5. EXEMPTIONS FROM THE RULES ON ASSESSMENT, DECISION-MAKING AND REPORTING TO CORPORATE BODIES AND FROM THE RULES ON PUBLIC DISCLOSURE**

The regulations on transactions with related parties and associated entities are characterised by a regime of full or partial exemptions from the obligations regarding assessment, decision-making and reporting to corporate bodies and regarding public disclosure described in sections 7, 8, 9 and 10 below.

### **5.1 General exemptions**

Without prejudice to the obligations of accounting disclosure to the market, the following transactions are **expressly exempt from application of sections 7, 8, 9 and 10 of these Procedures**:

- A. Transactions of negligible amounts;**
- B.** the Shareholders’ Meeting resolutions regarding the **remuneration** of the members of the Board of Directors and of the Management Control Committee;
- C.** the **remuneration plans** based on financial instruments and the resolutions on the remuneration of Board Members appointed to special offices and of the Key Managers, if complying with the supervisory provisions of the Bank of Italy on incentive and remuneration schemes of banks and with the related policies approved on the matter by the Bank's Shareholders’ Meeting;
- D.** the intragroup transactions involving the transfer of funds or “collateral” implemented as part of the liquidity risk management system at consolidated level, in compliance with the Group guidelines on liquidity risks approved by the Bodies.

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resulting decreases in other facilities. Likewise no account must be taken of any asset weightings, basing calculation of the total value solely on the nominal value. For all other purposes the calculation methods for the value of transactions established under general Group rules on credit disbursement and management, also with regard to determination of the decision-making powers and exemption from procedures involving ordinary market-equivalent transactions (as defined in section 5 below), remain valid. Lastly, to calculate the value of exposures, significant in application of the prudential limits, the rules established in the Bank of Italy Regulations remain valid.

## 5.2 Partial exemptions

The following transactions **are exempt from application of the specific provisions of sections 7, 8, 9 and 10:**

### **E. all intragroup transactions** <sup>(12)</sup>

completed with and between Subsidiaries other than the following:

- subsidiaries in which ISP Related Parties or Associated Entities of the Group hold a significant interest (see section F below);
- subsidiaries that conduct non-financial business activities (see section G below).

These transactions **are exempt** from: the decision-making procedures (section 8); the disclosure requirements for transactions of greater significance (section 10.2) and requirements of disclosure to Consob (section 10.1).

**The following provisions are applied:** cautionary preliminary assessment procedures (section 7); rules on subsequent reporting to corporate bodies (section 9); the provisions regarding price sensitive press releases (section 10.4) and on financial reporting (section 10.5).

Note that the exemption indicated for intragroup transactions does not apply in the internal procedures for i) Italian banks not under full control of the Intesa Sanpaolo Group and ii) Subsidiaries with shares widely distributed among the public in transactions completed by them with the Parent Company or other Group companies, always provided that there is no other expressly envisaged exemption option.

### **F. intragroup transactions with subsidiaries in which other ISP Related Parties and Associated Entities of the Group have a significant interest** <sup>(13)</sup>

**These are not exempt** unless other reasons for exemption apply.

**The following provisions are applied:** precautionary assessment procedures (section 7); the decision-making procedures (section 8); rules on subsequent reporting to corporate bodies (section 10); disclosure obligations to Consob (section 10.1); public disclosure obligations for transactions of greater significance (section 10.2), provisions regarding price sensitive press releases (section 10.4) and on financial reporting (section 10.5).

<sup>12</sup> Please note that the agreements regarding intragroup financial support under articles 69-*duodecies* and art. 69-*septiesdecies* of the Consolidated Law on Banking are subject to the special decision-making procedure established by the abovementioned bank regulations (approval by the extraordinary shareholders' meeting of the group's bank adhering to the agreement subject to the prior opinion of the independent members of the of management body on the company interests to be a party to the agreement as well as on the convenience and material correctness of the related terms and conditions.).

<sup>13</sup> See note 12.



The following are considered **significant interest of other ISP Related Parties or Associated Entities of the Group**:

- equity investments, other than those attributable to the Group, which involve the exercise of significant influence (provided that equity investment is not the only reason for qualifying as an Associated Entity of the Group);
- the presence of remuneration systems for Key Managers of the Parent Company with a significant percentage (more than 25% of total remuneration) dependent on the results for the period achieved by the subsidiaries or associates that are party to the transaction.

The mere sharing between different companies of one or more directors or Key Managers is not considered a significant interest.

The Parent Company identifies the Subsidiaries in which ISP Related Parties and Associated Entities of the Group have a significant interest;

- G. intragroup transactions with non-financial subsidiaries** with no significant interest held by other ISP Related Parties or Associated Entities of the Group as defined in the regulations for equity investments held by banks and banking groups <sup>(14)</sup>

**These transactions are exempt** from: disclosure obligations to Consob (section 10.1) and public disclosure obligations for transactions of greater significance (section 10.2).

**The following provisions are applied:** precautionary assessment procedures (section 7); the decision-making procedures (section 8); rules on subsequent reporting to corporate bodies (section 9); provisions regarding price sensitive press releases (section 10.4) and on financial reporting (section 10.5).

- H. transactions of lesser significance which are “ordinary” and at “market- equivalent or standard conditions” (Attachment 5), except for a framework agreement** as referred to in section 8.3 or one of the situation indicated below occurs.

**These transactions are exempt** from: the decision-making procedures (section 8)

**The following provisions are applied:** cautionary preliminary assessment procedures (section 7); rules on subsequent reporting to corporate bodies (section 9); the provisions regarding price sensitive press releases (section 10.4) and on financial reporting (section 10.5).

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<sup>14</sup> See Bank of Italy Circular no. 285 of 17 December 2013, PART III, Chap. 1. For this purpose, financial companies also include the Banking and Insurance Group’s operating and insurance companies.

**Even if ordinary and at market-equivalent or standard conditions, the following transactions are not exempt** from the application of the special decision-making procedure provided for by section 8:

- i) the transactions that entail the **assumption of risks** to be managed in accordance with the Group rules on credit granting when said rules require the corporate bodies of the Parent Company or the Group Credit Committee to decide or to issue an advisory opinion. This is without prejudice to the application of the exemption for the transactions made on the basis of plafond resolutions approved in accordance with these Procedures <sup>(15)</sup>;
- ii) the **placement transactions with purchase and firm underwriting or with commitment** carried out by the Intesa Sanpaolo Group and that regard shares or equity instruments when the Group guaranteed capital exceeds Euro 250 million;
- iii) the **“transactions of greater significance”** for risk management procedures pursuant to the guidelines for the governance of transactions of greater significance, defined in accordance with the supervisory rules regarding the internal control system <sup>(16)</sup>;
- iv) the **Transactions of Lesser Significance completed by the subsidiaries with the members of the Board of Directors of the Parent Company and entities associated to the latter** pursuant to section 12.2 of these Procedures, provided they are not: i) mere savings deposit transactions (subscription of bonds, certificates of deposit, interest-bearing bonds, repurchase agreements, opening of deposit accounts) also in the form of assets under management; ii) transactions, including loan transactions, that are incumbent upon the Corporate Officer as an employee, within the limits and conditions generally established for employees; iii) currency and negotiable instruments transactions in regulated markets without credit risk <sup>(17)</sup>.

Regarding intragroup relations for the Parent Company or fully controlled banks, and for the other non-bank subsidiaries, the conditions applied to Subsidiaries in which ISP Related Parties or Associated Entities of the Group have a significant interest are presumed to be equivalent to market or standard conditions, if identical conditions are also applied to other Subsidiaries in which there is no significant interest.

It should be noted, finally, that the **Italian subsidiary banks** are in any case obliged to submit the transactions with ISP Related Parties or Associated Entities of Group not affiliated with the Intesa Sanpaolo Group to their Committee of independent directors for an opinion and, therefore, to obtain a resolution of the board of directors, even if the transactions are ordinary and

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<sup>15</sup> For the Italian subsidiary banks, please refer to note 18 further on.

<sup>16</sup> Please note that, pursuant to the abovementioned Guidelines, these transactions are subject to an opinion of the Chief Risk Officer, who assesses consistency with the risk appetite established within the Risk Appetite Framework.

<sup>17</sup> Please note that, where the Parent Company carries out transactions with the above entities, the special decision-making procedure established by art. 136 of the Consolidated Law on Banking shall apply, unless one of the cases of exemption indicated in section 14 of these Procedures applies.

at market-equivalent conditions, whenever they are subject to the **resolution of the board of directors** based upon the company rules of each subsidiary bank <sup>(18)</sup>;

**I. Transactions of Greater Significance which are “ordinary” and at “market-equivalent or standard conditions” (Attachment 5)**

**These transactions are exempt from:** disclosure obligations for transactions of greater significance (section 10.2);

**The following provisions are applied:** precautionary assessment procedures (section 7); the decision-making procedures (section 8); rules on subsequent reporting to corporate bodies (section 9); disclosure obligations to Consob (section 10.1); provisions regarding price sensitive press releases (section 10.4) and on financial reporting (section 10.5).

**J. Transactions of Greater Significance completed with associates and joint ventures in which other ISP Related Parties have no significant interest;**

**These transactions are exempt from:** disclosure obligations to Consob (section 10.1) and public disclosure obligations for transactions of greater significance (section 10.2).

**The following provisions are applied:** precautionary assessment procedures (section 7); the decision-making procedures (section 8); rules on subsequent reporting to corporate bodies (section 9); provisions regarding price sensitive press releases (section 10.4) and on financial reporting (section 10.5).

**K. all transactions to be carried out on the basis of instructions issued by the Supervisory Authorities for stability purpose;**

**These transactions are exempt from:** precautionary assessment procedures (section 7) and the decision-making procedures (section 8);

**The following provisions are applied:** the rules on subsequent reporting to corporate bodies (section 9); disclosure obligations for transactions of greater significance (section 10.2); provisions regarding price sensitive press releases (section 10.4) and on financial reporting (section 10.5).

**L. transactions subject to regulations governing the obligations of Board Members and General Managers of banking groups pursuant to art. 136 of the Consolidated Law on Banking.**

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<sup>18</sup> It should be noted that even the transactions completed by a subsidiary Bank on a plafond resolution approved by the Parent Company in accordance with the process established in these Procedures are subject to the prescribed decision-making procedure, if they are under the purview of the board of directors of the subsidiary bank.

**These are exempt:** within the limits and according to the methods set forth in section 8.4.

### **5.3 Controls on the use of exemptions**

In order to apply the exemptions above, during the preliminary assessment phase the Heads of the Departments proposing the transactions are required to apply specific preventive line controls on the conditions applied, verifying that suitable elements of proof are acquired and that the preliminary analysis of all requisites giving rise to the exemptions is accurately conducted, in line with the provisions of section 7.

As part of its ordinary checks on the correct application of preliminary assessment, decision-making and reporting rules on transactions with related parties and associated entities, the Internal Auditing Department also needs to assess the effectiveness of existing process controls, including the elements of proof used to declare certain transactions as exempt.

## **6. COMMITTEE FOR TRANSACTIONS WITH RELATED PARTIES OF INTESA SANPAOLO S.P.A. AND ASSOCIATED ENTITIES OF THE GROUP**

**6.1** According to the Consob Regulations and Bank of Italy Regulations, in the process for approving transactions with related parties and associated entities (of lesser significance and of greater significance) the Independent Board Members who are not related parties perform a highly important role.

In Intesa Sanpaolo, this role has been assigned to the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group (hereinafter, also the “Committee”), established within the Board of Directors. The members of this Committee meet the independence requirements pursuant to art. 148, paragraph 3 of the Consolidated Law on Finance and the Corporate Governance Code for listed companies promoted by Borsa Italiana S.p.A., with which the Bank has declared its compliance.

For transactions that are not exempt from the decision-making procedure in accordance with section 5 above, the Committee is always required to issue a prior, reasoned opinion:

- on the Company’s interests in carrying out the transaction;
- on the convenience and material correctness of the related terms and conditions.

For resolutions on the matter of remuneration, should they fall within the scope of application of these Procedures, the opinion from a Committee made up of Independent Members is provided by the **Remuneration Committee**, established within the Board of Directors.

**6.2** The opinion described above is not binding for the corporate bodies approving a transaction with related parties or associated entities.

The opinion may be favourable or unfavourable. The opinion is favourable when:

- it declares its complete agreement with the transaction;
- though containing some elements of dissent, indicates the reasons why it is deemed that such elements do not jeopardise the validity of the overall opinion on the interest of the company in carrying out the transaction, as well as on the material correctness of the related terms and conditions;
- the conditions to the conclusion or execution of the transaction are effectively complied with. In this case, proof of compliance with the conditions needs to be provided in the report on execution of the transaction issued to the corporate bodies pursuant to section 9.

**6.3** The Committee - or one or more of its delegated members - shall participate in the negotiations and preliminary assessment phases of transactions of greater significance with related parties by receiving of a complete, prompt flow of information and with the right to request information and issue comments to the corporate bodies and parties appointed to conduct the negotiations and preliminary assessments.

**6.4** The Board Members who are also members of the Committee are “unrelated” when they are other than the counterparty to a given transaction and its related parties or associated entities or when they have no interest in the transaction on their own account or for third parties.

Committee members who hold a personal interest or interest on behalf of third parties in a transaction are required to disclose such interest to the other Members, specifying its nature, terms, origin and extent.

The operational and organisational rules of the Committee ensure that only independent, unrelated Members of the Board of Directors shall be part of the Committee.

## **7. PRELIMINARY ASSESSMENT AND PROPOSAL OF GROUP TRANSACTIONS**

**7.1** The preliminary assessment of transactions with ISP Related Parties and Group Associated Entities must meet the requirements of formal and material correctness set forth in the premises, at whatever level these transactions are handled, be it the responsibility of the corporate bodies or decided by the Business Units or other organisational units of the Parent Company or its Subsidiaries.

It is also necessary to verify whether the transaction involves undertaking risk-related activities and is compatible with the limits indicated in section 11.

Specifically, after verifying that the transaction being analysed can be defined as a transaction with a related party or associated entity, the characteristics and conditions of each transaction must be examined in depth, as well as the effects of the transaction on the balance sheet, the income statement and financial situation. The reasons for and the interests in the transaction, its convenience for the contracting Group company and the material correctness of its terms and conditions must be assessed.

As part of the preliminary assessment process, the following must be distinctly verified, based on the definitions set forth in Attachment 5 hereto:

- if the transaction can be classified as an “ordinary transaction” and
- if the conditions applied are “market equivalent or standard”.

**7.2** This verification is also of crucial importance for the purpose of applying the procedural and reporting exemptions indicated in section 5 above, and is subject to specific controls (by the Head of the Department dealing with the preliminary assessment and the proposal of the transaction) and subsequent monitoring procedures (by the Parent Company's Internal Auditing Department).

**7.3** If according to the preliminary assessment the transaction is not only ordinary, but has terms and conditions that are market-equivalent or standard, as practiced with unrelated parties of similar nature, size and risk profile, alignment to market-equivalent or standard conditions must be suitably justified and the documentation acquired must contain objective elements of suitable proof, in application of the Consob Regulation, IAS 24 and the Bank of Italy Regulations.

For this reason, for the transactions carried out with related counterparties not belonging to the Intesa Sanpaolo Group, the Department overseeing the preliminary assessment and transaction proposal is required to acquire and to provide the internal control functions, upon request, a documentary confirmation of the rationale of the conditions applied

- ✓ indicating the reference to at least two similar transactions made with non-related parties, comparable by nature, size and risk; or
- ✓ through the report of any independent expert who may have been used in the transaction.

The following are not subject to this specific obligation, without prejudice to the need of objective elements for appropriate confrontation:

- the transactions to be carried out through competitive procedures to provide goods or services to Group Companies in the presence of a number of participants;
- the transactions that provide for the application of generally predefined economic conditions by customer categories or counterparties (the so-called price lists) or defined on the basis of specific criteria established by the policies approved by the Internal Bodies;
- the transactions on financial instruments conducted in compliance with the general best execution obligations, as provided for by internal regulations regarding the investment services customers;
- the transactions for which the powers to define the economic conditions are exercised in compliance with the line control activities implementing these Procedures, that provide for the involvement of departments with specific professional roles (for ex. pricing or product-control units) and inspection criteria for the economic conditions previously shared by the Risk Management Units.

The department proposing the transaction is responsible for the certification of the inspections in the preliminary assessment phase and subsequent reporting to the corporate bodies specified in section 9.

This certification will also deal with the ordinary transactions and with those completed at market-equivalent conditions which are not exempted based on the rules indicated in section 5 and, therefore, subject to the decision-making rules indicated in section 8.

It should be specified that the transactions on regulated /OTF/MTF markets and the transactions on trading platforms which do not allow prior identification of the counterparty are not subject to these Procedures.

When it is not easy to verify market-equivalent or standard conditions for unrelated parties, it is necessary to adopt the precautionary assessment, decision-making,

control and reporting procedures established for transactions other than market transactions. In this case, though operating under conditions of mutual economic convenience for the contracting parties, grounds must be provided for the conditions applied and the reasons for their convenience and correctness, taking into account all circumstances, specific characteristics of the transaction and the interests of the company.

**7.4** However, if the assessment concludes that in terms of economic and contractual terms and other characteristic profiles the transaction deviates from market-equivalent or standard conditions, the reasons for such deviation must be indicated and suitable elements of documentation acquired in support of the reasons for deviation and the interest in executing the transaction.

**7.5** The departments overseeing the preliminary assessment and proposal of loan transactions to ISP Related Parties and Associated Entities of the Group must also abide by specific precautions in accordance with the provisions of EU Regulation no. 241/2014 as regards own funds <sup>(19)</sup>.

Indeed, they must jointly verify the presence of the following conditions:

- a) that the transaction is carried out at market-equivalent conditions; and
  - b) that the distributions or sale of the capital instruments held with the Bank or Group are not the sole or primary source to make the interest payments and repay the loan.
- Without prejudice to the application of the preliminary assessment and decision-making rules established by these Procedures, the Group's Rules on lending specify the criteria to determine the decision-making powers in the presence of loan transactions to which the requirement indicated in the previous lett. b) do not apply.

**7.6** If the transaction is of **greater significance** it is necessary to promptly involve the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group (or one or more of its delegated members) in the preliminary assessment and negotiations, by means of a complete, prompt flow of information. The Committee (or one or more of its delegated members) has the right to request information and issue comments to the corporate bodies and the parties appointed to conduct the negotiations and preliminary assessment. The flow of information to the Committee shall be implemented in compliance with sections 8.1.2 and with the provisions for Subsidiaries set forth in section 8.2.

**7.7** Proposed resolutions for transactions with ISP Related Parties and Associated Entities of the Group must clearly state in its heading that it is a proposal regarding transaction(s) with related parties, and must include the conclusions of the preliminary

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<sup>19</sup> In implementing EU Regulation no. 575/2013 (the so-called CRR), EU Regulation no. 241/2014 establishes restrictions to the inclusion in the calculation of the capital of banks (Tier I and Tier II) of instruments acquired by a counterparty (even if not related) using a direct or indirect loan granted by the bank for such purpose. A specific limitation, based on a presumption mechanism, applies in the event that the loan is granted to a related party, even for purposes other than purchasing the bank's capital instruments. The bank may refrain from making this deduction if it is possible to demonstrate that: i) the loan transaction is carried out at market-equivalent conditions and ii) the related party does not rely on the distributions or on the sale of the capital instruments held to cover the interest payments and the repayment of the loan (see articles. 8 and 9).

With regard thereto, in accordance with art. 2358 of the Italian civil code, the Italian companies must guarantee compliance with the conditions provided for in the shareholders' meeting resolutions to grant, directly or indirectly, loans and provide collateral for the acquisition or the underwriting of own shares.

assessment on the elements indicated above, also regarding the convenience of the transaction. In credit facility cases, such conclusions must be stated in a special section of the proposed resolution and must also indicate details of the date of expiry of any previous credit facility.

Also for transactions with ISP Related Parties and Associated Entities of the Group deemed exempt based on the criteria identified in section 5.2, the Heads of the Departments in charge of executing the transaction shall, in any event, ensure that the documentation regarding the transaction is accurately filed on company records, also for the purpose of the aforementioned subsequent control of correct application of the preliminary assessment, decision-making and reporting procedures illustrated herein.

For transactions of negligible amounts, the preliminary assessment may follow the usual company rules.

In this regard, note that as part of the supervision conducted by the control bodies and the responsible company departments, specific attention shall be paid to assessing transactions with ISP Related Parties and Associated Entities of the Group which may constitute evasion of controls envisaged in these Procedures.

**7.8** The Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group shall report to the Board of Directors on any shortcomings or inadequacies found in the preliminary assessment phase of the transactions.

**7.9** In the various phases of transactions with ISP Related Parties and Associated Entities of the Group, including preliminary assessment and proposal procedures, Board Members, General Managers, employees and collaborators shall also comply with the disclosure and abstention requirements in cases of personal interest as defined in these Procedures (see section 17.1.1).

## **8. DECISION-MAKING RULES**

### **8.1 Decision-making rules for transactions carried out by the Parent Company**

The decision-making rules which must be followed for transactions carried out directly by the Parent Company with ISP Related Parties or Associated Entities of the Group are illustrated below, broken down by transactions of lesser significance or of greater significance. The decision-making procedures are not applied in cases where one of the specific exemptions indicated in section 5 apply.

Clearly, the additional duties of the Board of Directors, assigned by law or by the Articles of Association, or by virtue of general internal provisions on delegated powers remain valid.

#### **8.1.1 Transactions of lesser significance**

Transactions of lesser significance to be implemented by the Parent Company with ISP Related Parties and Associated Entities of the Group must be subject to:



- **prior, non-binding reasoned opinion of the Committee for Transactions with Related Parties** of Intesa Sanpaolo S.p.A. and Associated Entities of the Group on the interests of the Company in carrying out the transaction, as well as on the convenience and material correctness of the related terms and conditions;
- **resolution by the Board of Directors.**

In exercising its consulting functions as indicated, the Committee may make use of independent experts chosen at its own discretion, at the Company's expense. The independent experts selected by the Committee may be the same experts appointed by the Company to carry out the transaction. In this case, the assignment must expressly require that the expert also assist the Independent Members in carrying out their assigned duties pursuant to these Procedures.

The expert's conditions of independence must be consistent with the indications provided by Consob for market disclosure of the transactions <sup>(20)</sup>.

For the Services requested from independent experts by the Committee, a maximum expenditure limit is set for each transaction, equal to 0.05% - 0.5% of the value of the transaction, based on the complexity and size of the transaction.

The Department proposing the transaction is required to provide the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group and the Board of Directors with complete, adequate information on the transaction, which provides proof of the preliminary assessment conducted, in line with the criteria set forth in section 7 above. In the case in point, the counterparty, type of transaction, conditions, convenience for the company and the impact on interests of the parties involved must be specifically indicated.

To this end, the proposal illustrating the transaction, accompanied by supporting documents, must be sent to both bodies, through the Secretariat, and to the Corporate Affairs and Advisory Department, at least 5 business days before the meeting of the Committee expected to examine the transaction.

If the economic terms of the transaction are defined as market-equivalent or standard conditions, the documentation drawn up shall contain objective elements of proof thereof. If however in relation to economic and contractual terms and other characteristic profiles the transaction deviates from standard or market-equivalent conditions, the documentation submitted must contain suitable elements in support of the reasons for deviation and for execution of the transaction.

The Committee's justified opinion is forwarded to the Chairman of the Board of Directors. The transaction is subsequently submitted to the Board of Directors for resolution. The minutes of the resolution granting approval shall contain suitable justification regarding the interests of the company in carrying out the transaction, as well as the convenience and material correctness of the related terms and conditions.

If the transaction is decided in the presence of a negative or reserved opinion of the Committee, the resolution shall provide detailed justification of the reasons for its acceptance and a prompt response to the comments formulated by the Committee.

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<sup>20</sup> Specifically, also based on declarations provided by the experts, any economic, equity and financial relations between the experts and the Intesa Sanpaolo Group and members of the management boards of Group Companies must be assessed.

In this case, the Committee and the Management Control Committee are specifically informed of the transaction as soon as it is resolved upon.

Where possible pursuant to law (i.e. outside the cases referred to in art. 136 of the Consolidated Law on Banking), in cases of urgency the transaction may be approved, without prejudice to the prior opinion of the Committee, in accordance with the methods set forth in art. 19.2 of the Articles of Association. To this end, the proposal illustrating the transaction must justify the reasons for such urgency, and shall be promptly sent by the relevant structure of the Corporate Bodies Secretariats and General Affairs Department and to the Corporate Affairs and Advisory Department. If there is a real need, the Corporate Bodies Secretariats and General Affairs Department may assess whether to call an urgent meeting of the Committee, taking into account the Committee's meetings calendar.

### **8.1.2 Transactions of greater significance**

Transactions that the Parent Company intends to carry out with ISP Related Parties or Associated Entities of the Group, which fall under the category of transactions of greater significance as identified in Attachment 4, must be subject to:

- **prior, non-binding reasoned opinion of the Committee for Transactions with Related Parties** of Intesa Sanpaolo S.p.A. and Associated Entities of the Group on the interests of the Company in carrying out the transaction, as well as on the convenience and material correctness of the related terms and conditions;
- **resolution by the Board of Directors.**

**From the beginning of the negotiations and preliminary assessment phase, the Department proposing the transaction is required to send a complete, prompt flow of information to the Committee for Transactions with Related Parties** of Intesa Sanpaolo S.p.A. and Associated Entities of the Group (or to one or more of its delegated members). The flow of information shall be initiated at the request of the Managing Director and CEO, as soon as the conditions required are in place, at the same time informing the Chairman of the Board of Directors.

The Committee (or one or more of its delegated members) also has the right to request information and issue comments to the corporate bodies and parties appointed to conduct the negotiations and preliminary assessment.

All other decision-making rules for transactions of lesser significance (section 8.1.1) shall apply, except in relation to urgent case procedures and to the maximum expenditure limit set for the use of independent experts.

If the Committee expresses a negative or reserved opinion on a transaction to which an Associated Entity of the Group that is not also an ISP Related Party is a counterparty, the transaction - accompanied by the support documentation subject to assessment by the proposing Department - must be subject to prior, non-binding opinion of the Management Control Committee and subsequent resolution of the Board of Directors. In that case, the resolution provides analytical justification of the reasons for which it was made and an accurate reply to the observations formulated by the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group and by the Management Control Committee.

The Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group and the Management Control Committee are specifically informed of the transaction, as soon as the matter is resolved upon, and the latter is brought to the attention of the Shareholders' Meeting on an annual basis.

In the case in which the Board of Directors resolves to approve a transaction with an ISP Related Party despite a negative opinion of the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group, the resolution proposal is contingent upon the authorisation by the Shareholders' Meeting upon obtaining a special decision-making majority indicated by the Consob Regulations. Specifically, the transaction cannot be carried out if in passing the Shareholder's Meeting resolution, the majority of voting shareholders classified as unrelated pursuant to the Consob Resolution vote against the transaction, provided that the unrelated shareholders <sup>(21)</sup> present at the Shareholder's Meeting represent at least 10% of the share capital with voting rights.

The provisions of this paragraph are also applicable in the event that the threshold of greater significance, as identified in Attachment 4, is exceeded due to the cumulative effect of several consistent transactions or transactions carried out with a view to a single purpose and accomplished during the same financial year with an Associated Entity of the Group.

### ***8.1.3 Transactions attributed to the shareholders' meeting***

For transactions that the Parent Company intends to carry out with ISP Related Parties or Associated Entities of the Group which are subject to resolution of the Shareholders' Meeting by law or according to the Articles of Association, the rules indicated in the previous sections for transactions of greater or lesser significance must be followed in the preliminary assessment and proposed resolution, taking account of the various types of transactions.

In the event that the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group has expressed a negative opinion regarding a transaction with an ISP Related Party under the purview of the Shareholders' Meetings and identified as a Transaction of greater significance, the resolution proposal is contingent upon attaining the special decision-making majority indicated by the Consob Regulations. Specifically, the transaction cannot be carried out if in passing the Shareholder's Meeting resolution, the majority of voting shareholders classified as unrelated pursuant to the Consob Resolution vote against the transaction, provided that the unrelated shareholders <sup>(22)</sup> present at the Shareholder's Meeting represent at least 10% of the share capital with voting rights.

## ***8.2 Decision-making rules for transactions carried out by Subsidiaries***

Except in cases qualifying as exemptions as established in section 5, transactions of lesser significance and greater significance carried out by a Subsidiary with ISP

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<sup>21</sup> In accordance with art. 3, paragraph 1, lett. l) of the Consob Regulations, "Unrelated shareholders" are those parties entitled to vote other than the counterparty of a given transaction and other than parties related both to the counterparty of a given transaction and to the company.

<sup>22</sup> See previous note no. 21 for the definition of "Unrelated shareholders".

Related Parties and/or Group Associated Entities are subject to prior **approval of the Parent Company** and to subsequent **resolution of the board of directors** of the Subsidiary (or equivalent body for international subsidiaries).

Subsidiaries are required to ensure that a preliminary assessment of the proposal is carried out in line with the indications set forth in these Procedures (section 7) and in cases of transactions subject to prior approval from the Parent Company, promptly send it to the Parent Company Department in charge of the matter.

The request for prior approval from the Parent Company is submitted to the Managing Director and CEO and then sent to the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group and the Board of Directors and to the Corporate Affairs and Advisory Department through their related Secretariats. The request follows the process indicated in paragraph 8.1, even though the provisions regarding the resolutions of Shareholders' Meeting are excluded.

### **8.2.1 Approval for Transactions of Lesser Significance**

Transactions of lesser significance to be implemented by the Subsidiaries with ISP Related Parties and Associated Entities of the Group must be subject:

- to the **prior, reasoned opinion of the Committee for Transactions with Related Parties** of Intesa Sanpaolo S.p.A. and Associated Entities of the Group on the interests of the company in carrying out the transaction, as well as on the convenience and material correctness of the related terms and conditions;
- to **approval from the Board of Directors**.

In case of an emergency, the request for the of approval of the Parent Company is transmitted to the Corporate Affairs and Advisory Department and to the Corporate Bodies Secretariats and General Affairs Department, to be presented to the Managing Director and CEO. The Managing Director and CEO may grant approval subject to the opinion of the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group. Resolution on the transaction may be delegated according to the ordinary decision-making rules established by the Subsidiary. The proposal illustrating the transaction must justify the reasons for said urgency. If there is a real need, the Corporate Bodies Secretariats and General Affairs Department may assess whether to call an urgent meeting of the Committee, taking into account the Committee's meetings calendar.

Information on the transaction is reported to the next meeting of the Board of Directors and, where delegated, of the Board of Directors of the Subsidiary.

### **8.2.2 Approval for Transactions of Greater Significance**

Transactions that the Subsidiary intend to carry out with ISP Related Parties or Associated Entities of the Group, which fall under the category of transactions of greater significance as identified in Attachment 4, must be subject to:

- to the **prior, reasoned opinion of the Committee for Transactions with Related Parties** of Intesa Sanpaolo S.p.A. and Associated Entities of the Group on the interests of the company in carrying out the transaction, as well

as on the convenience and material correctness of the related terms and conditions;

- to **approval from the Board of Directors.**

In this case, from the beginning of the negotiations and preliminary assessment phase, the Subsidiary proposing the transaction is required to inform the Parent Company Department in charge of the matter for the purpose of subsequent notification to the Managing Director and CEO. The complete, prompt flow of information to the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group shall be initiated at the request of the Managing Director and CEO, as soon as the conditions required are in place, at the same time informing the Chairman of the Board of Directors. The Committee (or one or more of its delegated members) also has the right to request information and issue comments to the corporate bodies and parties appointed to conduct the negotiations and preliminary assessment.

The provisions of this paragraph are also applicable in the event that the threshold of greater significance, as identified in Attachment 4, is exceeded due to the cumulative effect of several consistent transactions or transactions carried out with a view to a single purpose and accomplished during the same financial year with an Associated Entity of the Group.

### **8.2.3 Subsidiary's Resolution**

Upon completion of the decision-making process indicated above, the approval is transmitted by the Parent Company competent department to the Subsidiary, so that the company's Board of Directors may adopt the resolution.

Naturally, if the transactions are carried out by a Subsidiary as one counterparty and the Parent Company as the other, the Subsidiary is not required to launch the procedure, as in this case it is the responsibility of the Parent Company's internal structures to follow the process defined in section 8.1.

Where the decisions of Group companies regarding transactions with ISP Related Parties and Associated Entities of the Group are subject to the management and coordination of the Parent Company, the Subsidiary's resolution must accurately disclose the reasons for and the convenience of the transaction, if necessary also in light of the overall results of management and coordination in compliance with the provisions of art. 2497 *ter* of the Italian Civil Code.

### **8.3 Framework resolutions**

The Parent Company and Subsidiaries may adopt framework resolutions which govern groups of homogeneous, recurring transactions with specific ISP Related Parties and Associated Entities of the Group.

Framework resolutions, whose effectiveness may not exceed one year, shall refer to sufficiently determined transactions and shall indicate the estimated maximum amount of the transactions to be carried out in the reference period, the reasons for the terms and conditions envisaged, and their effects on the balance sheet and income statements of the company and/or the Group.

Adoption of the framework resolutions must be subject to the assessment, decision-making and reporting rules established in these Procedures for transactions of lesser and greater significance (sections 8.1, 8.2 and 10), based on the expected maximum amount of the transactions covered by the resolution, considered cumulatively. The established assessment and decision-making rules always apply, even if the framework resolution governs multiple ordinary and market-equivalent transactions. The Board of Directors and the Management Control Committee shall be fully informed of framework resolutions implemented at least on a quarterly basis, in line with the provisions of section 9.

Individual transactions concluded in execution of the framework resolution which comply with the above conditions are not subject to the special decision-making rules indicated in sections 8.1 and 8.2, respectively. Furthermore, these are not calculated as part of the cumulative transactions for subsequent disclosure to the market (section 10.2) if they are completed in execution of a framework resolution covered by an information document published pursuant to section 10.2, without prejudice to the exemptions established in section 5.

#### ***8.4 Concurrent application of regulations governing the obligations of Board Members and General Managers pursuant to art. 136 of the Consolidated Law on Banking for the Italian banks of the Group***

Section III of these Procedures indicates the specific rules that must be observed in terms of obligations of Board Members and General Managers pursuant to art. 136 of the Consolidated Law on Banking.

Some of the rules regarding coordination in case of transactions carried out by Italian banks of the Group with relevant counterparties both for the purpose of enforcing banking regulations and for the purpose of regulating transactions with related parties and associated entities are listed below.

Should the Parent Company initiate a transaction with one of its Board Members or General Managers, or also with an entity associated with them who is a Relevant Party pursuant to art. 136 of the Consolidated Law on Banking and lies within the scope of ISP Related Parties and Associated Entities of the Group, the following shall apply:

- for the decision-making phase, only the procedural rules established by the envisaged banking regulations (resolution unanimously approved by the Board of Directors with the exclusion of the vote of the Board Member or General Manager concerned and vote in favour by all members of the Management Control Committee). In this case, although an opinion from the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group is not required, the Committee must nevertheless be forwarded a notice on the proposal prior to the Board of Directors' Meeting called to resolve upon the transaction;
- for the assessment and reporting phases, all the rules established by these Procedures, both preventative rules regarding the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group and subsequent rules regarding the corporate bodies and the market. Specifically for transactions of greater significance, involvement of the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A.

and Associated Entities of the Group (or one or more of its delegated members) in the assessment and negotiations phase is mandatory, by means of implementation of a complete, prompt flow of information and with the Committee's right to request information and issue comments to the corporate bodies and parties appointed to conduct the negotiations and preliminary assessment.

The transactions of the Italian Subsidiaries with one of their Board Members or General Managers, or also with an entity associated with them who is a Relevant Party pursuant to art. 136 of the Consolidated Law on Banking and lies within the scope of ISP Related Parties and Associated Entities of the Group, shall be subject to the following:

- if there are no exemptions based on section 5, the prior approval of the Parent Company (opinion of the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group and approval of the Board of Directors)
- and in any case to the unanimous decision by the Board of Directors with the exclusion of the vote of the Board Member or General Manager concerned and to the favourable vote of the members of the Board of Statutory Auditors of the contracting bank.

## **9. SUBSEQUENT REPORTING TO CORPORATE BODIES**

**9.1** Reports are provided to the Board of Directors and Management Control Committee on transactions with ISP Related Parties and Associated Entities of the Group completed in the reference period by the Parent Company or by the Subsidiaries, at least quarterly, in order to provide a complete overview of the most significant transactions executed, as well as the volumes and the features of the main transactions delegated, in line with the provisions of art. 150 of the Consolidated Law on Finance and the Consob and Bank of Italy Regulations.

To this end, the competent Parent Company departments and the Subsidiaries must report to the Corporate Affairs and Advisory Department on a quarterly basis on transactions with ISP Related Parties and Associated Entities of the Group completed in the reference period. The Report is also acquired from Subsidiaries of Intesa Sanpaolo who are not subject to management and coordination.

**9.2** The Report must include all transactions concluded during the period that are classified as Transactions of Lesser Significance and Transactions of Greater Significance, even if exempt from decision-making procedures, as well as all transactions that were subject to the special decision-making procedure pursuant to section 8.

Intragroup loan transactions and bank funding of lesser significance are excluded, unless the financing or funding transaction involves a subsidiary in which another related party or associated entity has a significant interest and the conditions applied are not market-equivalent or standard.

For each transaction completed other than ordinary or market-equivalent intragroup transactions, the following must be indicated:

1. the counterparties with which the transaction is carried out, and the nature of the relationship;
2. a brief description of the characteristics, methods, terms and conditions of the transaction;
3. the reasons for and the interests in the transaction, as well as the effects of the transaction on the balance sheet, the income statement and financial situation;
4. the methods for determining the terms and conditions applied, reference to market standards and any opinions provided by independent experts;
5. proof of approval of the transaction despite a negative opinion from the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group;
6. proof of actual compliance with any conditions set forth in the favourable opinion, where required, of the Committee;
7. for transactions deemed exempt from application of the decision-making rules, an illustration of the elements of proof considered significant for the exemption. In particular, for ordinary transactions and for transactions at market-equivalent conditions completed with counterparties not affiliated with the Intesa Sanpaolo Group, the structures provide information on the findings provided for in the section 7.3.

In the event of any anomaly detected on transactions already reported, the report is to be updated accordingly.

For framework resolutions adopted in compliance with the provisions of section 8.3, on first-time reporting subsequent to the adoption of the resolution, the elements indicated in points 1 to 6 above - in reference to the adopted framework resolution - must be specified. In addition, based on the provisions of the framework resolutions and also taking into account the type of counterparty and transactions envisaged, internal procedures envisage quarterly reporting on implementation of the resolution.

Such reports must be submitted at the end of the reference quarter in compliance with the implementing procedures envisaged in these Procedures.

For intragroup Transactions of Lesser Significance, whether ordinary and at market-equivalent or standard conditions, aggregate reporting is required on an annual basis. For this purpose, the Administration and Tax Department must provide the Corporate Affairs and Advisory Department with an aggregate report on intragroup transactions that includes a breakdown by Subsidiary and by transaction macro category of the transaction volumes completed in the reporting period.

Furthermore, the Administration and Tax Department shall also provide the Corporate Affairs and Advisory Department with a report on the balances for the period of transactions with related parties carried out by the Parent Company or by Subsidiaries, according to criteria and timelines equal to those for reporting under IAS 24.



Based on the reports received, the Corporate Affairs and Advisory Department shall draw up the notification for the Managing Director and CEO to be submitted to the Board of Directors and to the Management Control Committee.

**9.3** Decisions regarding classification as “unlikely to pay” or “doubtful” - in accordance with Bank of Italy Circular no. 272 of 30 July 2008 - of positions involving ISP Related Parties and Associated Entities of the Group are subject to prompt summary reporting to the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group, the Board of Directors and Management Control Committee, provided the value of exposures exceeds Euro 250 thousand if the counterparty is a natural person or exceeds 1 million euro if the counterparty is not a natural person. Notice of said decisions is provided by the competent departments of the Bank and by the Subsidiaries, through the competent Division, to the Corporate Affairs and Advisory Department, and to the Corporate Bodies Secretariats and General Affairs Department.

## ***10. DISCLOSURE TO CONSOB AND THE MARKET***

Disclosure obligations to Consob and the market must be met when **transactions with ISP Related Parties** are completed.

These rules do not apply, therefore, if the transaction involves Associated Entities of the Group that are not also ISP Related Parties. The prescribed obligations must in any event be complied with if the counterparties to the transaction are persons identified as ISP Related Parties through the self-regulation process, in accordance with the provisions of section 3.3.

### ***10.1 Disclosure to Consob for ordinary transactions of greater significance***

Ordinary transactions and transactions at market-equivalent or standard conditions of greater significance that are exempt from market disclosure (section 5) and are carried out by the Company or by Subsidiaries with ISP Related Parties must be disclosed to Consob - indicating the counterparty, subject and agreed amount of the transaction - within 7 days:

- of approval of the transaction by the competent corporate body, or
- of conclusion of the preliminary or final contract, when the competent body resolves to submit a contract proposal
- of approval of the proposal to be submitted to the Shareholders' Meeting in cases attributable to or requiring Shareholders' Meeting authorisation.

This procedure is not required for transactions carried out with subsidiaries, joint ventures or associates in which other ISP Related Parties do not have a significant interest.

Refer to section 5 for the identification of significant interests.

The Corporate Affairs and Advisory Department shall arrange issue of the above disclosure to Consob.

## **10.2 Disclosure to the public for transactions of greater significance**

If the Company or Subsidiaries carry out transactions of greater significance with ISP Related Parties, and these are not ordinary and/or at market-equivalent or standard conditions, Intesa Sanpaolo must prepare a detailed document containing the information indicated in the Consob Regulations <sup>(23)</sup>.

This procedure is not required for transactions carried out with subsidiaries, joint ventures or associates in which other ISP Related Parties do not have a significant interest.

Refer to section 5 for the identification of significant interests.

This information document is mandatory in the presence of:

- single transactions of greater significance carried out with ISP Related Parties;
- framework resolutions, when the expected maximum amount of the transactions subject to the resolution exceeds the significance thresholds indicated in Attachment 4;
- several transactions which are homogeneous or implemented in execution of an overall plan which, though said transactions cannot be individually classified as transactions of greater importance, when considered cumulatively exceed the significance thresholds indicated in Attachment 4, provided that they are executed during the year with the same related party or with parties related both to the latter and to the Company. Transactions considered exempt from the special decision-making procedures pursuant to section 5, and in any event all ordinary transactions at market-equivalent or standard conditions, are not included in the cumulative transactions. The document contains information, also on an aggregate basis for similar transactions, on all transactions considered on a cumulative basis.

The information document is made available to the public at the company's registered office in accordance with the methods established in the regulations on corporate disclosure, and at the same time transmitted to Consob accompanied by the required documentation.

The document must be disclosed:

- within seven days of approval of an individual transaction of greater significance or of a significant framework resolution by the competent body. Where the body resolves solely a contract proposal, the period shall start from the time the preliminary or final contract is concluded. In cases attributable to or requiring authorisation by the Shareholders' Meeting, the seven-day period shall start from approval of the proposal to be submitted to the Shareholders' Meeting.
- in the case of cumulative transactions, within fifteen days of approval of the transaction or conclusion of the contract which resulted in exceeding the significance threshold or from the time the Parent Company was notified of the

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<sup>23</sup> This is the information set forth in Annex 4 to the Consob Regulations, which also includes the opinion of the Committee and any experts.

approval of the transaction or the conclusion of the contract determining significance. Subsidiaries shall promptly submit such information.

In the case of cumulative transactions and consequent publication of the information document, the transactions subject to disclosure must no longer be aggregated, even if the financial year has not yet ended.

### **10.3 Disclosure to the public for transactions of lesser significance**

Transactions of lesser significance carried out with ISP Related Parties by the Parent Company or Subsidiaries are subject to market disclosure if they were approved in the quarterly reporting period despite a negative opinion from the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group.

An information document indicating the counterparty, the subject and the consideration for the transaction and the reasons for disagreement with the opinion expressed by the Committee must be made available at the registered office of the company within fifteen days of the close of each quarter, according to the publication methods indicated by Consob.

In the decision-making phase, the Corporate Affairs and Advisory Department shall keep track of the transactions indicated for the purpose of the Company's preparation and prompt publication of the information document.

### **10.4 Price sensitive press releases**

When a transaction with ISP Related Parties is also subject to disclosure obligations regarding inside information envisaged by article 114, paragraph 1 of the Consolidated Law on Finance, the price sensitive press release to be disclosed to the public without delay shall contain the following information, in addition to the information to be published pursuant to the aforementioned regulations:

- a) indication that the counterparty to the transaction is an ISP Related Party and a description of the nature of the relationship;
- b) the company name or name of the counterparty to the transaction;
- c) whether the transaction exceeds the significance thresholds identified pursuant to Attachment 4 to these Procedures, and indication of any subsequent publication of an information document;
- d) the procedure which was or will be followed for approval of the transaction and, specifically, whether the company applied a case of exemption;
- e) any approval of the transaction despite a negative opinion from the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group.

For price sensitive transactions which are not subject to disclosure, either because the transaction does not exceed the significance thresholds identified in Attachment 4 or because the cases of exemption envisaged by section 5 apply, a set of information significant for the purposes of compliance with regulations on inside information must also be provided, as specifically required by Consob <sup>(24)</sup>.

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<sup>24</sup> This information is indicated in Communication no. DEM/10078683 of 24 September 2010.

## **10.5 Periodic financial reporting**

Without prejudice to the disclosure obligations set forth in IAS 24, the Company provides information in the half-yearly report and in the annual report on operations:

- a) on the single transactions of greater significance concluded in the reference period with ISP Related Parties, as identified according to the criteria set forth in these Procedures <sup>(25)</sup>;
- b) on any other single transactions with related parties as defined in IAS 24<sup>(26)</sup>, concluded in the reporting period and which had a significant impact on the Company's balance sheet or profit (loss);
- c) on any amendments to or development of transactions with related parties, as defined in IAS 24 and described in the latest annual report, which had a significant impact on the Company's balance sheet or profit (loss) in the reporting period.

Disclosure is provided also with reference to transactions with related parties for which the exemptions indicated in section 5 apply.

## **11. LIMITS ON BANKING GROUP RISK-RELATED ACTIVITIES IN RELATION TO ASSOCIATED ENTITIES OF THE GROUP**

The **Banking Group's** limits and **reporting obligations** to the Supervisory Authority in relation to **risk-related activities refer to Associated Entities of the Group**.

These rules do not apply, therefore, if the risk-related activities refer to ISP Related Parties that are not also Associated Entities of the Group.

However, the obligations indicated must be met for risk-related activities taken on in relation to entities identified as Associated Entities of the Group through self-regulation, in compliance with the provisions of section 3.3.

Risk-related activities refer to net exposures as defined for the purpose of risk concentration regulations.

### **11.1 Prudential limits**

Each department of the Parent Company and each subsidiary in the Intesa Sanpaolo Banking Group must comply with the individual and consolidated limits on risk-related activities in reference to the set of associated entities established by the Bank of Italy Regulations and indicated in Attachment 6.

Risk-related activities are calculated in accordance with methods indicated in the Bank of Italy Regulations.

Risk-related activities with regard to transactions completed between all companies included in the banking group are excluded from application of the prudential limits. This exemption does not extend, however, to group companies not included in the

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<sup>25</sup> Information on single transactions of greater significance may be included by referring to published disclosures, and merely reporting any significant updates thereto.

<sup>26</sup> As already mentioned, the scope of related parties indicated in IAS 24 (in the text in force from 1 January 2011) only partially coincides with that envisaged by these Procedures.

banking group (e.g. insurance companies, non-financial companies, operating companies).

In managing its own business activities each Business Unit of the Group must promptly verify - in advance - whether transactions for which it is responsible for the preliminary assessment involve undertaking risk-related activities from Associated Entities of the Group and, if yes, whether such activities are within the prudential limits indicated in Attachment 6 and in any event permitted on the basis of risk appetite levels established in Group procedures.

For this purpose the Parent Company and Group Companies adopt suitable operating procedures and IT systems that allow verification at preliminary assessment phase as to whether the proposed risk-related activities fall within the established limits and can therefore be performed.

In order to keep the exposures within the established prudential limits, for total exposures of the entire Banking Group to Associated Entities of the Group that exceed an **alert threshold of 2%** of total consolidated Own Funds, the competent departments of the Chief Risk Officer Governance Area of the Parent Company - in cooperation with the Parent Company departments concerned - submit an annual proposal to the Board of Directors on specific **Group exposure limits**. This plafond, defined in accordance with applicable limits, is divided into sub-limits on exposure between the Parent Company departments concerned and each Group company, taking into consideration the credit, equity investment and financial components.

Each Italian subsidiary bank adopts measures to control compliance with the prudential limits as a ratio of total individual own funds, coordinating with the relevant Parent Company departments in relation to the type of risk to be assumed.

### ***11.2 Cases in which the limits are exceeded***

Without prejudice to the need to constantly comply with the prudential limits established for risk-related activities involving associated entities, if for reasons not attributable to the subsidiary or the Parent Company <sup>(27)</sup> one or more limits are exceeded, the exposures must be reduced to within the limits as soon as possible.

In this case, the competent departments of the Chief Risk Officer Governance Area, subject to verification with the Administration and Tax Department, issue an immediate report to the Management Control Committee and to the Board of Directors.

If the limit is exceeded, the Managing Director and CEO asks the departments concerned to prepare a recovery plan, which is submitted the Board of Directors for approval within 45 days of exceeding the limit, having heard the Management Control Committee. The recovery plan is submitted to the Bank of Italy by the Corporate Affairs and Advisory Department within 20 days of approval, together with the minutes including the corporate body resolutions <sup>(28)</sup>.

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<sup>27</sup> For example if the related party becomes classified as such after the relationship began.

<sup>28</sup> If the limit exceeded involves a related party qualified as such because of its equity investment in Intesa Sanpaolo or in a banking group company, the administrative rights associated with the investment are suspended.

Equivalent procedures are adopted in the case of individual limits being exceeded by an Italian subsidiary bank with the involvement of the corporate bodies of the bank in question and the relevant departments of the Parent Company, also with a view to assessing any measures to be adopted, including the issue of Parent Company guarantees in favour of the Italian bank concerned.

As part of the internal capital adequacy assessment process (ICAAP) in accordance with prudential supervision regulations, the Board of Directors assess the risks associated with transactions involving associated entities (of a legal, reputational or conflict of interest nature) if material to business operations.

If prudential limits are exceeded for the reasons indicated above, the excess is taken into consideration in the calculation process for total internal capital in addition to the initiatives envisaged in the recovery plan.

### **11.3 Determination of the levels of risk appetite in relation to the Associated Entities of the Group**

The risk appetite of the Intesa Sanpaolo Group, also with regard to elements of activities that refer to Associated Entities of the Group, both at overall level and by specific group of related counterparties, is defined in accordance with the principles of the “Risk Appetite Framework” proposed by the Chief Risk Officer Governance Area - Enterprise Risk Management Department and subject to the approval of the Board of Directors after examination by the Group Risk Governance Committee.

At Group level, these principles define limits to ensure control over the overall risk profile - with particular reference to capital adequacy and the liquidity position - and regarding specific significant risks, such as concentration risk in relation to Associated Entities.

In addition to governance of the essentially legal and reputational nature of the profiles, specific significant risks are managed through monitoring measures and preventive containment with respect to Group business development and through assessments conducted for ICAAP purposes.

In particular, a “Limit for Associated Entities of the Group” is envisaged on the maximum total risk-related activities <sup>(29)</sup> with regard to the total of such entities. This limit is defined at least once a year as part of the Risk Appetite Framework, considering the trend in the impact of such risk-related activities on total consolidated own funds over the last three years and the associated breakdown by risk type (credit, equity and trading risk).

Acting in concert with other departments concerned, the Chief Risk Officer Governance Area submits the management measures and recovery plans for any situations that have exceeded the limit for approval by the relevant corporate bodies.

The “Limit for Associated Entities of the Group” and the situation for individual limits defined in section 11.1 - also subject to ex ante control as indicated in section 7 - are periodically monitored as part of the Risks Tableau de Bord.

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<sup>29</sup> Reference is made here to the risk-weighted assets in accordance with Large Exposure reporting as envisaged for the individual limit prescribed by regulations.

## **PART III - TRANSACTIONS WITH RELEVANT PARTIES FOR THE PURPOSE OF ART. 136 OF THE CONSOLIDATED LAW ON BANKING**

### **12. RELEVANT PARTIES FOR THE PURPOSE OF ART. 136 OF THE CONSOLIDATED LAW ON BANKING**

#### ***12.1 Bank Board Members and General Managers***

Art. 136 of the Consolidated Law on Banking must be applied to any type of contractual relationship established, directly or indirectly, between the Board Members and General Managers of the Italian banks of the ISP Group and the bank in which they hold positions of members.

In contrast to the Scope of Associated Entities of the Group, which applies to the Parent Company and subsidiary banks and companies as a whole, the banking rules apply to the transactions between each Italian bank of the Group and its Board Members and General Managers and their associated entities <sup>(30)</sup>.

**Bank Board Members and General Managers** are the members of the Board of Directors of Intesa Sanpaolo, including the members of the Management Control Committee, the members of the Board of Directors and of the Board of Statutory Auditors (including alternate auditors) of the Italian banks of the Group and, for each of said companies, the General Managers and the Deputy General Managers if they act as General Managers where the office is vacant.

#### ***12.2 Direct and indirect obligations***

Article 136 of the Consolidated Law on Banking applies to obligations undertaken by Board Members and General Managers of the Parent Company and of the Italian banks of the Group, **either directly or indirectly**, with the bank in which they hold positions of members.

Specifically, also taking into account the directives given in the Bank of Italy <sup>(31)</sup> Instructions, an **indirect obligation** exists when:

- a. the counterparty is **a company controlled by the Board Member or General Manager**;
- b. the counterparty is i) a **simple partnership (*società semplice*) or a general partnership (*società in nome collettivo*)** in which the Board Member or General Manager is a partner, ii) a **limited partnership (*società in accomandita semplice*) or a partnership limited by shares (*società in accomandita per azioni*)** of which the Board Member or General Manager is a general partner (*socio accomandatario*), iii) an entity for which the **Board Member or General Manager is liable** with its own assets;
- c. the counterparty is a **professional firm** or another entity, of which the Board Member or General Manager is an associate, partner or founder, if the **economic**

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<sup>30</sup> The reduction of the scope of Relevant Parties for the purpose of the application of art. 136 of the Consolidated Law on Banking is an effect of the legislative amendment made to the banking regulations by Italian Law no. 221 of 17 December 2012.

<sup>31</sup> Bank of Italy Circular no. 229/1999.

**benefits** of the relationship established are also significantly perceived by the Board Member or General Manager;

- d. the counterparty **operates on behalf of the** Board Member or General Manager via natural or legal persons. The interpositions applies if the relationship, although formally referring to a person - natural or legal – other than a Board Member or General Manager, is de facto established with relation to the latter. For example, these cases may include: a **trust company** which has a mandate from the Board Member or General Manager, or the **closest family members whose obligations** lie in any case within the capital sphere of the Board Member or General Manager (for ex. spouse in community of property and dependent children).

Especially in the case of indirect obligations, the identification of the Relevant Parties under art. 136 of the Consolidated Law on Banking is delegated to the Board Member or General Manager concerned and the prudent assessment thereof, which must be communicated to the contracting Group company. By their nature, in fact, said particular situations derive from circumstances that the Parent Company or the Group's Banks cannot know of or classify a priori.

The utmost attention should therefore be given to the cases mentioned above.

### 13. TRANSACTIONS CONCERNED AND EXISTING RELATIONS

Art. 136 of the Consolidated Law on Banking applies to **any type of obligation and the purchase and sale agreements** between a Board Member or General Manager - or to another relevant person indirectly connected to them as provided for in the preceding paragraph.12.2.- and the Italian bank of the Group in which they hold their positions as Board Member or General Manager.

Therefore, the following transactions undertaken by a Board Member or General Manager (or a person connected with them) with the Bank in which he/she holds a directorship, or a position of management or control shall be considered:

- purchase and sale deeds;
- obligations of any nature, either financial or non-financial, including professional assignments/mandates given;
- the transactions and services which involve disbursement of credit or granting of security;
- the transactions that do not entail disbursement of credit under conditions other than standard conditions in use for customers or employees.

The prohibition imposed by art. 136 of the Consolidated Law on Banking is also applicable in the event that a person considered a relevant party in accordance with the provision in question intervenes as a guarantor in any capacity in a transaction with third-party counterparts.

It should be noted that for the application of art.136 of the Consolidated Law on Banking, **significant size thresholds** are not allowed and, therefore, exemptions are not allowed based on the significance of transactions, which will be taken into



consideration also when a predetermined or predeterminable economic consideration is not foreseen.

As regards the existing relationships, the special decision-making procedure is applicable for “obligations with indefinite duration”, or also in the cases in which the “transaction conditions” (rates, currencies, expenses, commissions, etc.) have changed, when the pre-existing transactions become significant in accordance with art. 136 of the Consolidated Law on Banking, in the following cases:

- a) loans granted to a person before his/her appointment as Board Member or General Manager of the contracting bank;
- b) obligations undertaken by Board Members or General Managers of banks participating in a merger, in the event that the Board Members or General Managers stay on in the corporate bodies of the new bank.

Therefore, in the above cases, it will be necessary to proceed with the special procedure upon the occurrence of the prerequisites of art. 136 of the Consolidated Law on Banking and, for forward transactions, at the time of a possible amendment of the conditions.

#### 14. EXEMPTIONS

According to Bank of Italy provisions, the following transactions are considered subject to exemption:

- a) all contractual relationships “**not entailing the disbursement of credit**” (such as the funding transactions, the subscription of bonds, certificates of deposit, interest-bearing bonds, repurchase agreements, opening of deposit accounts), on condition that they involve “standard conditions in use for customers or employees”;
- b) in the cases in which the Board Members or General Managers are also “**employees**” of Group companies, all contractual relationships, “whether or not entailing the disbursement of credit”, that are incumbent upon the Board Member or General Manager as an employee, within the limits and conditions generally established for employees”;
- c) the obligations associated with “**purchases and sales of currency and securities** traded in regulated markets, settled at the standard conditions applied to customers and employees”, provided that the price is paid in advance in the event of purchase, or the securities are delivered in advance in case of a sale.

It is understood that the other transactions that, due to their nature of ordinary and market-equivalent transactions may instead be considered exempt from the decision-making procedures prescribed for the Transactions with ISP Related Parties and Associated Entities of the Group, may not benefit from the exemptions indicated above (e.g. procurement agreements or contracts for the supply of services).

## 15. THE PRELIMINARY ASSESSMENT AND SPECIAL RESOLUTION PROCESS

The preliminary assessment of the transactions which fall within the scope of application of the banking regulations in question must satisfy the needs of formal and substantial correctness that make up the prerequisite for the reservation of decision-making powers. In particular, the characteristics and conditions of each transaction, as well as the *effects* thereof from an economic and financial point of view, must be examined in detail. The reasons for and the interests in the transaction, its convenience for the contracting Group company and the material correctness of its terms and conditions must be assessed.

The preliminary assessment must be carried out by the corporate structures normally responsible for the type of transaction involved, in accordance with the provisions of Part II, section 7. The resolutions must be adequately detailed and justified, acknowledging the application of the regulation.

The contracting bank may complete the transaction only subject to the **unanimous favourable resolution by the Board of Directors**, with the exclusion of the vote of Board Member or General Manager concerned <sup>(32)</sup> and **a favourable vote by all members of the control body**".

Therefore, the recourse to the urgent decision-making procedures established by the Articles of Association is excluded.

Accordingly, within the Banking Group, for the banks which have adopted:

- the traditional model, the unanimous resolution lies with the board of directors, with the favourable vote of all the members of the board of statutory auditors;
- the one-tier corporate governance model, the unanimous resolution lies with the board of directors, with the favourable vote of the members of the management control committee;
- the two-tier corporate governance model, the unanimous resolution lies with the management board, with the favourable vote of all the members of the supervisory board;

Until the competent management body has completed the special decision-making procedure, with the favourable vote of all the members of the control body, the possibility of carrying out the transaction is absolutely ruled out.

For the transactions made with relevant counterparties, also for the purpose of the regulations governing transactions with related party and associated entities, reference is made to the coordination rules indicated in section 8.4.

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<sup>32</sup> The words "with the exclusion of the vote of the Board Member or General Manager concerned" were included by art. 1, paragraph 48, let. a) of Italian Legislative Decree no. 72 of 12 May 2015,

## 16. CONDITIONS FOR DELEGATION

Art. 136 of the Consolidated Law on Banking expressly allows the management body to delegate the approval of the transactions with Board Members and General Managers (and associated entities) in accordance with the methods established by the regulations: **unanimous resolution of the management body**, with the exclusion of the vote of the Board Member and General Manager concerned, and **the favourable vote of all members of the control body**.

In case of recurring transactions with a Board Member and General Manager and his/her associated entities, it is possible to adopt framework resolutions with the special procedures under art. 136 of the Consolidated Law on Banking. Said resolutions may assign Top Management and the head office structures of the Parent Company and of the banks of the Group the power to subsequently authorise the finalisation of the individual transactions to which they refer.

This operating solution may be adopted within the Banking Group, both for **lending operations** and for the other **ordinary activities**, always taking care to ensure that the framework-resolution is not general, but contains **specific instructions** defined with enough precisions to rule out any discretionary margins. Therefore, in addition to the usual content of the plafond resolutions adopted for ordinary transactions, the **parties to whom the transactions refer** and established in any case for each of them, and if necessary for the corporate groups, the **maximum total value** of the transactions, the **allocation of the different types of risk**, the **type of contract**, the **applicable conditions**, indicating the **criteria and limit** and **effectiveness time frame** of the resolution must be clearly identified.

The framework resolutions must be subject to a **periodic review - at least every year** - and promptly updated when there are any changes in the circumstances based on which the resolutions were adopted. Clearly, said reviews will be carried out in accordance with the described procedure provided for by art. 136 of the Consolidated Law on Banking.

The granting, change or confirmation of the credit facilities in application of the credit plafond, approved in accordance with the procedure set forth by art. 136 of the Consolidated Law on Banking, does not require a subsequent resolution of the corporate body, provided that: (i) the limits and the other special conditions established in the original resolution are respected and (ii) the credit plafond does not have an expired date of revision.

For the counterparties included in the framework resolution, the procedure provided for by banking regulations will be applied whenever transactions must be performed that, also due to their individual aspects, diverge from the criteria indicated in the framework resolution.

## **PART IV - ORGANISATIONAL CONTROLS AND MEASURES**

### **17. ORGANISATIONAL CONTROLS AND MEASURES**

The organisation and internal control system adopted by the Parent Company ensure constant compliance with the prudential limits and decision-making processes established in these Procedures.

In this respect, the provisions implementing the internal control policies of the Intesa Sanpaolo Group are defined in accordance with the guidelines indicated below.

#### **17.1. Conflict of interest management measures**

##### **17.1.1 The management of personal interest of corporate officers, employees and collaborators qualifying as associated entities or otherwise**

Without prejudice to the rules defined for related parties and associated entities, the worthwhile prospect of a more general control of personal conflict of interest, which can compromise the accuracy of transactions executed by the Group Banks and companies, also when such interest refers to a wider range of board members, general managers, employees and collaborators that do not qualify as associated entities, calls for the application of certain **essential rules on “disclosure and abstention”** to be applied to officers and to all corporate employees and collaborators of Group Companies in the management of any business activities that can give rise to situations of personal conflict of interest. Stricter rules can be established for more strategic personnel and for certain business areas.

In compliance with the Group’s Internal Code of Conduct, therefore, as part of their respective duties all **board members, general managers, employees and collaborators** must **abstain** from making decisions and performing activities that are **contrary to or in conflict with the interests** of the Company and/or the Group, or in any event incompatible with their respective duties.

The **board members and general managers** of Group companies must as far as possible also **prevent** situations characterised by real or potential **conflict** between their personal interest and the interest of the Company and/or the Group, being in any event required to **report all interest** - in the required legal format and in compliance with any internal regulations on such matters applied by each company - which they may have on their own account or on behalf of third parties in certain transactions of the Company and/or the Group, also with respect to committees established by the corporate bodies.

With reference to the provisions of art. 53, paragraph 4, of the Consolidated Law on Banking and of art. 6, paragraph 2-*novies*, of the Consolidated Law on Finance, the members of the Board of Directors of the banks and of the Supervised Intermediaries <sup>(33)</sup> of the Group are obliged to refrain from participating in the resolutions in which a conflict of interest for themselves or for third parties exists. Special Group regulations are adopted to manage said obligation.

**Corporate employees and collaborators** operating in any sphere of Group business are obliged to avoid all situations and all activities that would place them in a situation of real or potential **conflict of interest** on their own account or on behalf

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<sup>33</sup> Reference is made to banks, securities intermediation companies (SIM), investment firms, asset management companies, SICAVs, SICAFs and the financial intermediaries registered in the special list pursuant to art. 106 of the Consolidated Law on Banking.

of third parties. Where such conflict of interest exists they must abstain from involvement in the transaction to which such conflict refers and promptly inform their line manager.

In any event, a corporate employee or collaborator with an **assessment, proposal, decision-making or controlling role** in a given transaction, or the **line manager** of such persons, that as far as they are aware has a **personal interest** - direct or indirect - in the transaction, even if only concurrent and not in conflict with the interest of the company, must **declare** to his/her line manager that a situation of personal interest has arisen (or for collaborators to their company contact), who must then assess the materiality and risk of potential conflict and, if necessary, arrange the assignment of other resources to the transaction or handle that transaction in person.

Where they do not already fall under the scope of management of transactions with related parties and associated entities, situations of interest to "*key managers*" other than members of the Bodies that were the subject matter of representations and those that have given rise to the obligation of **abstention** must be flagged in the archive by the Head of the relevant Head Office Department/Division of the Parent Company and reported quarterly to Human Resources Department, the Board of Directors, and to the Management Control Committee, and to the department(s) concerned - according to special internal compliance procedures - using the methods indicated in the related reference regulations.

Specific management rules and immediate notification of significant interest are adopted in parts of the organisation that are at particular risk, also in relation to other areas of governance (e.g. for corporate and investment banking business).

The preventive measures stated in this section must also be applied to transactions already covered by the **special procedures** on dealings with related parties, associated entities or in some manner significant pursuant to art. 136 of the Consolidated Law on Banking.

For the purpose of these Procedures, **personal interest** is determined by any circumstance or relationship extraneous to the company duties performed and which, with specific reference to the transaction in question, may result in or sacrifice a benefit directly or indirectly attributable to the officer, employee or collaborator.

Personal interest creates a condition of conflict of interest with the interest of the Company or Group where the latter is exposed to suffering a possible sacrifice, even partial, as a result of the potential conduct of the interested party to protect or facilitate the former. By way of example, situations of **conflict of interest** may arise if the personal interest interferes, or could interfere, with the interests of the Company and/or the Group, preventing the objective and effective performance of the respective duties or in relation to the pursuit of unlawful personal benefits as a result of the position held in the Company and/or Group.

It should be emphasised that the management of conflict of interest in relation to different corporate departments, attributable to specific, potentially competitive Group activities, remains the subject of different and additional applicable regulations and to specific measures adopted by the relevant governance departments, also to protect the interests of customers, along the following lines.

### **17.1.2 Identification of business areas and relations that may give rise to situations of conflict of interest**

In its group procedures, Intesa Sanpaolo includes measures to identify business areas and types of economic relations at group level in reference to which conflict of interest could arise. In this respect such measures establish organisational segregation controls to prevent situations of conflict of interest and appropriate conduct for the correct handling of such situations, bearing in mind that Intesa Sanpaolo is the head of a financial conglomerate and that the Group organisation in general is governed by the Rules of Intesa Sanpaolo Group.

For this purpose, the internal control policies on the management of conflict of interest are driven by Group rules and, where appropriate, integrated by the individual Group companies on the basis of their specific business characteristics.

In particular, in implementation of the different reference regulations, the Procedures provide rules on the provision of investment services, the positioning of asset management companies within the banking Group and on equity investments that may be held by banks.

### ***17.2 Identification procedures for ISP Related Parties, Associated Entities of the Group, and Relevant Persons for the purpose of art. 136 of the Consolidated Law on Banking***

In managing its ordinary and extraordinary operations, each organisational unit of the Group is required to promptly verify in advance whether the counterparties of proposed transactions can be classified as Relevant Parties.

The Parent Company and Subsidiaries adopt suitable operational procedures and information systems which during the preliminary assessment phase facilitate the detection of whether the counterparties to a transaction can be identified as ISP Related Parties, Associated Entities of the Group, or Relevant Parties for the purpose of art. 136 of the Consolidated Law on Banking. To this end, the Parent Company departments concerned request from the Board Members or General Managers and Key Managers and, where necessary, from ISP Related Parties and Associated Entities of the Group, all the elements useful to keeping the internal control procedures updated and, specifically, the information regarding close relatives <sup>(34)</sup> and equity investments, on which suitable confidentiality measures are adopted.

The relevant departments of the Italian and international banks and significant Supervised Intermediaries of the Group address a similar request to their own Board Members, General Managers and shareholders qualifying as Associated Entities of the Group. These data are constantly updated and sent to the Parent Company, which sees to the collection of data for and the filing into the centralised archive of the scope of the associated entities for the entire Banking Group and of the Relevant Parties for the purpose of art. 136 of the Consolidated Law on Banking, also implementing a periodic monitoring process.

The same procedures also have to include a separate listing of entities qualifying as related parties, solely for the purpose of IAS 24.

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<sup>34</sup> Though these are not Associated Entities of the Group, the Parent Company and the subsidiary banks also classify relatives by marriage up to the second degree as close relatives of a related party, and keep such information available in case of requests from the Bank of Italy.

The departments identified by the internal procedures activate the related parties, so that they cooperate with the banks and the significant Supervised Intermediaries with whom they maintain relations so as to allow a proper and complete registration of the Relevant Parties, in particular concerning the identification of the entities associated with the Relevant Parties for the purpose of art. 136 of the Consolidated Law on Banking.

For relations with the related parties concerned and also for all appropriate compliance on such matters, the **Corporate Affairs and Advisory Department** and the department of the **Chief Lending Officer Governance Area** responsible for monitoring the composition of economic groups and for this purpose coordinating the managers of reference, ensure that detailed organisational procedures and effective IT management tools are prepared to identify significant relations for the classification of counterparties as ISP Related Parties or Associated Entities of the Group for the purpose of art. 136 of the Consolidated Law on Banking.

### ***17.3 Adoption of organisational procedures and information systems***

Making use of the various relevant company departments, the Board of Directors and the Managing Director and CEO supervise the implementation of these Procedures.

**The Corporate Affairs and Advisory Department**, with support from the departments of the **Chief IT, Digital and Innovation Officer Governance Area**, assesses the impact of applicable regulations on corporate processes and procedures, providing guidance on compliance risk management and related controls. In particular, with support from the departments of the **Chief IT, Digital and Innovation Officer Governance Area**, the Corporate Affairs and Advisory Department ensures that organisational procedures and information systems are prepared to govern the preliminary assessment and decision-making process for the transactions, reporting to the corporate bodies and market disclosures. For this purpose, it cooperates, within its respective sphere of competence, with the following functions of **the Chief Risk Officer Governance Area, of the Chief Lending Officer Governance Area, of the Chief Financial Officer Governance Area and of the Chief IT, Digital and Innovation Officer Governance Area**.

The **Chief Risk Officer** provides guidance and support to the departments responsible for preparing suitable operating procedures and information systems, each to their specific risk profiles, which allow verification at preliminary assessment phase of the transactions as to whether the proposed risk-related activities fall within the limits established by regulations and the Group plafond determined by the corporate bodies, also ensuring constant compliance with these. The procedures in question are prepared with support from the relevant departments of the **Chief IT, Digital and Innovation Officer Governance Area**.

In his role as coordinator of Group activities for the implementation of credit-related guidelines and strategies, the **Chief Lending Officer** ensures that, in this respect, the relevant business units of the Bank and Group guarantee application of the provisions of these Procedures in relations with associated entities.

Within the **Chief Financial Officer Governance Area**, the **Administration and Tax Department**, with the support from the **Chief IT, Digital and Innovation Officer**

**Governance Area**, ensures the processing of the required information on transactions with related parties as part of periodic financial reporting and the preparation of organisational procedures and information systems that guarantee supervisory reporting to the Bank of Italy, at consolidated and individual level, on Associated Entities of the Group as required by the Bank of Italy Regulations and related implementing rules.

The Administration and Tax Department also provides directives to the Italian subsidiary banks on reporting obligations at individual level.

At the request of the user departments, the **competent departments of the Chief IT, Digital and Innovation Officer Governance Area** guarantee the planning, implementation and management of the technology infrastructures and IT services integrated with company processes, and in compliance with Group guidelines and service agreements ensures dissemination to the departments of the Intesa Sanpaolo and the Group in such a way as to provide them with the means to actually implement the obligations envisaged by regulations on such matters.

#### **17.4 Roles and responsibilities in the internal control processes**

Without prejudice to the duties of the Board of Directors on issues of internal control system adequacy and efficiency, the Management Control Committee verifies the constant effectiveness and function of operating procedures and systems in support of correct application of the Procedures. For this purpose, it also makes use of periodic reports from the relevant second and third level control departments and appropriate information shared with the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group.

The **Corporate Affairs and Advisory Department** performs all duties assigned to the Specialist Units for the risk of non-compliance with the regulations, as described in the Group Compliance Guidelines, with reference to the regulatory domains regarding transactions with related parties, associated entities and obligations of Board Members and General Managers.

**The Chief Risk Officer Governance Area** is responsible for measurement of the risks - including market risks - underlying relations with Associated Entities of the Group, ensures that the prudential limits management process is effective and compiles with the reference regulations, verifies compliance with the limits assigned to the various departments and operating units, and checks that the operations of said departments comply with the risk appetite levels defined in internal policies. However, each department and operating unit performing risk-related activities with regard to Associated Entities of the Group is responsible for verifying constant compliance with the prudential limits established by regulations and the group limit determined by the corporate bodies.

The **Administration and Tax Department** ensures compliance with supervisory reporting obligations at consolidated and individual level, and in its role as Manager responsible for preparing the Company's financial reports monitors governance of the rules on periodic financial reporting.

**The Chief Audit Officer** verifies compliance with these Procedures and related implementing rules, promptly reporting any anomaly found during audits to the Board



of Directors and Management Control Committee. As part of its periodic reporting to the corporate bodies it reports on the risks deriving from transactions with Associated Entities of the Group and from other conflicts of interest, if necessary suggesting review of internal policies and the organisation and control systems considered suitable to strengthen the monitoring of such risks.

## **18 GUIDELINES AND COORDINATION OF SUBSIDIARIES**

**18.1** All the **Subsidiaries** subject to management and coordination by Intesa Sanpaolo are expected to adopt these Procedures, to be applied in full except for the decision-making rules indicated specifically for the Parent Company (section 8.1) and the rules regarding limits on risk-related activities and supervisory reports applying only to companies forming part of the banking group (section 11).

Moreover, **Group companies with offices outside Italy** are required to coordinate the provisions of these Procedures with local legal provisions in force, which may also cover the same matters. In this respect, these companies report to the Parent Company on any provisions which are incompatible with the full application of these Procedures and coordinate with the relevant departments of the Parent Company to assess the differences and apply the resulting remedial measures.

**18.2** The **Italian subsidiaries** of Intesa Sanpaolo with listed **shares or with shares widely distributed** among the public are also required to adopt internal procedures to regulate the operations of these companies with their related parties, in line with the criteria set forth in art. 2391 bis of the Italian Civil Code and in compliance with the related directly applicable implementing regulations. In the case in point, internal procedures establish situations in which transactions with *their* related parties are subject to prior opinion from the Independent Members' Committee and resolution by the Board of Directors.

**18.3** The **Italian subsidiary banks** are obliged to adopt internal procedures to govern operations and undertaking risk-related activities with regard to associated entities, in line with the provisions of art. 53, paragraph 4 et seq. of the Consolidated Law on Banking and related implementing rules, and in compliance with the decisions adopted by the Parent Company in these Regulations. For this purpose each bank has to refer to the same set of associated entities determined by the Parent Company for the entire Banking Group.

Provided that no exemption applies as indicated in section 5 for Transactions of Lesser Significance and Greater Significance executed with Associated Entities of the Group, the internal procedures of the Italian subsidiary banks state that, before the resolution of the board of directors, prior opinion has to be obtained from the independent board members or from an especially established committee, in line with the requirements of Bank of Italy Regulations.

The Italian subsidiary banks are in any case obliged to submit the transactions with ISP Related Parties or Associated Entities of Group not affiliated with the Intesa Sanpaolo Group to their Committee of independent directors for an opinion and to obtain a resolution of the board of directors, even if the transactions are ordinary and at market-equivalent conditions, whenever they are subject to the resolution of the board of directors based upon the company rules of each subsidiary bank;

Furthermore, each Italian subsidiary bank adopts measures to control compliance with the prudential limits as a ratio of total individual own funds, coordinating with the relevant Parent Company departments in relation to the type of risk to be assumed. The **Italian subsidiary banks** are also required to adopt internal procedures that govern the transactions with Relevant Parties for the purpose of art.136 of the Consolidated Law on Banking, in accordance with the banking regulations and with the rules envisaged in these Procedures.

**18.4** Note that the exemption indicated in paragraph 5.E for intragroup transactions does not apply in the internal procedures of Italian banks not under full control of the Intesa Sanpaolo Group in transactions completed by them with the Parent Company or other Group companies, always provided that there is no other expressly envisaged exemption option. Such transactions are subject to prior opinion from the Independent Members' Committee and resolution of the Board of Directors of the subsidiary bank.

For these banks, prior approval from the Parent Company is only required for transactions concluded with i) Subsidiaries in which other ISP Related Parties or Associated Entities of the Group have a significant interest and/or ii) Subsidiaries conducting non-financial activities pursuant to the regulations on equity investments that may be held by banks and banking groups.

**18.5** Without prejudice to the exemptions indicated in section 5, **international subsidiary banks'** Transactions of Lesser Significance and Greater Significance with ISP Related Parties and Associated Entities of the Group must be subject to approval of the corporate body equivalent to the board of directors on the basis of local rules. The non-negligible transactions (even if ordinary and at market-equivalent conditions) completed by the international subsidiary banks with their Corporate Officers (members of the Bodies and General Manager) are always subject to the decision-making powers of the body equivalent to the board of directors based on the local rules, except when they are: i) transactions, including loan transactions, that are incumbent upon the Board Member or General Manager as an employee, within the limits and conditions generally established for employees; ii) currency and negotiable instruments transactions in regulated markets.

**18.6** Each **Subsidiary** must in any event include the additional internal control measures required under special regulations applicable to them in their decision-making process (and likewise for the insurance companies or companies with offices outside Italy).

**18.7** In addition to the need to apply these Procedures in accordance with section 18.1, the **Subsidiaries** - even if not subject to special regimes - are obliged to adopt internal procedures that ensure the correct representation of information on transactions with their own significant related parties for the periodic financial reporting.

All Subsidiaries must arrange registration and periodic updating of their own related party archives in accordance with IAS 24.

Such archives must include all significant parties in accordance with IAS 24 and, in any event, any shareholders exercising significant influence over the company and their related parties pursuant to IAS 24, members of the board of directors and members of the board of statutory auditors of the Company or equivalent body for the international companies, the General Manager, the relatives of such persons and

entities associated with them in accordance with the accounting standard. The board of directors of each Subsidiary retains the right to consider the opportunity of extending procedures to other entities, to take into account the real complexity of the chosen organisational setup.

The board of directors of each Italian and international non-banking Subsidiary is generally responsible for approving the transactions with the related parties of the single Subsidiaries pursuant to IAS 24 that are not ISP Related Parties or Associated Entities of the Group, provided that such transactions are not exempt according to the criteria in section 5. The non-negligible transactions (even if ordinary and at market-equivalent conditions) completed by the international subsidiary companies with their Corporate Officers (members of the Bodies and General Manager) are always conditional upon the resolution of the board of directors, except when they are: i) transactions, including loan transactions, that are incumbent upon the Board Member or General Manager as an employee, within the limits and conditions generally established for employees; ii) currency and negotiable instruments transactions in regulated markets.

**18.8** The Parent Company Departments and Business Units may adopt additional Group procedures for categories of transactions under their responsibility, and may identify (especially for lending and investing activities) cases which require prior opinions, reporting and authorisations from the Parent Company, in line with the provisions of the Rules of Intesa Sanpaolo Group. Where such procedures also refer to transactions with ISP Related Parties and Associated Entities of the Group - qualifying at least as non-exempt Transactions of Lesser Significance - the provisions set forth in these Procedures shall apply.

## ATTACHMENT 1

### DEFINITIONS FUNCTIONAL TO THE CONCEPT OF “RELATED PARTIES”

For the purpose of defining “related party”, as set forth in section 3 of these Procedures, in line with the Consob Regulation, the notions of “control”, “joint control”, “significant influence”, “close relatives”, “key managers”, “subsidiary”, “associate”, “joint venture” and “pension fund” are as follows.

#### *“Control”*

*Control* “is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities”.

It is assumed that control exists when a person owns, directly or indirectly through subsidiaries, more than half of the voting rights in an entity unless, in exceptional cases, it can be clearly demonstrated that such ownership does not constitute control. Control also exists when a person owns half or less of the voting rights exercisable at shareholders’ meetings if one or more of the following are verified:

- a) the person controls more than half of the voting rights by virtue of an agreement with other investors;
- b) the person has the power to govern the financial and operating policies of an entity by virtue of articles of association or an agreement;
- c) the person has the power to appoint or remove the majority of the members of the board of directors or equivalent corporate governance body, and control of the entity is held by that board or body;
- d) the person has the power to exercise the majority of voting rights at meetings of the board of directors or equivalent corporate governance body, and control of the entity is held by that board or body.

Via self-regulation, the **situations of economic connection**, as defined by the EU Regulation no. 575/2013<sup>(35)</sup>, are equivalent to the situations of control in cases where said information is acquired by the Group for the purpose of determining the value of the credit exposure.

#### *Joint control*

*Joint control* is the contractually agreed sharing of control over a business activity.

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<sup>35</sup> In compliance with art. 4, paragraph 1, no. 39, of EU Regulation no. 575/2013, “a group of connected clients” is defined to be:

- a) two or more natural or legal persons who, unless it is shown otherwise, constitute a single risk because one of them, directly or indirectly, has control over the other or others;
- b) two or more natural or legal persons between whom there is no relationship of control as described in point (a) but who are to be regarded as constituting a single risk because they are so interconnected that, if one of them were to experience financial problems, in particular funding or repayment difficulties, the other or all of the others would also be likely to encounter funding or repayment difficulties

### *“Significant influence”*

*Significant influence* is the power to participate in determining the financial and operating policies of the investee without having control. Significant influence may be gained through share ownership, provisions of the articles of association or agreements.

If a person owns, directly or indirectly (e.g. through subsidiaries), 20% or more of the voting rights at the shareholders’ meeting of the investee, it is presumed to have significant influence, unless it can be clearly demonstrated otherwise. Conversely, if the person owns, directly or indirectly (e.g. through subsidiaries), less than 20% of the voting rights at the shareholders’ meeting of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. The presence of a person in possession of absolute or relative majority of voting rights does not necessarily preclude another person from having significant influence.

The existence of significant influence is usually evidenced by one or more of the following circumstances:

- a) representation on the board of directors or equivalent governing body of the investee;
- b) participation in the decision-making process, including participation in decisions about the dividend or other distribution of profits;
- c) the presence of significant transactions between the investor and the investee;
- d) exchange of managerial personnel;
- e) the provision of essential technical information.

### *Subsidiary*

A *subsidiary* is an entity, even without legal status, as in the case of a partnership, controlled by another entity.

### *Associate*

An *associate* is an entity, even without legal status, as in the case of a partnership, in which a shareholder exercises significant influence but not control or joint control.

### *Joint venture*

A *joint venture* is a contractual arrangement whereby two or more parties undertake an economic activity subject to joint control.

### *Key Managers*

*Key Managers* are persons who have the power and responsibility, directly or indirectly, for planning, directing and controlling activities of the company, including directors (whether executive or otherwise) of that company.

### *“Close relatives”*

*Close relatives* of an individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the company.

They may include:

- a) the individual's non legally separated spouse or domestic partner;
- b) the children and dependents of the individual or his/her non-legally separated spouse or domestic partner.

*Pension Funds*

These refer only to pension funds established or promoted by companies or over which the companies can exercise significant influence, and not all of the pension funds which generically benefit all or some employees (Communication no. DEM/10078683 of 24 September 2010).

## ATTACHMENT 2

### DEFINITIONS FUNCTIONAL TO THE CONCEPT OF “ASSOCIATED ENTITY”

For the purpose of defining “associated entities”, considered to be the set of individuals and entities related to each bank or significant Supervised Intermediary of the Group and of individual and entities connected with them, as set forth in section 3 of these Procedures, in line with Bank of Italy Regulations the concepts of “control”, “joint control”, “significant influence” and “close relatives” are as follows.

#### *“Control”*

Pursuant to art. 23 of the Consolidated Law on Banking, “control” refers to: cases envisaged in art. 2359, paragraphs 1 and 2 of the Italian Civil Code; control granted under contracts or articles of the Articles of Association regarding or having the effect of granting the power to exercise management and coordination activities; cases of control in the form of dominant influence.

Also qualifying as control are situations of joint control, intended as the contractually established sharing of control over a business activity. In such cases the following are considered controlling parties:

- a) persons or entities with the power to exercise a determining influence over the strategic financial and operating decisions of the company;
- b) other persons or entities able to influence management of the company based on the extent of their investments, agreements signed in any form or articles of the Articles of Association that grant or have the effect of granting the power to exercise control.

Control also exists when indirect influence is exercised through subsidiaries, trust companies, organisations or third parties. Companies and businesses controlled by entities in turn subject to joint control are not considered to be indirectly controlled.

Via self-regulation, the **situations of economic connection**, as defined by the EU Regulation no. 575/2013<sup>(36)</sup>, are equivalent to the situations of control in cases where said information is acquired by the Group for the purpose of determining the value of the credit exposure.

#### *“Significant influence”*

This is the power to participate in determining the financial and operating policies of the investee without having control.

Significant influence is presumed in cases in which a direct or indirect shareholding equal to or greater than 20% of the share capital or voting rights at the ordinary shareholders’ meeting, or in an equivalent body of the investee, or 10% in the case of companies with shares listed on a regulated market.

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<sup>36</sup> In compliance with art. 4, paragraph 1, no. 39, of EU Regulation no. 575/2013, “a group of connected clients” is defined to be:

- a) two or more natural or legal persons who, unless it is shown otherwise, constitute a single risk because one of them, directly or indirectly, has control over the other or others;
- b) two or more natural or legal persons between whom there is no relationship of control as described in point (a) but who are to be regarded as constituting a single risk because they are so interconnected that, if one of them were to experience financial problems, in particular funding or repayment difficulties, the other or all of the others would also be likely to encounter funding or repayment difficulties

If a shareholding is lower than the aforementioned thresholds, specific in-depth study must be conducted to confirm the existence of significant influence at least in relation to the following indicators and taking into account all other relevant circumstances:

- (i) representation on the board of directors or strategic supervisory body of the investee; the minority representation in accordance with regulations for issuers of shares listed on regulated markets is not sufficient per se to constitute significant influence;
- (ii) participation in the strategic decisions of a company, particularly to the extent that the number of voting rights held is a determining factor in decisions of the shareholders' meetings regarding the financial statements, allocation of profits or distribution of reserves, without qualifying as a situation of joint control;
- (iii) the existence of significant transactions - i.e. Transactions of Greater Significance, the exchange of managerial personnel or the provision of essential technical information. Significant influence also exists when indirect influence is exercised through subsidiaries, trust companies, organisations or third parties. The investees of entities in turn subject to joint control are not considered to be subject to indirect significant influence.

#### *“Close relatives”*

Close relatives are relatives up to the second degree, the spouse or domestic partner of a related individual, and children of the spouse or domestic partner.

Though these are not associated entities, the Parent Company and the subsidiary banks also classify relatives by marriage up to the second degree as close relatives of a related individual, and keep such information available in case of requests from the Bank of Italy <sup>(37)</sup>.

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<sup>37</sup> In the case of associated entities of an international bank or of a significant international Supervised Intermediary, when there are substantiated difficulties in obtaining information, the Parent Company may exclude the relatives up to the second degree from the concept of close relatives, thus considering only first-degree relatives and informing the Bank of Italy.



## ATTACHMENT 3

### EXEMPTIONS

<b>GENERAL EXEMPTIONS</b>
<p>The following are always exempt from application of the provisions of sections 7, 8, 9 and 10 of these Procedures:</p> <ul style="list-style-type: none"> <li>• <b>transactions for negligible amounts</b> (with a total equal to or less than 250 thousand euro if the counterparty is a natural person, or equal to or less than 1 million euro if the counterparty is not a natural person);</li> <li>• the Shareholders' Meeting resolutions regarding the <b>remuneration</b> of the members of the Board of Directors and of the Management Control Committee;</li> <li>• the <b>remuneration plans based on financial instruments</b> and the resolutions on the remuneration of Board Members appointed to special offices and of the Key Managers, if complying with the supervisory provisions of the Bank of Italy on incentive and remuneration schemes of banks and with the related policies approved on the matter by the Bank's Shareholders' Meeting;</li> <li>• the intragroup transactions involving the transfer of funds or "collateral" implemented as part of the liquidity risk management system at consolidated level, in compliance with the Group guidelines on liquidity risks approved by the Bodies.</li> </ul>

Sample cases of exemptions from the decision-making procedure, subsequent reporting to the corporate bodies and market disclosure are provided below.

<b>CONTRACTING RELATED PARTY/ASSOCIATED ENTITY</b>	<b>SPECIFIC EXEMPTIONS</b>		
	<b>Resolution</b>	<b>Reporting to corporate bodies</b>	<b>Market disclosure</b>
<input type="checkbox"/> All categories of related parties and associated entities except for subsidiaries	Transactions of lesser significance other than framework resolutions which are ordinary and at market-equivalent or standard conditions (*).	–	<b>Transactions of Greater Significance which are "ordinary" and at "market-equivalent or standard conditions"</b> .
<input type="checkbox"/> Subsidiaries in which other related parties or associated entities have a significant interest (**).	Transactions of Lesser Significance other than framework resolutions which are <b>ordinary and at market-equivalent or standard conditions</b> (*).	<b>- Ordinary transactions at market-equivalent or standard conditions</b> for which aggregate reporting to the corporate bodies is envisaged.	<b>Transactions of Greater Significance</b> which are "ordinary" and at <b>"market-equivalent or standard conditions"</b> .
<input type="checkbox"/> Non-financial subsidiaries	Transactions of Lesser Significance other than framework resolutions which are <b>ordinary and at market-equivalent or standard conditions</b> (*).	<b>- Ordinary transactions at market-equivalent or standard conditions</b> for which aggregate reporting to the corporate bodies is envisaged.	<b>All transactions</b> (ordinary and non-ordinary).

<input type="checkbox"/> Other subsidiaries (***)	<b>All transactions</b> (ordinary and non-ordinary).	-All <b>ordinary transactions at market-equivalent or standard conditions</b> for which aggregate reporting to the corporate bodies is envisaged. - <b>Intragroup financing and bank funding Transactions</b> of Lesser Significance, regardless of the conditions applied.	<b>All transactions</b> (ordinary and non-ordinary).
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(\*) For this purpose, it is specified that the following transactions, even though ordinary and at market-equivalent or standard conditions, are not exempt from the special decision-making procedures provided for by the section 8:

- the transactions that entail the assumption of risks to be managed in accordance with the Group rules on credit granting when said rules require the corporate bodies of the Parent Company or the Group Credit Committee to decide or to issue an advisory opinion. This is without prejudice to the application of the exemption for the transactions made on the credit limit resolved on in accordance with these Procedures;
- the placement transactions with purchase and firm underwriting or with commitment carried out by the Intesa Sanpaolo Group and that regard bonds or shares or equity instruments when the Group guaranteed capital exceeds Euro 250 million;
- the “Transactions of Greater Significance” for risk management procedures pursuant to the guidelines for the governance of Transactions of Greater Significance, defined in accordance with the supervisory rules regarding the internal control system;
- the transactions completed by the subsidiaries with the members of the Board of Directors of the Parent Company and entities associated to the latter pursuant to section 12.2 of these Procedures, provided they are not: i) mere savings deposit transactions (subscription of bonds, certificates of deposit, interest-bearing bonds, repurchase agreements, opening of deposit accounts) also in the form of assets under management; ii) transactions, including loan transactions, that are incumbent upon the Corporate Officer as an employee, within the limits and conditions generally established for employees; iii) currency and negotiable instruments transactions in regulated markets without credit risk.

(\*\*) **Subsidiaries in which other related parties have a significant interest:**

- investments of significant influence;
- remuneration systems for Parent Company Key Managers with a significant percentage (more than 25% of total remuneration) depending on the results for the period achieved by the subsidiary.

(\*\*\*) To this end it is specified that the exemption indicated does not apply to transactions carried out by Italian banks that are not fully controlled by the Intesa Sanpaolo Group, either with the Parent Company or with other Group Companies, provided that no other cases of exemption apply.

## ATTACHMENT 4

### THRESHOLDS FOR TRANSACTIONS OF GREATER SIGNIFICANCE

Transactions of Greater Significance are those in which at least one of the following significance ratios, applicable depending on the specific transaction, is greater than the 5% threshold:

a) **Equivalent-value relevance ratio:** this is the ratio between the equivalent value of the transaction and the total own funds drawn from the latest published consolidated statement of financial position.

Should the economic terms and conditions of the transaction be determined, the equivalent value of the transaction shall be:

- i. for the cash components, the amount paid to/by the contractual counterparty;
- ii. for financial instrument components, the fair value at the transaction date, in compliance with the international accounting standards adopted with Regulation EC no. 1606/2002;
- iii. for financing transactions or granting of guarantees, the maximum amount payable.

If the economic terms of the transaction depend fully or partially on amounts not yet known, the value of the transaction is the maximum amount receivable or payable under the terms of the agreement.

b) **Asset relevance ratio:** this is the ratio between the total assets of the entity in the transaction and the total assets of Intesa Sanpaolo. The data to be used shall be obtained from the most recently published consolidated statement of financial position of Intesa Sanpaolo. Whenever possible, similar data should be used for determining the total assets of the entity involved in the transaction.

For transactions involving the acquisition and sale of shares in companies that have an impact on the scope of consolidation, the value of the numerator is the total assets of the investee, regardless of the percentage of capital involved in the disposal.

For acquisition or disposal transactions involving holdings in companies that have no effect on the scope of consolidation, the value of the numerator is:

- i. in case of acquisitions, the value of the transaction plus any liabilities of the company acquired assumed by the purchaser,
- ii. in case of disposals, the consideration for the business disposed.

For acquisition and disposal transactions involving other assets (other than the purchase of an equity investment), the value of the numerator is:

- i. in case of acquisitions, the greater of the consideration and the carrying amount that will be attributed to the asset;
- ii. in case of disposals, the carrying amount of the assets.

c) **Liability relevance ratio:** this is the ratio between the total liabilities of the entity acquired and the total assets of Intesa Sanpaolo. The data to be used shall be obtained from the most

recently published Consolidated statement of financial position of Intesa Sanpaolo. Whenever possible, similar data should be used for determining the total liabilities of the company or business unit acquired.

The indications and clarifications provided by Consob on these indicators (Communication no. DEM/10078683 of 24 September 2010) remain valid.

## ATTACHMENT 5

### DEFINITION OF “ORDINARY TRANSACTIONS” AND “MARKET-EQUIVALENT OR STANDARD CONDITIONS”

In order to apply the exemptions provided for in these Procedures with regard to ordinary transactions concluded at market-equivalent or standard conditions, **the existence of all the following elements must be verified.**

#### **1. Ordinary transaction**

Based on the Consob Regulations, “ordinary transactions” are those which:

- i. are part of **operating activities** or the related **financing activities**;
- ii. are carried out as part of the **ordinary course of business**.

#### **1.1 Operating activities**

The main element for classifying a transaction as ordinary is the concept of “operating activities”, which is intended as the set of:

- a. the main revenue-generating activities of the company carrying out the transaction, and
- b. all other operating activities which cannot be classified as “investing” or “financing” activities.

Therefore, the notion of “operating activities” includes both transactions which are part of operations and those which generate the main components of current operations.

The second element useful in defining ordinary transactions is the financing activity linked to the operating activities. This refers to transactions which can abstractly be classified as financial, to the extent to which these transactions are accessory to carrying out operating activities. Nonetheless, Consob highlights that the classification of a transaction within one of the three macro areas of activities (operating, investing or financing) must be carried out in the most suitable way according to the business activities of the company. For banks, financing operations in their various forms are part of the core business, and should therefore be classified, for all intents and purposes, as operating activities.

In assessing whether a transaction can be classified as an “ordinary transaction”, the business of the company (Parent Company or Group company) carrying out the transaction must be taken into consideration.

Therefore, if the transaction is carried out by a Subsidiary, the business activities of the Subsidiary shall be significant.

If, on the contrary, the company carrying out the transaction with a related party is a special purpose vehicle established for the purpose of carrying out said transaction, verification of whether the transaction is ordinary must also consider at least one of the many activities carried out by the Group.

Merely by way of example, for banks, the following are considered part of operating activities:

- customer savings deposit services in any form;
- lending in any form, including the issue and acquisition of guarantees;
- the purchase, sale and placement of financial instruments;
- the sale of financial products and the provision of financial services, such as:
  - collections and payments;
  - management of current accounts and debit cards, credit cards, and Bancomat cards;
  - foreign currency trading;
  - asset management;
  - distribution of insurance products;
- overhead costs (including payments to suppliers for goods and services).

However, the following are deemed to be excluded from operating activities:

- subscription and transfer of equity instruments;
- acquisition and transfer of property, plant and equipment and intangible assets;
- issue/purchase of treasury shares and other regulatory capital instruments.

## **1.2. Ordinary course of business**

Lastly, these Procedures consider transactions to be ordinary if they are part of the ordinary course of business. In order to assess this last criterion, the following elements can be considered:

1. *subject of the transaction*. If the subject of the transaction falls outside the usual business carried out by the company, this is a sign of anomaly which could indicate that the transaction is not ordinary;
2. *recurrence of the type of transaction as part of business activities*. The frequent repetition of a transaction is a significant sign that it is part of the ordinary course of business, in the absence of other signs indicating otherwise;
3. *size of the transaction*. It is important that the transaction is not significantly greater than the usual size of equivalent transactions carried out by the company;
4. *contractual terms and conditions*, also with regard to the characteristics of the consideration. Transactions for non-monetary consideration are not part of the ordinary course of business, even if they are subject to expert opinions provided by third parties; Likewise, transactions of a more complex economic and contractual format than that normally used for such transactions in compliance with internal policies and governance rules specifically for operations performed by Group departments do not qualify as being part of the ordinary course of business.
5. *nature of the counterparty*. Transactions carried out with a counterparty that has anomalous characteristics as compared to the type of transaction executed are not part of the ordinary course of business.
6. *anomalies in the relationship*. In particular, the following transactions for non-negligible sums are deemed not ordinary: waivers and settlements, restructuring agreements (forbearance) and loan to customers with exposures classified among non-performing assets in accordance with regulatory provisions.

## **2. Market-equivalent or standard conditions**

Market-equivalent or standard conditions are understood to be:

- conditions equal to those usually applied to unrelated parties for transactions of the same nature, size and risk; or
- conditions based on regulated tariffs or mandatory prices or offered to parties with which the Company is legally required to contract for a specific consideration.

Standard conditions applied to ordinary transactions and banking services provided to Key Managers who are employees of Group companies or their family members are considered to be at market-equivalent if envisaged by company regulations for all employees of the company and their family members.

Regarding intragroup relations for the Parent Company or fully controlled banks, and for the other non-bank subsidiaries, the conditions applied to Subsidiaries in which ISP Related Parties or Associated Entities of the Group have a significant interest are presumed to be equivalent to market or standard conditions, if identical conditions are also applied to other Subsidiaries in which there is no significant interest.

## ATTACHMENT 6

The limits on undertaking risk-related activities regarding associated entities apply at both Consolidated and individual level.

At a **Consolidated level**, the limits - differentiated according to the type of related individual or entity and expressed as a percentage of total consolidated own funds - are broken down as follows:

	<b>Financial related individual or entity (and its connected entities)</b>	<b>Non-financial individual or entity (and its connected entities)</b>
Corporate officers	5%	5%
Major shareholders or shareholders exercising significant influence	7.5%	5%
Other significant shareholders	10%	7.5%
Subsidiaries and associates	20%	15%

A “*non-financial* related individual or entity” is a related individual or entity other than a bank, an Electronic Money Institution, an insurance company, financial company or operating company. A related entity whose core business, either directly or indirectly through subsidiaries, is not financial as defined in regulations on equity investments that may be held by banks and banking groups is considered non-financial <sup>(38)</sup>. If the activities other than banking, financial and insurance business exceed 50% of total business activities, the related entity qualifies as non-financial.

At **company level**, the limit for undertaking risk-related activities regarding associated entities for each bank is established as 20% of total own funds, regardless of the nature or type of related party, without prejudice to compliance with the consolidated limit.

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<sup>38</sup> Circular of the Bank of Italy no. 285 of 17 December 2013, PART III, Chap. 1.