

Governance

UniCredit's system of corporate governance promotes clarity, accountability and the creation of sustainable long-term value.¹

Governance Model

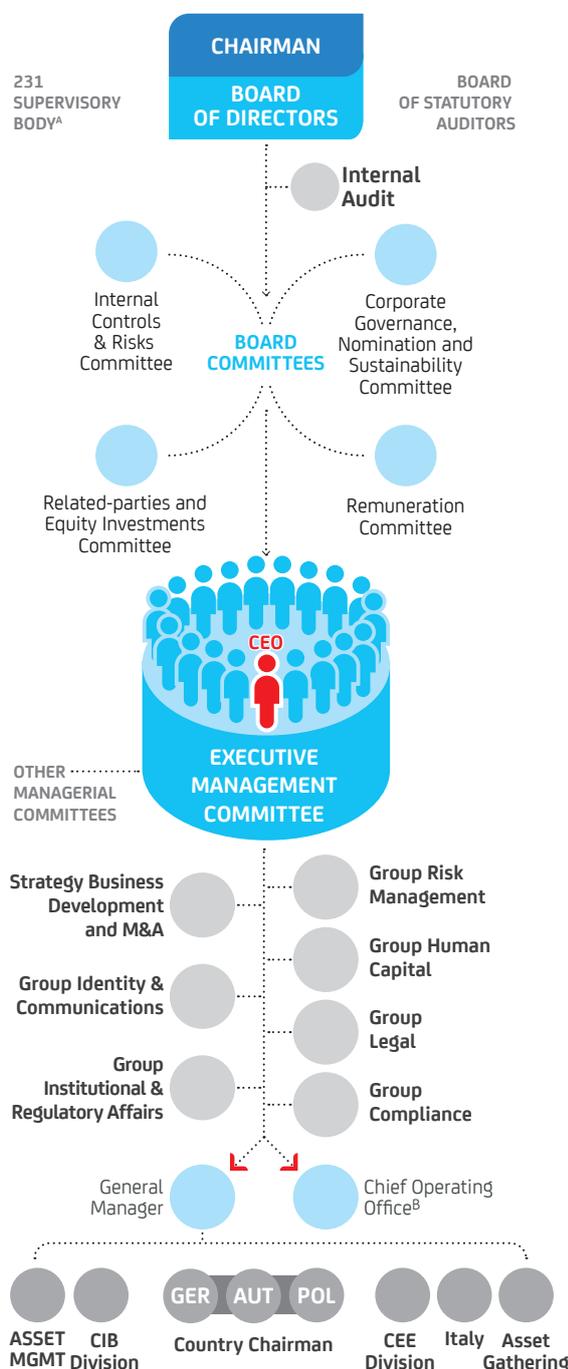
UniCredit is an Italian listed company, with a traditional management and control system featuring 2 corporate bodies, whose members are appointed by the Shareholders' Meeting: the Board of Directors, responsible for the strategic supervision and the management of the company, and the Board of Statutory Auditors, responsible for supervising management.²

Legal accounting supervision is entrusted by the Shareholders' Meeting to an external auditing firm, based on the proposal of the Board of Statutory Auditors.

This traditional management system, which assigns specific responsibilities to the Shareholders' Meeting, allows for a clear exchange of views between shareholders and management on fundamental decisions relating to governance. These include appointing and removing directors, appointing members to the Board of Statutory Auditors, granting a mandate for the external auditing to an auditing firm and approving all associated fees. Such decisions also include the approval of financial statements, the allocation of profits, resolutions on remuneration and incentive policies and practices, as well as criteria to determine compensation to be granted in the event of early termination of employment or early retirement from office.

The UniCredit Board of Directors in office is composed of 17 members, including the Chairman and the Chief Executive Officer (CEO).

Organizational and governance structures (as of Dec. 31, 2016)



A. Set up according to the Legislative Decree No. 231 dated June 8, 2001.
B. Position covered by two Co-Heads.

1. Refer to the Corporate Governance Report, the Group Compensation Policy and to the Reports and Accounts for more information.
2. The members of the Board of Directors and the Board of Statutory Auditors are appointed at the Shareholders' Meeting on the basis of a proportional representation mechanism (voto di lista). This voting system features lists of the candidates who are competing against one another to ensure that minority shareholder representatives are elected. The above mentioned corporate bodies structure ensures gender balance in compliance with current provisions. The members of the Board of Directors and the Board of Statutory Auditors meet the requirements for professional experience, integrity and independence required by current regulatory and statutory provisions. The number of independent directors in office is above the minimum required by current regulatory and statutory provisions (11 out of 17 under UniCredit's Articles of Association and the Italian Corporate Governance Code, 16 out of 17 under Legislative Decree No. 58/1998, 16 of whom are non-executives). As per the provisions of UniCredit's Articles of Association, 2 Permanent Statutory Auditors, among whom the President, and 2 Substitute Statutory Auditors are appointed by minority shareholders.

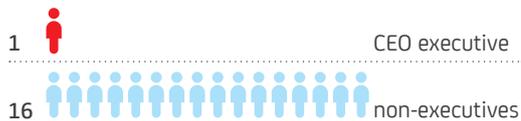
The Board of Directors is supported by 4 committees, which provide advice and submit proposals to the Board. The work of the CEO to run the Group is supported by the General Manager. The CEO's work to make strategic decisions on behalf of the Group is supported by the Executive Management Committee (EMC), a management body that performs consultative functions. As the director in charge of the internal controls and risk management system, the CEO is also supported in managing and overseeing the internal controls system by a managerial committee, the Group Risk & Internal Control Committee, which is chaired by the CEO.

Board composition

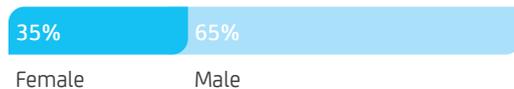
The composition of the Board of Directors quantitatively and qualitatively corresponds to the theoretical profile approved by the Board itself. All of the directors meet the required professional experience, integrity and independence requirements.

Board in numbers

Balance of executive and non-executive directors



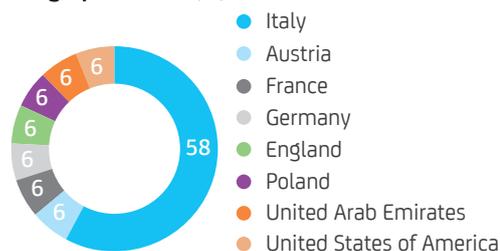
Board gender balance



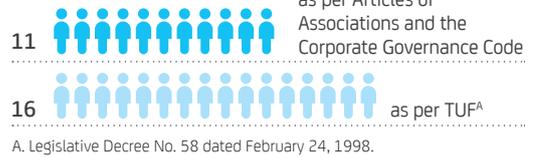
Average age



Geographical mix (%)



Board independence



MATERIAL TOPICS



Average tenure length - 2016: 5.3 years

Board attendance rate - 2016



All competence areas were accounted for by the members of the Board. Each director possessed at least 2 of the required competence areas. On average, directors possessed 6 of the competence areas.

Board skills and knowledge areas



FOCUS
Sustainability Governance

Sustainability is integral to the governance of our Group.

At the end of 2016, we strengthened our corporate governance system by assigning responsibility for overseeing sustainability issues to the Corporate Governance, HR and Nomination Committee, which was subsequently renamed the Corporate Governance, Nomination and Sustainability Committee.

The Group Environmental and Social Council (GESC) proposes the Group Environmental and Social Strategy, annual objectives as well as the related activities to Executive Management Committee (EMC) and to the CEO for approval.

Furthermore the GESC oversees the implementation of UniCredit's environmental and social initiatives and commitments.

The Head of Group Identity & Communications chairs the GESC.

The Group Sustainability unit, part of the Group Identity & Communications (Group I&C) department, acts as the GESC's secretariat and is responsible for supporting the work of senior management to develop strategies that integrate sustainability considerations into the value creation process and generate long-term benefits for all stakeholders.

The unit is also charged with monitoring key performance indicators and communicating UniCredit's sustainability approach and results to external audiences.



A. Refer to the Sustainability section on our website (www.unicreditgroup.eu) for more information.

B. Refer to the Risk Management and Compliance chapter (Reputational risk) for more information.

Board and Top Management compensation¹

The CEO is the only executive director who sits on the Board of Directors, and part of his remuneration is linked to sustainability over time of UniCredit financial results.

All the other members are non-executive directors and are not beneficiaries of incentive plans utilizing stock options or, more generally, of any plan that makes use of financial instruments.

The approach to compensation for UniCredit's Top Management (CEO and General Manager), as detailed in the Group Compensation Policy,² is performance-based, market-aware and aligned with our business strategy and stakeholder interests.

The Group Compensation Policy, as proposed by the Remuneration Committee, is submitted for approval to the Board of Directors and, subsequently, to shareholders at the Annual General Meeting.

CEO

With reference to 2016, the CEO received a fixed remuneration of €2 million, including director's remuneration. It has been paid as pro rata for the period July 12, 2016 - December 31, 2016 for the amount of €0.95 million. As announced at a Capital Markets Day held in London on December 13, 2016 for the presentation to analysts and investors of the strategic plan *Transform 2019*, CEO fixed remuneration has been reduced by 40 percent effective January 1, 2017.

General Manager

In 2016, the General Manager received a total fixed remuneration of €1.2 million, of which €0.4 million pro-rated, referred to General Manager position.

Variable Compensation

The Board of Directors, in consideration of the Group's results for the year 2016, while expressing sincere appreciation for the work done by the management in relation with the in-depth strategic review that brought the presentation and the launch of the strategic plan *Transform 2019*, resolved not to proceed with any bonus payment for 2016 for the CEO, General Manager and other executives with strategic responsibilities,¹ independently from individual performance assessment.

For 2017 and for the whole time horizon of the strategic plan *Transform 2019*, the variable remuneration for the CEO and General Manager is based on the 2017-2019 Long Term Incentive Plan, tied to the strategic plan targets.

MATERIAL
TOPICS



FOCUS

2016: New CEO and Organizational Structure

On June 30, 2016 the Board of Directors of UniCredit SpA unanimously approved the appointment of Mr. Jean Pierre Mustier as the new CEO, effective July 12, 2016. Mr. Mustier succeeded Mr. Federico Ghizzoni.³

On July 26, 2016 the UniCredit SpA Board of Directors approved a new organizational structure, effective September 1, 2016. All business-related activities across the Group are under the responsibility of Gianni Franco Papa.⁴ Mr. Papa assumed the position of General Manager, a role that has been considerably expanded and strengthened.

1. Refer to the Supplement – Governance section for more information.

2. Refer to the Group Compensation Policy on our website (www.unicreditgroup.eu) for more information.

3. Whose relationship has been resolved on September 30, 2016 with a severance payment of €9.58 million gross, of which €4.58 million (corresponding to the cost of the indemnity in lieu of notice and to 20 percent of the severance) has been paid upon termination. For the remaining quota of €5 million it is foreseen the deferred disbursement over further 5 years, in cash and shares, conditional to maintenance of adequate capitalization and liquidity requirements by the Bank and subject to malus and clawback clauses.

4. Previously Deputy General Manager of UniCredit and Head of the Corporate and Investment Banking division.