

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

*(procedures governing the organisation and functioning of the Supervisory Board, in compliance with CSSF circular 12/552 as amended, Part II., Section 4.1.3.)*

## **1. Introduction**

The CSSF circular 12/552 of 11 December 2012 as amended (hereinafter: “**the Circular**”), Part II., point 24, states that the organisation and functioning of the supervisory body of credit institutions needs to be documented in writing.

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

In compliance with such regulatory provisions, the Supervisory Board of the Bank has approved this internal procedure “*Rules of Procedure of the Supervisory Board*”, which is consistent with the Guiding principles, policy and procedure governing the appointment, succession, resignation and removal of Members of the Management Body and other Key Function Holders (approved by the Supervisory Board in the meeting held on 25 July 2022), as well as with the relevant regulations issued by UniCredit S.p.A. (hereinafter: “**the Holding Company**”), and in particular with the Group Global Rule 2021\_013 “*Global Policy – General guidelines on the structure, composition and remuneration of the Corporate Bodies of Group Subsidiaries, as well as procedures for the appointment of the Group designated corporate officers*” (hereinafter: “**the Global Policy**”) and the Group Global Rule 2022\_125 “*Global Process Regulation – Procedures for the definition of the Corporate Bodies of the Subsidiaries in terms of structure, composition and remuneration and for the appointment of the corporate officers appointed by the Group*” (hereinafter: “**the Global Process Regulation**”).

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

## **2. Responsibilities of the Supervisory Board**

In compliance with the Circular, the Supervisory Board has the overall responsibility for the Bank. It defines, monitors and bears responsibility for the implementation of robust central administration, governance and internal control arrangements, including a clearly structured internal organisation and independent internal control functions with appropriate authority, stature and resources with respect to their responsibilities.

To this end, and for the purpose of protecting the Bank and its reputation, the Supervisory Board approves and lays down in writing in particular the strategies and guiding principles as listed at point 11 of the Part II. of the Circular.

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

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

Article 29 of the Articles of Association specifies a list of matters for which the related decisions require a prior approval of the Supervisory Board<sup>1</sup>.

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<sup>1</sup> **Article twenty-nine of the Bank’s Articles of Association.**

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

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

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

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

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

The heads of the internal control functions are allowed to contact, autonomously and at any time, the President of the Supervisory Board.

In addition, the Chief Internal Auditor has regular meetings with the President of the Supervisory Board.

In case the Supervisory Board becomes aware that the central administration and/or internal governance arrangements no longer ensure a sound and prudent business management, or that the risks incurred are or will no longer be adequately borne by the Bank's ability to manage these risks, by own funds or regulatory or internal liquidity reserves, it requires the Management Board to provide it, without delay, with the appropriate corrective measures, and to inform the competent authority thereof forthwith. The obligation to notify the competent authority also concerns all information which casts doubt on the qualification or good repute of a member of the Management Board or a head of a key function.

### **3. Composition of the Supervisory Board**

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

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

In particular, through the Global Policy and the Global Process Regulation, the Holding Company has provided all UniCredit Group legal entities with appropriate instructions which meet, *inter alia*, the requirements of the Section 4.1.2. of the Part II. of the Circular (“*Composition and qualification of the supervisory body*”).

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

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

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

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

In particular, such criteria apply for the definition of:

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

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

The assessment is preliminary performed by the competent functions of the Holding Company, and afterwards by the Supervisory Board itself.

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

- **banking business**, acquired over an appropriate number of years in management positions relevant to key business priorities in a credit institution;
- **banking governance**, acquired over an appropriate number of years in management positions with a credit institution;
- **risk management and control systems**, acquired through an appropriate number of years in management positions in a financial institution or in the pursuit of professional activities or university education;
- **legal, corporate and regulatory skills**, acquired through an appropriate number of years in management positions in a financial institution or in the pursuit of professional activities or university education;
- **planning and strategic vision**, acquired through an appropriate number of years in management positions in a financial institution or in the pursuit of professional activities or university education;
- **accounting, financial statements and audit**, acquired through an appropriate number of years in management positions in a financial institution or in the pursuit of professional activities or university education; and
- **financial and international markets**, acquired through an appropriate number of years in management positions in large industrial and/or multinational groups operating in various sectors.

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

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

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

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

- The Supervisory Board must be composed of at least three members (article 22 of the Articles of Association).
- A member of the Management Board cannot be a member of the Supervisory Board at the same time (article 22 of the Articles of Association).
- Members of the Supervisory Board have to ensure that their mandate is and remains compatible with any other position or interest they may have, in particular in terms of conflicts of interest and availability; in this respect, they inform the Supervisory Board of the mandates they have outside the Bank (point 20 of the Part II. of the Circular).
- Appropriate measures, including professional training, have to be taken in order to ensure that the members of the Supervisory Board are and remain qualified throughout their mandate.
- Supervisory Board members are obliged to maintain secrecy even after the termination of their mandate; along with the termination of the mandate, all confidential documents have to be returned to the Bank. In addition, Supervisory Board members have to ensure that the persons called in by them for certain tasks (if any) comply with this duty to maintain secrecy in the same way, and have to disclose these persons to the Supervisory Board.
- Supervisory Board members are obliged to act in the interest of the Bank. When making decisions, they may not pursue personal interests nor exploit business opportunities with the Bank for their own purposes.

Article 26, paragraph 7, of the Articles of Association describes how conflicts of interest involving Supervisory Board members have to be managed in compliance with article 442-18 of the law of 10 August 1915 on commercial companies, as amended (hereinafter: “**the 1915 Law**”).

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

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

In compliance with the Circular and the CSSF prudential authorisation procedure for the appointment of members of the management body and key function holders in credit institutions dated 30 June 2022 (hereinafter: “**the Prudential Authorisation Procedure**”), the first appointment of a member of the Supervisory Board is subject to the prior agreement of the ECB – European Central Bank.

Once the future member of the Supervisory Board has been evaluated by the Bank in compliance with the provisions stated in the Circular and in the Prudential Authorisation Procedure and in coordination with the competent functions of the Holding Company as stated in the Global Policy and in the Global Process Regulation, the Bank shall complete an authorisation file to be sent to the ECB for approval.

In compliance with the Prudential Authorisation Procedure the authorisation file, which has to be submitted through the IMAS Portal available on the ECB website, consists of:

- a. a “Fit & Proper” declaration for significant institutions, to be filled in directly in IMAS; and
- b. all the annexes required in the declaration.

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

The same article also states that:

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

Article 24 of the Articles of Association specifies that the members of the Supervisory Board have the right to resign from their function at any time, and that in the event of a vacancy in the office of a member of the Supervisory Board, this vacancy may be filled on a temporary basis and for a period of time not exceeding the initial mandate of the replaced member of the Supervisory Board by remaining members of the Supervisory Board until the next Shareholders General Meeting which shall resolve on the permanent appointment of the Supervisory Board in compliance with the 1915 Law.

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

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

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

## **5. Organisation and operation of the Supervisory Board**

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

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

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

### **5.B Meetings of the Supervisory Board**

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



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

## 5.C Audit Committee

- i. Subject to applicable legal and regulatory provisions (in particular the Sub-section 4.1.4.1. of the Part II. of the Circular), the Supervisory Board may set up an Audit Committee from among its members, consisting of at least three Supervisory Board members who are free of any relationship that, in the opinion of the Supervisory Board, would interfere with the exercise of their independence from the Management Board and the Bank.
- ii. If an Audit Committee is set up, the Supervisory Board:
  - lays down in writing the mission, composition and working procedures (the “Audit Committee Mandate”);
  - appoints the Audit Committee’s members; and
  - indicates the member of the Audit Committee to be elected as Chairman by the Audit Committee; the President of the Supervisory Board cannot be elected as Chairman of the Audit Committee.
- iii. The Chairman of the Audit Committee reports to the Supervisory Board, on a regular basis, on all matters falling within the competence of the Audit Committee.
- iv. In particular, the following matters are assigned to the Audit Committee (points 40, 41 and 42 of the Part II. of the Circular):
  - Analyses concerning the External Auditor to be appointed for the certification of the financial statements of the Bank, taking into account UniCredit Group Guidelines.
  - Confirmation of the internal audit charter as well as the multi-annual audit plan and its reviews. The Audit Committee shall assess whether the human and material resources used for the internal audit are sufficient and shall make sure that the internal auditors have the required skills and independence.
  - Deliberations on the compliance with the accounting rules and the financial reporting process.
  - Deliberations on the state of the internal control and the compliance with the rules set in this respect in the Circular, in particular, on the basis of the internal audit function reports.
  - Deliberations on the quality of the work carried out by the internal audit function and the compliance with the rules set in this respect.
  - Deliberations on the quality of the work carried out by the External Auditor, its independence and objectivity, its compliance with the applicable rules of professional ethics as well as the scope and frequency of the audits. In this respect, the Audit Committee shall analyse and assess the reports on the annual accounts, the management letters, the long form reports and, where relevant, the appropriateness of the services other than those related to the audit of accounts that have been provided by the External Auditor.
  - Deliberations on the appropriate and timely follow-up by the Management Board of the recommendations of the internal audit function and the External Auditor and the actions taken to address the identified problems, shortcomings and irregularities.
- v. The Audit Committee has meetings, at least on a yearly basis, with the Chief Internal Auditor and the Chief Compliance Officer in separate session, without the presence of Management Board members.
- vi. The Audit Committee may conduct consultations on the basis of the reports received from the Management Board. In case the Audit Committee identifies risks, it requests the Management Board to provide appropriate clarification and reporting.

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

#### **5.D Other Specialised Committees**

The Supervisory Board may, but is not obliged to, establish other specialised committees in compliance with the section 4.1.4. of the Part II. of the Circular, such as Risk Committee, Nomination Committee, Remuneration Committee.

In this case, The Supervisory Board shall lay down in writing the mission, composition and working procedures of each specialised committee.

#### **6. Date of implementation – modification of this internal procedure**

These Rules of Procedure of the Supervisory Board come into force after their approval by the Supervisory Board.

The Supervisory Board assesses on a regular basis the Rules of Procedure of the Supervisory Board, in order to improve them and ensure their effectiveness.