



PRINCIPLES OF CONDUCT IN FISCAL MATTERS (English version)

Regulations concerning sensitive areas pursuant to Legislative Decree 231/01 Risk area: Offences against the public administration Protocols: Management of the activities relating to the request for authorisation or fulfilment of requirements towards the Public Administration Management of relations with Supervisory Authorities Risk area: Corporate offences Protocols: Management of relations with the Management Control Committee and the Independent Auditors Management of periodic reporting Risk area: Crimes with the purpose of terrorism or subversion of the democratic order, organised crime, transnational crimes and crimes against the person Risk area: Receipt of stolen goods, money laundering and use of money, goods or benefits of unlawful origin, as well as self-laundering Protocols: Financial fight against terrorism and money laundering
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Administration and Tax Head Office Department

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ARCO – Foreign Network – Headquarter Governance Documents – Governance Documents
– General Principles Governance

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1. INTRODUCTION

The tax behaviour of multinational groups is assuming a central role in the activity of financial administrations all over the world. This is becoming increasingly coordinated thanks to the establishment and strengthening of information sharing and exchange systems¹ aimed at allowing the identification of fiscally incorrect behaviour.

For their part, companies are aware that the extent and impact of fiscal sanctions has taken on such dimensions as to be potentially detrimental to economic performance, even in the medium to long term, thus affecting the risk profile perceived by their own stakeholders. In addition to these factors, the reputational risks associated with tax disputes, especially for the banking and financial sector are increasing.

In the context of the Italian banking sector, the actions of the Bank of Italy which, in exercising its role as guarantor for the stability of the banking system, imposes relevant regulations for tax compliance (15th update circ. B.I. 263/06 today merged into Circular 285/13) requires that, in respect of the management of fiscal risk, an adequate and effective system of internal controls needs to be implemented.

At the OECD level, work has been ongoing for some time to promote relations between tax authorities and taxpayers based on mutual trust and collaboration, on the assumption that companies have full control of tax risk, through adequate and effective internal control systems².

The Intesa Sanpaolo group, which has already adopted over the past few years the tax compliance requirements set by the Bank of Italy, now endeavours to align its operations with the highest levels of oversight recommended by the OECD, adopting the principles of conduct that must govern the management of the tax matters within the entities of the Group.

The adoption of the principles of conduct in tax matters also constitutes one of the requirements for access to the “collaborative fulfilment” regime with the Italian Tax Authority, pursuant to Legislative Decree 5 August 2015, n. 128.

2. OBJECTIVES

This document is intended to give insight into the principles of conduct as relates to tax matters approved by the Board of Directors of Intesa Sanpaolo, in order to ensure compliance with tax regulations of the countries where Intesa Sanpaolo operates over time and the integrity of the assets and the reputation of the entities belonging to the Intesa Sanpaolo Group.

¹ Consider, in particular, the recent widening of the areas regarding the information exchanged between tax authorities in relation to financial information (OECD: Common Reporting Standard; EU: DAC2), ruling issued by Tax authorities (OECD: Beps – Action 5; EU: DAC3) for the data contained in the country by country Report (OECD: Beps – Action 13; EU: DAC4) and the information on actual/effective beneficiaries, gathered in accordance with the Anti Money laundering discipline (EU: DAC5).

² OECD, “Cooperative Tax Compliance: Building Better Tax Control Framework”, 2016, May, 13th.

In order to meet this aim and allow for uniform management of tax matters across Intesa Sanpaolo, we look to ensure the following guidelines are adhered to by entities within the Intesa Sanpaolo Group:

- (i) correct and timely determination and payment of taxes due by law and execution of related obligations;
- (ii) containment of tax risk - which is understood to be the risk of violating the relevant countries tax laws or adopting positions contrary to the principles or objectives of the law in the various jurisdictions in which the Group operates. This can relate to both:
 - a. exogenous factors: usually, an uncertainty of the interpretation of tax laws due to ambiguity or lack of clarity; and
 - b. endogenous factors: typically, the incorrect and/or untimely compliance with mandatory requirements; failure to detect regulatory changes affecting the taxation of the Group; and transactions that may be challenged by the tax authorities as abusive.

The principles of conduct in the tax field are integral part of the internal control system adopted by the Group for the management and mitigation of tax risk (hereinafter the "Tax Control Framework" or "TCF", according to international terminology).

3. PRINCIPLES

The companies of the Intesa Sanpaolo Group operate in accordance with the principles established in this paragraph. These principles encourage the management of fiscal variables through business operations and the companies of the Intesa Sanpaolo Group must implement appropriate safeguards to ensure their effective application.

The Group aims to achieve the prevention of disputes and the reduction of tax risk by ensuring that tax functions have organisational relevance, material resources and human resources adequate to achieve the objectives.

The principles are shown below:

1. **Corporate Responsibility** - The Group, in compliance with the "Corporate Responsibility" principle, acts according to the values of honesty and integrity in the management of fiscal matters. The group is aware that the revenue deriving from taxes is one of the main sources of contribution to the economic and social development of the countries in which it operates.

2. **Legality** - The Group adopts behaviours which focus on compliance with the tax regulations applicable in the countries in which it operates and also which allow it to manage tax risk responsibly, so as to put itself in a position to satisfy the interests of all stakeholders and to guarantee its positive reputation.

3. **Tone at the top** - The Board of Directors defines the principles of conduct as relates to tax matters of the Group and ensures its application, thus assuming the responsibility of

guiding the spread of a corporate culture based on the values of honesty, integrity and legality.

4. Relationship - The Group maintains a collaborative and transparent relationship with tax authorities, guaranteeing the latter, among other things, a full understanding of the facts upon which the application of tax rules are based. In this context, Intesa Sanpaolo promotes that group companies should adhere to cooperative tax regimes in the jurisdictions in which they are based and should fulfil the tax requirements provided by national legislation, in order to create forms of enhanced relationships with the tax authorities.

4. METHOD OF APPLICATION OF THE PRINCIPLES

The Principles of conduct in fiscal matters shall be adopted by Intesa Sanpaolo and, in its role as parent company, shall be approved by the Board of Directors. As such, the principles should be adopted by all the entities of the Group, subject to the approval of individual governing bodies which have strategic supervision of the subsidiaries.

The adoption of the Principles, as defined above, require that each Company of the Group:

- respects and applies all tax laws of the countries in which it operates and cooperates transparently with the tax authorities;
- executes tax obligations in the ways and timeframe defined by the law or by the fiscal authority;
- avoids forms of tax planning that can be judged aggressive by the tax authorities;
- interprets the law in a manner consistent with their spirit and their purpose avoiding the exploitation of their literal formulation;
- represents the deeds, acts and facts undertaken in such a way as to make taxable events applicable to the true economic substance of transactions;
- guarantees transparency to its operations, income and assets, avoiding the use of structures (including those of a corporate nature) which could hide the actual beneficiary of the income flows or the final holder of the assets;
- respects the tax provisions aimed at ensuring suitable transfer pricing arrangements are in place for intragroup transactions for the purpose of allocating income generated;
- does not use artificial structures or companies, not related to entrepreneurial activity, for the sole purpose of circumventing tax legislation;
- cooperates with the competent authorities to provide truthful and complete information necessary for the fulfilment and control of tax obligations;
- establishes cooperative relations with tax administrations, inspired by transparency and mutual trust and aimed at preventing conflicts thereby reducing the possibility of disputes;

- offers customers products and services that do not allow them to obtain undue tax advantages not otherwise obtainable, whilst also providing suitable forms of supervision over customers to avoid involvement in fiscally irregular transactions.

It should be noted that, in the area of corporate transactions, Group companies must request approval from the Parent Company before proceeding with the transaction, as provided for by the "Rules of the Intesa Sanpaolo Group".

The interpretation of the provisions contained in this document is left to the Parent Company which, through the Fiscal Function, also updates them.

Group companies that intend to adhere to the collaborative compliance regime are required to implement the specific document "Guidelines for the management of tax risk under the collaborative fulfilment regime with the Italian tax authority". This should be adopted by such group companies in a corporate context and, in the case of foreign companies, should align to the specifics of local regulations. This document should be subject to the approval of the individual regulatory bodies which have strategic supervision over such group companies.

5. NON-OBSERVANCE OF THE PRINCIPLES

The provisions contained in this document require behaviours that adhere to the Group's values. It follows that the failures to follow these principles will be governed by the consequences outlined in the Code of Ethics of the Intesa Sanpaolo Group.

To this end, it should be noted that the Code is a self-regulatory instrument containing voluntary commitments, beyond requirements established by law, which considers the expectations of the various stakeholders, and aims to lay the foundations for strengthening relationships with them.