REPORT ON CORPORATE GOVERNANCE
AND OWNERSHIP STRUCTURE
pursuant to art. 123-bis of Legislative Decree 58/1998
(Consolidated Finance Act or CFA)

(standard model for administration and control)

- 2019 -

Modena, 10 March 2020
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<td>ECB</td>
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<td>BPER Banca or BPER or Issuer or Bank or Parent Company or Company</td>
<td>BPER Banca S.p.A. – as resulting from the transformation of Banca popolare dell’Emilia Romagna società cooperativa into a &quot;company limited by shares&quot;, following a resolution passed by the Shareholders’ Meeting on 26 November 2016 - head office in Via San Carlo 8/20, Modena, (Italy), Parent Company of BPER Banca Group.</td>
</tr>
<tr>
<td>Borsa Italiana or Borsa</td>
<td>Borsa Italiana S.p.A., head office at Piazza degli Affari 6, Milan (Italy)</td>
</tr>
<tr>
<td>Italian Civil Code or Civil Code</td>
<td>The Italian Civil Code, Royal Decree 262 of 16 March 1942 and subsequent amendments and integrations.</td>
</tr>
<tr>
<td>Code of Conduct or Code</td>
<td>The Code of Conduct for listed companies, updated from time to time, approved by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria (last updated in July 2018).</td>
</tr>
<tr>
<td>Board of Statutory Auditors or Statutory Auditors</td>
<td>The Board of Statutory Auditors of BPER Banca.</td>
</tr>
<tr>
<td>Board of Directors or Board or B.o.D.</td>
<td>The Board of Directors of BPER Banca.</td>
</tr>
<tr>
<td>Manager responsible for preparing the company’s financial reports</td>
<td>The Manager responsible for preparing the Company's financial reports (art. 154-bis of Legislative Decree 58 dated 24 February 1998).</td>
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<td>FTSE MIB</td>
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</tr>
<tr>
<td>BPER Banca Group or BPER Group or Group</td>
<td>The “BPER Banca S.p.A.” banking group comprising banks and finance, property and service companies, as well as various other types of company.</td>
</tr>
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<td><strong>Member/s and/or Shareholder/s</strong></td>
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<td><strong>Consolidated Banking Act or Legislative Decree 385/93 or CBA</strong></td>
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<td><strong>Consolidated Finance Act or CFA</strong></td>
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Introduction

This Report has been prepared in accordance with art. 123-bis of Legislative Decree 58/98 to provide the market with the information stated therein: structure and functioning of the corporate bodies, governance practices actually applied, adoption of a corporate governance code of conduct, etc. As permitted by paragraph 3 of this article and as in previous years, BPER has provided this information in the present Report, separately from the "Directors' report on operations", which forms an integral part of the financial statements.

In the preparation of this Report, account has been taken of the Code of Conduct for listed companies, promoted by the Committee for Corporate Governance, which BPER adopted on 5 September 2017, as well as, as is usual practice, of the "Format for the report on corporate governance and ownership structure" prepared by Borsa Italiana S.p.A. as a useful tool to assist companies in the provision of disclosures on the application of the recommendations of the aforementioned Code, as well as those prescribed by law.

Moreover, in the preparation of this Report, account has been taken of the indications contained in Directive 2013/34/EU\textsuperscript{1} and in Recommendation 2014/208/EU\textsuperscript{2} on the information to be provided in reports on corporate governance and on the quality thereof. Borsa Italiana's instructions on how to prepare the Report have been supplemented by additional information considered useful for disclosure to shareholders and the market.

The present Report also aims at complying with public disclosure requirements as per Bank of Italy Circular 285/2013, Part I, Title IV, Chapter 1, Section VII. In this regard, reference should be made to the table included in Chapter 1 of this Report "Profile of the Issuer" that provides, for each disclosure requirement, a reference to the pertinent Chapter/Paragraph.

In accordance with the CRR\textsuperscript{3}, it should be noted that the information provided in this Report concerning "risk management" and "remuneration policies" is consistent with the same content included in the document entitled "Public Disclosures at 31 December 2019 - Pillar 3", which is available, together with the financial statements\textsuperscript{4}, on the website of the Bank - Sito Istituzionale > Investor Relations.

The independent auditor's report prepared in accordance with art. 14 of Legislative Decree 39/2010 and art. 10 of (EU) Regulation 537/2014, as attached to the 2019 separate financial statements and consolidated financial statements of BPER Banca S.p.A., also expresses an opinion on the consistency of certain specific information contained in this report with the respective financial statements and its compliance with the provisions of art. 123 bis, paragraph 4, of Legislative Decree 58/98.

The present and previous Reports on corporate governance are available on the website \url{www.bper.it} – Sito Istituzionale > Governance > Documents, as well as on Borsa Italiana S.p.A.'s website \url{www.borsaitaliana.it}.


\textsuperscript{2} Section II (Quality of reports on corporate governance) of Recommendation (2014/208/EU) of the Commission of 9 April 2014 on the quality of disclosure about corporate governance (<comply or explain> principle).

\textsuperscript{3} Regulation 2013/575/EU of 26 June 2013 (and subsequent updates), art. 434 "Means of disclosures".

\textsuperscript{4} As from 31 December 2018, the Bank has adopted the Guidelines on disclosure requirements pursuant to part eight of Regulation (EU) 575/2013 issued by the EBA on 4 August 2017. Section E of these Guidelines provides clarification regarding the timing and frequency of disclosures.
1 Profile of the Issuer

The Bank is a company limited by shares and its registered office is located at Via San Carlo 8/20, Modena (Italy). It is the issuer of shares listed on the Mercato Telematico Azionario (MTA) organised and managed by Borsa Italiana. The BPER stock is also included in the FTSE MIB index.

The Bank originated from mergers of various banks, all more than 100 years old, with the first and foremost having been Banca Popolare di Modena, which was incorporated on 12 June 1867; since its inception, the Bank has adopted the standard system of administration and control described in paras. 2, 3 and 4 of Section VI-bis, Chapter V, Title V, Book V of the Civil Code, which envisages the existence of a Board of Directors and a Board of Statutory Auditors.

Governance and organisation

The governance structure of the Bank in December 2019 is explained below.

(*) From 1 January 2020 the Chief Executive Officer also performs the duties of the General Manager.

As from the date of implementation of the European Single Supervisory Mechanism (4 November 2014), BPER has been subject to prudential supervision by the European Central Bank, given that it is a "significant bank" pursuant to art. 6, para. 4 of (EU) Regulation 1024/2013.5

Due to the foregoing and to the fact that it is a listed bank, BPER falls within the category of "larger and more complex banks" indicated by the Supervisory Provisions for Banks, Bank of Italy Circular 285/2013, Part I, Title IV, Chapter 1.

In compliance with Decree Law 3/2015 ("Urgent measures for the banking system and investment") converted into Law 33/2015, following a resolution passed by the Bank's Shareholders' Meeting on 26 November 2016 - registered with the Modena Register of Companies on 28 November 2016 - the legal form was transformed from a cooperative company to a company limited by shares and the company name was changed from "Banca popolare dell'Emilia Romagna società cooperativa" to "BPER Banca S.p.A.". The Shareholders' Meeting also approved a change in the banking group's name to "BPER Banca Group".

5 Council Regulation (EU) 1024/2013 of 15 October 2013 that assigns specific tasks to the European Central Bank concerning policies relating to the prudential supervision of credit institutions that set up the European Single Supervisory Mechanism.
Pursuant to art. 2 of its articles of association, BPER Banca S.p.A.’s corporate objects include the taking of deposits and the provision of loans in their various forms, both directly and through subsidiary companies. It pays particular attention to the enhancement of local resources in the areas where it is present through its own distribution network and that of the Group. Pursuant to art. 8 of the articles of association, in order to achieve its corporate objects, the Bank, directly or through its subsidiaries, may in compliance with current regulations carry out all permitted banking and financial operations and services, as well as all other operations that are useful or in any case related to the achievement of its objects.

The organisational chart of the Bank at December 2019 is set out below.

The organisational model for top management was revised on 28 November 2019, with effect from 1 January 2020, in order to make the governance and management of the Bank and the Group more efficient. The responsibilities of the Chief Executive Officer and the General Manager were combined, assigning supervision of the governance, business and operational activities to a single individual: from 1 January 2020, the Chief Executive Officer, Alessandro Vandelli, is now also the General Manager (see para. 22.1 for more information).

In addition, a new senior management structure was created to maximise the focus on higher valued-added areas (strategy, innovation, optimisation of results...), simplify hierarchical decision making and increase commitment.
The organisation chart of the Bank at January 2020 is set out below.

BPER Banca is the parent company of the Banking Group of the same name that was formed in 1992. Group companies are subject to management control and coordination (as per art. 61 Legislative Decree 385/93) by the Parent Company, which provides guidelines for the implementation of the instructions issued by the Bank of Italy in the interests of the Group and its stability.
The Group structure as at 31 December 2019 is set out below.

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**Diagram Description**

- **Cassa di Risparmio di Saluzzo S.p.A.** 100.00% (a)
- **Cassa di Risparmio di Bra S.p.A.** 94.25% (b)
- **BPER Bank Luxembourg S.A.** 100.00% (b)
- **Banco di Sardegna S.p.A.** 100.00% (b)
- **Emilia Romagna Factor S.p.A.** 90.36% (b)
- **Modena Terminal S.r.l.** 100.00% (c)
- **Optima S.p.A.** 100.00% (c)
- **Estense Covered Bond S.r.l.** 66.00% (c)
- **BPER Credit Management S.p.A.** 100.00% (b)
- **Numers S.p.A.** 100.00% (c)
- **Sardaleasing S.p.A.** 88.87% (b)
- **BPER Trust Company S.p.A.** 100.00% (b)
- **Sardegnaia S.p.A.** 7.43% (c)

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**Notes**

- **a)** Equivalent to 98.877% of the entire Share Capital consisting of ordinary, preference and savings shares, the latter being non-voting shares.
- **c)** Subsidiary companies consolidated under the equity method.
- **d)** Subsidiary company which is not a member of the banking group since it does not contribute directly to its activities.

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*In addition to the above members of the banking group, the scope of consolidation also includes the following subsidiary companies which are not members of the banking group since they do not contribute directly to its activities. These companies are consolidated under the equity method:*
- **of the Parent Company:** - Adras S.p.A. (100%); - Italiana Valorizzazioni Immobiliari S.r.l. (100%); - Sifà S.p.A. (51%);
Public disclosures pursuant to the Supervisory Provisions for Banks, Bank of Italy Circular 285/2013, Part I, Title IV, Chapter 1, Sect. VII

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* Bank of Italy Circular 285/2013, Part I, Title IV, Chapter 1, Sect. VII "Public disclosure requirements": "The banks, in addition to the disclosure requirements arising from the European Union's regulatory provisions and from the Bank of Italy's supervisory provisions, shall make public in a clear and detailed manner and shall constantly update the following information: [Editor's note: see list on left side of the table]. The banks shall publish the above information on their website. The information to be published on the bank's website, inclusive of disclosure of an outline of the organisational structure and corporate governance, may also be provided via reference to other documents available on the website itself, comprising the articles of association, as long as the relevant information is easily consultable and accessible via a clear, working link".
Corporate Social Responsibility

For information and details on Corporate Social Responsibility, reference should be made to the 2019 Consolidated Non-Financial Declaration (Sustainability Report) prepared according to Legislative Decree 254/2016.

The Consolidated Non-Financial Declaration is published together with the financial statements and with the same timing in accordance with the law and made available on the website www.bper.it – Sito Istituzionale > Sustainability.
2 Information on the ownership structure (art. 123-bis, paragraph 1, Legislative Decree 58/98)

This section provides information on the ownership structure as required by art. 123-bis, paragraph 1, of Legislative Decree 58/98.

As regards the information required by the above article:

- i) ("agreements between the company and the directors [...] that provide for indemnities for directors in the event of resignation or dismissal/termination without just cause or if the employment is terminated following a takeover bid"), reference should be made to paragraph 9.1 below concerning the remuneration of Directors;
- l) ("rules applicable to the appointment and replacement of directors [...] as well as amendments to the articles of association, other than legislative or regulatory requirements that are applicable in a supplementary capacity") are illustrated in paragraph 4.1 below, in the Chapter regarding the Board of Directors.

2.1 Structure of share capital (art. 123-bis, paragraph 1.a, Legislative Decree 58/98)

The share capital of the Bank (fully subscribed and paid) amounts to Euro 1,561,883,844 and consists of 520,627,948 registered ordinary shares, with no nominal value. See para. 2.9 for information about the capital increases carried out during the year.

On 25 July 2019, the Bank issued the "Additional Tier 1" convertible bond for a total nominal amount of Euro 150,000,000, subscribed for in full by Fondazione di Sardegna for a total price of Euro 180,000,000 (the bond conditions allow their conversion into BPER Banca shares with a maximum nominal value of Euro 150,000,000 and premium of Euro 42,857,142, via the issue of up to 35,714,286 ordinary shares at a unit price of Euro 4.2, of which Euro 3 allocated to capital and Euro 1.2 to share premium).

The share capital structure at 31 December 2019 is presented in Table 1 attached to this Report.

Within the limits established by current regulations, the Company, by resolution of the Extraordinary Shareholders' Meeting may issue categories of shares carrying different rights with respect to the ordinary shares, and may determine such rights, as well as financial instruments with equity or administrative rights.

All the shares belonging to the same category carry the same rights.

As of the date of this Report, no categories of shares had been issued other than ordinary shares.

It should be noted that the remuneration plans adopted, submitted each year to the Shareholders' Meeting, consisted of "phantom stock plans", which means that they did not lead to any allocation of shares that would have involved an increase in capital, bonus issues included.

The "Long-Term Incentive (LTI) Plan 2019-2021" was introduced in 2019 with a view to granting ordinary shares in BPER Banca, without charge, to those directors and employees of the Bank and its subsidiaries whose functions are recognised by the Board of Directors to be of strategic importance in achieving the objectives of the Group. Adoption of the above LTI Plan - serviced by the purchase of treasury shares authorised at the Ordinary Shareholders' Meeting held on 17 April 2019 (see para. 2.9 below) - did not involve increasing share capital, not even by a bonus issue (the value of treasury shares purchased will be deducted from the shareholders’ equity reported in the balance sheets for the years concerned).

Details thereof are provided in the "Prospectus for phantom stock compensation plan - 2019" and in the "Long Term Incentive Plan 2019-2021" published on the Bank's website - Sito Istituzionale > Governance > Shareholders' Meeting: Ordinary Shareholders' Meeting of 17 April 2019.
2.2 Restrictions on the transfer of securities (art. 123-bis, paragraph 1.b), Legislative Decree 58/98

The articles of association do not provide for any limits on the possession of shares nor for any restrictions on their transfer.

Transactions in shares carried out by relevant parties and by persons closely associated with them pursuant to (i) art. 114, paragraph 7, of Legislative Decree 58/98; (ii) arts. 152 sexies, septies and octies of the Issuers’ Regulations and (iii) art. 3, paragraphs 1.25 and 1.26 of Regulation (EU) no. 596/2014 (MAR), are subject to the instructions on Internal Dealing. For persons who perform administrative, control or management functions for the issuer, art. 19, paragraph 11, of the above Regulation (EU) no. 596/2014 has introduced a ban on transactions being conducted, on one’s own behalf or on behalf of third parties, directly or indirectly, during a period of 30 calendar days prior to an annual, half-yearly or quarterly financial report announcement.

The Bank has adopted specific regulations and internal procedures for the required reporting via the adoption of Group Internal Dealing Rules (market abuse regulations), as published on the website www.bper.it - Sito Istituzionale > Governance > Documents > Internal Dealing.

2.3 Significant holdings of share capital (art. 123-bis, paragraph 1.c), Legislative Decree 58/98

Pursuant to art. 120 of Legislative Decree 58/98, those with a significant shareholding in a listed company must notify the investee company and CONSOB. Unless exempt pursuant to art. 119-bis of the Issuers’ Regulation, shareholders are obliged to notify their equity investments in listed issuers, such as BPER, when they own more than 3% of share capital or reach or exceed the further thresholds established or subsequently fall below those thresholds.

Details of the share capital structure and significant shareholdings are provided in Table 1 attached to this Report.

For updated information on shareholdings communicated in compliance with regulatory obligations in force, reference should be made to the websites of CONSOB (www.consob.it) and Borsa Italiana S.p.A. (www.borsaitaliana.it).

2.4 Securities carrying special rights (art 123-bis, paragraph 1.d), Legislative Decree 58/98

At the time of this Report, no securities carrying special rights of control and/or other special power have been issued, nor multiple or increased voting shares.

The articles of association do not provide for the issue of multiple or increased voting shares.

2.5 Shares held by employees: mechanism for exercising voting rights (art. 123-bis, paragraph 1.e), Legislative Decree 58/98

At the time of this Report, there are no employee share ownership plans that involve the exercise of their voting rights by appointed representatives. Accordingly, the current regulatory and legislative provisions governing voting rights also apply to employees.

2.6 Restrictions on voting rights (art. 123-bis, paragraph 1.f), Legislative Decree 58/98

Each ordinary share carries the right to one vote, subject to the provisions of art. 5, paragraph 6 of the articles of association as indicated in paragraph 2.2 above.

If a share becomes the property of several persons, the joint ownership rights must be exercised by a
common representative.

Persons who have the right to vote are entitled to attend the Meeting if the Company has received, by the legal deadline, communication from the authorised intermediary certifying this right.

Those who have the right to vote may be represented at the Meeting in compliance with the applicable regulations. The proxy can be notified as indicated in the notice of calling.

Postal voting is not allowed.

In accordance with current regulations, the Board of Directors can allow votes to be cast before and/or during the Shareholders' Meeting, without requiring the physical presence of the person or their proxy, through the use of electronic devices in ways to be communicated in the notice of calling of the Shareholders' Meeting, such as to ensure the identification of those who have the right to vote and security of communications.

Members of the Board of Directors may not vote on resolutions regarding their responsibility for actions\(^7\). The articles of association do not provide for any further restrictions on voting rights.

### 2.7 Agreements between Shareholders (art 123-bis, paragraph 1.g), Legislative Decree 58/98)

On 2 March 2017, the Bank received notification of the establishment, on 28 February 2017, of a shareholders’ agreement entitled “Historic shareholders' agreement” that 63 shareholders are party to and under which 22,339,276 shares were bound by the agreement, equating to 4.64% of the Bank's share capital on that date. On 22 March 2019, the Bank received notification of an update to the agreement: the percentage interest in share capital assigned to the agreement has decreased following withdrawal by a number of shareholders, leaving 35 shareholders (none owning more than 1% of the share capital of the Bank) that, in total, have committed 10,898,537 shares to the agreement. These shares represented 2.26% of the share capital of BPER at the time of the agreement and represent 2.09% now\(^8\). Accordingly, the agreement is no longer significant pursuant to art. 122 of Legislative Decree 58/98.

The related documentation has been published on the Bank's website – Sito Istituzionale > Governance.

At the time of this Report, the Bank is not aware of any such agreements pursuant to art. 122 of the Legislative Decree 58/98.

During the last Shareholders' Meetings held on 17 April and 4 July 2019 no Shareholders made any declarations pursuant to arts. 20 and 22 of Legislative Decree 385/93 and arts 120 and 122 of Legislative Decree 58/98.

### 2.8 Change of control clauses (art 123-bis, paragraph 1.h), Legislative Decree 58/98) and provisions of the articles of association relating to takeover bids (arts. 104, paragraph 1-ter, and 104-bis, paragraph 1)

At the time of this Report, neither BPER nor its subsidiaries have signed any agreements that would become effective, be modified or lapse in the event of a change in control over BPER or its subsidiaries.

The Bank's articles of association do not provide for the application of the neutralization rules contained in art. 104-bis, paragraphs 2 and 3 of Legislative Decree 58/98 in respect of takeover bids, nor do they derogate from the provisions on the passivity rule provided by art. 104, paragraphs 1 and 1-bis of Legislative Decree 58/98.

\(^7\) BPER articles of association, art. 11, para. 9.

\(^8\) Ed. note: the original percentage was 2.264%, as recalculated using the revised number of BPER shares after the capital increases.
2.9 Mandates to increase share capital and authorisations to purchase treasury shares (art. 123-bis, paragraph 1. m), Legislative Decree 58/98)

In order to achieve its corporate objects, the Company, directly or through its subsidiaries, may in compliance with current regulations carry out all permitted banking and financial operations and services, as well as all other operations that are useful or in any case related to the achievement of its objects.

The Company may issue bonds, including those convertible into shares, in compliance with applicable legislation.

The Extraordinary Shareholders’ Meeting of 4 July 2019 resolved to grant the following powers to the Board of Directors:

a) authorise by no later than 31 December 2019 an increase in share capital for payment, by a maximum total amount of Euro 171,708,624.00, on a non-divisible basis reserved for subscription solely by Fondazione di Sardegna, via the issue with the exclusion of option rights of 33,000,000 BPER ordinary shares, to be settled on one occasion by the contribution of 10,731,789 Banco di Sardegna S.p.A. ordinary shares;

b) authorise, by 31 December 2019, (i) the issue of an Additional Tier 1 convertible bond for up to a maximum total nominal amount of Euro 150,000,000.00, to be offered for subscription solely to Fondazione di Sardegna and consequently (ii) to increase share capital for payment, by a maximum total amount of Euro 150,000,000.00, on one or more occasions and on a divisible basis to service solely and irrevocably the conversion of that bond, by the issue of a maximum of 35,714,286 BPER ordinary shares;

c) authorise, by 30 June 2020, the increase in share capital by a maximum total amount of Euro 40,993,513.60, on one or more occasions and on a divisible basis, via the issue with the exclusion of option rights of a maximum of 7,883,368 BPER ordinary shares, at an issue price to be determined by the Board of Directors in compliance with the law, to service a public offer for the exchange of savings shares in Banco di Sardegna S.p.A.;

d) authorise, within five years of the date of the Shareholders’ Meeting, an increase in share capital for payment by a maximum total amount of Euro 13,000,000.00 on one or more occasions and on a divisible basis, via the issue with the exclusion of option rights of a maximum of 2,500,000 BPER ordinary shares, at an issue price to be determined by the Board of Directors in compliance with the law.

The Board subsequently exercised the mandates referred to in points a) and b) above and, consequently, on 25 July 2019, the capital increase for payment was completed by issuing 33,000,000 BPER freely-transferable ordinary shares with standard enjoyment rights, so that the issued and fully-paid share capital of BPER on 25 July 2019 amounted to Euro 1,542,925,305 and was represented by 514,308,435 shares without nominal value.

On 7 November 2019, the Board of Directors exercised the mandate referred to in point c) above in order to service the voluntary public offer of exchange, promoted on that date, regarding all the savings shares in Banco di Sardegna S.p.A. not held by BPER that were listed on the electronic equities market organised and managed by Borsa Italiana S.p.A. Based on the final results of the public offer of exchange, the capital increase for payment reserved for those accepting the offer was completed on 19 December 2019 by issuing 6,319,513 freely-transferable BPER ordinary shares with standard enjoyment rights. Consequently, the issued and fully-paid share capital of BPER became Euro 1,561,883,844, represented by 520,627,948 shares without nominal value, being the position at year end.

In accordance with the articles of association, the following decisions therefore remain in effect [see points b) and d) above]:

- resolution of the Board of Directors on 11 July 2019, under the mandate granted at the Extraordinary Shareholders’ Meeting held on 4 July 2019, to increase share capital for payment, by a maximum total amount of Euro 150,000,000, inclusive of a premium of Euro 42,857,142, on one or more occasions and on a divisible basis to service solely and irrevocably the conversion of the above-mentioned Additional Tier 1 convertible bond, by the issue of a maximum of 35,714,286 BPER ordinary shares, without nominal value, with standard enjoyment rights and the same characteristics as the other ordinary shares in the Bank outstanding on the issue date;

- mandate granted to the Board of Directors at the above-mentioned Shareholders’ Meeting held on 4 July 2019, for a period of five years from the date of the resolution, to increase share capital for payment by a maximum total amount of Euro 13,000,000.00, inclusive of any premium to be determined pursuant to art. 2441, para. 6, of the Italian Civil Code, on one or more occasions and on
a divisible basis, via the issue with the exclusion of option rights pursuant to art. 2441, para. 4, and/or art. 2441, para. 5, of the Italian Civil Code, of a maximum of 2,500,000 BPER ordinary shares without nominal value, at an issue price that may be lower than their accounting value on the issue date, with standard enjoyment rights and the same characteristics as the other ordinary shares in the Bank outstanding on the issue date.

With regard to the authorisations to purchase treasury shares, the Ordinary Shareholders’ Meeting held on 17 April 2019 approved their purchase and use, pursuant to arts. 2357 and 2357-ter of the Italian Civil Code and art. 132 of Legislative Decree 58/98, to service the “Long-Term Incentive (LTI) Plan 2019-2021” for personnel deemed strategic, as already mentioned in section 2.1 above and detailed in chapter 9 below.

The LTI Plan envisages recognising part of the long-term variable component of the remuneration of “Personnel deemed strategic” to the Group in the form of BPER ordinary shares. The purpose of authorising the purchase treasury shares is to service the needs of the above LTI Plan.

Specifically, the Board of Directors of the Parent Company has been granted the right to make repeated purchases and sales (or other uses) of treasury shares over time, even in smaller quantities than the maximum authorised, so that, at any time, the number of treasury shares purchased and held by the Bank does not exceed the limits established by law and by the authorisation granted by the shareholders.

That authorisation specifies holding a maximum of 5,000,000 BPER ordinary shares without exceeding, in all cases, a total value of Euro 10 million. The purchases will be made out of the distributable profits and available reserves reported in the latest approved financial statements available at the time of the purchase transactions.

Pursuant to art. 2357-ter of the Italian Civil Code and Bank of Italy Circular 262/2015, the value of the treasury shares purchased will be deducted from the shareholders’ equity reported in the balance sheets for the years concerned.

The treasury shares will be purchased in regulated markets pursuant to art. 132 of Legislative Decree 58/98 and art. 144-bis, para. 1.b), of the Issuers’ Regulations, in accordance with the procedures established in the regulations for the organisation and management of the markets, in order to ensure that all shareholders are treated equally. Accordingly, the purchases will be made solely, on several occasions, in the regulated market organised and managed by Borsa Italiana S.p.A., in accordance with the procedures established by that market operator, which do not allow proposed purchases to be matched directly with predetermined offers for sale.

Sales of treasury shares already held and those to be purchased will, on the other hand, be made in the manner deemed most appropriate in the interests of the Bank, including sales and/or grants in execution of share incentive plans.

With regard to the consideration for purchase transactions, the purchase price of each treasury share, including purchase-related expenses, must not be more than 5% below or 5% above the official MTA closing price for the share on the day before the purchase. This interval has been established in compliance with the provisions of the Italian Civil Code, which require the minimum and maximum consideration to be defined. In all cases, the price for each purchase made in regulated markets must not exceed the higher of the price of the last independent transaction and the current highest independent offer price in the trading rooms where the purchase is made, pursuant to art. 3, para. 2, of Commission Delegating Regulation 2016/1052 of 8 March 2016.

The authorisation to purchase was given for a period of eighteen months from the date of the Shareholders’ Meeting that approved it.

The authorisation to use the treasury shares already held and those to be purchased for the purposes described above is not subject to a time limit, given the absence of regulatory restrictions in this regard and the need for maximum flexibility in their use, not least in terms of timing.

With regard to use of the treasury shares held, the Board of Directors will establish criteria on a case-by-case basis for determining the related consideration and/or the basis, terms and conditions for their use, having regard for the method of disposal, movements in the share price during the period prior to the transaction and the best interests of the Bank, all in compliance with current regulations.

Given the purpose of the authorisation to purchase and use treasury shares, transactions in them are included among those envisaged in art. 5 of Regulation (EU) 596/2014 (“MAR”), as well as among the practices allowed pursuant to art. 13 of that Regulation.

In preparation for the purchase of treasury shares, the required authorisation has been obtained from the Supervisory Authority pursuant to the applicable provisions of Regulation (EU) 575/2013 and Delegating

As of the date of this Report, the shareholders in general meeting had not authorised any further purchases of treasury shares pursuant to art. 2357 et seq. of the Italian Civil Code. At 31 December 2019, the Bank held 455,458 treasury shares, representing 0.087% of the total number of shares making up the Bank's share capital, namely 520,627,948.

2.10 Management and coordination activities (art. 2497 et seq. of the Italian Civil Code)

At the date of this Report, the Bank is not subject to management and coordination by other parties.
3 Adoption of codes of conduct (art 123-bis, paragraph 2.a), Legislative Decree 58/98

On 5 September 2017, BPER Banca adopted the Code of Conduct for listed companies promoted by the Committee for Corporate Governance set up by trade associations (ABI, ANIA, Assonime and Confindustria), by professional investors (Assogestioni) and by Borsa Italiana S.p.A.

The current Code was approved by the Committee for Corporate Governance in July 2018 and published on the Committee's website at the following address:


In the preparation of this Report, account has been taken of the "Format for the report on corporate governance and ownership structure" prepared by Borsa Italiana S.p.A. (last updated in January 2019).

In accordance with the comply-or-explain principle, any partial departures from the Code's recommendations have been disclosed and justified in this Report.

Helped by amendments made to the articles of association in recent years, the system of corporate governance adopted by BPER is broadly in line with the principles contained in the aforementioned Code, with the recommendations made by the Supervisory Authorities and with national best practice.

Unless otherwise indicated, the information provided in this Report refers to the date of its approval by the Board of Directors (indicated on the cover).

In January 2020, the Committee for Corporate Governance approved the new Code of Corporate Governance, the principal changes to which address four key objectives: sustainability, engagement, proportionality, simplification. The new edition takes the opportunity to strengthen a number of existing recommendations, such as: evaluation of independence, quality of the information provided to the directors, role of the chairman of the board, succession plan for executive directors, gender equality in terms of treatment and opportunity within the organisation.

For adopters of the existing version, the new Code will take effect from the first financial year commencing after 31 December 2020: accordingly, the related information will be included in the Report on Corporate Governance published in 2022.

Lastly, it should be noted that the Bank and the companies within the BPER Group, with head offices in Italy, are not subject to non-Italian legislation that might affect the structure of their corporate governance.
4 Board of Directors

4.1 Appointments and replacements (art. 123-bis, paragraph 1.l), Legislative Decree 58/98)

For the appointment and replacement of members of the Board of Directors, the Bank complies with the provisions of articles 17 to 21 of the articles of association, which have been summarised below.

Members of the Board of Directors are elected by the shareholders in general meeting from lists presented by shareholders and/or the Board of Directors in accordance with the provisions of arts. 18 and 19 of the articles of association.

The presentation of lists by Shareholders has to satisfy the following requirements:

a) the list must be presented by Shareholders who, individually or collectively, hold at least 1% of the share capital represented by ordinary shares, or a lower percentage established by current regulations. Ownership of the minimum shareholding is calculated with regard to the shares registered on the day when the list is filed at the Company;

b) the list must indicate a number of candidates not higher than the number of directors to be elected;

c) the list that contains a number of candidates equal to or higher than three, must present a number of the less represented gender to ensure that the list complies with the gender balance at least to the minimum extent required by law, rounding up to the next unit in the event of a fractional number;

d) the list must present at least a third of candidates, who meet the independence requirements established by art. 148, third paragraph 3, of Legislative Decree 58 dated 24 February 1998, as well as any other legislative requirements that are currently applicable (the “Independence Requirements”), rounding up to the next unit in the event of a fractional number;

e) the list must be filed at the Company’s registered offices according to the terms and methods established by current regulations (at the date of this report, legislation requires filing to be completed at least 25 days prior to a Shareholders’ Meeting);

f) together with the list, the presenting members must file at the registered offices of the Company all of the documents and declarations required by law, and in any case: (i) the declarations from each candidate accepting their candidature and confirming, under their own responsibility, the absence of reasons for which they cannot be elected or other incompatibilities, and that they meet the requirements for appointment established by these Articles of Association and by current regulations and whether they meet the Independence Requirements; (ii) a full description of the personal and professional characteristics of each candidate, with an indication of the directorships and audit appointments held in other companies; (iii) information on the identity of the members presenting the lists, indicating their percentage shareholding, to be confirmed according to the terms and methods established by current regulations.

Each Shareholder may not present or contribute to the presentation, even if through a third party or through a trust company, of more than one list of candidates; a similar requirement applies for Shareholders belonging to the same group - meaning the parent company, its subsidiaries and the companies subject to joint control - or who are parties to a shareholders’ agreement regarding the shares of the Company. In the event of non-compliance, their signature is ignored in relation to all lists.

In this regard, reference is made to the recommendations made by Consob by means of its Communication DEM/9017893 of 26 February 2009 regarding connections between lists as per art. 147-ter, paragraph 3, of Legislative Decree 58 dated 24 February 1998, to which reference should be made, as well as the provisions set forth in articles 144-sexies, paragraph 4 b) and 144-quinquies of the Issuers’ Regulations.

The submission of a list by the Board of Directors is also permitted, in which case it has to satisfy the following requirements:

- the list must indicate a number of candidates equal to the number of directors to be elected;

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9 Art. 147-ter, paragraph 1-bis, Legislative Decree 58/98.
the list must be filed and made public in the manner provided by current regulations on the publication of regulated information, at least five days before the deadline for filing lists by shareholders under current regulations;

presentation of the list must be approved by the Board of Directors by an absolute majority of its members currently in office;

the above requirements c), d) and f) (i) and (ii) for the presentation of lists by shareholders shall apply to the presentation of the list by the Board of Directors.

The lists submitted without complying with the terms and conditions set out in the articles of association will be considered as not submitted and will not be admitted to the vote.

Under art. 147-ter, paragraph 1-bis of Legislative Decree 58/98, Shareholders can use a remote means of communication to submit voting lists, in accordance with the rules laid down and communicated in the notice that convenes the Meeting.

The status of candidate belonging to the less represented gender and that of candidate that satisfies the Independence Requirements can be combined in the same person.

Any irregularities on the list that relate to individual candidates only entail the exclusion of the candidate(s) concerned.

Each candidate may only appear on one list or, otherwise, will be ineligible for election.

Persons entitled to vote cannot vote more than one list of candidates, even if through an intermediary or through trust companies.

None of this prejudices any other, different requirements under current regulations concerning the basis and timing for the presentation and publication of lists.

The articles of association do not provide criteria for exclusion from the counting of the votes such as those permitted by art. 147-ter, paragraph 1 of Legislative Decree 58/98.

The election of the Board of Directors is conducted in accordance with art. 19 of the articles of association.

If more than one list is validly submitted, account is taken, in terms of the number of votes received, of the first list (the "Majority List") and of the second list that is not connected in any way, even indirectly, with the first one (the "Junior Minority List") and their votes where validly made, are placed in relation to each other:

- if the ratio between the total number of votes obtained by the Junior Minority List and the total number of votes obtained by the Majority List is less than or equal to 15%, 14 directors are taken from the Majority List and 1 director is taken from the Junior Minority List;
- if the ratio between the total number of votes obtained by the Junior Minority List and the total number of votes obtained by the Majority List is greater than 15% and lower than or equal to 25%, 13 directors are taken from the Majority List and 2 directors are taken from the Junior Minority List;
- if the ratio between the total number of votes obtained by the Junior Minority List and the total number of votes obtained from the Majority List is more than 25%, 12 directors are taken from the Majority List and 3 directors are taken from the Junior Minority List.

If the Majority List presents fewer candidates than those assigned to it based on the application of the mechanism described in the previous paragraph, the following are elected: (i) all of the candidates on the Majority List; (ii) the candidates on the Junior Minority List needed to complete the Board of Directors, in the sequence shown on the list. Where it is not possible to complete the Board of Directors in the manner described above, due to the fact that the Majority List and the Junior Minority List present fewer candidates than the number required, the following procedure applies: if the other lists, other than the Majority List and the Junior Minority List, have obtained a total of at least 15% of the votes expressed at the Meeting, directors required to complete the Board of Directors are taken from these other lists, placed in a single ranking by number of votes received, starting with the list with the highest number of votes and moving down a sliding scale to the subsequent lists when the candidates on the preceding lists by number of votes run out. In all cases where it is not possible to complete the Board of Directors by following the above instructions, the Meeting expresses itself on candidates submitted by the shareholders directly at the Meeting, who are then voted individually: the candidates who receive the highest number of votes are elected, up to the total number of directors still to be elected.

10 Resulting from the ratio of 2 to 13.
11 Resulting from the ratio of 3 to 12.
In the event of a tie between lists or candidates, the Meeting holds a second ballot to establish how they are to be ranked.

If, at the end of the above process, a number of Board members belonging to the less represented gender and/or directors who satisfy the Independence Requirements have not been elected to ensure the presence on the Board of Directors of the related minimum number of directors, the procedure described in the articles of association under art. 19, paragraphs 2.4 and 2.5 shall apply.

If only one valid list is presented and voted, all the directors are taken from that list, until all the candidates on it have been used up. Where it is not possible to complete the Board of Directors in this way, the Meeting expresses itself on candidates submitted by shareholders directly at the Meeting, who are put to the vote individually: the candidates who receive the highest number of votes are elected, up to the total number of directors still to be elected. In the event of a tie between various candidates, the Meeting holds a second ballot to establish how they are to be ranked.

If no list is validly presented, the Meeting expresses itself on candidates submitted by shareholders directly at the Meeting, who are put to the vote individually: the candidates who receive the highest number of votes are elected, up to the total number of directors to be elected.

In the event of a tie between various candidates, the Meeting holds a second ballot to establish how they are to be ranked.

If, at the end of voting, a number of Board members belonging to the less represented gender and/or directors who satisfy the Independence Requirements have not been elected to ensure the presence on the Board of Directors of the related minimum number of directors, the procedure described in the articles of association under art. 19, paragraph 5 shall apply.

All of the candidates proposed directly at the Meeting have to submit the documentation laid down in art. 18 paragraph 2 letter f) of the articles of association.

Significant relationships are those identified by the applicable provisions of Legislative Decree 58 of 24 February 1998 and the Issuers' Regulations.

If, during the year, one or more Directors are no longer available, they are to be replaced according to the provisions of art. 20 of the articles of association as summarised below.

If the Director who is no longer available was taken from the list that obtained the highest number of votes, the Board of Directors, with the approval of the Board of Statutory Auditors, replaces him by choosing the Director to be co-opted from among persons not on the same list, making sure that the person chosen belongs to the less represented gender and/or meets the Independence Requirements if, as a result of the termination, there is no longer the required minimum number of directors.

The co-opted Director shall remain in office until the next Shareholders' Meeting, which will then replace the Director who is no longer available. In this case, the Shareholders' Meeting votes without any list restriction, based on candidates who are put to the vote individually: the candidate who receives the most votes gets elected. Candidates can be nominated, in addition to the Board of Directors, by shareholders who, individually or jointly, hold at least one-fifth of the share capital, as required to submit a list for the election of the Board of Directors, in accordance with the methods described in art. 20, paragraphs 2.3 to 2.7.

If no candidacy is submitted by the set deadline, the Meeting decides on the basis of the candidates proposed by the shareholders directly at the Meeting, who are put to the vote individually: the candidate who receives the highest number of votes gets elected, making sure that the person chosen belongs to the less represented gender and/or meets the Independence Requirements if the required minimum number of directors has to be made up. Candidatures are to be presented in accordance with the rules mentioned above.

If the Director who has terminated was taken from a different list than the one that came first by number of votes obtained, he is replaced by the first unelected candidate, according to the progressive numbering on the list of origin of the terminated director, according to the rules set out in art. 2, paragraphs 3, 3.1 and 3.2.

If, for any reason, replacement is not possible according to the mechanism described above, the Meeting votes on the replacement, on the basis of candidates who are put to the vote individually: the candidate who receives the highest number of votes gets elected, making sure that the person chosen belongs to the less represented gender and/or meets the Independence Requirements if the required minimum number of directors has to be made up. In this case, the candidatures are submitted in accordance with the procedures laid down by art. 20, paragraph 3.3, of the articles of association.

If no candidate is submitted, the Meeting votes on the substitution on the basis of candidates proposed by
the Shareholders directly at the Meeting, who are put to the vote individually: the candidate who receives the highest number of votes gets elected, making sure that the person chosen belongs to the less represented gender and/or meets the Independence Requirements if the required minimum number of directors has to be made up. In this case, the candidatures are submitted in accordance with the procedures laid down by art. 20, paragraph 3.5, of the articles of association.

The Directors taking over each assume the residual period of office of the person they replaced.

If, due to resignations or other causes, more than half of the directors are no longer available prior to the end of their term of office, the entire Board of Directors has to resign and a Shareholders' Meeting called to make the new appointments. The Board will remain in office until the Shareholders’ Meeting has passed a resolution to reconstitute it. The new Directors so appointed shall hold office for the remaining term of office of their predecessors.

Pursuant to art. 21 of the articles of association, the members of the Board of Directors must meet the requirements established by current law, otherwise they cannot be elected or, if they subsequently fail to meet the requirements, they will fall from office. At least five of them must also meet the independence requirements established for statutory auditors in art. 148.3 of Legislative Decree 58/98. It is up to the Board of Directors to define the parameters for assessing whether the relationships maintained by directors are likely to compromise their independence in the light of current legislation.

If a director no longer meets the Independence Requirements or other requirements foreseen under current law, providing they do not envisage ineligibility or forfeiture, this does not automatically lead to his forfeiture, if there is still the required minimum number of directors who meet them.

The Board of Directors ensures that newly appointed Directors meet the requirements of integrity, professionalism and, if appropriate, independence required by law and by the articles of association, as well as their compatibility to hold office pursuant to art. 36 of the Decree Law 201 of 27 December 2011 (the so-called ban on interlocking).

Succession plans

In 2018 the Bank adopted succession plans12 for the Chief Executive Officer and the General Manager,

No succession plans have been established for the other Executive Directors since they are considered as such, not because of individual executive powers, but as members of an executive body (the Executive Committee). Early termination of the single member of this body would not generate management gaps that might compromise corporate stability. This also complies with the Bank of Italy's Supervisory Provisions, which do not require succession plans for these positions.

Succession plans are designed to contain the risk – especially when the termination occurs unexpectedly – that management gaps might take place that could jeopardize the stability of the institution, thereby responding to the need to guarantee orderly continuity and avoid possible economic and reputational repercussions.

In order to favour an orderly and rapid succession, without prejudice to any rules and regulations that may be applicable, including the articles of association, succession plans govern the methods for replacement and the process of selecting possible candidates for the change-over.

Succession plans define different processes for the Chief Executive Officer and the General Manager, not being limited, in the case of the General Manager, to regulating only the situation of early termination from the office, but also contemplating cases of so-called "scheduled" replacement, in line with what is established by the Bank of Italy's Supervisory Provisions.

To be more specific, the following matters are laid down:

- two structured processes (one for the Chief Executive Officer, the other for the General Manager) that identify the bodies and individuals involved in each phase of the process and their timing;
- the tools used to facilitate selection of the most suitable candidate for each role. Specifically, indispensable prerequisites to allow a prompt and effective start of the change-over processes are the availability of i) a description of the ideal profile, for each of the two top positions, constantly updated in light of the strategic scenario and ii) a list of accredited executive search companies to refer to promptly whenever there is need of a replacement.

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12 In accordance with the Supervisory Instructions issued by the Bank of Italy, the recommendations of the Code of Self-Regulation for listed companies and the Guidelines issued in September 2017 by the European Banking Authority.
As regards the corporate bodies and individuals who are involved, a key role is assigned, particularly for the replacement of the CEO, to the Nominations Committee, which carries out the following preliminary phases of the process:

- determination of the ideal profile and accreditation of the executive search firms;
- pre-selection of a list of potential candidates for the role (long list), having checked they meet the requisites for the position, to be submitted to the Board in order to draw up a shortlist of candidates;
- conduct of one-to-one discussions and interviews with the chosen candidates aimed at gathering further insight into whether they actually correspond to the ideal profile, their consistency with the Group's value system, their willingness, commitment and expectations, as well as at forming an opinion on their behavioural approach and soft skills;
- preparation of a summary report containing key evidence of the feedback received, a calibration of the candidates, an assessment of remuneration factors (with a contribution by the Remuneration Committee) and the proposal to be submitted to the Board.

The last phase of these processes shall involve the administrative body in plenum, which, based on the preliminary phases performed by the Committee, shall be responsible for selecting the final candidate, the appointment thereof and the granting of delegated powers thereto.

When preparing the plans, particular attention was given to the timing of execution in order to ensure prompt replacement, albeit with differences between the two roles, so that on departure of the General Manager, the Bank would not suddenly be deprived of its "business leader".

On the agreed early termination of the employment relationship with Fabrizio Togni, the former General Manager, on 31 December 2019, the Board of Directors decided not to activate the structured procedure defined in the Succession Plan for the selection of a new General Manager, but rather to assign this role to Alessandro Vandelli, Chief Executive Officer of the Bank, after having checked his suitability. In this regard, the Board considered the ideal General Manager profile envisaged in the Succession Plan, involved and obtained a favourable opinion from the Nominations Committee, and held discussions with the Board of Statutory Auditors.

Accordingly, as from 1 January 2020, Alessandro Vandelli is both the Chief Executive Officer and the General Manager of the Bank.

4.2 Composition of the Board (art. 123-bis, paragraph 2.d) and 2.d-bis), Legislative Decree 58/98)

The Bank of Italy Supervisory Provisions concerning corporate governance (see Circular 285 of 17 December 2013, Part I, Title IV, Chapter 1) indicate, for larger and more complex banks like BPER, that the total number of directors may not exceed, except under very particular circumstances that have to be justified, 15 persons.

In accordance with art. 17 of the articles of association, BPER's Board of Directors currently consists of 15 Directors, to be appointed by the shareholders in general meeting and that they shall remain in office for three years, while their appointments shall expire on the date of the Shareholders' Meeting called to approve the financial statements for the final year of their mandates and they may be re-elected upon the expiry of such mandates.

Pursuant to art. 22 of the articles of association, the Board of Directors elects from among its number, the Chairman and between one and three Deputy Chairmen who remain in office until the end of their mandate as directors (see the table below).

The Board sets up the committees provided for by law and by current Supervisory Provisions, as well as any other committees that are deemed appropriate, establishing their composition, powers and rules of operation.

The Board of Directors appoints a Secretary who meets the requirements of experience and professionalism, chosen from among its members or the managers of the Company. On 26 October 2010, Gian Enrico Venturini, Deputy General Manager, was appointed as Board Secretary, which appointment was last reconfirmed on 19 April 2016.

In compliance with art. 11, paragraph 2, of the articles of association, the Shareholders' Meeting can appoint an Honorary Chairman from among those - not necessarily members of the Board of Directors - who have made a significant contribution to the Company's prestige and development. The position of honorary Chairman is not remunerated. Pursuant to art. 22 of the articles of association, if an Honorary Chairman is
appointed by the Shareholders’ Meeting without being a Director, he can take part in meetings of the Board of Directors in a consultative role without any right to vote. He can also take part in Shareholders’ Meetings. The Board of Directors can entrust the honorary Chairman with assignments to represent the Company at cultural, scientific and charitable events. Such assignments are not remunerated. No Honorary Chairman has been appointed as of the date of this report.

All the Directors must possess the attributes required for their appointment pursuant to current regulations.

In addition, pursuant to art. 23 of the articles of Association and without prejudice to the other legal reasons for which they cannot be elected or for which their appointment would lapse, the following persons cannot be members of the Board of Directors:

- employees of the Company, unless they are members of General Management;
- the Directors, employees or members of supervisory committees, commissions or bodies of competing banks or companies, unless the Company holds investments in such banks or companies, whether directly or via companies that are members of the Banking Group.

It should also be noted that art. 36 of Decree Law 201 of 27 December 2011 (so-called ban on interlocking) prohibits office bearers in management, monitoring and control bodies and top officials of companies or groups operating in the credit, insurance and financial services markets from accepting or exercising similar positions in competitors’ companies or groups.

For the purposes of this ban, companies or groups are considered competitors when there is no control relationship in accordance with art. 7 of Law 287 of 10 October 1990 and they operate in the same markets in terms of product and geographical area.

Each member of the Board of Directors is domiciled for the exertion of his/her office c/o the Head Office, Via San Carlo, 8/20, Modena.

Diversity policy

The Bank recognises the importance of corporate bodies having a sufficiently diversified composition - in terms of age, gender, geographical origin, training and professional background, as well as personal qualities and skills - with a view to encouraging the independence of opinion and critical thinking of the members, contributing to more effective governance.

As regards gender diversification in particular, it is worth remembering that BPER Banca’s Articles of Association require compliance with composition criteria for corporate bodies that ensure gender balance in compliance with current legislation. Compliance with this criteria is ensured by provisions governing the composition of the lists of candidates and the election of officers, inclusive of via the application of a sliding mechanism.

As envisaged in arts. 17 and 31 of the articles of association, current regulations and the Code of Self-Regulation, the composition of the Board of Directors and the Board of Statutory Auditors complies with the gender balance requirements. At present, out of 15 members, 7 are female (the less represented gender) and 8 are male. With regard to the Board of Statutory Auditors, 2 of the 5 members are male, which is currently the least represented gender.

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13 Law 160 dated 27 December 2019 (Budget Law), which came into force on 1 January 2020, amended the regulations envisaged in arts. 147-ter and 148 of Legislative Decree 58/98 governing gender balance on the boards of listed companies. The consequent proposed amendments to art. 144-undecies.1 of the Issuers’ Regulations are currently under discussion. In short, the required proportion of members from the least represented gender has been raised from at least 1/3rd to at least 2/5ths, for both the administrative body and the control body, and the applicability of the new criterion has been increased from 3 to 6 consecutive mandates. The new regulation applies from the first renewals of corporate bodies subsequent to 1 January 2020. Although BPER is not required to renew its corporate bodies in the current year, it is confirmed that the current composition of the Board of Directors and the Board of Statutory Auditors already complies with the new instructions.

14In this connection, reference should be made to Directive 2013/36/EU of the European Parliament and Council dated 26 June 2013 on access to the banking business and prudential supervision of credit institutions and investment firms (so-called CRD IV) and the Joint Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU issued jointly by the European Banking Authority (EBA) and European Securities and Markets Authority (ESMA) on 26 September 2017.

15See art. 17, paragraph 3, regarding the Board of Directors and art. 31, paragraph 7, regarding the Board of Statutory Auditors.

16Art. 18, paragraph 2, of the articles of association states that the list that contains a number of candidates for the position of director equal to or higher than three, must present a number of the less represented gender to ensure that the list complies with gender balance requirements at least to the minimum extent required by law, rounding up to the next unit in the event of a fractional number. Except for the specific circumstances arising from the different structure of the lists, similar provisions for the Board of Statutory Auditors are contained in art. 32, paragraph 3, of the articles of association.

17See arts. 19 and 33 of the articles of association.
The Bank plans to adopt a corporate policy on the diversity of the administrative and control bodies as soon as a framework of principles has been completed, inclusive of at the level of national legislation, and awaits, in particular, the issue by the Ministry of Economy and Finance of a Decree implementing\(^{\text{18}}\) art. 26 of Legislative Decree 385/93 concerning the requisites and eligibility criteria for the performance of duties by corporate officers of banks, which may include specific provisions relating thereto, as well as implementing art. 91, paragraph 10 of the aforementioned CRD IV Directive\(^{\text{19}}\).

In the meantime, BPER has adopted a document containing general guidelines for the composition of corporate bodies of subsidiaries which approves the use of designation processes based on the protection of diversity to encourage debate and interactive dynamics among the members, promoting diversified approaches and perspectives, to the benefit of more effective management of the business.

Diversity is ensured, not only by complying with the provisions of law in force from time to time, promoting a culture of inclusion, but also by enhancing the various contributions that may result from the combination of gender, geographical origin, training and professional background, as well as the age of members.

In addition, with a view to promoting gender equality in terms of treatment and opportunity within the entire organisation, the "EQUAL MERIT" project was launched during 2019 in order to promote equal opportunities within the BPER Group and raise the proportion of women executives to 15% by 2021. This project also seeks to spotlight and enhance further the attention already dedicated to respecting and valuing gender diversity in the fields of recruiting, professional development and work-life balance.

Information on the composition of the Board of Directors is provided in Table 2 attached to this Report.

No changes in the composition of the Board took place between the end of 2019 and the date of this report.

It should be noted that the Bank deems "non-executive" those Directors who do not have mandates or perform functions, formally or in practice, relating to the operations of the Bank. At that time of approving this Report, there are no executive Directors other than the Chief Executive Officer and the members of the Executive Committee. For further information, see paragraphs 4.5 and 4.6 below.

As regards the independent Directors, see paragraph 4.7.

The summary of the personal and professional characteristics of each appointed director, identifying their professional experience and skills, is published on the website of the [www.bper.it – Institutional > Governance Section > Board of Directors](http://www.bper.it).

The appointments held by each member of the Board of Directors, as stated in the latest reports to the Bank, are listed in Table 3, attached to this Report.

The following summary table relates to the Shareholders’ Meeting that elected the current members of the Board of Directors.

<table>
<thead>
<tr>
<th>Date of Meeting</th>
<th>14/04/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of lists presented</td>
<td>2 lists for the appointment of 15 Directors.</td>
</tr>
<tr>
<td><strong>List no. 1</strong></td>
<td></td>
</tr>
<tr>
<td>List submitted by the Board of Directors of BPER Banca S.p.A. exercising the right granted by art. 18, paragraph 8, of the current articles of association.</td>
<td></td>
</tr>
<tr>
<td><strong>List no. 2</strong></td>
<td></td>
</tr>
<tr>
<td>List presented by the Trevisan &amp; Associati Law Firm, on behalf of 11 managers of 24 funds, shareholders with the following overall percentage interest in BPER: 1.40%.</td>
<td></td>
</tr>
</tbody>
</table>

\(^{\text{18}}\) The Ministry of Economy and Finance had issued for consultation a draft of the Ministerial Decree implementing art. 26 of Legislative Decree 385/93. The consultation ended on 22 September 2017 and we now await the enactment of the new legislation.

\(^{\text{19}}\) Directive 2013/36/EU of the European Parliament and the Council of 26 June 2013 concerning access to the activities of credit institutions and investment firms (so-called CRD IV Directive).
1. Alessandro Vandelli;
2. Riccardo Barbieri;
3. Massimo Belcredì (independent);
4. Mara Bernardini (independent);
5. Luciano Filippo Camagni (independent);
6. Giuseppe Capponcelli (independent);
7. Pietro Ferrari;
8. Elisabetta Gualandri (independent);
9. Ornella Rita Lucia Moro (independent);
10. Mario Noera (independent);
11. Rossella Schiavini (independent);
12. Valeria Venturelli (independent);
13. Costanzo Jannotti Pecci;
14. Valeriana Maria Masperi (independent);
15. Roberto Marotta (independent).

List no. 2
1. Roberta Marracino (independent);
2. Alessandro Robin Foti (independent);
3. Marisa Pappalardo (independent).

List of persons elected and percentage of votes

<table>
<thead>
<tr>
<th>Elected from List 1: 159,685,742 votes (73.366% of the votes cast and 33.177% of total share capital)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Alessandro Vandelli;</td>
</tr>
<tr>
<td>• Riccardo Barbieri;</td>
</tr>
<tr>
<td>• Massimo Belcredì (independent);</td>
</tr>
<tr>
<td>• Mara Bernardini (independent);</td>
</tr>
<tr>
<td>• Luciano Filippo Camagni (independent);</td>
</tr>
<tr>
<td>• Giuseppe Capponcelli (independent);</td>
</tr>
<tr>
<td>• Pietro Ferrari;</td>
</tr>
<tr>
<td>• Elisabetta Gualandri (independent);</td>
</tr>
<tr>
<td>• Ornella Rita Lucia Moro (independent);</td>
</tr>
<tr>
<td>• Mario Noera (independent);</td>
</tr>
<tr>
<td>• Rossella Schiavini (independent);</td>
</tr>
<tr>
<td>• Valeria Venturelli (independent);</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Elected from List 2: 57,699,009 votes (26.509% of the votes cast and 11.988% of total share capital)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Roberta Marracino (independent);</td>
</tr>
<tr>
<td>• Alessandro Robin Foti (independent);</td>
</tr>
<tr>
<td>• Marisa Pappalardo (independent).</td>
</tr>
</tbody>
</table>

Votes against: 116,144 (0.053% of the votes cast and 0.024% of total share capital)
Abstained: 50,738 (0.023% of the votes cast and 0.010% of total share capital)
Absent: 105,701 (0.049% of the votes cast and 0.022% of total share capital).
Shareholders presenting list no. 2

<table>
<thead>
<tr>
<th>No.</th>
<th>NAME AND SURNAME/COMPANY NAME</th>
<th>PLACE OF BIRTH/REGISTERE D OFFICE</th>
<th>PROV. (COUNTRY)</th>
<th>DATE OF BIRTH/TAX CODE/VAT No./EQUIVALE NT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aletti Gestielle SGR S.p.A. manager of the Gestielle Cedola Italy Opportunity fund</td>
<td>Milan</td>
<td>MI</td>
<td>07503720158</td>
</tr>
<tr>
<td>2</td>
<td>Aletti Gestielle SGR S.p.A. manager of the Gestielle Obiettivo Italia fund</td>
<td>Milan</td>
<td>MI</td>
<td>07503720158</td>
</tr>
<tr>
<td>3</td>
<td>Aletti Gestielle SGR S.p.A. manager of the Gestielle Cedola Multiasset III fund</td>
<td>Milan</td>
<td>MI</td>
<td>07503720158</td>
</tr>
<tr>
<td>4</td>
<td>Anima SGR S.p.A. manager of the Anima Crescita Italia fund</td>
<td>Milan</td>
<td>MI</td>
<td>07507200157</td>
</tr>
<tr>
<td>5</td>
<td>Anima SGR S.p.A. manager of the Anima Iniziativa Italia fund</td>
<td>Milan</td>
<td>MI</td>
<td>07507200157</td>
</tr>
<tr>
<td>6</td>
<td>Arca Fondi S.G.R. S.p.A. manager of the Arca Azioni Italia fund</td>
<td>Milan</td>
<td>MI</td>
<td>09164960966</td>
</tr>
<tr>
<td>7</td>
<td>Eurizon Capital SGR S.p.A. manager of the Eurizon Azioni Italia fund</td>
<td>Milan</td>
<td>MI</td>
<td>04550250015</td>
</tr>
<tr>
<td>8</td>
<td>Eurizon Capital SGR S.p.A. manager of the Eurizon Azioni PMI Europa fund</td>
<td>Milan</td>
<td>MI</td>
<td>04550250015</td>
</tr>
<tr>
<td>9</td>
<td>Eurizon Capital SGR S.p.A. manager of the Eurizon Progetto Italia 70 fund</td>
<td>Milan</td>
<td>MI</td>
<td>04550250015</td>
</tr>
<tr>
<td>10</td>
<td>Eurizon Capital SGR S.p.A. manager of the Eurizon PIR Italia Azioni fund</td>
<td>Milan</td>
<td>MI</td>
<td>04550250015</td>
</tr>
<tr>
<td>11</td>
<td>Eurizon Capital SGR S.p.A. manager of the Eurizon Progetto Italia 40 fund</td>
<td>Milan</td>
<td>MI</td>
<td>04550250015</td>
</tr>
<tr>
<td>12</td>
<td>Eurizon Capital SA manager of the Eurizon Investment SICAV - PB Equity EUR fund</td>
<td>Luxembourg</td>
<td>(LU)</td>
<td>LU19164124</td>
</tr>
<tr>
<td>13</td>
<td>Eurizon Capital SA manager of the Eurizon Fund - Equity Italy fund</td>
<td>Luxembourg</td>
<td>(LU)</td>
<td>LU19164124</td>
</tr>
<tr>
<td>14</td>
<td>Eurizon Capital SA manager of the Eurizon Fund - Equity Small Mid Cap Europe fund</td>
<td>Luxembourg</td>
<td>(LU)</td>
<td>LU19164124</td>
</tr>
<tr>
<td>15</td>
<td>Fideuram Asset Management (Ireland) manager of the Fideuram Fund Equity Italy fund</td>
<td>Dublin</td>
<td>(IE)</td>
<td>IE6369135L</td>
</tr>
<tr>
<td>16</td>
<td>Fideuram Asset management (Ireland) manager of the Fonditalia Equity Italy fund</td>
<td>Dublin</td>
<td>(IE)</td>
<td>IE6369135L</td>
</tr>
<tr>
<td>17</td>
<td>Fideuram Investimenti SGR S.p.A. manager of the Piano Azioni Italia fund</td>
<td>Milan</td>
<td>MI</td>
<td>07648370588</td>
</tr>
<tr>
<td>18</td>
<td>Fideuram Investimenti SGR S.p.A. manager of the Piano Bilanciato Italia 50 fund</td>
<td>Milan</td>
<td>MI</td>
<td>07648370588</td>
</tr>
<tr>
<td>19</td>
<td>Generali Investments Luxembourg SA manager of the Generali Smart Fund PIR Evoluzione Italia fund</td>
<td>Luxembourg</td>
<td>(LU)</td>
<td>B188432</td>
</tr>
<tr>
<td>20</td>
<td>Generali Investments Luxembourg SA manager of the Generali Smart Fund PIR Valore Italia fund</td>
<td>Luxembourg</td>
<td>(LU)</td>
<td>B188432</td>
</tr>
<tr>
<td>21</td>
<td>Legal &amp; General Assurance (Pensions Management) Limited</td>
<td>London</td>
<td>(UK)</td>
<td>02091894</td>
</tr>
<tr>
<td>22</td>
<td>Mediolanum Gestione Fondi SGR S.p.A.</td>
<td>Milan</td>
<td>MI</td>
<td>06611990158</td>
</tr>
</tbody>
</table>
No. | NAME AND SURNAME/COMPANY NAME | PLACE OF BIRTH/REGISTERED OFFICE | PROV. (COUNTRY) | DATE OF BIRTH/TAX CODE/VAT No./EQUIVALENT
--- | --- | --- | --- | ---
23 | manager of the Mediolanum Flessibile Futuro Italia fund | Milan | MI | 06611990158
24 | Mediolanum Gestione Fondi SGR S.p.A. manager of the Mediolanum Flessibile Sviluppo Italia fund | Dublin | (IE) | 264023

Notice is hereby given that the shareholders presenting list no. 2 declared that they had no relationships and/or significant dealings, also pursuant to CONSOB Communication DEM/9017893 of 26 February 2009, with shareholders owning, individually or jointly, a controlling or relative majority interest as provided for in articles 147-ter, paragraph 3, of the CFA and 144-quinquies of the Issuers’ Regulation and, more generally, of the Bank's Articles of Association and the regulations currently in force.

For further information, see the minutes of the Shareholders’ Meeting filed at the registered offices of the Issuer and available to the public on the websites of Borsa Italiana [www.borsaitaliana.it](http://www.borsaitaliana.it) and the Bank [www.bper.it](http://www.bper.it) – Institutional Website > Governance Section > Shareholders’ Meeting.

### 4.2.1 Maximum accumulation of offices that can be held in other companies

The Supervisory Instructions require, among the general principles for the proper performance of their functions by bodies with strategic supervision and management functions, members of the Board of Directors to dedicate appropriate time and resources to the complexity of their duties, without prejudice to the limits on the accumulation of offices envisaged in art. 91 of the CRD IV Directive. These limits have not yet been adopted into Italian legislation however, as an enabling decree from the Ministry of the Economy and Finance is awaited for art. 26 of Legislative Decree 385/93, as amended by Legislative Decree 72 of 12 May 2015, adopting Directive 2013/36/EU on the prudential supervision of banks. Once it is issued, implementation of the limits established in it will be examined in an internal regulatory document which, in line with the EBA and ESMA Guidelines, will govern Group policy on the suitability of corporate officers.

At the time of their appointment and any time thereafter that there is a change, the Directors must provide the Board with an updated list of their directorships, management and audit appointments; they are also required to make a declaration, in compliance with art. 36 of Legislative Decree 2011/2011 converted with amendments to Law 214/2011, concerning the ban on interlocking.

When assessing the overall requirements for office according to current regulations and the Supervisory Provisions, the Board verifies the time that each member can dedicate to their functions (the so-called "time commitment"), taking into account the positions held in companies, firms or bodies, their other professional activities, as well as any situations and/or facts pertaining to the professional sphere.

The Board considers appropriate the time available to each member of the Board of Directors and the Board of Statutory Auditors to perform their functions adequately. This determination was made following the annual review of their suitability carried out in May 2019, in compliance with the Joint Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU of September 2017.

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20 On the basis of the communications of significant investments referred to in art. 120 of the CFA or the publication of the shareholders’ agreements pursuant to art. 122 of the same Decree, that are identifiable at the date of signing the list on the websites of BPER and CONSOB.

21 Officers of larger or more complex banks cannot take on a total number of positions in banks or other commercial companies exceeding one of the following alternative combinations, including the position held in the Bank:

- 1 executive appointment and 2 non-executive appointments;
- 4 non-executive appointments.

For the purpose of the above calculation, the following positions are deemed to be one position: i) within the same group; ii) in banks pertaining to the same institutional protection system; iii) in non-group companies in which the bank has a qualifying holding as defined by (EU) Regulation 575/2013, article 4(1), point 36.
Board training

The promotion of training initiatives designed for corporate officers is a topic that is increasingly important in the corporate sphere and, particularly, in the banking sector, as demonstrated by the issue of various regulatory provisions addressing the topic.²²

Within BPER, training for the members of the Board has always been carefully and continuously addressed. The Chairman of the Board of Directors ensures that the Bank prepares and implements the training activities; he oversees their implementation, also with reference to execution times and the use of the financial resources that have been allocated; promotes the participation of the members in planned initiatives; supervises the verification of training interventions and evaluation of their effectiveness.

On 26 September 2018, the Board of Directors approved the Policy on Training Interventions for Directors and the 2018-2020 Training Plan by allocating an appropriate budget.

In particular, this Plan provides for two types of training activities:

- **induction**, intended for newly elected directors in order to acquire, within a limited period of time, adequate basic knowledge of the key governance areas of the Bank and the Group through a series of training sessions provided by the Bank’s top management with the assistance of the heads of department concerned;
- **training**, to allow all directors currently in office to preserve, consolidate and develop their knowledge and skills over time, with the aim of: (i) increasing their basic knowledge, (ii) facilitating refresher courses that take into account the evolution of the regulatory and/or self-regulatory framework, and (iii) gaining in-depth knowledge on individual issues of particular strategic importance.

In addition, each Board member is able to participate in workshops and other training events covering specific topics of interest and relevance to their individual roles.

As regards the induction course, during 2018, five events were organised (concentrated in the first three months after the appointment of the B.o.D., of which the first three held in the week following their appointment) on the system of governance, the organisational structures, an overview of the areas of Business, Operational Governance and IT, risk management, internal controls, remuneration policies and the Management by Objectives (MBO) model.

With regard to training activities, 2 days during 2018 were dedicated to: (i) awareness of macroeconomic scenarios and management of the financial portfolio; (ii) prevention, management and resolution of crises in the European Union and the MREL (Minimum Requirement for own funds and Eligible Liabilities).

Training continued in 2019 with 3 training sessions on: (i) IFRS 9 and IFRS 16 Leases; (ii) the 2019 materiality matrix and the foundations of the BPER Banca Sustainability Plan in the context of the Corporate Social Responsibility programme; (iii) digital innovation and cyber risks; (iv) the so-called “regulatory map”, in other words, how to pro-actively manage regulatory requests on the basis of clear internal governance, leading to the identification of potential business opportunities.

The members of the Board of Statutory Auditors were also invited to attend the training events organised as part of the 2018-2020 Training plan.

²²The Bank of Italy, with its Circular 285/2013, Supervisory instructions for banks, requires banks to adopt appropriate training plans to ensure that the technical expertise of the members of the administrative and control bodies, as well as those responsible for the main corporate functions, is preserved over time; specific training programmes must be offered to help prepare new appointees for their role.

In addition:
- **art. 91, paragraph 9 of Directive 2013/36/EU dated 26 June 2013 (CRD IV - Capital Requirements Directive)** establishes that banks must dedicate adequate human and financial resources to the preparation and training of members of the management body;
- **guidance published jointly by the European Banking Authority and the European Securities and Markets Authority** dedicates ample space to the topic of training, which has been identified as an indispensable tool to ensure the suitability of the members of the Board ("Induction and training are key to ensure the initial and ongoing suitability of members of the management body; institutions are therefore required to establish training policies and to provide for appropriate financial and human resources to be devoted to induction and training") as well as to address any shortcomings concerning the failure to meet experience requirements;
- **art. 2.C.2 of Borsa Italiana’s Code of Conduct**, adopted by the Bank, states that "... The Chairman of the Board of Directors shall use his best efforts to allow the directors and the statutory auditors, after the election and during their mandate, to participate, in the ways deemed appropriate, in initiatives aimed at providing them with an adequate knowledge of the business sector where the issuer operates, of the corporate dynamics and the relevant evolutions, of the principles of proper risk-management as well as the relevant regulatory and self-regulatory framework".

This is a translation into English of the original in Italian. The Italian text shall prevail over the English version.
Lastly, it should be noted that the Directors also constantly receive alerts prepared by the competent internal functions of BPER in order to provide information and input useful for the performance of their duties, as well as legislative updates applicable to the sector.

4.3 Role of the Board of Directors (art. 123-bis, paragraph 2.d), Legislative Decree 58/98

In compliance with the law, the functioning of the Board of Directors is governed by the articles of association and the operating rules approved by the Board, which checks over time the adequacy thereof and makes the appropriate amendments and additions thereto.

The Board of Directors normally meets once every month. Exceptionally, a Board meeting can be called every time considered necessary by the Chairman, as well as when at least one third of the directors, or by the Chief Executive Officer. The Board of Directors can also be convened by the Board of Statutory Auditors, or individually by one or more of the acting auditors, upon written communication to the Chairman of the Board of Directors.

Board meetings may be held using remote communications systems, provided that all of the participants in the meeting can be identified and that they are able to follow the debate and to intervene in real time in discussions about matters on the agenda, as well as being able to see, receive and transmit documents. It is the Chairman's responsibility to verify that the conditions have been met for the meetings to be held using remote communications systems. In any case, at least the Chairman and the Secretary have to be present in the place where the Board meeting was called, which is where the meeting is deemed to be held.

The Chairman performs the functions required by current law, promoting the effective functioning of the system of corporate governance, as well as the efficient and constant link between the functions of direction and strategic supervision and those of management; he is the principal point of reference for the bodies, departments and organisations within the Bank responsible for control activities and for the committees established within the Board of Directors. He coordinates the activities of the Board of Directors, he chairs the meetings, directs and moderates discussions, guarantees the effectiveness of Board discussions and ensures that motions passed by the Board are the result of adequate argumentation and an informed and reasoned contribution by all the members.

In leading Board discussions, the Chairman ensures that priority is given to strategic issues and makes sure that all the time that is needed is dedicated thereto.

The Chairman works to ensure that the Directors receive proper and timely information. To this end, in collaboration with the Chief Executive Officer and assisted by the Secretary, the Chairman identifies the supporting documentation for motions submitted, to ensure that it is adequate, in both quantitative and qualitative terms, to address matters on the agenda. Again to this end, he ensures, by issuing appropriate instructions to the corporate functions, that the documentation highlights, for each topic on the agenda, the most significant and relevant elements for the motions to be passed.

This documentation is made available to Board members, Acting Auditors and the General Manager in compliance with current regulations and is files with an appropriate corporate organisational unit, normally within the fifth day prior to each session, as set out in the Operating Rules.

If, for organisational reasons or for reasons of confidentiality, the documentation made available within this deadline is not exhaustive, the Chairman may authorise subsequent additions up to the day of the meeting.

This deadline was generally met during 2019, except in special cases due to the nature of the resolution to be taken.

The Chairman shall ensure, however, that adequate and timely in-depth analysis is performed during the course of meetings, where, for the reasons stated above, it has not been possible to provide the necessary disclosure/documentation in accordance with the deadline or in an exhaustive manner.

It is envisaged, however, that the B.o.D. may request the production of additional documentation during the course of meetings.

Lastly, note that the aforementioned operating rules require that, outwith the Bank's premises, materials provided in advance shall be made available by means of an IT procedure, which, due to the security features thereof, constitutes the preferred tool for the management, based on appropriate confidentiality standards, of meetings of corporate bodies and of the documents and information pertinent thereto.
The directors fulfill their duties in compliance with the obligation of confidentiality regarding the documents and information acquired in the performance of their mandate, also outside of board meetings, and comply with the controls adopted by the Bank for this purpose, particularly with the IT procedure mentioned above.

The Board members perform their functions in an informed manner, with independence of mind and autonomously, in compliance with the principles set out in the Code of Ethics adopted by the Bank. The non-executive directors bring their specific skills to Board discussions, particularly as regards to the control and internal audit functions and to those where there could be potential conflicts of interest. They also participate in the appointment and dismissal of the heads of corporate control functions.

Minutes of meetings are prepared by the Secretary in a manner governed by the Board of Directors' operating rules in force at the time. The minutes, signed by the Chairman and the Secretary, are kept in the Board of Directors' Minute Book.

The Board of Directors met 25 times during 2019 and the average duration of each meeting was about 6:29 hours. This number was supplemented by two informal meetings by the Directors outside the Board, partly in compliance with the specific recommendation contained in the Bank of Italy's Supervisory Instructions (Circular 285/2013). More specifically, these consisted in:

- a meeting to analyse and discuss matters of a strategic nature;
- a meeting to analyse corporate governance matters.

Board meetings were attended by the following persons who are not members of the Board:

- the General Manager, whose attendance is envisaged by art. 24, paragraph 6, of the current Articles of Association;
- the Deputy General Manager acting as Secretary to the Board of Directors (in accordance with art. 22 of the current Articles of Association);
- on some occasions, the other Deputy General Managers, if invited by the Chairman of the Board of Directors;
- the heads of the departments in question in order to provide detailed information on topics on the agenda falling under their responsibility (an average of 4/5 function heads were invited to each meeting).

20 meetings have been scheduled for 2020; at the date of this Report, the Board of Directors has met 6 times, including the meeting for the approval of this document.

Pursuant to art. 27 of the articles of association, the Board exercises all powers of ordinary and extraordinary administration of the Bank, except for those reserved for the Shareholders' Meeting, and performs the functions of strategic supervision and high-level administration.

Without prejudice to the powers that cannot be delegated by law, the Board of Directors has exclusive responsibility for decisions concerning:

- determining general operating guidelines and criteria for the coordination and management of Group Companies, as well as for the implementation of instructions received from the Bank of Italy and other Supervisory Authorities in the interests of the Group's stability;
- definition of general guidelines, strategies, policies, processes, models, plans and programmes that the provisions of the Bank of Italy and the other Supervisory Authorities assign to the body that has the function of strategic supervision;
- the strategic direction, strategic transactions and financial and business plans;
- the purchase and disposal of equity investments that represent a controlling and/or significant interest;
- the approval and amendment of internal regulations governing the functioning of the B.o.D., the Executive Committee and the other Board committees;
- the approval and amendment of the deed governing the process of adopting and distributing internal regulations and other internal regulatory documents that this deed qualifies as particularly important;
- the appointment and dismissal of the Chairman and Deputy Chairmen;
- the appointment from among its number of an Executive Committee and any other committees needed for the operations of the Bank, determining the members, their duties and how they will
operate;

- the appointment of the Chief Executive Officer, granting, modifying and/or revoking the powers granted to him;
- the appointment and dismissal of the General Manager;
- the appointment and dismissal of the heads of the functions that the provisions of the Bank of Italy and the other Supervisory Authorities assign to the body that has the function of strategic supervision, and the appointment and dismissal of the Manager responsible for preparing the Company's financial reports;
- mergers in the situations envisaged by arts. 2505 and 2505-bis of the Italian Civil Code;
- any alignment of the articles of association with regulatory requirements.

The Board of Directors is also responsible for other transactions deemed to be strategically significant in economic or financial terms, such as:

- the purchase and sale of property;
- the formation of companies or the definition of strategic alliances;
- plans for the issue of certain financial instruments (shares in the Bank, convertible bonds);
- the granting of lines of credit, both directly and as guarantees, that exceed the thresholds assigned to other corporate bodies;
- mergers and spin-off transactions, the purchase/sale of businesses or lines of business, contributions in kind and, more generally, transactions that involve publishing a prospectus in accordance with CONSOB's instructions.

The shareholders have not adopted any resolutions that provide general and advance authorisation for exceptions to the no-competition requirement established in art. 2390 of the Civil Code. In any case, none of the Directors are currently in the position envisaged by this article of the Civil Code.

As part of its duties, in 2019, the Board of Directors assessed:

- the adequacy of the Bank's organisational, administrative and accounting structure, also on the basis of information received from the delegated bodies, as well as of the internal control and risk management system, with regard to:
  - the transactions carried out with related parties and, more in general, those involving conflicts of interest;
  - the outcome of the checks performed by the second and third level control functions;
  - the exercise of the mandates granted to the appointed persons;
  - the economic-financial results of the various business areas covering the entire operations of the Bank;
- the adequacy, also on the basis of the documentation provided by Group companies and by the control functions, of the organisational, administrative and accounting structure, as well as of the internal control and risk management system, of strategic subsidiaries with regard to:
  - the outcome of the checks performed by the second and third level control functions;
  - the reports on the consents granted to Group companies by bodies appointed by the Parent Company;
  - the economic-financial results of the various companies and of the Group as a whole;
- on an ongoing basis, the general results of operations, via the periodic analysis of the principal economic and financial aggregates of the Bank and the Group supplied by the bodies with delegated powers, comparing them with the budget objectives and the business plan, as well as with the approved annual and interim reports.

The Board of Directors carries out an annual evaluation of its own functionality, as well as that of Board Committees on the basis of rules approved by the Board that identify the methods and tools with which to carry out the various stages of the process.
It is structured in the following three components:

- functioning: aspects relating to how meetings are run and the frequency, duration, degree and methods of participation, the availability of time dedicated to the assignment, the relationship of trust, collaboration and interaction between the members of the Board, awareness of the role held, and the quality of Board discussion;
- qualitative composition: in particular, as regards the degree of diffusion among its members of the skills considered necessary to ensure proper functioning and management of its powers, with the ultimate aim of safeguarding the sound and prudent management of the Bank;
- quantitative composition: it concerns aspects such as the size, degree of diversity and professional skills and experience, a balance that is ensured by the independent members.

The 2019 self-assessment of the Board of Directors was performed with assistance from Egon Zehnder, consistent with the Supervisory Instructions stating that larger banks should, for the sake of good practice, make recourse to that service provider at least once every 3 years. The process commenced at the end of 2018 and terminated in early 2019, with a review of the final report and the identification of suitable corrective actions to address the weaknesses identified during the process.

Specifically, the process involved the following phases:
- completion by all Board members of a questionnaire customised to reflect the characteristics of BPER and designed to collect opinions on the functioning of the Board and its committees;
- individual, confidential meetings with each director, as well as with the Chairman of the Board of Statutory Auditors;
- collation of the data obtained from the questionnaires and the individual interviews and processing of the results in an anonymous and aggregated form;
- preparation of a Summary Report drawing on the results obtained.

The principal results of the 2019 self-assessment highlighted the following:
- the quali-quantitative profile of the Board is appropriate in terms of skills and experience, as well as the presence of independent directors; specific skills in the systems and IT/digital areas should be strengthened;
- internal dynamics within the Board and the related decision-making processes are rated positively, with open, constructive and detailed Board discussions; the management of meeting lengths and advance information could be rationalised further;
- the communication of corporate and Group strategies is considered clear and adequate, including with specific reference to the approval process followed for the special transactions carried out during the year;
- with reference to the organisation, personnel and the succession plans for “key roles”, the directors showed interest in examining further the related underlying dynamics.

Consistent with the Regulations governing the execution of succession plans for senior executives, Egon Zehnder also assisted the Bank as an advisor on work to define ideal profiles for the Chief Executive Officer and the General Manager, in order to identify unambiguously the respective roles, the experience required, the skills, the related responsibilities, the potential expected and all other characteristics of these two senior roles. In addition, Egon Zehnder carried out a development assessment of the General Management team, as part of work to strengthen and develop their managerial and professional skills.

The Nominations Committee started work on a new self-assessment cycle in December 2019, which is currently in progress and due for completion during the first four months of 2020.

### 4.4 Chairman of the Board of Directors

The Chairman is elected by the Board of Directors and remains in office until the expiry of his mandate as a Director.

This position is held by Pietro Ferrari, who was appointed at the Board meeting held on 17 April 2018 following renewal of the administrative body for the three-year period 2018-2020 at the Shareholders’ Meeting held on 14 April 2018.
The Chairman of the Board of Directors:

a) performs the functions required by current regulations, facilitating the governance of the Bank and promoting the effective and balanced functioning of the powers allocated to the various corporate bodies, as well as acting as point of reference for the Board of Statutory Auditors, for the managers of internal control functions and for internal committees;

b) represents the Company in dealings with third parties and in legal proceedings, both in the courts and in administrative matters, including appeals and revocations, and has single signature powers.

The Chairman does not have executive powers and is neither the “principal party responsible for managing the Issuer” – as, pursuant to the articles of association, this is the responsibility of the Executive Committee and the Chief Executive Officer/General Manager – nor, at this time, the controlling shareholder of the Issuer.

4.5 Delegated bodies

In compliance with the articles of association and legal requirements, the Board of Directors delegates its powers to the Executive Committee and to the Chief Executive Officer, establishing limits for each mandate granted.

The document entitled “Functions of the corporate bodies – System for delegation of powers” reports the powers delegated from time to time by the Board of Directors to the Bank’s Corporate bodies (Executive Committee, Chief Executive Officer, General Manager, Deputy General Managers).

The Delegated bodies exercise their powers in compliance with the internally regulations currently in force.

With regard to the granting of credit and current operations, the related decision-making powers have been further delegated - within established limits, based on the functions performed and hierarchical level – to the employees responsible for particular functions and to branch managers.

4.5.1 Chief Executive Officer

The CEO supervises the Company's management, in accordance with the general strategic guidelines established by the Board of Directors, makes sure that resolutions of the Board and of the Executive Committee are implemented; the CEO also makes sure that the organisational, administrative and accounting structure and internal control system are appropriate for the size and nature of the Company and suitable to provide a true and fair view of its operating performance.

The Board of Directors’ meeting of 17 April 2018 confirmed Mr. Vandelli as Chief Executive Officer, a role that he has held since 15 April 2014.

Pursuant to art. 30 of the articles of association, the Chief Executive Officer is primarily responsible for making recommendations to the Board of Directors and the Executive Committee regarding the adoption of resolutions for which they are responsible, without prejudice to the right of each member of those bodies to propose resolutions in accordance with the related rules of functioning.

In particular, the Chief Executive Officer submits proposals to the Board concerning:

- strategic policies, business plans and annual budgets of the Bank and of the Group;
- the general organisational structure of the Bank and the Group;
- candidates proposed as potential members of the Boards of Directors and Statutory Auditors of affiliated companies and subsidiaries of the Group, inclusive, for the latter, of those proposed as members of the Executive Committee (if any) and for positions as Directors vested with special powers, after having consulted with the Chairman of the Board of Directors;
- the appointment of members of General Management of the Parent Company and the nomination of members of general management or similar positions within the Group’s subsidiaries, including the related remuneration, after having consulted with the Chairman of the Board of Directors.

The Chief Executive Officer is also responsible for:
- the execution of motions passed by corporate bodies and the coordination of the Bank’s activities to ensure its operations comply with the policies laid down by the Board of Directors;
• supervising the implementation of plans, projects and budgets approved by the Board, as well as any consequent resolutions adopted by the Executive Committee, and reporting periodically to the competent bodies on the related progress made and the general performance of the Bank and the Group;

• the application of rules concerning corporate governance applicable to the Bank and the Group;

• performing the duties envisaged in the various regulations adopted by the Group, including those related to:
  o internal control system;
  o IT system;
  o outsourcing of corporate functions;
  o recovery plan;
  o system of internal reporting (whistleblowing) by employees;
  o business continuity;

• presentation to the Board of Directors of periodic reports on the work performed in exercise of the mandates granted, as well as all other reports envisaged by current internal and external regulations.

Pursuant to art. 30, paragraph 3 of the articles of association, in urgent cases, the Chief Executive Officer, after having consulted with the Chairman of the Board, may take decisions on any transaction normally within the competence of the Board of Directors, except for those reserved by law or the articles of association exclusively to the collegial competence of the Board. The decisions taken under these circumstances have to be reported to the Board of Directors at the next meeting.

Furthermore, the Chief Executive Officer has been granted powers to take decisions, in compliance with the provisions of the articles of association and with any limits established thereby, concerning the following:

1 - group management and coordination;
2 - financial reporting and investor relations, rating agencies;
3 - finance and treasury;
4 - products and services to customers;
5 - lending;
6 - loans classified as bad;
7 - organisational structure and distribution network;
8 - human resources;
9 - property, plant and equipment and intangible assets, other administrative expenses and other operating charges;
10 - lease arrangements entered into as lessor or lessee;
11 - disputes;
12 - internal regulatory documents.

As the Controller of processing, the Chief Executive Officer also performs the duties assigned by the Board of Directors with regard to definition of the Privacy Organisational Model.

The Chief Executive Officer has the right to grant to members of General Management and to employees with specific duties, general and special mandates for the conduct of business that falls within their sphere of competence, with a duty to set in advance the limits of the delegated powers and the reporting requirements, without prejudice to the right to take on the delegated functions himself.

The Chief Executive Officer is main person responsible for managing the business and in order to avoid situations that could generate potential conflicts of interest, he does not act as a Director of any issuers not of the BPER Group where a BPER Board member acts as the chief executive officer.
4.5.2 Executive Committee (under art. 123-bis, paragraph 2, letter d), Legislative Decree 58/98)

The Board of Directors appoints an Executive Committee made up of a minimum of three and a maximum of five directors.

Pursuant to art. 29 of the articles of association, the Executive Committee, together with the Chief Executive Officer and members of General Management, participates in the management of the Bank to the extent of the powers assigned to it by the Board of Directors.

In compliance with the law, the functioning of the Executive Committee is governed by the articles of association and the Rules for the Functioning of the Executive Committee approved by the Board of Directors.

The Committee checks over time the adequacy of the foregoing Rules and submits to the Board of Directors appropriate amendments and additions thereto.

Committee meetings, called by the Chairman, are usually held once a month and, in any case, whenever decisions are needed on matters for which it is responsible.

Committee meetings may be held using remote communications systems, provided that all of the participants in the meeting can be identified and that they are able to follow the debate and to intervene in real time in discussions about matters on the agenda, as well as being able to see, receive and transmit documents. It is the Chairman's responsibility to verify that the conditions have been met for the meetings to be held using remote communications systems. In any case, at least the Chairman and the Secretary have to be present in the place where the Board meeting was called, which is where the meeting is deemed to be held.

The Chairman of the Executive Committee coordinates the activities of the Committee and sets the agenda, assisted by the Chief Executive Officer. He chairs the meetings, directs and moderates discussions, guarantees the effectiveness of Committee discussions and ensures that motions passed are the result of adequate argumentation and an informed and reasoned contribution by all the members. He represents the Committee at meetings of the Board of Directors.

The rules governing the procedures for the identification of the supporting documentation for motions submitted, the provision thereof prior to the meeting and the recording of minutes of meetings have been extended by the Board to the Executive Committee, in full analogy to the provisions envisaged for the administrative body as set out in paragraph 4.3 above. In particular, also for the Executive Committee, the deadline for making available the documentation to support resolutions was set at five days before the meeting. This deadline was generally complied with during 2019, except in special cases due to the nature of the resolution to be taken.

The members perform their functions in an informed manner, with independence of mind and autonomously, in compliance with the principles set out in the Code of Ethics adopted by the Bank.

Committee meetings may be attended by The Chairman of the Board of Directors may participate in the Committee meetings, but without any right to make proposals or vote.

Minutes of meetings are prepared by the Secretary in a manner governed by the Executive Committee’s operating rules.

The minutes, signed by the Chairman and the Secretary, are kept in the Executive Committee’s Minute Book.

At the end of 2019 and at the date of this Report, the Executive Committee consists of five Directors: Rossella Schiavini (Chairman), Alessandro Vandelli (as Chief Executive Officer), Riccardo Barbieri, Luciano Filippo Camagni and Mario Noera. The appointed Secretary is the Deputy General Manager Gian Enrico Venturini.

The Committee met 15 times in 2019 and the average duration of each meeting was approximately 3 hour and 45 minutes.

At the invitation of the Committee, meetings were attended by the following persons who are not members of the Committee:

- the General Manager, whose attendance is envisaged by art. 28 of the articles of association;
- the Deputy General Manager acting as Secretary to the Committee, as per a Board resolution of 26 October 2010, which appointment was last reconfirmed on 19 April 2016;
- other Deputy General Managers, if invited by the Chairman of the Executive Committee;
the heads of the departments in question in order to provide detailed information on topics on the agenda falling under their responsibility (an average of 4-5 function heads were invited to each meeting).

12 meetings have been scheduled for 2020. The Committee has met 3 times as of the date of approval of this Report by the Board.

Information on the composition of the Committee is provided in Table 2 attached to this Report.

In compliance with the aforementioned document "Powers delegated by the Board", the Executive Committee is granted the powers to take decisions, in compliance with the provisions of the articles of association, concerning the following:

1 - strategic planning and project management;
2 - management and coordination;
3 - equity investments and investments in risk capital;
4 - internal regulatory documents;
5 - lending;
6 - loans classified as bad;
7 - finance and treasury;
8 - products and services to customers;
9 - business administration;
10 - human resources;
11 - property, plant and equipment and intangible assets; other administrative expenses and other operating charges;
12 - the Group's property and art portfolio;
13 - sponsorships, charity and public benefit;
14 - disputes.

The Committee also exercises any powers assigned under the Group regulations governing the IT system, as well as those regarding the outsourcing of corporate functions.

It has decision-making authority in all matters of an operational nature, which fall outside the exclusive competence - by law, by statute or regulatory provisions - of the Board of Directors not falling within the functions assigned to other executive bodies.

In addition, the Committee examine the periodic information flows received in accordance with internal regulations, as well as reports on:

- the operation performance of the Bank;
- the competitive position of the Bank and the Group;
- the activities carried out by BPER Credit Management under the operational mandate granted to that subsidiary consortium.

The Executive Committee also has the right to grant to its members and, in particular, to the Chief Executive Officer, as well as to members of General Management and to employees with specific duties, general and special mandates for the conduct of business that falls within the Committee's sphere of competence, with a duty to set in advance the limits of the delegated powers and the reporting requirements, without prejudice to the right to take on the delegated functions itself.

4.5.3 Information for the Board of Directors

Pursuant to arts. 30, para. 4, and 36, para. 4, of the articles of association, the delegated bodies report to the Board of Directors at least every quarter on the exercise of the powers granted to them. In addition, the Chief Executive Officer reports to the Board, usually each month, on the general results of operations.

As far as the Executive Committee is concerned, the Chairman is primarily responsible for the provision of a detailed report to the Board of Directors during the course of the first subsequent Board meeting.
Furthermore, a digital document archive containing all the Committee's documents (documentation supporting the resolutions and minutes of the meetings) is made available to all the directors, by means of the IT platform used to make the documentation relating to the meetings of the Corporate Bodies available, in a logic based on maximum transparency; the foregoing is aimed, as much as possible, at limiting the risk of asymmetric information flows between executive and non-executive directors.

Generally, the Chief Executive Officer reports to the Board of Directors, as established by the articles of association, on the results of operations, on how he has exercised the powers attributed thereto and on any decisions taken on urgent matters normally within the competence of the Board of Directors. Moreover, he promptly reports, having previously consulted the Control and Risk Committee, on problems and critical issues pertaining to the internal control system and risk management, which have arisen in the performance of the functions attributed to him by relevant legislation or have been notified to him.

4.6 Other Executive Directors

Directors classed as "executive" by the Bank are those who, in BPER or in any Group company:

a) are members of the Executive Committee or have been granted individual executive powers or perform management functions (even de facto);

b) hold managerial positions, that is, entrusted with the supervision of certain areas of the business's operations.

Those who are not in such conditions are defined as "non-executive".

As specified in the Board's operating rules, the attribution of urgent powers, including as a deputy, to Directors who do not have executive powers does not qualify them as "executive", unless such powers are in fact exercised with notable frequency.

At that time of approving this Report, there are no executive Directors other than the Chief Executive Officer and the members of the Executive Committee (a total of 5 Directors, including the CEO).

4.7 Independent directors

Pursuant to art. 147-ter, paragraph 4, of Legislative Decree 58/98 and art. 21, paragraph 2 of the articles of association, at least 5 members of the Board of Directors have to meet the independence requirements established for statutory auditors by art. 148, paragraph 3, of Legislative Decree 58/98. The Board of Directors also ascertains that the persons concerned meet the independence requirements envisaged by the recommendations contained in the Code of Conduct (Application Criterion 3.C.1.).

Verification of the independence requirements, as regards the financial and professional relationships of the persons concerned, is carried out on the basis of parameters identified by the Board of Directors, pursuant to art. 21, paragraph 2, of the Articles of Association.

Specifically, the Board has established that:

- with reference to loans and guarantees obtained from the BPER Group, regardless of their technical form, the independence requirements are not considered to be satisfied if any one of the following conditions exist:
  
  (i) when the absolute amount of all facilities granted by the Group – to a director previously deemed independent – is Euro 400,000.00 or more;
  
  (ii) when the absolute amount of all facilities granted by the Group – to a director previously deemed independent – is at least Euro 200,000.00 and represents 50% or more of the total facilities granted to that person by the entire banking system, as reported by the Central Risks Database maintained by the Bank of Italy;
  
  (iii) when the exposure of the Group to a director previously deemed independent must be reported in the category of "non-performing loans" for supervisory purposes;

- with reference to freelance or professional relationships and all other financial relations, when the total annual amount received by the director previously deemed independent from the BPER Group and/or the directors of the BPER Group and/or the spouse, blood relation or relation by marriage to the fourth degree of a director of the BPER Group, represents at least 30% of the total annual income of the person

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May 2019, during which the results of this evaluation were explained and the Auditors took note, without making any observations; this will be mentioned in the Statutory Auditors’ report to the Shareholders’ Meeting.

The annual meeting of the independent directors, without the other directors and ignoring meetings of the committees on which they sit, was held on 8 January 2020 to discuss corporate governance matters.

4.8 Lead Independent Director

The appointment of an independent director as the lead independent director is recommended by the Code of Conduct in cases where the chairman of the board of directors is also the main person responsible for managing the business, also being the company's chief executive officer, or if the office of chairman is held by the person who controls the issuer. In such cases, the lead independent director acts as a point of reference and coordination for the requests and contributions of non-executive directors, especially the independent ones, possibly by means of special meetings attended by just the independent directors (independent directors committee).

If appointed, it is up to the lead independent director to call meetings of the Independent Directors, also at the request of others, in a separate form with respect to Board Committee meetings, to discuss issues deemed to be of interest, particularly in relation to the functioning of the Board of Directors, the organisational and corporate governance structures and the way in which the Bank and the Group are being run.

In the case of BPER, given that the Chairman of the Board is not the main person responsible for managing the Issuer, nor, at the date of this report, is he the Issuer’s majority shareholder, the Board has not appointed an independent director as the lead independent director.
5 Processing of corporate information

The procedures for the communication and internal and external management of documents and information of the Bank are largely regulated in the individual documents of the corporate processes involved. These are traced in the BPER Group's process flowchart, in line with the method laid down in the Group Regulations for mapping processes from end to end.

With regard to "privileged information", the Bank has approved the organisational and behavioural guidelines for the management of such information and any communication to the public, by adopting a specific regulation for the management of privileged information and of the Insider List which provides for:

- the process of classifying information as "privileged";
- the methods of communicating "privileged information" to the public and to CONSOB;
- handling any delay in communicating privileged information;
- handling lists of persons with access to privileged information.

The Bank complies with the public disclosure requirements of privileged information provided for by the regulatory provisions, in particular by art. 17 of the MAR Regulation, of art. 114 of the CFA and by art. 66 of the Issuer Regulations, by means of a press release:

- issued through the "System of Disclosure of Relevant Information" (e-Market SDIR), an electronic system run by Spafid Connect S.p.A., a subsidiary of Mediobanca Group, which has its head office at Foro Bonaparte 10, Milan, and in the 1Info storage device run by Computershare S.p.A., a Computershare Ltd Group company, which has its head office at Via Mascheroni 19, Milan;
- published on the Bank's website www.bper.it – Sito Istituzionale, ensuring that the published privileged information clearly indicates the date and time of the disclosure thereof and that it is presented in chronological order;
- published in national newspapers (in prescribed cases, as well as at the Bank's discretion).

The e-Market SDIR system run by Spafid Connect S.p.A. distributes to the public the press releases sent in by issuers belonging to the circuit by sending them to the press agencies connected to the system, as well as by publishing a notice on the website of Borsa Italiana S.p.A. The transmission of press releases through the e-Market SDIR system also ensures compliance with the regulatory and disclosure requirements vis-à-vis CONSOB.

In particular, the public is given appropriate and essential information not only about any special and/or strategic transactions, but also about the accounts, resolutions approving the financial statements, the amount of dividends to be paid to shareholders and financial reports, including interim reports.

In accordance with the regulations, the Bank has also set up a "Register of persons with access to privileged information", managed online by means of a special procedure called "Insider List".

The Company has also adopted "Group Internal Dealing Rules (market abuse regulations)" as approved by the Bank's Board and as published on the website www.bper.it – Sito Istituzionale > Governance > Internal Dealing.

These regulations:

- describe the internal rules and procedures in place for the identification and management of persons who perform administrative, management or control functions (relevant persons) and persons closely associated therewith, as well as for the identification of transactions classed as internal dealing;
- govern the disclosures envisaged for transactions carried out by relevant persons and those closely related to them;
- state the internal rules and procedures for closed periods, being periods of 30 calendar days prior to annual, half-yearly or quarterly financial report announcements, during which relevant persons may not conduct directly or indirectly transactions on their own behalf or on behalf of third parties, relating to shares or debt instruments of the issuer, or derivatives or other financial instruments associated therewith.

These reports, which are delivered to CONSOB by means of the aforementioned e-Market SDIR system, are published on the Bank's website www.bper.it – Sito Istituzionale > Governance.

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6  Board committees (art. 123-bis paragraph 2d), Legislative Decree 58/98)

At the date of this Report, in addition to the Executive Committee (see paragraph 4.5.2), the Board of Directors has established as sub-committees the Nominations Committee, the Remuneration Committee, the Control and Risk Committee (which also acts as the Sustainability Committee) and the Independent Directors Committee.

The composition, responsibilities and functioning of these committees is governed by specific instructions approved by the Board of Directors, as described in the following Chapters.

In addition to the Committees recommended by the Code of Conduct for listed companies, the Bank established the Independent Directors' Committee, in accordance with CONSOB Related Parties Regulations and the Bank of Italy’s Circular 263 of 27 December 2006, as well as with the "Group policy for the governance of non-compliance risk concerning conflicts of interest with related parties and risk activities with associated persons" (see Chapter 11).
7 Nominations Committee

In April 2015, the Board of Directors established the Nominations Committee and simultaneously disbanded the previously existing Nominations and Remuneration Committee (set up in January 2009).

The functioning of the Committee is governed by specific Operating Rules, most recently updated to January 2018.

7.1 Composition and functioning of the Nominations Committee (art. 123-bis, paragraph 2.d), Legislative Decree 58/98

The Committee consists of three non-executive directors, the majority of whom meet the independence requirements laid down by art. 147-ter, paragraph 4, of Legislative Decree 58/98, which refers to art. 148, paragraph 3, of Legislative Decree 58/98, as well as provided for by the recommendations contained in the Code of Conduct for listed companies – Application Criteria – para. 3.C.1. The Chairman of the Board of Directors may not be a member of the Nominations Committee, though he can attend its meetings, but without the right to vote. Similarly, the Chief Executive Officer, if appointed, may attend the meetings of the Committee, but without the right to vote.

The members of the Nominations Committee are appointed by the Board of Directors and their term of office expires when they cease to be a member of the Board of Directors. Early termination of the Board of Directors, for whatever reason, leads to immediate revocation of the Committee. If one or more of the committee members can no longer attend, for whatever reason, the Board of Directors replaces them with Directors who meet the necessary requirements.

The Chairman of the Nominations Committee is appointed by the Board of Directors from among the members of the Committee that meet the independence requirements under art. 147-ter, paragraph 4, of Legislative Decree 58/98, which makes reference to art. 148, paragraph 3 of the same decree. If the Chairman is absent or unavailable, he is replaced in all his functions by the longest serving member of the Committee and, in the event of equal length of service, the oldest, as long as the member in question meets the independence requirements.

On the Chairman's proposal, the Committee appoints a Secretary, who need not be one of its members, and who remains in office until the date of the Shareholders' Meeting called to approve the financial statements of the year in progress at the time of the Secretary's appointment.

The Chairman:

a) coordinates the activities of the Committee, convenes meetings thereof and, assisted by the Secretary, sets the agenda, while working to ensure that the Committee members receive proper and timely information;

b) chairs the Committee meetings, directs and moderates discussions, guarantees the effectiveness of discussions and ensures that the conclusions reached by the Committee are the result of adequate argumentation and an informed and reasoned contribution by all its members.

The Chairman, assisted by the Secretary and the competent business functions, verifies the supporting documentation to be provided to the Committee to ensure that it is adequate, in both quantitative and qualitative terms, to address matters on the agenda. This documentation is generally made available to Committee members and ex-officio participants24 5 days prior to each meeting.

The Nominations Committee meets, on convocation by the Committee Chairman, at least once every quarter and, in any case, whenever necessary to resolve on matters within its mandate.

Committee meetings can be held remotely by means of suitable telecommunications,25

Otherwise, meetings of the Nominations Committee are valid if attended by a majority of its current members. In the exercise of its functions, the Committee’s resolutions are adopted by an absolute majority of the votes of the members attending the meeting. In the event of a tie, the Committee’s Chairman has a casting vote.

24 Pursuant to art. 8.6. of the Committee's operating rules, ex-officio participants are the Chairman of the Board of Directors and the Chief Executive Officer, but without the right to vote.

25providing that all participants can be identified and that this identification is recorded in the minutes; they should also be able to follow and take part in the debate in real time.
From time to time, the Chairman may invite to Nominations Committee meetings other members of the Board of Directors, the General Manager or other persons whose presence may help to improve the performance of the Committee's functions.

Minutes of meetings are prepared by the Secretary in a manner governed by the Nominations Committee's operating rules. The minutes, signed by all the Committee members and the Secretary, are kept in the Minute Book of the Nominations Committee.

The Committee reports periodically to the Board of Directors on the work that it has performed, discussing issues submitted for its prior review that the Board is about to deal with.

The Nominations Committee consists of three non-executive Independent Directors: Massimo Belcredi (Chairman of the Committee), Mara Bernardini and Roberta Marracino (see Table 2). The person appointed as Secretary is the Deputy General Manager Gian Enrico Venturini.

The Committee met 18 times during 2019 and the average duration of each meeting was 63 minutes.

Since 27 March 2019, at least one Statutory Auditor has attended each Committee meeting at the invitation of the Chairman.

In addition, on certain occasions, the Committee has also invited the managers of relevant business functions to attend in order to provide appropriate details about specific matters on the agenda.

In 2019, 7 meetings were held jointly with the Remuneration Committee to facilitate discussion of matters of common interest.

In 2020, two meetings have already been held at the date of Board approval of this Report.

7.2 Functions of the Nominations Committee

In compliance with the principles laid down by the Supervisory Provisions and with art. 5 of its operating rules, the Nominations Committee performs advisory, investigative and propositive functions to support the activities of the Board of Directors and, to the extent of its sphere of competence, to those of the Executive Committee, without prejudice to the autonomy of its decision-making and the responsibility of these bodies to pass motions within their respective spheres of competence.

As regards the Bank, the Nominations Committee:

- for the purpose of shareholder elections and/or the co-option of one or more Directors, provides support to the Board of Directors, in the prior identification of the optimal qualitative and quantitative composition of the latter and in the subsequent verification of the extent to which the optimal composition matches the actual one resulting from the appointment process;
- in the case of the co-option of one or more Directors, it provides advice – to be provided to the shareholders in general meeting at the earliest opportunity and to be transmitted to the competent Supervisory Authority – on the suitability of the candidate(s) that the Board of Directors has identified to hold office;
- it provides advice – to be provided to the shareholders in general meeting and to be transmitted to the competent Supervisory Authority – on the suitability of the candidates for appointment to the Board of Directors, for the purpose of preparing the form required by art. 18, paragraphs 1 and 8, of the articles of association;
- performs preparatory investigations to verify that the members of the Board of Directors satisfy the requirements laid down by current regulations and supervisory provisions;
- for the purpose of the appointment or the integration of the Executive Committee, it provides support to the Board of Directors and, if needed, to the Executive Committee, in the prior identification of the optimal qualitative and quantitative composition of the latter and in the subsequent verification of the extent to which the optimal composition matches the actual one resulting from the appointment process;
- it provides advice on proposed candidates for appointment to the Executive Committee;
- it provides advice on proposed candidates for the positions of Chief Executive Officer and of General Manager and to other General Management positions, as identified in accordance with art. 36, paragraph 1 of the articles of association;
• it provides support to the Board of Directors for the purpose of the approval of plans to ensure an orderly Chief Executive Officer and General Manager succession, in the event of termination due to expiry of the mandate or for any other reason;

• it assists the Control and Risk Committee in the identification of candidates to be submitted to the Board of Directors for the appointment of heads of corporate control functions.

As regards companies belonging to the Group, the Committee presents opinions to the Board of Directors regarding proposals for the nomination of candidates for the positions of:

- Director, including co-option;
- member(s) of the Executive Committee, where envisaged by the articles of association in question;
- Chief Executive Officer or Director, where envisaged by the articles of association in question;
- General Manager, Deputy General Manager, where envisaged by the articles of association in question.

As part of the processes for the self-assessment of the composition and functionality of the Board of Directors and of the Executive Committee, the Committee provides support to these bodies in compliance with relevant internal policy and submits to the Chairman of the Board of Directors a proposal concerning the business functions to be entrusted thereto.

In 2019 the Nominations Committee:

- carried out activities as part of the 2019 Board self-assessment process (relating to 2018). This work was performed with assistance from Egon Zehnder, an external professional, and was completed in early 2019 with examination of the final report. Similar supporting activities were also carried out as part of the Executive Committee self-assessment process. In December 2019, the Committee commenced the 2020 Board self-assessment process (relating to 2019). The process is currently underway and is expected to be completed during the first four months of 2020;

- provided support to the Board with regard to the reorganisation of top management, designed to streamline General Management by granting a mandate to Alessandro Vandelli - already Chief Executive Officer of the Bank - to supervise all governance, business and operating activities. The Committee also carried out investigative work in the context of strengthening General Management, leading to appointment by the Board of Stefano Rossetti, former General Manager of Unipol Banca S.p.A., as Senior Deputy General Manager;

- carried out investigative work to check satisfaction of the requirements envisaged in current regulations and the Supervisory Instructions by the Statutory Auditors appointed at the Shareholders’ Meeting held in April 2019 and by Alessandro Vandelli, at the time of his appointment as General Manager of the Bank in November 2019. In addition, the Committee carried out investigative work as part of the annual Board reassessment of the suitability of the members of Corporate bodies in compliance with the Joint Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU of September 2017;

- promoted and guided, together with the Remuneration Committee, an update to the document that defines and details the process of nominating and appointing the members of the executive and administrative bodies of banks and companies within the Group, in order to set down the remuneration principles to be applied when personnel are assigned to top management roles within subsidiaries. The Committee also provided guidelines for both total and partial renewals of the Administrative and Management Bodies;

- assisted the Board to update the succession plans for the roles of Chief Executive Officer and General Manager, to prepare the related regulations and to define, with advice from Egon Zehnder, ideal profiles for these two top executive positions.

In order to carry out its functions, the Nominations Committee, through its Chairman, has the right to access the information needed for the performance of its tasks and has the right to use the services of external experts.

The Committee has access to financial resources as determined by the Board of Directors.
8 Remuneration Committee

In April 2015, the Board of Directors established the Remuneration Committee and simultaneously disbanded the previously existing Nominations and Remuneration Committee (set up in January 2009).

The functioning of the Committee is governed by specific Operating Rules, most recently updated to January 2018.

8.1 Composition and functioning of the Remuneration Committee (art. 123-bis, paragraph 2.d), Legislative Decree 58/98)

Pursuant to the Operating Rules, the Committee is made up of three non-executive directors, the majority of whom meet the independence requirements set forth in art. 147-ter, paragraph 4 of the CFA which refers to art. 148, paragraph 3, of the CFA, as well as being foreseen in the recommendations contained in the Code of Conduct for listed companies – Application Criterion 3.C.1. At least one member of the Committee must have adequate knowledge of and experience in finance or remuneration policies, to be assessed by the Board of Directors at the time of appointment.

The Chairman of the Board of Directors may not be a member of this Committee, though he may attend the meetings thereof, but without the right to vote.

Similarly, the Chief Executive Officer, if appointed, may attend the meetings of the Committee, but without the right to vote.

The Chairman of the Board of Statutory Auditors, or another Statutory Auditor designated by him, has the right to participate in meetings, without prejudice to the right of all acting auditors to take part therein.

The members of the Remuneration Committee are appointed by the Board of Directors and their term of office expires when they cease to be a member of the Board of Directors. Early termination of the Board of Directors, for whatever reason, leads to immediate revocation of the Committee. If one or more of the committee members can no longer attend, for whatever reason, the Board of Directors replaces them with Directors who meet the necessary requirements.

The Chairman of the Remuneration Committee is appointed by the Board of Directors from among the members of the Committee that meet the independence requirements under art. 147-ter, paragraph 4, of Legislative Decree 58/98, which makes reference to art. 148, paragraph 3 of the same decree. If the Chairman is absent or unavailable, he is replaced in all his functions by the longest serving member of the Committee and, in the event of equal length of service, the oldest, as long as the member in question meets the independence requirements described above.

On the Chairman's proposal, the Committee appoints a Secretary, who need not be one of its members, and who remains in office until the date of the Shareholders' Meeting called to approve the financial statements of the year in progress at the time of the Secretary's appointment.

The Chairman:

- coordinates the activities of the Committee, convenes meetings thereof and, assisted by the Secretary, sets the Agenda, while working to ensure that the Committee members receive proper and timely information;
- chairs the Committee meetings, directs and moderates discussions, guarantees the effectiveness of discussions and ensures that the conclusions reached by the Committee are the result of adequate argumentation and an informed and reasoned contribution by all its members.

The Chairman, assisted by the Secretary and the competent business functions, verifies the supporting documentation to be provided to the Committee to ensure that it is adequate, in both quantitative and qualitative terms, to address matters on the agenda. This documentation is generally made available to Committee members, Rightful Participants26 and all acting auditors 5 days prior to each meeting.

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26 Pursuant to art. 8.6. of the Committee's operating rules, Rightful Participants are the Chairman of the Board of Directors, the
The Remuneration Committee meets, on convocation by the Committee Chairman, at least once every quarter and, in any case, whenever necessary to resolve on matters within its mandate.

Remuneration Committee meetings can be held remotely by means of suitable telecommunications. Otherwise, meetings of the Remuneration Committee are valid if attended by a majority of its current members. In the exercise of its functions, the Committee's resolutions are adopted by an absolute majority of the votes of the members attending the meeting. In the event of a tie, the Committee's Chairman has a casting vote.

In addition, none of the Committee members participate in the discussion of agenda items regarding the specific remuneration thereof.

From time to time, the Chairman may invite to Remuneration Committee meetings other members of the Board of Directors, the General Manager or other persons whose presence may help to improve the performance of the Committee's functions. In particular, the Chairman invites the Chief Risk Officer to attend meetings at which incentive systems are discussed in order to ensure that these systems take into account all of the risks assumed by the Company, using methods that are consistent with those used in managing risk for internal and supervisory purposes.

Minutes of meetings are prepared by the Secretary in a manner governed by the Remuneration Committee's operating rules.

The minutes, signed by all the Committee members and the Secretary, are kept in the Minute Book of the Remuneration Committee.

The Committee reports periodically to the Board of Directors on the work that it has performed, discussing issues submitted for its prior review that the Board is about to deal with. The Committee also responds to the Shareholders' Meeting in circumstances established by applicable law.

The Remuneration Committee consists of three non-executive Independent Directors: Mara Bernardini (Chairman of the Committee), Elisabetta Gualandri and Roberta Marracino (see Table 2). In addition, pursuant to art. 1.1 of the Committee rules of functioning, all members possess adequate knowledge and experience with regard to financial matters and remuneration policies. The person appointed as Secretary is the Deputy General Manager Gian Enrico Venturini.

The Committee met 22 times during 2019 and the average duration of each meeting was about two hours and 05 minutes.

Committee meetings were always attended by at least one member of the Board of Statutory Auditors.

From time to time, at the invitation of the Committee, depending on the individual issues being addressed, meetings were attended by the heads of the departments in question to provide detailed information, as needed, on topics on the agenda falling under their responsibility (1-2 people on average were invited to each meeting).

In 2019, 7 meetings were held jointly with the Nominations Committee to facilitate discussion of matters of common interest.

In 2020, the Committee has met 5 times as of the date of approval of this Report by the Board.

### 8.2 Functions of the Remuneration Committee

In compliance with the principles laid down by the Supervisory Provisions and with art. 5 of its operating rules, the Remuneration Committee performs advisory, investigative and propositive functions to support the activities of the Board of Directors and, to the extent of its sphere of competence, to those of the Executive Committee, without prejudice to the autonomy of its decision-making and the responsibility of these bodies to
pass motions within their respective spheres of competence.

As regards the Bank, the Remuneration Committee presents to the Board of Directors and, to the extent of its sphere of competence, to the Executive Committee, suggestions and proposals concerning:

- the remuneration to be awarded to the Board itself and to the Board of Statutory Auditors to be submitted for the approval of the Shareholders' Meeting and how the remuneration approved thereby should be split among the various directors;
- the remuneration to be awarded to Directors with specific responsibilities;
- the remuneration to be awarded to the members of General Management of the Bank, as identified in accordance with art. 36, paragraph 1 of the articles of association;
- the remuneration to be awarded to the heads of the Bank's corporate control functions, as well as to the Manager responsible for preparing the company's financial reports;
- the determination of the remuneration to be awarded to other "key personnel" of the Bank, as identified according to the instructions issued by the Supervisory Authority.

The Remuneration Committee provides support to the Board of Directors on matters concerning remuneration and incentive policies, with particular regard to the determination of the remuneration of the Group's key personnel. It also provides support to the Board of Directors, by expressing itself on the achievement of performance goals to which the incentive plans are linked and on checks to ensure that other conditions for the payment of remuneration have been met; to this end, it makes use of information received from the competent business functions.

The Committee also checks the consistency of Board decisions with the remuneration and incentive policies approved at the Shareholders' Meeting.

As regards companies belonging to the Group, the Remuneration Committee presents opinions to the Board of Directors regarding proposals for:

- remuneration to be awarded to members of the Board of Directors, to members of the Executive Committee, where envisaged by the articles of association and to Directors with specific responsibilities;
- remuneration to be awarded to General Managers, to Deputy General Managers or to holders of similar positions, where envisaged by the articles of association.

As regards matters within its competence, the Committee prepares the documentation to be submitted to the Board for its decisions.

During 2019, the activities of the Remuneration Committee involved:

- analysis and assessment of matters underlying the 2019 Remuneration Policy and application of the MBO methodology, with a view to simplifying the system of short-term incentives and further enhance understanding of the approach, ensure proper planning and guide better the actions of the organisation towards achievement of the strategic planning targets;
- complete definition of a Long-Term Incentive (LTI) Plan for the long-term variable portion of the remuneration of selected top management within the Group, as well as assessment of the use of actual shares to pay the incentives earned in application of the plan;
- formulation of a proposal to avoid, in part, the ratio of fixed to variable remuneration envisaged in the articles of association, with a view to ensuring improved operational and contractual flexibility when acting to recruit and retain "key" personnel;
- examination of proposals for the recognition of specific remuneration to individual "material risk takers";
- verification of proper application of the 2018 Remuneration policies and their alignments with the practices adopted by the Group, with constant benchmarking against peers in the sector;
- gap analyses to check alignment of the Remuneration Policies of the Bank with the latest updates on the subject included in Bank of Italy Circular 285/2013.

At the end of 2019, the Committee also started working on the 2020 remuneration policies of BPER Group.

In order to carry out its functions, the Remuneration Committee:
• collaborates with other Board committees, especially with the Control and Risk Committee and the Nominations Committee;
• ensures the involvement of the relevant corporate functions in the process of drawing up and monitoring remuneration policies and practices;
• has the right to access the information needed;
• may use the services of experts, inclusive of external experts, to ensure that the incentives under the remuneration and incentive scheme are consistent with the Bank's management of its risk, capital and liquidity profiles.

The Committee has access to financial resources as determined by the Board of Directors.
9 Remuneration of Directors

Information concerning remuneration policies is presented in the Remuneration Report prepared in accordance with art. 123 ter of Legislative Decree 58/98 to which reference should be made for further details. This is published on the Bank's website - Institutional website > Governance > Shareholders' Meeting.

The remuneration of directors is designed to reward the skills and responsibilities entrusted to those who hold that position.

In particular, the remuneration of the directors and executives with strategic responsibilities of BPER Banca is set at a level sufficient to attract, retain and motivate personnel with the professional qualities needed to manage the Bank successfully.

The aim of the Remuneration and Incentive Policy is to reward the achievement of company objectives, with a view to creating value for the shareholders. At the same time, it is based on clear and defined indicators that regulate clearly and objectively the payment of variable bonuses and subject them, especially for Key personnel, to the satisfaction of capital adequacy, liquidity and risk-adjusted return requirements that comply with the Bank of Italy's regulations.

Without prejudice to the power to determine the remuneration of the Chief Executive Officer and the Directors with special duties under the articles of association, pursuant to art. 2389 of the Civil Code and art. 11 of the articles of association, the Board of Directors arranges to allocate among its members the total remuneration fixed at the Shareholders' Meeting.

The principal Group remuneration policies set out below were approved at the Shareholders' Meeting held on 17 April 2019 and are published on the website of the Bank - Institutional website > Governance > Shareholders' Meeting: Ordinary Shareholders' Meeting of 17 April 2019.

The remuneration of the directors comprises a fixed component, plus an attendance fee for each Board meeting. Additional fixed remuneration is also recognised to those directors tasked with specific duties: Chairman, Deputy Chairmen and Chief Executive Officer (any costs involved in performing their duties are incurred directly by the bank/Company, or reimbursed to the Director). Accordingly, the directors do not have any incentives linked to the achievement of quantitative performance objectives, or any forms of remuneration based on financial instruments, except as discussed below in relation to the Chief Executive Officer.

In compliance with Bank of Italy Circular 285/2013, the remuneration of the Chief Executive Officer is divided into a fixed portion and two variable portions, short and long term, that are determined in a manner consistent with the maximum variable-fixed ratio of 2:1 authorised at the Shareholders' Meeting for Key personnel, excluding those with control and similar functions, for whom the regulatory limits apply.

The short-term variable component is determined on the basis of clear and measurable performance targets, through a weighted assessment of two areas:

- a "quantitative" area involving the financial results and risk management;
- a "qualitative" area involving functional objectives, the handling of planned projects, the management skills shown and CSR objectives (social and environmental sustainability) shown by the individual.

The correlation between the amount of variable remuneration actually paid and the company's medium/long-term results is sustained by applying ex-post correction mechanisms over a multi-year time horizon, after checking that adequate levels of capital, liquidity and risk-adjusted return are retained. The adoption of qualitative performance parameters ensures that the remuneration system is aligned to the Group's mission and values, supporting its orientation towards the construction of long-term value.

The long-term variable component (Long-Term Incentive (LTI) Plan 2019-2021) is also based on clear and measurable performance parameters, involving a weighted assessment of three areas. This determination is

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28 Key personnel or Material Risk Takers (MRTs): Group personnel whose professional activities have or may have a significant impact on the risk profile of the Bank, as defined in the Remuneration Policies of the BPER Group.
29 For other personnel the variable-fixed remuneration ratio of 1:1.
carried out after checking that the access conditions have been achieved for all key personnel. These areas identified are:

- the financial results and risk management area (with KPIs concerning operational efficiency (C/I-cost/income), profitability (PPP-post provisions profit) and credit quality (NPE ratio);
- the "Creation of shareholder value" area with a target of TSRr;
- the "Sustainability" area with CSR objectives (social and environmental sustainability, in terms of gender diversity, financial education and sustainability of the value chain).

The LTI Plan envisions the assignment of an individual bonus in the form of BPER Banca ordinary shares. At the end of the three-year vesting period, 45% is assigned at the bonus assignment date (up-front portion), but subject to a retention period of 1 year. The remaining 55% is deferred over 5 years in equal annual instalments, each also subject to a retention period of 1 year. The overall duration of the LTI Plan is therefore 9 years.

The payment of the short- and long-term variable component of the remuneration of the Chief Executive Officer is structured in the manner described in chapter 7.1 of the 2019 remuneration report, subject to achieving certain entry gate parameters and a five-year deferral period.

All incentives paid are subject to claw-back clauses, whose effective application depends on occurrence of the predetermined circumstances described in chapter 7.1 of the 2019 remuneration report.

The deferred instalments are subject to malus rules that can reduce the instalment to zero in the event of failure to achieve the entry gates for the financial year preceding the year of payment of each deferred instalment.

The remuneration of General Management and Executives with strategic responsibilities who belong to the category of Key Personnel comprises a fixed component that differs according to their responsibilities, supplemented by a short-term variable element, plus a long-term element in some cases, that also differs according to the position that they hold. This variable element, which cannot exceed the regulatory maximum of 100% of the fixed component, is set at a maximum of 60% of the latter, apart from specific situations in which this percentage may be increased to 100%, or to the limit set in a specific shareholders' resolution (entry bonus or incentive packages designed to attract personnel deemed necessary in order to achieve important objectives). Key personnel therefore benefit from a variable MBO bonus scheme and, for certain persons in this group (excluding those with control and similar functions), a variable long-term bonus scheme (LTI Plan); both the short- and long-term incentives are designed to align the interests of management with the creation of value for the shareholders.

Variable bonus scheme - Management by objectives (MBO)

In order to discourage excessive risk-taking that can lead to a deterioration in the Group's "health", also in compliance with the Bank of Italy's regulatory requirements, disbursement of the bonus pool, whatever the amount, is without exception subject to compliance with certain indicators, called "entry gates", which are related to the capital, liquidity and risk-adjusted return ratios.

If all the above entry gates are achieved, the company's results are subjected to an assessment that results in the application of a multiplier/demultiplier mechanism which acts directly on the individual target bonuses.

After it has been verified that the entry gates have been exceeded, the actual allocation of the bonus and the related amount, within the maximum limits of the variable remuneration, are defined through a process of individual performance evaluation that includes an analysis of various qualitative and quantitative indicators.

The MBO plan envisages the payment of accrued bonuses that differ based on the size of the bonus and whether or not the recipient is an MRT (i.e. the Chief Executive Officer, the General Managers, the Deputy General Managers of Group banks and companies and certain Heads of Department). Further information is provided in chapter 7.1 of the 2019 Remuneration Report, which contains details about the bonus retention and deferral periods.

Variable long-term incentive system – 2019-2021 LTI Plan

The Group has defined a long-term variable incentive system based on a long-term period of performance assessment (2019-2021), consistent with the objectives and duration of the Group's Strategic Plan. Details are provided in the prospectus for the "Long-term Incentive (LTI) Plan 2019-2021 for personnel considered to
be strategic”. Both documents are published on the website of the Bank - Institutional website > Governance > Shareholders’ Meeting: Ordinary Shareholders’ Meeting of 17 April 2019.

Under the LTI Plan, ordinary shares in BPER Banca are granted, without charge, to persons responsible for functions of strategic importance.

The LTI Plan provides clear and predetermined performance conditions, verified during and at the end of the plan, so that the variable remuneration cannot, in any case, be paid before the end of the Plan. The bonus is recognised at the end of the performance evaluation period.

The incentive scheme envisages the identification of a bonus pool, which is the maximum amount of bonuses payable. The amount of the bonus pool is related to the results achieved and constitutes a maximum limit; its distribution is entirely subject to compliance with certain entry gates, based on indicators of capital strength, liquidity and risk-adjusted profitability. If all of these entry gates are achieved, the plan provides for an assessment of the Group's key performance indicators (KPIs) at the end of the three-year vesting period (2021). Continuous monitoring of the indicators is carried out during the three-year period to verify compliance with the objectives of the aforementioned Strategic Plan.

After checking that the entry gates have been exceeded and calculating the target bonus, the actual allocation of the bonus and its size, within the maximum limits set for the variable remuneration, are defined through a process of corporate performance evaluation that includes an analysis of three KPIs linked to operational efficiency, credit quality and quantitative profitability objectives.

Following measurement of the KPIs, the effective quantification of the bonus accrued in 2021 is subjected to two other parameters: a relative indicator based on total shareholder return (TSR) and a synthetic indicator based on sustainability.

The shares thus recognised are to be divided into 6 tranches, of which one will be up-front and into 5 equal tranches, to be allocated during the deferral period.

All incentives paid for this category of personnel are also subject to claw-back clauses, whose effective application depends on occurrence of the predetermined circumstances described in chapter 7.1 of the 2019 remuneration report.

The deferred instalments are subject to malus rules that can reduce the instalment to zero in the event of failure to achieve the access thresholds (“entry gates”) for the financial year preceding the year of payment of each deferred instalment.

The remuneration of the Manager responsible for preparing the company's financial reports and the personnel in charge of control functions (including the Head of the Internal Audit function) is composed of a fixed element supplemented by a specific function indemnity, where applicable, and a variable element that cannot exceed 33% of the fixed element. The latter does not depend on meeting financial targets, but is related to the specific objectives of the function.

Unlike what applies for other key personnel, the payment of bonuses for the control functions is subject only to the entry gates based on capital and liquidity ratios.

Once the entry gates have been passed, the amount of the annual bonus is linked to role-related objectives, both quantitative and/or qualitative. People in this category have applied to them entry gates and the rules for deferment of the variable portion, use of financial instruments and the malus and clawback clauses defined for the other Key personnel.

9.1 Indemnities for Directors who resign, are terminated or cease to serve following a public offer for the purchase of shares (art 123-bis, paragraph 1.i), Legislative Decree 58/98)

There are no agreements with Directors or Executives with strategic responsibilities that provide for indemnities for directors in the event of resignation or dismissal/termination without just cause following a takeover bid.

Detailed information about the compensation granted on termination of the employment of key personnel is provided in chapter 7.9 of the 2019 remuneration report.

30 The bonus pool, i.e. the theoretical maximum amount of bonus that can be paid, is the sum of the maximum bonuses that can be received at an individual level.
On the agreed termination of the former General Manager, Fabrizio Togni, effective 31 December 2019, a press release was issued containing the information required by the relevant regulations. In this regard, any amounts due under the MBO bonus scheme for 2019 will be paid to the executive concerned. The deferred bonuses assigned in prior years will also be paid to him. In both cases, the payments will be made on satisfaction of the conditions and in accordance with the procedures envisaged in the remuneration policy for the BPER Group applicable at the time, as well as in the related regulations. For further information, see the “Press Release” published on the website of the Bank - www.bper.it > Institutional website > Media Relations section > Press Releases > 2019 > 28 November 2019 - Change in General Management.

For further information, please refer to the documents that are available on the Bank’s website, including the Report on remuneration policies, Institutional website > Governance > Documents or, in the same section, Shareholders’ Meeting, where, each year the report submitted to shareholders is published.

The “Prospectus for the phantom stock compensation plan - Phantom Stock 2019” and the “Long-Term Incentive Plan 2019-2021” are published in the section dedicated to the Shareholders’ Meeting: Ordinary Shareholders’ Meeting of 17 April 2019.
10 Control and Risk Committee

In May 2009, the Board of Directors established, as a sub-committee, a Control and Risk Committee, as it was named on 4 June 2013 after its name had been changed from Internal Control Committee.

The functioning of the Committee is governed by specific Operating Rules, most recently updated to January 2018.

10.1 Composition and functioning of the Control and Risk Committee (art. 123-bis, paragraph 2.d), Legislative Decree 58/98

The Committee consists of a minimum of 3 to a maximum of 5 non-executive directors, the majority of whom have to meet the independence requirements of art. 147-ter, paragraph 4 of Legislative Decree 58/98, which makes reference to art. 148, paragraph 3 of the same decree. The Chairman of the Board of Directors may not be a member of the Committee, but may attend Committee meetings.

At least one member of the Committee must have adequate experience in accounting and finance or risk management, to be assessed by the Board of Directors at the time of appointment.

The members of the Committee are appointed by the Board of Directors and their term of office expires when they cease to be a Director. Early termination of the Board of Directors, for whatever reason, leads to immediate revocation of the Committee. Any member of the Committee who no longer meets the requirements has to communicate this fact as soon as possible to the Committee and to the Board of Directors.

The Chairman of the Committee is appointed by the Board of Directors from among the members of the Committee who meet the independence requirements. If the Chairman is absent or unavailable, he is replaced in all his functions by the longest serving member of the Committee and, in the event of equal length of service, the oldest, as long as the member in question meets the independence requirements.

On the Chairman's proposal, the Committee appoints a Secretary, who need not be one of its members. The Secretary remains in office until the date the Shareholders’ Meeting is held to approve the financial statements of the year in progress at the time of the appointment.

If the Secretary is absent or unavailable, the Committee decides who replaces him.

The Chairman:

- coordinates the activities of the Committee, convenes meetings thereof and, assisted by the Secretary, sets the agenda, while working to ensure that the Committee members receive proper and timely information;

- chairs the Committee meetings, directs and moderates discussions, guarantees the effectiveness of discussions and ensures that the conclusions reached by the Committee are the result of adequate argumentation and an informed and reasoned contribution by all its members.

The Chairman represents the Committee and endorses the documents to be submitted to the Board of Directors.

The Chairman, assisted by the Secretary and the competent business functions, verifies the supporting documentation to be provided to the Committee to ensure that it is adequate, in both quantitative and qualitative terms, to address matters on the agenda. To this end, he ensures, by issuing appropriate instructions to the corporate functions, that the documentation appropriately highlights, for each topic on the agenda, the most significant and relevant elements for the performance of the Committee's duties. This documentation is generally made available to Committee members, Rightful Participants31, the Chairman of the Board of Directors and to the other acting auditors 5 days prior to each meeting. If, for organisational reasons or for reasons of confidentiality, the documentation made available within this deadline is not exhaustive, subsequent additions are provided no later than the day of the meeting.

31 Pursuant to art. 8.6. of the Committee's operating rules, Rightful Participants are the Chairman of the Board of Statutory Auditors, the Chief Executive Officer and the General Manager, but without the right to vote.
The Committee reports to the Board of Directors on the work performed at least at the time of approval of the draft financial statements and the half-year report and also discusses therewith issues submitted for its prior review.

Committee meetings can be held remotely by means of suitable telecommunications, providing that all participants can be identified and that this identification is recorded in the minutes; they should also be able to follow and take part in the debate in real time. In this case, the meeting is deemed to be held where the Chairman and Secretary are located.

Meetings of the Committee are valid if attended by an absolute majority of its current members. In the exercise of its functions, the Committee's resolutions are adopted by an absolute majority of the members attending the meeting. In the event of a tie, the Committee's Chairman has a casting vote.

Meetings of the Committee are attended, without the right to vote, by the Chairman of the Board of Statutory Auditors, the Chief Executive Officer and the General Manager (jointly, the "ex-officio participants"); the Chairman of the Board of Directors and all the acting auditors may also attend.

The Chairman of the Committee can also invite to its meetings other members of the Board of Directors, Managers of internal control functions, the Manager responsible for preparing the company's financial reports or other people whose presence might facilitate the functioning of the Committee.

The Committee has an appropriate working relationship with the Board of Statutory Auditors and with the Supervisory Authorities pursuant to Legislative Decree 231/2001 for the coordination and exchange of information of mutual interest that falls within their spheres of competence.

Minutes are taken for each meeting and filed in the Control and Risk Committee Minute Book once they have been signed by all members and by the Secretary.

The Control and Risk Committee currently consists of four members (all non-executive and independent): Elisabetta Gualandri (Chairman), Alessandro Robin Foti, Ornella Rita Lucia Moro and Valeria Venturelli (see Table 2). The person appointed as Secretary is the Head of the Bank Secretariat and Relations with the Authorities, Daniela Vicini.

The Board of Directors considers that Elisabetta Gualandri and Valeria Venturelli have adequate experience of accounting, financial and risk management matters.

The Control and Risk Committee met 28 times in 2019 and the average duration of each meeting was approximately 03 hours and 50 minutes.

For 2020, 20 meetings have been planned, of which 7 have already taken place at the date of this Report.

During 2019, the Chairman of the Board of Statutory Auditors attended 20 meetings of the Control and Risk Committee. Of the 28 meetings held in 2019: 9 were held jointly (or partially jointly) with the Board of Statutory Auditors and 2 meetings were held jointly (or partially jointly) with the Board of Statutory Auditors and the Supervisory Body for the coordination and exchange of information of mutual interest that fell within their spheres of competence.

From time to time, at the invitation of the Committee, depending on the individual issues being addressed, meetings were attended by the heads of the departments in question to provide detailed information, as needed, on topics on the agenda falling under their responsibility (4-5 people on average were invited to each meeting).

Furthermore, in order to carry out its functions, the Committee:

a) collaborates with other Board Subcommittees, with the independent auditors and speaks directly to the control functions and the Manager responsible for preparing the company's financial reports;

b) has, through its Chairman, the right to access the information needed;

c) has access to adequate resources as determined by the Board of Directors;

d) may use the services of experts, inclusive of external experts.

10.2 Functions attributed to the Control and Risk Committee

The Committee provides a support function to the Board of Directors regarding risks and the internal control system, as well as relating to the approval of periodic financial reports. Particular attention is paid to all
instrumental and necessary activities to enable the Board of Directors to arrive at a correct and effective determination of the RAF (Risk Appetite Framework) and risk management policies.

The Committee is also responsible for the supervision of sustainability issues pertaining to business activities and the dynamics of stakeholder interactions.

In particular, the Committee carries out the following tasks:

a) it supports the Board of Directors, by means of preliminary opinions, in the definition and approval of strategic policies and risk management policies;

b) it supports the Board of Directors, by means of preliminary opinions, in the measurement and definition of the risk appetite and of the risk tolerance;

c) it supports the Board of Directors, by means of preliminary opinions, in the assessment of compliance with the principles governing the internal control system and corporate structure and brings to the attention of the Board any weaknesses and the consequent corrective action that needs to be taken;

d) it supports the Board of Directors, by means of preliminary opinions, in the verification of the correct implementation of strategies, risk governance policies and the RAF;

e) it supports the Board of Directors, by means of preliminary opinions, in the assessment and monitoring of the requirements that must be met by the corporate control functions and by the financial reporting manager and brings to the attention of the Board any weaknesses and the consequent corrective actions that need to be taken;

f) it verifies that the corporate control functions correctly comply with the indications and guidelines for the internal control system and risk management laid down by the Board of Directors;

g) it supports the Board of Directors, by means of preliminary opinions, in the description, included in the report on corporate governance, of the main characteristics of the system of internal control and risk management and in the assessment of its adequacy;

h) it identifies and proposes, assisted by the Nominations Committee, candidates to head up the corporate control functions and for the position of Manager responsible for preparing the company's financial reports and provides a preliminary opinion on their dismissal;

i) provides an opinion prior to the approval, at least annually, of the planned duties of the corporate control functions, of the Manager responsible for preparing the company's financial reports and provides a preliminary opinion on their dismissal;

j) it examines in advance the results achieved and the reports prepared by the corporate control functions, by the Manager responsible for preparing the company's financial reports and by the corporate social responsibility function, as well as any matters reported by the Chief Executive Officer concerning problems and critical issues that have arisen in the performance of his duties or that have been notified to him;

k) it assesses, together with the Manager responsible for preparing the company's financial reports and after having consulted the Board of Statutory Auditors and the independent auditors, the proper application of accounting policies and their consistency among Group companies for the purpose of preparing the consolidated financial statements;

l) it supports the Board of Directors, by means of advance opinions, in evaluating any key audit issues reported in the auditor's management letter and in the audit report;

m) it supports the Board of Directors, by means of preliminary opinions, in the definition of corporate policy regarding the outsourcing of corporate control functions;

n) it ascertains, without prejudice to the sphere of competence of the Remuneration Committee, whether the incentives under the remuneration and incentive scheme of the Bank and of the BPER Banca Group are consistent with the RAF;

o) it supports the Board of Directors, by means of preliminary opinions, in the definition of policies and processes for the measurement of the business's assets, including checking that the price and conditions of transactions with customers are consistent with the business model and risk strategies;
p) it supports the Board of Directors, by means of preliminary opinions, in the approval of the coordination document for controls within the Group envisaged by Bank of Italy Circular 285/2013, Part I, Title IV, Chapter 3 and subsequent updates;

q) it provides support for the Board of Directors, by means of preliminary opinions, in its assessment, at least annually, of the adequacy of the system of internal control and risk management with respect to the characteristics of the business and the risk profile assumed, as well as the effectiveness thereof;

r) it supports, via appropriate preliminary activities, the assessments and decisions of the Board of Directors relating to the management of risks arising from detrimental facts that have come to the attention of the Board;

s) it supports the Board of Directors, by means of preliminary opinions, in the approval of the annual sustainability report.

As regards the remuneration of the heads of the corporate control functions and of the Manager responsible for preparing the company's financial reports, it is the Remuneration Committee's responsibility to support the Board of Directors on these matters (see Par. 8.2 of this Report).

The principal topics addressed by the Committee during 2019 included:

- analysis of the periodic risk reports;
- examination of the results of the principal checks carried out by the control functions;
- analysis of the RAF, ICAAP and ILAAP reports;
- analysis and opinions on the development of the internal rating system;
- analysis and opinion on the planning proposals and final reports of the control functions;
- periodic reporting on the NPE strategy;
- analysis of the progress made on implementing the actions plans prepared following the outcome of ECB inspections.
- process to remedy the findings (PRF) of the control functions;
- self-assessment of the internal audit and compliance functions;
- strengthening the role of the Coordinating committee for the control functions;
- support for the work carried out by the Board of Directors to approve the periodic financial reports and the consolidated non-financial declaration (sustainability report).

In accordance with the above regulations, the Control and Risk Committee has prepared and approved half-yearly reports on the activities carried out thereby, which were then submitted to the Board of Directors.
11 Independent Directors Committee

In accordance with the regulatory framework introduced by the CONSOB Related Parties Regulation, followed by the Bank of Italy Circular 263 of 27 December 2006 - 9th update of 12 December 2011 - "New regulations for the prudential supervision of banks" Title V – Chapter 5, "Risk activities and conflicts of interest with related parties", the BPER Group repealed the previous internal rules and adopted the "Group policy for the governance of non-compliance risk concerning conflicts of interest with related parties and risk activities with associated persons" (hereinafter "Related parties and associated persons policy").

In accordance with these regulations, effective 13 November 2012, the Bank's Board of Directors replaced the previous Related Parties Committee, set up in October 2010, by setting up the Committee of Independent Directors. In the circumstances mentioned in the Regulations, the Committee gives a preliminary reasoned opinion, which in certain cases is binding, on the Bank's interest in carrying out transactions with related parties and/or associated entities, as well as on the cost-effectiveness and fairness of the conditions being applied; it also gathers information addressed thereto in accordance with the procedures and terms of reference laid down by the regulations and rules of operation approved for the Committee.

The functioning of the Committee is governed by specific Operating Rules, most recently updated to January 2018.

11.1 Composition and functioning of the Independent Directors Committee (art. 123-bis, paragraph 2.d), Legislative Decree 58/98

The Independent Directors Committee consists of three non-executive directors, including at least one chosen from the directors elected by the minorities, if any, who meet the independence requirements under art. 147-ter, paragraph 4, of Legislative Decree 58/98, which refers to art. 148, paragraph 3, of Legislative Decree 58/98, as indicated in the Bank's articles of association.

The members of the Committee are appointed and dismissed by the Board of Directors and their term of office expires when they cease to be a member of the Board of Directors. Early termination of the Board of Directors, for whatever reason, leads to revocation of the Committee. If one or more of the committee members can no longer attend, for whatever reason, the Board of Directors replaces them with other Directors who meet the requirements described above. Any member of the Committee who no longer meets the requirements has to communicate this fact as soon as possible to the Committee and to the Board of Directors.

The Chairman of the Committee is appointed by the Board of Directors from among the members of the Committee. If the Chairman is absent or unavailable, he is replaced in all his functions by the longest serving member of the Committee and, in the event of equal length of service, the oldest.

Any member of the Committee who turns out to be a related party to a transaction that is being reviewed has to communicate this fact as soon as possible to the Committee and abstain from voting on the transaction.

On the Chairman's proposal, the Committee appoints a Secretary, who need not be one of its members. The Secretary remains in office until the date the Shareholders’ Meeting is held to approve the financial statements of the year in progress at the time of the appointment.

The Chairman:

- coordinates the activities of the Committee, convenes meetings thereof and, assisted by the Secretary, sets the agenda, while working to ensure that the Committee members receive proper and timely information;
- chairs Committee meetings, directs and moderates discussions, guarantees the effectiveness of discussions and ensures that the opinions and conclusions reached by the Committee are the result of adequate debate and an informed and reasoned contribution by all its members.

The Chairman represents the Committee and endorses the opinions to be transmitted to the decision-making bodies.
The Chairman, assisted by the Secretary and the competent business functions, verifies the supporting documentation to be provided to the Committee to ensure that it is adequate, in both quantitative and qualitative terms, to address matters on the agenda. This documentation is generally made available to Committee members 5 days prior to each meeting. Committee meetings can be held remotely by means of suitable telecommunications, providing that all participants can be identified and that this identification is recorded in the minutes; they should also be able to follow and take part in the debate in real time.

Meetings of the Committee are valid if attended by a majority of its current members. The Committee gathers information, expresses opinions and takes decisions on matters within its competence by a majority of those voting, but without prejudice to the fact that contrary votes or abstentions have to be explained and minuted. In the event of a tie, the negative vote prevails. If, in relation to less material transactions, the Committee expresses an opinion subject to certain conditions or observations, the opinion is to be considered favourable if the conditions or observations are accepted by the Board of Directors. The same body may also approve transactions for which the Committee expressed a negative opinion. Less material transactions approved in accordance with the present paragraph are communicated individually to the Board of Statutory Auditors.

The Chairman may, from time to time, invite to Committee meetings any functions whose presence may help to improve the performance of the Committee’s activities.

Minutes for each Committee meeting and of opinions expressed thereby are taken by the Secretary. The minutes as recorded in the Minute Book are signed by all the Committee members and the Secretary. The opinions expressed by the Committee are signed by the Chairman and the Secretary.

At the date of this Report, the BPER Independent Directors Committee consists of the following 3 non-executive and independent directors: Valeria Venturelli (Chairman), Elisabetta Gualandri and Marisa Pappalardo (see Table 2). The person appointed as Secretary is the Head of the Corporate Bodies and Regulatory Compliance Secretariat, Erika Preti.

During 2019 the Independent Directors Committee met 31 times; the average duration of the meetings was normally 60 minutes.

For 2020, 19 meetings have been planned, of which 4 have already taken place at the date of this Report.

During 2019, the Committee Chairman dedicated three meetings to the analysis of specific topics, which were addressed together with the Equity Investments and Special Projects Office, the Compliance Office, the Risks Department and the Internal Audit Department.

Moreover, a meeting was held with the Board of Statutory Auditors of the Bank to discuss matters of mutual interest.

11.2 Functions of the Independent Directors’ Committee

The Committee fulfils its duties and exercises the powers granted to the independent directors in compliance with legislative or regulatory requirements as well with legislation in force concerning related parties and associated entities.

Also, on the occasion of the three-year review of the internal regulatory document governing areas within its competence, or, on the occurrence of any regulatory and/or organisational changes that necessitate amendments and/or additions, it provides a detailed, preliminary, binding opinion, subject to approval by the Board of Directors. In such cases, it analyses the content of the Group policy for the governance of non-compliance risk concerning conflicts of interest with related parties and risk activities with associated persons that has been adopted by the Bank, and assesses its compliance with the rules and its adequacy in terms of being able to handle this complex area.

With regard to less significant transactions (qualifying as such under current regulations) to be carried out, the Committee:

a) evaluates the Bank’s interest in carrying out the proposed transaction;

b) assesses the convenience and substantial fairness of the conditions of the proposed transaction;

c) provides the decision-making body with a motivated, non-binding opinion, that may also be conditional on the observations made, spelling out the results of the assessments mentioned in points a) and b).

As regards more significant transactions (qualifying as such under current regulations), in addition to the
steps that it has to take in the case of less significant transactions, the Committee also gets involved in the negotiations and preliminary phase by receiving a complete and timely flow of information with the right to ask for information and to make observations to the responsible bodies and to those in charge of carrying out the negotiations and the preliminary phase. The opinion expressed for the purpose of the resolution regarding the transaction is binding; in the case of a conditional opinion, the transaction can only be completed or executed if all of the conditions mentioned in the opinion expressed by the Committee have been fulfilled.

The rules on more or less significant transactions also apply with regard to transactions that need to be approved by the shareholders in general meeting and to any framework resolutions.

If deemed necessary, the Committee has the right to use the services of independent experts unrelated to the Bank, within the cost limits set by the Board of Directors, in compliance with current internal regulations. These cost limits are not valid in the case of more material transactions.

As regards less material, ordinary transactions and which are entered into at market or standard conditions with parties related to and/or associated with the Committee:

a) it receives from the competent function ex-post information on the transactions that have been carried out;

b) it provides any opinions or observations to the Board of Directors and/or to a different decision-making body for the purpose of taking any corrective action that may be possible on transactions displaying critical aspects.

The Committee made recourse to the services of independent experts during 2019.

The Committee expressed 24 opinions during 2019, all of which were entered in the Opinion Book of the Committee, just as minutes were taken for each meeting and recorded in the Minute Book of the Committee.
12 System of internal control and risk management

The Board of Directors defines and approves the internal control system of the Parent Company and the Group, ensuring that it is consistent with the strategic guidelines and risk appetite established in the Risk Appetite Framework (RAF) and that it is able to reflect the various types of risk as they evolve and interact. It also defines and approves the risk objectives, the thresholds of risk tolerance and, where identifiable, of risk capacity and the process of risk governance, to ensure that risks are properly governed and effective control maintained over all strategic decisions of the Group as a whole, along with balanced management of the individual components.

The "Group Guidelines – Internal Control System" set out the principles for developing the "BPER Group's internal control system", the roles of the control bodies and functions involved, the methods of coordination and collaboration, and the information flows between functions and between them and the corporate bodies of the Bank and Group companies.

On 29 November 2016 the Board of Directors of the Parent Company approved the last update to the "Group Guidelines – Internal Control System", adoption of which was then approved by the Boards of the various Group companies.

The BPER Group's Internal Control System can be split into three levels:

- the "Group internal control system";
- the "Internal control system of the company";
- the "Internal control system of the Group".

"Group internal control system" means the set of rules, functions, structures, resources, processes and procedures that enable the parent company to carry out:

- strategic control of the business performance of Group companies and of their policies of acquisition and disposal;
- management control designed to ensure that the economic, financial and capital equilibrium of the individual companies and of the Group as a whole is maintained;
- technical and operational control aimed at assessing the various risk profiles brought to the Group by the individual subsidiaries and the Group's overall risk.

"Internal control system of the company" (and, therefore, specific to each company of the Group, including the Parent Company) means the set of rules, functions, structures, resources, processes and procedures ("structure of the internal control system") designed to ensure that "behaviour" is aligned with set standards ("functioning of the internal control system").

"Internal control system of the Group" means the combination of the various "Internal control systems of companies" and the "Group internal control system".

The Parent Company provides the Group with an internal control system that permits effective control over the strategic choices of the Group as a whole, and balanced management of the individual components. In particular, the Parent Company is responsible for the governance, design and implementation of the "Group internal control system".

BPER's "Internal control system of the Group" is designed to take account of the business specifics of each Group company and comply with the principles established by the Supervisory Authorities, namely:

- proportionality in the application of rules according to size and operations;
- gradual and progressive transfer to more advanced methodologies and processes for measuring risk and the capital that is available as a result;
- unity in the definition of the approaches used by the various functions foreseen in the Group's organisational system;
- economy: containment of costs for intermediaries.

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32 Bank of Italy Circ. no. 285/13, Part I, Title IV, Chapter 3, Section 5, Paragraph 2.
33 Bank of Italy Circ. no. 285/13, Part I, Title IV, Chapter 3, Section 5, Paragraph 2.
The internal control system is designed, implemented and evaluated with reference to the "Group risk map" (hereinafter "Risk Map") that identifies the potential risks to which the Group is or might be exposed.

The regulations for the prudential supervision of banks contained in Bank of Italy Circular 285/2013 require banks to independently and accurately identify major Pillar 1 and Pillar 2 risks which they are or could be exposed to, taking account of their operations and markets.34

This activity is the result of an integrated and continuous recognition process carried out at a centralised level by the Parent Company which, if deemed necessary in relation to the evolution and/or changes in the business model, also provides for the involvement of the single legal entities included in the Group’s scope of consolidation, in order to enhance their role in relation to the individual operational specifics.

BPER Group recognises the importance of the Risk Map to operations and risk governance and has made it a key feature of its internal control system.

The risk identification process forms a basis for regular updates to the "Group risk map", prepared by the Risk Control function, which explains the Bank's position with respect to first and second pillar risks35, from both a current and future perspective, in order to anticipate any risks that could impact on the Group's operations or those of the respective legal entities.

As part of the "Group internal control system", the following control functions are identified at the levels provided for in the Supervisory Provisions:

- Third-level controls:
  - "Internal Audit" function;
- Second-level controls "risk and compliance controls":
  - Anti-Money Laundering;
  - Compliance;
  - Risk Control;
  - Ratification;
- First-level line controls:
  - Line controls (designed to ensure that operations are carried out properly, carried out by the operating teams concerned, included in the related procedures or performed as part of back-office activities).

The teams responsible for the second and third level control functions are independent; in particular, they are separate from each other and organisationally different to those involved in the acceptance of risk.

The corporate structures involved in risk-taking are those that:

- contribute to the determination of commercial policies or risk-taking strategies;
- authorise risk-taking;
- are remunerated based on the company’s results or have targets that may encourage risk-taking.

In addition to the levels of control laid down by Supervisory Regulations, the regulations governing self-regulation necessitate the allocation of control duties to specific functions other than corporate control functions - or to board committees, the activities of which are consistent with the internal control system.

Specifically, control functions identified within the Group are:

- Supervisory Bodies pursuant to Legislative Decree 231/01;36
- the Manager responsible for preparing the Company’s financial reports.

It is also worth mentioning the role of the Control and Risk Committee, a board committee set up within the Parent Company and in the Group's listed banks.

34 Bank of Italy Circular no. 285/13, Title III - Chapter 1.
35 See Bank of Italy Circular no. 285/13, Title III - Chapter 1 - Attachment D.
36 As of the date of this Report, within BPER Group a Supervisory Body has been set up by all the Italian banks, by BPER Services S.C.p.A, by Sardaleasing S.p.A., by Emilia Romagna Factor S.p.A. and by BPER Credit Management S.C.p.A.
In application of the principles described and as a general rule, the "Internal control system of the Group" envisages outsourcing to the Parent Company the second and third-level control functions of the Italian Group companies; however, as required by the regulations, the latter still remain responsible for their performance.

In these cases, centralisation of the above functions involves the signature of outsourcing contracts with the Parent Company. As regards Group companies based abroad, this centralised model is partially waived in consideration of the complexity and delicacy of operations run in a different regulatory environment. In this case, it is possible to activate organisational models that enhance the specific nature of the context in which these companies operate, for each control function required by local regulations, as requested by the Supervisory Authority or by the Parent Company.

The Board of the Parent Company may authorise other partial or temporary exceptions to the general principle of centralisation, depending on the specific characteristics of or particular circumstances at the subsidiaries concerned.

Group companies are responsible for ensuring that operations are carried out properly, in particular by performing the necessary line controls.

The BPER Group uses the Risk Appetite Framework (RAF) to monitor its corporate strategies, the cornerstones of which are formalised and approved by the Parent Company. These are reviewed periodically to ensure their alignment with the strategic guidelines, the business model and the regulatory requirements applicable at the time. The RAF provides "the frame of reference that, in line with the maximum assumable risk, defines the business model and strategic plan, risk appetite, tolerance thresholds, risk limits, risk management policies and the key processes needed to define and implement them". The RAF also represents a coordinated set of methodologies, processes, policies, controls and systems used by the Group to establish, communicate and monitor its propensity to accept risk. The framework identifies the risk appetite, risk tolerance and operating limits, under both normal and stressed conditions, that the Group intends to adopt in the pursuit of its strategies, defining the various levels with reference to the maximum acceptable risk (risk capacity).

In order to ensure effective and pervasive transmission of the risk objectives, the Group sets its overall risk appetite, establishing operational and exposure risk limits that govern the operations of the organisational structures to which they are assigned (so-called "risk takers"), in a structured framework consistent with the policies for the governance and control of individual risks, to which reference is made.

The activities comprising the process are updated annually, or more frequently, and whenever necessary following changes in the internal or external conditions.

The periodic monitoring and management of exceeded limits includes checking the trends in the actual RAF parameters (risk profile) at Group level with respect to the established risk appetite. When the limits defined for the various RAF parameters are exceeded to a significant extent, a process of assessment, escalation and communication involving various corporate bodies is activated, depending on the type of parameter and the nature and extent of the problem. The limits are specified in each risk management policy (third-level RAF parameters) and the procedures for monitoring and managing them are also specified in those policies.

Therefore, the RAF takes on the importance of a management tool that not only permits concrete application of the regulations, but also makes it possible to activate synergistic governance of the planning, control and risk management activities. It is also a key element to:

- strengthen the ability to govern business risks, facilitating the development and dissemination of an integrated risk culture;
- ensure alignment between strategic guidelines and the levels of risk assumed, through the formalisation of consistent objectives and limits;
- develop a quick and effective system of monitoring and reporting the risk profile taken on.

In line with the RAF defined by the Parent Company, for each risk identified as significant, the Board of Directors of the Parent Company sets, with a special "governance policy":

- the risk appetite;
- the related risk exposure limits;
- the "risk acceptance and mitigation process";
- the "risk management process".
The "risk acceptance and mitigation process" is the set of operational actions during which decisions are taken that affect the level of risk exposure for the Bank and the controls exercised through appropriate governance and risk management activities, in line with the risk management policies and the RAF.

The "risk management process" comprises the set of rules, procedures and resources dedicated to identifying, measuring or assessing, monitoring, mitigating and communicating the risks to the appropriate levels, as well as to monitoring the exposure and operational limits and the related reporting.

The Board of Directors receives, either directly or through the CEO, the information flows required to gain a full awareness of the various risk factors and the ability to govern them, in order to plan and implement interventions to ensure the compliance and adequacy of the Internal Control System.

The main reports produced by the control functions and by the Manager Responsible are brought to the attention of the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors.

Lastly, the Board of Directors appoints and dismisses the heads of the corporate control functions and the manager responsible, after consultation with the Control and Risk Committee, the Nominations Committee, the Board of Statutory Auditors and the Chief Executive Officer.

Each year, after having consulted the Board of Statutory Auditors, the Control and Risk Committee and the Chief Executive Officer, the Board of Directors of the Bank approves the long-term audit plan of the Internal Audit function that includes the work planned for the current year. In 2019, the "2019-2021 Group Audit Plan" was approved on 24 January 2019, while in the current year, the "2020-2022 Group Audit Plan" was approved on 5 February 2020. The "Report of the Internal Audit Department" (a report prepared on the work done by internal audit) is submitted to the Board of Directors half-yearly and is presented to the Board of Statutory Auditors, the Control and Risk Committee and the Chief Executive Officer, in compliance with internal policy on information flows (for further information, see para. 12.3).

The Board of Directors of each Group company, including the Parent Company, reviews the "Internal Control System" once a year. The function responsible for providing support to the B.o.D. in assessing the effectiveness of the overall internal control system, company-wide, is the Internal Audit Department.

Starting from 1 January 2016, the Parent Company implemented its own whistleblowing system, structured in such a way as to guarantee the following obligations in accordance with the Supervisory Provisions:

- the transmission, receipt, review and assessment of reports of infringements of legislation governing banking and financial activities as per art. 10 of Legislative Decree 385/93 (acceptance of deposits from the public, lending); fraud to the detriment to one or more companies via specific, autonomous and independent channels that differ from normal reporting lines;
- moreover, in consideration of the legislative changes that occurred after the issue of the XI update of the Bank of Italy's Circular no. 285/2013, the whistleblowing system was also extended to violations concerning "market abuse" and the fight against money laundering and terrorist financing;
- confidentiality and protection of the personal data pertaining to the reporting party and to the party exposed.

For the management of this single model, centralised within the Parent Company, for all the Group companies that fall within the scope of application, it has been envisaged that a single function will be entrusted with handling reports and this will be the internal audit function. The person chosen to act as Head of the Internal Reporting System for all companies is the Head of the Internal Audit Department.

The whistleblowing system does not modify or abolish, but integrates, the internal reporting procedures already present in the Group in relation to specific sectors, the value of which therefore remains unchanged and confirmed (by way of example: "Internal system of reporting to the Supervisory Board Legislative Decree 231/2001"; "Internal reporting to the Manager Responsible for Preparing the Company's Financial Reports of errors relating to financial reporting – pursuant to Legislative Decree 262/2005"; "Internal reporting of behaviour that does not comply with the principles contained in the national and corporate agreements on the subject of Commercial Policies and Labour Organisation").

The outcome of the 2018 review was that the Group's overall situation was deemed to be adequate.

The 2019 assessment will be completed by the end of February 2020.
12.1 Financial reporting process - risk management and internal control systems (as per art. 123-bis, paragraph 2.b), Legislative Decree 58/98

We illustrate below the "main characteristics of risk management and internal control systems in relation to the financial reporting process", according to art. 123-bis, paragraph 2, letter b) of Legislative Decree 58/98.

The Group Guidelines on the Internal Control System assign to the Manager responsible for preparing the company's financial reports the task of handling the design, implementation and maintenance of the "Financial Reporting Control Model" to be applied to the Parent Company and, with reference to the procedures for the preparation of consolidated financial statements, to subsidiary banks and companies, falling or not within the scope of consolidation of the Banking Group.

The Financial Reporting Control Model is a set of requirements to be met for proper management and control over the risk of unintentional errors and fraud in financial reports and consists of the following documents:

- Group policy for managing the risk of unintentional errors and fraud in financial reports (high level legislative source);
- Regulation of the Function of Manager responsible for preparing the Company's financial reports (high level legislative source);
- Methodological note addressing macro process management of unintentional errors and fraud in financial disclosures (high level atypical source).

The "Group Policy for managing the risk of unintentional errors and fraud in financial reports" approved by the Parent Company's Board of Directors, based on the "Group Guidelines for the Internal Control System", established the roles and responsibilities of the bodies and organisational units involved in the governance (assumption and management) of financial reporting risks at Group level. This process is governed by the methodological note addressing macro process management of unintentional errors and fraud in financial disclosures. In this regard, the basis for the acceptance and control of the risks covered by the Policy and the related methodologies are described in the "Process for managing the risk of unintentional errors and fraud in financial disclosures".

With reference to the financial reporting control model, it should be noted that the high-level sources were updated during the second half of 2018 and approved by the Parent Company's Board of Directors on 10 January 2019, substantially for the purpose of revising the model as regards adequacy and effective application of the administrative and accounting procedures, as well as an overall assessment of the risk of unintentional errors and fraud in financial reporting, particularly by reducing the grading levels from six to four. These methodological changes were introduced from January 2019.

Consistent with the "Group Guidelines - Internal Control System" and with the RAF defined by the Parent Company, the management of the risk of unintentional errors and fraud in financial reports can be broken down into the following components:

a) the risk objectives (or "risk appetite") and tolerance thresholds ("risk tolerance") - risk appetite;
b) the related risk exposure and operational limits;
c) the process of risk assumption;
d) the risk management process.

a) Risk appetite

Based on the Risk Appetite Statement, the risk of unintentional errors and fraud in financial reports has the characteristics of a pure risk that is difficult to measure. For this reason, the Group's risk appetite for this category of risks is nil. Despite having concluded that the risk appetite is nil, the Group recognises that the risks falling into this category could arise for reasons beyond its control or due to factors that do not depend on its ability to operate according to the principles outlined.

With the objective of keeping the causes and occurrence of errors pertaining to this category under adequate control, the Group has a specific governance model (processes and procedures that set out specific roles and responsibilities) that facilitate an adequate management of the risk of unintentional errors and fraud in financial reports; in particular, this model envisages that risk is:

- identified;
The Group deemed that the risk tolerance was not nil for the risks pertaining to the above category and undertook to continuously maintain and align its governance model and to assess, based on the risk profile arising from time to time, as well as any other significant information, the most appropriate mitigating actions aimed at minimising and, if possible, eliminating the current or potential exposure to such risks.

Accordingly, based on the Risk Appetite Statement, the overall risk tolerance related to the risk of unintentional errors and fraud in BPER Group’s financial reports is not nil and is categorised within the first two levels of the grading scale of the overall model for the adequacy and effective application of the accounting and administrative procedures (graded as positive or partially positive).

In the event that the measurement of the risk of unintentional errors and fraud in financial reports falls within the remaining two levels of the grading scale, resulting in the risk tolerance having been exceeded, the Chief Executive Officer has to take the necessary action, also with the support of the Parent Company’s Risks Committee, which increases as the grading gets worse, in order to:

- address and - together with the Organisation Department - take the action needed to rapidly bring the level of risk to below the official tolerance threshold;
- promptly and appropriately inform the Risks Committee, the Control and Risk Committee, the Board of Directors and the Board of Statutory Auditors.

b) Risk exposure and operational limits

Due to the fact that the risk of unintentional errors and fraud in financial reports is difficult to measure, no specific risk limits have been set.

c) Risk assumption and mitigation

The risk-taking and mitigation process is a series of activities whereby decisions have to be taken that affect the level of the Group’s exposure to current (risk profile) and desired (risk appetite) risks, in compliance with the established risk appetite framework.

The risk of unintentional errors and fraud in financial reports is not deliberately taken on by the bank, but is a consequence of decisions taken in relation thereto, to which it is intrinsically linked.

d) Risk management

Risk management in financial reporting indicates the series of rules, procedures and resources to identify, measure or assess, monitor, mitigate and communicate this risk to the appropriate levels.

The macro process for the management of such risks envisages the preparation of reports that address the identification of the responses to a plausible risk on account of the risk profile revealed and their distribution to the various organisational levels involved.

In particular, risk management is divided into:

I. definition and updating of methodologies, processes and reporting;
II. annual planning of activities. This process comprises the identification of the activities and the types of resources available, the selection of the sub-processes most at risk, the identification of the tests to be performed and the identification of the activities/tests to be performed by type of resource;
III. the identification of risk, which comprises:
   a. the identification of the sources of risk generation. In this regard, the "risk of unintentional error and fraud in financial reporting" is split into the following two components:
      i. risk of unintentional error: the risk of material errors in the financial statements due to unintentional actions or omissions deriving from inadequate or dysfunctional procedures, human resources or internal systems, or from external events;
ii. risk of fraud: the risk of significant errors in the financial statements made intentionally in order to obtain an unfair or illegal advantage as a consequence of false financial disclosures; the risk of fraud includes the "risk of misappropriation of goods and assets". Within this sub-process the specific term "Administrative and Accounting" (as per art. 154-bis Legislative Decree 58/98) was also defined, linking it to specific business processes. Based on this definition and taking into account the types of risk exposure mentioned previously, the risk of unintentional error and fraud in financial reports can be generated by "administrative and accounting" processes only to a limited extent.

b. the identification of the companies included in the scope of consolidation, of financial statement items and significant accounting statements; this is a phase whereby identification is made of significant subsidiaries, falling or not within BPER Group's scope of consolidation, of the material financial statement components and of the significant accounting schedules;

c. the preparation and dissemination of regulatory alerts, through the continuous monitoring of updates to external regulations and of relevant association provisions for issues relating to the Manager Responsible for Preparing the Company's Financial Reports, as well as to financial statements and accounting standards.

IV. Measurement

The assessment model developed internally (known as the Control Self Assessment or CSA) is designed to give each administrative and accounting process a separate assessment of:

- process adequacy: the aim is to analyse the organisational variables of a process which, should it develop weaknesses, could generate potential risk events to the process in question;
- adequacy of the structure of line controls: the aim is to assess the adequacy of the structure of line controls for the process in question to mitigate the occurrence and/or impact of the events identified in the analysis of riskiness.

The following organisational variables have been identified:

- People: i.e. the human resources assigned to the process;
- Process: i.e. the rules by which the various activities involved in a process are organised;
- System: i.e. information inputs to the process.

The self-assessments are completed by the managers of the Organisational Units involved in the process.

As regards the risk components, Financial Reporting Monitoring and Control Office performs an expert assessment of the potential risk at the sub-process level on the basis of impact/frequency heatmaps.

This process also includes an assessment of the risk of fraud in financial reporting, handled through specific questionnaires. In particular, the activities carried out by the Financial Reporting Monitoring and Control Office consist of:

- the preparation and enhancement of the "Fraud Risk" questionnaire with reference to the Parent Company;
- the coordination of the compilation of the "Fraud Risk" questionnaire with reference to the companies within the scope and the examination of the results of the assessments of the measures implemented to cover the risk of fraud.

The questionnaire, taking into account the provisions of the International Standard on Auditing (ISA Italia) 240 sets the objective of verifying the adequacy of internal controls with respect to the risk factors of significant errors in the financial statements due to fraud. Adequacy is measured by means of a self-assessment that each company in the scope provides for its position with regard to the combinations of the external regulatory provisions noted and manifestations of the risk factors proposed.

Furthermore, in order to verify the adequacy and effective application of the administrative and accounting procedures for preparation of the consolidated periodic reports which are the responsibility of the Parent Company, a system of self-certifications for internal use has been activated, in accordance with the provisions of the "Financial Reporting Control Model", with
reference to the companies within the scope, made up of:

- "financial reporting questionnaires";
- "certifications of procedures for the preparation of the consolidated financial statements" to be signed by the Chairman of the Board of Directors, to the Delegated Body and to the Contact of the Manager responsible for preparing the company's financial reports of each company within the scope of consolidation.

These certifications and questionnaires are submitted for the approval of the Board of Directors of the company within the scope at the meeting to approve the financial statements and immediately forwarded to the Parent Company, which must acquire all of them prior to the meeting of its Board of Directors to approve the financial statements for the period (31/12 – 30/06).

Moreover, effective 30/06/2017, it was deemed appropriate to request the compilation of a self-assessment questionnaire, which is submitted every six months to the General Management of Società Consortile BPER Credit Management and to the head of the Credit and Loans Area – Anomalous Loans Department, or equivalent function, within the BPER Banca Group companies that make a material contribution to the consolidated financial statements as far as loans and advances are concerned, both in terms of volume (balance sheet) and adjustments/write-backs (income statement). Specifically, the following certificates have been requested:

- BPER Credit Management S.C.p.A. in relation to bad loans pertaining to all the consortium members;
- BPER Banca S.p.A. in relation to non-performing loans;

V. Test

In general, the control of the "risk of unintentional errors and fraud in financial disclosures" involves supervision of the following areas:

- the generation, recording, processing and presentation of accounts, material information and the related entries included in the separate and consolidated financial statements;
- administrative-accounting activities that generate the risk of fraud in financial disclosures.

These activities involve:

- execution of system and functional checks on administrative and accounting procedures (so-called "Test of Control");
- execution of the operational checks on the process of filing and transmission of accounting data to the Parent Company (so-called "Reporting Package Audits");
- execution of the operational checks on the process of attesting the accounting statements (so-called "Accounting Reconciliations"), aimed at issuing certificates for internal use on the accounting statements;
- checking compliance with international accounting standards;
- checking extraordinary and/or special transactions, by verifying the accounting procedure for "extraordinary transactions" and "special checks" on specific administrative and accounting aspects.

VI. Monitoring

Monitoring comprises an analysis of risk indicators of errors in financial disclosures, a follow-up of negative outcomes from having carried out checks and assessments on the administrative and accounting processes and an analysis of internal reports on the risk of incorrect/false financial information.

VII. Overall measurement of the adequacy and effective application of accounting and administrative procedures (art. 154-bis, paragraph 5, Legislative Decree 58/98)

Every six months, the Financial Reporting Monitoring and Control Office carries out a risk assessment based on an analysis of the results of its activities; this assessment involves two distinct activities:

- an overall assessment of the adequacy of the administrative and accounting procedures;
• an overall assessment of the effective application of the administrative and accounting procedures.

The outcome of this assessment is a summary qualitative opinion on the efficacy and effective application of the administrative and accounting internal control system.

VIII. Coordination and advisory activities

The process under examination includes all of the activities carried out by the Financial Reporting Monitoring and Control Office:

o assisting the Manager Responsible for Preparing the Company's Financial Reports in coordination:
  • with the Manager Responsible for Preparing the Company's Financial Reports of the Sub Holding Banco di Sardegna (and its own Staff Office);
  • of the Contacts of the Manager Responsible for Preparing the Company's Financial Reports (in terms of information liaison and operational support);
  • of specific projects related to administrative and accounting processes;

o providing advice by issuing:
  • specific operative guidelines on administrative and accounting processes;
  • interpretations on the correct application of the “Financial reporting control model”.

The Financial Reporting Monitoring and Control Office also participates in BPER Banca Group Committees, Working Groups and Projects relating to its area of competence.

IX. Reporting

Reporting activities include the preparation of:

o the “management” report, that is, mainly, the reports to be transmitted, on the basis of their respective spheres of competence, to the General Manager, the Chief Executive Officer, the Control and Risk Committee, the Risk Committee, the Board of Directors and the Board of Statutory Auditors. Specifically, reference is made to the periodic reports drawn up on the occasion of the approval of the draft separate and consolidated financial statements, or the condensed half-year financial statements, for the Board of Directors with reference to the control activities carried out on financial reporting during the reference period and the activities planned for the following period;

o the regulatory disclosure or, mainly, all the communications to be made to the market, i.e. communications that are up to the Manager Responsible for Preparing the Company's Financial Reports and the Chief Executive Officer/Manager Responsible for Preparing the Company's Financial Reports respectively, for the declaration and certification required by paragraphs 2 and 5 of article 154-bis of Legislative Decree no. 58/98 (CFA). In addition, the set of activities aimed at preparing the description of the main characteristics of the current risk management and internal control systems in relation to the financial reporting process is included in the “regulatory” disclosure, pursuant to article 123-bis of Legislative Decree no. 58/98 (CFA).

Before issuing the certificates under art. 154-bis of Legislative Decree 58/98 to be attached to the separate financial statements, the consolidated financial statements and the condensed consolidated half-year report, a specific report has to be prepared by the Manager Responsible, with the assistance of the Financial Reporting Monitoring and Control Office, based on the results of their activities during the period; this report is submitted to the Risks Committee, the Control and Risks Committee and the Board of Statutory Auditors first, before being presented to the Board of Directors in accordance with art. 154-bis, para. 4, of Legislative Decree 58/98.

12.2 Director responsible for the system of internal control and risk management

The Parent Company's Board of Directors gives the CEO adequate powers and resources to implement the strategic guidelines, the RAF and risk governance policies defined by the Board itself in the design of the internal control system; he is responsible for taking all the necessary steps to ensure that the organisation and its internal control system comply with the principles and requirements laid down in regulatory provisions, monitoring compliance on an ongoing basis.
For this purpose, the CEO, for the Group as a whole and for its components:

- ensures that the responsibilities and duties of the various corporate structures and functions involved in risk assumption and management processes are clearly assigned and potential conflicts of interest are avoided;
- ensures that the activities carried out by the functions and structures involved in the internal control system are carried out by qualified personnel with an adequate degree of independence of judgement and with adequate experience and knowledge for the tasks to be performed;
- carries out any initiatives and interventions needed to ensure the overall reliability of the internal control system on an ongoing basis;
- takes corrective action or makes adjustments as necessary in the event of weaknesses or anomalies being found, or following the introduction of significant new products, activities, services, or processes;
- defines and oversees implementation of the risk management process. In this context, the CEO establishes operating limits for the assumption of various types of risk, in line with the risk appetite, explicitly taking account of the results of stress tests and developments in the economic situation;
- examines the more significant transactions subject to an unfavourable opinion by the risk control function and, if appropriate, authorises them; informs the Board of Directors and the Board of Statutory Auditors about these transactions;
- implements the ICAAP and ILAAP processes, ensuring they are developed in accordance with the strategic guidelines and the risk profile identified in the RAF;
- designs and implements the Group's training programmes to raise awareness among employees about the responsibility for risks so as not to limit the process of risk management to specialists or to the control functions;
- defines internal information flow mechanisms to ensure that the corporate bodies and control functions are fully aware of the various risk factors and have the ability to govern them and the assessment of compliance with RAF;
- as part of the RAF, where a tolerance threshold is defined, authorises overruns of the risk appetite within the limit represented by the tolerance threshold and gives notice to the Board of Directors, identifying the management actions needed to bring the risk back down to below the set objective;
- ensures that risks deriving from new operations are fully assessed and that these risks are consistent with the risk appetite, and that the Bank is able to manage them;
- ensures that the risk management process is consistent with the risk appetite and risk governance policies, also taking into account the evolution of the internal and external conditions in which the Bank operates;
- issues instructions to ensure that internal risk measurement systems are developed according to the chosen strategies and are integrated into decision-making processes and operational management; reports promptly to the Control and Risk Committee on problems and critical issues that have arisen in the performance of his duties or that have been notified to him.

The Chief Executive Officer issues instructions to define and render operational periodic information flows and procedures to ensure, at a centralised level, an effective standard process of Group risk management and carries out any initiatives and interventions needed to ensure the overall reliability of the internal control system on an ongoing basis.

In performing his duties, the Chief Executive Officer has also the power to require audits or investigations to be carried out, also with regard to specific irregularities, in the same way as other corporate bodies of the Parent Company and/or Group companies.

The Control and Risk Committee examines in advance any reports made by the Chief Executive Officer regarding problems and critical issues that emerged during the course of his business or which he was nevertheless aware of.
12.3 Head of Internal Audit

BPER Banca, in its capacity as a licensed bank and as a group Parent Company, has set up an Internal Audit Department, which is designed to identify violations of procedures and regulations and to periodically assess the completeness, suitability, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and information systems (ICT audit), with a set timing in relation to the nature and intensity of the risks involved.

The Board of Directors appointed Andrea Tassi - an employee of the Bank - as Head of the Internal Audit Department on 2 April 2012, in the presence of all the members of the Board of Statutory Auditors.

Having heard the opinion of the pertinent corporate bodies and the Chief Executive Officer, the Board of Directors determined the remuneration of the above-mentioned manager of the control function in accordance with the relevant corporate policies.

The Head of Internal Audit is not responsible for any operational area and reports directly to the Board of Directors through the Chairman of the Board.

At least annually, the Head of Internal Audit prepares the long-term audit plan, which is approved by the Board of Directors after having sought the opinion of the Control and Risk Committee. The plan is based on a risk assessment, in accordance with the methodology adopted by the function based on a structured process of analysis and prioritisation, in order to determine priorities in line with the organisation's objectives.

Internal Audit performs its duties by using as a scope of reference the "Group Audit Plan" and the mandates granted to the competent bodies and, in any event, in fulfilment of its mission. In line with international standards, the mission of the Internal Audit function is to provide independent and objective assurance and advice intended to improve the effectiveness and efficiency of the organisation. Internal Audit assists the organisation in pursuing its objectives through a systematic professional approach, which generates added value as it is aimed at assessing and improving the risk management, control and governance processes. The mission is, therefore, to enhance and protect the value of the organisation by providing objective and risk-based assurance, advice and expertise. This mission is pursued:

- through a risk-based and process-oriented audit plan;
- by promoting a culture of risk and control in the company;
- by providing assurance and advice on risk management, control and governance processes;
- by evaluating existing controls and making suggestions for their continuous improvement.

Acting on a recommendation from the Internal Audit Department, in December 2018 the Board of Directors decided to commence the Quality Certification of the Internal Audit Function of the Parent Bank with reference to the International Professional Practices Framework of the Institute of Internal Auditors (IPPF IIA) and the internal audit mandate granted by the Bank to that function.

This in order to:

- provide assurance to the Board of Directors and the Control Body about the proper and effective functioning of the audit function, in compliance with relevant professional standards and code of ethics;
- seek to improve the audit work performed by ever closer application of the professional standards generally accepted at an international level;
- provide assurance to the Group companies that outsource their audit functions to the Parent Company about the proper provision of the service.

The External Quality Assessment Review (EQAR) was carried out by a leading firm of consultants, which presented the results of the assessment to the Board of Directors of the Parent Company on 17 October 2019.

The summary result of the EQAR was “Generally compliant”, being the most positive level of the rating scale applied.

The Internal Audit Department carries out its control activities in line with the Audit Plan, both as a function of the Parent Company as part of its policy, coordination and control activities, and as the performer of third-level controls outsourced to it by banks and companies of the Group.

The Head of Internal Audit has powers of access to all of the information that he needs to carry out his duties.
The Head of Internal Audit reports regularly on its activities to the Board of Directors, Board of Statutory Auditors, the Control and Risk Committee and Top Management of the Parent Company. The "Report of the Internal Audit Department" includes checks on the reliability of the information and control systems carried out on the administrative and accounting processes. This document is submitted to the Board of Directors half-yearly and is presented to the Board of Statutory Auditors, the Control and Risk Committee and the Chief Executive Officer, in compliance with internal policy on information flows. The Report of the Internal Audit Department is submitted to the corporate bodies and includes any weaknesses found and the action needed to address them, as well as the outcome of audits that resulted in negative opinions or that revealed material weaknesses. On a quarterly basis, the "corporate bodies" receive the "Tableau de Bord", a document whose purpose is to provide brief information on the progress of the Audit Plan and on the results of the control activities carried out by the Internal Audit function, including the results of the audit tracking activity.

Moreover, Internal Audit prepares and submits annually to the corporate bodies its periodic assessment of the completeness, suitability, functionality and reliability of the internal control system and information systems in line with the supervisory provisions.

Timely reports are made to the relevant bodies and corporate structures on events of particular significance, as well as on matters required by legislative or supervisory provisions.

The adequacy of the financial resources to allocated to the Head of the Internal Audit Department (Chief Audit Executive) to perform his duties has to be assessed by the Bank at least once a year at the time the budget is being prepared and submitted for approval by the pertinent corporate bodies. Specifically, an appropriate budget was allocated to the Head of the Internal Audit function in 2019.

Internal Audit carried out numerous audits/checks of both the Parent Company and Group companies during 2019. While a much wider range of activities was performed, the main areas of intervention were as follows: compliance function, anti-money laundering function, credit processes, internal rating system, anti-money laundering system, transparency, investment services, remuneration policies, monitoring and management of liquidity risk, risk management, management of non-compliance risk, management of money-laundering risk, the process of issuing covered bonds, the outsourcing of cash handling; the capital adequacy assessment process, operational continuity, ICT processes and evaluation of the overall system of internal control.

The Internal Audit Department is a BPER organisational unit. Group banks and companies outsource their internal audit activities to the Parent Company, consistent with the organisational model for the Group described earlier, with the exception of the foreign companies, Arca Fondi S.p.A. SGR and Arca Holding s.p.a.

### 12.4 Managers in charge of the control functions

Details of the other function managers with internal control and risk management duties, appointed by the Board of Directors, are provided below at the date of this report with, in brackets, the title of their position until 31 December 2019, prior to the reorganisation described in chapter 1:

- Andrea Tassi, Chief Audit Executive - CAE (head of the Internal Audit Department) from 2 April 2012;
- Michele Luciano Campanardi, Chief Risk Officer - CRO (head of the Risk Management Department) from 1 July 2014;
- Michele Pisani, Chief AML Officer - CAMLO (head of the Anti-Money Laundering Department) from 25 August 2011;
- Raffaella Perfetti, Chief Compliance Officer - CCO (head of the Compliance Unit) since 13 January 2015, a role that had already been covered on an interim basis since 28 January 2014 as a temporary replacement for the predecessor.
13 Supervisory Board and Organisation model (Legislative Decree 231/2001)

The Bank has adopted a Model of Organisation and Management pursuant to Legislative Decree 231/01 to prevent the commission or attempted commission of the offences envisaged in this Decree.

In particular, the Model of Organisation and Management comprises two parts, one general and the other specific, together with a number of attachments. The documents concerned are summarised below, with a short description of their contents.

- General Part: contains an introduction on the administrative responsibility of entities, as envisaged in Legislative Decree 231/01; explains the component parts of the Model, with particular reference to the purposes, structure, underlying principles and recipients of the Model and the training of those persons; refers to the composition, role and duties of the Supervisory Board (“OdV”), as well as to the Code of Ethics and the Disciplinary System. The General Part of the Model has the following attachments:
  - Text of Legislative Decree 231/01 and Law 146/06: text of Legislative Decree 231 of 8 June 2001 and Law 146 of 16 March 2006;
  - Code of Ethics: specifies the rights, duties and responsibilities of the Bank with respect to all parties with which it has relations;
  - Organisation chart: diagram of the entire organisational structure of the Bank;
  - Function organisation chart: indicates the Organisational Units/Functions of the Bank, as well as the activities for which they are responsible;
  - Group Guidelines of the Internal Control System: defines the principles for managing the “BPER Group’s system of internal controls”, as well as the roles of those bodies and functions that are part of the system;
  - Statute of the Supervisory Board: governs the duties, composition and powers of the Supervisory Board, ensuring the effective performance of functions in order to prevent the commitment of offences for which the Bank might be held responsible pursuant to Legislative Decree 231/01;
  - Procedure for reporting to the Supervisory Board: identifies the channels set up to send reports to the Supervisory Board regarding possible violations of the Model of Organisation and Management pursuant to Legislative Decree 231/01 or the Code of Ethics, also attaching a template reporting form;
  - Disciplinary System: identifies the disciplinary penalties applicable in the event of failure to comply with the procedures and instructions stated or referred to in the Model, as well as in the attachments and the Code of Ethics, to the extent significant for the purposes of Legislative Decree 231/01;

- Special Part: the introduction (chapters 1 to 4) defines the meanings of “sensitive activity” and “prevention protocol”, the general prevention protocols and the “readers’ guide”. Chapter 5, on the other hand, indicates for each case the link between the sensitive activities subject to the risk of committing an offence, the organisational units concerned and the related prevention protocols. The Special Part of the Model has the following attachments:
  - Map of offences and related examples: this sets out the text of the relevant regulations pursuant to Legislative Decree 231/01, explains the regulations and gives examples of the ways in which each offence might be committed in a banking context;
  - Group policy for the governance of the risk of non-compliance with market abuse regulations: this describes the policies that the Parent Company BPER has implemented to ensure the proper prevention, the timely identification and the effective elimination of conditions that are likely to trigger market abuse;
  - Special Part on the services outsourced by BPER Banca: contains the associations between the types of offence, sensitive activities, organisational units concerned and related prevention protocols for activities that the Parent Company has outsourced to other BPER Group companies with an Organisation and Management Model structured using the methodology.
The Model is designed to prevent the following types of offence that are significant pursuant to Legislative Decree 231/01:

- Offences committed in relations with the public administration: (arts. 24 and 25 of Legislative Decree 231/01);
- IT offences and improper processing of data (art. 24-bis of Legislative Decree 231/01);
- Organised crime (art. 24-ter of Legislative Decree 231/01);
- Counterfeiting coins, notes, duty-paid stamps, identity documents or similar (art. 25-bis of Legislative Decree 231/01);
- Crimes against industry and commerce (art. 25-bis1 of Legislative Decree 231/01);
- Corporate and bank crimes (art. 25-ter of Legislative Decree 231/01);
- Crimes of terrorism or the subversion of democratic order (art. 25-quater of Legislative Decree 231/01);
- Mutilation of female genital organs (art. 25-quater.1 of Legislative Decree 231/01);
- Crimes against individual personality (art. 25-quinquies of Legislative Decree 231/01);
- Market abuse (art. 25-sexies of Legislative Decree 231/01);
- Crimes of manslaughter and serious or very serious injury due to negligence, committed in violation of the occupational health and safety regulations (art. 25-septies of Legislative Decree 231/01);
- Receiving, recycling, using money, assets or benefits obtained from illegal sources (art. 25-octies of Legislative Decree 231/01);
- Violation of authorship rights (art. 25-novies of Legislative Decree 231/01);
- Inducement not to make or to make misleading statements to the judicial authorities (art. 25-decies of Legislative Decree 231/01);
- Transnational crimes (arts. 3 and 10 of Law 146/06);
- Environmental crimes (art. 25-undecies of Legislative Decree 231/01);
- Employment of foreign citizens with improper residence status (art. 25-duodecies of Legislative Decree 231/01);
- Racism and xenophobia (pursuant to article 25-terdecies of Legislative Decree 231/01);
- Fraud in sports competitions, unauthorised betting and gaming and use of authorised gambling machines (ex art. 25-quadredecies of Legislative Decree 231/01).

Supervisory Board

The Bank has also established a Supervisory Board comprising three members, including:

- an employee of the Parent Company, with appropriate specialist skills, especially of a legal/organisational nature, who does not have operational duties in the Bank;
- two external consultants with the necessary professional skills, one of whom is the Chairman of the Supervisory Board.

At the Report date, the Supervisory Board comprises: Luigi Foffani (Chairman), Luca Bocci and Andrea Tassi (Chief Audit Executive of BPER). The Secretary is the Head of the Corporate Bodies and Regulatory Compliance Secretariat, Erika Preti.

The Bank has assessed that this composition meets the needs expressed in Legislative Decree 231/01, thanks to the presence of members with a high level of legal training and adequate preparation in the field of risk assessment; it has therefore been decided not to entrust the functions of the Supervisory Body to the Board of Statutory Auditors, as permitted by art. 6, paragraph 4-bis of Legislative Decree 231/01.

The Supervisory Board met 12 times during 2019, including 2 joint sessions with the Board of Statutory
Auditors and the Control and Risk Committee in order to coordinate and exchange information of mutual interest, the average duration of each meeting was approximately 02 hours and 40 minutes; at the date of approving this report, 3 meetings have already been held in 2020.

In accordance with current regulations, this Board supervises the functioning of and compliance with the Organisation and Management Model adopted by the Bank and ensures that it is updated when necessary.

In terms of monitoring the functioning of the Model, the Supervisory Board carries out the following tasks:

- checks that the risk of committing offences identified in Legislative Decree 231/01 is identified, mapped and monitored throughout the entire organisation, calling for constant updates in this regard;
- in the context of the risk areas and sensitive processes identified, checks the adequacy of the protocols adopted to prevent and impede unlawful conduct;
- calls for the creation or amendment of prevention protocols in the event of weaknesses, inadequacies or change in the internal organisation and/or activities of the business;
- checks the suitability of the organisational/managerial changes following the update of the Model.

With regard to the supervision of compliance with the Model, the Board carries out the following tasks:

- in the context of the risk areas and sensitive processes identified, checks compliance with the protocols adopted to prevent and impede unlawful conduct;
- checks the efficacy of the organisational/managerial changes following the update of the Model;
- requests differentiated training in order to provide top management, employees, persons seconded to BPER Banca, collaborators on any basis and, more generally, all recipients of the Model with the necessary awareness and knowledge concerning:
  - the regulations governing the administrative responsibility of entities pursuant to Legislative Decree 231/01, and related changes;
  - the Organisation and Management Model and the Code of Ethics adopted by the Bank;
  - the prevention protocols adopted;
- promotes and monitors initiatives that facilitate the communication and dissemination of the Model and the Code of Ethics to all parties required to comply with their requirements;
- notifies violations of the Model and the Code of Ethics to the competent bodies.

With regard to updating of the Model in the event of:

- changes in the regulations governing the administrative responsibility of entities pursuant to Legislative Decree 231/01;
- changes in the internal organisation and/or activities of the business;
- identification of significant weaknesses in/violations of the Model;

the Board makes observations to the Board of Directors and/or the Chief Executive Officer, requesting amendment of Model have regard for their respective responsibilities and the urgency and importance of the action requested.

For the above purposes, the Board has established a system of internal communications in order to:

- facilitate reports to the Supervisory Board about non-compliance with the Model and the Code of Ethics, as well as all relevant information pursuant to Legislative Decree 231/01;
- obtain timely data and documents needed for its supervisory activities from the Corporate bodies, Organisational units and personnel of the Bank (so-called information flows).

The Board supervises the functioning of and compliance with the Model by implementing and executing periodic audit activities, even without giving prior notice. In this regard and for the sole purpose of carrying out its mandate, the Board may:

- interview parties able to provide useful indications or information about the matters subject to supervision and control;
- access the files and documents (both physical and electronic) of the Bank without prior consent or need for authorisation;
request the management/strategic supervision/control bodies of the Bank to provide all useful information for the performance of its duties.

The Supervisory Board of the Parent Company also coordinates with the Supervisory Boards of those companies that are the recipients of Group Instructions regarding Legislative Decree 231/01 (Italian banks in the Group, BPER Credit Management, Optima SIM, Nadia, Sifà), plus Sardaleasing and EmilRo Factor, thus facilitating the exchange of information, knowledge and methodologies.

The Board also monitors the adoption of those Instructions by the above companies, as adapted to take account of the special characteristics of each company and the responsibilities of each legal entity.

Additionally, the Supervisory Board receives a series of specific information flows that are provided, periodically or on an ad hoc basis, by the competent internal organisations within the Bank.

The Supervisory Board reports on its activities immediately to the Board of Directors, if necessary, and every six months to the Board of Directors, the Board of Statutory Auditors and the Control and Risks Committee, covering in particular the functioning of and compliance with the Organisation and Management Model adopted pursuant to Legislative Decree 231/01, and formulating, where necessary, proposals for intervention or corrective actions. Following pre-established procedures, the Supervisory Board is also informed by parties required to comply with the Model, or even by third parties, about alleged infringements of the Organisation and Management Model, the Code of Ethics or, in general, events that could give rise to responsibilities for the Bank pursuant to Legislative Decree 231/01.

Each of the Group banks and main Group companies has its own Model of Organisation and Management pursuant to Legislative Decree 231/01 and its own Supervisory Board.

See the footer of the Bank's website (Information and Regulations - Decree 231/01) for an extract from the Organisation and Management Model adopted by BPER, as well as the document explaining the procedure for reporting to the Supervisory Board and the related template.
14 Manager responsible for preparing the company's financial reports

In compliance with Law 262/2005, which added art. 154-bis to Section V bis of Legislative Decree 58/98, the BPER Group has appointed a Manager responsible for preparing the Company's financial reports, whose task pursuant to the above article is to ensure the reliability of the separate and consolidated financial statements, the financial disclosures made, the separate and consolidated reports made to the supervisory authorities and all other financial communications.

Art. 39 of the articles of association establishes that the Board of Directors, having heard the required opinion of the Board of Statutory Auditors, shall appoint a person in charge of preparing the corporate accounting documents, allocating him suitable powers and resources for the performance of the assigned tasks pursuant to legal requirements. Having received the opinion required from the Board of Statutory Auditors, the Board of Directors is also entitled to revoke the appointment of the Manager responsible for preparing the Company's financial reports.

The BPER Banca Group’s Manager responsible for preparing the Company’s financial reports, who is Marco Bonfatti, manager of the Administration and Reporting Department is identified within the Group as a control function.

The Board decided that Mr. Bonfatti’s appointment would take effect from the date of the Meeting held for the approval of the 2016 financial statements (8 April 2017), having obtained the opinion of the Board of Statutory Auditors and ensured that Mr. Bonfatti met the requirements of the position according to the Bank’s Articles of Association. The Manager responsible for preparing the company's financial reports, in addition to the responsibilities and functions assigned by the law, the articles of association and any internal regulations to the Board of Directors, the Chief Executive Officer, the General Manager, the Control and Risk Committee and the Board of Statutory Auditors, ensures the reliability of the Parent Company's financial reporting, as well as for the Group in terms of the consolidated financial statements.

As regards the legal obligations arising under art. 154-bis of Legislative Decree 58/98, the Manager responsible for preparing the company's financial reports certifies, in accordance with the obligations assigned thereto by law, jointly with the competent corporate bodies:

- the suitability and effective application of the administrative and accounting procedures to the accounting records in the reporting period;
- the compliance of the accounting records with international accounting standards;
- the agreement of the accounting records and financial reports to internal evidence, the books and accounting entries;
- whether the financial reports present a true and fair view of the financial position and results of operations of the issuer and the companies included within the scope of consolidation;
- with respect to the parent company's financial statements and the consolidated financial statements, whether the report on operations includes a reliable analysis of performance and the results of operations, as well as of the financial position of the issuer and the companies included within the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed;
- for the condensed half-year financial statements, the existence in the interim report on operations of a reliable analysis of at least the information relating to the important events that occurred in the first six months of the year and their impact on the condensed half-year financial statements, together with a description of the main risks and uncertainties for the other six months of the year, as well as information on significant transactions with related parties.

To this end, in the execution of the guidelines on financial reporting defined by the Board of Directors, the Manager responsible for preparing the company's financial reports handles the design, implementation and maintenance of the “Financial Reporting Control Model”38 to be applied to the Parent Company and, with reference to the procedures for the preparation of consolidated financial statements, to subsidiary banks and companies, whether or not they form part of the Banking Group.

In order to carry out his mission, the Manager responsible for preparing the company's financial reports

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38 The Financial Reporting Control Model is a set of requirements to be met for proper management and control over the risk of unintentional errors and fraud in financial reports.
makes use of a structure within the Parent Company called Financial Reporting Monitoring and Control Office, which reports hierarchically to the Manager Responsible for preparing the company's financial reports and to a Contact Person appointed by each subsidiary bank and company, whether or not they form part of the Group, who reports functionally to the Manager responsible for preparing the company's financial reports.

The Managers responsible for preparing the financial reports of those subsidiary banks and companies, whether or not forming part of the Banking Group, that are classified as "Listed Issuers having Italy as their member state of origin", report functionally to their equivalent at the Parent Company with regard to the methods, instruments, reports and work processes used to carry out their duties.

The Manager responsible for preparing the Company's financial reports:

- has unrestricted access to all corporate functions, records, properties and staff of the Parent Company and consolidated banks and companies, in order to obtain data and information regarding the administrative-accounting processes; the foregoing includes information needed to perform checks and/or evaluate the business processes that have been outsourced;
- is empowered to obtain from the Parent Company and consolidated banks and companies, internal information about events, risk indicators and proposed technical-organisational changes to the administrative-accounting processes;
- in the context of the line controls over accounting reconciliations, identifies the appropriate organisational units within consolidated banks and companies, and assigns them responsibility for reconciling the accounts included in the chart of accounts used;
- is empowered to obtain from subsidiary companies the information/data required by art. 43 of Legislative Decree 127/1991, in order to prepare the certification envisaged by law on the consolidated financial statements, with specific reference to:
  - the information needed for the consolidated financial statements;
  - the adjustments necessary when different accounting policies are adopted;
  - information regarding intercompany items to be eliminated when drawing up the consolidated financial statements;
  - the statistical information needed to prepare the explanatory notes.

As regards the resources granted by the Board of Directors of the Parent Company, the manager responsible for preparing the company's financial reports:

- may, in the conduct of his activities, may make use of specialist resources pertaining to:
  - to the Parent Company or to Group banks and companies;
  - third parties outside the Group;
- maintains appropriate financial autonomy; to this end, he manages an expense budget for the activities associated with his functions, in accordance with relevant internal regulations;
- has access to appropriate personnel in terms of numbers and technical-professional skills.

The Financial Reporting Monitoring and Control Office, positioned hierarchically in staff to the Manager Responsible for Preparing the Company's Financial Reports, assists the Manager in charge of all the activities within his sphere of competence relating to management of the risk of unintentional errors and fraud in financial reporting; in performing the duties assigned to it, it is vested with the powers deriving from the Manager Responsible for Preparing the Company's Financial Reports.
15 Coordination of all those involved in the system of internal control and risk management

In order to ensure proper interaction between all functions and the control bodies, on 22 January 2008 the Board of Directors of the Parent Company issued "Group Guidelines - Internal Control System", updated as of 29 November 2016, which set out the principles for developing "BPER Group's internal control system", the roles of the control bodies and functions involved, the methods of coordination and collaboration, and the information flows both between functions and between them and the corporate bodies of the Bank and Group companies.

Where control areas are subject to possible overlap, the control functions seek to pursue synergies and minimise their "impact" on routine business activity while adequately monitoring risk, without prejudice to the right of each control function to include specific checks in its plan of activities.

In order to facilitate coordination and collaboration, the Internal Audit, Risk Control, Anti-money laundering, Compliance and Validation functions and the Manager responsible for preparing financial reports use the same:

- taxonomy of processes;
- taxonomy of risks;
- articulation of the scale for assessing any anomalies found;
- process for managing anomalies identified.

Coordination and collaboration are sought in the following areas:

- planning/performance of control activities, partly by presenting a planning table for the individual control functions, as illustrated later;
- presenting the results of the assessment/measurement of risks and the adequacy of controls;
- use of the information contained in the plans of corrective actions;
- operational involvement of several control functions should critical events arise affecting the Group/company.

To facilitate interaction between the control functions (within the company and outside), BPER has established the "Committee for the coordination of control functions" chaired by the Chief Executive Officer.

Via the participation of the control functions and the Manager responsible for preparing financial reports, the Committee facilitates the formalisation of coordination. In particular, the functions describe their recent experiences and projects planned for the development of methodologies, parameters and supporting tools. The Committee also provides an opportunity for discussions among the corporate control functions during the annual planning of activities and subsequent reporting.

In order to strengthen coordination and synergistic cooperation among the control functions, not least as requested by the Supervisory Authority, the Bank - acting on recommendations from the Coordination Committee for Control Functions - has prepared an action plan to raise the effectiveness of coordination among the control functions.

Following analysis by the Control and Risks Committee and the Board of Statutory Auditors, the Board of Directors approved this plan on 25 July 2019 and submitted it to the Supervisory Authority.

The action plan, to be completed by the end of September 2020, comprises 8 actions:

1. Assessment metrics;
2. Combined assessment of the system of internal controls;
3. Planning (times and methods);
4. Standard format for reporting on the checks carried out;
5. Corrective actions: Tracking and Follow-up;
6. Integrated dashboard;
7. Risk and Control Assessment;
8. Repository of Level I and II controls (analysis of costs and benefits).

As part of work on the above actions, the control functions held periodic technical roundtable sessions during 2019 in preparation for the meetings of the Coordination Committee for the control functions.

The various forms of collaboration and coordination result in exchanges of information approved by the Board of Directors. The BPER Group recognises two types of information flow:

- vertical flows exchanged between the corporate bodies (including the Control and Risk Committee) and the control functions and the Manager responsible for preparing financial reports;
- horizontal flows between the corporate control functions and the control functions.

The flows addressed to Group companies are transmitted via the contact persons for the individual control functions, whose tasks include gathering together all the communications intended for the corporate bodies of the Company.
16 Independent Auditors

The Shareholders' Meeting of 26 November 2016 has appointed Deloitte & Touche S.p.A. as auditors for the period 2017-2025, pursuant to Legislative Decree 39 of 27 January 2010.

Deloitte & Touche S.p.A., which was formed on 28 May 2003 with registered offices at Via Tortona 25, 20144 Milan, is registered with the Milan Companies Register under the number 03049560166, which also corresponds to its tax code and is also registered on the Register of Auditors held by the Ministry of Economy and Finance under the number 132587. The foregoing registration was made in accordance with Ministerial Decree of 07 June 2004 as published in the Official Gazette of the Italian Republic, supplement 47 of 15 June 2004.

The Independent Auditors hold discussions with the Manager Responsible (for preparing the Company's financial reports), with a view to constant dialogue and an exchange of information about the evaluation of the administrative-accounting procedures and the "Control Model for Financial Disclosures", as well as with the corporate bodies, board committees and shareholders in accordance with current regulations.

If, as a result of its collaboration and exchange of information with the Independent Auditors, Internal Audit becomes aware of any critical issues that have arisen from the work performed by the independent auditors, it takes account thereof for the purpose of its assessment of the risk on which it bases its planning and work.
17 Directors' interests and related-party transactions and/or Associated Persons

In accordance with the regulatory framework on related parties and associated persons introduced by the CONSOB Related Parties Regulation and by the Bank of Italy Circular 263 of 27 December 200639 "Risk activities and conflicts of interest with associated persons", the Bank has adopted the Policy for related parties and associated persons, approved by the Board of Directors of the Bank, with the prior approval of the Board of Statutory Auditors and of the Independent Directors Committee.

In accordance with the specific regulations introduced by Circular 263/2006, the Bank has also put in place appropriate regulatory, organisational and procedural controls to ensure compliance with the prudential limits established by the Bank of Italy for risk activities in respect of associated persons.

The related parties and associated persons policy determines for the entire Group:

a) the criteria for the identification and classification of more and less material transactions;

b) the exceptions and exemptions that Group Banks and Companies will be able to claim, including the criteria for checking the existence or otherwise of significant interest on the part of other related parties or other associated persons;

c) rules regarding the various stages in the investigation, negotiation, resolution and approval of transactions, distinguishing between those that are more or less material and clarifying, in particular, the ways in which the Committee of Independent Directors should get involved;

d) the safeguards to be applied to transactions, if these give rise to losses, transfers to bad loans, and court or out-of-court settlements;

e) the information flows (to be provided to: the corporate bodies; to CONSOB and to the market with respect to transactions with related parties; periodic financial disclosure on transactions with related parties);

f) rules with regard to cases whereby the Parent Company reviews or approves transactions of its Italian or foreign banks and subsidiaries and suitable controls for Italian non-banking companies and foreign banks.

In support of the aforementioned Policy for related parties and associated persons, other internal regulatory documents have been introduced, which contain specific provisions addressing organisational and procedural issues, to provide detailed instructions on how to manage the process in the various operational areas.

The handling of transactions with related parties and associated persons in 2019 was conducted based on the requirements and provisions of the relevant regulatory framework.

The Policy for related parties and associated persons also describes the processes relating to risk assets with associated persons, including continuous monitoring and management of situations whereby prudential limits to risk assets with associated persons have been exceeded.

The principles and guidelines of this Policy for related parties and associated persons take into account the structure and composition of the BPER Banca Group; they also allow to identify, with regard to the prevention and management of conflicts of interest, to the obligation to conduct a census of associated persons and to the obligation to continuously monitor exposures to associated persons:

- the responsibilities of the corporate bodies;
- the related duties of the various corporate functions, both at the Parent Company and at other Group banks and companies.

With reference to the procedures for the authorisation and execution of transactions with related parties and associated persons, the Policy for related parties and associated persons, in accordance with CONSOB regulations and the provisions of the Bank of Italy, classifies transactions as more or less significant transactions and transactions involving minor amounts.

All transactions with related parties and/or associated persons with amounts used for calculating the materiality indices - as specified by law - that are less than or equal to Euro 500,000 (or 0.05% of the

39 New Prudential Supervisory Instructions for Banks, Title V - Chapter 5.
consolidated eligible capital, if lower) or the equivalent in another currency are considered transactions involving minor amounts.

Those deemed to be more significant transactions are those transactions with related parties and/or associated persons with at least one of the following materiality indices, applicable depending on the specific transaction, that is higher than the threshold of 5%:

a) Value materiality index: this is the ratio between value of the transaction and the eligible capital taken from the latest consolidated balance sheet published by the Parent Company;

b) Asset materiality index: this is the ratio between the total assets of the entity involved in the transaction and the total assets of the Parent Company;

c) Liability materiality index: this is the ratio between the total liabilities of the entity acquired and the total assets of the Parent Company.

More material transactions are approved by the Board of Directors, except where the law or the articles of association grants this power to the Shareholders' Meeting on the basis of a reasoned and favourable opinion of the Committee of Independent Directors, previously involved in the negotiation and investigation stages, by receiving an adequate flow of complete and timely information.

Those deemed to be less significant transactions are those transactions with related parties and/or associated persons where one of the above indices applied according to the type of transaction is equal to or below the threshold of 5% and the transaction is worth more than Euro 500,000 (or 0.05% of the consolidated eligible capital, if lower).

In the case of less significant transactions, assuming that there are no grounds to apply one of the exemptions under the existing Policy for related parties and associated persons, the Independent Directors Committee has to assess the Bank's interest in carrying out the transaction, as well as the cost-effectiveness and fairness of the conditions being applied and expresses a non-binding, reasoned opinion to the body that has to approve the transaction before it does so.

If the Committee's opinion is negative, or conditional on certain observations, approval of the transaction falls within the exclusive jurisdiction of the Bank's Board of Directors; the resolution approving the transaction must provide detailed reasons why it should be authorised in any case, with a timely response to the observations made by the Committee; transactions that are approved despite the negative or conditioned opinion of the Committee are communicated individually to the Board of Statutory Auditors as soon as they have been approved.

In line with regulations governing related parties and associated persons, the Bank has also identified the types of transactions for which there is a partial or total exemption from the procedural requirements of these two sets of rules. Procedural exceptions are not contemplated in the event of urgent transactions. These are transactions which:

- are of minor amount;
- are considered to be ordinary, that is, less significant transactions that form part of the ordinary operating activities of the Bank and of the Group companies and which are entered into at market or standard conditions;
- are carried out with or between subsidiary or associated companies, providing other related parties of the Bank do not have a significant interest in them;
- in relation to the remuneration of corporate officers;
- transactions to be carried out on the basis of instructions from the Supervisory Authorities.

The Policy for related parties and associated persons entitles the Board of Directors to adopt framework resolutions relating to a series of homogeneous transactions that are sufficiently well defined and which are with related parties and/or associated persons, lasting for periods of up to one year. For the adoption of framework resolutions, the rules for more and less significant transactions are applied to the transactions submitted for approval, based on the estimated maximum aggregate amount of transactions to be entered into. Individual transactions carried out within the ambit of a single framework resolution are authorised directly by the functions and bodies concerned in accordance with the system of delegated powers in force at the time.

The related parties and associated persons policy, the information documents published in accordance with CONSOB Related Parties Regulations and the relevant communications are available on the Bank's website (see footer entitled Disclosures and Legislation - Associated Persons).
The Bank identifies its related parties and associated persons in accordance with CONSOB Related Parties Regulations and Bank of Italy Circular 263/2006; to this end, it also makes use of declarations provided periodically by the corporate officers, as well as information from internal sources and any external providers. Corporate officers cooperate with the Bank to ensure that reporting is correct, complete and up-to-date and they report on a timely basis all of the information needed to check circumstances that determine or modify the provisions relevant to related parties and/or associated persons. Related parties and associated persons are logged in an application used by the Bank and the Group; the master file is updated on a regular basis.

The use of the application adopted by the Bank and the Group, in addition to enabling inputs and updates to the master file on an ongoing basis, also makes it possible to manage transactions with the parties concerned, in compliance with the prescribed decision-making process and, where applicable, with prudential limits on regulated risk activities.

This application also produces periodic reports for submission to the corporate bodies and reports for the Supervisory Authorities, as well as serving as an electronic archive.

Moreover, the Bank operates in compliance with legislative requirements in force where a director declares him/herself to be an interested party on his/her own account or on account of third parties.

As regards the obligations assumed under art. 136 of Legislative Decree 385/93, these are approved by means of a unanimous Board resolution (with the exclusion of the interested officer's vote) and the favourable vote of all members of the Board of Statutory Auditors, without prejudice to the obligations provided for by the Italian Civil Code concerning Directors' interests and related party transactions. If a member of the Board of Statutory Auditors is unable to attend a meeting at which the aforementioned obligations are reviewed and approved, he/she casts his/her vote as soon as it is possible to do; once a favourable vote has been obtained, the competent functions will proceed with the transaction.

If circumstances arise as governed by art. 136 of Legislative Decree 385/93 and/or if a related party or associated person is involved, recourse is made to special approval formalities laid down by art. 136 of Legislative Decree 385/93.

In such cases, the Independent Directors Committee has to receive a prior communication containing adequate information about the transaction in question, except in cases of exemption because of the small amount thereof.

The Director interested in the transaction submitted for review and approval, after having notified his interest to the other members of the Board of Directors and to the members of the Board of Statutory Auditors, has to leave the meeting and abstain from voting.

As part of the system of regulations described above, the Bank has addressed the topic of directors’ interests pursuant to art. 2391 of the Italian Civil Code by adopting a “Group regulation for managing the conflicts of interest of top management”, which governs:

- identification of the interests of top management that conflict, actually or potentially, with those of the Bank or Group company for which they work;
- management of conflicts of interest;
- monitoring of conflicts of interest and the related periodic information flows.
18 Appointment of Statutory Auditors

The appointment and replacement of Statutory Auditors is governed by arts. 31, 32, 33 and 34 of the articles of association. Pursuant to these provisions, the Shareholders’ Meeting appoints seven Statutory Auditors: five acting auditors, including the Chairman, and two Alternates.

The composition of the Board of Statutory Auditors has to ensure gender balance in accordance with current regulations.

The Statutory Auditors remain in office for three years and their mandate expires on the date of the Meeting called to approve the financial statements for the last year of their appointment; they may be re-elected.

The members of the Board of Statutory Auditors are elected from lists presented by the shareholders in accordance with arts. 32 and 33 of the articles of association.

In particular, the following requirements apply to the presentation of lists:

a) the list of candidates is split into two sections, one for the candidates for the position of Statutory Auditor and one for the candidates for the position of Alternate Auditor, to have the same number of candidates as the number of Statutory Auditors that have to be elected. In each section, the candidates are listed with a progressive number. At least the first two candidates for the position of Serving Auditor and at least the first candidate for the position of Alternate Auditor contained in the respective sections of the list have to be enrolled in the register of auditors and have practised the profession of auditing for not less than three years;

b) each section of the list must have a number of candidates of the less represented gender to ensure, within the same section, that the list complies with the gender balance at least to the minimum extent required by law, rounding up to the next unit in the event of a fractional number;

c) the list must be presented by shareholders who, individually or collectively, hold at least 0.50% of the share capital represented by ordinary shares, or a lower percentage established by current regulations. Ownership of the minimum shareholding is calculated with regard to the shares registered on the day when the list is filed at the Company;

d) the lists of candidates, signed by the Shareholders presenting them, must be filed at the Company's registered offices within the terms and methods laid down in current regulations. They must be accompanied by all documents and statements required by law and in any case: (iii) declarations from each candidate accepting their candidature and confirming, under their own responsibility, that there are no reasons for which they cannot be elected or other incompatibilities, and that they meet the requirements for appointment established by law or in these Articles of Association; (ii) a full description of the personal and professional characteristics of each candidate, with an indication of the directorships and audit appointments held in other companies; and (iii) information relating to the identity of the presenting Shareholders with an indication of the percentage of shares held, to be certified as required by law.

Each Shareholder may not present or contribute to the presentation, even if through a third party or through a trust company, of more than one list of candidates; a similar requirement applies for Shareholders belonging to the same group - meaning the parent company, its subsidiaries and the companies subject to joint control - or who are parties to a shareholders’ agreement regarding the shares of the Company. In the event of non-compliance, their signature is ignored in relation to all lists.

In this regard, reference is made to the recommendations made by Consob by means of its Communication DEM/9017893 of 26 February 2009 regarding connections between lists as per art. 147-ter, paragraph 3, of the CFA, to which reference should be made, as well as the provisions set forth in articles 144-sexies, paragraph 4 b) and 144-quinquies of the Issuers’ Regulations.

It is worth recalling that art. 32, paragraph 5 of the articles of association makes reference to the terms and conditions required by law for the filing of lists at the registered office of the Company (at the date of this report, lists have to be deposited at least 25 days prior to the date of the Shareholders’ Meeting).40

Note, too, that pursuant to art. 31, para. 2, of the articles of association, the Chairman of the Board of Statutory Auditors must have at least 5 years’ experience in the audit of companies in the banking, investment or financial sector. It is thus recommended that the first candidate listed in the section of the list

40 Art. 144-sexies, paragraph 4, Issuers’ Regulation.
dedicated to candidates for the position of acting auditor meets this requirement, given that, in accordance with art. 33, paragraph 2, of the articles of association - if more than one list is submitted - the Chairman of the Board of Statutory Auditors and one alternate statutory auditor are taken from the list that obtained the second highest number of votes, providing this list is not related, directly or indirectly, to the shareholders who submitted or voted for the list with the highest number of votes, in the order that they are listed in each section.

Under art. 148, paragraph 2 of Legislative Decree 58/1998, together with art. 147-ter, paragraph 1-bis of Legislative Decree 58/1998, and art. 144-sexies, paragraph 4-ter of the Issuers' Regulation, shareholders can use a remote means of communication to submit voting lists, in accordance with the rules laid down and communicated in the notice that convenes the meeting.

You are reminded, in particular, that according to art. 32 of the articles of association, lists that are presented without complying with the provisions of the articles are deemed not to have been presented and are excluded from the vote.

The articles state that if only one list is filed by the deadline or only lists submitted by shareholders who are associated with each other, the Company shall promptly disclose this in the manner provided for by current regulations; in this case, it is possible to present lists up to the third day subsequent to the above deadline and the required number of presenting shareholders is halved. None of this prejudices any other, different requirements under current regulations concerning the basis and timing for the presentation and publication of lists.

The lists are made public in the terms and manner prescribed by the regulations.

Any irregularities on the list that relate to individual candidates only entail the exclusion of the candidate(s) concerned.

Each candidate may only be included on one list or, otherwise, will be ineligible for election.

Candidates not meeting the requirements established by law and the articles of association cannot be elected or, if elected, their appointment will lapse.

Persons entitled to vote may not vote for more than one list of candidates, inclusive of through an intermediary or through trust companies.

The Board of Statutory Auditors is elected in accordance with the provisions of art. 33 of the articles of association.

If more than one list is validly presented, four Serving Statutory Auditors and one Alternate Statutory Auditor are taken from the list that obtained the highest number of votes, in the order that they are listed in each section.

The Chairman of the Board of Statutory Auditors and one Alternate Statutory Auditor are taken from the list that obtained the second highest number of votes, providing this list is not related, directly or indirectly, with the shareholders who presented or voted the list with the highest number of votes, in the order that they are listed in each section. Significant relationships are those identified by the applicable provisions of Legislative Decree 58/98 and by the Issuers' Regulation.

In the event of a tie between lists, the Meeting holds a second ballot.

If, after voting has taken place, the minimum number of Statutory Auditors belonging to the less represented gender has not been elected, the Meeting has to exclude the elected candidate belonging to the overrepresented gender, who has the highest number on the list that obtained the highest number of votes, replacing that person with the non-elected candidate belonging to the less represented gender on the same list.

If, even by applying this replacement mechanism, it is not possible to complete the minimum number of Statutory Auditors belonging to the less represented gender, the Meeting provides for the election of the missing Statutory Auditors on the basis of candidates proposed by shareholders at the Meeting. To this end, the candidates are put to the vote individually and the candidates who receive the highest number of votes are elected, up to the total number of directors to be elected. The substitutions are made from the most voted list, and within the sections of the lists, from the candidates with the highest progressive number.

Application of the above provisions must in all cases result in at least one acting auditor and one Alternate Auditor being elected by minority shareholders who are not associated, directly or indirectly, with the shareholders that presented or voted for the list that obtained the highest number of votes.

If only one valid list is presented, all the Statutory Auditors to be elected are taken from that list.
If no valid list is presented, or the number of Statutory Auditors to be elected has not been reached, the missing Statutory Auditors are elected on the basis of candidates proposed by shareholders at the General Meeting. To this end, the candidates are put to the vote individually and the candidates who receive the highest number of votes are elected, up to the total number of directors to be elected. In the event of a tie between various candidates, the Meeting holds a second ballot among the candidates.

Also in the above two eventualities, the Meeting must take care to express the minimum number of Serving and Alternate Statutory Auditors belonging to the less represented gender.

If, during the year, one or more Statutory Auditors are no longer available, they are to be replaced according to art. 34 of the articles of association, as summarised below.

If the Chairman of the Board of Statutory Auditors ceases to serve, the Alternate Auditor taken from the same list as the former Chairman takes office until the number of auditors on the Board has been replenished pursuant to art. 2401 of the Italian Civil Code.

If a Acting auditor is no longer available, the Alternate Statutory Auditor from the same list takes over. The new Serving Auditor remains in office until the next Shareholders’ Meeting, which has to replenish the number of members of the Board of Statutory Auditors.

If a Statutory Auditor taken from the list that came first by number of votes has to be replaced, the Meeting votes without any list restriction, on the basis of candidates put to the vote individually: the candidate who receives the most votes gets elected.

If no valid candidate is submitted, the Meeting votes on the substitution on the basis of candidates proposed by the shareholders directly at the Meeting, who are put to the vote individually: the candidate who receives the highest number of votes gets elected, making sure that the person chosen belongs to the less represented gender if the required minimum number of Statutory Auditors has to be made up.

If a Statutory Auditor to be replaced were taken from a list other than that which came first by number of votes and that is not associated, not even indirectly, with the shareholders that presented or voted for the list that came first, the Meeting replaces him/her by choosing, where possible, from those candidates indicated on the same list as the Statutory Auditor to be replaced and who confirm their candidature and file declarations at the registered offices of the Company confirming that there are no reasons for which they cannot be elected or other incompatibilities, and that they meet the established requirements for appointment, as well as an up-to-date indication of the directorships and audit appointments held in other companies, within the terms prescribed by current regulation. Where it is not possible to proceed in the manner indicated above, the Meeting decides on the substitution on the basis of candidates proposed by the shareholders directly at the Meeting, who are put to the vote individually: the candidate who receives the highest number of votes gets elected, making sure that the person chosen belongs to the less represented gender if the required minimum number of Statutory Auditors has to be made up.

In any case, the Meeting has to appoint a replacement member of the less represented gender, where this is needed to restore the minimum number of Statutory Auditors belonging to this gender.

Proposals of candidates by shareholders follow the same terms and conditions as for the submission of lists for the election of the Board of Statutory Auditors. For further details, see art. 34 of the articles of association.

Pursuant to art. 31 of the articles of association, the Chairman of the Board of Statutory Auditors must have at least five years’ experience in the audit of companies in the banking, investment or financial sector. Furthermore, the Statutory Auditors must meet the requirements, inclusive of those concerning independence, prescribed by current law to enable them to perform their duties, they must be deemed compatible of office pursuant to art. 36 of Decree Law 201 of 27 December 2011 (so-called ban on interlocking) and must also meet any other requirements prescribed by current law. Otherwise, they may not be elected or, if they subsequently fail to meet the requirements, they will fall from office. Without prejudice to the limits on the accumulation of directorships and audit appointments laid down by current regulations, Statutory Auditors may not hold positions in bodies, other than audit committees, in other Group companies or in which the Company holds, directly or indirectly, a strategic investment, as defined by the Supervisory Authority.
19 Composition and functioning of Board of Statutory Auditors (art. 123-bis, paragraph 2.d) and d-bis), Legislative Decree 58/98

The Statutory Auditors monitor compliance with the law, regulations and the articles of association, respect for the principles of correct administration of the Company, the adequacy of the organisational and accounting structures, and the functionality of the overall system of internal control; they verify that the personnel involved in the control system operate effectively and are coordinated properly, reporting any weaknesses or irregularities and requesting suitable corrective action; they monitor the adequacy of the risk management and control system; they exercise such other functions and powers provided by law as well as the duties and functions that the provisions of the Bank of Italy and the other Supervisory Authorities assign to the body that has the control function.

The Board of Statutory Auditors has to inform the Supervisory Authorities, in accordance with current legislation, of all facts or deeds that it becomes aware of and which could constitute management irregularities or a violation of the rules that govern banking.

The way that the Board of Statutory Auditors functions is governed by its operating rules, which were last updated on 16 January 2020. The Board approved the Rules and periodically checks that they are adequate, making appropriate amendments when necessary.

In performing the necessary verification work and checks, the Board of Statutory Auditors makes use of the Company's internal control personnel and functions. The Board of Statutory Auditors can carry out audits or inspections at any time, also individually; they can also ask the Directors for information on the Company and its subsidiaries regarding the results of operations or of specific transactions; such information can also be requested directly from the subsidiaries' Directors and Statutory Auditors.

The Board of Statutory Auditors can also exchange information on the administration and control systems and on business trends in general with the corresponding boards at subsidiary companies.

Meetings of the Board of Statutory Auditors can be held using remote communications systems, on condition that the identity of the participants is assured and all of them are able to take part in the discussion in real time, as well as being able to see, receive and transmit documents. The meeting is deemed to be held in the place where the Chairman is located.

The minutes transcribed in the Minute Book are signed by all the Statutory Auditors who took part in the meeting and, after seeing them, by any Auditors who were absent.

The current members of the Board of Statutory Auditors were appointed at the Shareholders' Meeting of 14 April 2018 for the three-year period 2018-2020, as supplemented by resolutions adopted at the Shareholders' Meeting held on 17 April 2019 to replace certain members.

In this regard, note that on 8 May 2018, Giacomo Ramenghi resigned as Chairman and, on the same date, was replaced by Paolo De Mitri, in accordance with the Articles of Association, as Alternate Auditor elected from the same list from which the resigning Chairman had been taken, i.e. list no. 1 (the list other than the one that came first by number of votes at the Shareholders' Meeting of 14 April 2018).

Subsequently, on 22 November 2018, Antonio Mele resigned from the office of Acting Auditor and, on the same date, was replaced by Cristina Calandra Buonaura, in accordance with the Articles of Association, as Alternate Auditor elected from the same list as Mr. Mele, i.e. list no. 2 (the list that came first by number of votes at the same Meeting).

The alternate auditors who took over remained in office until the Shareholders' Meeting held on 17 April 2019, which made the necessary appointments to the Board of Statutory Auditors pursuant to the regulations and articles of association referred to in chapter 18 above.

At that time, the previous alternate auditors formally stood for election as acting auditors and were appointed at the Shareholders' Meeting, which also appointed two additional alternate auditors for the remainder of the three-year period 2018-2020, as required by the articles of association.

Accordingly, the Shareholders' Meeting held on 17 April 2019 supplemented the Board of Statutory Auditors by appointing the Chairman, an Acting Auditor and two Alternate Auditors.

Pursuant to art. 34 of the Articles of Association, the following were elected for the rest of the three-year period 2019-2020, as supplemented by resolutions adopted at the Shareholders' Meeting held on 17 April 2019:

- The Chairman: Simone Di Gaetano
- The Alternate Auditor: Giuseppe Cappelletti
- The Acting Auditor: Annalisa Rota

Pursuant to art. 34 of the Articles of Association, the following were elected for the remainder of the three-year period 2019-2020, as supplemented by resolutions adopted at the Shareholders' Meeting held on 17 April 2019:

- The Alternate Auditor: Giuseppe Cappelletti
- The Acting Auditor: Annalisa Rota

This is a translation into English of the original in Italian. The Italian text shall prevail over the English version.
period 2018-2020:

- Paolo De Mitri as Chairman of the Board of Statutory Auditors;
- Cristina Calandra Buonaura as Acting Auditor;
- Patrizia Tettamanzi as Alternate Auditor, to replace the Alternate Auditor taken from the list that came second in terms of number of votes at the Shareholders’ Meeting of 14 April 2018;
- Veronica Tibiletti as Alternate Auditor, to replace the Alternate Auditor taken from the list that came first in terms of number of votes at the Shareholders’ Meeting of 14 April 2018.

There has been no change in the composition of the Board of Statutory Auditors since the end of the 2019.

Information on the composition of the Board of Statutory Auditors is provided in Table 4 attached to this Report.

**Diversity policy**

Details of diversity policy are set out in paragraph 4.2.

In accordance with art. 31 of the Articles of Associations, the composition of the Board of Statutory Auditors has to ensure gender balance in accordance with regulations in force and, currently, of the five members, two belong to the less represented gender, i.e. male.

The summary of the personal and professional characteristics of each appointed Acting Auditor, identifying their professional experience and skills, is published on the website of the [www.bper.it](http://www.bper.it) – Institutional website > Governance Section > Board of Statutory Auditors.

The appointments held by each member of the Board of Statutory Auditors, as stated in the latest reports to the Bank, are listed in Table 5, attached to this Report.

The following summary table relates to the Shareholders’ Meetings that elected the current members of the Board of Statutory Auditors.

<table>
<thead>
<tr>
<th>Date of Meeting</th>
<th>14/04/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of lists presented</td>
<td>2 lists for the appointment of 7 members of the Board of Statutory Auditors, among which, the Chairman, 4 acting auditors and 2 Alternate Auditors.</td>
</tr>
</tbody>
</table>

**List no. 1**

List presented by the Trevisan & Associati Law Firm, on behalf of 11 managers of 24 funds, shareholders with the following overall percentage interest in BPER: 1.40%

<table>
<thead>
<tr>
<th>List no. 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>List presented by 15 Shareholders with the following overall percentage interest in BPER: 0.52%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Candidates on each list</th>
<th>List no. 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Giacomo Ramenghi;</td>
</tr>
<tr>
<td></td>
<td>Serena Gatteschi;</td>
</tr>
<tr>
<td></td>
<td>Giuseppe Sancetta;</td>
</tr>
<tr>
<td></td>
<td>Giampaolo Gabbi;</td>
</tr>
<tr>
<td></td>
<td>Laura Ciambellotti;</td>
</tr>
</tbody>
</table>

|                         | Paolo De Mitri; |
List of persons elected and percentage of votes

Elected from List 1: 17,241,289 votes (8.709% of the votes cast and 3.582% of total share capital):
- Giacomo Ramenghi (Chairman);
- Paolo De Mitri (Substitute Auditor).

Elected from List 2: 165,292,110 votes (83.489% of the votes cast and 34.342% of total share capital):
- Antonio Mele (Acting Auditor);
- Diana Rizzo (Acting Auditor);
- Francesca Sandrolini (Acting Auditor);
- Vincenzo Tardini (Acting Auditor);
- Cristina Calandra Buonaura* (Substitute Auditor).

Votes against: 329,364 (0.166% of the votes cast and 0.068% of total share capital)
Abstained: 755,081 (0.381% of the votes cast and 0.157% of total share capital)
Absent: 14,363,302 (7.255% of the votes cast and 2.984% of total share capital).

(*) Taking account of the provisions of the articles of association designed to ensure compliance with the requirements relating to gender balance and, in particular, the need for at least one of the two Alternate Auditors elected to belong to the less represented gender, applying the replacement mechanism as per art. 33, paragraph 2.4, Ms. Calandra Buonaura has been elected from list number 2 to replace Pier Paolo Ferrari.

Shareholders presenting list no. 1

<table>
<thead>
<tr>
<th>NO.</th>
<th>NAME AND SURNAME/COMPANY NAME</th>
<th>PLACE OF BIRTH/REGISTRED OFFICE</th>
<th>PROV. (COUNTRY)</th>
<th>DATE OF BIRTH/TAX CODE/VAT No./EQUIVALENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aletti Gestielle SGR S.p.A. manager of the Gestielle Cedola Italy Opportunity fund</td>
<td>Milan</td>
<td>MI</td>
<td>07503720158</td>
</tr>
<tr>
<td>2</td>
<td>Aletti Gestielle SGR S.p.A. manager of the Gestielle Obiettivo Italia fund</td>
<td>Milan</td>
<td>MI</td>
<td>07503720158</td>
</tr>
<tr>
<td>3</td>
<td>Aletti Gestielle SGR S.p.A. manager of the Gestielle Cedola Multiasset III fund</td>
<td>Milan</td>
<td>MI</td>
<td>07503720158</td>
</tr>
<tr>
<td>4</td>
<td>Anima SGR S.p.A. manager of the Anima Crescita Italia fund</td>
<td>Milan</td>
<td>MI</td>
<td>07507200157</td>
</tr>
<tr>
<td>5</td>
<td>Anima SGR S.p.A. manager of the Anima Iniziativa Italia fund</td>
<td>Milan</td>
<td>MI</td>
<td>07507200157</td>
</tr>
<tr>
<td>6</td>
<td>Arca Fondi S.G.R. S.p.A. manager of the Arca Azioni Italia fund</td>
<td>Milan</td>
<td>MI</td>
<td>09164960966</td>
</tr>
<tr>
<td>7</td>
<td>Eurizon Capital SGR S.p.A. manager of the Eurizon Azioni Italia fund</td>
<td>Milan</td>
<td>MI</td>
<td>04550250015</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>NO.</th>
<th>NAME AND SURNAME/COMPANY NAME</th>
<th>PLACE OF BIRTH/REGISTRED OFFICE</th>
<th>PROV. (COUNTRY)</th>
<th>DATE OF BIRTH/TAX CODE/VAT No./EQUIVALENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>Eurizon Capital SGR S.p.A. manager of the Eurizon Azioni PMI Europa fund</td>
<td>Milan</td>
<td>MI</td>
<td>04550250015</td>
</tr>
<tr>
<td>9</td>
<td>Eurizon Capital SGR S.p.A. manager of the Eurizon Progetto Italia 70 fund</td>
<td>Milan</td>
<td>MI</td>
<td>04550250015</td>
</tr>
<tr>
<td>10</td>
<td>Eurizon Capital SGR S.p.A. manager of the Eurizon PIR Italia Azioni fund</td>
<td>Milan</td>
<td>MI</td>
<td>04550250015</td>
</tr>
<tr>
<td>11</td>
<td>Eurizon Capital SGR S.p.A. manager of the Eurizon Progetto Italia 40 fund</td>
<td>Milan</td>
<td>MI</td>
<td>04550250015</td>
</tr>
<tr>
<td>12</td>
<td>Eurizon Capital SA manager of the Eurizon Investment SICAV - PB Equity EUR fund</td>
<td>Luxembourg (LU)</td>
<td>LU19164124</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Eurizon Capital SA manager of the Eurizon Fund - Equity Italy fund</td>
<td>Luxembourg (LU)</td>
<td>LU19164124</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Eurizon Capital SA manager of the Eurizon Fund - Equity Small Mid Cap Europe fund</td>
<td>Luxembourg (LU)</td>
<td>LU19164124</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Fideuram Asset Management (Ireland) manager of the Fideuram Fund Equity Italy fund</td>
<td>Dublin (IE)</td>
<td>IE6369135L</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Fideuram Asset management (Ireland) manager of the Fonditalia Equity Italy fund</td>
<td>Dublin (IE)</td>
<td>IE6369135L</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Fideuram Investimenti SGR S.p.A. manager of the Piano Azioni Italia fund</td>
<td>Milan</td>
<td>MI</td>
<td>07648370588</td>
</tr>
<tr>
<td>18</td>
<td>Fideuram Investimenti SGR S.p.A. manager of the Piano Bilanciato Italia 50 fund</td>
<td>Milan</td>
<td>MI</td>
<td>07648370588</td>
</tr>
<tr>
<td>19</td>
<td>Generali Investments Luxembourg SA manager of the Generali Smart Fund PIR Evoluzione Italia fund</td>
<td>Luxembourg (LU)</td>
<td>B188432</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Generali Investments Luxembourg SA manager of the Generali Smart Fund PIR Valore Italia fund</td>
<td>Luxembourg (LU)</td>
<td>B188432</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Legal &amp; General Assurance (Pensions Management) Limited</td>
<td>London (UK)</td>
<td>02091894</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Mediolanum Gestione Fondi SGR S.p.A. manager of the Mediolanum Flessibile Futuro Italia fund</td>
<td>Milan</td>
<td>MI</td>
<td>06611990158</td>
</tr>
<tr>
<td>23</td>
<td>Mediolanum Gestione Fondi SGR S.p.A. manager of the Mediolanum Flessibile Sviluppo Italia fund</td>
<td>Milan</td>
<td>MI</td>
<td>06611990158</td>
</tr>
<tr>
<td>24</td>
<td>Mediolanum International Funds manager of the Challenge Funds - Challenge Italian Equity fund</td>
<td>Dublin (IE)</td>
<td>264023</td>
<td></td>
</tr>
</tbody>
</table>

**Shareholders presenting list no. 2**

<table>
<thead>
<tr>
<th>No.</th>
<th>NAME AND SURNAME/COMPANY NAME</th>
<th>PLACE OF BIRTH/REGISTRED OFFICE</th>
<th>PROV. (COUNTRY)</th>
<th>DATE OF BIRTH/TAX CODE/VAT No./EQUIVALENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Maurizio Beltrami</td>
<td>Forlì</td>
<td>FC</td>
<td>26/04/1972</td>
</tr>
<tr>
<td>2</td>
<td>Fulvia Camurri</td>
<td>Modena</td>
<td>MO</td>
<td>23/02/1959</td>
</tr>
<tr>
<td>3</td>
<td>Simona Franciosi</td>
<td>Modena</td>
<td>MO</td>
<td>19/09/1950</td>
</tr>
<tr>
<td>4</td>
<td>Carlo Alberto Gasparini</td>
<td>Modena</td>
<td>MO</td>
<td>21/04/1946</td>
</tr>
</tbody>
</table>

*This is a translation into English of the original in Italian. The Italian text shall prevail over the English version.*
Notice is hereby given that the shareholders presenting these lists declared that they had no relationships and/or significant dealings, also pursuant to CONSOB Communication DEM/9017893 of 26 February 2009, with shareholders owning, individually or jointly, a controlling or relative majority interest as provided for in articles 147-ter, paragraph 3, of the CFA and 144-quinquies of the Issuers’ Regulation and, more generally, of the Bank's Articles of Association and the regulations currently in force.

**Date of Meeting**  
17/04/2019

| Candidates presented | Integration of the Board of Statutory Auditors for the rest of the three-year period 2018-2020 by appointing the Chairman and another Acting Auditor, as well as one or more Alternate Auditors, if needed |
| Candidate Chairman of the Board of Statutory Auditors no. 1 | Paolo De Mitri |
| to replace the chairman drawn from the list obtaining the second largest number of votes at the Shareholders’ Meeting held on 14 April 2018 |  |
| Paolo De Mitri, who took over as Chairman, filed his candidature as Chairman of the Board of Statutory Auditors and resigned as an Alternate Auditor, subject to and with effect from his future appointment at the General Meeting. No other candidates were presented by the entitled parties. |
| Candidate Acting Auditor no. 1 | Cristina Calandra Buonaura |
| to replace the acting auditor drawn from the list obtaining the largest number of votes at the Shareholders’ Meeting held on 14 April 2018 |  |
| Candidature presented by FINGAS S.r.l., holder of the following total percentage interest in the capital of BPER: 0.62%. Cristina Calandra Buonaura resigned as an Alternate Auditor, subject to and with effect from her future appointment at |  |

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*On the basis of the communications of significant investments referred to in art. 120 of the CFA or the publication of the shareholders’ agreements pursuant to art. 122 of the same Decree, that are identifiable at the date of signing the list on the websites of BPER and CONSOB.*
Candidate Alternate Auditor no. 1

| to replace the alternate auditor drawn from the list obtaining the second largest number of votes at the Shareholders’ Meeting held on 14 April 2018 | Patrizia Tettamanzi |

Candidature presented by the Trevisan & Associati Law Firm, on behalf of 7 managers of 14 funds holding the following total percentage interest in the capital of BPER: 0.45%.

Candidate Alternate Auditor no. 2

| to replace the alternate auditor drawn from the list obtaining the largest number of votes at the Shareholders’ Meeting held on 14 April 2018 | Veronica Tibiletti |

Candidature presented by FINGAS S.r.l., holder of the following total percentage interest in the capital of BPER: 0.62%.

List of persons elected and percentage of votes

<table>
<thead>
<tr>
<th>Elected Chairman of the Board of Statutory Auditors: 125,314,371 votes (100% of the votes cast and 26.04% of total share capital): Paolo De Mitri.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Votes against: 0.</td>
<td>Abstained: 0.</td>
</tr>
<tr>
<td>Absent: 0.</td>
<td></td>
</tr>
</tbody>
</table>

Elected Acting Auditor: 197,806,371 votes (99.996% of the votes cast and 41.098% of total share capital): Cristina Calandra Buonaura.

| Votes against: 0. | Abstained: 8,000 (0.004% of the votes cast and 0.002% of total share capital) |
| Absent: 0. |  |

Elected Alternate Auditor to replace the alternate auditor drawn from the list obtaining the second largest number of votes at the Shareholders’ Meeting held on 14 April 2018: 123,062,252 votes (100% of the votes cast and 25.57% of total share capital): Patrizia Tettamanzi.

| Votes against: 0. | Abstained: 0. |
| Absent: 0. |  |

Elected Alternate Auditor to replace the alternate auditor drawn from the list obtaining the largest number of votes at the Shareholders’ Meeting held on 14 April 2018: 195,562,252 votes (100% of the votes cast and 40.63% of total share capital): Veronica Tibiletti.

| Votes against: 0. | Abstained: 0. |
| Absent: 0. |  |

List of shareholders presenting candidates:

- Candidate Acting Auditor no. 1, to replace the acting auditor drawn from the list obtaining the largest number of votes at the Shareholders’ Meeting held on 14 April 2018;
- Candidate Alternate Auditor no. 1, to replace the alternate auditor drawn from the list obtaining the largest number of votes at the Shareholders’ Meeting held on 14 April 2018.
The presenting shareholder declared that presentation of the above candidatures did not violate the provision of the articles of association (art. 34, para. 4.2) that prevents each shareholder, shareholders belonging to the same group (being parent company, subsidiaries and companies under joint control) and shareholders party to a shareholders’ agreement regarding shares in BPER Banca S.p.A. from presenting or contributing to the presentation of more than one candidate for each appointment.

List of shareholders presenting the candidate:

- Candidate Alternate Auditor no. 1, to replace the alternate auditor drawn from the list obtaining the second largest number of votes at the Shareholders’ Meeting held on 14 April 2018.
February 2009 or otherwise, with shareholders owning\(^{42}\), individually or jointly, a controlling or relative majority interest as provided for in art. 147-ter, para. 3, of Legislative Decree 58/98 and art. 144-quinquies of the Issuers' Regulation and, more generally, of the Bank's Articles of Association and the regulations currently in force.

For further information, see the minutes of the Shareholders' Meeting filed at the registered offices of the Issuer and available to the public on the websites of Borsa Italiana www.borsaitaliana.it and the Bank www.bper.it – Institutional Website > Governance Section > Shareholders’ Meeting.

Following the appointment of the Board of Statutory Auditors by the election of the Shareholders' Meeting of 14 April 2018, on 7 May 2018 the Board of Statutory Auditors carried out detailed and analytical checks on compliance with the independence criteria of its members, also in compliance with point 8.C.1 of the Code of Conduct. The checks had given a positive result, not giving rise to any problem areas. The Board informed the Board of Directors at the meeting of 8 May 2018. In fact, on that date, the Board of Directors acknowledged that the Board of Statutory Auditors met the independence requirements for its members pursuant to art. 148, paragraph 3, of Legislative Decree 58/98. Subsequently, at meetings held on 30 May 2018 and 20 December 2018 respectively, the Board assessed whether Paolo De Mitri and Cristina Calandra Buonaura, the replacement Acting Auditors, met the requirements.

Then, following the new appointments made to the Board of Statutory Auditors at the Shareholders' Meeting of 17 April 2019, on 22 May 2019 the Board of Statutory Auditors carried out detailed and analytical checks on the compliance of its members with the independence criteria, as required by point 8.C.1 of the Code of Conduct. The results of those checks were positive, not giving rise to any problem areas. The Board informed the Board of Directors at the meeting of 23 May 2019. During that meeting, the Board of Directors acknowledged that the members of the Board of Statutory Auditors satisfied the independence requirements and the Market was informed in a press release.

In 2019, the Board of Statutory Auditors carried out the annual self-assessment of its composition and functioning, with reference to the 2018 financial year, on the basis of criteria and methods consistent with its characteristics and with the provisions of "Rules for the self-assessment of the functioning of BPER Banca's Board of Statutory Auditors".

At the meeting held on 18 February 2020, the Board of Statutory Auditors updated the “Rules for the self-assessment of the functioning of the Board of Statutory Auditors of BPER Banca", aligning them with the results of the May 2019 report of the “Working party on the revision of the standards of conduct for the Boards of Statutory Auditors of listed companies”, promoted by the Italian Accounting Profession with regard to the self-assessment process followed by Boards of Statutory Auditors.

At the time of approving this report, the 2019 self-assessment is being finalised with reference to the above new rules: this process should be completed during the first four months of 2020.

The "Operating Rules" of the Board of Statutory Auditors, in particular, provide for:

- an assessment by the Board of Statutory Auditors - upon being appointed and thereafter if significant events occur, and whenever there is a requirement to do so - of compliance with the requisites and eligibility criteria by its individual members, of the appropriate composition of the Board of Statutory Auditors, of compliance with the maximum limit on the number of roles that may be held and compliance with the requirements to report internal audit findings to the Board of Directors;
- an assessment by the Board of Statutory Auditors of the proper application of the verification criteria and procedures adopted by the Board of Directors to assess the independence of its members;
- the formalisation of established practice whereby there is an obligation for a Statutory Auditor who, acting on his own behalf or on behalf of third parties, has an interest in a transaction of the Bank, to promptly and fully inform the other Statutory Auditors and the Chairman of the Board of Directors of the nature, terms, origin and size of the interest;

\(^{42}\) On the basis of the communications of significant investments referred to in art. 120 of the CFA or the publication of the shareholders’ agreements pursuant to art. 122 of the same Decree, that are identifiable at the date of signing the list on the websites of BPER and CONSOB.

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an assessment of the independence of the members of the Board of Statutory Auditors based on criteria such as those established by the Code of Conduct.

In 2019, the Board of Statutory Auditors held 52 meetings, each lasting an average of 4 hours 19 minutes. Moreover, the Board of Statutory Auditors participated in the meetings of the B.o.D. and of the Executive Committee.

The Board of Statutory Auditors held a meeting with the Independent Directors’ Committee to discuss matters of mutual interest. In addition, the Chairman of the Board of Statutory Auditors and/or an Acting Auditor designated by the Chairman attended all the meetings of the Independent Directors Committee, the Remuneration Committee and, on invitation from its Chairman, the Nominations Committee (in this last case, from March 2019).

The Chairman and all Statutory Auditors can attend meetings of the Control and Risks Committee. The Board held 9 meetings in 2019 jointly (or partially) with this Committee and two meetings jointly with the Committee and the Supervisory Board pursuant to Legislative Decree 231/01.

The Board also held 2 meetings with the Supervisory Body of the Pension Fund.

In line with supervisory regulations, the Board of Statutory Auditors also had one annual meeting with the Chairman of the Board of Directors and four meetings, on a quarterly basis, with the Chief Executive Officer, in line with the requirements of art. 150 of Legislative Decree 58/98.

In 2019, the Board of Statutory Auditors held meetings with the Chairmen of the Group banks and of various non-banking Group companies to exchange information and to discuss matters of mutual interest.

On 15 June 2019 the annual Convention of the BPER Group was held, organised by BPER Banca, in which all Chairmen of the supervisory bodies of the banks and some Italian companies of the BPER Group took part.

Together with the Chairmen of the Boards of Statutory Auditors of Group banks and companies, the Board of Statutory Auditors also held a Convention covering the regulatory updates on:

- The evolution of lending processes given the New Definition of Default, Calendar Provisioning and the Business Crisis Code;
- Methodologies and Processes for the definition of credit policies;
- Group policy for governing the risks of money laundering and the financing of terrorism;
- The new BPER approach to managing the regulatory framework;
- “Collaborative compliance regime” and “Probability Test and Tax Budget of the BPER Group”;
- Assignment of engagements to the firm of Independent Auditors and its network;
- The new lending rules: New Definition of Default;
- Compliance 4.0: Regulatory changes with a focus on their impact and on Compliance by design.

During the year, members of the Board of Statutory Auditors took part in conferences and other initiatives promoted and/or indicated by the Bank to discuss and update people on various topics. For further information on this matter, please refer to Paragraph 4.2.1 “Board training activities”.

For 2020, 39 meetings of the Board of Statutory Auditors are scheduled, of which 10 already held at the date of approval of this Report.

As regards transactions in conflict of interest and with related parties involving members of the Board of Statutory Auditors, see Chapter 18 above.

In performing its work, the Board of Statutory Auditors collaborates with the Internal Audit Department via:

- periodic attendance, usually every quarter, at meetings of the Board of Statutory Auditors by the CAE and Head of Internal Audit (in 2019 the Board of Statutory Auditors met 24 times with the latter);
- the examination of documentation provided to the Board by that Department (“support” for analyses performed, inspection reports etc.) and other information relating to the system of controls and the outcome of verification work;
- the request of specific inspections.
The Board of Statutory Auditors also relied on the contribution made by all of the other control functions, with whom meetings were held on various occasions throughout the year (19 meetings with the Risk Department, 13 with the Compliance Unit, 7 with the Anti-Money Laundering Unit, 26 with the Manager responsible for preparing the company's financial reports/Financial Reporting Monitoring and Control Office). The Board also held meetings with other business functions as planned, or where it had a specific need to do so.

Lastly, note that the remuneration of the members of the Board of Statutory Auditors, including that of the Chairman, is determined at the time of their appointment by the Shareholders' Meeting, based on the role and responsibilities of this body. Variable remuneration is forbidden for the members of the Board of Statutory Auditors.
20 Relations with Shareholders

All information about the performance of the Bank, the communications and the documents of interest to the shareholders (financial statements, articles of association, prospectuses, corporate notices etc.) are published in the English version of the Bank's website www.bper.it – Sito Istituzionale in the "Investor Relations", "Governance" and Press & Media" sections.

An Investor Relations Office was set up to manage relationships with investors, intermediaries and, more generally, with stakeholder in the Bank. This office is the official point of contact with the Bank and the BPER Group for the national and international financial community, helping to create a channel through which the latter can receive constant information.

In particular, the Investor Relations Office communicates with the shareholders, bondholders, investors, financial analysts and rating agencies in order to disseminate in a homogeneous manner correct and timely information and news about the activities, results, strategy and growth prospects of the Bank and the Group. Mention should be made of the various presentations, also by conference call, of the periodic consolidated results of the BPER Group addressed mainly to the financial community and the press.

Currently the role of the Investor Relator is held by Gilberto Borghi, who is in charge of that Office.

The Investor Relations Office collaborates, as appropriate, with the External Relations and Corporate Social Responsibility Office, in managing the relationship with Shareholders through adequate and constant information on the life of the Bank and the Group.

Among its various activities, the External Relations and Corporate Social Responsibility Office maintains relations with journalists from national and local newspapers, prepares press releases and has them published in the media, organises press conferences and prepares communication plans, coordinating with other banks in the Group where necessary.

Note that for disclosure to the market, as well as to the Bank's shareholders, of regulated and privileged information pursuant to arts. 113-ter and 114 of Legislative Decree 58/1998, the Bank uses the “System of Disclosure of Relevant Information” (aka e-Market SDIR), an electronic system run by Spafid Connect S.p.A., a Mediobanca Group company which has its head office at Foro Bonaparte 10, Milan. For the storage of the same Regulated Information, BPER makes use of the 1Info facilities provided by Computershare S.p.A., a company of the Computershare Group, located at Via Mascheroni 19, Milan. See Chapter 5 above for further information.
21 Shareholders’ Meetings (art 123-bis, paragraph 2.c), Legislative Decree 58/98)

The shareholders meet in ordinary or extraordinary session; meetings are held at the location specified in the notice of meeting, on condition that this is in Italy.

The Meeting is held at a single calling. However, the Board of Directors can decide to call a Meeting at first, second or - for Extraordinary Shareholders’ Meetings only - also at third calling. This decision has to be disclosed in the notice of calling.

The meetings are valid if held using remote communications systems, if this is provided for in the notice of calling, on condition that the identity of the persons entitled to attend is assured and that all participants are able to intervene in real time in discussions about the matters on the agenda, as well as to vote on the resolutions. In any case, the Chairman and the Secretary must be present at the place indicated in the notice of calling, as mentioned above, and the meeting is deemed to be held in that place.

The Shareholders’ Meeting is called by the Board of Directors, through a notice of calling, within the timescale and manner established by current regulations. The Meeting may also be called by the Board of Statutory Auditors, or by at least two Statutory Auditors, in the circumstances established by law.

The Board of Directors must call a Shareholders’ Meeting, without delay, if requested in writing by sufficient shareholders that on the date of the request represent, individually or jointly, the minimum amount of capital for this purpose required by law. The application must be accompanied by the deposit of the certificates of participation in the centralised share management system, confirming the applicants’ right to make such a request.

On the basis, with the timing and within the limits established by law, shareholders representing, individually or jointly, the minimum capital required for this purpose by current regulations may, by written request, ask to integrate the list of matters to be discussed at the Shareholders’ Meeting, specified in the notice of calling, or to submit proposed resolutions on matters already on the agenda. The application must be accompanied by the deposit of a copy of the communications of the authorised intermediaries, confirming the applicants’ right to make such a request. Extension of the list of matters to be discussed cannot include matters for which, by law, the Meeting adopts resolutions based on a proposal from the directors, or based on a draft or a report prepared by them.

The Meeting is chaired by the Chairman of the Board of Directors or by his alternate pursuant to the articles of association or, failing this, by the person elected by those present. The Chairman of the Meeting checks that the Meeting is quorate, verifies the identity and rights of those present, moderates the business conducted and determines the results of voting.

Except as provided when the minutes of the Meeting are drawn up by a notary pursuant to art. 16, paragraph 2, the Secretary of the Ordinary Meeting is the Secretary of the Board of Directors or, if absent, another shareholder appointed by the Meeting.

The Chairman selects 2 or more scrutineers from among those present.

The resolutions adopted at the Meeting must be recorded in the minutes, prepared by the Secretary, that are signed by the Chairman, the Secretary and the scrutineers, if appointed.

In the circumstances required by law and when considered appropriate by the Chairman, the minutes are taken by a notary appointed by the Chairman, who acts as Secretary to the Meeting.

The Ordinary Shareholders’ Meeting must be called at least once each year, within 120 days of the end of the financial year.

The Ordinary Shareholders’ Meeting:
- on the reasoned proposal of the Board of Statutory Auditors, appoints the Independent Auditors from among the registered auditing firms, determines their fees and any criteria for fee adjustments during their period of office; can, under certain circumstances, revoke their appointment, having consulted with the Statutory Auditors;
- determines, in accordance with applicable legal and regulatory requirements, the remuneration payable to the directors. The remuneration of directors that perform special duties pursuant to the articles of association is established by the Board of directors, having heard the opinion of the Board of Statutory Auditors;
- determines the fees payable to the Statutory Auditors;
- approves of the remuneration policies in favour of the bodies with supervisory, management and control functions and the staff;
- approves any remuneration plans based on the use of financial instruments;
- approves the criteria for calculating any special remuneration to be awarded in the event of early termination of employment or stepping down ahead of schedule, including the limits set on such remuneration in terms of the number of years of the fixed portion of remuneration and the maximum amount that derives from applying these criteria;
- has the power to resolve, with qualified majorities required by current supervisory regulations, a ratio between the variable and fixed element of individual staff remuneration higher than 1:1, but not exceeding the maximum established in such regulations;
- can appoint an honorary Chairman from among those not necessarily members of the Board of directors - who have made a significant contribution to the Company's prestige and development. The position of honorary Chairman is not remunerated;
- resolves on all other matters reserved for it by law.

The Extraordinary Shareholders' Meeting resolves on all matters reserved for it by law.

Persons who have the right to vote are entitled to attend the Meeting if the Company has received, by the legal deadline, communication from the authorised intermediary certifying this right.

Each ordinary share carries the right to one vote, subject to the provisions of art. 5, paragraph 6 of the articles of association as indicated in Paragraph 2.2 above.

Those who have the right to vote may be represented at the Meeting in compliance with the applicable regulations. The proxy can be notified electronically through the use of the appropriate section of the Company's website or by e-mail, as indicated in the notice of calling.

Postal voting is not allowed.

In accordance with current regulations, the Board of Directors can allow votes to be cast before and/or during the Shareholders' Meeting, without requiring the physical presence of the person or their proxy, through the use of electronic devices in ways to be communicated in the notice of calling of the Shareholders' Meeting, such as to ensure the identification of those who have the right to vote and security of communications.

Members of the Board of Directors may not vote on resolutions regarding their responsibility for actions.

As regards the quorum needed to constitute a General Meeting, current regulations apply, as is the case for resolutions adopted thereby, without prejudice to arts. 18, 19, 20, 32, 33 and 34 of the articles of association.

None of the shareholders proposed any additions or amendments to the items on the agendas for the Shareholders' Meetings held in the past year.

BPER also adopted a specific regulation to govern the orderly and functional conduct of the meetings. Adoption of these regulations was approved by the Shareholders' Meeting held on 14 April 2018. At the date of this Report, the regulation is published on the Bank's website www.bper.it – Sito Istituzionale > Governance > Documents.

It should also be noted that, on the occasion of each Shareholders' Meeting, the Chairman explains the procedures for intervening, voting and taking the floor.

As a rule, all of the Directors took part to each Shareholders' Meeting.

At the Shareholders' Meeting held on 17 April 2019, all the members of the Board of Directors and the Board of Statutory Auditors were present, with the exception of four Directors who gave apologies for their absence. As regards the members of General Management, the General Manager, Fabrizio Togni, and the Deputy General Manager and Secretary General of the Bank, Gian Enrico Venturini, were present on the stage as part of the Chairman's Office.

At the Extraordinary Shareholders' Meeting held on 4 July 2019, all the members of the Board of Directors and the Board of Statutory Auditors were present, with the exception of two Directors who gave apologies for their absence. Once again with regard to the members of General Management, the General Manager, Fabrizio Togni, and the Deputy General Manager and Secretary General of the Bank, Gian Enrico Venturini, were present on the stage as part of the Chairman's Office.
The Shareholders’ Meeting Regulations, as approved by this Shareholders’ Meeting, foresee that members of the Board of Directors, the Board of Statutory Auditors and General Management have to attend Shareholders’ Meetings.

On presenting the materials and documentation pertaining to the items on the agenda, particularly the Report on operations, the Chairman and/or the Chief Executive Officer ensure the provision of necessary information to the shareholders so that they may make informed decisions at the meeting. For information purposes, please note that the documentation on the agenda is also available on the website www.bper.it – Sito Istituzionale > Governance > Shareholders’ Meeting.

The Remuneration Report pursuant to art. 123-ter of Legislative Decree 58/98 is also submitted for approval at the annual Shareholders’ Meeting held to approve the financial statements. This comprises the remuneration policies of the BPER Banca Group for the year to which the financial statements refer and annual disclosure regarding implementation of remuneration policies for the previous year. On this occasion, the Chairman of the Remuneration Committee informs the shareholders of the manner in which the Committee performed its duties.

At 31 December 2019, the market capitalisation of the Bank’s shares was Euro 2.3 billion, compared with Euro 1.6 billion at 31 December 2018.
22 Other Corporate Governance practices (art. 123-bis, paragraph 2.a), Legislative Decree 58/98)

On 29 January 2013, the Board of Directors of the Bank resolved to adhere to the opt-out system under arts. 70, paragraph 8, and 71, paragraph 1-bis of the Issuers’ Regulation, as amended by CONSOB Resolution 18079 of 20 January 2012, taking advantage of the right to make an exception to the obligation to publish information documents in the event of significant mergers, spin-offs, increases in capital by contributions in kind, acquisitions and disposals.

Having taken account of CONSOB Resolution 19770 of 26 October 2016 that amended the Issuers’ Regulations and of Borsa Italiana Recommendation 83 of 2 January 2017, BPER Banca has chosen voluntarily to carry on publishing additional periodic financial information with respect to the half-yearly and annual financial report, with reference to 31 March and 30 September of each financial year, including the information indicated in art. 154-ter paragraph 5 a) and b) of Legislative Decree 58/98 (i.e. the data contained in the former interim financial reports), ensuring consistency and fairness as well as comparability with the corresponding data contained in the press releases and financial reports previously disclosed to the public.

22.1 General Management

General Management comprises the General Manager and one or more Deputy General Managers. They have to meet the requirements foreseen in current regulations.

The Board of Directors decides on the powers granted to each member of General Management.

The General Manager is the Head of Personnel and he is responsible for managing the staff in the terms established by the Board of Directors. The members of General Management report to the Board of Directors at least on a quarterly basis on how they have exercised their powers.

With the collaboration and assistance of the other members of General Management, the General Manager assists the Chief Executive Officer in implementing the decisions taken by the Board of Directors and the executive committee and executes the instructions given by the Chief Executive Officer in exercising the powers attributed to him.

If absent or unavailable, the General Manager is replaced in the exercise of all attributed powers and functions by one or more members of General Management designated by the Board of Directors.

For further details, please refer to the articles of association.

At the end of 2019, General Management comprised the General Manager Fabrizio Togni and the following Deputy General Managers: Stefano Rossetti (Senior Deputy General Manager), Pierpio Cerfogli (Chief Business Officer – CBO – Business Area), Gian Enrico Venturini (Chief Legal & Governance Officer – CL&GO – General Affairs Area), Claudio Battistella (Chief Lending Officer – CLO – Lending Area) and Eugenio Garavini (Operating Governance Area).

From 1 January 2020, General Management comprises the General Manager and Chief Executive Officer Alessandro Vandelli and the following Deputy General Managers: Stefano Rossetti – Senior Deputy General Manager (Business Governance Area), Pierpio Cerfogli (Chief Business Officer – CBO), Gian Enrico Venturini (Chief Legal & Governance Officer – CL&GO), Claudio Battistella (Chief Lending Officer – CLO) and Eugenio Garavini (General Manager Support).
23 Changes since the end of the year

**BPER strategic growth**

As announced to the market, on 17 February 2020, BPER Banca signed an agreement with Intesa Sanpaolo S.p.A., pursuant to which BPER will purchase a line of business from the Intesa Sanpaolo Group subject, *inter alia*, to completion of the voluntary public offer of exchange promoted by Intesa Sanpaolo S.p.A. for the entire share capital of UBI Banca pursuant to art. 102 of Legislative Decree 58/98, which was announced on the same date.

The line of business covered by the agreement includes (i) between 400 and 500 branches mostly located in northern Italy (with a specific focus on Lombardy), (ii) net loans to customers totalling at least € 20 billion and (iii) risk-weighted assets (*RWA*) of not more than € 15.5 billion.

In relation to this acquisition, the Board of BPER Banca resolved to present to an Extraordinary Shareholders' Meeting, after having obtained the necessary authorisations, a proposal to delegate to the Board the power to increase share capital, pursuant to art. 2443 of the Italian Civil Code, for payment on a divisible basis, on one or more occasions, by a total maximum amount (including premium) of € 1.0 billion, via the issue of ordinary shares without nominal value to be offered under option to those entitled pursuant to art. 2441, para. 1, of the Italian Civil Code, and make the related amendments to the articles of association.

In general, for further information on the events that have occurred between the end of 2019 and the date of this Report, reference should be made to the Directors' Report on operations for 2019 as well as press releases published on the Bank's website [www.bper.it](http://www.bper.it) – Sito Istituzionale > Media Relations and relevant documents that are available in other sections of the website.
24 Considerations regarding the letter issued by the Chairman of the Committee for Corporate Governance dated 19 December 2019

In a letter dated 19 December 2019, the Chairman of the Corporate Governance Committee sent all issuers the usual communication about the monitoring work carried out, highlighting the main issues identified by the Committee during the year and making recommendations for the evolution of corporate governance in accordance with the principles set out in the Code.

The recommendations for 2020 are summarised below:

1) integrate the sustainability of business activities within the definition of strategies and remuneration policies;

2) ensure the confidentiality of the information flows provided to the Board of Directors, as well as the completeness, useability and timeliness of that information;

3) apply the independence criteria defined in the Code more rigorously, while also checking the proper application of those criteria by the control bodies;

4) check that the amount of the remuneration recognised to non-executive directors and members of the control body is aligned with their skills and professionalism, as well as the commitment required by their roles.

The Board has examined these recommendations, requiring them to be considered as part of work on the improvement of governance to be carried out following completion of the current self-assessment of the functioning of the Board.
Table 1: Information on ownership structures

The data reported in the Table is updated to 31 December 2019.

<table>
<thead>
<tr>
<th>SHARE CAPITAL STRUCTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of shares</strong></td>
</tr>
<tr>
<td>Ordinary Shares</td>
</tr>
<tr>
<td>Multiple-vote shares</td>
</tr>
<tr>
<td>Shares with limited voting rights</td>
</tr>
<tr>
<td>Shares without voting rights</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OTHER FINANCIAL INSTRUMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of financial instrument</strong></td>
</tr>
<tr>
<td>Convertible Bonds</td>
</tr>
<tr>
<td>Warrant</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SIGNIFICANT SHAREHOLDING (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Declarant</strong></td>
</tr>
<tr>
<td>Fondazione di Sardegna (3)</td>
</tr>
<tr>
<td>Dimensional Fund Advisors LP (4)</td>
</tr>
</tbody>
</table>

(1): Convertible “Additional Tier 1” bond issued on 26 July 2010, for a nominal amount of Euro 160,000,000, entirely subscribed by Fondazione di Sardegna for a total price of Euro 181,000,000. The conditions of the bond allow conversion into the share capital of BPER Banca for a maximum total amount of Euro 150,000,000, including a share premium of Euro 42,057,142, through the issue of a maximum number of 35,714,236 ordinary shares, at a price per share of Euro 4.2, of which Euro 3 contributed to share capital and Euro 1.2 to share premium reserve. The number of instruments in circulation is 600 (denomination per unit amount 200.000).

(2): Data updated on the basis of communications received pursuant to current regulations and to other information available to the issuer. The composition of the shareholding structure shown above derives from an analysis conducted using data from heterogeneous sources, such as the contents of the communications to Consob, the communications and the documentation related to participation in the Company’s Shareholders’ Meeting and the exercise of social rights. The heterogeneity of the sources, their different updating dates and the transactions regarding Company shares ensure that the representation provided constitutes the best estimation of the shareholding structure composition, but are not such as to guarantee that they correspond to the effective structure at the moment of consultation.

(3): Fondazione di Sardegna has also reported a 0.24% quota of voting rights possessed through INDACO SICAV SIF, which however are not effectively exercisable by Fondazione di Sardegna as INDACO SICAV SIF, a fund entirely subscribed by Fondazione itself, operates with complete operational and management autonomy.

(4): Dimensional Fund Advisors LP has also reported a 0.63% quota of potential voting rights, which however are not effectively exercisable by Dimensional Fund itself. It relates to an affiliated party to which the exemptions envisaged in art. 118-bis of the issuers’ Regulation is applied.
### Table 2: Structure of the Board of Directors and Committees at 31/12/2019

<table>
<thead>
<tr>
<th>Office</th>
<th>Members (surname name)</th>
<th>Year of birth</th>
<th>Data first appointment</th>
<th>In office from</th>
<th>In office until</th>
<th>List **</th>
<th>Exec.</th>
<th>Non-exec. as per CFA</th>
<th>Indep. as per CoC</th>
<th>Total (*)</th>
<th>C/M</th>
<th>Total (*)</th>
<th>C/M</th>
<th>Total (*)</th>
<th>C/M</th>
<th>Total (*)</th>
<th>C/M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Ferrari Pietro</td>
<td>10/10/1955</td>
<td>11/01/2013</td>
<td>14/04/2018</td>
<td>31/12/2020</td>
<td>BoD-M</td>
<td>x</td>
<td>x</td>
<td>24/25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief Executive Officer (C)</td>
<td>Vandelli Alessandro</td>
<td>23/02/1959</td>
<td>17/12/2013</td>
<td>14/04/2018</td>
<td>31/12/2020</td>
<td>BoD-M</td>
<td>x</td>
<td>x</td>
<td>24/25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deputy Chairman</td>
<td>Capponcelli Giuseppe</td>
<td>18/05/1957</td>
<td>14/04/2018</td>
<td>14/04/2018</td>
<td>31/12/2020</td>
<td>BoD-M</td>
<td>x</td>
<td>x</td>
<td>25/25</td>
<td></td>
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</tr>
<tr>
<td>Director</td>
<td>Barbieri Riccardo</td>
<td>31/01/1964</td>
<td>14/04/2018</td>
<td>14/04/2018</td>
<td>31/12/2020</td>
<td>BoD-M</td>
<td>x</td>
<td>x</td>
<td>15/15</td>
<td></td>
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</tr>
<tr>
<td>Director</td>
<td>Belcredi Massimo</td>
<td>24/02/1962</td>
<td>14/04/2018</td>
<td>31/12/2020</td>
<td>BoD-M</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>25/25</td>
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</tr>
<tr>
<td>Director</td>
<td>Bernardini Mara</td>
<td>9/10/1957</td>
<td>12/04/2014</td>
<td>14/04/2018</td>
<td>31/12/2020</td>
<td>BoD-M</td>
<td>x</td>
<td>x</td>
<td>18/18</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Director</td>
<td>Camagni Luciano Filippo</td>
<td>31/08/1955</td>
<td>14/04/2018</td>
<td>31/12/2020</td>
<td>BoD-M</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>25/25</td>
<td></td>
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</tr>
<tr>
<td>Director</td>
<td>Fot Alessandro Robin</td>
<td>26/03/1963</td>
<td>14/04/2018</td>
<td>14/04/2018</td>
<td>28/08/2012</td>
<td>BoD-M</td>
<td>m</td>
<td>x</td>
<td>x</td>
<td>25/25</td>
<td></td>
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</tr>
<tr>
<td>Director</td>
<td>Gualandri Elisabetta</td>
<td>12/06/1955</td>
<td>28/08/2012</td>
<td>14/04/2018</td>
<td>31/12/2020</td>
<td>BoD-M</td>
<td>x</td>
<td>x</td>
<td>25/25</td>
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</tr>
<tr>
<td>Director</td>
<td>Marracino Roberta</td>
<td>17/12/1967</td>
<td>08/04/2017</td>
<td>14/04/2018</td>
<td>31/12/2020</td>
<td>BoD-M</td>
<td>m</td>
<td>x</td>
<td>x</td>
<td>25/25</td>
<td></td>
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</tr>
<tr>
<td>Director</td>
<td>Moro Ornella Rita Lucia</td>
<td>04/07/1961</td>
<td>14/04/2018</td>
<td>14/04/2018</td>
<td>31/12/2020</td>
<td>BoD-M</td>
<td>x</td>
<td>x</td>
<td>28/28</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Director</td>
<td>Noera Mario</td>
<td>30/03/1952</td>
<td>14/04/2018</td>
<td>14/04/2018</td>
<td>31/12/2020</td>
<td>BoD-M</td>
<td>m</td>
<td>x</td>
<td>13/15</td>
<td></td>
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</tr>
<tr>
<td>Director</td>
<td>Pappalardo Maria</td>
<td>25/01/1960</td>
<td>14/04/2018</td>
<td>14/04/2018</td>
<td>31/12/2020</td>
<td>BoD-M</td>
<td>m</td>
<td>x</td>
<td>29/31</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Scialovi Rossella</td>
<td>28/05/1966</td>
<td>14/04/2018</td>
<td>14/04/2018</td>
<td>31/12/2020</td>
<td>BoD-M</td>
<td>m</td>
<td>x</td>
<td>14/15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Venturelli Valeria</td>
<td>08/09/1969</td>
<td>16/04/2016</td>
<td>14/04/2018</td>
<td>31/12/2020</td>
<td>BoD-M</td>
<td>m</td>
<td>x</td>
<td>27/28</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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**DIRECORS WHO LEFT OFFICE IN 2019**

| / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / |

**No. of meetings held during the year:**


**Quorum required for the presentation of lists at the last appointment:** The list can be presented by Shareholders holding, also jointly, not less than 1% of the share capital or by the B.o.D of BPER pursuant to art.18, paragraph 8 of the Articles of Association.
NOTES:
The following symbols are indicated in the column "Office":

(•) This symbol indicates a director responsible for the internal control and risk management system.

◊ This symbol indicates the main person responsible for the management of the issuer (Chief Executive Officer or CEO).

1) On 17 April 2018 the B.o.D. appointed Mr. Ferrari Chairman.

2) The B.o.D. of 17 April 2018 confirmed Mr. Vandelli as Chief Executive Officer, a role covered by him since 15 April 2014.

3) On 17 April 2018 the B.o.D. appointed Mr. Capponcelli Deputy Chairman.

The following symbols are indicated in the column headings:

(1) On 17 April 2018 the B.o.D. appointed Mr. Ferrari Chairman.

(2) The B.o.D. confirmed Mr. Vandelli as Chief Executive Officer, a role covered by him since 15 April 2014.

(3) On 17 April 2018 the B.o.D. appointed Mr. Capponcelli Deputy Chairman.


CoC: Code of Conduct for listed companies, approved by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.
### Table 3: List of offices held by the members of the Board of Directors

The following information is that known to the Bank at the date of this Report.

<table>
<thead>
<tr>
<th>MEMBER OF THE BOARD OF DIRECTORS</th>
<th>OFFICE</th>
<th>COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pietro Ferrari</td>
<td>Chairman of the B.o.D.</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the B.o.D.</td>
<td>Ing. Ferrari S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman</td>
<td>Confindustria Emilia Romagna</td>
</tr>
<tr>
<td></td>
<td>Member of the General Council</td>
<td>Confindustria</td>
</tr>
<tr>
<td></td>
<td>Member of the Technical Group Credit and Finance</td>
<td>Confindustria</td>
</tr>
<tr>
<td>Alessandro Vandelli</td>
<td>Chief Executive Officer</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Deputy Chairman of the B.o.D.</td>
<td>Unione Fiduciaria S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director and Member of the Executive Committee</td>
<td>ABI - Associazione Bancaria Italiana</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>FITD - Fondo Interbancario di Tutela dei Depositi</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>BPER Credit Management S.C.p.A.</td>
</tr>
<tr>
<td></td>
<td>Member of the Governing Council</td>
<td>Federazione delle Banche, delle Assicurazioni e della Finanza (FeBAF)</td>
</tr>
<tr>
<td>Giuseppe Capponcelli</td>
<td>Deputy Chairman</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Deputy Chairman</td>
<td>Nexi S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Sole Director</td>
<td>Geco S.r.l.</td>
</tr>
<tr>
<td>Riccardo Barbieri</td>
<td>Director and Member of the Executive Committee</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td></td>
<td>General Manager</td>
<td>Fidicoop Sardegna</td>
</tr>
<tr>
<td>Massimo Belcredi</td>
<td>Director</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>Erg S.p.A.</td>
</tr>
<tr>
<td>Mara Bernardini</td>
<td>Director</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the B.o.D.</td>
<td>Atriké S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Sole Director</td>
<td>WAY S.A.S. di Mara Bernardini &amp; C.</td>
</tr>
<tr>
<td>Luciano Filippo Camagni</td>
<td>Director and Member of the Executive Committee</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>QC Terme S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>Finchimica S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>Omnisyst S.p.A.</td>
</tr>
<tr>
<td>Alessandro Robin Foti</td>
<td>Director</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td>MEMBER OF THE BOARD OF DIRECTORS</td>
<td>OFFICE</td>
<td>COMPANY</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-------------------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>Elisabetta Gualandri</td>
<td>Director</td>
<td>Burgo Group S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>IGD SIIQ S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>ABIServizi S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>MAT3D S.r.l.</td>
</tr>
<tr>
<td>Roberta Marracino</td>
<td>Director</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Limited Partner</td>
<td>E-Studio di Pietro Elia e Ornella Selenati S.a.s.</td>
</tr>
<tr>
<td>Ornelia Rita Lucia Moro</td>
<td>Director</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>Sasso Blu S.r.l.</td>
</tr>
<tr>
<td>Mario Noera</td>
<td>Director and Member of the Executive Committee</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td>Marisa Pappalardo</td>
<td>Director</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>Finstar S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>Pirelli &amp; C. S.p.A.</td>
</tr>
<tr>
<td>Rossella Schiavini</td>
<td>Director and Chairman of the Executive Committee</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>Marr S.p.A.</td>
</tr>
<tr>
<td>Valeria Venturelli</td>
<td>Director</td>
<td>BPER Banca S.p.A.</td>
</tr>
</tbody>
</table>
### Table 4: Structure of the Board of Statutory Auditors at 31/12/2019

**TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AT 31/12/2019**

<table>
<thead>
<tr>
<th>Office</th>
<th>Members (surname name)</th>
<th>Year of Birth</th>
<th>Date of first appointment *</th>
<th>Serving since</th>
<th>Serving until</th>
<th>List **</th>
<th>Indep. as per CoC</th>
<th>Attendance at Board meetings ***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman ¹</td>
<td>De Mitri Paolo</td>
<td>14/10/1963</td>
<td>14/04/2018</td>
<td>17/04/2019</td>
<td>31/12/2020</td>
<td>m</td>
<td>X</td>
<td>34/34</td>
</tr>
<tr>
<td>Serving auditor ¹</td>
<td>Calandra Buonaura Cristina</td>
<td>24/07/1971</td>
<td>14/04/2018</td>
<td>17/04/2019</td>
<td>31/12/2020</td>
<td>M</td>
<td>X</td>
<td>33/34</td>
</tr>
<tr>
<td>Serving auditor ¹</td>
<td>Rizzo Diana</td>
<td>21/07/1959</td>
<td>18/04/2015</td>
<td>14/04/2018</td>
<td>31/12/2020</td>
<td>M</td>
<td>X</td>
<td>50/52</td>
</tr>
<tr>
<td>Serving auditor ¹</td>
<td>Sandrolini Francesca</td>
<td>13/03/1967</td>
<td>18/04/2015</td>
<td>14/04/2018</td>
<td>31/12/2020</td>
<td>M</td>
<td>X</td>
<td>52/52</td>
</tr>
<tr>
<td>Serving auditor ¹</td>
<td>Tardini Vincenzo</td>
<td>07/02/1960</td>
<td>18/04/2015</td>
<td>14/04/2018</td>
<td>31/12/2020</td>
<td>M</td>
<td>X</td>
<td>52/52</td>
</tr>
<tr>
<td>Alternate auditor ¹</td>
<td>Tettamanzi Patrizia</td>
<td>11/12/1969</td>
<td>17/04/2019</td>
<td>17/04/2019</td>
<td>31/12/2020</td>
<td>m</td>
<td>X</td>
<td>/</td>
</tr>
<tr>
<td>Alternate auditor ¹</td>
<td>Tibletti Veronica</td>
<td>17/09/1978</td>
<td>17/04/2019</td>
<td>17/04/2019</td>
<td>31/12/2020</td>
<td>M</td>
<td>X</td>
<td>/</td>
</tr>
</tbody>
</table>

**STATUTORY AUDITORS WHO LEFT OFFICE IN 2019**

| Chairman ¹ | De Mitri Paolo | 14/10/1963 | 14/04/2018 | 14/04/2018 | 08/05/2018 | m       | X                | /                                |
| Alternate auditor ¹ | Calandra Buonaura Cristina | 24/07/1971 | 14/04/2018 | 14/04/2018 | 22/11/2018 | M       | X                | /                                |
| Alternate auditor ¹ | De Mitri Paolo | 14/10/1963 | 14/04/2018 | 08/05/2018 | 17/04/2019 | m       | X                | 18/18                             |
| Serving auditor ¹ | Calandra Buonaura Cristina | 24/07/1971 | 14/04/2018 | 22/11/2018 | 17/04/2019 | M       | X                | 18/18                             |

**Quorum required for the presentation of the lists at the last appointment:** The list must be presented by Shareholders holding, also jointly, at least not less than 0.50% of the share capital pursuant to art. 32, paragraph 4 of the Articles of Association.

**No. of meetings held during the relevant year:** 52

**NOTES:**

1. Mr. De Mitri and Ms Calandra Buonaura stepped into their actual offices, respectively, of Chairman and Auditor in substitution of Messrs. Ramenghi and Mele who had resigned. As Alternate Auditors, who had stepped in during the year, they remained in office until the subsequent Shareholders’ Meeting of 17 April 2019 in which they stood as candidates - and were elected - stepping in as Standing Auditors. The same Shareholders’ Meeting consequently integrated the Board of Statutory Auditors with two new Alternate Auditors to substitute them, Ms Tettamanzi and Ms Tibletti. All four newly-appointed members will remain in office for the remainder of the period of mandate of the persons they had substituted, thus the remainder of the three-year period 2018-2020, as elected by the Shareholders’ Meeting of 14 April 2018.

The following symbols are indicated in the column headings:

* Date of first appointment of each statutory auditor means the date on which the statutory auditor was appointed for the first time (overall) to the Board of Statutory Auditors of BPER Banca.

** This column indicates the slate from which each statutory auditor was chosen (“M”: majority slate; “m”: minority slate).

*** This column indicates the attendance of each component at the meetings of the body in question during the reference year or, if appointed during the year, during the effective period of his/her appointment: no. of presences / no. of meetings attended (indication of the number of meetings he/she has attended with respect to the total number of meetings called; e.g. 6/8; 8/8 etc.).

CoC: Code of Conduct for listed companies, approved by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.
Table 5: List of offices held by the members of the Board of Statutory Auditors

The information shown here reflects what is known by the Bank at the date of this Report.

<table>
<thead>
<tr>
<th>MEMBER OF THE BOARD OF STATUTORY AUDITORS</th>
<th>OFFICE</th>
<th>COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paolo De Mitri</td>
<td>Chairman of the Board of Statutory Auditors</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors</td>
<td>Biesse S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors</td>
<td>Riello Investimenti S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors</td>
<td>Towerclean S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors</td>
<td>Holdclean S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors</td>
<td>Ghibli &amp; Wirbel S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors</td>
<td>FHS&amp;C S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors</td>
<td>Foodness S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Acting Auditor</td>
<td>Riello Industries S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Acting Auditor</td>
<td>Pancioc S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Sole Auditor</td>
<td>Omniafibre S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Sole Auditor</td>
<td>Aerogest S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Sole Auditor</td>
<td>Viror S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Deputy Chairman</td>
<td>CDS Consulting S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>CDS Immobiliare S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>CDS &amp; Associati S.S.</td>
</tr>
<tr>
<td></td>
<td>Sole Director</td>
<td>PDM S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Alternate Auditor</td>
<td>Minor S.p.A.</td>
</tr>
<tr>
<td>Cristina Calandra Buonaura</td>
<td>Acting Auditor</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td>Diana Rizzo</td>
<td>Acting Auditor</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors</td>
<td>SITMA S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors</td>
<td>Sitma Machinery S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors</td>
<td>Unicom S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors</td>
<td>Fin-Firel S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Acting Auditor</td>
<td>PLT Wind S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Acting Auditor</td>
<td>Caolino Panciera S.p.A.</td>
</tr>
<tr>
<td>MEMBER OF THE BOARD OF STATUTORY AUDITORS</td>
<td>OFFICE</td>
<td>COMPANY</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>--------</td>
<td>---------</td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Kronos 2 Ceramiche S.p.A.</td>
<td></td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Landi Renzo S.p.A.</td>
<td></td>
</tr>
<tr>
<td>Managing partner</td>
<td>Gl.RA. di Giulio Rayneri &amp; C. S.S.</td>
<td></td>
</tr>
<tr>
<td>Limited Partner</td>
<td>Immobiliare S.P. S.a.s. di Canali Giancarlo e C.</td>
<td></td>
</tr>
<tr>
<td>Managing partner</td>
<td>DI.MA S.S. di Diana Rizzo &amp; C.</td>
<td></td>
</tr>
<tr>
<td>Managing partner</td>
<td>MA.DI S.S. di Diana Rizzo &amp; C.</td>
<td></td>
</tr>
<tr>
<td>Managing partner</td>
<td>Studio Professionisti S.s. - S.T.P.</td>
<td></td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>OWL S.p.A.</td>
<td></td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>Autin S.p.A.</td>
<td></td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>Fin Twin S.p.A.</td>
<td></td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>Finfloor S.p.A.</td>
<td></td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>Florim Ceramiche S.p.A.</td>
<td></td>
</tr>
<tr>
<td>Francesca Sandrolini</td>
<td>Acting Auditor</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td>Chairman of the Board of Statutory Auditors</td>
<td>Acting Auditor</td>
<td>Ceuta S.p.A.</td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Marconi Gomma Group S.p.A.</td>
<td></td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Saccaria Immobiliare e di Partecipazioni S.p.A.</td>
<td></td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Marchesini Investment Group S.r.l.</td>
<td></td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Vibrotech S.r.l.</td>
<td></td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Schmucker S.r.l.</td>
<td></td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Proteo Engineering S.r.l.</td>
<td></td>
</tr>
<tr>
<td>Common Representative of the Bondholders</td>
<td>Acting Auditor</td>
<td>Marchesini Group S.p.A.</td>
</tr>
<tr>
<td>Sole Auditor</td>
<td>OMAC S.r.l.</td>
<td></td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>HBC S.p.A.</td>
<td></td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>Site S.p.A.</td>
<td></td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>Rapid immobiliare S.r.l.</td>
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</tr>
<tr>
<td>Alternate Auditor</td>
<td>Rapid Lamiere S.p.A.</td>
<td></td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>Saccaria Caffè S.r.l.</td>
<td></td>
</tr>
</tbody>
</table>

*This is a translation into English of the original in Italian. The Italian text shall prevail over the English version.*
<table>
<thead>
<tr>
<th>MEMBER OF THE BOARD OF STATUTORY AUDITORS</th>
<th>OFFICE</th>
<th>COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vincenzo Tardini</td>
<td>Acting Auditor</td>
<td>BPER Banca S.p.A.</td>
</tr>
<tr>
<td>Chairman of the Board of Statutory Auditors</td>
<td>Chairman of the Board of Statutory Auditors</td>
<td>Consorzio Gruppo CEIS Cooperativa Sociale</td>
</tr>
<tr>
<td>Chairman of the Board of Statutory Auditors</td>
<td>Acting Auditor</td>
<td>Cooperativa Sociale CEIS Formazione</td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Acting Auditor</td>
<td>CEIS A.R.T.E. Cooperativa Sociale Onlus</td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Acting Auditor</td>
<td>Unioncamere Emilia Romagna Servizi S.r.l.</td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Acting Auditor</td>
<td>Tenuta Forcirola S.p.A.</td>
</tr>
<tr>
<td>Acting Auditor</td>
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<td>Fondazione CEIS Onlus</td>
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<tr>
<td>Director</td>
<td>Director</td>
<td>Bal-Fin S.p.A.</td>
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<tr>
<td>Sole Director</td>
<td>Sole Director</td>
<td>EdilNova S.r.l.</td>
</tr>
<tr>
<td>Managing partner</td>
<td>Managing partner</td>
<td>Azienda Agricola Dott. Paolo Tardini di Tardini Dott. Luigi e F.lli S.S.</td>
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<tr>
<td>Alternate Auditor</td>
<td>Alternate Auditor</td>
<td>Opera Group S.r.l.</td>
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<td>AET S.r.l.</td>
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