
Shareholders' Meeting of 22 April 2020

Report on item 4c) on the agenda - ordinary part

**Exception to the 1:1 limit on variable remuneration
as a proportion of fixed remuneration in favour
of personnel belonging to Arca Fondi S.p.A. SGR,
Asset Management Company of the BPER Banca Group**

This is a translation into English of the original in Italian. The Italian text shall prevail over the English version.

BPER Banca S.p.A.

Shareholders' Meeting of 22 April 2020

Report pursuant to art.125-ter TUF

Item 4c) on the agenda - ordinary part

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as a proportion of fixed remuneration in favour of
personnel belonging to Arca Fondi S.p.A. SGR,
Asset Management Company of the BPER Banca Group**

Shareholders,

with reference to point 4c) on the agenda of the Shareholders' Meeting in ordinary part, the Board of Directors has called this meeting to resolve, pursuant to the Supervisory Provisions for Banks pursuant to Bank of Italy Circular No. 285/2013, on the subject of an exception to the 1:1 limit on variable remuneration as a proportion of fixed remuneration for the benefit of personnel belonging to Arca Fondi S.p.A. SGR, the Group's asset management company ("**Arca**" or "**Arca SGR**" or "**SGR**" or "**the Company**").

Section I, par. 4, of the Supervisory Provisions for Banks referred to in Circular no. 285/2013 of the Bank of Italy, defines a maximum limit of the proportion between variable remuneration and fixed remuneration of 1:1, which can be increased to 2:1 through the procedure provided therein only for Key Management Personnel. The circular also provides that the parent company can make an exception to this rule regarding the limit on the ratio between the variable and fixed components of remuneration with reference to the staff of a SGR, SICAV or SICAF ("manager") belonging to the Group, identified by the parent company as a key member of staff for the Group, if this personnel carries out activities exclusively for the manager.

Pursuant to these provisions, the Board of Directors intends to make use of this exception option with reference to the personnel identified by the parent company BPER Banca as key for the Group, who work exclusively for Arca Fondi S.p.A. SGR. The maximum effective level of variable remuneration will be defined year by year in the remuneration and incentive policies of the BPER Group approved annually by the Shareholders' Meeting, and, therefore, in the remuneration and incentive policy of the SGR, which will be accompanied by indications on the number of people potentially involved.

For 2020, this ratio is proposed at a maximum level of 3:1.

It should also be noted that, in the event of this exception being approved, it will not be necessary in following years to submit a new resolution to the Shareholders' Meeting, providing the conditions underlying the exception at the time have not changed in the meantime.

Having said this, we submit to you the proposal to make use of this exception option for management and for those involved in the investment process and in commercial development, including the evolution of digital platforms, of Arca; in 2020 the exception would concern a maximum of 40 persons, who work exclusively for the SGR.

The request to make use of this exception option is designed to safeguard the attractiveness and competitiveness of the remuneration package of the resources working for the SGR, which is common practice for the sector to which it belongs, in line with what has already been adopted by major Italian and foreign competitors.

Please also note that:

- Arca SGR is individually subject to the UCITS/AIFM sector regulation which does not set a limit on variable remuneration;
- it adopts bonus schemes that are based on the principle of alignment with customer interests, taking into account the specific risk/return profile and the control framework;
- it highlights a risk profile different from that prevailing in the banking group's business and is not subject to direct financial risks (market, credit, liquidity) on investment products where the risk capital is that of the customers who subscribe them; in the case of asset management products, the risk profile for the customer is an integral part of the management regulation and, as such, envisaged, disciplined and explicitly represented in the documentation that customers have to receive when they subscribe;
- with regard to operational and reputational risks related to the implementation of the product investment process and potential customer complaints deriving from them, including those attributable to conduct on the part of the staff, it is not possible to configure any conflict of interest or incentive for the staff to increase the direct exposure to financial risks of the Company's assets beyond the Company's propensity to achieve the remuneration objectives.

This exception does not have any impact on the Company's economic and financial sustainability, as the staff's remuneration and incentive mechanisms guarantee a close correlation with the results, consistent with its characteristics and size, internal organisation, nature, scope and complexity of their activities.

The incentive plans are executed over a period of time appropriate to the life and/or investment cycle of the UCITS or AIFs managed or to the holding period of the instruments recommended by the investors, in order to ensure that the valuation process is based on longer-term results and that the actual payment of the components of remuneration based on the results is spread over a period that takes into account the investment risks and any reimbursement policy. These incentive systems are therefore designed in such a way as not to impact on the solidity of the capital, nor on the Group's ability to continue complying with all applicable prudential rules.

The request for an exception to this ratio is linked to a Group remuneration and incentive policy which reflects and promotes sound and effective risk management and does not encourage the assumption of risks higher than those defined by the RAF and, with reference to the SGR, to those defined in the Regulations for the operation of funds subscribed by customers, as well as being in line with the Group's strategy, objectives, values and long-term interests.

The highest levels of variable remuneration are only recognized for the achievement of objectives consistent with the strategic guidelines and sustainable in the long term.

The close correlation between the bonus schemes and the protection of prudential requirements in terms of capital and liquidity is given by the provision of activation of the incentive plans only after verification of compliance with the limits of Common Equity Tier 1 and the Liquidity Coverage Ratio at the level of tolerance and capacity for each reference year, in addition to other specific conditions for the individual bonus schemes.

Therefore, it should be noted that this exception does not affect compliance with the prudential regulations and, in particular, with the one concerning the own funds requirements. The maximum possible impact of the cost related to this derogation, estimated

at around 2 basis points of the CET1 Ratio, does not present material elements with respect to the Group's balance sheet and financial position.

For further details, reference should be made to the report in point 4a) of the ordinary part on the agenda "Report on the Remuneration Policy and Compensation Paid, made up of the 2020 remuneration policies of the BPER Banca S.p.A. Group and the compensation paid in 2019".

Resolution proposed to the Shareholders' Meeting

Shareholders,

in consideration of the above, the Board of Directors invites you to adopt the following resolution:

"The Ordinary Shareholders' Meeting of BPER Banca S.p.A., having examined the report of Board of Directors,

resolves

to approve the proposal to make an exception to the 1:1 limit of the variable remuneration on the fixed remuneration for the benefit of the staff belonging to Arca Fondi S.p.A. SGR as specifically identified in the Report of the Board of Directors".

Modena, 10 March 2020

BPER Banca S.p.A.
The Chairman
Pietro Ferrari