# Shareholders' Meeting of 22 April 2020

## Report on item 4) of the agenda - ordinary part

## Report on Remuneration Policy and Compensation Paid, made up of:

**a1) Remuneration policies of the Gruppo BPER Banca S.p.A. for 2020**

**a2) Compensation paid in 2019**

**BPER Banca S.p.A.**

**Shareholders' Meeting of 22 April 2020**

**Item 4) of the agenda - ordinary part**

**Report pursuant to art.125-ter TUF**

**Report on the Remuneration Policy and Compensation Paid, made up of:**

**a1) Remuneration policies of the Gruppo BPER Banca S.p.A. for 2020**
**a2) Compensation paid in 2019**

Shareholders,

With reference to item 4a) on the agenda of the Ordinary Shareholders' Meeting, on the basis of the provisions of art. 11, paragraph 2, of the Articles of Association, the Board of Directors has called this meeting to present the Report on Remuneration Policy and Compensation Paid, divided into two sections dedicated to the remuneration policies of the BPER Banca S.p.A. Group for 2020 and the compensation paid in 2019, and to vote on them.

The remuneration policies of the BPER Group aim to support the achievement of its short and long-term goals by using the drivers identified in the "BPER 2019-2021 Strategic Plan". To ensure the effectiveness, competitiveness and strength of the remuneration policies, the Group conducts regular analyses in order to monitor the main market practices and trends and uses external consultants with solid experience in the field.

In line with the 2019 Policies, the 2020 Policies lay down that the maximum ratio between the fixed and variable components of staff remuneration is normally 1:1.

Exceptions to this general rule are:

(i) personnel belonging to the Corporate Control Functions, for whom variable remuneration is not expected to exceed one third of their fixed remuneration;

(ii) Key Management Personnel, excluding the Corporate Control Functions and similar, for whom the maximum limit of 2:1 already approved by the Shareholders' Meeting of 17 April 2019 is confirmed; pointing out that, since the conditions and scope of the people concerned have not changed with respect to what was resolved at that Meeting, there is no need to pass a new resolution specifically on this matter.

Moreover, the 2020 Policies provide that, in exceptional circumstances, the maximum ratio between fixed and variable remuneration can increase to 2:1 with reference to persons not included in the Key Management Personnel, always excluding the Corporate Control Functions.

In particular, the Group can decide to use this possibility in the circumstances described below:

**a.** to be able to make payments in view of or on the occasion of early termination of the work relationship or office, again within the maximum limits defined in the 2020 Policies;

**b.** to obtain the appropriate flexibility needed to manage in a suitable manner the competitive pressures in the job markets for certain, highly profitable business

segments and specific professional families these professional families currently comprise a maximum of 388 persons. It is expected that the 1:1 limit may only be exceeded for a strict minority of them.

Only for the subsidiary Arca Fondi S.p.A. SGR, the Group's asset management company, in line with regulatory provisions and industry practices, a specific exception to this limit of 1:1 is submitted for approval by the Shareholders' Meeting in point 4.c) of the agenda.

The full text of the Report is attached.

***

**Resolutions proposed to the Shareholders' Meeting**

Shareholders,

the Board of Directors invites you to adopt the following resolutions:

**(i) on item 4 a1) of the agenda:**
*"The Ordinary Shareholders' Meeting of BPER Banca S.p.A., having examined the Report on the Remuneration Policy and Compensation Paid, pursuant to art. 123-ter of Legislative Decree No. 58 of 24 February 1998, and in particular the section relating to the Remuneration Policies of BPER Banca S.p.A. Group for 2020, in acceptance of the proposal made by the Board of Directors*

*resolved*

*to approve, with a binding vote, the remuneration policies of BPER Banca S.p.A. Group for 2020, corresponding to section 1 - "Remuneration Policies of the BPER Group for 2020 ";*

***(ii) on item 4 a2) of the agenda:***
*"The Ordinary Shareholders' Meeting of BPER Banca S.p.A., having examined the Report on the Remuneration Policy and Compensation Paid, pursuant to art.123-ter of Legislative Decree 58 of 24 February 1998 and in particular the section relating to the compensation paid in 2019, in acceptance of the proposal formulated by the Board of Directors*

*resolved*

*to approve, with an advisory vote, the section relating to compensation paid in 2019, corresponding to section 2 - "2019 Annual Report on Remuneration".*

Modena, 10 March 2020

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

BPER: Gruppo

BPER: Banca

# 2020 REPORT ON REMUNERATION POLICY AND PAYMENTS MADE

(prepared pursuant to art. 123-ter of Legislative Decree 58 of 24 February 1998, as amended by Legislative Decree 49 of 10 May 2019, and art. 84-quarter of the Issuers' Regulation approved by Consob Resolution 11971 of 14 May 1999 and subsequent amendments and additions)

# DEFINITIONS

| | |
|---|---|
| Shareholders' Meeting | Ordinary Meeting of the Bank's shareholders |
| Shares | The ordinary shares of BPER listed on the Italian stock exchange managed by Borsa Italiana |
| Bonus | Variable part of the remuneration of Key personnel, as defined in the Remuneration Policies of the BPER Group |
| Bonus Pool | Overall income allocation linked to incentive systems |
| BPER or Issuer | BPER Banca S.p.A. |
| Parent Company | BPER Banca S.p.A. |
| Cash | Cash component of variable remuneration (as opposed to the stock component) |
| CEO | Chief Executive Officer. From 1 January 2020 the Chief Executive Officer also performs the duties of the General Manager |
| Claw-back | Mechanism that envisages restitution of a bonus if it has already been paid or if it has already vested but is still subject to a retention period |
| Board of Statutory Auditors | Board of Statutory Auditors of the Bank |
| Remuneration Committee | Remuneration Committee of the BPER Group |
| Consolidated Pillar 1 Common Equity Tier 1 Ratio under transitional arrangements | The Common Equity Tier 1 Ratio reflects the entity's Tier 1 capital expressed as a percentage of the total risk exposure |
| Board of Directors | The Board of Directors of the Bank |
| Cost/income ratio | Ratio between operating costs and operating income |
| CSR | See CSR (Corporate Social Responsibility) |
| Grant date | Date on which the Board of Directors of the Bank, following approval of the Plan at the Meeting, assigns the phantom stock to the beneficiaries |
| Recipients or beneficiaries | The persons to whom the phantom stock will be assigned |
| Managers with strategic responsibilities | Directors, Statutory Auditors, members of General Management (General Manager and Deputy General Managers), "C-level" persons who comprise the General Management Internal Committee, members of General Management at Group banks and companies and the Managers Responsible for preparing the Company's financial reports |
| Current Supervisory Provisions | Bank of Italy Circular 285 of 17 December 2013, 25th update of 23 October 2018 (hereinafter Bank of Italy Circular 285) |
| Entry gates | Minimum parameters (equity and profitability and cash) beyond which personnel are assessed for possible assignment of bonuses |
| BPER Group | BPER and its direct and indirect subsidiaries, as defined by current legislation |
| KPI | Key Performance Indicator |
| LCR | Liquidity Coverage Ratio: the ratio between the stock of high quality liquid assets and net outflows in the 30 days after the reporting date |
| Malus clause | Ex-post corrective mechanisms, based on which accrued bonuses can be reduced to zero |
| MREL | Minimum requirement for own funds and eligible liabilities |
| Gross NPE ratio | Gross non-performing exposures ratio: ratio between gross non-performing loans and total gross loans |
| UCITS | Undertakings for collective investment of transferable securities |
| Performance share | The real financial instruments (BPER ordinary shares) assigned as a bonus according to the achievement of the performance objectives of the 2019-2021 LTI Plan, subject to opening of the entry gates. |
| Deferral period | Period between assignment of the right to participate in the Plan and the moment in which that right matures |
| Retention period | Period between the moment in which the right to participate in the Plan matures and that in which part or all of the bonus is paid out |
| 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 |
| Phantom stock | These are "virtual" financial instruments that assign to each recipient the right to demand on maturity an amount of money corresponding to the value of the BPER stock |
| Phantom Stock Plan or Plan | The stock-based plan for compensating key personnel adopted by the BPER Group |
| LTI Plan | Long-Term Incentive Plan |
| Long Term Incentive Plan 2019-2021 | This is the long-term incentive plan based on financial instruments, destined for key personnel, as approved by the Board of Directors at the meeting held on 27.02.2019. |



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| | |
|---|---|
| Post Provision Profit | Operating income net of adjustments, being the net of the operating income, operating costs and total adjustments. |
| Issuers' Regulations | Consob Regulation no. 11971/99 and subsequent amendments and additions |
| Fixed remuneration | This is the stable part of remuneration, determined and paid based on pre-established criteria; it also includes the components closely linked to the person's role and responsibilities or aimed at offsetting specific charges, above all those related to the logistical inconvenience or, in any case, components that do not create any incentive to take risks and not related to company performance |
| Variable remuneration | This is the part of remuneration whose recognition or disbursement can change in relation to performance and, in any case, it is measured either according to other parameters (e.g. the period of service with the company), discretionary pension benefits and amounts agreed between the bank and personnel in view of or on the occasion of early termination of employment or early termination of office |
| Risk Appetite Framework (RAF) | Guidance document for the Group's internal control system to steer the synergistic governance of planning, control and risk management. It constitutes "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" |
| RORAC (return on risk-adjusted capital) | Ratio between the profit (loss) for the period, including minority interests and the target capital absorbed given by the Pillar 1 RWA and the Target CET1 Ratio |
| RORWA (return on risk-weighted assets) in transitional arrangements | This is the ratio between the net result for the period, including the minority interests, and Pillar 1 RWA. |
| CSR | Corporate Social Responsibility |
| SGR | Asset management company |
| Companies/banks | Unless otherwise specified this refers to companies/banks of the BPER Group |
| TLOF | Total liabilities and own funds |
| rTSR | Indicates the total return of the BPER share price measured in relation to the positioning compared with the TSR of its peers |
| TUF | Legislative Decree 58 of 24 February 1998, as amended by Legislative Decree 49 of 10 May 2019 |
| Up-front | Method of granting bonuses not subject to deferral conditions |



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# Letter from the Chairman of the Remuneration Committee

Shareholders,
as Chairman of the Remuneration Committee, together with Directors Elisabetta Gualandri and Roberta Marracino, I have the pleasure of presenting the Annual Remuneration Report of the BPER Group for 2020.
2019 was an extraordinary year in many ways, with all business sectors committed on multiple fronts. In addition their planned activities, many "specials" were needed in order to reach the various objectives established with reference to the strategic guidelines contained in the new Business Plan for 2019-2021 presented at the start of the year. The satisfactory results achieved are evidence of the considerable efforts made.

The remuneration policies outlined for 2020 by the Remuneration Committee build logically on those adopted in the past, seeking sustainability, efficacy and adequacy in compliance with the ever expanding regulations, with particular reference to the transparency of the remuneration policies applied and consistency with the best market practices.
These last aspects are important, as the Remuneration Committee - assisted by the competent functions and independent advisors - has adopted constant peer-level comparisons and verification of market best practices as a “modus operandi” when addressing from both internal and external standpoints the major topics concerning personnel, the Bank and the shareholders.
Indeed, the Committee checks constantly that the policies adopted are adequate and consistent with the inputs received from stakeholders both within and outside the Group.
In this sense, the Remuneration Committee strives at all times to align the remuneration policies adopted with the business strategies followed, in order to ensure close correlation between remuneration levels, the results attained and the sustainability of actions designed to manage risks prudently and comply with the regulations.
To the extent relevant, our work involves cooperation with the Chairman and members of the Remuneration Committee of Banco di Sardegna, namely Viviana Ferri, Daniela Petitto and Paolo Rinaldi.

The principal innovations introduced during the year and included in the 2020 Remuneration Report relate to:

- the inclusion of a specific section on application of the new provisions governing the “Transparency of banking and financial services and operations. Propriety in the relations between intermediaries and customers”;
- alignment of the Report with the aspects already embodied in Italian



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regulations of the *Shareholder Rights Directive II* (SRD II), which seeks to strengthen shareholders engagement and facilitate the exercise of their rights;

- the inclusion of a specific paragraph dedicated to Arca Fondi S.g.R., an asset management company that became part of the Group during the year, given the special characteristics of its remuneration policies;
- the ability to raise the ratio of variable to fixed remuneration to 2:1 for certain professional categories and business segments, as well as - in exceptional cases - for redundancy incentive payments. In this regard, a specific maximum limit has been set for the personnel of Arca Fondi S.g.R., in order to keep their remuneration attractive and competitive with the packages offered by Italian and foreign competitors;
- the introduction of a different materiality threshold for the payment of bonuses, with a view to simplification and alignment with the likely future regulatory changes;
- evolution of the MBO schemes in line with market best practices and changes in the regulatory framework, accompanied by rigorous checks on their application. The primary objective is to refine their structure and scope, paying close attention to key roles and areas within the Bank that generate considerable value added, in line with the business plan. In this regard, the categories of personnel who benefit from incentive schemes have been expanded: specifically, they now include the network of financial advisers now that Unipol Banca has joined the Group and been absorbed by BPER Banca.

The use of financial instruments in 2020 to service the various incentive schemes is confirmed: in particular, virtual shares (or "phantom stock") will again be used to pay part of the bonus deriving from the short-term incentive scheme and shares will be used to pay the bonuses earned under the Long-Term Incentive Plan 2019-2021.

All this work has been carried out in order to improve even further the remuneration policy and incentive schemes, as part of the close attention paid to personnel policies, promotion of the Bank and the protection of customers and investors, given the changes in the overall regulatory framework.

Once again, work in 2020 will focus on communications, the transparency of information, sustainability in the broadest sense and diversity, as well as the provision of ever more complete, useable and clear information via:

- an executive summary that shows the remuneration policy for the various categories of staff also in tabular form;
- better disclosure of the Policy on the identification of key personnel;
- in relation to the Group's MBO system:
    - a representation in tabular form of the target and maximum bonuses by categories of personnel;
    - ex-ante communication of entry gates and thresholds;
    - a graphic representation of the correlation between gross profit and the bonus pool created;
    - ex-post communication about achievement of the thresholds for the entry gates and the multiplier;



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- an ex-ante and ex-post communication about the scorecard assigned to the Chief Executive Officer and General Manager.

I conclude by thanking you, on behalf of myself and my Committee, for your attention and for the support that I hope you will give to the 2020 policies explained in our Report.

*Mara Bernardini*



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# SECTION I - 2020 REMUNERATION POLICIES OF THE BPER GROUP



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# 1. Governance of the remuneration and incentive policies

The BPER Group has established a governance process in order to regulate the definition, implementation and management of its remuneration policies. This process will involve various control bodies and business functions at different levels, according to their sphere of competence:

Definition of the remuneration and incentive policies

| CORPORATE BODIES | BUSINESS FUNCTIONS |
|---|---|
| Shareholders' Meeting | Human Resources Department |
| Board of Directors | Planning and Control Management |
| Remuneration Committee | Risk Management |
| Control and Risk Committee | Investor Relations |
| | Compliance |
| | Internal Audit |

## 1.1. Shareholders' Meeting

In the field of remuneration, the Shareholders' Meeting:

- determines, in accordance with applicable legal and regulatory requirements, the remuneration payable to the directors and statutory auditors;
- approves the remuneration policies in favour of the bodies with supervisory, management and control functions and the staff;
- is consulted about the remuneration paid in the previous year to the bodies responsible for supervision, management and control activities and to the Executives with strategic responsibilities;
- 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 key personnel remuneration higher than 1:1, but not exceeding the maximum established in such regulations.



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BPER Banca currently extends this rule to all personnel.

The above maximum limit on the ratio of variable to fixed remuneration for Key personnel is currently set at 2:1, except in relation to control functions and similar activities, in order to have the flexibility to make payments ahead or at the time of early severance, while also making appropriate operational drivers available so that the external resources needed to achieve our business objectives can be attracted. The ratio for other personnel is fixed at 1:1, except as described in chapter 7, including the specific exceptions envisaged for certain sectors.

## 1.2. Board of Directors

With respect to remuneration issues and in accordance with its role of body with strategic supervisory powers, the Board of Directors is responsible for the Group's remuneration policies, with the support of the Remuneration Committee and the relevant corporate functions.

In the conduct of its activities in the field of remuneration, the Board of Directors has responsibility for:

- determining the remuneration of directors that perform special duties, having heard the opinion of the Board of Statutory Auditors.
- approving the process for the identification of Key personnel, assessing full compliance with the pertinent regulations[1], and the list of roles included in this category as a result of the process, with the help of the Statutory Auditors.
- approving Group remuneration policies, with particular reference to key personnel and the report on compensation paid, to be submitted to the Shareholders' Meeting for final approval.
- approving the share-based incentive schemes to be submitted to the Shareholders' Meeting for final approval.
- checking proper implementation of the Group's remuneration policies.

As envisaged in art. 123-ter, para. 3-bis, of Legislative Decree 58/98, updated in 2019, the Company may make temporary exceptions to the remuneration policy after hearing the opinion of the Remuneration Committee, but only under exceptional circumstances when necessary in pursuit of the long-term interests and sustainability of the Company as a whole, or to ensure its survival in the marketplace. Even in these cases, it is still necessary to comply with all regulatory and legal constraints and the procedure governing related-party transactions.

## 1.3. Remuneration Committee

In compliance with the principles laid down by the Supervisory Provisions, 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 decision-making and the responsibility of these bodies to pass motions within their respective spheres of competence.

[1] Bank of Italy Circular 285.



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## Composition of the Committee

The Remuneration Committee consists of three non-executive directors, the majority of whom meet the independence requirements of art. 148, paragraph 3, of Legislative Decree 58/98 (TUF); at least one of them must have adequate knowledge and experience of financial matters or remuneration policies, to be assessed by the Board of Directors when they are nominated. The Board of Directors appoints the three members and chooses one of those who meet the independence requirement to act as Chairman. On the Chairman's proposal, the Remuneration Committee appoints a Secretary, who need not be one of its members.

### Members of the Remuneration Committee

| | |
|---|---|
| Mara Bernardini | Chairman |
| Elisabetta Gualandri | Member |
| Roberta Marracino | Member |

## Role of the Committee

The role of the Remuneration Committee is advisory, investigative and propositive, as support for the activities of the Board of Directors and Executive Committee, which involves the following responsibilities:

- making proposals on the remuneration to be paid to the Board of Directors and Board of Statutory Auditors to be submitted for the approval of the Shareholders' Meeting, as well as how the total amount approved should be split among the various directors;
- submitting proposals on the remuneration to be paid to Directors with specific responsibilities, the members of General Management, the heads of Corporate control functions, the Manager responsible for preparing the Company's financial reports, as well as giving opinions on remuneration proposals for the other key personnel of the Bank, as identified in accordance with current provisions issued by the Supervisory Authority;
- acting in a supporting role in relation to the Remuneration and incentive policies, particularly in deciding the criteria for the remuneration of the Group's key personnel, expressing its views on the achievement of performance objectives linked to incentive schemes and on ascertaining the other conditions needed for the payment of bonuses.
- verifying the consistency of decisions taken and the correct application of the remuneration and incentive policies with respect to what was approved by the Shareholders' Meeting.
- acting in a support role in proposals for the remuneration of corporate officers of Group companies.

## The Committee's work cycle

The Committee is convened by the Chairman and meets at least once every quarter and, in any case, whenever a meeting is needed to discuss important matters.

The Committee's activities were intense during the course of 2019,



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particularly on the question of Remuneration policies. The Committee met 22 times and the average duration of each meeting was approximately 2 hour and 5 minutes; from time to time, depending on the issues being addressed, committee meetings were attended by the Heads of Department in question to provide detailed information on topics on the agenda (3 people on average were invited to each meeting). The Committee has met 3 times in January and February 2020.

The Committee's calendar for the year is typically structured as follows:

## Main activities of the Remuneration Committee

- Analysis and strategic decisions concerning the remuneration systems and long-term incentive plans
- Analysis and assessment of guidance document and the remuneration report as part of support for the activities for the Board
- Examination of proposals regarding the fixed remuneration of MRTs
- Monitoring of the analysis to identify key personnel within the BPER Group
- Analysis and opinions on the MBO scheme for 2019
- Checking the opening of the entry gates and the conditions of sustainability for payment of the variable remuneration.

- Monitoring the results of the MBO scheme for 2018
- Support in the implementation of remuneration policies
- Verification of progress on the implementation of the MBO scheme for 2019
- Verification of changes in the MRT perimeter during the year

- Start of benchmarking activities, to monitor the competitiveness of the remuneration of key personnel
- Start of planning work on the MBO scheme for 2020
- Verification of the MRT perimeter and application of the long-term incentive plans
- Assessment of remuneration matters regarding top management within the Group

## 1.4. Control and Risks Committee

In carrying out its duties and without encroaching on the Remuneration Committee's sphere of competence, the Control and Risks Committee examines whether the incentives underlying the remuneration and bonus system of the Bank and the Group are consistent with the RAF. In particular, it examines whether the incentives provided by the remuneration system take full account of the risks in terms of capital and liquidity.



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# 2. Identification of key personnel

The 25th update of Bank of Italy Circular 285 states that *"banks are to adopt a policy for the identification of key personnel, which forms an integral part of the remuneration and incentive policy".*

For key personnel, the Regulation[2] envisages stricter rules in the way that remuneration is structured; this is because of the need to create as close a link as possible between their remuneration and the company's performance, both in the present and in the future, according to factors that take into account the risks assumed and the long-term sustainability of the company's results.

The process of identifying Key personnel is carried out individually by each Italian bank within the BPER Group and by the SGR. The Parent Company then identifies the Key personnel at Group level, ensuring the overall consistency of the process and taking account of the assessments made by the individual Group companies. In this context, the Parent Company applies the Commission Delegated Regulation (EU) no. 604 of 4 March 2014 to identify Key personnel of the Group and ensures that the process is applied consistently throughout the Group.

During the year, a check at Parent Company level is carried out in order to make any adjustments to the scope of key personnel.

Banks belonging to a Banking Group, if not listed, can adopt the policy established by the Parent Company.

The objective of the process is to identify, among all of the Group's personnel, those who are considered key personnel, being persons who professionally carry out activities with a substantial impact on the Group's risk profile, based on the analysis and declination of the quantitative criteria given in the Regulatory Technical Standards of the European Banking Authority (RTS EBA).

The self-assessment process consists of the following stages:

1. Analysis of the Group's risk profile
   Risk contribution made to the Group by various members of top management of Group Companies and verification of their contribution to future results.
2. Application of qualitative criteria
   Analysis of responsibilities, level and delegated powers.
3. Application of quantitative criteria
   Amount and structure of the remuneration received.

The Group's risk profile is analysed by the Risk Division, which analyses the structure of the risks to which the Group is exposed. In particular, it identifies:

- The main risk categories that affect the Group as a whole;
- The parameters on which to measure the risk profile of the Group and individual companies;
- The level of contribution of each component to the overall risk of the Group and the individual types of risks.

[2] Bank of Italy Circular 285.



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Depending on these parameters, "Material Legal Entities" have been identified for the purpose of determining the scope of key personnel.

The self-assessment process is coordinated at Group level by the Human Resources Department. After receiving the assessments of the Group's risk profile prepared by the Risk Division together with the Planning and Control Department, it analyses the various organisational positions (or roles) with the support of the General Affairs Department and the Planning and Control Department. Among the latter, only those that are likely to have an impact on the Group's risk profile, according to the relevant legislation and based on salary levels, are analysed (involving the application of qualitative and quantitative criteria).

Group companies actively participate in the process of identifying the Group's key personnel, as carried out by the Parent Company, providing it with the necessary information in accordance with the instructions received. The Human Resources function of each Italian bank and the SGR within the Group contributes to the preparatory work needed to identify the “Key personnel” and drafts the “Self-assessment for the identification of Key personnel” for examination and approval by the Board of Directors of each bank and SGR, after obtaining an opinion on the compliance of that document from the Compliance Department of the Parent Company, if that function has been outsourced centrally.

The General Affairs Department of the Parent Company checks any updates of the signature powers granted to particular roles at the individual Group companies, highlighting the main changes with respect to the previous year and the presence of any specific executive appointments involving individual directors in order to identify any persons belonging to companies not included in the list of "Material Legal Entities", but which can be identified as key personnel because of the positions held and the impact of their activities on the risk profile.

Taking into account the results of the assessments carried out by the individual members of the Group, the Human Resources Department then prepares the "Self-assessment for identifying key personnel of the Group", which is reviewed by the Compliance Department and then approved by the Board of Directors, after consulting the Remuneration Committee.

Based on the above assessment, if one or more persons identified using the quantitative criteria indicated in the Regulatory Technical Standards of the European Banking Authority (RTS EBA) are not deemed to be Key personnel, because they only exercise powers within a not relevant operating unit/business, or play a role without significant impact on the risk profile of an operating unit/business that is significant within the Group, those persons may be excluded (in accordance with the "Procedure for the exclusion of Key personnel" – see paragraph below).

The Human Resources Department monitors the situation constantly and may revise the list of Key personnel during the second half of the year. To be precise, the list of Key personnel is revised if situations arising after the annual self-assessment could have a stable impact on the Key personnel perimeter, such as corporate reorganisations and changes in the loan approval procedures and signature powers.

The outcome of this analysis for 2020 led to the identification of the following



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perimeter:

| Category of personnel | Number |
|---|---|
| I. Executive Directors[#]* | 4 |
| II. Non-Executive Directors | 59 |
| III. General Managers and Heads of the main Corporate Functions* | 17 |
| - Parent Company<br>- Banco di Sardegna<br>- Other banks/companies | 8<br>2<br>7 |
| IV. Heads of Control Functions* | 13 |
| - Parent Company<br>- Banco di Sardegna | 12<br>1 |
| V. Other Risk Takers | 44 |
| - Parent Company<br>- Banco di Sardegna<br>- Other banks/companies | 35<br>8<br>1 |
| VI. Application of quantitative criteria | 1 |
| TOTAL | 138 |

[#] Including the Chief Executive Officer and General Manager of Arca Fondi S.g.R.

* Included in the definition of top management 18 roles

In the light of those identified by applying the qualitative and quantitative criteria, the scope of key personnel for 2020 consists of 138 people.

| | **2019** | **2020** |
|---|---|---|
| Non-Executive Directors | 53 (43%) | **59** (43%) |
| MRT | 63 (47%) | **66** (48%) |
| MRT – Control functions | 13 (10%) | **13** (9%) |
| **TOTAL** | **129** (100%) | **138** (100%) |
| % Total BPER Group personnel (see Bank of Italy Circular 285) | 1.09% | **0.96%** |

The presentation above excludes 15 persons included in the perimeter based on the application of quantitative criterion 4b, for whom a request for advance authorisation of exclusion will be presented to the competent authority.



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## Procedure for the exclusion of Key personnel

If the Bank intends to apply the “exclusion procedure” for Key personnel identified by applying the quantitative criteria indicated in the Regulatory Technical Standards of the European Banking Authority (RTS EBA), the Supervisory Authority is sent notification/request for advance authorisation of exclusion. This request, prepared in accordance with the requirements of the European Central Bank, must be submitted by the deadlines envisaged in current regulations.

The notification/request for advance authorisation of exclusion may cover cumulatively several persons or categories of person whose exclusion is founded on the same reasons, on condition that the persons for whom exclusion is requested are clearly identifiable and the same level of information is guaranteed in each case.



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# 3. Principles and objectives of the remuneration policy

The "Banca popolare dell'Emilia Romagna" Banking Group, of which BPER Banca is the Parent Company, was formed in 1992. To date, the Group consists of the Parent Company, three legally autonomous banks[3], which are located in various parts of Italy, and a bank based in Luxembourg, in addition to several other companies.

The Group banks, which are strongly rooted in their areas where they are located, effectively play a role in supporting the development of the local economies, while benefiting from the advantages of belonging to a Group of national importance.

Because of this position, the BPER Group bases its activities on solid and shared principles:

| | | |
|---|---|---|
| **To create value for** | Customers | ▪ Awareness of customers' different needs.<br>▪ Products offered in an appropriate way to each segment or market.<br>▪ Attention to the quality of the relationship.<br>▪ Discouraging any conduct that is considered pure speculation and financial gambling. |
| | Shareholders | ▪ Increase in profitability and investment value over time.<br>▪ Balanced development.<br>▪ Diversification and expansion of markets served.<br>▪ Conscious management of risk. |
| | Group personnel | ▪ Development of internal expertise.<br>▪ Stimulation of human and professional growth.<br>▪ Implementation of a transparent and effective communication at all levels.<br>▪ Implementation of a continuing training process. |
| | Social context | ▪ Adopting a business approach with a broader scope than just making a profit, in line with the mutualistic aims that characterised the Group's origins. |

In line with these values, the Group's remuneration strategy aims:

[3] To which has to be added Banca di Sassari, which is included among the product companies, because of its focus on consumer credit services.



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## Purpose

| | | |
|---|---|---|
| To orient conduct towards the Group's priorities | To attract and retain highly qualified personnel and support motivation at an individual level, recognising merit and enhancing professional development | To develop and improve the quality of services offered to customers |
| To support sound and prudent risk management | To preserve internal and external pay equity, continuing watchful supervision of personnel costs | Support conduct consistent with the code of ethics and with current rules and regulations |

In line with current regulations and the code of ethics, the BPER Group has forbidden its employees to arrange personal hedging strategies or insurance in relation to their remuneration, or other aspects of it, that might alter or compromise the effects of the risk alignment inherent in the remuneration mechanisms.

In accordance with current regulations, the Group identifies the types of financial transactions and investments made directly or indirectly by key personnel that could affect the risk alignment mechanisms and, more generally, the purpose of these rules.

The Group requires, at least for key personnel:

- to communicate the existence or opening of custody and administration accounts with other intermediaries;
- to communicate the transactions and financial investments carried out that fall under the types identified in the previous paragraph.

To ensure compliance with this, the relevant corporate functions carry out sample checks on the internal custody and administration accounts of the Key personnel concerned, in full compliance with the regulatory provisions.



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## "BPER 2021 Strategic Plan" and sustainability: remuneration strategy in support of long-term growth

The new “BPER 2021 Strategic Plan” was presented at the start of 2019. This is founded on 3 pillars with common cross-functional accelerators:

The business plan includes a sustainable approach, founded on the digital transformation, people and positioning as a point of reference for society, among the "drivers" that will accelerate the achievement of our long-term objectives: ensuring that the BPER Group remains a point of reference for households and businesses by supporting economic growth in the areas served, with a growing focus on the digital transformation, innovation in processes and products, new internationalisation strategies and a renewed commitment to corporate social responsibility.

This investment in digital skills and the transformation of customer relations and internal processes represents our commitment to develop a "sustainable" working environment, in which the new professions combine different experiences that fuel a culture of inclusion and respect for diversity (roots, experience, gender, age, education, professional specialisation etc.).

People are the “heart” of the organisation. We strive daily to ensure that they are the starting point for our future development and leaders of constant, sustainable growth focused on:

- diversity and inclusion
- corporate welfare
- training and coaching
- flexible working

Being a reference model for society means working every day to improve the lives of people, building on their experiences and the territories in which they live, and concentrating our efforts on:

- energy consumption
- sustainable mobility
- culture and literature
- financial education
- optimisation of the value chain

The enhancement of people and the creation of value for the entire ecosystem in which BPER operates underpin the social responsibility policy of the Group and, therefore, the systems designed to incentivise the



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achievement of our short and long-term goals in a sustainable manner.

Accordingly, the remuneration policy of the BPER Group supports the achievement of the short and long-term goals by using the drivers identified in the BPER 2021 Strategic Plan:

- the presence of common entry gates to both systems, linked to risk-weighted capital adequacy, liquidity and profitability parameters, ensures their sustainability from an economic and financial standpoint;
- the systems apply to key roles (linked to areas of the Bank that generated significant value added) for the success of the 2019-2021 Business Plan;
- the LTI Plan, based on BPER shares and activated in 2019 together with the Business Plan, ensure that the interests of key personnel are aligned with those of the shareholders and all stakeholders:
  - the targets are closely tied to the Business Plan objectives, also approved at the same time, in order to guarantee their execution;
  - the profitability, efficiency and risk management objectives defined seek to build the profitability and long-term financial strength of the Group, as a source of value creation for the entire eco-system;
  - the introduction of a multiplier-demultiplier mechanism correlated with the growth in shareholder value, as measured using the rTSR with respect to a reference peer, increases our alignment with shareholders;
  - the corrective mechanism linked to the desirable certification of our "ethical" reputation, our gender balance achieved by raising the number of women executives, and our support for the development of a financial culture in the upper schools, assures the sustainability of the objectives incentivised in the Plan.
- the MBO scheme incentives the achievement of objectives that are consistent with the strategic directions detailed in the Plan:
  - the “Strategy Scorecard”, summarising the priorities for 2020 envisaged in the Strategic Plan, underpins the MBO scheme and the definition of objectives for the entire organisation;
  - the enhancement of people is essential for all components of the organisation involved in the digital transformation or the strengthening of the value chain, requiring the implementation of an inclusive development plan designed to support professional growth, agility in the development of skills and gender balance;
  - alignment with the interests of customers and the creation of shared value represent drivers of the systems used to incentivise the internal business and commercial organisations.



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# 4. Market practice and use of external consultants

The remuneration policies adopted by the Group are defined in order to support business strategies ensuring a coherent and effective alignment with regard to incentive systems, including staff interests and value creation for the shareholders. In order to ensure the competitiveness of its remuneration policies, which is essential to attract, motivate and retain the best resources, the Group constantly monitors general market trends and practices, so that it can establish levels of compensation that are both fair and competitive.

Consistent with this, the Group periodically benchmarks salaries against those of a panel of companies operating in the same sector, as well as those identified in segment surveys carried out by the trade association, and applies analytical criteria to compare similar roles and positions in order to determine the positioning of our pay levels in terms of fixed, variable and total remuneration.

For each category of staff, the Group's remuneration policy defines differentiated and competitive remuneration packages in terms of fixed and variable components and fringe benefits.

In carrying out all the activities necessary to ensure the competitiveness and effectiveness of its pay systems, the Group has been supported by external, independent consultancy firms with considerable expertise in this area. In particular, the Group now collaborates with international consulting firms: with Willis Towers Watson, which has helped to revise the incentive schemes, and with Mercer, which has provided support for the benchmarking of salaries at various levels within the employee population.

In defining its remuneration policies, with particular reference to the monitoring of the main remuneration practices of the market, the Group typically compared itself with a panel of companies, mostly of them listed, belonging to the same business sector and with economic dimensions such as to ensure that the panel is balanced and suitable for the needs of the analysis:

| | | | | |
|---|---|---|---|---|
| Company | Intesa San Paolo | Unicredit | Banco BPM | BNL |
| | UBI Banca | CREDEM | Mediobanca | Creval |

The Group also compares remuneration levels by adopting a larger panel of companies, carried out on the basis of a system of evaluation of the positions that ensures complete consistency and comparability of roles. In carrying out this analysis, the Group integrates the survey specifically commissioned to the consultants with surveys aimed at entire sectors or at specific categories of personnel.



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# 5. Target audience of the remuneration policies

Remuneration policies, differentiated by categories of personnel are structured in order to ensure maximum effectiveness, in line with the nature and objectives of the relevant corporate function. In this direction, the remuneration and incentive policies are addressed to the five categories of personnel listed below:

- Corporate bodies
- Key personnel
- Managers
- "Other personnel"
- External collaborators
- S.g.R. personnel

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# 6. Remuneration of the Corporate Bodies

The remuneration of the Corporate Bodies is defined by the Group's Shareholders' Meeting which sets the total amount of remuneration paid to the Board of Directors and to the members of the Board of Statutory Auditors, including the fixed component attributed to the Directors, the additional emoluments payable to members of the Executive Committee and other Board Subcommittees, as well as any attendance fees.

## 6.1. Remuneration of the members of the Board of Directors

The remuneration of directors is designed to reward the skills and responsibilities entrusted to those who hold that position. The remuneration of non-executive directors is all fixed[4]. A variable component, that is linked to performance objectives, may be envisaged for Board members who are also executive directors, unless this assignment is secondary[5] to the main function performed within the Group; in this case the remuneration can only be fixed.

If executive[6] directors do not belong to the category of Key personnel and receive variable remuneration, the provisions relating to "other managers" apply (paragraph 7.4).

The different time commitment made by individual directors is also recognised by granting them attendance fees that are paid to each member for each board meeting that they attend.

The fees set for attendance at Board meetings are composed of a fixed fee and an attendance fee for attending each meeting of the Board.

| Office | 2019 Remuneration |
|---|---|
| Chairman of the Board | € 390,000[7] |
| Deputy Chairman | € 125,000[8] |
| Director | € 75,000 |
| Attendance fee | € 400 |

Any costs involved in performing their duties are incurred directly by the Bank or Company or reimbursed to the Director.

[4] For the position of non-executive director.
[5] Assignments specifically established as secondary or attributed after the main one.
[6] The executive directors of non-relevant companies, as defined by the analysis conducted by the Risk Department.
[7] Total remuneration for the office of Chairman, including the emolument as a director and the indemnity as Chairman, which as foreseen under current legislation is *"cannot be higher than the fixed remuneration received by the senior members of the management board"*.
[8] Total remuneration for the office of Deputy Chairman, inclusive of the emolument as a director and the indemnity for the role of Deputy Chairman.



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## 6.2. Remuneration for being a member of a committee

The directors who are members of board subcommittees receive a fixed remuneration in proportion to the commitment required.

| Office | Executive Committee | Control and Risk Committee | Remuneration Committee | Nominations Committee | Independent Directors Committee |
|---|---|---|---|---|---|
| **Chairman** | € 50,000 | € 55,000 | € 35,000 | € 30,000 | € 30,000 |
| **Member** | €30,000 | € 35,000 | € 20,000 | € 20,000 | € 20,000 |

## 6.3. Remuneration for special powers

Non-executive directors vested with special powers have their remuneration supplemented by an additional element of compensation, always for a fixed amount, which takes into account their greater commitment, specific skills and responsibilities. The additional compensation paid to directors vested with special powers is established by the Board of Directors, on the proposal of the Remuneration Committee and after consultation with the Board of Statutory Auditors. Remuneration for being vested with special powers is paid to:

- Chairman of the Board of Directors
- Deputy Chairman
- Chief Executive Officer and General Manager

## 6.4. Remuneration for the office of Chief Executive Officer and General Manager (CEO)

As part of the reorganisation of top management, with assignment of the supervision of the governance, business and operational organisations to one role, the emoluments of the Chief Executive Officer have been redefined by the Board of Directors now that the roles of CEO and General Manager have been combined with effect from 1 January 2020. This revision took account of the total amount approved at the Shareholders' Meeting for the remuneration of the Board of Directors, as well as the best practices adopted in the banking sector for roles of similar standing.

As a director with specific responsibilities, the CEO receives a fixed remuneration for this office and is also a recipient of incentives under the bonus schemes, as defined in paragraph 7.1.

## 6.5. Remuneration of employees appointed as directors of subsidiaries

Since 2019, the Parent Company has introduced a policy for administrative roles that will be progressively updated.

Any fees paid to Group employees (principally managers) for positions held in subsidiaries of the same Group are paid by the latter to the Company that employs the person concerned.

The remuneration of the persons concerned is integrated by payment of an indemnity linked to the peculiarity of the positions held and regulated by specific internal regulations.



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This indemnity, which is based on the characteristics and size of the companies concerned, as well as the operational complexity and riskiness of their activities, is subject to a maximum limit of Euro 20 thousand per year, even in the event of more than one appointment. It ceases to be paid when the person leaves the position.

Payment of this indemnity will take place according to the terms and methods laid down in the regulations in force from time to time.

## 6.6. Remuneration of the members of the Board of Statutory Auditors

The remuneration of the statutory auditors, including the Chairman, is determined by the Shareholders' Meeting at the time of their appointment and for the entire period of office. In the light of their role and responsibilities, variable remuneration is not envisaged for the members of the Board of Statutory Auditors.

The fees paid to the members of the Board of Statutory Auditors are shown in the following table:

| Office | Remuneration |
|---|---|
| Chairman of the Board of Statutory Auditors | € 142,500 |
| Member of the Board of Statutory Auditors | € 95,000 |

Any costs involved in performing their duties are incurred directly by the Bank or Company or reimbursed to the Statutory Auditors.

# 7. 2020 Remuneration policy

The Group remuneration and incentive policy is designed in compliance with the principles and purposes defined in section 3 and in accordance with the regulations[9] currently in force. To ensure the effectiveness, competitiveness and strength of the remuneration policy, the Group conducts regular analyses in order to monitor the main market practices and trends and uses external consultants with solid experience in the field.

Particularly as regards Key personnel, the Group has taken particular care to verify the regulatory compliance of all elements that make up the remuneration package and monitored investors' expectations on the matter, as expressed by the Proxy Advisors.

**Ratio between variable and fixed remuneration**

In line with the regulatory requirements and the resolutions adopted at the Shareholders' Meeting held in 2019, the ratio between variable and fixed remuneration is set to 2:1 for all key[10] personnel (except for control and similar functions), in order to have the flexibility to make payments ahead or in the event of early severance, within the maximum limits already established in these policies, and to apply all the operational tools needed to attract external resources for the achievement of the corporate objectives[11].

For the rest of the personnel, a maximum ratio between the components of remuneration of 1:1 is normally adopted, with the exception of key personnel of Corporate Control Functions, for whom their variable remuneration cannot exceed one third of their fixed remuneration.

Nevertheless, the Group also sets the maximum fixed/variable ratio at 2:1 for all other personnel too (excluding the control functions once again) in the following limited circumstances:

**a.** to make payments ahead or in the event of early severance, within the maximum limits already established in these policies under specific circumstances;

**b.** to obtain the appropriate flexibility needed to manage in a suitable manner the competitive pressures in the job markets for certain, highly profitable business segments and specific professional families (wealth management and corporate banking); these professional families comprise a maximum of 388 persons, within which only a very small minority can exceed the 1:1 limit.

Adoption of this 2:1 ratio between variable and fixed remuneration does not have any effect on the Bank's ability to comply with the prudential rules on capital, the requirements regarding own funds in particular.

The table below shows the short and long-term variable incentive target and maximum levels defined for key personnel and for Control Functions. Note that these limits apply normally, though there may still be specific situations in which the Bank may use the entire regulatory limit of 100%[12] (for example, paying entry bonuses or offering incentive packages to help recruit resources that the company deems necessary to achieve important objectives).

[9] Bank of Italy Circular 285.

[10] This ratio does not apply to personnel belonging to the SGR within the Group, for whom the regulations envisage the possibility of different limits. See section 7.8 for further details.

[11] Without prejudice to the objectives mentioned, the Group's intention is to maintain the proportion of variable to fixed remuneration well within the ordinary limits, as shown in the table on the following page.

[12] Possibly increased to 200% for the CEO, Key personnel and the highly profitable business segments discussed above.



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This exception applies to all categories of key personnel, if permitted by the regulations.

| | Short-term target bonus | | *Long-term target bonus spread over 8 annual tranches*[13] | | Long-term target bonus calculated on the three-year vesting period | |
|---|---|---|---|---|---|---|
| | **Target bonus (% RAL)** | **Maximum bonus (% RAL)** | *Target bonus (% RAL)* | *Maximum bonus (% RAL)* | **Target bonus (% RAL)** | **Maximum bonus (% RAL)** |
| CEO and GM | 35% | 45% | *15%* | *21%* | 40% | 55% |
| Key personnel | 35% | 45% | *12%* | *16%* | 32% | 45% |
| Control functions | 33%[14] (25%) | 33% | - | - | - | - |

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 the disbursement of variable bonuses, subjecting their payment, especially for key personnel, to the fact that there are adequate capital, liquidity and risk-adjusted return ratios, also in compliance with the Bank of Italy's requirements[15]. The structure of the bonus schemes for key personnel can be explained starting from the one for the CEO and General Manager in paragraph 7.1, highlighting the elements that differ from it. In the event of significant and unexpected changes in market conditions, the Board of Directors can order a review of the annual budget, with a consequent revision of individual targets.[16]

If the sum of the bonuses accrued is higher than the bonus pool approved by the Parent Company's Board of Directors, the Board has the right to reduce the individual bonuses.

[13] For the purpose of calculating the limit to the variable/fixed ratio, the amount of the long-term incentive plan is calculated in full in the year it is recognised; however, it is possible to calculate this amount, according to a linear pro-rata criterion, within the limit relating to each year of the long-term incentive plan (also considering the deferral period), this being more than 6 years. In absolute terms, therefore, the figure has to be multiplied by 8 years.
[14] Limit set by law.
[15] Bank of Italy Circular 285.
[16] Just as, more normally, this need can arise in the case of extraordinary transactions that affect the perimeters of the Group or the individual companies that make it up.



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## 7.1. Remuneration of the Chief Executive Officer and General Manager (CEO)

The remuneration of the CEO and General Manager of BPER comprises a fixed component, a short-term variable component and a long-term variable component. The maximum expected pay out is based on a 1:1 ratio (total variable to total fixed components), consistent with the prudent principles adopted by the Group's remuneration policy, despite the maximum 2:1 ratio approved at the Shareholders' Meeting.

The short-term variable component, described in more detail below, is determined with reference to clear and measurable performance parameters. Discretionary bonuses are not awarded. The calculations are made after checking that the access conditions envisaged for all key personnel have been achieved. The relevant reference areas are indicated below:

1. An area involving the financial results and the risk management.
2. A "qualitative" area involving functional objectives, the handling of planned projects, the management skills and CSR objectives (Corporate Social Responsibility) 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, based on a verification that adequate levels of capital, liquidity and risk-adjusted return remain, as prescribed in current regulations.

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. It is evaluated from a qualitative point of view by the Board of Directors on the proposal of the Remuneration Committee, based on a supposition expressed by the Chairman of the Board of Directors.

The long-term variable component (LTI Plan 2019-2021), which is explained in greater detail below, is determined on the basis of clear and measurable performance parameters by means of an assessment that is weighted according to three areas. This is done after checking that the access conditions have been achieved for all key personnel. These areas are:

1. The "Financial results and risk management" area (with KPIs concerning operational efficiency (Cost/Income), profitability (Post Provisions Profit) and credit quality (NPE ratio).

2. The "Creation of shareholder value" area with a target of Total Shareholder Return.

3. The "Sustainability" area with Corporate Social Responsibility objectives (social and environmental sustainability, in terms of gender diversity, financial education and sustainability of the value chain).

The correlation between the variable amount actually paid and the long-term results is sustained by providing for the measurement of performance over a three-year horizon and by applying ex-post correction mechanisms over a time horizon of a further five years (after the end of the vesting period); in particular, it is based on a verification that adequate levels of capital, liquidity and risk-adjusted return remain, as prescribed in current regulations.

The CEO and General Manager remuneration package has been put together in such a way as to ensure an appropriate balance between fixed and variable remuneration; it is also modulated with the aim of ensuring a variable remuneration in proportion to the results achieved, within the limits (the so-called "maximum cap") foreseen by the bonus scheme.



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## Variable bonus scheme - MBO

The Group has defined a variable bonus scheme in order to align the interests of management to the creation of value for the shareholders, so as to reward good behaviour and positive results, while penalizing, through non-payment of bonuses, both the failure to achieve the results and any deterioration in the Group's capital, liquidity and profitability ratios.

The incentive system provides for the identification of a bonus pool which represents the maximum amount of bonuses that can be paid. The bonus pool for the Chief Executive Officer and General Manager and key personnel is set at a Group[17] level. The amount of the bonus pool is correlated with the results achieved, in terms of the Post Provisions Profit reported by the Group, and constitutes a maximum limit.

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.

The entry gates for 2020, all of which have to be achieved at the same time, are as follows:

| Entry gate | Minimum threshold |
|---|---|
| Common Equity Tier 1 (CET 1) – Pillar 1 consolidated ratio under transitional arrangement | > RAF Tolerance |
| Consolidated Liquidity Coverage Ratio (LCR) | > RAF Capacity |
| Consolidated Return On Risk-Weighted Assets (RORWA) | > RAF Tolerance |

Failure to achieve even only one of the entry gates means not paying any[18] bonus under this scheme (MBO).

In the event of a recovery resolution by the Board of Directors, this triggers off a suspension of payment of the variable remuneration (both the immediate and the deferred portion). The Board of Directors can decide that, instead of just a suspension, there should be:

- a reduction or elimination of bonuses still to be determined;
- a reduction or elimination of bonuses already determined but not yet paid;
- a reduction or elimination of deferred portions or those subject to retention.

The Board of Directors of the Parent Company also reserves the right to reduce or cancel bonuses assigned to the various categories of personnel:

- in the event of particularly low profitability or a loss, both at consolidated and separate level, in companies in which the combined capital requirements set by the Supervisory Authorities are not complied with.

[17] Excluding bonuses deriving from MBOs for control functions, which are of limited amount and are not related - not even indirectly - to the company's results.

[18] As will become clearer from reading the following paragraphs, CET1 and LCR are binding for all MBO systems, RORWA does not apply to the control functions.



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After checking that the entry gates have been exceeded, the bonus allocation and the extent of the variable remuneration are defined by evaluating individual performance using a process that includes the analysis of various qualitative and quantitative indicators. For 2020, the scorecard for the Chief Executive Officer and General Manager comprises both quantitative and qualitative targets.

## Scorecard for the CEO and General Manager

**Quantitative objectives**

- Group Post Provisions Profit 40%
- Group gross performing commercial loans 15%
- Group wealth management and bancassurance commissions + consumer division 1st margin 15%
- Group gross non-performing loans 15%
- *Group fully-phased CET 1 ratio* (%) 15%

**Qualitative objectives**

- CSR (Corporate Social Responsibility) objectives
- Functional objectives, handling of planned projects, management skills shown.

The qualitative assessment of the Chief Executive Officer and General Manager is approved by the Board of Directors, acting on a proposal from the Remuneration Committee following a hypothesis made by the Chairman del Board of Directors, and adjustments the quantitative amount by a maximum of +/- 10%.

Once the results have been measured, the system provides for the application of parameters to adjust for risk, based on those contained in the Risk Appetite Framework (RAF). These parameters adjust the incentive earned on achievement of the objectives specified in the CEO and GM personal scorecard. If they are not satisfied, the bonus earned may be reduced, or even eliminated.



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**Adjustments** (in order of impact)

- LCR
- Gross non-performing loans ratio
- Indicator of Capital Adequacy for ICAAP purposes
- Fully-loaded CET1 %
- MREL (% TLOF)

The CEO and General Manager short-term bonus opportunity is capped at 45% of his fixed remuneration, namely:

## MBO scheme for the CEO and General Manager

The method of paying accrued bonuses after the final calculation of the results of the scorecard has been set by the Board of Directors in line with the regulatory requirements[19], with the dual aim of achieving alignment with the ex-post risk and supporting the medium and long-term orientation, as well as managing to correlate the variable component with the actual results and the risks assumed. The Board has also decided to maintain for 2020 the use of virtual shares as a financial instrument directly linked to the equity value of the share (so-called "phantom stock"[20], i.e. assignments of virtual BPER shares whose value is paid in cash at the time the instruments mature).

In line with the above, payment of the CEO and General Manager bonus is structured as follows:

- 45% is attributed on the date the bonus is granted (up-front portion): 20% cash and 25% through phantom stock subject to a retention period of 1 year.
- The other 55% (25% cash and 30% phantom stock) gets deferred in equal annual instalments over 5 years with a 1-year retention period (during which the shares cannot be sold). The deferred portions are subject to *malus* conditions that are applicable to other key personnel.
- In the event of a particularly high[21] bonus, the up-front portion is 40% (20% cash and 20% Phantom stock subject to a retention period of 1 year), while the other 60% (25% cash and 35% phantom stock) gets deferred in equal annual instalments over 5 years with a 1-year retention

[19] Bank of Italy Circular 285.
[20] The amount of remuneration based on financial instruments may not be assigned entirely in the form of phantom stock if the Bank decides to pay a portion by means of other kinds of instrument according to the specific regulations (such as bonds).
[21] See Circ. 285 25th update: "A particularly high amount means the lower of: i) 25% of the average total remuneration of Italian high earners resulting from the most recent report published by the EBA; ii) 10 times the average total remuneration of bank employees". In BPER Group, the level of variable remuneration that represents a particularly high amount is Euro 424,000 and derives from the application of point i). The situation is monitored constantly and updated every three years.



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period (during which the shares cannot be sold).

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The variable components are subjected to ex post correction mechanisms (malus and claw-back) in order to reflect the performance levels net of the risks actually undertaken or achieved in terms of capital, taking into account individual behaviour.

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 above mentioned malus mechanism, which can block payment of the deferred portions of the bonus, also acts on activation of the clawback clauses (see the following paragraph). No change-of-control clauses apply to the CEO and General Manager.

## Variable bonus scheme - Long term incentive (LTI) Plan 2019-2021

In 2019, the Group 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, in order to:

- recognise an incentive exclusively in BPER Banca ordinary shares, according to methods that comply with the relevant provisions and in line with what is defined in the Business Plan 2019-2021;
- aligning the interests of Management with long-term value creation for shareholders;
- motivate management to achieve the objectives of the Business Plan 2019-2021, within a framework of healthy, prudent risk management and CSR sustainability;
- strengthen key persons' sense of belonging in order to implement the Group's medium-long term strategy;
- reward virtuous behaviour and positive results while penalizing failure to achieve results and any deterioration in the Group's capital, liquidity and profitability by not paying any bonuses.

The 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 Plan is designed to benefit about 40 senior personnel within the Group considered key to the success of the 2019-2021 Business Plan[22].

The incentive system provides for the identification of a bonus pool which represents the maximum amount of bonuses that can be paid. The bonus pool for the Chief Executive Officer and General Manager and key personnel is set at a Group level. 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.

The entry gates for the LTI Plan 2019-2021, all of which have to be achieved at the same time, are in line with those established for the MBO, to which reference should be made.

Failure to achieve even only one of the entry gates means not paying any bonus under this long-term incentive scheme. 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

[22] To access the Plan it is necessary, at the end of it, to have held - and still hold - a position within the scope defined by the Board of Directors of the Parent Company for at least 18 months. Any exceptions require a specific resolution of the Parent Company's Board of Directors. Bonuses allocated to beneficiaries who have held positions within the scope for only part of the period of the Plan are calculated proportionally on a time basis.



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(2021). Continuous monitoring of the indicators is carried out during the three-year period to verify compliance with the objectives of the Strategic Plan.

Based on this approach, the amount of the target bonus is determined in proportion to the results achieved. In the event of a recovery resolution by the Board of Directors, this triggers off a suspension of payment of the variable remuneration (both the immediate and the deferred portion). The Board of Directors can decide that, instead of just a suspension, there should be:

- A reduction or elimination of bonuses still to be determined.
- A reduction or elimination of bonuses already determined but not yet paid.
- A reduction or elimination of deferred portions.

The Board of Directors of the Parent Company can also order the reduction or elimination of bonuses attributed to all categories of personnel in the event of particularly low net profitability or a loss, both at consolidated and separate level, in companies in which the combined capital requirements set by the Supervisory Authorities[23] are not complied with.

After checking that the entry gates have been exceeded, the actual allocation of the bonus and the related amount, within the maximum[24] limits set for the variable remuneration, are defined through a process of corporate performance evaluation that includes an analysis of three KPIs.

For the three-year period 2019-2021, the scorecard of the LTI Plan, which is the same for all beneficiaries, is made up of objectives of operating efficiency, credit quality and profitability of a quantitative nature.

Following the measurement of these KPIs, the performance of the BPER stock is evaluated with respect to a peer group and the achievement of sustainability objectives.

In order to guarantee an adequate balance between the different types of objectives, which is also effective in terms of motivation and incentive to achieve company results in a framework of healthy, prudent risk management and CSR sustainability, the following measurement and weighting mechanism was defined:

[23] Circular no. 285 of 17 December 2013 – 3.1 PART ONE – Implementation rules for the CRD IV Directive (3.1.2 Capital reserves).
[24] 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.



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## LTI 2019-2021 scorecard

| | KPIs | Weighting |
|---|---|---|
| 1 | Post Provisions Profit (PPP) in 2021<br>*Target: 683 (€.M)*[25] | **50%** |
| | Cost/Income ratio in 2021<br>*Target: <59%*[26] | **25%** |
| | Gross NPE ratio in 2021<br>*Target: <9%*[27] | **25%** |

These objectives have a percentage weight on the individual bonus and their evaluation is based on progressive thresholds (from the minimum level of achievement to the target level), which correspond to bonus percentages equal to 70% below the target and rising to between 100% and 120% with a mechanism of linear progression.

Following measurement of the KPIs, the effective quantification of the bonus accrued in 2021 is subjected to two other parameters:

2

**Multiplier/demultiplier**

Positioning of the TSR of the BPER stock compared with a panel of competitors (Intesa Sanpaolo, Unicredit, UBI, Banco BPM, Credem, Popolare di Sondrio):

- in the case of 1st or 2nd position, the accrued bonus is increased by +15%;
- in the case of 3rd or 4th position, the accrued bonus does not change;
- in the case of 5th, 6th or 7th position the accrued bonus is reduced by -15%.

3

**Sustainability Corrective**

Depending on whether three CSR[28] (Corporate Social Responsibility) objectives are achieved or not, the bonus accrued up to this point can be further corrected:

- in the case of three out of three objectives achieved, the accrued bonus does not change;
- in the case of two out of three objectives achieved, the accrued bonus is reduced by -10%;
- otherwise, the accrued bonus is reduced by -15%.

In the event of extraordinary or unforeseeable events, the Board of Directors can make any changes to the plan structure that may be necessary or appropriate to neutralize the effects on entry gates and KPIs.

[25] Here are the objectives stated in the Business Plan: any changes to these objectives automatically constitute variations in the LTI Plan targets.
[26] See previous note.
[27] See previous note.
[28] 1) To acquire the Standard Ethics Rating at EE level, 2) to increase the share of female managers to 15%, from the current level of 8.5%, 3) to hold classes in Financial Literacy in 1st and 2nd grade secondary schools (for a total of 3,300 classes and 66,000 people).



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The bonus opportunity of the Chief Executive Officer and General Manager is capped at an annual rate of 55%[29] of his fixed remuneration:

## LTI of the CEO and General Manager (calculated over three years)

The method of paying accrued bonuses after the final calculation of the results of the scorecard has been set by the Board of Directors in line with the regulatory requirements[30], with the dual aim of achieving alignment with the ex-post risk and supporting the long-term orientation, as well as managing to correlate the variable component with the actual results and the risks assumed. The Board has also decided to use BPER ordinary shares for 100% of the long-term bonus.

In line with the above, payment of the CEO and General Manager bonus is structured as follows.

At the end of the three-year period, 45% is attributed at the bonus assignment date (up-front portion), but subject to retention period of one year. The other 55% is deferred in equal annual instalments over five years with a 1-year[31] retention period. Bonuses are subject to ex-post correction, malus and claw back conditions, as for short-term incentive schemes.

[29] This portion is determined annually over a period of 3 years. The cumulative value is therefore equal to 120% (target) and 165% (maximum). The total value may be spread over as many as 8 years, as envisaged in the regulation, in which case the target is 15% and the maximum is 21%.
[30] Bank of Italy Circular 285.
[31] Without prejudice to the possibility of "sell to cover" (selling securities to pay any tax or social security contributions generated by delivery of the securities subject to retention). For a "particularly high" amount, the up-front tranche will be equal to 40% and the five deferred tranches will be equal to 12% of the bonus.



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## Payment of the CEO's and GM LTI bonus

*(e.g. deferral 5 years, if the accrued amount is higher than the high variable amount, the up-front portion falls to 40% and the deferred amount rises to 60%)*

*Perf. share: means that the bonus is paid in BPER ordinary shares.*

The free allocation of shares in execution of the Plan will take place using treasury shares that derive from purchases authorised by the Shareholders' Meeting, pursuant to art. 2357 and 2357-ter of the Civil Code.

The target number of shares promised at the start of the Plan's three-year period is calculated based on the ratio between the amount of the target bonus in absolute terms and the value of the stock (a straight average of the official price of the BPER Banca ordinary shares listed on the electronic stock market organised and managed by Borsa Italiana S.p.A. posted in the 30 days preceding the date of the Shareholders' Meeting).

No change-of-control clauses apply to the CEO and General Manager.



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## Claw-back clauses

All incentives paid[32] are subject to claw-back clauses, although their effective application depends on predetermined circumstance taking place:

- types of behaviour that do not comply with the law, regulations and/or the articles of association and/or the code of ethics and/or conduct applicable to the Group, resulting in a significant loss for the Bank and/or for its customers;
- the results of the Bank and/or of the interested party, on the basis of which the incentive was paid, are to be reviewed ex-post following circumstances that were not known at the time the incentive was paid. In such circumstances, the clause applies in the event that the review of the results involves adjustments exceeding Euro 1 million or if it was made unforeseeable or difficult/impossible because of the deed or fault of the interested party;
- breaches of the obligations imposed pursuant to art. 26 or, when the person is an interested party, of art. 53, paragraphs 4 et seq. of the Consolidated Banking Act or obligations in the field of remuneration and incentives;
- types of behaviour subject to disciplinary initiatives and proceedings that may have led to termination of employment due to just cause or for justified subjective reason and in any case of termination for just cause;
- fraudulent behaviour or gross negligence to the detriment of the Bank or customers.

Activation of the claw-back clause against interested parties differs according to the position held by the person concerned at the time of activation of the clause or on termination from the last position held within the BPER Group.

The situations and circumstances underlying activation of the claw-back clauses are relevant if they took place or could take place within five years from payment/disbursement of the performance-related benefits.

In the case of the CEO and General Manager, activation of the clause would be on the initiative of the Chairman with the approval of the Board of Directors. The resolution would be drawn up by the Remuneration Committee and the Board of Statutory Auditors, who can work and make pronouncements together or separately and, if necessary, make their own proposal to the Board of Directors.

## 7.2. Remuneration of key personnel

The remuneration of key personnel is composed of a fixed element and a short-term variable element that for some may also be long-term. The variable component of the bonus is governed by very strict rules, as required by the Bank of Italy's rules[33] on the remuneration of key personnel.

Note that a variable component of the remuneration may be foreseen on the basis of qualitative objectives and not connected in any way to the financial results for those in control or similar functions (subject to any agreements with the Trade Unions, valid for all employees and also applicable to these

[32] Including special one-off reward bonuses.
[33] Bank of Italy Circular 285.



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professional positions).

The amount of the variable component is held below the regulatory limit of 100%[34] of the fixed component, except in specific situations in which the percentage may be raised to the limit approved in a specific Shareholders' Resolution[35].

The bonuses determined with reference to 2019 account for a percentage ranging from 0% to 89.8%[36] of the fixed remuneration.

Key personnel are beneficiaries of the MBO variable incentive scheme explained in paragraph 7.1.

Some figures included in the scope of key personnel (excluding control and similar functions) are also recipients of the long-term variable incentive system described in paragraph 7.1 with the additions included in paragraph 7.2.

The MBO scheme generally provides incentive opportunities for Key personnel of up to 45% of their fixed remuneration, except in the case of Control functions, as described below.

Determination of the bonus pool for key personnel follows the same criteria explained in section 7.1 (linked to changes in the reference indicator).

The personal scorecards of Key personnel are linked to results relevant to their respective roles and responsibilities[37] comprising as in the case of the CEO and GM described in section 7.1, both quantitative and qualitative objectives. The qualitative assessment refers in particular to the assessment of the behaviour and methods adopted in order to achieve the objectives and an assessment of the context in which they were developed. Since, in a limited number of cases, it is not feasible to identify quantitative indicators representative of the functions held by certain persons, the parameters applicable to the broader organisations to which they belong are used.

The bonuses earned are paid in accordance with the relevant banking regulations[38], although with less stringent criteria than those applied to the CEO and General Manager. The MBO scheme requires bonuses to be paid in different ways depending on their amount and whether or not the recipient is an MRT belonging to top management (Chief Executive Officer and General Manager, Chief Executive Officers and/or General Managers of "significant[39] business units" and, for the Parent Company, Deputy General Managers, Executives with strategic responsibilities and C-Level managers reporting directly to the CEO and GM).

**Material Risk Takers (MRT) belonging to top management:**

Bonus > Euro 424 thousand (particularly high amount)[40]:

o 40% is attributed at the date the bonus is granted (up-front portion): 20% cash and 20% through phantom stock subject to a retention period of 1 year. The other 60% (25% cash and 35% through phantom stock) is deferred in equal annual instalments over the five years from that of the

[34] Subject to the circumstances specified in section 7.

[35] For example, the granting of entry bonuses or incentive packages designed to facilitate the acquisition of resources that the company deems necessary for the achievement of important objectives.

[36] In one specific case. With regard to persons set ordinary bonus targets, the maximum level was 45.7%.

[37] Measured using KPIs and corrections that are derived from the Strategic Framework linked to the card shown in paragraph 7.1 with reference to the CEO. The parameters take on different weightings according to the activities that the person concerned performs, the responsibilities that they have been assigned and the operating levers that they manage.

[38] Bank of Italy Circular 285.

[39] *EU Delegated Regulation 604/2014 art 3.5 (RWA > 2%): BPER Banca, Banco di Sardegna, Sardaleasing and Emil.Ro Factor.*

[40] As defined by Bank of Italy's Circular 285, 25th update. See note 21.



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grant, subject to a retention period (during which the shares cannot be sold) of one year from the vesting date of each deferred tranche.

Bonus > Euro 50 thousand (or 1/3 of total annual remuneration) and ≤ Euro 424 thousand:

o 45% is attributed on the date the bonus is granted (up-front portion): 20% cash and 25% through phantom stock subject to a retention period of 1 year. The other 55% (25% cash and 30% through phantom stock) is deferred in equal annual instalments over the five years from that of the grant, subject to a retention period (during which the shares cannot be sold) of one year from the vesting date of each deferred tranche.

Bonus ≤ Euro 50 thousand and ≤ 1/3 of total annual remuneration:

o paid up-front in monetary form.

**MRTs who do not belong to top management:**

Bonus > Euro 424 thousand (particularly high amount):

o 40% is attributed at the date the bonus is granted (up-front portion): 20% cash and 20% through phantom stock subject to a retention period of 1 year. The other 60% (30% cash and 30% through phantom stock) is deferred in equal annual instalments over the five years from that of the grant, subject to a retention period (during which the shares cannot be sold) of one year from the vesting date of each deferred tranche.

Bonus > Euro 50 thousand (or 1/3 of total annual remuneration) and ≤ Euro 424 thousand:

o 60% is attributed at the date the bonus is granted (up-front portion): 30% cash and 30% through phantom stock subject to a retention period of 1 year. The other 40% (20% cash and 20% through phantom stock) is deferred in equal annual instalments over the five years from that of the grant, subject to a retention period (during which the shares cannot be sold) of one year from the vesting date of each deferred tranche.

Bonus ≤ Euro 50 thousand and ≤ 1/3 of total annual remuneration:

o paid up-front in monetary form.

The LTI Plan 2019-2021 envisages annual incentive opportunities for Key personnel ranging from 32% to 45% over a three-year period.

Please refer to paragraph 7.1 for the other aspects.

The ex-post adjustment mechanisms are similar to those explained for the CEO and GM.

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 malus mechanism, which can block payment of the deferred portions of the bonus, also acts on activation of the clawback clauses. The bonuses paid are subject to the application of claw-back clauses in the same manner and circumstances as were defined in paragraph 7.1 above.

Change of control clauses are not currently foreseen for any Key personnel.



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## 7.3. Remuneration of control functions

The remuneration of those in charge of Control functions is composed of a fixed component supplemented by a specific function indemnity and a variable component which can be up to a maximum of 33% of the fixed component. The latter does not depend on meeting financial targets, but is related to the specific objectives of the function, in order to safeguard the independence that is required of these functions. Unlike what applies for key personnel, the payment of bonuses for the control functions is subject only to the entry gates based on capital (CET1) and liquidity (LCR) 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 the rules for deferment of the variable portion, use of financial instruments, the malus and clawback clauses defined for the other Key personnel and described in the paragraph 7.2 above.

## 7.4. Remuneration of managers

The remuneration of managers consists of a fixed element and a variable element. Net of any component resulting from the application of agreements with the Trade Unions, the variable part is of limited amount and basically remains within a maximum of 50% of the fixed component[41], and in any case within the limit set by the law and by the articles of association.

The managers are beneficiaries of the MBO plan explained in paragraph 7.1[42]. In the event that the minimum levels associated with the entry gate parameters applied to key personnel are not reached, the Board of Directors of the Parent Company can decide whether to recognise bonuses of a limited amount, within a buffer that could be significantly lower than the original bonus pool.

The personal scorecards of managers are linked to results relevant to their respective roles[43] and responsibilities, comprising quantitative and qualitative objectives similar to those indicated in section 7.1. The qualitative assessment is derived from the annual performance management scorecard and refers in particular to the assessment of the behaviour and methods adopted in order to achieve the objectives and an assessment of the context in which they were developed. Since, in a limited number of cases, it is not feasible to identify quantitative indicators representative of the functions held by certain persons, the parameters applicable to the broader organisations to which they belong are used, considering from a qualitative standpoint, where applicable, their actual contributions to achieving these results.

If the bonus exceeds Euro 50,000 or 50% of the fixed remuneration (always lower than the maximum limit established), a part will be deferred for at least one year, subject to malus conditions (where not otherwise specified, the malus conditions applying to Key personnel are used).

[41] Except for specific situations in which it is possible to raise this percentage (for example the payment of entry bonuses or incentives packages designed to facilitate the acquisition of resources that the company deems necessary for the achievement of important objectives).

[42] The operating rules (e.g. entry gates, KPI, qualitative assessment and corrective action) foreseen for the specific perimeter are applied to MBO recipients subject to specific perimeters (network, private bankers, Bper Credit Management managers).

[43] Measured using KPIs that are derived from the Strategic Framework linked to the scorecard described in paragraph 7.1 with reference to the CEO and General Manager. The parameters take on different weightings according to the activities that the person concerned performs, the responsibilities that they have been assigned and the operating levers that they manage. A small number of executives, especially those in units run by in-charge managers, do not benefit from the MBO scheme and participate in the bonus system established for their organisation.



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When a manager participates in the long-term incentive scheme, the conditions envisaged for key personnel under this scheme apply to the manager. The system is described in paragraph 7.1.

As required by the regulations[44], the bonuses paid are subject to claw-back clauses in the same manner and circumstances as were defined in paragraph 7.1 above.

In the case of personnel with important responsibilities in control functions (other than those in charge of such functions), who are not included among key personnel, except as required by the National Labour Contract (CCNL) and collective agreements with the Trade Unions, the variable element is related to specific objectives of the function in question and not to the achievement of financial targets.

## 7.5. Remuneration of other personnel

The remuneration of middle managers and professional areas consists of a fixed element and a variable element. Net of any component resulting from the application of agreements with the Trade Unions, the variable part is of limited amount and in any case remains within a maximum of 50% of the fixed component[45], and in any case within the limit set by the law and by the Articles of Association.

If the bonus exceeds Euro 50,000 or 50% of the fixed remuneration (always lower than the maximum limit established), a part will be deferred for at least one year, subject to malus conditions (where not otherwise specified, the malus conditions applying to Key personnel are used).

A significant portion of these categories of personnel benefit from MBO[46] schemes linked to both qualitative and quantitative criteria. The most important relate to the network, to private bankers and NPE managers.

As required by the regulations[47], the bonuses paid are subject to claw-back clauses in the same manner and circumstances as were defined in paragraph 7.1 above.

In the case of personnel with important responsibilities in Control functions (other than those in charge of such functions), who is not included among Key personnel, except as required by collective agreements with the Trade Unions, the variable element is related to specific objectives of the function in question and not to the achievement of financial targets.

### Incentive scheme (MBO)

In recent years, an increasing number of employees have been included as beneficiaries of the Group's MBO scheme, clearly with some differences related to the specific nature of the functions and activities performed. The MBO scheme now covers more than 60% of Group employees and almost all those who hold positions in the commercial sphere, in order to ensure greater consistency with the role covered. Additional performance indicators have been defined for certain categories of personnel. These are linked to their individual or team ability to generate revenues and supplement the

[44] Bank of Italy Circular 285.
[45] Except for specific situations in which it is possible to raise this percentage, but generally not beyond 100% (for example the payment of entry bonuses or incentives packages designed to facilitate the acquisition of resources that the company deems necessary for the achievement of important objectives).
[46] The assignment of bonuses linked to performance assessment or exceptional situations, to integrate what is foreseen by the MBOs are non excluded.
[47] Bank of Italy Circular 285.



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existing entry gates for application of the MBO scheme.

The MBO system requires the entry gates to be exceeded. In order to establish a link with the performance of the business, the amount of each bonus pool for specific clusters of functions or companies is tied to one/two specific indicators measured against the budget objectives. The size of the target bonus is usually determined by the position held, while that for the managers of customer portfolios is usually linked to the size of the portfolio managed. Individual bonus amounts are linked to achievement of the objectives set in the respective scorecards, which are strictly quantitative in nature, and the overall management assessment, which is mostly based on qualitative objectives. An adjustment factor linked to compliance parameters is then applied to the results.

In order to ensure ongoing consistency with the objectives set out in the Plan, individual and Group targets are reviewed during the year.

For some specific figures not belonging to key personnel, a particular type of MBO is envisaged which lasts for several years; it can supplement the annual MBO.

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## 7.6. Remuneration of external collaborators

Group companies benefit from the contribution of a very limited number of freelancers who do not have a full-time employment contract with the company. They are normally people who have specific skills that are required for a limited period of time, or as part of specific projects, which are complementary and/or of support to the activities performed by employees.

As a rule, the remuneration of external collaborators only consists of a fixed element. However, there is the possibility for variable remuneration to be awarded, still within the limits of 50% of the fixed component[48] and in any case within the limit set by law and articles of association. The amount of the variable component will be determined each time based on specific indicators for the activity carried on.

Any costs involved in performing their duties are incurred directly by the Bank or Company, or reimbursed to the collaborator.

The activities and remuneration of collaborators are evaluated as part of the process of identifying key personnel for inclusion or exclusion, following specific procedures, in accordance with the relevant regulations.

In order to achieve its strategic objectives and provide services to customers, the Group also makes recourse to financial advisers, engaged under agency contracts (for wealth management services), and financial agents (for consumer credit activities)[49].

The structure of their remuneration, usually entirely variable due to the autonomous nature of their contracts, distinguishes between a "recurring" component (similar to fixed) and a "non-recurring" component (similar to variable), in line with the Bank of Italy's Instructions.

The former represents the most stable part of the remuneration of the adviser/agent. This relates to the routine activities carried out, reflecting the main characteristics of the agency contract: the payment of percentage commissions agreed in advance between the Bank and the Agent and linked to "conclusion of the business" (e.g. formal agreement to purchase financial products offered by third parties or Group companies) introduced by the adviser/agent.

The latter, on the other hand, represents an incentive linked to the achievement of specified objectives (e.g. net inflows, development of the customer portfolio or banking customers etc.) and, as such, is subject to exceeding specified entry gates[50]. In general terms, the "short-term" incentive schemes that reward business development are complemented by "medium-term" schemes that build loyalty and consolidate the relationships with the financial advisers or agents concerned.

These objectives are defined in a manner that does not reward conduct inconsistent with the interests of customers.

Similarly, management of the remuneration and incentive schemes for financial advisers and financial agents dedicates special attention to the evaluation of individual conduct, as well as the control over operational and reputational risks (e.g. compliance with the regulations and internal procedures and transparency in relations with customers). This ensures that

[48] Except for specific situations in which it is possible to raise this percentage, once verified limits set by the current articles of association (for example the payment of entry bonuses or incentives packages designed to facilitate the acquisition of resources that the company deems necessary for the achievement of important objectives).

[49] The Group also works with insurance agents, none of whom have been identified as Key personnel and who are always remunerated on a current basis.

[50] If part of the commission falls within the non-recurring component, the entry gates to which it is subject are represented by the minimum supervisory requirements for capital and liquidity at the time the commission is paid.



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the work of financial advisers and agents is focused on satisfaction of the interests of customers, in compliance with sector regulations. "Non-recurring" remuneration is therefore subject to partial or total reduction (malus) and/or repayment (claw-back) mechanisms in the event of fraudulent behaviour or gross negligence, without which the bonus would not have been awarded.

Remuneration can be affected by specific quality clauses, examples of which are listed below: audits with adverse or partly adverse outcomes, justified customer complaints about facts attributable to the adviser or agent, penalties levied by supervisory authorities etc.

The activities and remuneration of financial advisers/agents are evaluated as part of the process of identifying key personnel for inclusion or exclusion, following specific procedures, in accordance with the relevant regulations.

The non-recurring remuneration of any financial advisers and/or agents identified as key personnel within the Group is subject to the same rules (entry gates, ratio of non-recurring/recurring components, deferrals, malus and claw-back clauses) envisaged for payment of the variable remuneration of other key personnel (see section 7.2).

## 7.7. Remuneration of the Network: focus on transparency in the sale of banking goods and services

The Banking Group has identified the personnel considered significant for the sale of banking goods and services.

In particular, 9,032 persons[51] with systems of remuneration described above report to 71 area managers or equivalent managerial roles.

The remuneration of significant persons does not provide incentives to work in their own interests or that of the intermediary, to the detriment of the customer. In particular, the variable component of the remuneration:

- is linked to quantitative and qualitative criteria;
- does not incentivise the offer of a specific product or category or combination of products that fails to satisfy the objectives and financial needs of the customer;
- is suitably balanced with respect to the fixed component of the remuneration;
- is subject to adjustment mechanisms that allow for its reduction (even significantly) or elimination in the event of conduct that resulted in or contributed to significant losses for customers.

Verification that the commercial and economic-financial objectives have been satisfied is completed by a management evaluation that focuses, in particular, on the contribution made to customer satisfaction and loyalty, as well as to the development and dissemination of a team spirit. In order to contain exposures within the limits defined in the risk management policies of the Banking Group, having regard for the applicable regulatory limits, the remuneration and incentive systems for personnel responsible for the assessment of creditworthiness also include indicators that monitor the prudent management of risk, including credit risk in particular.

[51] Persons within the commercial network who work mostly in branches or facilities in direct contact with customers, private bankers, contact centre operators, financial advisers and agents.



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The overall assessment includes the results from monitoring the organisations responsible for checking the adequacy of customer relations, the low level of complaints attributable to specific responsibilities for improper conduct towards customers and adjustments linked to the assessment of other quality indicators (e.g. proper Mifid profile, mandatory training).

The results of checks carried out by the control functions are also considered.

These elements, used to assess proper personal conduct (compliance with internal regulations and procedures and transparency in relations with customers), are given due consideration when assigning the variable component.

## 7.8. Remuneration of SGR personnel

The Banking Group includes an asset management company (UCITS–AIF) subject to the related sector regulations[52] deriving from the transposition into Italian law of the 2014/91/EU (UCITS V) and 2011/61/EU(AIFMD) Directives. These were most recently updated by the Bank of Italy Regulation issued on 5 December 2019 pursuant to arts. 4-undecies and 6, paras. 1. b) and c-bis), of Legislative Decree 58/98 and the specific requirements of the broader consolidated banking regulations.

This subsidiary prepares the remuneration and incentives policy for its personnel in application of the principles and objectives embodied in the Group's remuneration policy (described in chapter 3), having regard for the applicable regulatory requirements and, in particular:

- the role of the Shareholders' Meeting, the Corporate bodies, the Remuneration Committee and the governance processes, the latter at company level, regarding the coordination and control role of the Parent Company[53];
- identification of key personnel at SGR level and contribution to the process of identifying the key personnel at Group level;
- clear distinction between fixed and variable remuneration;
- incentive systems linked to the performance indicators of the SGR (Asset Management Company), and OICVMs (Undertakings for the Collective Investment in Transferable Securities) and FIAs (Alternative investment Fund) , as managed and measured net of any risks associated with their operations, and taking account - via the definition of entry gates[54] and mechanisms for determining the bonus pool - of the financial assets and liquidity needed to cover the activities and investments of the SGR and the funds;
- application of specific deferral procedures for the different categories of risk takers, envisaging assignment of part of the variable remuneration in the form of financial instruments linked to fund units;
- limits on the variable remuneration, having regard for membership of the Banking Group and the applicable regulations in force at the time (see section 7 above on the Remuneration Policy for 2020: “Ratio

[52] Joint Bank of Italy and Consob regulation dated 27 April 2017.
[53] The Parent Company prepares the remuneration and incentives policy for the entire Banking Group, ensures its overall consistency, provides necessary guidance for its implementation and checks its proper application, without prejudice to the responsibility of the SGR to comply with those regulations that are directly applicable and implement properly the guidance provided by the Parent Company.
[54] In addition to the minimum supervisory requirements for the capital adequacy and liquidity of the Banking Group.



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between variable and fixed remuneration" and the application of exceptions to the maximum limit on the variable/fixed remuneration ratio[55]);

- specific malus conditions[56] and claw-back mechanisms;
- specific conditions with regard to severance payments;
- disclosure requirements.

The Parent Company includes SGR personnel in the process followed to identify Key personnel. Inclusion involves adoption of the qualitative criteria envisaged in the EBA technical standards, with particular reference to the possibility that the activities of those persons in significant operating units might have a significant impact on the risks faced by the Group, including its economic, financial and/or reputational risks. Inclusion also involves adoption of the quantitative criteria envisaged by the regulations that govern the exclusion mechanisms and procedures.

Without prejudice to the variable remuneration limits described, the SGR personnel identified as Key personnel within the Group are subject to the criteria specified in this Remuneration Policy regarding, in particular:

- deferral rules (percentages and time horizon);
- percentage recognised, consistent with sector requirements, in the form of financial instruments (fund units);
- malus and claw-back clauses[57] ;
- remuneration policy applied to the severance payments made to key personnel;
- other specific conditions applicable to key personnel within the Group.

With reference to the entry gates, in addition to the SGR-specific conditions and the minimum regulatory requirements for capital adequacy and liquidity, the monetary element of the annual incentive is subject to the capital adequacy and liquidity requirements envisaged for Key personnel within the Group.

The above requirements for persons identified as Key personnel within the Group supplement the remuneration policy of the SGR and its specific requirements.

[55]The proposed exception to the limit on the variable/fixed remuneration ratio and, accordingly, its increase to 3:1 with respect to the cap set at Group level (2:1) for the management of Arca Fondi S.g.R (including Key personnel within the Group) and the personnel involved in the investment process and commercial development activities, including enhancement of the digital platforms, applies to a maximum of 40 persons in 2020 and will be presented for approval to the BPER Shareholders' Meeting held on 22 April 2020.

[56] In addition to the malus conditions linked to the minimum supervisory requirements for the capital adequacy and liquidity of the Group.

[57] As for the other MRTs within the Group, the deferred components are subject to the same entry gates for the payment of bonuses, in this case being the capital adequacy and liquidity gates envisaged for Key personnel within the Group that are applied to the monetary element



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## 7.9. No-competition agreements, notice extension agreements and stability and/or retention agreements

When the need to safeguard the Group's competitiveness and particular professional skills, as well as to protect commercial goodwill and customers' interests, requires or makes it appropriate, the Group can enter into no-competition agreements with specific categories of personnel and/or on an individual basis, whether in an ongoing working relationship or on severance. These agreements must comply with the Bank of Italy's Supervisory Provisions, jurisprudential interpretations, market practices and the criteria and limits approved by the Shareholders' Meeting.

For similar purposes, the Group can also sign agreements aimed at extending employees' period of notice in the event of resignation. Such agreements, which also aim to satisfy the Group's need to guarantee over time the collaboration of particularly qualified workers, envisage the payment of small amounts for periods of effective respect of the commitment taken on.

Any forms of retention bonuses and/or stability agreements will be governed in accordance with the rules, regulations and labour law applicable at the time.

Payments to remunerate agreements that cover ongoing working relationships must satisfy the entry gates represented by the minimum supervisory requirements for capital adequacy and liquidity, as determined at the time of payment[58].

The amounts paid under such agreements are subject to the specific provisions laid down in the latest update of the Bank of Italy's Circular 285.

## 7.10. Fringe benefits

The total remuneration package for the various positions can be supplemented by fringe benefits for all employees or for particular positions, depending on the functions that they perform, the level in the organisation or specific limited attributions. The allocation of such remuneration components is regularly compared with the best market practices in order to assess the competitiveness of the treatment accorded to Group employees.

## 7.11. Compensation granted on termination of employment of key personnel

The Supervisory Provisions on the subject of remuneration provide that the remuneration agreed upon either on the occasion of the early termination of the employment relationship or early termination of the office (so-called golden parachute or additional remuneration) are subject to a particular provision contained in the same Supervisory Provisions, to which reference

[58] In particular, this applies to the amounts paid, in relation to ongoing working relationships, for no-competition agreements, notice extension agreements and stability agreements (and/or retention bonuses).



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should be made.

Without prejudice to the exemptions foreseen by the Supervisory Provisions, which will be applied by the Group if the circumstances arise, and without prejudice to the specific regulations envisaged for the various categories of personnel, it should be noted that the following amounts do not form part of the additional remuneration mentioned above:

- amounts paid in lieu of notice, within the limits established by law and collective labour contract;
- amounts paid for non-competition agreements, for the portion that does not exceed the last year of fixed remuneration;
- amounts paid in execution of a decision by an independent third party (judge or arbitrator) on the basis of applicable legislation.

If there are cases of termination of employment on the initiative and/or interest of the Group, in a unilateral or consensual form, additional compensation may be envisaged as a leaving indemnity or in the case of early retirement (for whatever reason) or paid for the settlement of a current or potential dispute, in order to avoid the risk of the court deciding against the Group.

The amount of such additional remuneration cannot exceed two years' fixed remuneration and will be subject to a maximum limit of € 2.4 million (gross per employee).

Any amounts paid for a non-competition agreement on early termination of employment or office are included in the sum that is subject to this limit.

As regards the relationship between fixed and variable remuneration, the criteria mentioned in the Supervisory Provisions will be respected (taking into account any exemptions, such as the exclusion - for the purposes of this relationship - of any amounts paid for that part of a no-competition agreement not exceeding the last year of fixed remuneration).

The remuneration in question will take account of the performance achieved over time and the risks assumed by the individual and the company.

These additional amounts of remuneration must therefore be defined taking into account, in addition to the purposes set out above, an overall assessment of the person's work in the various positions held, the presence or otherwise of individual sanctions imposed by the Supervisory Authority, having particular regard to the levels of capitalisation and liquidity of the Group (specifically, reference is made to the fact that at the time of signing the agreement on compensation, the Bank's liquidity and capital exceed the minimum requirements laid down by the Supervisory Authorities).

These additional amounts of remuneration are subject to the deferral mechanisms and use of financial instruments envisaged for the payment of variable remuneration to key personnel and are subject to the same claw-back and related malus clauses, to the extent that they are applicable. With regard to any deferred portions, they will be subject, by way of further malus clauses, to passing the capital and liquidity gates defined for the annual



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incentive schemes.

If a party to the agreement is a member of the control functions, the following predefined formula will apply to quantify any additional amounts of remuneration: 1 monthly payment for each year of service provided, up to a maximum of 1 year of fixed remuneration[59].

For the personnel who access the Sector Solidarity Fund, the specific agreements established with the Trade Unions will apply.

So, for them, the above amounts are not taken into account when calculating the variable/fixed ratio.

Also for the heads of control functions, the overall limit to "additional amounts of remuneration" is equal to 2 years of fixed remuneration.

Similar arrangements for Managers who are not part of Key personnel are limited to the provisions of the National Labour Contract for specific arbitration proceedings. The capital and liquidity conditions and the malus and claw back assumptions will also apply to non-MRT managers.

In exceptional circumstances regarding individuals who are not deemed to be Key personnel, the Group may raise the maximum variable/fixed remuneration to 2:1 in order to make payments ahead or at the time of severance, without prejudice to the specifics envisaged for the personnel of Arca Fondi S.g.R. and embodied in the specific remuneration policies of the Company, while complying in all cases with the maximum limits stated in these policies.

## 7.12. Discretionary pension benefits

There is no provision for discretionary pension benefits for anyone in the company for the early termination of employment or office.

[59] Without prejudice to the exemptions referred to in Circ. 285, part one, title IV, Chap. 2, Sec. III, 2.2.3 which are an alternative to the formula.



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# 8. Information on implementation of the 2019 Remuneration Policies

In accordance with the current Supervisory Provisions and the remuneration policies introduced by the BPER Group for 2019[60], the following information is provided on implementation of the remuneration policies and remuneration plans that have been put in place:

a. aggregate quantitative information on remuneration, broken down by business area;
b. aggregate quantitative information on remuneration, broken down among the various categories of "Key personnel", indicating the following elements:
   I. the amounts of remuneration for the year, split into fixed and variable elements[61] and the number of beneficiaries;
   II. the amounts and forms of variable remuneration, split into cash, shares, instruments linked to share and other types;
   III. the amounts of outstanding deferred remuneration, split between the vested and unvested portions;
   IV. the amounts of deferred remuneration recognised during the year, paid and reduced through mechanisms for correcting the results;
   V. any "golden hellos" and "golden handshakes" paid during the year and the number of beneficiaries;
   VI. the amounts of severance indemnities paid during the year, the number of beneficiaries and the highest amount paid to a single person.
c. Information on the total remuneration of the Chairman of the strategic supervisory body and of each member of the management body, General Manager, Assistant General Managers and Deputy General Managers. This information as regards BPER Banca and Banco di Sardegna is shown in table 1 "Remuneration paid to members of the boards of directors and statutory auditors, the General Managers and other Managers with strategic responsibilities" published in the respective section II of the 2020 Report on remuneration policy and payments made. The remuneration of members of the Board of Directors shown here is the amount actually received for the position held in the specific bank. For the remuneration of the General Managers and Deputy General Managers of the Italian Banks, taxable income for social

[60] The following tables also provide the information on 2018 remuneration policies.
[61] It is worth specifying that amounts awarded for non-competition and notice extension agreements are considered variable remuneration



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security purposes earned in 2019 has been taken into account, while the corresponding amount has been considered for the foreign bank. The variable remuneration earned in 2019 is indicated for significant personnel. With regard to 2019, three[62] persons benefited from remuneration in excess of Euro 1 million.

**d. The variable remuneration tied to performance is estimated with reference to pre-closing data and is subject to change when the final information becomes available.**

[62] Including one leaver on 31 December 2019.



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**Table 1.** Aggregate quantitative information on remuneration, broken down by business area.

| | Business areas | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| BPER BANCA GROUP | Members of the strategic supervisory body | Members of the management body | Investment banking | Retail banking | Asset management | Business functions | Control functions | Other |
| Staff (number of persons) | 59 | 23 | | | | | | |
| Staff (FTE) | | | 172 | 10,575 | 147 | 2,649 | 304 | 167 |
| Fixed remuneration (mn €) | 3.4 | 5.4 | 9.4 | 434.0 | 8.2 | 112.8 | 13.9 | 6.1 |
| Variable remuneration (mn €) | - | 2.2 | 0.8 | 28.1 | 3.5 | 5.5 | 0.7 | 0.2 |
| BPER BANCA | Members of the strategic supervisory body | Members of the management body | Investment banking | Retail banking | Asset management | Business functions | Control functions | Other |
| Staff (number of persons) | 10 | 11 | | | | | | |
| Staff (FTE) | | | 143 | 7,969 | 26 | 2,002 | 274 | 44 |
| Fixed remuneration (mn €) | 1.5 | 3.0 | 7.9 | 321.8 | 1.3 | 84.0 | 12.3 | 2.0 |
| Variable remuneration (mn €) | - | 0.8 | 0.6 | 20.4 | 0.1 | 3.7 | 0.6 | 0.1 |
| BANCO DI SARDEGNA | Members of the strategic supervisory body | Members of the management body | Investment banking | Retail banking | Asset management | Business functions | Control functions | Other |
| Staff (number of persons) | 8 | 5 | | | | | | |
| Staff (FTE) | | | 29 | 1,902 | - | 482 | 24 | 15 |
| Fixed remuneration (mn €) | 0.5 | 0.5 | 1.5 | 81.6 | - | 21.7 | 1.3 | 0.6 |
| Variable remuneration (mn €) | - | 0.2 | 0.1 | 6.8 | - | 1.5 | 0.1 | 0.0 |

**Note 1**: the above figures relate to the amounts of taxable income (for social security purposes) for employees of Italian companies and the corresponding amounts for foreign companies at 31 December 2019. With regard to the members of the administrative and control bodies, only the persons in office at 31 December 2019 are counted and the remuneration shown here corresponds to the total paid to directors actually in office during the financial year. The members of the management body are the Chief Executive Officer, the members of the Executive Committee, the General Manager and officers with similar functions in other Group banks/companies.
**Note 2**: The figures for staff on secondment have been charged to the company where they were hired (seconding company).



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**Table 2.** Aggregate quantitative information on remuneration, divided between the various categories of "Key personnel" (GROUP FIGURES)

| Code of the Banking Group | BPER Banca Group | | | | | | | | BPER Banca Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Reference period | 2018 | | | | | | | | 2019 | | | | | | | |
| Business areas | Members of the strategic supervisory body | Members of the management body | Investment banking | Retail banking | Asset management | Business functions | Control functions | Other | Members of the strategic supervisory body | Members of the management body | Investment banking | Retail banking | Asset management | Business functions | Control functions | Other |
| Key personnel (number of persons) | 45 | 21 | | | | | | | 41 | 20 | | | | | | |
| Key personnel (number of persons) | | | 5 | 35 | - | 10 | 13 | - | | | 6 | 34 | - | 10 | 13 | - |
| Key personnel in top management | | | 1 | 3 | - | 4 | 6 | - | | | 1 | 3 | - | 3 | 6 | - |
| Total fixed remuneration (mn €) | 2.51 | 4.71 | 0.72 | 5.71 | - | 2.12 | 1.73 | - | 2.80 | 4.35 | 0.91 | 5.39 | - | 2.02 | 1.79 | - |
| Total variable remuneration (mn €)* | - | 1.03 | 0.18 | 1.58 | - | 0.53 | 0.24 | - | - | 1.11 | 0.22 | 1.43 | - | 0.53 | 0.25 | - |
| of which: cash | - | 0.54 | 0.13 | 1.08 | - | 0.35 | 0.24 | - | - | 0.57 | 0.15 | 1.08 | - | 0.35 | 0.25 | - |
| of which: in equity and equity related instruments | - | 0.49 | 0.05 | 0.50 | - | 0.18 | - | - | - | 0.54 | 0.07 | 0.35 | - | 0.18 | - | - |
| of which: in other financial instruments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total deferred variable remuneration (mn €) | - | 0.49 | 0.05 | 0.47 | - | 0.17 | - | - | - | 0.55 | 0.07 | 0.35 | - | 0.18 | - | - |
| of which: cash (mn €) | - | 0.16 | - | 0.07 | - | 0.03 | - | - | - | 0.20 | - | 0.09 | - | 0.06 | - | - |
| of which: in equity and equity related instruments (mn €) | - | 0.33 | 0.05 | 0.40 | - | 0.14 | - | - | - | 0.35 | 0.07 | 0.26 | - | 0.12 | - | - |
| of which: in other financial instruments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred remuneration recognised in previous years and not in the reference year - share allocated (mn €) | - | 0.11 | 0.00 | 0.02 | - | 0.05 | - | - | 0.02 | 0.11 | 0.00 | 0.03 | - | 0.06 | - | - |
| Deferred remuneration recognised in previous years and not in the reference year - share not allocated (mn €) | - | 0.30 | 0.00 | 0.04 | - | 0.08 | - | - | 0.05 | 0.64 | 0.05 | 0.39 | - | 0.18 | - | - |
| Amount of ex post correction applied during the period to the variable remuneration for previous years (mn €) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Number of beneficiaries of guaranteed variable remuneration | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total amount of guaranteed variable remuneration (mn €) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Number of beneficiaries receiving signing bonuses ("golden hellos") | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total amount of payments for signing bonuses (mn €) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Number of beneficiaries receiving payments for early termination of employment ("golden handshakes") | - | - | - | - | - | - | - | - | - | 2 | - | - | - | - | - | - |
| Total amount of payments for early termination of employment (mn €) | - | - | - | - | - | - | - | - | - | 1.03 | - | - | - | - | - | - |
| Number of beneficiaries receiving payments for termination of employment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total amount of payments for termination of employment (mn €) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Number of beneficiaries of discretionary pension benefits | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total amount of discretionary pension benefits (mn €) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

* Including the company bonus.
The largest amount paid/due to a single person on termination of the working relationship was Euro 750 thousand, being: Euro 250 thousand as a leaving incentive and Euro 500 thousand for a no-competition agreement



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**Table 3.** Information on the total remuneration of the Chairman of the strategic supervisory body and of each member of the management body, the General Manager, Assistant General Managers and Deputy General Managers (figures in thousands of euro)

| Banca di Sassari | | | | | | |
|---|---|---|---|---|---|---|
| **Name** | **Office** | **Period in which the position was held** | **Fixed remuneration** | **Variable remuneration** | **Total remuneration** | |
| Mario Mariani | Chairman | 01/01-31/12 | 50 | | 50 | |
| Fabrizio Togni | Deputy Chairman | 01/01-31/12 | 30 | | 30 | |
| Carlo Barbarisi | Director | 01/01-31/12 | 23 | | 23 | |
| Giuseppe Cuccurese | Director | 01/01-31/12 | 20 | | 20 | |
| Gianluca Formenton | Director | 11/10-31/12 | 4 | | 4 | |
| Eugenio Garavini | Director | 01/01-31/12 | 20 | | 20 | |
| Monica Pilloni | Director | 01/01-31/12 | 22 | | 22 | |
| Diego Rossi | Director | 01/01-30/09 | 15 | | 15 | |
| Diego Rossi | General Manager | 01/10-31/12 | 189 | 48 | 237 | fap** |
| Giorgio Lippi | General Manager | 01/01-30/09 | 279 | | 279 | fap* |

* considered taxable income in 2019 for social security
** considered total taxable income in 2019 for social security, including remuneration linked to the position held at the Parent Company

| Cassa di Risparmio di Bra | | | | | | |
|---|---|---|---|---|---|---|
| **Name** | **Office** | **Period in which the position was held** | **Fixed remuneration** | **Variable remuneration** | **Total remuneration** | |
| Francesco Guida | Chairman | 01/01-31/12 | 99 | | 99 | |
| Luigi Giuseppe Barbero* | Deputy Chairman | 01/01-31/12 | 37 | | 37 | |
| Fabio Alfieri | Director | 01/01-31/12 | 21 | | 21 | |
| Claudio Battistella* | Director | 01/01-31/12 | 31 | | 31 | |
| Roberto Maria Renato Costamagna | Director | 01/01-31/12 | 23 | | 23 | |
| Gianluca Formenton | Director | 01/01-31/12 | 18 | | 18 | |
| Paolo Mazza* | Director | 01/01-31/12 | 27 | | 27 | |
| Carla Maria Porro | Director | 01/01-31/12 | 21 | | 21 | |
| Corrado Savigni* | Director | 01/01-31/12 | 27 | | 27 | |
| Paolo Cerruti | General Manager | 01/01-31/12 | 206 | 55 | 261 | fap** |

*Executive Committee members
**considered taxable income in 2019 for social security



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| Cassa di Risparmio di Saluzzo | | | | | | |
|---|---|---|---|---|---|---|
| **Name** | **Office** | **Period in which the position was held** | **Fixed remuneration** | **Variable remuneration** | **Total remuneration** | |
| Roberto Civalleri | Chairman | 01/01-31/12 | 86 | | 86 | |
| Mariella Acchiardo | Deputy Chairman | 01/01-31/12 | 40 | | 40 | |
| Claudio Battistella | Director | 01/01-31/12 | 9 | | 9 | ** |
| Giancarlo Ferraris | Director | 01/01-31/12 | 34 | | 34 | |
| Giovampaolo Lucifero | Director | 01/01-15/4 | 9 | | 9 | |
| Gianluca Poluzzi | Director | 01/01-24/6 | 9 | | 9 | ** |
| Davide Vellani | Director | 01/01-31/12 | 9 | | 9 | ** |
| Corrado Savigni | Director | 15/4-31/12 | 22 | | 22 | |
| Giorgio Barbolini | Director | 05/07-31/12 | 15 | | 15 | |
| Giorgio Barbolini | General Manager | 01/01-04/07 | 155 | 37 | 192 | fap* |
| Antonio Rosignoli | General Manager | 05/07-31/12 | 265 | 53 | 318 | fap*** |

* considered taxable income in 2019 for social security
** from April 2019, the remuneration recognised to Group personnel for positions held in subsidiaries is reimbursed by the subsidiary to the company that employs them.
*** considered taxable income for the whole of 2019 for social security



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# SECTION II - 2019 ANNUAL REMUNERATION REPORT



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# PART I

## 1.1. Items that make up remuneration

The 2019 remuneration policy, approved by the Shareholders' Meeting of 17 April 2019, was defined with the aim of ensuring consistency with the principles and purposes that inspire the Group. It is divided into various remuneration components, differing from each other according to the objective for which they have been established. The main components foreseen in the BPER Group's remuneration policy for 2019 are:

**Fixed remuneration**

- Envisaged for all levels of responsibility and calibrated according to specific factors such as the complexity of the role, measured by adopting appropriate valuation methodologies, individual responsibilities, professionalism and experience.
- The fixed remuneration, which is constantly monitored for internal and external equity, is determined with reference to the members of the Board of Directors, also in relation to the particular positions held in the various Group companies and participation in Board Subcommittees.
- The definition of remuneration levels is conducted in compliance with the principle of sound and prudent management of the Bank, with a view to sustainability.
- The fixed remuneration may be complemented by fringe benefits that, depending on the type, may be applied to all employees or, on the other hand, be aimed at specific positions or roles.
- No discretionary pension benefits are envisaged.

**Variable remuneration**

- Incentive schemes are designed to ensure consistent and effective alignment with the company's strategic objectives and, hence, to contribute to the creation of Shareholders' value, that ought to be sustainable in the medium to long term.
- The incentive schemes are designed to be consistent with the remuneration levels offered by the market for similar functions and in similar structures and are differentiated depending on the population of beneficiaries to allow greater efficiency, reflected in the ability to link bonuses to the specific activity carried out by the resources to whom they are intended.
- Particular attention is paid to the definition of performance targets that are objective and measurable, also with reference to so-called "qualitative" parameters for which assessments are made on the basis of metrics that are in turn based as much as possible on clear and defined indicators.
- The variable incentive schemes, particularly with reference to key personnel, are structured so as to ensure maximum consistency with the Bank's medium/long-term strategic objectives in accordance with the regulations. In particular, depending on the amount of the accrued bonuses, the MBO system provides different methods of payment and deferral. The portion to be paid in the form of financial instruments is payable in phantom stocks, i.e. virtual shares whose value is paid in cash once the deferment and/or retention period has



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elapsed. In 2019, 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. The Plan is designed to benefit about 40 senior personnel within the Group considered key to the success of the 2019-2021 Business Plan. The bonus is paid entirely in BPER Banca shares, part up-front and part deferred over 5 years in equal instalments.

- Incentive systems are also envisaged for the control functions and Managers responsible for preparing the Company's financial reports. For these resources, the incentive schemes are linked to the objectives of the role and, in any case, they are not related to economic performance, except for any agreements provided for under collective contracts, which apply to all employees and are applicable also to these professional roles.
- Incentives are subject to malus and clawback clauses.

**Early termination of the employment relationship**

- The remuneration policy offers the possibility to grant indemnities liked to early termination of the employment relationship (in addition to what is foreseen in collective contracts) or of the office. The policy relative to such remuneration also provides for maximum payments and constraints, in line with current regulations, on the manner and timing of payment (retention, types of instruments, etc.). The position of the former General Manager of BPER Banca, Fabrizio Togni, was terminated in 2019, with the up-front monetary payment of Euro 500,000, gross of taxation, for a no-competition agreement and the recognition of Euro 250,000 as a leaving incentive, payable partly in monetary form and partly as phantom stock. The number of phantom stock will be determined with reference to the BPER Banca share value specified in the "Prospectus for phantom stock compensation plan – *Phantom stock* 2020". The same methodology was also used to calculate the number of phantom stock recognised in the severance package for another employee of a Group bank.



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## 1.2. Main 2019 results and Pay-for-Performance

Remuneration policies are designed with the aim of ensuring an alignment between the results actually achieved and the remuneration paid. In this sense, the BPER Group policy envisages variable incentive schemes based on measurable performance indicators that are clear and directly related to Group and individual objectives, with different methods and weightings depending on the role, responsibilities and professional level.

Net Profit for 2019 was € 379.6 million, a figure that is not directly comparable with last year's result (€ 402.0 million which included non-recurring gains on debt securities) considering the different scope of the Group and the presence of significant non-recurring items: in particular, for the reorganisation of personnel, strategic operations, additional provisions against loans and advances, the impairment of property and equity investments, and recognition of the badwill generated on the acquisition of Unipol Banca.

Implementation of the remuneration policy in 2019 made it possible to ensure alignment between accrued incentives and the results achieved. The MBO system is based on a process of definition of the bonus pool and individual bonuses that are strongly oriented to ensure a direct link, on the one hand, with the financial results of the Group and, on the other, with the liquidity, capital and risk-adjusted return ratios, which are fundamental to ensure that the Group has a satisfactory overall solidity in terms of medium to long-term sustainability.

This process, with particular reference to Key personnel, is structured as shown in the following tables:

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Implementation of the Group's remuneration policies, with particular reference to the variable incentive component, during the course of 2019 as well as in previous years, made it possible to put into practice the aims of the policies to act as a direct link between the bonuses paid and the results achieved. The chart shows the trend in Group Net Profit and the bonuses paid to Key personnel from 2015 to 2019.

The interest of the Group, and especially of all corporate functions and corporate bodies involved in the definition of remuneration policies, is to further strengthen the link between results and bonuses, in order to create greater coherence and effectiveness, especially for variable incentive schemes.

In addition to the excellent economic results for 2019, the financial strength of the Group is also confirmed with a fully-phased CET1 ratio of 12.01% and a phased-in CET 1 ratio of close to 14%, both of which are considerably greater that the minimum ECB requirement for 2019 of 9.0%.

Furthermore, in addition to the excellent levels of profitability and capital adequacy, there has also been another significant improvement in asset quality. This is consistent with the broader derisking plan established in the BPER Group's NPE Strategy for 2019-2021. The huge effort that the Group has made to reduce non-performing loans has lowered significantly the NPE ratio to 11.1%, from 13.8% in December 2018.

The process of definition of the bonus foreseen in the MBO system is reflected in the following tables, with specific reference to the CEO:

## Determination of the CEO's bonus

Group performance

| Entry gates | |
|---|---|
| Common Equity Tier 1 Ratio (CET1) – pillar 1 | ✓ |
| Return On Risk-Weighted Assets (RORWA) | ✓ |
| Liquidity Coverage Ratio (LCR) | ✓ |

| Bonus pool (Multiplier) | No Bonus Pool | Base | Target | Maximum |
|---|---|---|---|---|
| Group Ordinary Gross Profit* | | | ■ | |

*net of extraordinary items



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The MBO scheme for the CEO is founded on 5 indicators that exceeded the entry gates for access to the system of incentives.

Risk correctives did not show any specific problems.

## The CEO's scorecard

**Individual performance**

**Quantitative assessment** (Weighting 80%)

| | | Not reached | Base | Target | Maximum |
|---|---|---|---|---|---|
| Group gross non-performing loans | 20% | | | | ■ |
| Group 1st Margin | 20% | | ■ | | |
| Group CET 1 ratio - Group Phased In | 20% | | | ■ | |
| Group operating costs | 20% | | | ■ | |
| Group default flow | 20% | | | | ■ |
| **Qualitative assessment** (Weighting 20%) | | | | ■ | |

Correction factors

| | |
|---|---|
| Economic Capital Adequacy Ratio (ICAAP) | ✓ |
| Gross NPL Ratio | ✓ |
| Liquidity Coverage Ratio (LCR) | ✓ |

| | Not reached | Base | Target | Maximum |
|---|---|---|---|---|
| Overall assessment of individual performance | | | ■ | |

The CEO's individual scorecard was positive overall; in other words, it was in line with the target performance level.

Following achievement of the target performance, the total bonus assigned to the Chief Executive Officer was € 377,986, which will be paid in accordance with the following schedule:



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**Method of payment of the CEO's bonus: 377,986 euros**

| 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|
| Performance Period | *Up-front Cash* (20%) 75,597 Euros | Deferred cash (5%) 18,899 Euros | *Deferred cash (5%) 18,899 Euros* | *Deferred cash (5%) 18,899 Euros* | *Deferred cash (5%) 18,900 Euros* | *Deferred cash (5%) 18,900 Euros* | |
| | *Retention of* 1 year → *Up-front Ph.Stock* (25%) 94,497 Euros | *Up-front Ph.Stock (25%)* | | | | | |
| | | *Retention of* 1 year → *Deferred Ph.Stock* (6%) 22,679 Euros | *Deferred Ph.Stock (6% of the bonus)* | | | | |
| | | | *Retention of* 1 year → *Deferred Ph.Stock* (6%) 22,679 Euros | *Deferred Ph.Stock (6% of the bonus)* | | | |
| | | | | *Retention* of 1 year → *Deferred Ph.Stock* (6%) 22,679 Euros | *Deferred Ph.Stock (6% of the bonus)* | | |
| | | | | | *Retention of* 1 year → *Deferred Ph.Stock* (6%) 22,679 Euros | *Deferred Ph.Stock (6% of the bonus)* | |
| | | | | | | *Retention of* 1 year → *Deferred Ph.Stock* (6%) 22,679 Euros | *Deferred Ph.Stock (6% of the bonus)* |



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# PART II

Remuneration paid during 2019, for any reason and in any form by the company and its subsidiaries and associates, to members of the boards of directors and statutory auditors, General Managers and other managers with strategic responsibilities.

**Table 1.** Remuneration paid to members of the boards of directors and statutory auditors, General Managers and other Managers with strategic responsibilities.
(Remuneration figures in thousands of Euro)

| (A) | (B) | (C) | (D) | (1) | (2) | (3) | | (4) | (5) | (6) | (7) | (8) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Office | Period in which the position was held | End of term of office | Fixed remuneration | Remuneration for participating in committee meetings | Variable non equity-based compensation | | Non-monetary benefits | Other remuneration | Total | Fair value of equity-based compensation | Compensation for loss of office or termination of employment |
| | | | | | | Bonuses and other incentives | Participation in profits | | | | | |
| PIETRO FERRARI | Chairman | 01/01-31/12 | 2021 AGM | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 396 | | | - | - | - | 396 | | |
| (II) Remuneration from subsidiaries | | | | | - | - | - | - | - | | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| (III) Total | | | | 396 | | - | - | - | - | 396 | | |
| GIUSEPPE CAPPONCELLI | Deputy Chairman | 01/01-31/12 | 2021 AGM | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 131 | | - | - | - | - | 131 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | 5 | - | - | - | - | - | 5 | | |
| (III) Total | | | | 136 | - | - | - | - | - | 136 | | |
| ALESSANDRO VANDELLI** | Chief Executive Officer* | 01/01-31/12 | 2021 AGM | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 931 | 29 | 98 | - | 4 | - | 1,062 | 208 | |
| (II) Remuneration from subsidiaries | | | | 14 | - | - | - | - | - | 14 | | |
| (II) Remuneration from associates | | | | 32 | - | - | - | - | - | 32 | | |
| (III) Total | | | | 977 | 29 | 98 | - | 4 | - | 1,108 | | |
| RICCARDO BARBIERI* | Director | 01/01-31/12 | 2021 AGM | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 81 | 29 | - | - | - | - | 110 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| (III) Total | | | | 81 | 29 | - | - | - | - | 110 | | |



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| (A) | (B) | (C) | (D) | (1) | (2) | (3) | | (4) | (5) | (6) | (7) | (8) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Office | Period in which the position was held | End of term of office | Fixed remuneration | Remuneration for participating in committee meetings | Variable non equity-based compensation | | Non-monetary benefits | Other remuneration | Total | Fair value of equity-based compensation | Compensation for loss of office or termination of employment |
| | | | | | | Bonuses and other incentives | Participation in profits | | | | | |
| MASSIMO BELCREDI | Director | 01/01-31/12 | 2021 AGM | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 81 | 29 | - | - | - | - | 110 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| (III) Total | | | | 81 | 29 | - | - | - | - | 110 | | |
| MARA BERNARDINI | Director | 01/01-31/12 | 2021 AGM | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 81 | 56 | - | - | - | - | 137 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| (III) Total | | | | 81 | 56 | - | - | - | - | 137 | | |
| LUCIANO FILIPPO CAMAGNI* | Director | 01/01-31/12 | 2021 AGM | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 81 | 29 | - | - | - | - | 110 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| (III) Total | | | | 81 | 29 | - | - | - | - | 110 | | |
| ALESSANDRO ROBIN FOTI | Director | 01/01-31/12 | 2021 AGM | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 81 | 33 | - | - | - | - | 114 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| (III) Total | | | | 81 | 33 | - | - | - | - | 114 | | |
| ELISABETTA GUALANDRI | Director | 01/01-31/12 | 2021 AGM | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 81 | 91 | - | - | - | - | 172 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| (III) Total | | | | 81 | 91 | - | - | - | - | 172 | | |
| ROBERTA MARRACINO | Director | 01/01-31/12 | 2021 AGM | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 81 | 38 | - | - | - | - | 119 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| (III) Total | | | | 81 | 38 | - | - | - | - | 119 | | |



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| (A) | (B) | (C) | (D) | (1) | (2) | (3) | | (4) | (5) | (6) | (7) | (8) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Variable non equity-based compensation | | | | | | |
| Name | Office | Period in which the position was held | End of term of office | Fixed remuneration | Remuneration for participating in committee meetings | Bonuses and other incentives | Participation in profits | Non-monetary benefits | Other remuneration | Total | Fair value of equity-based compensation | Compensation for loss of office or termination of employment |
| ORNELLA RITA LUCIA MORO | Director | 01/01-31/12 | 2021 AGM | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 81 | 34 | - | - | - | - | 115 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| (III) Total | | | | 81 | 34 | - | - | - | - | 115 | | |
| MARIO NOERA* | Director | 01/01-31/12 | 2021 AGM | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 80 | 28 | - | - | - | - | 108 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| (III) Total | | | | 80 | 28 | - | - | - | - | 108 | | |
| MARISA PAPPALARDO | Director | 01/01-31/12 | 2021 AGM | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 81 | 21 | - | - | - | - | 102 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| (III) Total | | | | 81 | 21 | - | - | - | - | 102 | | |
| ROSSELLA SCHIAVINI* | Director | 01/01-31/12 | 2021 AGM | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 81 | 49 | - | - | - | - | 130 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| (III) Total | | | | 81 | 49 | - | - | - | - | 130 | | |
| VALERIA VENTURELLI | Director | 01/01-31/12 | 2021 AGM | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 81 | 62 | - | - | - | - | 143 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| (III) Total | | | | 81 | 62 | - | - | - | - | 143 | | |
| PAOLO DE MITRI | Chairman of the Board of Statutory Auditors | 01/01-31/12 | 2021 AGM | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 142 | - | - | - | - | - | 142 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |



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| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CRISTINA CALANDRA BUONAURA | Acting Auditor | 01/01-31/12 | 2021 AGM | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 95 | - | - | - | - | - | 95 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| | | | | | | | | | | | | |
| DIANA RIZZO | Acting Auditor | 01/01-31/12 | 2021 AGM | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 95 | - | - | - | - | - | 95 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| | | | | | | | | | | | | |
| FRANCESCA SANDROLINI | Acting Auditor | 01/01-31/12 | 2021 AGM | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 95 | - | - | - | - | - | 95 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| | | | | | | | | | | | | |
| VINCENZO TARDINI | Acting Auditor | 01/01-31/12 | 2021 AGM | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 95 | - | - | - | - | - | 95 | | |
| (II) Remuneration from subsidiaries | | | | - | - | - | - | - | - | - | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| | | | | | | | | | | | | |
| FABRIZIO TOGNI*** | General Manager | 01/01-31/12 | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 509 | - | 45 | - | 7 | - | 561 | 125 | 750[#] |
| (II) Remuneration from subsidiaries***** | | | | 44 | 3 | - | - | - | - | 47 | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| | | | | | | | | | | | | |
| 5 DEPUTY GENERAL MANAGERS **** | | | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 1,537 | - | 113 | - | 22 | - | 1,672 | 243 | |
| (II) Remuneration from subsidiaries***** | | | | 118 | 12 | - | - | - | - | 130 | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| | | | | | | | | | | | | |



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| (A) | (B) | (C) | (D) | (1) | (2) | (3) | | (4) | (5) | (6) | (7) | (8) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Office | Period in which the position was held | End of term of office | Fixed remuneration | Remuneration for participating in committee meetings | Variable non equity-based compensation | | Non-monetary benefits | Other remuneration | Total | Fair value of equity-based compensation | Compensation for loss of office or termination of employment |
| | | | | | | Bonuses and other incentives | Participation in profits | | | | | |
| 4 MANAGERS WITH STRATEGIC RESPONSIBILITIES | | | | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | | | 782 | - | 120 | - | 15 | - | 917 | 73 | |
| (II) Remuneration from subsidiaries | | | | 51 | - | - | - | - | - | 51 | | |
| (II) Remuneration from associates | | | | - | - | - | - | - | - | - | | |
| (III) Total | | | | 833 | - | 120 | - | 15 | - | 968 | | |

* Members of the Executive Committee

** in addition to the bonus indicated in the table, the person receives Euro 94 thousand in monetary form, deferred over the next five years

*** in addition to the bonus indicated in the table, the person receives Euro 57 thousand in monetary form, deferred over the next five years

**** in addition to the bonus indicated in the table, three persons receive Euro 86 thousand in monetary form, deferred over the next 5 years

***** this remuneration does not include any amount earned for positions held in subsidiaries, as they are paid directly by the employer company

# paid as follows: Euro 250 thousand as a leaving incentive and Euro 500 thousand for a no-competition agreement

The dates shown in the table above refer to: a) office of director for members of the Board of Directors, regardless of their role; b) office of statutory auditor for members of the Board of Statutory Auditors, regardless of their role; c) the General Manager's employment relationship, regardless of his role.



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**Table 2.** Equity-based remuneration plans, other than stock options, for members of the board of directors, general managers and managers with strategic responsibilities.
(Remuneration figures in thousands of Euro)

| (A) | (B) | (1) | Financial instruments granted in prior years not vested during the year | | Financial instruments granted during the year | | | | | Financial instruments vested during the year and not attributed | Financial instruments vested during the year and attributable | | Financial instruments for the year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| Name | Office | Plan | Number and type of financial instruments | Vesting period | Number and type of financial instruments | Fair value at grant date | Vesting period | Grant date | Market price at grant date | Number and type of financial instruments | Number and type of financial instruments | Value at maturity date | Fair value |
| ALESSANDRO VANDELLI | Chief Executive Officer | | | | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | 2019 Remuneration policies 17/04/2019 | - | - | 46,331 Phantom Stock* | 208 | Bonus attributed in equal annual tranches over the five years after the one in which it was granted | 10/03/2020 | 4.49 | - | 21,060 Phantom Stock | 95 | 208 |
| | | 2018 Remuneration policies 14/04/2018 | 23,850 Phantom Stock | Bonus attributed in equal annual tranches over the subsequent four years | - | - | - | - | - | - | 5,963 Phantom Stock | 27 | - |
| | | 2017 Remuneration policies 08/04/2017 | 4,186 Phantom Stock | Bonus attributed in equal annual tranches over the subsequent two years | - | - | - | - | - | - | 2,093 Phantom Stock | 9 | - |
| | | 2016 Remuneration policies 16/04/2016 | - | - | - | - | - | - | - | - | - | - | - |
| | | 2015 Remuneration policies 18/04/2015 | 2,547 Phantom Stock | Bonus attributed the subsequent year | - | - | - | - | - | - | 2,547 Phantom Stock | 11 | - |
| (II) Remuneration from subsidiaries and associates | | Not applicable | - | - | - | - | - | - | - | - | - | - | - |
| (III) Total | | | | | | 208 | | | | | | 142 | 208 |

*bonus for 2019, granted in 2020 on the 2019 results



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| (A) | (B) | (1) | Financial instruments granted in prior years not vested during the year | | Financial instruments granted during the year | | | | | Financial instruments vested during the year and not attributed | Financial instruments vested during the year and attributable | | Financial instruments for the year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| Name | Office | Plan | Number and type of financial instruments | Vesting period | Number and type of financial instruments | Fair value at grant date | Vesting period | Grant date | Market price at grant date | Number and type of financial instruments | Number and type of financial instruments | Value at maturity date | Fair value |
| FABRIZIO TOGNI | General Manager | | | | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | 2019 Remuneration policies<br><br>17/04/2019 | - | - | 27,754 Phantom Stock* | 125 | Bonus attributed in equal annual tranches over the five years after the one in which it was granted | 10/03/2020 | 4.49 | - | 12,616 Phantom Stock | 57 | 125 |
| | | 2018 Remuneration policies<br><br>14/04/2018 | 9,109 Phantom Stock* | Bonus attributed in equal annual tranches over the subsequent four years | - | - | - | - | - | - | 2,277 Phantom Stock | 10 | - |
| | | 2017 Remuneration policies<br><br>08/04/2017 | 2,736 Phantom Stock | Bonus attributed the subsequent year | - | - | - | - | - | - | 2,736 Phantom Stock | 12 | - |
| | | 2016 Remuneration policies<br><br>16/04/2016 | - | - | - | - | - | - | - | - | - | - | - |
| | | 2015 Remuneration policies<br><br>18/04/2015 | - | - | - | - | - | - | - | - | 3,038 Phantom Stock | 14 | - |
| (II) Remuneration from subsidiaries and associates | | Not applicable | - | - | - | - | - | - | - | - | - | - | - |
| (III) Total | | | | | | 125 | | | | | | 93 | 125 |

*bonus for 2019, granted in 2020 on the 2019 results



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| (A) | (B) | (1) | Financial instruments granted in prior years not vested during the year | | Financial instruments granted during the year | | | | | Financial instruments vested during the year and not attributed | Financial instruments vested during the year and attributable | | Financial instruments for the year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| Name | Office | Plan | Number and type of financial instruments | Vesting period | Number and type of financial instruments | Fair value at grant date | Vesting period | Grant date | Market price at grant date | Number and type of financial instruments | Number and type of financial instruments | Value at maturity date | Fair value |
| 6 MANAGERS WITH STRATEGIC RESPONSIBILITIES | | | | | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | 2019 Remuneration policies<br><br>17/04/2019 | - | - | 70,343 Phantom Stock* | 316 | Bonus attributed in equal annual tranches over the five years after the one in which it was granted | 10/03/2020 | 4.49 | - | 19,112 Phantom Stock | 86 | 316 |
| | | 2018 Remuneration policies<br><br>14/04/2018 | 44,241 Phantom Stock | Bonus attributed in equal annual tranches over the two/three years after the one in which it was granted | - | - | - | - | - | - | 21,132 Phantom Stock | 95 | - |
| | | 2017 Remuneration policies<br><br>08/04/2017 | 3,404 Phantom Stock | Bonus attributed the subsequent year | - | - | - | - | - | - | 3,404 Phantom Stock | 15 | - |
| | | 2016 Remuneration policies<br><br>16/04/2016 | - | - | - | - | - | - | - | - | - | - | - |
| | | 2015 Remuneration policies<br><br>18/04/2015 | - | - | - | - | - | - | - | - | - | - | - |
| (II) Remuneration from subsidiaries and associates | | Not applicable | - | - | - | - | - | - | - | - | - | - | - |
| (III) Total | | | | | | 316 | | | | | | 196 | 316 |

*Bonus for 2019, granted in 2020 on the 2019 results



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**Table 3.** Monetary remuneration plans for members of the board of directors, General Managers and other Managers with strategic responsibilities. (Remuneration figures in thousands of Euro)

| (A) | (B) | (1) | (2) | | | (3) | | | (4) |
|---|---|---|---|---|---|---|---|---|---|
| Name | Office | Plan | Bonus for the year | | | Bonus of previous years | | | Other bonuses |
| | | | (A) | (B) | (C) | (A) | (B) | (C) | |
| | | | Payable/Paid | Deferred | Deferral period | No longer payable | Payable/Paid | Still deferred | |
| ALESSANDRO VANDELLI | Chief Executive Officer | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | 2019 Remuneration policies 17/04/2019 | 76 | 94 | Bonus attributed in equal annual tranches over the subsequent five years | - | - | - | - |
| | | 2018 Remuneration policies 14/04/2018 | - | - | - | - | - | 93 | - |
| | | 2017 Remuneration policies 08/04/2017 | - | - | - | - | 9 | 29 | - |
| | | 2016 Remuneration policies 16/04/2016 | - | - | - | - | - | - | - |
| | | 2015 Remuneration policies 18/04/2015 | - | - | - | - | 13 | 27 | - |
| | | 2014 Remuneration policies 12/04/2014 | - | - | - | - | - | - | - |
| (II) Remuneration from subsidiaries and associates | | Not applicable | - | - | - | - | - | - | - |
| (III) Total | | | 76 | 94 | - | 0 | 22 | 149 | - |



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| (A) | (B) | (1) | (2) | | | (3) | | | (4) |
|---|---|---|---|---|---|---|---|---|---|
| Name | Office | Plan | Bonus for the year | | | Bonus of previous years | | | Other bonuses |
| | | | (A) | (B) | (C) | (A) | (B) | (C) | |
| | | | Payable/Paid | Deferred | Deferral period | No longer payable | Payable/Paid | Still deferred | |
| FABRIZIO TOGNI | General Manager | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | 2019 Remuneration policies 17/04/2019 | 45 | 57 | Bonus attributed in equal annual tranches over the subsequent five years | - | - | - | - |
| | | 2018 Remuneration policies 14/04/2018 | - | - | - | - | - | 35 | - |
| | | 2017 Remuneration policies 08/04/2017 | - | - | - | - | - | - | - |
| | | 2016 Remuneration policies 16/04/2016 | - | - | - | - | - | - | - |
| | | 2015 Remuneration policies 18/04/2015 | - | - | - | - | - | - | - |
| | | 2014 Remuneration policies 12/04/2014 | - | - | - | - | - | - | - |
| (II) Remuneration from subsidiaries and associates | | Not applicable | - | - | - | - | - | - | - |
| (III) Total | | | 45 | 57 | - | 0 | 0 | 35 | 0 |



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| (A) | (B) | (1) | (2) | | | (3) | | | (4) |
|---|---|---|---|---|---|---|---|---|---|
| Name | Office | Plan | Bonus for the year | | | Bonus of previous years | | | Other bonuses |
| | | | (A) | (B) | (C) | (A) | (B) | (C) | |
| | | | Payable/Paid | Deferred | Deferral period | No longer payable | Payable/Paid | Still deferred | |
| 8 MANAGERS WITH STRATEGIC RESPONSIBILITIES | | | | | | | | | |
| (I) Remuneration in company preparing the financial statements | | 2019 Remuneration policies 17/04/2019 | 233 | 86 | Bonus attributed in equal annual tranches over the subsequent five years | - | - | - | - |
| | | 2018 Remuneration policies 14/04/2018 | - | - | - | - | - | 46 | - |
| | | 2017 Remuneration policies 08/04/2017 | - | - | - | - | - | - | - |
| | | 2016 Remuneration policies 16/04/2016 | - | - | - | - | - | - | - |
| | | 2015 Remuneration policies 18/04/2015 | - | - | - | - | - | - | - |
| | | 2014 Remuneration policies 12/04/2014 | - | - | - | - | - | - | - |
| (II) Remuneration from subsidiaries and associates | | Not applicable | - | - | - | - | - | - | - |
| (III) Total | | | 233 | 86 | - | 0 | 0 | 46 | 0 |



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# PART III

Shares held in the company and subsidiaries by members of the boards of directors and statutory auditors, general managers and other managers with strategic responsibilities, as well as their spouses, if not legally separated, and minor children, directly or through subsidiaries, trustees or nominees.
The tables that follow contain information on the shares held by members of the boards of directors and statutory auditors, general managers and other managers with strategic responsibilities, as well as their spouses, if not legally separated, and minor children, directly or through subsidiaries, trustees or nominees.

**Table 1.** Shares held by members of the boards of directors and statutory auditors and General Managers

| Name | Investee company | No. of shares held at 31/12/2018 (*) | No. of shares purchased | No. of shares sold | No. of shares held at 31/12/2019 (*) |
|---|---|---|---|---|---|
| **Board of Directors** | | | | | |
| RICCARDO BARBIERI | BPER Banca | - | | | - |
| MASSIMO BELCREDI | BPER Banca | - | | | - |
| MARA BERNARDINI | BPER Banca | 11,075 | | | 11,075 |
| LUCIANO FILIPPO CAMAGNI | BPER Banca | - | | | - |
| GIUSEPPE CAPPONCELLI | BPER Banca | - | | | - |
| PIETRO FERRARI** | BPER Banca | 58,396 | | | 58,396 |
| Spouse | BPER Banca | 26,966 | | | 26,966 |
| ALESSANDRO ROBIN FOTI | BPER Banca | - | | | - |
| ELISABETTA GUALANDRI | BPER Banca | 7,159 | | | 7,159 |
| ROBERTA MARRACINO | BPER Banca | - | | | - |
| ORNELLA RITA LUCIA MORO | BPER Banca | - | | | - |

(*) or start/end date of period of office, if different from the reference period indicated; (**) the indirect investment indicated in the previous Report has been transferred to a trust



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| Name | Investee company | No. of shares held at 31/12/2018 (*) | No. of shares purchased | No. of shares sold | No. of shares held at 31/12/2019 (*) |
|---|---|---|---|---|---|
| **Board of Directors** | | | | | |
| MARIO NOERA | BPER Banca | - | | | - |
| MARISA PAPPALARDO | BPER Banca | - | | | - |
| ROSSELLA SCHIAVINI | BPER Banca | - | | | - |
| ALESSANDRO VANDELLI | BPER Banca | 105,000 | 10,000 | | 115,000 |
| Spouse | BPER Banca | 5,000 | | | 5,000 |
| VALERIA VENTURELLI | BPER Banca | - | | | - |

(*) or start/end date of period of office, if different from the reference period indicated



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| Name | Investee company | No. of shares held at 31/12/2018 (*) | No. of shares purchased | No. of shares sold | No. of shares held at 31/12/2019 (*) |
|---|---|---|---|---|---|
| Board of Statutory Auditors | | | | | |
| CRISTINA CALANDRA BUONAURA | BPER Banca | 142 | | | 142 |
| PAOLO DE MITRI | BPER Banca | 126 | | | 126 |
| Indirect investment | BPER Banca | 101 | | | 101 |
| DIANA RIZZO | BPER Banca | - | | | - |
| FRANCESCA SANDROLINI | BPER Banca | - | | | - |
| VINCENZO TARDINI*** | BPER Banca | 18,000 | 2,000 | | 21,166*** |
| Shares of other BPER Group banks*** | Banco di Sardegna sav. | 500 | | | *** |
| Spouse | BPER Banca | 1,511 | | | 1,511 |
| Indirect investment | BPER Banca | 30,000 | | | 30,000 |
| | | | | | - |
| General Manager | | | | | |
| FABRIZIO TOGNI | BPER Banca | 6,605 | | | 6,605 |
| Spouse | BPER Banca | 1,155 | | | 1,155 |

(*) or start/end date of period of office, if different from the reference period indicated; (***) 500 savings shares in Banco di Sardegna converted into BPER shares following a public offer of exchange



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**Table 2.** Shares held by other Managers with strategic responsibilities

| Name | Investee company | No. of shares held at 31/12/2018 (*) | No. of shares purchased | sold | No. of shares held at 31/12/2019 (*) |
|---|---|---|---|---|---|
| Other managers with strategic responsibilities (9) | | | | | |
| Managers with strategic responsibilities | BPER Banca | 44,838 | 225 | | 45,063 |
| Spouses of Managers with strategic responsibilities | BPER Banca | 14,446 | | | 14,446 |
| Minor children of Managers with strategic responsibilities **** | BPER Banca | 143 | | | 143 |
| **TOTAL** | | **59,427** | **225** | | **59,652** |

(*) or start/end date of period of office, if different from the reference period indicated; (****) net of 293 shares relating to the children of senior managers who became adults in 2019



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# Declaration of the Manager responsible for preparing the Company's financial reports

The Manager responsible for preparing the Company's financial reports, Marco Bonfatti, certifies in accordance with art. 154-bis, para. 2, of Legislative Decree 58/1998 (Consolidated Finance Law) that the accounting information contained in this Report agrees with the underlying accounting entries, records and documentation.

Modena, 10 March 2020

**Manager responsible for preparing the Company's financial reports**

**Marco Bonfatti**



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