



**Guidelines for Shareholders on the
Qualitative and Quantitative Composition of
the Board of Statutory Auditors**

March 2021

INTRODUCTION AND ROLE OF THE BOARD OF STATUTORY AUDITORS OF BPER

The composition of the corporate bodies is of central importance for the effective performance of the tasks entrusted to them by law, by the Supervisory Authorities and by the Articles of Association (as defined below). In view of each renewal of the control body, art. 12 of the Ministry of the Economy and Finance Decree (as defined below) requires each body - in this case both the Board of Directors and the Board of Statutory Auditors - to identify in advance its own optimal composition in terms of quality and quantity.

Specifically, art. 11 of the MEF Decree provides that the composition of the administration and control bodies should be adequately diversified, in order to: (i) encourage discussion and debate within the bodies; (ii) favour the emergence of a variety of approaches and perspectives when analysing issues and making decisions; (iii) effectively support the processes of strategy development, management of activities and risks, and control over the work of senior management; (iv) take into account the multiple interests that contribute to the sound and prudent management of the Bank.

Preparation of this qualitative and quantitative profile must be the result of an in-depth and formal examination. The results of these analyses must be brought to the attention of the shareholders in good time so that the choice of candidates to be presented can take into account the professional skills that are required.

For the above purposes, this document contains the guidelines that the expiring Board of Statutory Auditors of BPER S.p.A. (hereinafter also "**BPER**" or the "**Bank**") makes available to the shareholders, in order to facilitate the process of defining the best proposals for the quantitative and qualitative composition of the Bank's new Board of Statutory Auditors, which will be presented by the shareholders at the next Shareholders' Meeting (the "**Guidelines**").

Pursuant to art. 34 of BPER's Articles of Association (the "**Articles of Association**"), the Board of Statutory Auditors oversees compliance with the rules laid down in the law, regulations and the articles of association, compliance with the principles of good administration, the adequacy of the organisational and accounting structures and correct functioning of the internal control system as a whole; it verifies that the personnel involved in the control system operate effectively and are coordinated properly, reporting any weaknesses or irregularities and requesting suitable corrective action; it monitors the adequacy of the risk management and control system; it exercises such other functions and powers provided by law as well as the duties and functions that the provisions of the Bank of Italy and other Supervisory Authorities assign to the body that has the control function.

Furthermore, **BPER's Board of Statutory Auditors**, also in the guise of "Internal Control and Audit Committee" pursuant to Legislative Decree 39/2010, is called upon to carry out monitoring and supervision activities, in particular:

- on the observance of the rules laid down in the law, regulations and the articles of association, on respect for the principles of good administration;
- on the adequacy of the organisational, administrative and accounting structure adopted by the Bank and the adequacy of the financial reporting process;

- the functioning and reliability of the internal control system and of the Risk Appetite Framework;
- on the adequacy of all of the functions involved in the control system and their adequate coordination;
- on the audit of the separate and consolidated financial statements, as well as on the independence of the audit firm, particularly as regards the provision of non-audit services.

The applicable national and European regulations, including soft law, are summarised below:

- art. 148 of Legislative Decree 58 of 24 February 1998, the Consolidated Finance Act (**CFA**);
- art. 26 of Legislative Decree 385 of 1 September 1993, the Consolidated Banking Act (**CBA**);
- art. 36 of Legislative Decree 201 of 6 December 2011 "*Urgent provisions for growth, equity and the consolidation of public accounts*", converted with amendments by Law 214 of 22 December 2011, "*Interlocking Directorships*", as well as "*Criteria for the application of art. 36 of the "Salva Italia" decree ("Ban on Interlocking Directorships")*", published by the Bank of Italy, Consob and ISVAP on 20 April 2012, subsequently updated on 21 December 2018;
- Decree of the Minister of Economy and Finance 169 of 23 November 2020, in force from 30 December 2020, containing the "Regulation on the requirements and eligibility criteria for the performance of the office of corporate officers of banks, financial intermediaries, credit guarantee consortia, electronic money institutions, payment institutions and depositor guarantee schemes" (**MEF Decree**);
- Part I, Title IV, Chapter 1, Section IV (Composition and nomination of corporate bodies) of the Bank of Italy Circular 285 of 17 December 2013 (**Supervisory Provisions**);
- Corporate Governance Code for Listed Companies, approved by the Corporate Governance Committee of Borsa Italiana S.p.A. on 31 January 2020 and applicable, for companies that adopt it, from the first financial year starting after 31 December 2020, with correlated information to be given to the market in the corporate governance report to be published in 2022 (**Corporate Governance Code**);
- Regulation adopted by Consob with Resolution 11971 of 14 May 1999 and subsequent amendments (**Issuers' Regulation**);
- Regulation adopted by Consob with Resolution 20249 of 28 December 2017 and subsequent amendments;
- Directive 2013/36/EU of the European Parliament and Council of 26 June 2013, on access to the business of credit institutions and on the prudential supervision of credit institutions and investment firms and Regulation (EU) 575/2013 of the European Parliament and Council of 26 June 2013 relating to prudential requirements for credit

- institutions and investment firms, as subsequently supplemented and amended;
- "Guide to the verification of the requirements of professionalism and integrity" of the European Central Bank of 15 May 2017, last updated in May 2018;
 - "Guidelines on internal governance" of the European Banking Authority of 21 March 2018;
 - "Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU" of 21 March 2018.

1. ASSESSMENTS OF THE COMPOSITION OF BPER'S BOARD OF STATUTORY AUDITORS WITH REGARD TO THE QUALITATIVE AND QUANTITATIVE COMPOSITION OF ITS CONTROL BODY

With the approval of the financial statements at 31 December 2020, the mandate of the Board of Statutory Auditors of BPER expires. It was appointed on 14 April 2018 together with the Board of Directors and the shareholders will therefore be called upon to vote on the appointment of new statutory auditors at the next Shareholders' Meeting.

You are reminded that on 29 January 2021 the Company's Extraordinary Shareholders' Meeting approved the amendments to the Articles of Association relating to the governance structure of the Bank and concerning, *inter alia*, (i) the reduction in the number of Statutory Auditors from 5 to 3, and (ii) the methods for appointing the Board of Statutory Auditors.

In light of the above, as well as what was mentioned in the introduction, the Bank's Board of Statutory Auditors is called upon to identify the qualitative and quantitative profile for the optimal composition of this body, taking into account that the professionalism of the statutory auditors must be adequate for the tasks that they are called upon to perform as part of that body, also in consideration of the size and operational complexity of the Bank and the challenges that it will be called upon to face in the future.

In preparing this profile, the experience gained during the mandate with regard to the control body's methods of functioning was also taken into consideration.

This document is therefore made available to the shareholders in good time, so that they can take it into account when choosing candidates.

1.1 Quantitative composition of the control body

As mentioned previously, art. 30 paragraph 1 of BPER's Articles of Association provides that the Board of Statutory Auditors should be made up of 3 Acting Auditors, including the Chairman, and 2 Alternate Auditors.

1.2 Qualitative composition of the control body

The members of the Board of Statutory Auditors must be suitable for the performance of their duties, in accordance with the provisions of current law and the Articles of Association. In particular, they have to meet the regulatory requirements of professionalism, integrity and independence, they must act with independence of mind and awareness of the rights and duties inherent to the assignment, they must satisfy the criteria of competence, correctness and availability of time to carry out the office, as well as the specific limits on the accumulation of

offices prescribed by current legislation.

In this regard, the Board of Statutory Auditors deems it necessary to underline the importance of:

- ensuring also for the future a balanced combination of profiles and experience within the control body;
- giving preference to profiles that can ensure the best possible performance by the Statutory Auditors;
- recognising the availability of time and resources as a key component for effective performance of the Statutory Auditors' role, taking into account participation at their own meetings and those of the other corporate bodies, including the internal board committees, to which they are required or invited to attend in accordance with the law and internal regulations of the Bank;
- promoting diversity requirements that take into account professional experience, gender balance and seniority distribution, also in terms of demographic diversification.

1.3 Individual requirements of integrity and criteria of correctness

All candidates for appointment as a member of the Board of Statutory Auditors must ensure compliance with the **requirements of integrity**, in accordance with the regulations applicable at the time. In particular, they must satisfy the requirements of integrity foreseen in art. 3 of the MEF Decree.

In addition to meeting the above requirements of integrity and without prejudice to the recurrence of these requirements, lacking which in itself results in forfeiture of the office, candidates must also satisfy the **criteria of correctness** in previous personal and professional conduct, in accordance with the provisions of art. 4 of the MEF Decree.

The situations indicated in art. 4 of the MEF Decree will not automatically lead to the candidate not being considered suitable, but will require an evaluation - based on one or more of the parameters indicated in art. 5 of the MEF Decree - by the Board, carried out with regard to the principles of sound and prudent management, while also safeguarding the Bank's reputation and trust on the part of the general public.

The criteria of correctness will not be satisfied if one or more of the situations mentioned in art. 4 of the MEF Decree delineates a serious, precise and consistent picture of conduct that is inconsistent with the objectives indicated in paragraph 1 of that article.

1.4 Requirements of professionalism

All candidates for office as a member of the Board of Statutory Auditors must satisfy the **requirements of professionalism** foreseen in current regulations (i.e. art. 26 of the CBA and art. 9 of the MEF Decree). In particular:

- pursuant to art. 9, paragraph 1, of the MEF Decree, at least one of the Statutory Auditors, if they are three in number, and at least one of the Alternate Auditors are to be chosen from among those enrolled in the official register of auditors with at least three years' experience of auditing.
- pursuant to art. 9, paragraph 2 of the MEF Decree, the other members of the Board of

Statutory Auditors must have gained overall experience of at least three years, even alternatively, of auditing or one of the activities referred to in art. 7, paragraph 2 of the MEF Decree, i.e. that they have performed for at least three years, also alternatively: (a) administrative or control activities or management functions in banking, finance, stockbroking or insurance; (b) administrative or control activities or management functions at listed companies or companies that are larger or of similar size and complexity (in terms of turnover, nature and complexity of the organisation or business) to that of the bank where the position is to be held; (c) professional activities in fields like banking, finance, stockbroking or insurance, or in any case pertinent to the Bank's activity; the professional activity has to involve adequate levels of complexity, also with reference to the recipients of the services provided and must be performed on an ongoing and significant basis in the sectors mentioned above; (d) teaching at a university, as a first or second level lecturer, in legal or economic subjects or in other subjects that are in some way pertinent to banking, finance, stockbroking or insurance; (e) managerial or top management functions, however denominated, in public bodies or public administrations with relevance to banking, finance, stockbroking or insurance and on condition that the body in which the person performed these functions is of a size and complexity comparable with that of the bank where the office is to be held;

- the Chairman of the Board of Statutory Auditors must be chosen from among the persons who satisfy the requirements envisaged in paragraph 1 or paragraph 2 of art. 9 of the MEF Decree - as mentioned above - who have gained professional experience of **at least two years more than that required by these paragraphs**.

In order to fulfil these requirements, for Statutory Auditors who are not enrolled in the official register of auditors, the experience gained in the 20 years prior to their appointment is taken into account; experience gained at the same time in several functions is only counted for the period of time in which they were carried out, without accumulating them.

1.5 Requirements of competence

In addition to these professional requirements, candidates for the office of Statutory Auditor must satisfy the **criteria of competence** foreseen in art. 10 of the MEF Decree, the purpose being to demonstrate that the candidate is suitable to take on the position, considering the duties involved in the role and the size and operational characteristics of the Bank.

For these purposes, theoretical knowledge - acquired through study and training - and practical experience gained in previous or ongoing work activities are taken into consideration.

In particular, pursuant to art. 10, paragraph 2, of the MEF Decree:

a) theoretical knowledge and practical experience in more than one of the following areas will be taken into consideration:

- 1) financial markets;
- 2) regulation in the banking and financial sector;
- 3) strategy and strategic planning;
- 4) organisational and corporate governance structures;
- 5) risk management (identification, assessment, monitoring, control and mitigation of a

bank's main types of risk, including the person's responsibilities in these processes);

6) internal control systems and other operating mechanisms;

7) banking and financial activities and products;

8) accounting and financial reporting;

9) information technology;

b) the theoretical knowledge and practical experience mentioned in point a) will be analysed to verify that they are suitable with respect to:

1) the duties involved to the role played by the person and any specific delegated powers, including participation in committees;

2) the characteristics of the bank and of the banking group to which it belongs in terms of size, complexity, type of activities carried on and related risks, reference markets and countries in which it operates, among other things.

Furthermore, in order to guarantee the "collective suitability" of the Board of Statutory Auditors, candidates for the new Board of Statutory Auditors ought to reflect a balanced composition in terms of experience and technical knowledge, which would allow the Control Body to understand the main business areas of the BPER Group and the principal risks to which it is exposed, in particular:

- banking and finance;
- knowledge of issues in the digital, innovation, fintech and alternative investment fields;
- experience in markets and investments with an international dimension;
- competence and knowledge in the field of strategy and business models;
- competence and knowledge in the field of social and environmental sustainability.

The criteria of competence will not be satisfied if the information on the person's theoretical knowledge and practical experience delineates a serious, precise and consistent picture of the person's lack of suitability to hold the position. In the event of specific and limited deficiencies, the competent body (i.e. the Board of Statutory Auditors) can take the necessary measures to overcome them.

1.6 Personal characteristics

In addition to the above professional requisites, the outgoing Board recommends that personal characteristics and abilities (so-called "soft skills") be adequately considered in the choice of candidates, among which the following deserve a mention:

- the ability to bring different, complementary skills and experience, thereby contributing to the overall adequacy of the Board, also taking into account the benefits that can derive from a variety of genders, age groups and seniority;
- the technical knowledge needed to understand the business activities of the BPER Group in order to exercise the control function adequately, or in any case the ability to acquire such knowledge through appropriate induction courses, also on issues relating to sustainability;

- adequate seniority, understood as proven experience in complex organisational contexts in the business, professional or academic world, or a combination of the three;
- having gained experience on Boards of Statutory Auditors of companies, preferably listed companies or banks, of adequate size and complexity;
- an international mentality and vision, accompanied by an adequate knowledge of foreign languages, English at the very least, also for dealings and relationships with the European Supervisory Authority;
- an ability to manage conflicts constructively;
- an ability to work in a team;
- an ability to interact with management;
- an ability to integrate sustainability issues into the business vision.

1.7 Gender diversity and quotas

Art. 148, paragraph 1-*bis*, of the CFA requires compliance with a principle of gender mix on the control body, according to which at least two fifths of the elected members must be of the less represented gender.

In this regard, pursuant to art. 144-*undecies.1*, paragraph 3 of the Issuers' Regulation, if application of the gender allocation principle does not result in a round number of members of the administrative or control bodies belonging to the less represented gender, this number is rounded up to the next whole figure, except for corporate bodies made up of three components for which the number has to be rounded down.

By rounding down, this gender quota is in line with that envisaged by the Corporate Governance Code for Listed Companies and therefore incorporates the recommendation of the outgoing Board of Statutory Auditors regarding the optimal composition of this body in relation to gender balance.

1.8 Requirements of independence

The Board of Statutory Auditors must satisfy the independence requirements foreseen in the applicable legislation and, in particular, those provided for:

- by art. 148, paragraph 3, of the CFA ⁽¹⁾;
- by art. 14 of MEF Decree ⁽²⁾;

¹ The following cannot be elected Statutory Auditors and if they are, they forfeit their office: a) those who find themselves in the conditions foreseen in art. 2382 of the Italian Civil Code; b) the spouse, relatives and kin within the fourth degree of the directors of the company, the directors, spouse, relatives and kin within the fourth degree of the directors of the companies controlled by it, of the companies that control it and of those subject to common control; c) those who are linked to the company or to the companies controlled by it or to the companies that control it or to those subject to joint control or to the directors of the company and to the subjects referred to in letter b) by relationships of employment or self-employment or by other relationships of a financial or professional nature that might compromise their independence.

² No one can be a member of the Board of Statutory Auditors, if: a) they are in one of the situations indicated in article 13, paragraph 1, letters b), g) and h), of the MEF Decree; b) they are the spouse, not legally separated, a person linked in a civil union or *de facto* cohabitation, relative or similar up to the fourth degree: 1) of the heads of
This is a translation into English of the original in Italian. The Italian text shall prevail over the English version.

- by art. 2, Recommendation 9 (which refers to Recommendation 7) of Corporate Governance Code ⁽³⁾.

A member of the Board of Statutory Auditors can also act as a statutory auditor in one or more companies of the BPER Group at the same time.

1.9 Independence of mind

All candidates for office as a member of the Board of Statutory Auditors are required to act, *inter alia*, pursuant to art. 15 of the MEF Decree, with **full independence of mind and awareness of the rights and duties inherent in the position**, in the interest of the sound and prudent management of the Bank and in compliance with the applicable legislation in force at the time. Candidates will be required to provide the information requested pursuant to art. 15, paragraph 2, of the MEF Decree and the reasons why any circumstances relevant under this provision do not affect their independence of mind.

1.10 Availability of time

In light of current regulations, it is fundamental that candidates as statutory auditors make sure that they have sufficient time and resources to devote to performing their duties, depending on the nature, quality and complexity of the position.

In particular, pursuant to art. 16, paragraph 1 of the MEF Decree, each statutory auditor has to dedicate sufficient time to performing their duties. On appointment and as soon as possible in the event of any change in circumstances, they have to communicate to the competent body the offices held in other companies, enterprises or entities, other work and professional activities carried on and other situations or facts pertaining to the professional sphere that might affect their time availability, specifying the time that these tasks, activities, events or situations require.

With regard to BPER's specific situation, it should be noted - for information purposes - that in each year of the three-year period 2018-2020 the following meetings were held on average: 48 meetings of the Board of Statutory Auditors, with an average duration of approximately 4:45 hours, 26 meetings of the Board of Directors, with an average duration of approximately 6:18 hours, 31 meetings of the Control and Risks Committee, with an average duration of approximately 3:49 hours, 15 meetings of the Nomination Committee, with an average duration of approximately 1:08 hours, 24 meetings of the Independent Directors Committee, with an average duration of approximately 1:19 hours, 20 meetings of the Remuneration Committee, with an average duration of approximately 1:44 hours and 14 Executive Committee meetings, with an average duration of approximately 3:14 hours.

In addition, the considerable amount of time needed to assimilate the documentation sent prior to each board meeting (of the Statutory Auditors and of the other corporate bodies) also

the main corporate functions of the bank; 2) of persons who find themselves in the situations indicated in article 13, paragraph 1, letters *b*), *g*) and *h*), or in the letter *c*) of art. 14, paragraph 1 of the MEF Decree; *c*) they hold or have held in the last five years positions as a member of the board of directors or of the management board of an investor in the bank, the bank or its subsidiaries.

³ All members of the control body have to meet the independence requirements envisaged by Recommendation 7 for directors. The independence assessment is carried out, with the timing and methods set out in Recommendation 6, by the management body or the control body, based on the information provided by each member of the control body.

has to be taken into account. Then there is the commitment to take part in induction events organised by the Bank for the members of the Board of Directors, which one or more members of the Board of Statutory Auditors have always attended, participation at external training events, as well as the time needed for continuing professional development, which is considered essential.

The Board also draws attention to the expected attendance threshold at meetings of the Board of Statutory Auditors, taking into account that art. 2404 of the Italian Civil Code lays down that *"any statutory auditor who fails to attend two Board meetings during a financial year, without good reason, loses their position"*. Likewise, the Board reminds you that art. 149 of the CFA prescribes, among other things, that *"statutory auditors who do not attend Shareholders' Meetings without good reason or who, during a financial year, miss two consecutive meetings of the Board of Directors or the Executive Committee, lose their position"*. The Board therefore invites the shareholders to pay attention also to the expected attendance threshold at meetings of the Board of Directors and Shareholders' Meetings.

Having said this, the Board made an estimate of the minimum time needed for effective performance of the assignment based on the following main criteria:

- number of meetings of the Board of Directors, including induction meetings, of internal Board Committees, of the Board of Statutory Auditors and of the Supervisory Board;
- the average length of meetings;
- the time needed to prepare for meetings;
- the time needed to do the preparatory work prior to corporate events and to travel to meetings;
- the nature of the specific position and the candidate's responsibilities for holding the office of member of the Board of Statutory Auditors.

Office	Estimated availability days/year
Chairman of the Board of Statutory Auditors	95
Statutory Auditor	80

In relation to the above, also in line with the guidelines issued by the European Central Bank, the Board recommends that candidates should only accept the position when they believe they can dedicate the necessary time to it, taking into account the time devoted to other work or professional activities, as well as the performance of duties in other companies.

1.11 Limit on the accumulation of offices

In line with the provisions of art. 17 of the MEF Decree, candidates for the position of member of the Board of Statutory Auditors of banks of greater size or operational complexity - such as BPER - will not be able to take on more positions in banks or other commercial companies than one of the following combinations:

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

We would also specify that, for the purposes of recommendation 15 of the Corporate Governance Code for Listed Companies, the above limits also include any appointments to management or control bodies in other listed companies or companies of significant size.

Pursuant to art. 17, paragraph 1, of the MEF Decree, the offices held in banks or other "commercial" companies as identified in the MEF Decree, which have as their object one of the activities envisaged by art. 2195, paragraph 1, of the Italian Civil Code (i.e. industrial activity for the production of goods and services, acting as an intermediary in the circulation of goods, transport by land, water or air, banking or insurance, or other activities related to the above).

This also includes companies that have their registered office abroad and that qualify as commercial under the legal system of the country where the registered office or management is located.

On the other hand, the offices referred to in art. 18, paragraph 1 ⁽⁴⁾ and 2 ⁽⁵⁾, of the MEF Decree are excluded.

For the purpose of calculating the limits on the accumulation of offices, the aggregation methods pursuant to art. 18 of the MEF Decree and, therefore, the series of offices held in each of the following cases is considered as a single position:

- a) within the same group;
- b) in banks pertaining to the same institutional protection system;
- c) in companies, not belonging to the group, in which the bank holds a qualified shareholding as defined by art. 4, paragraph 1, point 36 of Regulation (EU) no. 575/2013.

If more than one of the cases referred to in letters a), b) and c) occur at the same time, the offices are added together.

The series of offices counted as a single one is considered as an executive position if at least one of the offices held in the situations referred to in letters a), b) and c) above is executive; in other cases it is considered a non-executive position.

In addition to the number of offices that a statutory auditor of the Bank may hold, in one of the combinations mentioned above, there is also the possibility, given the conditions set out in art. 19 of the MEF Decree, that 1 additional non-executive appointment may be allowed with respect to the limits indicated above, providing it does not prejudice the possibility for the statutory auditor to devote sufficient time to the appointment at the Bank to perform their functions effectively.

⁴ The limits on the accumulation of offices referred to in Article 17 do not apply to those who hold offices in the bank representing the State or other public bodies.

⁵ For the purposes of calculating the limits on the accumulation of offices referred to in Article 17 of the MEF Decree, the following offices held by a candidate are not taken into consideration: *a)* in companies or entities the sole purpose of which is to manage the private interests of a candidate or spouse who is not legally separated, a person linked in a civil union or *de facto* cohabitation, relative or similar within the fourth degree and which do not require any type of day-to-day management by the candidate; *b)* as a partner in a professional firm; *c)* as an alternate auditor.

The Board therefore recommends that in selecting the candidates to be proposed, the shareholders should check their willingness to comply with the above limitations by the deadline indicated in art. 23, paragraph 7, of the MEF Decree, should they be appointed as members of the Board of Statutory Auditors of BPER.

1.12 Incompatibility, ineligibility and forfeiture

In recalling the content of the various causes of incompatibility, ineligibility and forfeiture that may affect the candidacy and/or the assumption/retention of office - such as, by way of example only, those referred to in art. 2382 the Italian Civil Code - shareholders should pay particular attention to the so-called "ban on interlocking directorships" which concerns cross-holdings of offices in the banking and financial markets.

More specifically, in accordance with art. 36 of Legislative Decree 201 of 6 December 2011 converted with amendments by Law 214 of 22 December 2011, containing provisions regarding "*personal cross-shareholdings in the banking and financial markets*" and the ban on "*holders of offices in the management, supervisory and control bodies and senior officers of companies or groups of companies operating in the banking, insurance and financial markets to assume or exercise similar positions in companies or groups of competing companies*", the Board recommends to shareholders only to propose candidates after they have checked that they have no cause for incompatibility envisaged in the regulations.

Note that the legislation on incompatibilities for public sector employees and holders of public offices referred to in Legislative Decree 165/2001, as subsequently amended and supplemented, has to be complied with.