



REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

**pursuant to art. 123-bis of Legislative Decree 58/1998
(Consolidated Finance Act or CFA)**

(standard model for administration and control)

- 2018 -

Modena, 5 March 2019

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GLOSSARY	
Articles of Association or Articles	BPER Banca's Articles of Association, in force at the date of this Report, are published on the website www.bper.it - Sito Istituzionale > Governance > Documents.
Board of Directors or Board or B.o.D.	The Board of Directors of BPER Banca.
Board of Statutory Auditors or Statutory Auditors	The Board of Statutory Auditors of BPER Banca.
Borsa Italiana or Borsa	Borsa Italiana S.p.A., head office at Piazza degli Affari 6, Milan (Italy)
BPER Banca Group or BPER Group or Group	The "BPER Banca S.p.A." banking group comprising banks and finance, property and service companies, as well as various other types of company.
BPER Banca or BPER or Issuer or Bank or Parent Company or Company	BPER Banca S.p.A. – as resulting from the transformation of Banca popolare dell'Emilia Romagna società cooperativa into a "company limited by shares", following a resolution passed by the Shareholders' Meeting on 26 November 2016 - head office in Via San Carlo 8/20, Modena, (Italy), Parent Company of BPER Banca Group.
Code of Conduct or Code	The Code of Conduct for listed companies, updated from time to time, approved by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria (last updated in July 2018).
CONSOB	National Commission for Companies and the Stock Exchange with head office in Via G.B. Martini 3, Rome (Italy).
CONSOB Related Parties Regulation	The Related Parties Regulation issued by Consob with resolution 17221 of 12 March 2010 on transactions with related parties and subsequent amendments and integrations.
Consolidated Banking Act or Legislative Decree 385/93 or CBA	Legislative Decree no. 385 dated 1 September 1993 (Consolidated law on banking and lending matters) and subsequent amendments and additions.
Consolidated Finance Act or CFA	Legislative Decree 58 dated 24 February 1998 (Consolidated law on financial intermediation) and subsequent amendments and additions.
ECB	European Central Bank, head office at Frankfurt am Main (Germany), Sonnemannstrasse 20.
FTSE MIB	The FTSE MIB Index measures the performance of 40 Italian equities and seeks to replicate the broad sector weightings of the Italian stock market. The Index is derived from the universe of stocks trading on the main market of Borsa Italiana S.p.A. Each stock is analysed for size and liquidity, and the overall Index provides a fair representation sector by sector. The FTSE MIB Index is weighted by market capitalisation after adjusting the various components on the basis of their float.
Issuers' Regulation	The Regulation approved by CONSOB Resolution no. 11971 dated 14 May 1999 and subsequent amendments and additions.
Italian Civil Code	The Italian Civil Code, Royal Decree 262 of 16 March 1942 and subsequent

or Civil Code	amendments and integrations.
Manager responsible for preparing the company's financial reports	The Manager responsible for preparing the Company's financial reports (art. 154-bis of Legislative Decree 58 dated 24 February 1998).
Market Regulation	The Regulation approved by CONSOB Resolution 20249 dated 28 December 2017 and subsequent amendments and additions.
Member/s and/or Shareholder/s	<p>Up to the Date of Transformation into an S.p.A., given the nature of BPER as a cooperative bank, being a Shareholder was not necessarily the same as being a Member. Pursuant to art. 9 of the articles of association in force before that date, Shareholders who wished to be admitted as a Member had to apply in writing to the B.o.D. If the application was accepted, the applicant was notified thereof and the Shareholders' Register was updated. In the absence of admission as a member, the only rights that could be exercised in relation to shares held were those relating to the equity of the Bank. For further details, see Paragraph 2.1. of the 2016 Report on corporate governance relating to the 2015 financial year.</p> <p>Effective as of the Date of Transformation, there is no difference between a Member and a Shareholder.</p> <p>In the interests of clarity, note that with respect to any reference in this Report to such parties - concerning facts/events that occurred subsequent to the Date of Transformation - the terms Member/s and Shareholder/s have been used interchangeably.</p>
MTA	Mercato Telematico Azionario, the electronic equities market organised and managed by Borsa Italiana.
Report on Corporate Governance or Report	The Report on Corporate Governance and the Ownership Structure (Report on corporate governance) that companies are required to prepare pursuant to art. 123-bis of Legislative Decree 58/98.
Stock Market Instructions	The Instructions accompanying the Regulations for the Markets organised and managed by Borsa Italiana S.p.A.
Stock Market Regulation	The Regulation for the Stock Markets organised and managed by Borsa Italiana S.p.A.
Supervisory Provisions	Supervisory Provisions for Banks issued by the Bank of Italy with Circular 285 of 17 December 2013 and subsequent amendments and integrations.
Transformation Date	<p>Date of transformation of the legal form from a "società cooperativa" (cooperative company) to a "società per azioni" (company limited by shares) in compliance with Decree Law 3/2015 ("Urgent measures for the banking system and investment") converted into Law 33/2015, following a resolution passed by the Bank's Shareholders' Meeting on 26 November 2016 and as registered with the Modena Register of Companies on 28 November 2016.</p> <p>At the same time, the company's name was changed from "Banca popolare dell'Emilia Romagna società cooperativa" to "BPER Banca S.p.A.".</p> <p>The Shareholders' Meeting also approved a change in the banking group's name to "BPER Banca Group".</p>

Introduction

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

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

Moreover, in the preparation of this Report, account has been taken of the indications contained in Directive 2013/34/EU¹ and in Recommendation 2014/208/EU² on the information to be provided in reports on corporate governance and on the quality thereof. Borsa Italiana's instructions on how to prepare the Report have been supplemented by additional information considered useful for disclosure to shareholders and the market.

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

In accordance with the CRR³, it should be noted that the information provided in this Report concerning "risk management" and "remuneration policies" is consistent with the same content included in the document entitled "Public Disclosures at 31 December 2018 - Pillar 3", which is available, together with the financial statements⁴, on the website of the Bank – Sito Istituzionale > Investor Relations.

The independent auditor's report prepared in accordance with art. 14 of Legislative Decree 39/2010 and art. 10 of (EU) Regulation n. 537/2014, as attached to the 2018 separate financial statements and consolidated financial statements of BPER Banca S.p.A., also expresses an opinion on the consistency of certain specific information contained in this report with the respective financial statements and its compliance with the provisions of art. 123 bis, paragraph 4, of Legislative Decree 58/98.

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

¹ Article 20 (Report on corporate governance) of Directive 2013/34/EU of the European Parliament and the Council of 26 June 2013 relating to financial statements, to consolidated financial statements and related reports of certain types of companies, as amended by Directive 2006/43/EU of the European Parliament and the Council and the repeal introduced by Directives 78/660/EEC and 83/349/EEC of the Council.

² Section II (Quality of reports on corporate governance) of Recommendation (2014/208/EU) of the Commission of 9 April 2014 on the quality of disclosure about corporate governance («comply or explain» principle).

³ Regulation 2013/575/EU of 26 June 2013, art. 434 "Means of disclosures".

⁴ As at 31 December 2018, the Bank has adopted the Guidelines on disclosure requirements pursuant to part eight of (EU) Regulation 575/2013 issued by the EBA on 4 August 2017, whereby the timing and frequency of disclosures are set out in section E.

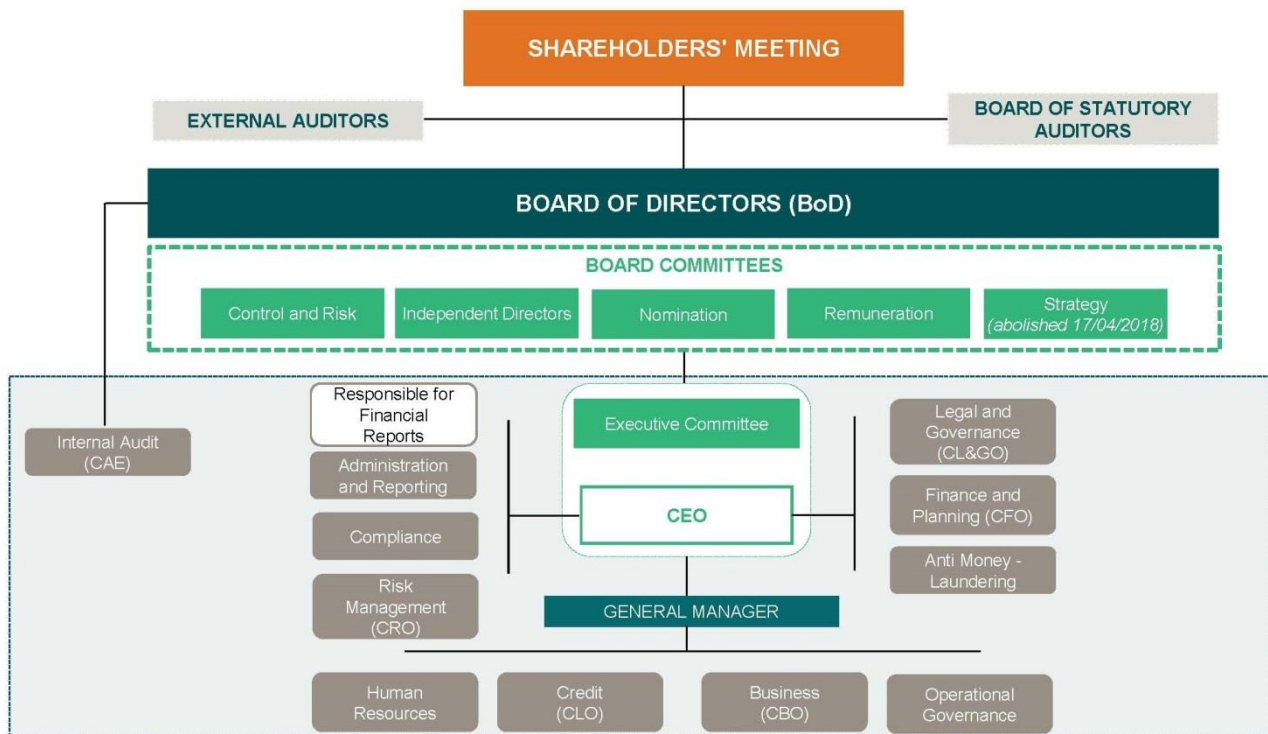
1 Profile of the Issuer

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

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

Governance and organisation

The governance structure of the Bank in December 2018 is explained below.



CEO: Chief Executive Officer, CAE: Chief Audit Executive, CRO: Chief Risk Officer, CLO: Chief Lending Officer, CBO: Chief Business Officer, CL&GO Chief Legal & Governance Officer, CFO: Chief Financial Officer.

As from the date of implementation of the European Single Supervisory Mechanism (4 November 2014), BPER has been subject to prudential supervision by the European Central Bank, given that it is a "significant bank" pursuant to art. 6, para. 4 of (EU) Regulation 1024/2013⁵.

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

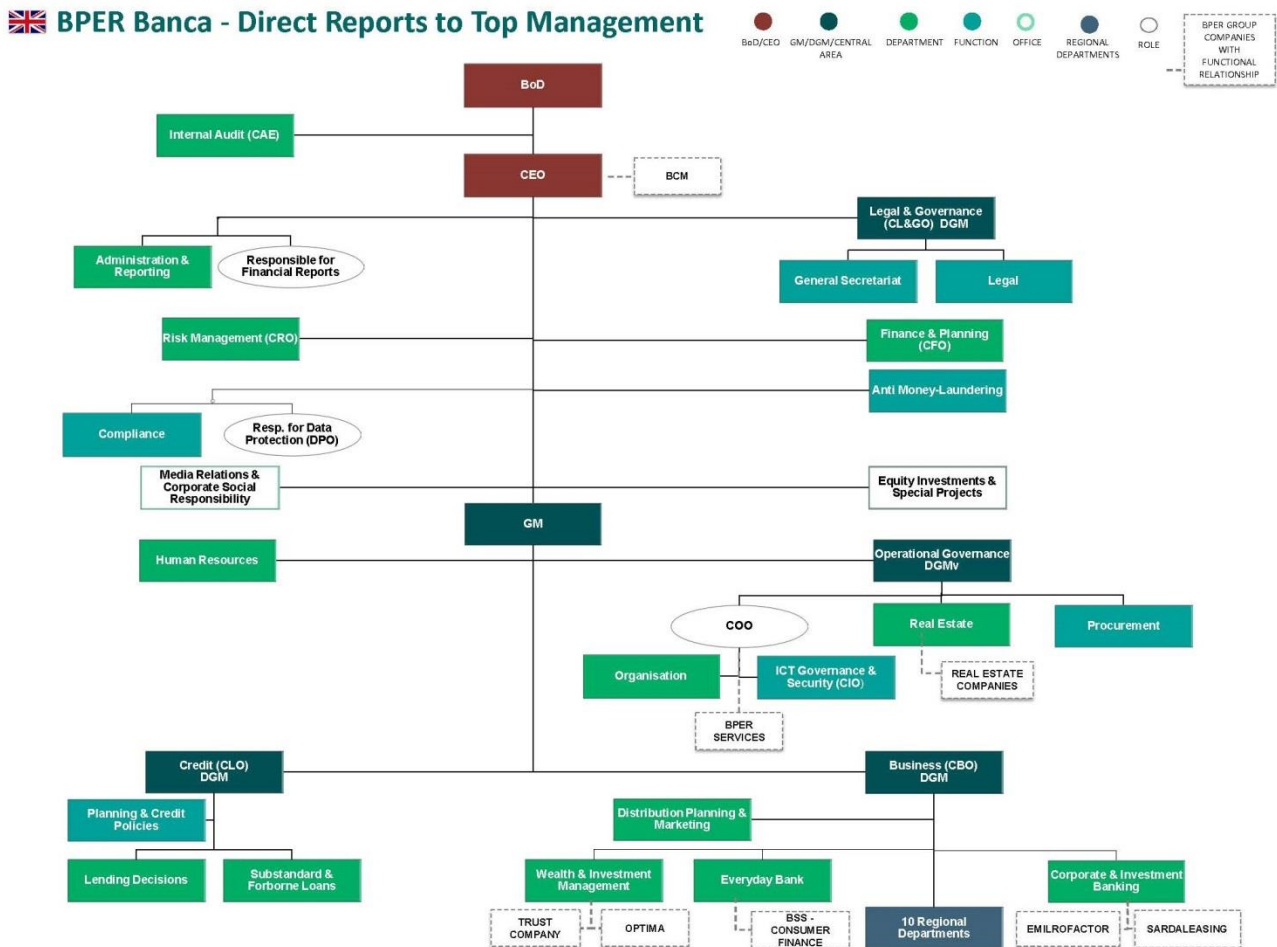
In compliance with Decree Law 3/2015 ("Urgent measures for the banking system and investment") converted into Law 33/2015, following a resolution passed by the Bank's Shareholders' Meeting on 26 November 2016 - registered with the Modena Register of Companies on 28 November 2016 - the legal form was transformed from a cooperative company to a company limited by shares and the company name was

⁵ Council Regulation (EU) 1024/2013 of 15 October 2013 that assigns specific tasks to the European Central Bank concerning policies relating to the prudential supervision of credit institutions that set up the European Single Supervisory Mechanism.

changed from "Banca popolare dell'Emilia Romagna società cooperativa" to "BPER Banca S.p.A." The Shareholders' Meeting also approved a change in the banking group's name to "BPER Banca Group".

Pursuant to art. 2 of its articles of association, BPER Banca S.p.A.'s corporate objects include the taking of deposits and the provision of loans in their various forms, both directly and through subsidiary companies. It pays particular attention to the enhancement of local resources in the areas where it is present through its own distribution network and that of the Group. Pursuant to art. 8 of the articles of association, in order to achieve its corporate objects, the Bank, directly or through its subsidiaries, may in compliance with current regulations carry out all permitted banking and financial operations and services, as well as all other operations that are useful or in any case related to the achievement of its objects.

A top-level organisation chart of the Bank at December 2018 is set out below.

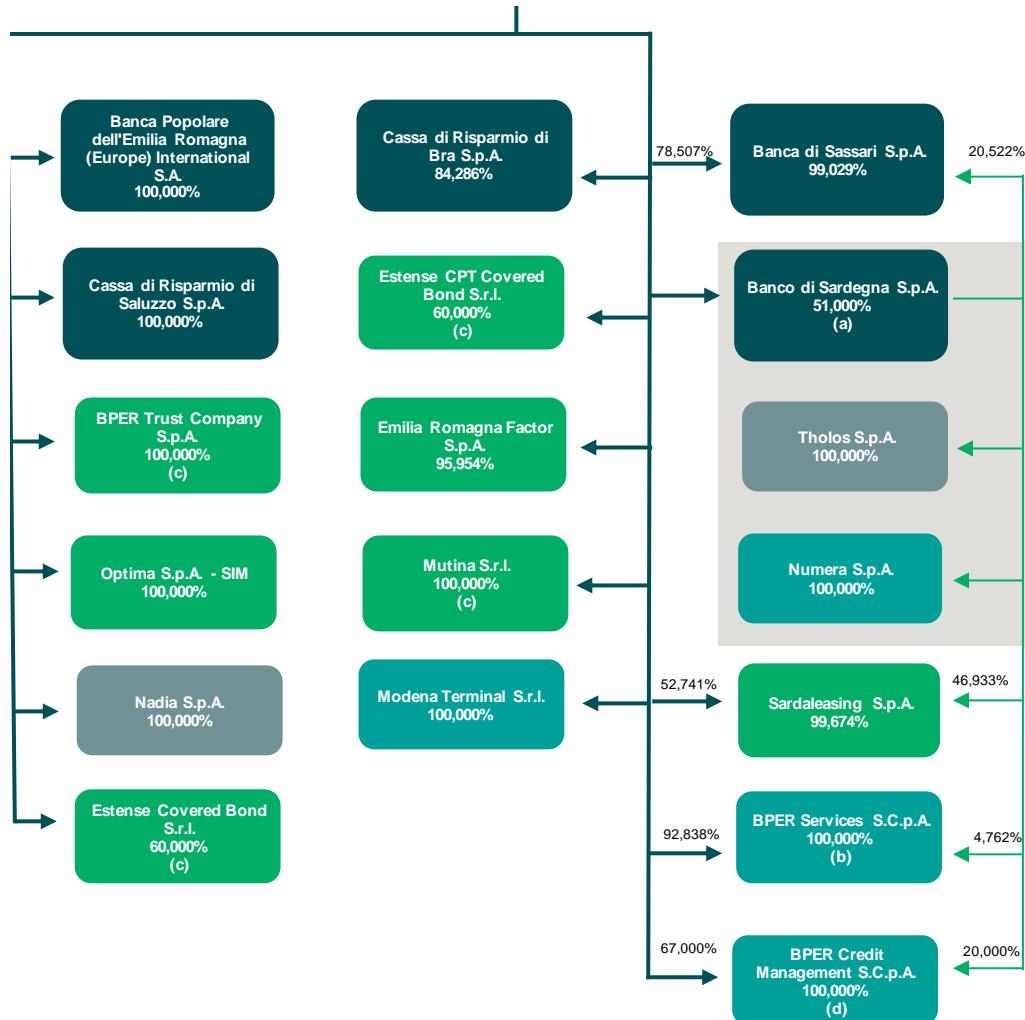


BPER Banca is the parent company of the Banking Group of the same name that was formed in 1992.

Group companies are subject to management control and coordination (as per art. 61 Legislative Decree 385/93) by the Parent Company, which provides guidelines for the implementation of the instructions issued by the Bank of Italy in the interests of the Group and its stability.

The Group structure as at 31 December 2018 is set out below.

BPER:
Banca



- a) Equivalent to 50.940% of the entire Capital Stock consisting of ordinary, preferred and savings shares, the latter being non voting shares.
- b) The following Companies also are shareholders of BPER Services S.C.p.A :
 - Banca di Sassari S.p.A. (0.400%);
 - Optima S.p.A. SIM (0.400%);
 - Sardaleasing S.p.A. (0.400%);
 - Cassa di Risparmio di Bra S.p.A. (0.400%);
 - BPER Credit Management S.C.p.A (0.400%)
 - Cassa di Risparmio di Saluzzo S.p.A (0.400%)
- c) Subsidiary companies consolidated under the equity method.
- d) The following Companies also are shareholders of BPER Credit Management S.C.p.A :
 - Sardaleasing S.p.A. (6.000%);
 - Banca di Sassari S.p.A. (3.000%);
 - Cassa di Risparmio di Bra S.p.A. (2.000%);
 - Emilia Romagna Factor S.p.A. (1.000%);
 - Cassa di Risparmio di Saluzzo S.p.A. (1.000%);

In addition to the above members of the banking group, the scope of consolidation also includes the following subsidiaries companies which are not members of the banking group since they do not contribute directly to its activities. These companies are consolidated under the equity method:

- **of the Parent Company :**
 - Adras S.p.A. (100%);
 - Italiana Valorizzazioni Immobiliari S.r.l. (100%);
 - Sifà S.p.A. (51%);
 - Banca Farnese S.p.A. in liquidazione (65,13%)
- **of the Italiana Valorizzazioni Immobiliari S.r.l.:**
 - Costruire Mulino S.r.l. (100%);
 - Frara S.r.l. (100%).

Public disclosures pursuant to the Supervisory Provisions for Banks, Bank of Italy Circular 285/2013, Part I, Title IV, Chapter 1, Section VII⁶

Information required by the Supervisory Provisions for banks	Chapters/Paragraphs of the Report that contain the information
Information on the general lines of the organisational and corporate governance structures adopted in implementation of the provisions of Chapter 1, Tit. IV, Part One, Circ. 285/2013 of the Bank of Italy.	Chapter 1 (Issuer Profile).
Motivated indication of the category in which the bank is located following the assessment process pursuant to Paragraph 4.1, Section I, Chapter 1, Tit. IV, Part One, Circ. 285/2013 of the Bank of Italy.	Chapter 1 (Issuer Profile).
Total number of members of the governing bodies in office and the reasons, shown analytically, for any surplus with respect to the limits set in the application guidelines of Section IV, Chapter 1, Tit. IV, Part One, Circ. 285/2013 of the Bank of Italy. Breakdown of members at least by age, gender and length of stay in office.	Paragraph 4.2 (Board of Directors) and Chapter 20 (Board of Statutory Auditors).
Number of directors that meet the independence requirements.	Paragraphs 4.2 (Board of Directors - Table) and 4.7 (Independent Directors).
Number of directors representing minorities.	Paragraph 4.2 (Board of Directors - Table).
Number and type of offices held by each company officer in other companies or entities.	Table 3 (Board of Directors) - and Table 5 (Board of Statutory Auditors).
Number and name of any board sub-committees established, their functions and responsibilities.	Paragraph 4.2 (Board of Directors - Table); Chapter 6 (Board Sub-Committees); Paragraphs 4.2 and 4.5.2 (Executive Committee); Chapter 7 (Appointments Committee); Chapter 8 (Remuneration Committee); Chapter 10 (Control and Risk Committee); Chapter 11 (Independent Directors' Committee); Chapter 12 (Strategy Committee).

⁶ Bank of Italy Circular 285/2013, Part I, Title IV, Chapter 1, Section VII 'Public disclosure requirements': "The banks, in addition to the disclosure requirements arising from the European Union's regulatory provisions and from the Bank of Italy's supervisory provisions, shall make public in a clear and detailed manner and shall constantly update the following information: [Editor's note: see list on left side of the table]. The banks shall publish the above information on their website. The information to be published on the bank's website, inclusive of disclosure of an outline of the organisational structure and corporate governance, may also be provided via reference to other documents available on the website itself, comprising the articles of association, as long as the relevant information is easily consultable and accessible via a clear, working link".

Possible succession policies, number and types of offices involved.	Paragraph 4.1 (Board of Directors).
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Corporate Social Responsibility

For information and details on Corporate Social Responsibility, reference should be made to the 2018 Consolidated Non-Financial Declaration (Sustainability Report) prepared according to Legislative Decree 254/2016.

The Consolidated Non-Financial Declaration is published together with the financial statements and with the same timing in accordance with the law and made available on the website www.bper.it – Sito Istituzionale > Investor Relations.

2 Information on the ownership structure (art. 123-bis, paragraph 1, Legislative Decree 58/98)

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

As regards the information required by the above article:

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

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

The share capital of the Bank (fully subscribed and paid) amounts to Euro 1,443,925,305 and consists of 481,308,435 registered ordinary shares, with no nominal value.

The share capital structure at 31 December 2018 is presented in Table 1 attached to this Report.

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

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

As of the date of this Report, no categories of shares had been issued other than ordinary shares and there are no convertible bond loans.

In addition, it should be noted that the remuneration plans adopted to date, submitted each year to the Shareholders' Meeting, consisted of "phantom stock plans", which means that they did not lead to any allocation of shares that would have involved an increase in capital, bonus issues included. Details thereof are provided in the "Prospectus for phantom stock compensation plan - 2018" published on the Bank's website - Sito Istituzionale > Governance > Shareholders' Meeting.

2.2 Restrictions on the transfer of securities (art. 123-bis, paragraph 1.b), Legislative Decree 58/98)

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

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

The Bank has adopted specific regulations and internal procedures for the required reporting via the

adoption of Group Internal Dealing Rules (market abuse regulations), as published on the website www.bper.it - Sito Istituzionale > Governance > Documents > Internal Dealing.

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

Pursuant to art. 120 of Legislative Decree 58/98, those with a significant shareholding in a listed company must notify the investee company and CONSOB. Shareholders have a notification obligation concerning equity investments in listed issuers, such as BPER, where their share ownership exceeds a threshold of 3% of share capital or reaches or exceeds further thresholds established or subsequently falls below the thresholds in question.

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

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

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

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

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

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

At the time of this Report, there are no special share ownership systems for employees or special mechanisms for exercising the voting rights of employee shareholders. Accordingly, current regulatory and legislative provisions are applicable to employees.

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

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

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

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

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

Postal voting is not allowed.

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

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

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

On 2 March 2017, the Bank received notification of the establishment, on 28 February 2017, of a shareholders' agreement entitled "Historic shareholders' agreement" that 63 shareholders are party to and under which 22,339,276 shares were bound by the agreement, equating to 4.64% of the Bank's share capital. On 3 April 2018, the Bank received notification of an update to the agreement: as of 20 March 2018, 68 shareholders were party to the agreement, under which 19,682,842 shares were bound by the agreement, equating to 4.089% of BPER's share capital. The agreement establishes obligations of advance consultation before exercising voting rights, binding in certain cases, as well as limits on the transfer of the Bank's shares.

There used to be another agreement that expired during the course of 2018. On 10 April 2018, the Bank received notification of the establishment, on the same date, of a shareholder agreement (Fondazione Cassa di Risparmio di Modena, Fondazione Cassa di Risparmio in Bologna, Fondazione Cassa di Risparmio di Imola and Fondazione di Vignola) under which 22,533,653 BPER ordinary shares, representing 4.680% of the Bank's share capital, were bound by the agreement. The agreement provided for obligations of advance consultation - not binding - for the exercise of voting rights at the Shareholders' Meeting of 14 April 2018 in the resolutions on approval of the separate financial statements for the year ended 31 December 2017 and the appointment of the Board of Directors of the Bank, as well as limits on transfer of the Bank's shares. The agreement expired automatically, according to plan, following the election of the B.o.D. by the Shareholders' Meeting in question.

The participants of both agreements say that they have filed the agreements with the Companies Register and made the communications required by law.

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

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

During the last Shareholders' Meeting held on 14 April 2018 no Shareholders made any declarations pursuant to arts. 20 and 22 of Legislative Decree 385/93 and arts 120 and 122 of Legislative Decree 58/98.

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

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

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

2.9 Mandates to increase share capital and authorisations to purchase treasury shares (art. 123-bis, paragraph 1. m), Legislative Decree 58/98)

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

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

At 31 December 2018, the Bank held 455,458 treasury shares, representing 0.095% of the total number of shares making up the Bank's share capital, namely 481,308,435.

As of the date of this Report, the shareholders in general meeting had not authorised any further purchases of treasury shares pursuant to art. 2357 *et seq.* of the Italian Civil Code.

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

At the date of this Report, the Bank is not subject to management and coordination by other parties.

3 Adoption of codes of conduct (art 123-bis, paragraph 2.a), Legislative Decree 58/98)

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

The Code has been published on the Committee for Corporate Governance's website:

www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.htm.

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

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

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

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

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

4 Board of Directors

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

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

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

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

- a) the list must be presented by Shareholders who, individually or collectively, hold at least 1% of the share capital represented by ordinary shares, or a lower percentage established by current regulations. Ownership of the minimum shareholding is calculated with regard to the shares registered on the day when the list is filed at the Company;
- b) the list must indicate a number of candidates not higher than the number of directors to be elected;
- c) the list that contains a number of candidates equal to or higher than three, must present a number of the less represented gender to ensure that the list complies with the gender balance at least to the minimum extent required by law, rounding up to the next unit in the event of a fractional number;
- d) the list must present at least a third of candidates, who meet the independence requirements established by art. 148, third paragraph 3, of Legislative Decree 58 dated 24 February 1998, as well as any other legislative requirements that are currently applicable (the "Independence Requirements"), rounding up to the next unit in the event of a fractional number;
- e) the list must be filed at the Company's registered offices according to the terms and methods established by current regulations (at the date of this report, legislation requires filing to be completed at least 25 days prior to a Shareholders' Meeting⁷);
- f) together with the list, the presenting members must file at the registered offices of the Company all of the documents and declarations required by law, and in any case: (i) the declarations from each candidate accepting their candidature and confirming, under their own responsibility, the absence of reasons for which they cannot be elected or other incompatibilities, and that they meet the requirements for appointment established by these Articles of Association and by current regulations and whether they meet the Independence Requirements; (ii) a full description of the personal and professional characteristics of each candidate, with an indication of the directorships and audit appointments held in other companies; (iii) information on the identity of the members presenting the lists, indicating their percentage shareholding, to be confirmed according to the terms and methods established by current regulations.

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

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

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

⁷ Art. 147-ter, paragraph 1-bis, Legislative Decree 58/98.

- the list must indicate a number of candidates equal to the number of directors to be elected;
- the list must be filed and made public in the manner provided by current regulations on the publication of regulated information, at least five days before the deadline for filing lists by shareholders under current regulations;
- presentation of the list must be approved by the Board of Directors by an absolute majority of its members currently in office;
- the above requirements c), d) and f) (i) and (ii) for the presentation of lists by shareholders shall apply to the presentation of the list by the Board of Directors.

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

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

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

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

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

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

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

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

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

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

- if the ratio between the total number of votes obtained by the Junior Minority List and the total number of votes obtained by the Majority List is less than or equal to 15%, 14 directors are taken from the Majority List and 1 director is taken from the Junior Minority List;
- if the ratio between the total number of votes obtained by the Junior Minority List and the total number of votes obtained by the Majority List is greater than 15%⁸ and lower than or equal to 25%, 13 directors are taken from the Majority List and 2 directors are taken from the Junior Minority List;
- if the ratio between the total number of votes obtained by the Junior Minority List and the total number of votes obtained from the Majority List is more than 25%⁹, 12 directors are taken from the Majority List and 3 directors are taken from the Junior Minority List.

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

⁸ Resulting from the ratio of 2 to 13.

⁹ Resulting from the ratio of 3 to 12.

Meeting expresses itself on candidates submitted by the shareholders directly at the Meeting, who are then voted individually: the candidates who receive the highest number of votes are elected, up to the total number of directors still to be elected.

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

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

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

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

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

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

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

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

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

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

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

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

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

If, for any reason, replacement is not possible according to the mechanism described above, the Meeting votes on the replacement, on the basis of candidates who are put to the vote individually: the candidate who receives the highest number of votes gets elected, making sure that the person chosen belongs to the less

represented gender and/or meets the Independence Requirements if the required minimum number of directors has to be made up. In this case, the candidatures are submitted in accordance with the procedures laid down by art. 20, paragraph 3.3, of the articles of association.

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

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

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

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

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

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

Up to the Shareholders' Meeting on 14 April 2018 that approved the 2017 financial statements, the Bank used the so-called "staggered board" system for appointing directors with different expiry dates. Under art. 45 of the Articles of Association, which was a transitional provision specifically introduced for the purpose of gradually eliminating the staggered board system, at the time of the Shareholders' Meeting of 14 April 2018, all of the directorships expired at the same time and the entire Board of Directors of BPER was elected for the three-year period 2018-2020.

Succession plans

In 2018 the Bank adopted succession plans for the Chief Executive Officer and General Manager.

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

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

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

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

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

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

As regards the corporate bodies and individuals who are involved, a key role is assigned, particularly for the replacement of the CEO, to the Nominations Committee, which carries out the following preliminary phases of the process:

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

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

When preparing the plans, particular attention was given to the timing of execution, to ensure a prompt replacement, even if with differentiations between the two figures, given that, when looking for a new General Manager, the Bank would not be deprived of a "boss" figure in the meantime.

It is worth pointing out that the Bank has never found it necessary to use succession plans for either of the two figures in question.

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

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

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

As mentioned previously, in recent years the Board of Directors has been involved in a process of gradually adjusting to the quantitative indications referred to in the Supervisory Provisions to overcome the staggered board system for the differentiated renewal of directors, by adopting a system of joint election of the administrative body. This process was completed, in accordance with the transitional provisions under art. 45 of the Articles of Association, with the Shareholders' Meeting that met on 14 April 2018 to approve the financial statements for 2017.

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

The Board sets up the committees provided for by law and by current Supervisory Provisions, as well as any

other committees that are deemed appropriate, establishing their composition, powers and rules of operation.

The Board of Directors appoints a Secretary who meets the requirements of experience and professionalism, chosen from among its members or the managers of the Company. On 26 October 2010, Gian Enrico Venturini, Deputy General Manager, was appointed as Board Secretary, which appointment was last reconfirmed on 16 April 2016.

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

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

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

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

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

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

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

Diversity policy

The Bank recognises the importance of corporate bodies having a sufficiently diversified composition - in terms of age, gender, geographical origin, training and professional background, as well as personal qualities and skills - with a view to encouraging the independence of opinion and critical thinking of the members, contributing to more effective governance¹⁰.

As regards gender diversification in particular, it is worth remembering that BPER Banca's Articles of Association require compliance with composition criteria for corporate bodies that ensure gender balance¹¹. Compliance with this criteria is ensured by provisions governing the composition of the lists of candidates¹² and the election of officers, inclusive of via the application of a sliding mechanism¹³.

¹⁰ In this connection, reference should be made to Directive 2013/36/EU of the European Parliament and Council dated 26 June 2013 on access to the banking business and prudential supervision of credit institutions and investment firms (so-called CRD IV) and the *Joint Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU* issued jointly by the European Banking Authority (EBA) and European Securities and Markets Authority (ESMA) on 26 September 2017.

¹¹ See art. 17, paragraph 3, regarding the Board of Directors and art. 31, paragraph 7, regarding the Board of Statutory Auditors.

¹² Art. 18, paragraph 2, of the articles of association states that the list that contains a number of candidates for the position of director equal to or higher than three, must present a number of the less represented gender to ensure that the list complies with gender balance requirements at least to the minimum extent required by law, rounding up to the next unit in the event of a fractional number. Except for the specific circumstances arising from the different structure of the lists, similar provisions for the Board of Statutory Auditors are contained in art. 32, paragraph 3, of the articles of association.

¹³ See arts. 19 and 33 of the articles of association.

As foreseen by art. 17 of the Articles of Association and by current legislation, the composition of the Board ensures gender balance. At present, out of 15 members, 7 are female (the less represented gender) and 8 are male. As regards the Board of Statutory Auditors, as foreseen by art. 31 of the Articles of Association and current legislation, the composition ensures a balance between genders as required by current law: at present, out of 5 members, 2 are male (the less represented gender).

The Bank plans to adopt a corporate policy on the diversity of the administrative and control bodies as soon as a framework of principles has been completed, inclusive of at the level of national legislation, and awaits, in particular, the issue by the Ministry of Economy and Finance of a Decree implementing¹⁴ art. 26 of Legislative Decree 385/93 concerning the requisites and eligibility criteria for the performance of duties by corporate officers of banks, which may include specific provisions relating thereto, as well as implementing art. 91, paragraph 10 of the aforementioned CRD IV Directive¹⁵.

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

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

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

No changes in the composition of the Board took place between the end of 2018 and the date of this report.

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

As regards the independent Directors, see paragraph 4.7.

A summary of the personal and professional characteristics of each Director currently in office, indicating their professional experience and skills, is published on the Bank's website www.bper.it – Sito Istituzionale > Governance > Board of Directors.

A list of the offices held by each member of the Board of Directors in other organisations, based on the latest information known to the Bank, is provided in Table 3 attached to this Report

The following summary table relates to the Shareholders' Meeting that elected the current members of the Board of Directors and, to view the members that submitted candidates, you are invited to consult the dossiers showing the candidates that are attached to this Report and that are published on the occasion of the Meeting on the website www.bper.it – Sito Istituzionale > Governance > Shareholders' Meeting.

The following is a brief summary of information on the Shareholders' Meeting that elected the current members of the Board of Directors.

Date of Meeting	14/04/2018
Number of lists presented	2 lists for the appointment of 15 Directors.
List no. 1	
List submitted by the Board of Directors of BPÉR Banca S.p.A. exercising the right granted by art. 18, paragraph 8, of the current articles of association.	
List no. 2	

¹⁴ The Ministry of Economy and Finance had issued for consultation a draft of the Ministerial Decree implementing art. 26 of Legislative Decree 385/93. The consultation ended on 22 September 2017 and we now await the enactment of the new legislation.

¹⁵ Directive 2013/36/EU of the European Parliament and the Council of 26 June 2013 concerning access to the activities of credit institutions and investment firms (so-called CRD IV Directive).

List presented by the Trevisan & Associati Law Firm, on behalf of 11 managers of 24 funds, shareholders with the following overall percentage interest in BPER: 1.40%	
Candidates on each list	<p><u>List no. 1</u></p> <ol style="list-style-type: none"> 1. Alessandro Vandelli; 2. Riccardo Barbieri; 3. Massimo Belcredi (independent); 4. Mara Bernardini (independent); 5. Luciano Filippo Camagni (independent); 6. Giuseppe Capponcelli (independent); 7. Pietro Ferrari; 8. Elisabetta Gualandri (independent); 9. Ornella Rita Lucia Moro (independent); 10. Mario Noera (independent); 11. Rossella Schiavini (independent); 12. Valeria Venturelli (independent); 13. Costanzo Jannotti Pecci; 14. Valeriana Maria Masperi (independent); 15. Roberto Marotta (independent). <p><u>List no. 2</u></p> <ol style="list-style-type: none"> 1. Roberta Marracino (independent); 2. Alessandro Robin Foti (independent); 3. Marisa Pappalardo (independent).
List of persons elected and percentage of votes	<p><u>Elected from List 1: 159,685,742 votes (73.366% of the votes cast and 33.177% of total share capital)</u></p> <ul style="list-style-type: none"> • Alessandro Vandelli; • Riccardo Barbieri; • Massimo Belcredi (independent); • Mara Bernardini (independent); • Luciano Filippo Camagni (independent); • Giuseppe Capponcelli (independent); • Pietro Ferrari; • Elisabetta Gualandri (independent); • Ornella Rita Lucia Moro (independent); • Mario Noera (independent); • Rossella Schiavini (independent); • Valeria Venturelli (independent); <p><u>Elected from List 2: 57,699,009 votes (26.509% of the votes cast and 11.988% of total share capital)</u></p> <ul style="list-style-type: none"> • Roberta Marracino (independent); • Alessandro Robin Foti (independent); • Marisa Pappalardo (independent). <p>Votes against: 116,144 (0.053% of the votes cast and 0.024%</p>

	of total share capital) Abstained: 50,738 (0.023% of the votes cast and 0.010% of total share capital) Absent: 105,701 (0.049% of the votes cast and 0.022% of total share capital).
Elected in accordance with art. 19, paragraph 2.1, letter c) of the Articles of Association: "if the ratio between the total number of votes obtained by the Junior Minority List and the total number of votes obtained from the Majority List is more than 25%, 12 (twelve) directors are taken from the Majority List and 3 (three) directors are taken from the Junior Minority List.	

Sponsors of the List no.2

No.	SURNAME NAME / COMPANY NAME	PLACE OF BIRTH / REGISTERED OFFICE	PROV. (COUNTRY)	DATE OF BIRTH / TAX CODE / VAT No. / EQUIVALENT
1	Aletti Gestielle SGR S.p.A. fund manager of Gestielle Cedola Italy Opportunity	MILAN	MI	07503720158
2	Aletti Gestielle SGR S.p.A. fund manager of Gestielle Obiettivo Italia	MILAN	MI	07503720158
3	Aletti Gestielle SGR S.p.A. fund manager of Gestielle Cedola Multiasset III	MILAN	MI	07503720158
4	Anima SGR S.p.A. fund manager of Anima Crescita Italia	MILAN	MI	07507200157
5	Anima SGR S.p.A. fund manager of Anima Iniziativa Italia	MILAN	MI	07507200157
6	Arca Fondi S.G.R. S.p.A. fund manager of Arca Azioni Italia	MILAN	MI	09164960966
7	Eurizon Capital SGR S.p.A. fund manager of Eurizon Azioni Italia	MILAN	MI	04550250015
8	Eurizon Capital SGR S.p.A. fund manager of Eurizon Azioni PMI Europa	MILAN	MI	04550250015
9	Eurizon Capital SGR S.p.A. fund manager of Eurizon Progetto Italia 70	MILAN	MI	04550250015
10	Eurizon Capital SGR S.p.A. fund manager of Eurizon PIR Italia Azioni	MILAN	MI	04550250015
11	Eurizon Capital SGR S.p.A. fund manager of Eurizon Progetto Italia 40	MILAN	MI	04550250015
12	Eurizon Capital SA fund manager of Eurizon Investment SICAV - PB Equity EUR	LUXEMBOURG	(LU)	LU19164124
13	Eurizon Capital SA fund manager of Eurizon Fund - Equity Italy	LUXEMBOURG	(LU)	LU19164124
14	Eurizon Capital SA fund manager of Eurizon Fund - Equity Small Mid Cap Europe	LUXEMBOURG	(LU)	LU19164124
15	Fideuram Asset Management (Ireland) fund manager of Fideuram Fund Equity Italy	DUBLIN	(IE)	IE6369135L
16	Fideuram Asset Management (Ireland) fund manager of Fonditalia Equity Italy	DUBLIN	(IE)	IE6369135L
17	Fideuram Investimenti SGR S.p.A. fund manager of Piano Azioni Italia	MILAN	MI	07648370588
18	Fideuram Investimenti SGR S.p.A. fund manager of Piano Bilanciato Italia 50	MILAN	MI	07648370588
19	Generali Investments Luxemburg SA fund manager of Generali Smart Fund PIR Evoluzione Italia	LUXEMBOURG	(LU)	B188432
20	Generali Investments Luxemburg SA fund	LUXEMBOURG	(LU)	B188432

No.	SURNAME NAME / COMPANY NAME	PLACE OF BIRTH / REGISTERED OFFICE	PROV. (COUNTRY)	DATE OF BIRTH / TAX CODE / VAT No. / EQUIVALENT
	manager of Generali Smart Fund PIR Valore Italia			
21	Legal & General Assurance (Pensions Management) Limited	LONDON	(UK)	02091894
22	Mediolanum Gestione Fondi SGR S.p.A. fund manager of Mediolanum Flessibile Futuro Italia	MILAN	MI	06611990158
23	Mediolanum Gestione Fondi SGR S.p.A. fund manager of Mediolanum Flessibile Sviluppo Italia	MILAN	MI	06611990158
24	Mediolanum International Funds fund manager of Challenge Funds - Challenge Italian Equity	DUBLIN	(IE)	264023

Notice is hereby given that the shareholders presenting list no. 2 declared that they had no relationships and/or significant dealings, also pursuant to CONSOB Communication DEM/9017893 of 26 February 2009, with shareholders owning, individually or¹⁶ jointly, a controlling or relative majority interest as provided for in articles 147-ter, paragraph 3, of the CFA and 144-quinquies of the Issuers' Regulation and, more generally, of the Bank's Articles of Association and the regulations currently in force.

For further information, see the minutes of the Shareholders' Meeting filed at the registered offices of the Issuer which are available to the public on the website of Borsa Italiana (www.borsaitaliana.it) and of the Bank www.bper.it – Sito Istituzionale > Governance > Shareholders' Meeting.

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

Supervisory Provisions provide, among the general principles for the correct performance of the functions by the bodies with strategic supervision and management functions, that the members of the Board of Directors dedicate appropriate time and resources to the complexity of their duties, without prejudice to the limits on the accumulation of offices envisaged in art. 91 of the CRD IV Directive¹⁷. In any case, these limits have not yet been incorporated into Italian law as we are still waiting for the decree of the Ministry of the Economy and Finance implementing art. 26 of the CBA. Once it is issued, implementation of the limits established in it will be examined in an internal regulatory document which, in line with the EBA and ESMA Guidelines, will govern Group policy on the suitability of corporate officers.

At the time of their appointment and any time thereafter that there is a change, the Directors must provide the Board with an updated list of their directorships, management and audit appointments; they are also required to make a declaration, in compliance with art. 36 of Legislative Decree 201/2011 converted with amendments to Law 214/2011, concerning the ban on interlocking.

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

¹⁶ On the basis of the communications of significant investments referred to in art. 120 of the CFA or the publication of the shareholders' agreements pursuant to art. 122 of the same Decree, that are identifiable at the date of signing the list on the websites of BPER and CONSOB.

¹⁷ Officers of larger or more complex banks cannot take on a total number of positions in banks or other commercial companies exceeding one of the following alternative combinations, including the position held in the Bank:

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

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

activities, as well as any situations and/or facts pertaining to the professional sphere.

When ascertaining whether candidates met overall requirements for office, the Board considered appropriate the time available to each of them to carry out their duties properly.

Board training

The promotion of training initiatives designed for corporate officers is a topic that is increasingly important in the corporate sphere and, particularly, in the banking sector, as demonstrated by the issue of various regulatory provisions addressing the topic¹⁸.

Within BPÉR, training for the members of the Board has always been carefully and continuously addressed.

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

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

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

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

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

As regards the 2018-2020 training sessions, at the time of preparing this Report, three days have been organised, focusing on: (i) awareness of macroeconomic scenarios and management of the financial portfolio, (ii) the framework for crisis prevention, management and resolution in the EU and the Minimum Requirement for own funds and Eligible Liabilities (MREL), (iii) IFRS 9 and IFRS 16 Leases (the latter to be held in March 2019).

It is also envisaged that individual training plans will be activated if it is necessary to make up for gaps in knowledge and skills.

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

Lastly, it should be noted that the Directors also constantly receive alerts prepared by the competent internal functions of BPÉR in order to provide information and input useful for the performance of their duties, as well as legislative updates applicable to the sector.

¹⁸The Bank of Italy, with its Circular 285/2013, Supervisory instructions for banks, requires banks to adopt appropriate training plans to ensure that the technical expertise of the members of the administrative and control bodies, as well as those responsible for the main corporate functions, is preserved over time; specific training programmes must be offered to help prepare new appointees for their role. In addition:

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

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

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

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

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

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

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

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

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

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

This deadline was generally met during 2018, except in special cases due to the nature of the resolution to be taken.

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

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

Lastly, note that the aforementioned operating rules require that, outwith the Bank's premises, materials provided in advance shall be made available by means of an IT procedure, which, due to the security features thereof, constitutes the preferred tool for the management, based on appropriate confidentiality standards, of meetings of corporate bodies and of the documents and information pertinent thereto.

The directors fulfil their duties in compliance with the obligation of confidentiality regarding the documents and information acquired in the performance of their mandate, also outside of board meetings, and comply with the controls adopted by the Bank for this purpose, particularly with the IT procedure mentioned above.

The Board members perform their functions in an informed manner, with independence of mind and

autonomously, in compliance with the principles set out in the Code of Ethics adopted by the Bank.

The non-executive directors bring their specific skills to Board discussions, particularly as regards to the control and internal audit functions and to those where there could be potential conflicts of interest. They also participate in the appointment and dismissal of the heads of corporate control functions.

The Board of Directors, in exercising its right to appoint committees and to grant executive powers, has a duty to ensure that the Board continues to have an adequate number of non-executive members, meaning Directors who are not members of the Executive Committee or who have been granted executive powers thereby, Directors who do not hold managerial positions in the Bank and who do not perform management functions (not even de facto) in the Bank or in any Banking Group company.

Minutes of meetings are prepared by the Secretary in a manner governed by the Board of Directors' operating rules in force at the time.

The minutes, signed by the Chairman and the Secretary, are kept in the Board of Directors' Minute Book.

The Board of Directors met 24 times during 2018 and the average duration of each meeting was about 6:12 hours. This number has also been supplemented by three informal meetings by the Directors outside the Board. More specifically, these consisted of:

- a meeting held on the same day as the Board meeting called to decide on the appointment of the corporate bodies following the renewal of the Board of Directors by the Shareholders' Meeting of 14 April 2018. The purpose was talk about governance in general and to propose candidatures for the corporate bodies, to be discussed and then evaluated at Board level;
- a meeting attended by the Directors to analyse and discuss matters of a strategic nature that was held outwith Board meetings, in compliance with specific recommendations contained in the Bank of Italy's Supervisory Instructions (Circular 285/2013);
- a meeting of just the Independent Directors, which will be discussed in para. 4.7.

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

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

21 meetings have been scheduled for 2019; at the date of this Report, the Board of Directors has met 5 times, including the meeting for the approval of this document.

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

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

- determining general operating guidelines and criteria for the coordination and management of Group Companies, as well as for the implementation of instructions received from the Bank of Italy and other Supervisory Authorities in the interests of the Group's stability;
- definition of general guidelines, strategies, policies, processes, models, plans and programmes that the provisions of the Bank of Italy and the other Supervisory Authorities assign to the body that has the function of strategic supervision;
- the strategic direction, strategic transactions and financial and business plans;
- the purchase and disposal of equity investments that represent a controlling and/or significant interest;
- the approval and amendment of internal regulations governing the functioning of the B.o.D., the Executive Committee and the other Board committees;

- the approval and amendment of the deed governing the process of adopting and distributing internal regulations and other internal regulatory documents that this deed qualifies as particularly important;
- the appointment and dismissal of the Chairman and Deputy Chairmen;
- the appointment from among its number of an Executive Committee and any other committees needed for the operations of the Bank, determining the members, their duties and how they will operate;
- the appointment of the Chief Executive Officer, granting, modifying and/or revoking the powers granted to him;
- the appointment and dismissal of the General Manager;
- the appointment and dismissal of the heads of the functions that the provisions of the Bank of Italy and the other Supervisory Authorities assign to the body that has the function of strategic supervision, and the appointment and dismissal of the Manager responsible for preparing the Company's financial reports;
- mergers in the situations envisaged by arts. 2505 and 2505-bis of the Italian Civil Code;
- any alignment of the articles of association with regulatory requirements.

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

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

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

As part of its duties, in 2018, the Board of Directors assessed:

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

powers, comparing them with the budget objectives and the business plan, as well as with the approved annual and interim reports.

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

It is structured in the following three components:

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

As regards the self-assessment by the Board of Directors, in the first few months of 2018 the process relating to 2017 was completed, the results of which have been summarised in a special report approved by the Board, which also contains proposals for more suitable corrective measures to cope with the weaknesses that emerged as a result of the process.

These considerations and guidelines which emerged during the self-assessment and were included in the report, have been summarised in the document on the "Optimal Qualitative and Quantitative Composition of the Board of Directors", as approved by the B.o.D. and published on the Bank's website www.bper.it (Sito Istituzionale > Governance > Shareholders' Meeting) in order to satisfy the need to bring the results of this analysis to the attention of the shareholders in good time, so that the choice of candidates for election to the Board of Directors at the Shareholders' Meeting of 14 April 2018 could take into account the required professional expertise and skills.

After the appointments had been made by the Shareholders' Meeting, the Board of Directors checked the extent to which the qualitative and quantitative composition of the Board resulting from the nomination process complied with that defined as optimal.

In October and November 2018, the Nominations Committee then started the process of completing a new self-assessment, focusing in particular on identifying the external professional that the Board could use for the self-assessment referred to this process, in line with the Supervisory Provisions according to which it is good practice in larger banks to use a person of this kind at least once every three years.

The self-assessment process is currently underway and is expected to be completed in the first quarter of 2019.

4.4 Chairman of the Board of Directors

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

This position was held up to the Shareholders' Meeting on 14 April 2018 by Luigi Odorici. Following the renewal of the Board of Directors for the three-year period 2018-2020, at the Board meeting of 17 April 2018, Pietro Ferrari was appointed Chairman of the Board of Directors.

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

The Chairman does not have executive powers. He represents the Company in dealings with third parties and in legal proceedings, both in the courts and in administrative matters, including appeals and revocations, and has single signature powers.

The Chairman of the Board is not the "main person responsible for managing the Issuer" - given that there is

a Chief Executive Officer, an Executive Committee and a General Manager - nor, at the date of this report, is the Chairman its majority shareholder.

4.5 Delegated bodies

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

The document entitled "Functions of the corporate bodies – System for delegation of powers" identifies and reports the powers delegated from time to time by the Board of Directors to the Executive Committee, the Chief Executive Officer, the General Manager and the Deputy General Managers.

With regard to the granting of loans and ordinary operations, decision-making powers have been delegated, in addition to the Executive Committee and the Chief Executive Officer, to the General Manager, to Deputy General Managers and - within predetermined limits, depending on function and level - to employees with specific duties and to branch managers.

4.5.1 Chief Executive Officer

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

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

Pursuant to art. 30 of the articles of association, without prejudice to each Director's right to submit proposals, as part of the powers assigned to the Chief Executive Officer, the latter is normally responsible for submitting proposals to the Board of Directors and to the Executive Committee for motions to be considered thereby.

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

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

The Chief Executive Officer is also responsible for:

- the execution of motions passed by corporate bodies and the coordination of the Bank's activities to ensure its operations comply with the policies laid down by the Board of Directors;
- the supervision and implementation of plans, projects and budgets approved by the Board, as well as periodic reporting to the competent bodies on the status thereof and the general performance of the Bank and the Group;
- the application of rules concerning corporate governance applicable to the Bank and the Group;
- exercising the powers envisaged by Group policy (that are not reserved for the Board of Directors or have been granted to the Executive Committee) concerning:

- the internal control system;
- IT Systems;
- the outsourcing of corporate functions;
- the Recovery Plan;
- whistleblowing policy;
- Business Continuity.

Pursuant to art. 30, paragraph 3 of the articles of association, in urgent cases, the Chief Executive Officer, after having consulted with the Chairman of the Board, may take decisions on any transaction normally within the competence of the Board of Directors, except for those reserved by law or the articles of association exclusively to the collegial competence of the Board. The decisions taken under these circumstances have to be reported to the Board of Directors at the next meeting. In the event that the CEO is absent or unavailable, this power may be exercised by the Chairman of the Board of Directors, on the binding proposal of the General Manager.

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

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

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

The Chief Executive Officer is main person responsible for managing the business and in order to avoid situations that could generate potential conflicts of interest, he does not act as a Director of any issuers not of the BPER Group where a BPER Board member acts as the chief executive officer.

4.5.2 Executive Committee (under art. 123-bis, paragraph 2, letter d), Legislative Decree 58/98)

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

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

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

Directors.

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

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

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

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

The rules governing the procedures for the identification of the supporting documentation for motions submitted, the provision thereof prior to the meeting and the recording of minutes of meetings have been extended by the Board to the Executive Committee, in full analogy to the provisions envisaged for the administrative body as set out in paragraph 4.3 above. In particular, also for the Executive Committee, the deadline for making available the documentation to support resolutions was set at five days before the meeting. This deadline was generally complied with during 2018, except in special cases due to the nature of the resolution to be taken.

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

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

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

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

At the end of 2018 and at the date of this Report, the Executive Committee consists of five Directors: Rossella Schiavini (Chairman), Alessandro Vandelli (as Chief Executive Officer), Riccardo Barbieri, Luciano Filippo Camagni and Mario Noera. The appointed Secretary is the Deputy General Manager Gian Enrico Venturini.

Prior to the renewal of the Board of Directors by the Shareholders' Meeting of 14 April 2018, the Committee was made up of the following five directors: Alberto Marri (Chairman), Giosuè Boldrini (Deputy Chairman of the Board of Directors), Alessandro Vandelli (as Chief Executive Officer), Ettore Caselli and Pietro Ferrari.

The Committee met 13 times in 2018 and the average duration of each meeting was approximately 2 hour and 28 minutes.

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

- the General Manager, whose attendance is envisaged by art. 28 of the articles of association;
- the Deputy General Manager acting as Secretary to the Committee, as per a Board resolution of 26 October 2010, which appointment was last reconfirmed on 19 April 2016;
- other Deputy General Managers, if invited by the Chairman of the Executive Committee;
- the heads of the departments in question in order to provide detailed information on topics on the agenda falling under their responsibility (an average of 2-3 function heads were invited to each meeting).

15 meetings have been scheduled for 2019. The Committee has met 3 times as of the date of approval of this Report by the Board.

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

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

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

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

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

4.5.3 Information for the Board of Directors

Pursuant to art. 30, paragraph 4, and art. 36, paragraph 4, of the articles of association, the corporate bodies holding delegated powers report to the Board of Directors and to the Board of Statutory Auditors at least every three months.

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

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

4.6 Other Executive Directors

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

- a) are members of the Executive Committee or have been granted individual executive powers or perform management functions (even de facto);
- b) hold managerial positions, that is, entrusted with the supervision of certain areas of the business's operations.

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

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

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

4.7 Independent directors

Pursuant to art. 147-ter, paragraph 4, of Legislative Decree 58/98 and art. 21, paragraph 2 of the articles of association, at least 5 members of the Board of Directors have to meet the independence requirements established for statutory auditors by art. 148, paragraph 3, of Legislative Decree 58/98.

Verification of the independence requirements, as regards the financial and professional relationships of the persons concerned, is carried out on the basis of parameters identified by the Board of Directors, pursuant to art. 21, paragraph 2, of the Articles of Association. The Board of Directors ascertains that the persons concerned meet the independence requirements envisaged by the CFA and by the recommendations contained in the Code of Conduct (Application Criterion 3.C.1.).

Following the renewal of the Board of Directors by the Shareholders' Meeting of 14 April 2018, in May 2018 the Board ascertained the persons concerned met the independence requirements of the CFA and the Code of Conduct.

As of the date of this Report, the following nine Directors are considered independent, on the basis of both the CFA and the Code of Conduct: Massimo Belcredi, Mara Bernardini, Giuseppe Capponcelli, Alessandro Robin Foti, Elisabetta Gualandri, Roberta Marracino, Ornella Rita Lucia Moro, Marisa Pappalardo and Valeria Venturelli.

At the time that Board members are appointed, the market is informed by means of a press release which Directors have declared that they are independent. After an election, the market is informed in the same way about the outcome of the Board of Directors' verification that the members meet the requirements of professionalism, integrity and independence.

Verification as to whether independence requirements are met takes place after the appointment of the Directors, within the time-scale prescribed by applicable regulations and is repeated, subsequently, should a change in circumstances arise that could impact independence and, however, at least once a year.

Also for the purpose of ascertaining fairness in the application of the criteria and procedures adopted by the Board in assessing the independence of its members, all of the Statutory Auditors attended the meeting on 8 May 2018, during which the results of this evaluation were explained and the Auditors took note, without making any observations; this will be mentioned in the Statutory Auditors' report to the Shareholders' Meeting.

During the year, the Independent Directors had a formal meeting in the absence of the other Directors, outside of the sessions of the Committees of which they are members.

The meeting was an opportunity for a discussion on the general functioning of the Board, in terms of how to conduct meetings, prior information, minutes of meetings and participation of management at meetings. A summary of the reflections made was subsequently produced at the next Board meeting, drawn up by the Chairman of the Independent Directors' Committee, on the initiative of whom, pursuant to the Rules governing the functioning of the Board, meetings of the Independent Directors are organised.

4.8 Lead Independent Director

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

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

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

5 Processing of corporate information

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

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

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

The Bank complies with the public disclosure requirements of privileged information provided for by the regulatory provisions, in particular by art. 17 of the MAR Regulation¹⁹, of art. 114 of the CFA and by art. 66 of the Issuer Regulations, by means of a press release:

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

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

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

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

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

These regulations:

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

¹⁹ (EU) Regulation 596/2014 of the European Parliament and the Council of 16 April 2014 dealing with market abuse.

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

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

At the date of this Report, in addition to the Executive Committee (see paragraph 4.5.2), the Board of Directors has established as sub-committees the Nominations Committee, the Remuneration Committee, the Control and Risk Committee (which also acts as the Sustainability Committee) and the Independent Directors Committee. There was also a Strategy Committee up to 17 April 2018 (see Chapter 12).

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

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

7 Nominations Committee

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

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

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

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

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

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

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

The Chairman:

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

The Chairman, assisted by the Secretary and the competent business functions, verifies the supporting documentation to be provided to the Committee to ensure that it is adequate, in both quantitative and qualitative terms, to address matters on the agenda. This documentation is generally made available to Committee members and Rightful Participants²⁰ 5 days prior to each meeting.

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

Committee meetings can be held remotely²¹ by means of suitable telecommunications,

Otherwise, meetings of the Nominations Committee are valid if attended by a majority of its current members. In the exercise of its functions, the Committee's resolutions are adopted by an absolute majority of

²⁰ Pursuant to art. 8.6. of the Committee's operating rules, ex-ufficio participants are the Chairman of the Board of Directors and the Chief Executive Officer, but without the right to vote.

²¹ providing that all participants can be identified and that this identification is recorded in the minutes; they should also be able to follow and take part in the debate in real time.

the votes of the members attending the meeting. In the event of a tie, the Committee's Chairman has a casting vote.

From time to time, the Chairman may invite to Nominations Committee meetings other members of the Board of Directors, the General Manager or other persons whose presence may help to improve the performance of the Committee's functions.

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

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

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

During 2018, non-members did not take part in meetings of the Committee, except for those who have a right to participate, as disclosed at the beginning of this paragraph.

The Committee met 17 times during 2018 and the average duration of each meeting was about one hour and 2 minutes.

The Committee met three times with the Bank's Remuneration Committee to discuss matters of mutual interest.

In 2019, three meetings have already been held at the date of Board approval of this Report.

7.2 Functions of the Nominations Committee

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

As regards the Bank, the Nominations Committee:

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

Manager and to other General Management positions, as identified in accordance with art. 36, paragraph 1 of the articles of association;

- it provides support to the Board of Directors for the purpose of the approval of plans to ensure an orderly Chief Executive Officer and General Manager succession, in the event of termination due to expiry of the mandate or for any other reason;
- it assists the Control and Risk Committee in the identification of candidates to be submitted to the Board of Directors for the appointment of heads of corporate control functions.

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

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

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

In 2018 the Nominations Committee:

- carried out its activities to complete the self-assessment of the Board of Directors, begun in the previous year. Similarly, it followed all the steps of the self-assessment of the Executive Committee. Furthermore, in view of the renewal of the Board of Directors by the Shareholders' Meeting of April 2018, the Committee assisted the Board in identifying the theoretically appropriate profile of candidates to be brought to the attention of the Shareholders and the Market. In October and November of that year, the Committee initiated the self-assessment process for 2018, focusing initially on the selection of the external professional who will have to assist the Board, in line with the Supervisory Provisions;
- for the aspects in its sphere of competence, it assisted the Board of Directors for the presentation of the list of candidates for the renewal of the Administrative Body, prepared by it pursuant to art. 18, paragraphs 1 and 8 of the Articles of Association;
- it prepared proposals for the appointment of the Chief Executive Officer and the reconstitution of the Executive Committee;
- it carried out the preliminary investigation to ascertain whether the persons appointed by the Shareholders' Meeting met the requirements for office as laid down in current regulations and by the Supervisory Provisions following the renewal of the Administrative Body;
- it promoted and directed, in agreement with the Remuneration Committee, the drafting of a document that formalises the process and defines guidelines for identifying candidates to hold corporate positions in subsidiary banks and companies, as well as for determining their remuneration subsequently submitted to the Board of Directors for its approval. The Committee also provided guidelines for both total and partial renewals of the Administrative and Management Bodies.
- it supported the Board of Directors in preparing succession plans for the roles of Chief Executive Officer and General Manager and wrote a proposal to the Board regarding the selection of an executive search company to assist in defining the ideal profiles of these figures.

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

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

8 Remuneration Committee

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

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

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

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

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

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

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

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

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

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

The Chairman:

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

The Chairman, assisted by the Secretary and the competent business functions, verifies the supporting documentation to be provided to the Committee to ensure that it is adequate, in both quantitative and qualitative terms, to address matters on the agenda. This documentation is generally made available to

Committee members, ex-officio participants²² and all acting auditors 5 days prior to each meeting.

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

Remuneration Committee meetings can be held remotely by means of suitable telecommunications²³,

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

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

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

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

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

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

The Remuneration Committee consists of three non-executive Independent Directors: Mara Bernardini (Chairman of the Committee), Elisabetta Gualandri and Roberta Marracino (see Table 2). Furthermore, pursuant to art. 1.1 of the Committee's Operating Rules, all of the members have adequate knowledge and experience in financial matters, particularly regarding remuneration policies in the case of Ms. Bernardini and Ms. Gualandri. The person appointed as Secretary is the Deputy General Manager Gian Enrico Venturini.

The Committee met 16 times during 2018 and the average duration of each meeting was about one hour and 19 minutes.

At least one member of the Board of Statutory Auditors has always been present at the meetings of the Committee after the last update of the Operating Rules (11 January 2018).

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

On three occasions it met in joint session with the Nominations Committee to examine topics of common interest.

In 2019, six meetings have already been held at the date of Board approval of this Report.

8.2 Functions of the Remuneration Committee

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

²² Pursuant to art. 8.6. of the Committee's operating rules, ex-officio participants are the Chairman of the Board of Directors, the Chairman of the Board of Statutory Auditors (or another Statutory Auditor designated by him) and the Chief Executive Officer, but without the right to vote.

²³ providing that all participants can be identified and that this identification is recorded in the minutes; they should also be able to follow and take part in the debate in real time.

pass motions within their respective spheres of competence.

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

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

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

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

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

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

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

During 2018, the activities of the Remuneration Committee involved:

- the submission of opinions, suggestions and proposals concerning the remuneration allocation criteria determined by the Shareholders' Meeting as well as the determination of the remuneration of Directors vested with special powers;
- the presentation of opinions and suggestions to the Board of Directors on the remuneration of the Group's other "key personnel", as identified according to the instructions issued by the Supervisory Authority;
- consultative and preliminary activities concerning the annual process of defining "Key Personnel", which under the current supervisory regulations led to new positions being included in this scope, positions featuring managerial responsibility. In compliance with the EBA Guidelines on remuneration, a verification was also carried out during the year to make the necessary adjustments to the scope of the Company's Material Risk Takers (MRTs);
- an activity of declination and refinement of the MBO methodological model for those classed as MRTs of the Bank and the Group, for managers and for staff employed in the branch network, the central and semi-central structures, private banking, key clients and BPER Credit Management;
- a review of proposed bonuses for 2016 for MRTs as well as verification that the conditions had been met for the payment of bonuses envisaged by the incentive scheme;
- analysis of the results of the verification by the Internal Audit function of the compliance of the remuneration and incentive practices with the above approved policies and with the Supervisory Provisions relating thereto. In particular, during the course of the meeting mentioned above, the

Committee met with the Bank's Board of Statutory Auditors;

- the submission of opinions, suggestions and proposals to the Board of Directors concerning remuneration to be awarded to Directors, including those with specific responsibilities, of Group companies, consistent with art. 4.6 a) and b) of the operating rules. During the meetings of 3 April 2018, 20 June 2018 and 19 November 2018, the Committee met in joint session with the Nominations Committee. In particular, during this last session, with the agreement of the Nominations Committee, an investigation was carried out with a view to gaining Board approval of a document on the general guidelines for the composition of the corporate bodies of BPER Banca's subsidiaries, the designation of the members and their remuneration.

At the end of 2018, the Committee also started working on the 2019 remuneration policies of BPER Group.

In order to carry out its functions, the Remuneration Committee:

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

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

9 Remuneration of Directors

Information concerning remuneration policies is presented in the Remuneration Report prepared in accordance with art. 123 ter of Legislative Decree 58/98 to which reference should be made for further details.

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

The remuneration policies of the Group, approved by the Shareholders' Meeting of 14 April 2018, establish that:

- the remuneration of Directors consists of a fixed component, supplemented by another fixed component of compensation, which is only awarded to Directors with special duties: Chairman, Deputy Chairmen and Chief Executive Officer (any costs involved in performing their duties are incurred directly by the Company, or reimbursed to the Director). There are no bonus systems linked to the achievement of quantitative performance objectives, nor forms of compensation based on financial instruments, except for the Chief Executive Officer for whom, in line with the Bank of Italy Circular 285/2013, the remuneration is split between a fixed component and a variable component, which cannot exceed 60% of the fixed component, compared to the 100% limit set by law. The variable component is determined on the basis of clear and measurable performance targets, through a weighted assessment of two areas:
 - a "quantitative" area involving the financial results and risk management;
 - a "qualitative" area involving functional objectives, the handling of planned projects, the management skills shown and CSR objectives (social and environmental sustainability) shown by the individual.

The correlation between the amount of variable remuneration 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. 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. Payment of 60% of the variable component is deferred over 3, 4 or 5 years, in equal annual instalments, on the basis of the bonus amount, subject to penalty clauses. At the same time, it is foreseen that 50% of both the immediate and deferred portions are to be paid in the form of financial instruments (so-called "phantom stock"): cash allocations linked to the market price of the Parent Company's ordinary shares, with a vesting period (during which the shares cannot be sold) of two years for the immediate portion and one year for the deferred portion;

- the remuneration of General Management and Managers with strategic responsibilities who belong to the category of Key Personnel is represented by a fixed component that differs according to their responsibilities, supplemented by a variable element that also differs according to the position that they hold and which cannot exceed 100% of the fixed component and which is set at a maximum rate of 60% of the latter, apart from specific situations in which this percentage may be increased to 100% (entry bonus or incentive packages designed to facilitate the acquisition of resources that the company deems necessary for the achievement of important objectives). Key personnel are beneficiaries of the MBO variable incentive scheme that is designed to align the interests of management to the creation of value for the shareholders. The incentive scheme envisages the determination of a bonus pool, which is the maximum amount of bonuses payable.

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

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

Once it has been verified that the entry gates have been exceeded and the target bonus (and target bonus pool) has been calculated, the actual allocation of the bonus and the related amount, within the maximum limits (the theoretical maximum amount of the bonus payable is the sum of the maximum bonuses obtainable at an individual level) of the variable remuneration, are defined through a process of individual performance assessment that includes an analysis of various quantitative and qualitative indicators.

A portion of the variable component of the remuneration of General Management and Managers with strategic responsibilities who belong to the category of Key Personnel is deferred²⁴ and paid in annual instalments, subject to *malus* clauses:

- in the case of a bonus of more than Euro 100 thousand:
 - 60% is attributed at the date the bonus is granted ("upfront portion"); the other 40% is attributed in equal instalments over the next 3 years. For bonus amounting to between Euro 120 and 150 thousand, the deferral period is increased to 4 years, and to 5 years for bonuses of more than Euro 150 thousand;
 - the allocation of 50% of the upfront and deferred portions takes place through phantom stock, the other 50% in cash;
- in the case of bonuses of between Euro 60 and 100 thousand, allocation of 50% of the bonus takes place immediately in cash, with the other 50% in the form of phantom stock, attributed in equal instalments over the 3 years after the grant;
- in the case of bonuses of between Euro 30²⁵ and 60 thousand, allocation of the part of the bonus over Euro 30 thousand²⁶ takes place in the form of Phantom Stock, attributed in equal instalments over the 3 years after the grant; the first Euro 30 thousand are awarded upfront in cash;
- bonuses of less than Euro 30 thousand and less than 30% of the fixed remuneration are awarded in cash upfront;
- Phantom stock (i.e. virtual shares) are cash allocations linked to the market price of the Parent Company's ordinary shares, with a retention period (during which the shares cannot be sold) of 1 year. For all key personnel, including the Chief Executive Officer and Managers with strategic responsibilities, the variable element of remuneration is subject to them overcoming certain pre-established parameters (known as "gates") expressed in terms of consolidated earnings and balance sheet aggregates.

If entry gates are exceeded, gross profit acts as an indicator to which the bonus pool is linked:

- only the consolidated profit parameter applies to personnel of the Parent Company with Group²⁷, functions;
- for the others, the parameter of consolidated and separate gross profit applies.

All bonuses paid are subject to claw-back clauses, though their effective application depends on predetermined circumstance taking place:

- malicious or grossly negligent behaviour on the part of the employee, which results in a significant loss for the Bank which was not envisaged at the time the bonuses were paid out;
- the results of the Bank and/or of the employee, on the basis of which the bonus was paid, are to be reviewed ex-post following circumstances that were not known at the time the

²⁴ Commencing from the 2014 Policies, the three-year deferral period has been amended to 3/5 years, depending on the amount of the bonus.

²⁵ Or 30% of the fixed remuneration, if lower.

²⁶ Or 30% of the fixed remuneration, if lower. In exceptional and unlikely circumstances where the bonus is more than 60% of the fixed remuneration, but less than Euro 60 thousand, 50% of the bonus is paid in cash upfront and 50% in phantom stock deferred over three years.

²⁷ In light of the specific nature of the business carried on by the consortium companies, similar rules also apply to these companies' top managers.

bonus 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 employee;

- employee behaviour characterised by malicious intent or gross negligence, even not related to the field mentioned in the previous point, but meeting the requisites of gravity as per art. 2119 of the Italian Civil Code;
- breach on the part of the employee 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 incentives and remuneration (Bank of Italy Circular 285/2013). Special circumstances expressly provided for in Circular no. 285/2013.

Activation of the claw-back clause against a member of staff 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, activation of the clause would be on the initiative of the Chairman with the approval of the Board. 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.

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 remuneration of the Manager responsible for preparing the company's financial reports and those in charge of control functions (including the Head of the Internal Audit function) is composed of a fixed element supplemented by a specific function indemnity and a variable element which can be up to a maximum of 20% of the fixed element. The latter does not depend on meeting financial targets, but is related to the specific objectives of the function.

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

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

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

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

In the case of early termination of the employment relationship, the Group may enter into agreements providing for the payment of indemnities to the employees. With reference to Key personnel, the Group's policy is not to pay remuneration of more than two years' fixed remuneration, net of what is provided for in collective agreements.

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

10 Control and Risk Committee

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

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

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

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

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

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

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

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

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

The Chairman:

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

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

The Chairman, assisted by the Secretary and the competent business functions, verifies the supporting documentation to be provided to the Committee to ensure that it is adequate, in both quantitative and qualitative terms, to address matters on the agenda. To this end, he ensures, by issuing appropriate instructions to the corporate functions, that the documentation appropriately highlights, for each topic on the agenda, the most significant and relevant elements for the performance of the Committee's duties. This documentation is generally made available to Committee members, Rightful Participants²⁸, the Chairman of the Board of Directors and to the other acting auditors 5 days prior to each meeting. If, for organisational

²⁸ Pursuant to art. 8.6. of the Committee's operating rules, ex-officio participants are the Chairman of the Board of Statutory Auditors, the Chief Executive Officer and the General Manager, but without the right to vote.

reasons or for reasons of confidentiality, the documentation made available within this deadline is not exhaustive, subsequent additions are provided no later than the day of the meeting.

The Committee reports to the Board of Directors on the work performed at least at the time of approval of the draft financial statements and the half-year report and also discusses therewith issues submitted for its prior review.

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

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

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

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

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

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

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

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

The Control and Risk Committee met 23 times in 2018 and the average duration of each meeting was approximately 4 hours and 27 minutes.

For 2019, 22 meetings have been planned, of which 6 have already taken place at the date of this Report.

During 2018, the Chairman of the Board of Statutory Auditors attended 20 meetings of the Control and Risk Committee. Of the 23 meetings held in 2018: 15 were held jointly (or partially jointly) with the Board of Statutory Auditors and 2 meetings were held jointly with the Board of Statutory Auditors and the Supervisory Body for the coordination and exchange of information of mutual interest that fell within their spheres of competence.

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

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

- a) collaborates with other Board Subcommittees, with the independent auditors and speaks directly to the control functions and the Manager responsible for preparing the company's financial reports;
- b) has, through its Chairman, the right to access the information needed;
- c) has access to adequate resources as determined by the Board of Directors;
- d) may use the services of experts, inclusive of external experts.

10.2 Functions attributed to the Control and Risk Committee

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

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

In particular, the Committee carries out the following tasks:

- a) it supports the Board of Directors, by means of preliminary opinions, in the definition and approval of strategic policies and risk management policies;
- b) it supports the Board of Directors, by means of preliminary opinions, in the measurement and definition of the risk appetite and of the risk tolerance;
- c) it supports the Board of Directors, by means of preliminary opinions, in the assessment of compliance with the principles governing the internal control system and corporate structure and brings to the attention of the Board any weaknesses and the consequent corrective action that needs to be taken;
- d) it supports the Board of Directors, by means of preliminary opinions, in the verification of the correct implementation of strategies, risk governance policies and the RAF;
- e) it supports the Board of Directors, by means of preliminary opinions, in the assessment and monitoring of the requirements that must be met by the corporate control functions and by the financial reporting manager and brings to the attention of the Board any weaknesses and the consequent corrective actions that need to be taken;
- f) it verifies that the corporate control functions correctly comply with the indications and guidelines for the internal control system and risk management laid down by the Board of Directors;
- g) it supports the Board of Directors, by means of preliminary opinions, in the description, included in the report on corporate governance, of the main characteristics of the system of internal control and risk management and in the assessment of its adequacy;
- h) it identifies and proposes, assisted by the Nominations Committee, candidates to head up the corporate control functions and for the position of Manager responsible for preparing the company's financial reports and provides a preliminary opinion on their dismissal;
- i) provides an opinion prior to the approval, at least annually, of the planned duties of the corporate control functions, of the Manager responsible for preparing the company's financial reports and of the corporate social responsibility function; on such occasions, a review is also performed of the resources made available to these functions, in connection with the proposed planning, since this forms an integral part of the annual planning of its activities (see also para. 13.3 of this Report);
- j) it examines in advance the results achieved and the reports prepared by the corporate control functions, by the Manager responsible for preparing the company's financial reports and by the corporate social responsibility function, as well as any matters reported by the Chief Executive Officer concerning problems and critical issues that have arisen in the performance of his duties or that have been notified to him;
- k) it assesses, together with the Manager responsible for preparing the company's financial reports and after having consulted the Board of Statutory Auditors and the independent auditors, the proper application of accounting policies and their consistency among Group companies for the purpose of preparing the consolidated financial statements;
- l) it supports the Board of Directors, by means of advance opinions, in evaluating any key audit issues reported in the auditor's management letter and in the audit report;
- m) it supports the Board of Directors, by means of preliminary opinions, in the definition of corporate policy regarding the outsourcing of corporate control functions;
- n) it ascertains, without prejudice to the sphere of competence of the Remuneration Committee, whether the incentives under the remuneration and incentive scheme of the Bank and of the BPER Banca Group are consistent with the RAF;

- o) it supports the Board of Directors, by means of preliminary opinions, in the definition of policies and processes for the measurement of the business's assets, including checking that the price and conditions of transactions with customers are consistent with the business model and risk strategies;
- p) it supports the Board of Directors, by means of preliminary opinions, in the approval of the coordination document for controls within the Group envisaged by Bank of Italy Circular 285/2013, Part I, Title IV, Chapter 3 and subsequent updates;
- q) it provides support for the Board of Directors, by means of preliminary opinions, in its assessment, at least annually, of the adequacy of the system of internal control and risk management with respect to the characteristics of the business and the risk profile assumed, as well as the effectiveness thereof;
- r) it supports, via appropriate preliminary activities, the assessments and decisions of the Board of Directors relating to the management of risks arising from detrimental facts that have come to the attention of the Board;
- s) it supports the Board of Directors, by means of preliminary opinions, in the approval of the annual sustainability report.

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

In accordance with the current Operating Rules, the Committee can propose to the Board of Directors that it ask the corporate control functions and the Manager responsible for preparing the company's financial reports to carry out checks on specific operational areas, giving simultaneous notice to the Chairman of the Board of Statutory Auditors. For the purpose of achieving a greater alignment with the provisions of the Code²⁹, an update to these Rules is being studied with a view to granting the Committee the power of autonomous initiative.

During 2018, 262 topics were discussed, including:

- 81 presented by the Risk Department,
- 57 presented by the Internal Audit Department,
- 2 presented by the Human Resources Department,
- 12 presented by the Organisation Department,
- 29 presented by the Compliance Unit,
- 17 presented by the Manager responsible for preparing the company's financial reports and/or the Administration and Reporting Area,
- 4 presented by the Anti-Money Laundering Unit,
- 15 presented by the Finance and Capital Management Department,
- 2 for the periodic meetings with the Supervisory Board,
- 4 presented by the General Affairs Department,
- 4 relating to periodic meetings with the audit firm,
- 3 presented by BPER Credit Management S.C.p.A.,
- 2 presented by the Group Credit and Loans Area - Chief Lending Officer,
- 1 presented by the Chairman of the Board of Statutory Auditors,
- 1 presented by the Chief Operating Officer,
- 1 presented by the External Relations and CSR Office,,
- 29 explained by the Chairman of the Committee for matters relating to the functioning of the

²⁹ Code of Conduct, Criterion 7.C.2., letter e): "7.C.2. The Control and Risk committee, in assisting the Board of Directors: [...] e) can ask the Internal Audit function to carry out checks on specific operational areas, giving simultaneous notice to the Chairman of the Board of Statutory Auditors".

Committee or to remind the members - and possibly make comments - about the information flows received by the Committee during the period.

The areas under discussion mainly concerned:

- examination of the plans and results of the control functions and the Manager responsible for preparing the company's financial reports;
- the examination of periodic reports on the exposure to risks;
- support for Board activities relating to the approval of periodic financial reports;
- assessment and monitoring of evolutionary projects relating to control functions;
- monitoring the progress of corrective action plans resulting from ECB inspections;
- support for the B.o.D. in approving the Consolidated Non-Financial Declaration (Sustainability Report);
- examination of the main reports produced by the control functions;
- examination of the documentation for the capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP);
- examination of BPER Group's recovery plan, the related preparatory work the audit thereof;
- support for the Board of Directors in the measurement and definition of RAF metrics and in monitoring them;
- examination of whether the incentives underlying the remuneration and bonus system of the Bank and the Group are consistent with the RAF;
- monitoring the NPE Plan;
- alignment with IFRS 9;
- development of the Value Based Management project;
- monitoring the reporting of the Process to Remedy Findings;
- analysis and initiatives for a more efficient performance of its own duties.

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

11 Independent Directors' Committee

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

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

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

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

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

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

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

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

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

The Chairman:

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

The Chairman represents the Committee and endorses the opinions to be transmitted to the decision-making bodies.

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

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

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

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

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

During 2018 the Independent Directors Committee met 24 times; the average duration of the meetings was normally 96 minutes.

For 2019, 25 meetings have been planned, nine of which have already taken place at the date of this Report.

In 2018, as requested by the Chairman of the Committee, one meeting was dedicated to specific analysis, performed together with the Equity Investments and Special Projects Office.

Moreover, a meeting was held with the Board of Statutory Auditors of the Bank on 8 November 2018 to discuss matters of mutual interest.

11.2 Functions of the Independent Directors' Committee

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

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

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

- a) evaluates the Bank's interest in carrying out the proposed transaction;
- b) assesses the convenience and substantial fairness of the conditions of the proposed transaction;

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

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

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

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

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

- a) it receives from the competent function ex-post information on the transactions that have been carried out;
- b) it provides any opinions or observations to the Board of Directors and/or to a different decision-making body for the purpose of taking any corrective action that may be possible on transactions displaying critical aspects.

The Committee made recourse to the services of independent experts during 2018.

The Committee expressed 10 opinions during 2018, all of which were entered in the Opinion Book of the Committee, just as minutes were taken for each meeting and recorded in the Minute Book of the Committee.

12 Strategy Committee

The Board of Directors established the Strategy Committee in January 2012, with the task of assisting the CEO in preparing proposals on strategies and programmatic guidelines.

At the time of the reconstitution of the Board committees following the renewal of the Board of Directors by the Meeting of April 2018, the Strategy Committee was abolished, considering it more consistent to entrust the Board of Directors the overall treatment of strategy issues right from the start, thus being able, among other things, to benefit from the full and constant involvement of all the independent directors in these matters.

Given the short time that the Committee operated in 2018, reference should be made to the 2017 Report for detailed information on the functioning of the Committee, which was governed by specific Operating Rules.

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

The Strategy Committee consisted of a minimum of three to a maximum of five directors appointed by the Board of Directors, including the Chairman of the Board and, if appointed, the Chief Executive Officer.

The Chairman of the Committee was appointed by the Board of Directors from among the elected members of the Committee.

On the Chairman's proposal, the Strategy Committee appointed a Secretary, who did not have to be one of its members. The Secretary held office for a period established by the Committee at the time of his appointment.

The Strategy Committee was composed of the following members: Ettore Caselli (Chairman), Luigi Odorici (at the time Chairman of the B.o.D.), Alessandro Vandelli (Chief Executive Officer), Alberto Marri and Giosuè Boldrini (at the time both Deputy Chairmen of the B.o.D.). The person appointed as Secretary was the Deputy General Manager Gian Enrico Venturini.

The Committee met three times in 2018, until it was abolished.

Given the Committee's abolition and the short time that it operated in 2018, reference should be made to the 2017 Report on corporate governance and the ownership structure.

12.2 Functions of the Strategy Committee

During 2018, the activities of the Strategy Committee involved the following:

- review of the Committee's Operating Rules;
- report on the Committee's activities in 2017;
- analysis of the BPER Group's results in 2017;
- information on the Shareholders' Meeting called for 2018.

Please refer to the 2017 Report on corporate governance and the ownership structure for more details regarding the functions of the Committee contained in the Operating Rules.

13 System of internal control and risk management

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

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

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

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

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

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

- strategic control of the business performance of Group companies and of their policies of acquisition and disposal;
- management control designed to ensure that the economic, financial and capital equilibrium of the individual companies and of the Group as a whole is maintained;
- technical and operational control aimed at assessing the various risk profiles brought to the Group by the individual subsidiaries and the Group's overall risk³⁰.

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

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

The Parent Company provides the Group with an internal control system that permits effective control over the strategic choices of the Group as a whole, and balanced management of the individual components³¹. In particular, the Parent Company is responsible for the governance, design and implementation of the "Group internal control system".

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

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

³⁰ Bank of Italy Circ. no. 285/13, Part I, Title IV, Chapter 3, Section 5, Paragraph 2.

³¹ Bank of Italy Circ. no. 285/13, Part I, Title IV, Chapter 3, Section 5, Paragraph 2.

The internal control system is designed, implemented and evaluated with reference to the "Group risk map" (hereinafter "Risk Map") that identifies the potential risks to which the Group is or might be exposed.

The regulations for the prudential supervision of banks contained in Bank of Italy Circular 285/2013 require banks to independently and accurately identify major Pillar 1 and Pillar 2 risks which they are or could be exposed to, taking account of their operations and markets.³²

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

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

The risk identification process forms a basis for regular updates to the "Group risk map", prepared by the Risk Control function in coordination with the other control functions responsible for specific risks (e.g. Manager Responsible for Preparing the Company's Financial Reports, Compliance function), which explains the Bank's position with respect to first and second pillar risks³³, in a current and future perspective in order to anticipate any risks that could impact on the Group's operations or their respective legal entities.

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

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

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

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

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

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

Specifically, control functions identified within the Group are:

- Supervisory Bodies pursuant to Legislative Decree 231/01;³⁴
- the Manager responsible for preparing the Company's financial reports.

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

³² Bank of Italy Circular no. 285/13, Title III - Chapter 1.

³³ Bank of Italy Circular no. 285/13, Title III - Chapter 1 - Attachment D.

³⁴ As of the date of this Report, within BPÉR Group a Supervisory Body has been set up by all the Italian banks, by BPÉR Services S.C.p.A., by Sardaleasing S.p.A., by Emilia Romagna Factor S.p.A. and by BPÉR Credit Management S.C.p.A.

In application of the principles described and as a general rule, the "Internal control system of the Group" envisages outsourcing to the Parent Company the second and third-level control functions of the Italian Group companies; however, as required by the regulations, the latter still remain responsible for their performance.

With regard to the Group's Italian banks and companies that provide for the outsourcing of the risk control function, at the date of this Report, the centralisation of this function was implemented by stipulating an outsourcing contract with the Parent Company. As regards Group companies based abroad, this centralised model is partially waived in consideration of the complexity and delicacy of operations run in a different regulatory environment. In this case, it is possible to activate organisational models that enhance the specific nature of the context in which these companies operate, for each control function required by local regulations, as requested by the Supervisory Authority or by the Parent Company.

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

BPÉR Group has designed the Group's Risk Appetite Framework (RAF) as a risk governance standard and a strategic direction tool to steer the synergistic governance of strategic planning and control and risk management. It constitutes the frame of reference that, in line with the maximum acceptable risk, defines the business model and strategic plan, risk appetite, tolerance thresholds, risk limits, risk management policies and the key processes needed to define and implement them.

The key principles of the RAF are formalised and approved by the Parent Company, which periodically reviews them, ensuring that they are in line with the strategic guidelines, business model and regulatory requirements in force at the time.

The RAF also acts as a frame of reference, in terms of methodologies, processes, policies, controls and systems and is designed to establish, communicate and monitor the Group's risk appetite, this being understood as the set of the Group's risk objectives (or "risk appetite"), tolerance thresholds (or "risk tolerance"), as well as the related operational limits. In both ordinary and stress conditions, which the Group intends to respect in pursuing its strategic guidelines, defining consistency levels and the maximum risk that it is able to take on ("risk capacity").

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

Lastly, the Group periodically monitors the overall RAF metrics and those at the level of individual risk takers, in order to control on a timely basis any overruns of the tolerance thresholds and/or risk limits assigned and, if appropriate, handle the necessary communications to the Corporate Bodies and subsequent remedies.

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

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

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

- the risk appetite;
- the related risk exposure and operational limits;
- the "risk assumption and mitigation process";
- the "risk management process".

The "risk assumption and mitigation process" is the set of management actions that affect the level of risk exposure for the Bank and the controls exercised through appropriate governance and risk management activities, in line with the risk government policies and the RAF.

"Risk management process" means the set of rules, procedures and resources aimed at defining and updating methodologies and processes, identifying and measuring risk, monitoring exposure and operating limits, as well as the related reporting.

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

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

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

Each year, after having consulted the Board of Statutory Auditors, the Control and Risk Committee and the Chief Executive Officer, the Board of Directors of the Bank approves the long-term audit plan of the Internal Audit function that includes the work planned for the current year. In 2018, the "2018-2020 Group Audit Plan" was approved on 8 February 2018, while in the current year, the "2019-2021 Group Audit Plan" was approved on 24 January 2019. The "Report of the Internal Audit Department" (a report prepared on the work done by internal audit) is submitted to the Board of Directors half-yearly and is presented to the Board of Statutory Auditors, the Control and Risk Committee and the Chief Executive Officer, in compliance with internal policy on information flows (for further information, see para. 13.3).

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

The review for 2018 is expected to be carried out in the first half of 2019.

The outcome of the 2017 review was that the Group's overall situation was deemed to be adequate.

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

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

For the management of this single model, centralised within the Parent Company, for all the Group companies that fall within the scope of application,³⁵ it has been envisaged that a single function will be entrusted with handling reports and this will be the internal audit function. The person chosen to act as Head of the Internal Reporting System for all companies is the Head of the Internal Audit Department.

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

³⁵ BPER Banca, Banco di Sardegna, Banca di Sassari, Cassa di Risparmio di Bra, Cassa di Risparmio di Saluzzo, BPER Services, Emilia Romagna Factor, Optima SIM, Sardaleasing, BPER Credit Management and BPER Trust Company.

13.1 Financial reporting process - risk management and internal control systems (as per art. 123-bis, paragraph 2.b), Legislative Decree 58/98)

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

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

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

- Group policy for managing the risk of unintentional errors and fraud in financial reports (high level legislative source);
- Regulation of the Function of Manager responsible for preparing the Company's financial reports (high level legislative source);
- Methodological note addressing macro process management of unintentional errors and fraud in financial disclosures (high level atypical source);
- Internal methodological document not included in the regulatory sources addressing macro process management of unintentional errors and fraud in financial disclosures.

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

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

It should be noted that this chapter contains the main characteristics of the current risk management and internal control system that was in place during 2018, the reference period of this Report; the updates resulting from the new methodologies introduced from January 2019 will be explained in the Report 2019.

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

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

a) Risk appetite

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

on its ability to operate according to the principles outlined above.

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

- identified;
- assessed;
- monitored continuously;
- mitigated;
- reported to appropriate levels of management.

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

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

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

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

a) Risk exposure and operational limits

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

b) Risk assumption and mitigation

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

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

a) Risk management

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

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

In particular, risk management is divided into:

- I. definition and updating of methodologies, processes and reporting;

- II. annual planning of activities. This process comprises the identification of the activities and the types of resources available, the selection of the sub-processes most at risk, the identification of the tests to be performed and the identification of the activities/tests to be performed by type of resource;
- III. the identification of risk, which comprises:
- a. the identification of the sources of risk generation. In this regard, the "risk of unintentional error and fraud in financial reporting" is split into the following two components:
 - i. risk of unintentional error: the risk of material errors in the financial statements due to unintentional actions or omissions deriving from inadequate or dysfunctional procedures, human resources or internal systems, or from external events;
 - ii. risk of fraud: the risk of significant errors in the financial statements made intentionally in order to obtain an unfair or illegal advantage as a consequence of false financial disclosures; the risk of fraud includes the "risk of misappropriation of goods and assets".

Within this sub-process the specific term "Administrative and Accounting" (as per art. 154-bis Legislative Decree 58/98) was also defined, linking it to specific business processes. Based on this definition and taking into account the types of risk exposure mentioned previously, the risk of unintentional error and fraud in financial reports can be generated by "administrative and accounting" processes only to a limited extent;

- b. the identification of the companies included in the scope of consolidation, of financial statements' items and significant accounting statements. This is a phase whereby identification is made of significant subsidiaries, falling or not within BPER Group's scope of consolidation, of the material financial statement components and of the significant accounting schedules;
- c. the preparation and dissemination of regulatory alerts, through the continuous monitoring of updates to external regulations and of relevant association provisions for issues relating to the Manager Responsible for Preparing the Company's Financial Reports, as well as to financial statements and accounting standards.

IV. Measurement

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

- process adequacy. The aim is to analyse the organisational variables of a process which, should it develop weaknesses, could generate potential risk events to the process in question;
- riskiness of the process. The aim is to achieve a detection and assessment of the risks involved in each process, considering the structure and functioning of the system of line controls and the organisational requirements of each process;
- adequacy of the structure of line controls. The aim is to assess the adequacy of the structure of line controls for the process in question to mitigate the occurrence and/or impact of the events identified in the analysis of riskiness.

The following organisational variables have been identified:

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

These assessments are reached by means of a self-assessment on the part of those in charge of the process.

Following the methodological change made with the latest approval in January 2019, it should be noted that from 2019 onwards the Financial Reporting Monitoring and Control Office will apply the Control Self Assessment (CSA) methodology only to activities and controls. As regards the risk components, Financial Reporting Monitoring and Control Office will perform an expert assessment of the potential risk at the sub-process level on the basis of impact/frequency heatmaps.

This process also includes an assessment of the risk of fraud in financial reporting, handled through

specific questionnaires. In particular, the activities carried out by the Financial Reporting Monitoring and Control Office consist of:

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

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

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

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

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

Moreover, effective 30/06/2017, on account of the responsibilities assigned to the Manager responsible for preparing the company's financial reports concerning the separate and consolidated financial statements as well as recent measures adopted by the Supervisory Authority with respect to this Manager's position, it was deemed appropriate to request the compilation of a self-assessment questionnaire, which is submitted every six months to the General Management of Società Consortile BPER Credit Management and to the head of the Credit and Loans Area – Anomalous Loans Department, or equivalent function, within the BPER Banca Group companies that make a material contribution to the consolidated financial statements as far as loans and advances are concerned, both in terms of volume (balance sheet) and adjustments/write-backs (income statement). Specifically, the following certificates have been requested:

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

V. Test

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

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

These activities involve:

- execution of system and functional checks on administrative and accounting procedures (so-called "Test of Control");
- execution of the operational checks on the process of filing and transmission of accounting data

to the Parent Company (so-called "Reporting Package Audits");

- execution of the operational checks on the process of attesting the accounting statements³⁶ (so-called "Accounting Reconciliations"), aimed at issuing certificates for internal use on the accounting statements;
- checking compliance with international accounting standards;
- checking extraordinary and/or special transactions, by verifying the accounting procedure for "extraordinary transactions" and "special checks" on specific administrative and accounting aspects.

VI. Monitoring

Monitoring comprises an analysis of risk indicators of errors in financial disclosures, of the impact arising from the new "*Development and approval of commercial proposals*" process, an analysis of manual general ledger journal entries, a follow-up of negative outcomes from having carried out checks and assessments on the administrative and accounting processes and an analysis of internal reports on the risk of incorrect/false financial information.

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

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

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

The outcome of this assessment is a summary qualitative judgement on the validity and effectiveness of the administrative and accounting internal control system.

VIII. Coordination and advisory activities

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

- assisting the Manager Responsible for Preparing the Company's Financial Reports in coordination:
 - with the Manager Responsible for Preparing the Company's Financial Reports of the Sub Holding (and its own Staff Office);
 - of the Contacts of the Manager Responsible for Preparing the Company's Financial Reports (in terms of information liaison and operational support);
 - of specific projects related to administrative and accounting processes;
- providing advice by issuing:
 - specific operative guidelines on administrative and accounting processes;
 - interpretations on the correct application of the "Financial reporting control model".

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

IX. Reporting

Reporting activities include the preparation of:

- the "management" report, that is, mainly, the reports to be transmitted, on the basis of their respective spheres of competence, to the General Manager, the Chief Executive Officer, the Control and Risk Committee, the Risk Committee, the Board of Directors and the Board of

³⁶ In order to provide support for the Manager Responsible with tools to ensure the traceability of the controls performed on financial reporting, methods of certifying the checks carried out were implemented by the various organisational units on the account cards considered material on the basis of qualitative parameters (e.g. items requiring valuation) and quantitative parameters (e.g. materiality of an account balance).

Statutory Auditors. Specifically, reference is made to the periodic reports drawn up on the occasion of the approval of the draft separate and consolidated financial statements, or the condensed half-year financial statements, for the Board of Directors with reference to the control activities carried out on financial reporting during the reference period and the activities planned for the following period;

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

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

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

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

For this purpose, the CEO, for the Group as a whole and for its components:

- ensures that the responsibilities and duties of the various corporate structures and functions involved in risk assumption and management processes are clearly assigned and potential conflicts of interest are avoided;
- ensures that the activities carried out by the functions and structures involved in the internal control system are carried out by qualified personnel with an adequate degree of independence of judgement and with adequate experience and knowledge for the tasks to be performed;
- carries out any initiatives and interventions needed to ensure the overall reliability of the internal control system on an ongoing basis;
- takes corrective action or makes adjustments as necessary in the event of weaknesses or anomalies being found, or following the introduction of significant new products, activities, services or processes;
- defines and oversees implementation of the risk management process. In this context, the CEO establishes operating limits for the assumption of various types of risk, in line with the risk appetite, explicitly taking account of the results of stress tests and developments in the economic situation;
- examines the more significant transactions subject to an unfavourable opinion by the risk control function and, if appropriate, authorises them; informs the Board of Directors and the Board of Statutory Auditors about these transactions;
- implements the ICAAP and ILAAP processes, ensuring they are developed in accordance with the strategic guidelines and the risk profile identified in the RAF;

- designs and implements the Group's training programmes to raise awareness among employees about the responsibility for risks so as not to limit the process of risk management to specialists or to the control functions;
- defines internal information flow mechanisms to ensure that the corporate bodies and control functions are fully aware of the various risk factors and have the ability to govern them and the assessment of compliance with RAF;
- as part of the RAF, where a tolerance threshold is defined, authorises overruns of the risk appetite within the limit represented by the tolerance threshold and gives prompt notice to the Board of Directors, identifying the management actions needed to bring the risk back down to below the set objective;
- ensures that risks deriving from new operations are fully assessed and that these risks are consistent with the risk appetite, and that the Bank is able to manage them;
- ensures that the risk management process is consistent with the risk appetite and risk governance policies, also taking into account the evolution of the internal and external conditions in which the Bank operates;
- issues instructions to ensure that internal risk measurement systems are developed according to the chosen strategies and are integrated into decision-making processes and operational management; reports promptly to the Control and Risk Committee on problems and critical issues that have arisen in the performance of his duties or that have been notified to him.

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

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

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

13.3 Head of Internal Audit

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

On 2 April 2012, the Board of Directors appointed Andrea Tassi as Head of the Internal Audit Department on the recommendation of the CEO and in the presence of all the members of the Board of Statutory Auditors.

The Board of Directors, having heard the opinion of the pertinent corporate bodies and of the Chief Executive Officer, has defined the remuneration of those in charge of the internal control functions mentioned above, in accordance with company policy.

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

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

Internal Audit performs its duties by using as a scope of reference the "Group Audit Plan" and the mandates granted to the competent bodies and, in any event, in fulfilment of its mission. Based on international standards, its mission consists of promoting the continuous improvement of the internal control system

through the assessment of its effectiveness and verification of the regularity of operations and risk trends, in order to bring to the attention of senior management and management any potential improvements to policies, to risk management procedures and to the means used for monitoring and control. Internal Audit's activities are aimed at the creation of value added and the improvement of the Group's business processes. The Internal Audit Department carries out its control activities in line with the Audit Plan, both as a function of the Parent Company as part of its policy, coordination and control activities, and as the performer of third-level controls outsourced to it by banks and companies of the Group.

The Head of Internal Audit has powers of access to all of the information that he needs to carry out his duties.

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

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

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

The adequacy of the financial resources to allocated to the Head of the Internal Audit Department (Chief Audit Executive) to perform his duties has to be assessed by the Bank at least once a year at the time the budget is being prepared and submitted for approval by the pertinent corporate bodies. Specifically, in 2018, a budget was allocated to the Head of the Internal Audit function.

Internal Audit carried out numerous audits/checks of both the Parent Company and Group companies during 2018. While a much wider range of activities was performed, the main areas of intervention were as follows: credit processes, internal rating system, anti-money laundering system, transparency, investment services, remuneration policies, monitoring and management of liquidity risk, the process of issuing covered bonds, the outsourcing of cash handling; the capital adequacy assessment process, operational continuity, ICT processes and evaluation of the overall system of internal control.

The Internal Audit Department is a BPER organisational unit. The Group banks and companies outsource to the Parent Company their internal audit function in compliance with the previously described organisational model adopted by the Group, with the exception of foreign companies.

14 Supervisory Board and Organisation model (Legislative Decree 231/2001)

The Bank has adopted a Model of Organisation and Management pursuant to Legislative Decree 231/01 to prevent the commission or attempted commission of the offences envisaged in this Decree that are relevant to the business carried on by the Bank.

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

- General Part: this describes the components of the Model, with particular reference to the composition, duties and role of the Supervisory Board, the training of personnel, and the recipients and scope of application of the Code of Ethics and the Disciplinary System:
 - Text of Legislative Decree 231/01 and Law 146/06: text of Legislative Decree 231 of 8 June 2001 and Law 146 of 16 March 2006;
 - Code of Ethics: specifies the rights, duties and responsibilities of the Bank with respect to all parties with which it has relations;
 - Organisation chart: diagram of the entire organisational structure of the Bank;
 - Function organisation chart: indicates the Organisational Units/Functions of the Bank, as well as the duties performed by them;
 - Internal control guidelines: defines the principles for managing the "BPER Group's system of internal controls", as well as the roles of those bodies and functions that are part of the system;
 - Regulation of the Supervisory Board: governs the functioning of the Supervisory Board;
 - Reporting procedure: identifies the channels set up to send reports to the Supervisory Board regarding possible violations of the Model of Organisation and Management pursuant to Legislative Decree 231/01 or the Code of Ethics, also attaching a facsimile reporting form;
 - Disciplinary System: identifies the disciplinary penalties applicable in the event of failure to comply with the procedures and instructions stated or referred to in the general and special parts of the Model, as well as in the attachments and the Code of Ethics, to the extent significant for the purposes of Legislative Decree 231/01;
- Special Part: this analyses in detail the offences envisaged in Legislative Decree 231/01; for this purpose, the law is presented together with an explanation and examples of ways in which the offences might be committed in a banking situation. For each case, sensitive activities exposed to the risk of committing the offence are indicated together with the organisational units involved. The special part also presents the protocols for preventing the commitment of offences. The prevention protocols indicated for each offence are assigned unequivocally to each organisational unit, which is responsible for identifying, designing, maintaining and complying with them. The identification of sensitive activities and prevention protocols was performed not only with reference to BPER's organisational units, but also to those of the Group companies (such as BPER Services and BPER Credit Management) to which BPER has outsourced activities for which there could be a risk of offences being committed;
- Map of offences: this sets out the text of the relevant regulations pursuant to Legislative Decree 231/01, explains the regulations and gives examples of the ways in which each offence might be committed in a banking context;
- Group policy for the governance of the risk of non-compliance with market abuse regulations: this describes the policies that the Parent Company BPER has implemented to ensure the proper prevention, the timely identification and the effective elimination of conditions that are likely to trigger market abuse. The risk of non-compliance with market abuse regulations is the risk of having to face criminal or administrative sanctions or other ancillary sanctions, or reputational damage as a consequence of a breach of the regulations governing the abuse of privileged information, the improper disclosure of privileged information, market manipulation and the management of transactions conducted by persons who perform administrative, management or control functions

and persons closely associated therewith (internal dealing).

The Model is designed to prevent the following types of offence that are significant pursuant to Legislative Decree 231/01:

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

Supervisory Board

The Bank has also established a Supervisory Board comprising three members, including an employee of the Bank with specific legal knowledge (currently the Head of the Internal Audit Department) and two external persons with suitable skills in this area. The person appointed as Secretary is the Head of the Corporate Bodies Secretariat, Erika Preti.

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

The Supervisory Board held nine meetings during the course of 2018, whereas in 2019 it has met twice up to the date of approval of this Report.

Furthermore, the Board reports on its activities every six months to the B.o.D. and the Board of Statutory Auditors.

The Supervisory Board also held joint meetings with the Board of Statutory Auditors and the Control and

Risk Committee for the coordination and exchange of information of mutual interest that fell within their spheres of competence.

Consistent with the relevant regulations, this Body monitors the functioning of and compliance with the Organisation and Management Model adopted by the Bank by:

- detecting any changes in the "risk map";
- checking compliance with the procedures in relation to activities already identified as "at risk";
- activating and/or performing internal investigations in coordination with the control functions;
- planning training activities for the staff about legal developments, or about any legislative changes that could affect the nature of the offences mentioned in Legislative Decree 231/01;
- requesting the identification of suitable procedures to cover new types of activity that may be defined as "at risk";
- requesting updates to existing procedures, if the business could be materially affected by changes in the risks included in the scope;
- reporting proven infringements of the instructions;
- coordinating activities by the Parent Company of the Supervisory Boards of subsidiaries, fostering an exchange of information, knowledge or methodologies;
- implementation by the banks and main companies of the Group of the regulatory documents that make up the Model of Organisation and Management, except for the necessary adjustments deriving from individual company specifics.

The Supervisory Board reports immediately to the Board of Directors in case of necessity and every six months to the Board of Directors, the Board of Statutory Auditors and the Control and Risk Committee on its activities and, in particular, on the functioning and observance of the Model of Organisation and Management pursuant to Legislative Decree 231/01. The Supervisory Board is also kept informed by means of specific reports received according to established procedures from those required to comply with the Model or from third parties about any events that could give rise to responsibilities under Legislative Decree 231/01.

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

Please refer to the footer on the Bank's website (entitled Disclosures and Legislation - Legislative Decree 231/01), where part of the Model of Organisation and Management adopted by the Bank is available, along with other documentation on this topic.

15 Audit firm

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

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

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

If, as a result of its collaboration and exchange of information with the Independent Auditors, Internal Audit becomes aware of any critical issues that have arisen from the work performed by the independent auditors, it takes account thereof for the purpose of its assessment of the risk on which it bases its planning and work.

16 Manager responsible for preparing the company's financial reports and Managers in charge of control functions

Based on the provisions of Law 262/2005, which introduced art. 154-bis in Section V bis of Legislative Decree 58/98, BPER Group has established the role of Manager responsible for preparing the company's financial reports, a person who is responsible for ensuring the reliability of the Parent Company's financial reporting, as well as for the BPER Group in terms of the consolidated financial statements.

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

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

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

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

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

To this end, in the execution of the guidelines on financial reporting defined by the Board of Directors, the Manager responsible for preparing the company's financial reports handles the design, implementation and maintenance of the "Financial Reporting Control Model"³⁷ to be applied to the Parent Company and, with reference to the procedures for the preparation of consolidated financial statements, to subsidiary banks and companies, whether or not they form part of the Banking Group.

³⁷ The Financial Reporting Control Model is a set of requirements to be met for proper management and control over the risk of unintentional errors and fraud in financial reports.

In order to carry out his mission, the Manager responsible for preparing the company's financial reports makes use of a structure within the Parent Company (Financial Reporting Monitoring and Control Office), which reports hierarchically to the Manager responsible for preparing the company's financial reports and to a direct report, appointed by each subsidiary bank and company, whether or not they form part of the Group, who reports functionally to the Manager responsible for preparing the company's financial reports.

The Manager responsible for preparing the company's financial reports of the subsidiary banks and companies, whether or not they form part of the Banking Group, classified as "Listed Issuers having Italy as their member state of origin", depend functionally on the Manager responsible for preparing the company's financial reports of the Parent Company as far as methodologies, tools, reporting and work processes are concerned and operate in accordance with the model defined by the Parent Company, which it helps to develop, without altering the powers and responsibilities assigned by law.

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

- has unrestricted access to all corporate functions, records, properties and staff of the Parent Company, banks and subsidiaries, whether or not they form part of the Banking Group, in order to obtain data and information regarding the administrative-accounting processes; the foregoing includes information needed to perform checks and/or evaluate the business processes that have been outsourced;
- is empowered to obtain from the Parent Company, Banks and subsidiaries, whether or not they form part of the Banking Group, internal information about events, risk indicators and proposed technical-organisational changes to the administrative-accounting processes;
- in the context of the line controls over accounting reconciliations, identifies the appropriate organisational units within the subsidiary banks and companies, falling or not within the scope of consolidation of the Group, and assigns them responsibility for reconciling the accounts included in the chart of accounts used;
- is empowered to obtain from subsidiary companies the information/data required by art. 43 of Legislative Decree 127/1991, in order to prepare the certification envisaged by law on the consolidated financial statements, with specific reference to:
 - the information needed for the consolidated financial statements;
 - the adjustments necessary when different accounting policies are adopted;
 - information regarding intercompany items to be eliminated when drawing up the consolidated financial statements;
 - the statistical information needed to prepare the explanatory notes.

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

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

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

The following are the references of the other heads of corporate functions appointed by the Board of Directors, with duties that involve matters of internal control and risk management:

- Andrea Tassi, Chief Audit Executive (CAE) and in charge of the Internal Audit Department from 2 April 2012;

- Michele Luciano Campanardi, Chief Risk Officer (CRO) and head of the Risk Management Department from 1 July 2014;
- Michele Pisani, head of the Anti-Money Laundering Department since 25 August 2011;
- Raffaella Perfetti, head of the Compliance Unit since 13 January 2015, a role that had already been covered on an interim basis since 28 January 2014 as a temporary replacement for the predecessor.

17 Coordination of all those involved in the system of internal control and risk management

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

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

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

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

Coordination and collaboration are sought in the following areas:

- planning/performance of control activities;
- exchange of results deriving from the assessment/measurement of risks and the adequacy of controls;
- use of the information contained in the plan of corrective actions;
- operational involvement of several control functions should critical events arise affecting the Group/company.

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

Via the participation of the control functions and the Manager responsible for preparing financial reports, the Committee facilitates the formalisation of coordination. In particular, the functions describe their recent experiences and projects planned for the development of methodologies, parameters and supporting tools. The Committee is also a preventive point of comparison between the corporate control functions during the annual planning of the activities.

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

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

The flows exchanged with Group companies are transmitted via the contact persons for the individual control functions, whose tasks include gathering together all the flows intended for corporate bodies.

18 Directors' interests and related-party transactions and/or Associated Persons

In accordance with the regulatory framework on related parties and associated persons introduced by the CONSOB Related Parties Regulation and by the Bank of Italy Circular 263 of 27 December 2006³⁸ "Risk activities and conflicts of interest with associated persons", the Bank has adopted the Policy for related parties and associated persons, approved by the Board of Directors of the Bank, with the prior approval of the Board of Statutory Auditors and of the Independent Directors Committee.

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

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

- a) the criteria for the identification and classification of more and less material transactions;
- b) the exceptions and exemptions that Group Banks and Companies will be able to claim, including the criteria for checking the existence or otherwise of significant interest on the part of other related parties or other associated persons;
- c) rules regarding the various stages in the investigation, negotiation, resolution and approval of transactions, distinguishing between those that are more or less material and clarifying, in particular, the ways in which the Committee of Independent Directors should get involved;
- d) the safeguards to be applied to transactions, if these give rise to losses, transfers to bad loans, and court or out-of-court settlements;
- e) the information flows (to be provided to: the corporate bodies; to CONSOB and to the market with respect to transactions with related parties; periodic financial disclosure on transactions with related parties);
- f) rules with regard to cases whereby the Parent Company reviews or approves transactions of its Italian or foreign banks and subsidiaries;
- g) suitable controls for Italian non-banking companies and foreign banks.

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

The handling of transactions with related parties and associated persons in 2018 was conducted based on the requirements and provisions of the relevant regulatory framework.

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

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

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

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

³⁸ New Prudential Supervisory Instructions for Banks, Title V - Chapter 5.

All transactions with related parties and/or associated persons with amounts used for calculating the materiality indices - as specified by law - that are less than or equal to Euro 500,000 (or 0.05% of the consolidated eligible capital, if lower) or the equivalent in another currency are considered transactions involving minor amounts.

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

- a) Value materiality index: this is the ratio between value of the transaction and the eligible capital taken from the latest consolidated balance sheet published by the Parent Company;
- b) Asset materiality index: this is the ratio between the total assets of the entity involved in the transaction and the total assets of the Parent Company;
- c) Liability materiality index: this is the ratio between the total liabilities of the entity acquired and the total assets of the Parent Company.

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

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

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

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

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

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

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

The related parties and associated persons policy, the information documents published in accordance with CONSOB Related Parties Regulations and the relevant communications are available on the Bank's website (see footer entitled Disclosures and Legislation - Associated Persons).

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

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

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

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

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

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

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

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

19 Appointment of Statutory Auditors

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

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

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

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

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

- a) the list of candidates is split into two sections, one for the candidates for the position of Statutory Auditor and one for the candidates for the position of Alternate Auditor, has to have the same number of candidates as the number of Statutory Auditors that have to be elected. In each section, the candidates are listed with a progressive number. At least the first two candidates for the position of Serving Auditor and at least the first candidate for the position of Alternate Auditor contained in the respective sections of the list have to be enrolled in the register of auditors and have practised the profession of auditing for not less than three years;
- b) each section of the list must have a number of candidates of the less represented gender to ensure, within the same section, that the list complies with the gender balance at least to the minimum extent required by law, rounding up to the next unit in the event of a fractional number;
- c) the list must be presented by shareholders who, individually or collectively, hold at least 0.50% of the share capital represented by ordinary shares, or a lower percentage established by current regulations. ownership of the minimum shareholding is calculated with regard to the shares registered on the day when the list is filed at the Company;
- d) the lists of candidates, signed by the Shareholders presenting them, must be filed at the Company's registered offices within the terms and methods laid down in current regulations. They must be accompanied by all documents and statements required by law and in any case: (iii) declarations from each candidate accepting their candidature and confirming, under their own responsibility, that there are no reasons for which they cannot be elected or other incompatibilities, and that they meet the requirements for appointment established by law or in these Articles of Association; (ii) a full description of the personal and professional characteristics of each candidate, with an indication of the directorships and audit appointments held in other companies; and (iii) information relating to the identity of the presenting Shareholders with an indication of the percentage of shares held, to be certified as required by law.

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

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

It is worth recalling that art. 32, paragraph 5 of the articles of association makes reference to the terms and conditions required by law for the filing of lists at the registered office of the Company (at the date of this report, lists have to be deposited at least 25 days prior to the date of the Shareholders' Meeting³⁹).

Note, too, that pursuant to art. 31, para. 2, of the articles of association, the Chairman of the Board of Statutory Auditors must have at least 5 years' experience in the audit of companies in the banking,

³⁹ Art. 144-sexies, paragraph 4, Issuers' Regulation.

investment or financial sector. It is thus recommended that the first candidate listed in the section of the list dedicated to candidates for the position of acting auditor meets this requirement, given that, in accordance with art. 33, paragraph 2, of the articles of association - if more than one list is submitted - the Chairman of the Board of Statutory Auditors and one alternate statutory auditor are taken from the list that obtained the second highest number of votes, providing this list is not related, directly or indirectly, to the shareholders who submitted or voted for the list with the highest number of votes, in the order that they are listed in each section.

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

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

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

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

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

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

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

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

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

If more than one list is validly presented, four Serving Statutory Auditors and one Alternate Statutory Auditor are taken from the list that obtained the highest number of votes, in the order that they are listed in each section.

The Chairman of the Board of Statutory Auditors and one Alternate Statutory Auditor are taken from the list that obtained the second highest number of votes, providing this list is not related, directly or indirectly, with the shareholders who presented or voted the list with the highest number of votes, in the order that they are listed in each section. Significant relationships are those identified by the applicable provisions of Legislative Decree 58/98 and by the Issuers' Regulation.

In the event of a tie between lists, the Meeting holds a second ballot.

If, after voting has taken place, the minimum number of Statutory Auditors belonging to the less represented gender has not been elected, the Meeting has to exclude the elected candidate belonging to the overrepresented gender, who has the highest number on the list that obtained the highest number of votes, replacing that person with the non-elected candidate belonging to the less represented gender on the same list.

If, even by applying this replacement mechanism, it is not possible to complete the minimum number of Statutory Auditors belonging to the less represented gender, the Meeting provides for the election of the missing Statutory Auditors on the basis of candidates proposed by shareholders at the Meeting. To this end, the candidates are put to the vote individually and the candidates who receive the highest number of votes are elected, up to the total number of directors to be elected. The substitutions are made from the most voted list, and within the sections of the lists, from the candidates with the highest progressive number.

Application of the above provisions must in all cases result in at least one acting auditor and one Alternate Auditor being elected by minority shareholders who are not associated, directly or indirectly, with the

shareholders that presented or voted for the list that obtained the highest number of votes.

If only one valid list is presented, all the Statutory Auditors to be elected are taken from that list.

If no valid list is presented, or the number of Statutory Auditors to be elected has not been reached, the missing Statutory Auditors are elected on the basis of candidates proposed by shareholders at the General Meeting. To this end, the candidates are put to the vote individually and the candidates who receive the highest number of votes are elected, up to the total number of directors to be elected. In the event of a tie between various candidates, the Meeting holds a second ballot among the candidates.

Also in the above two eventualities, the Meeting must take care to express the minimum number of Serving and Alternate Statutory Auditors belonging to the less represented gender.

If, during the year, one or more Statutory Auditors are no longer available, they are to be replaced according to art. 34 of the articles of association, as summarised below.

If the Chairman of the Board of Statutory Auditors ceases to serve, the Alternate Auditor taken from the same list as the former Chairman takes office until the number of auditors on the Board has been replenished pursuant to art. 2401 of the Italian Civil Code.

If a Acting auditor is no longer available, the Alternate Statutory Auditor from the same list takes over. The new Serving Auditor remains in office until the next Shareholders' Meeting, which has to replenish the number of members of the Board of Statutory Auditors.

If a Statutory Auditor taken from the list that came first by number of votes has to be replaced, the Meeting votes without any list restriction, on the basis of candidates put to the vote individually: the candidate who receives the most votes gets elected.

If no valid candidate is submitted, the Meeting votes on the substitution on the basis of candidates proposed by the shareholders directly at the Meeting, who are put to the vote individually: the candidate who receives the highest number of votes gets elected, making sure that the person chosen belongs to the less represented gender if the required minimum number of Statutory Auditors has to be made up.

If a Statutory Auditor to be replaced were taken from a list other than that which came first by number of votes and that is not associated, not even indirectly, with the shareholders that presented or voted for the list that came first, the Meeting replaces him/her by choosing, where possible, from those candidates indicated on the same list as the Statutory Auditor to be replaced and who confirm their candidature and file declarations at the registered offices of the Company confirming that there are no reasons for which they cannot be elected or other incompatibilities, and that they meet the established requirements for appointment, as well as an up-to-date indication of the directorships and audit appointments held in other companies, within the terms prescribed by current regulation. Where it is not possible to proceed in the manner indicated above, the Meeting decides on the substitution on the basis of candidates proposed by the shareholders directly at the Meeting, who are put to the vote individually: the candidate who receives the highest number of votes gets elected, making sure that the person chosen belongs to the less represented gender if the required minimum number of Statutory Auditors has to be made up.

In any case, the Meeting has to appoint a replacement member of the less represented gender, where this is needed to restore the minimum number of Statutory Auditors belonging to this gender.

Proposals of candidates by shareholders follow the same terms and conditions as for the submission of lists for the election of the Board of Statutory Auditors. For further details, see art. 34 of the articles of association.

Pursuant to art. 31 of the articles of association, the Chairman of the Board of Statutory Auditors must have at least five years' experience in the audit of companies in the banking, investment or financial sector. Furthermore, the Statutory Auditors must meet the requirements, inclusive of those concerning independence, prescribed by current law to enable them to perform their duties, they must be deemed compatible of office pursuant to art. 36 of Decree Law 201 of 27 December 2011 (so-called ban on interlocking) and must also meet any other requirements prescribed by current law. Otherwise, they may not be elected or, if they subsequently fail to meet the requirements, they will fall from office. Without prejudice to the limits on the accumulation of directorships and audit appointments laid down by current regulations, Statutory Auditors may not hold positions in bodies, other than audit committees, in other Group companies or in which the Company holds, directly or indirectly, a strategic investment, as defined by the Supervisory Authority.

20 Composition and functioning of Board of Statutory Auditors (art. 123-bis, paragraph 2.d) and d-bis), Legislative Decree 58/98)

The Statutory Auditors monitor compliance with the law, regulations and the articles of association, respect for the principles of correct administration of the Company, the adequacy of the organisational and accounting structures, and the functionality of the overall system of internal control; they verify that the personnel involved in the control system operate effectively and are coordinated properly, reporting any weaknesses or irregularities and requesting suitable corrective action; they monitor the adequacy of the risk management and control system; they exercise such other functions and powers provided by law as well as the duties and functions that the provisions of the Bank of Italy and the other Supervisory Authorities assign to the body that has the control function.

The Board of Statutory Auditors has to inform the Supervisory Authorities, in accordance with current legislation, of all facts or deeds that it becomes aware of and which could constitute management irregularities or a violation of the rules that govern banking.

The way that the Board of Statutory Auditors functions is governed by its operating rules, which were last updated on 11 July 2018. The Board approved the Rules and periodically checks that they are adequate, making appropriate amendments when necessary.

In performing the necessary verification work and checks, the Board of Statutory Auditors makes use of the Company's internal control personnel and functions. The Board of Statutory Auditors can carry out audits or inspections at any time, also individually; they can also ask the Directors for information on the Company and its subsidiaries regarding the results of operations or of specific transactions; such information can also be requested directly from the subsidiaries' Directors and Statutory Auditors.

The Board of Statutory Auditors can also exchange information on the administration and control systems and on business trends in general with the corresponding boards at subsidiary companies.

Meetings of the Board of Statutory Auditors can be held using remote communications systems, on condition that the identity of the participants is assured and all of them are able to take part in the discussion in real time, as well as being able to see, receive and transmit documents. The meeting is deemed to be held in the place where the Chairman is located.

The minutes transcribed in the Minute Book are signed by all the Statutory Auditors who took part in the meeting and, after seeing them, by any Auditors who were absent.

The current composition of the Board of Statutory Auditors comes from the appointments made by the Shareholders' Meeting of 14 April 2018 for the three-year period 2018-2020.

On 8 May 2018, Giacomo Ramenghi resigned as Chairman and, on the same date, was replaced by Paolo De Mitri, in accordance with the Articles of Association, as Alternate Auditor elected from the same list from which the resigning Chairman had been taken, i.e. list no. 1 (the list other than the one that came first by number of votes at the Shareholders' Meeting of 14 April 2018).

On 22 November 2018, Antonio Mele resigned from the office of Acting Auditor and, on the same date, was replaced by Cristina Calandra Buonauro, in accordance with the Articles of Association, as Alternate Auditor elected from the same list as Mr. Mele, i.e. list no. 2 (the list that came first by number of votes at the same Meeting).

Alternate auditors will remain in office until the next Shareholders' Meeting (and specifically the one to approve the financial statements for 2018 called for 17 April 2019) which will provide for the necessary integration of the Board, in compliance with the legislative and statutory provisions referred to in Chapter 19. If the Alternate Auditors offer themselves as candidates for Acting Auditor and are not elected, they will remain as Alternate Auditors for the rest of the three-year period 2018-2020.

There has been no change in the composition of the Board of Statutory Auditors since the end of the year.

Information on the composition of the Board of Statutory Auditors is provided in Table 4 attached to this Report.

Diversity policy

Details of diversity policy are set out in paragraph 4.2.

In accordance with art. 31 of the Articles of Associations, the composition of the Board of Statutory Auditors has to ensure gender balance in accordance with regulations in force and, currently, of the five members, two belong to the less represented gender, i.e. male.

A summary of the personal and professional characteristics of each acting auditor currently in office, indicating their professional experience and skills, is published on the Bank's website www.bper.it – Sito Istituzionale > Governance > Board of Directors.

A list of the offices held by each member of the Board of Statutory Auditors, based on the latest information known to the Bank, is provided in Table 5 attached to this Report.

The following is summary information on the Shareholders' Meeting that elected the current members of the Board of Directors.

Date of Meeting	14/04/2018
Number of lists presented	2 lists for the appointment of 7 members of the Board of Statutory Auditors, among which, the Chairman, 4 acting auditors and 2 Alternate Auditors.
List no. 1	
List presented by the Trevisan & Associati Law Firm, on behalf of 11 managers of 24 funds, shareholders with the following overall percentage interest in BPER: 1.40%	
List no. 2	
List presented by 15 Shareholders with the following overall percentage interest in BPER: 0.52%	
Candidates on each list	<u>List no. 1</u> <ul style="list-style-type: none"> • Giacomo Ramenghi; • Serena Gatteschi; • Giuseppe Sancetta; • Giampaolo Gabbi; • Laura Ciambellotti;
	<ul style="list-style-type: none"> • Paolo De Mitri; • Rosalba Casiraghi.
	<u>List no. 2</u> <ul style="list-style-type: none"> • Antonio Mele; • Diana Rizzo; • Francesca Sandrolini; • Vincenzo Tardini; • Alessandro Stradi;
<ul style="list-style-type: none"> • Pier Paolo Ferrari; • Cristina Calandra Buonauro. 	
List of persons elected and percentage of votes	<u>Elected from List 1: 17,241,289 votes (8.709% of the votes cast and 3.582% of total share capital):</u> <ul style="list-style-type: none"> • Giacomo Ramenghi (Chairman);

	<ul style="list-style-type: none"> • Paolo De Mitri (Substitute Auditor). <p><u>Elected from List 2: 165,292,110 votes (83.489% of the votes cast and 34.342% of total share capital):</u></p> <ul style="list-style-type: none"> • Antonio Mele (Acting Auditor); • Diana Rizzo (Acting Auditor); • Francesca Sandrolini (Acting Auditor); • Vincenzo Tardini (Acting Auditor); • Cristina Calandra Buonauro* (Substitute Auditor). <p>Votes against: 329,364 (0.166% of the votes cast and 0.068% of total share capital)</p> <p>Abstained: 755,081 (0.381% of the votes cast and 0.157% of total share capital)</p> <p>Absent: 14,363,302 (7.255% of the votes cast and 2.984% of total share capital).</p>
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(*): Taking account of the provisions of the articles of association designed to ensure compliance with the requirements relating to gender balance and, in particular, the need for at least one of the two Alternate Auditors elected to belong to the less represented gender, applying the replacement mechanism as per art. 33, paragraph 2.4, Ms. Calandra Buonauro has been elected from list number 2 to replace Pier Paolo Ferrari.

Sponsors of the List no.1

No.	SURNAME NAME / COMPANY NAME	PLACE OF BIRTH / REGISTERED OFFICE	PROV. (COUNTRY)	DATE OF BIRTH / TAX CODE / VAT No. / EQUIVALENT
1	Aletti Gestielle SGR S.p.A. fund manager of Gestielle Cedola Opportunity Italy	MILAN	MI	07503720158
2	Aletti Gestielle SGR S.p.A. fund manager of Gestielle Obiettivo Italia	MILAN	MI	07503720158
3	Aletti Gestielle SGR S.p.A. fund manager of Gestielle Cedola Multiasset III	MILAN	MI	07503720158
4	Anima SGR S.p.A. fund manager of Anima Crescita Italia	MILAN	MI	07507200157
5	Anima SGR S.p.A. fund manager of Anima Iniziativa Italia	MILAN	MI	07507200157
6	Arca Fondi S.G.R. S.p.A. fund manager of Arca Azioni Italia	MILAN	MI	09164960966
7	Eurizon Capital SGR S.p.A. fund manager of Eurizon Azioni Italia	MILAN	MI	04550250015
8	Eurizon Capital SGR S.p.A. fund manager of Eurizon Azioni PMI Europa	MILAN	MI	04550250015
9	Eurizon Capital SGR S.p.A. fund manager of Eurizon Progetto Italia 70	MILAN	MI	04550250015
10	Eurizon Capital SGR S.p.A. fund manager of Eurizon PIR Italia Azioni	MILAN	MI	04550250015
11	Eurizon Capital SGR S.p.A. fund manager of Eurizon Progetto Italia 40	MILAN	MI	04550250015
12	Eurizon Capital SA fund manager of Eurizon Investment SICAV - PB Equity EUR	LUXEMBOURG	(LU)	LU19164124

No.	SURNAME NAME / COMPANY NAME	PLACE OF BIRTH / REGISTERED OFFICE	PROV. (COUNTRY)	DATE OF BIRTH / TAX CODE / VAT No. / EQUIVALENT
13	Eurizon Capital SA fund manager of Eurizon Fund - Equity Italy	LUXEMBOURG	(LU)	LU19164124
14	Eurizon Capital SA fund manager of Eurizon Fund - Equity Small Mid Cap Europe	LUXEMBOURG	(LU)	LU19164124
15	Fideuram Asset Management (Ireland) fund manager of Fideuram Fund Equity Italy	DUBLIN	(IE)	IE6369135L
16	Fideuram Asset Management (Ireland) fund manager of Fonditalia Equity Italy	DUBLIN	(IE)	IE6369135L
17	Fideuram Investimenti SGR S.p.A. fund manager of Piano Azioni Italia	MILAN	MI	07648370588
18	Fideuram Investimenti SGR S.p.A. fund manager of Piano Bilanciato Italia 50	MILAN	MI	07648370588
19	Generali Investments Luxemburg SA fund manager of Generali Smart Fund PIR Evoluzione Italia	LUXEMBOURG	(LU)	B188432
20	Generali Investments Luxemburg SA fund manager of Generali Smart Fund PIR Valore Italia	LUXEMBOURG	(LU)	B188432
21	Legal & General Assurance (Pensions Management) Limited	LONDON	(UK)	02091894
22	Mediolanum Gestione Fondi SGR S.p.A. fund manager of Mediolanum Flessibile Futuro Italia	MILAN	MI	06611990158
23	Mediolanum Gestione Fondi SGR S.p.A. fund manager of Mediolanum Flessibile Sviluppo Italia	MILAN	MI	06611990158
24	Mediolanum International Funds fund manager of Challenge Funds - Challenge Italian Equity	DUBLIN	(IE)	264023

Sponsors of the List no.2

No.	SURNAME NAME / COMPANY NAME	PLACE OF BIRTH / REGISTERED OFFICE	PROV. (COUNTRY)	DATE OF BIRTH / TAX CODE / VAT No. / EQUIVALENT
1	Beltrami Maurizio	FORLÌ	FC	26/04/1972
2	Camurri Fulvia	MODENA	MO	23/02/1959
3	Franciosi Simona	MODENA	MO	19/09/1950
4	Gasparini Carlo Alberto	MODENA	MO	21/04/1946
5	Giusti Giorgio	MODENA	MO	27/08/1942
6	Montecchi Alessandro	MODENA	MO	16/08/1958
7	Montecchi Alessio	MODENA	MO	10/03/1988

No.	SURNAME NAME / COMPANY NAME	PLACE OF BIRTH / REGISTERED OFFICE	PROV. (COUNTRY)	DATE OF BIRTH / TAX CODE / VAT No. / EQUIVALENT
8	Montecchi Danilo	PAVULLO	MO	20/07/1952
9	Montecchi Massimo	PAVULLO	MO	24/03/1955
10	Montorsi Giorgio	FORMIGINE	MO	12/05/1947
11	Montorsi Paolo	MODENA	MO	14/08/1951
12	Stanguellini Francesca	SCANDIANO	RE	13/04/1977
13	Stanguellini Francesco	MODENA	MO	08/06/1944
14	Stanguellini Simone	SASSUOLO	MO	22/11/1972
15	TTE Rapidpress S.p.A.	MODENA	MO	00000325400372

Notice is hereby given that the shareholders presenting these lists declared that they had no relationships and/or significant dealings, also pursuant to CONSOB Communication DEM/9017893 of 26 February 2009, with shareholders owning, individually or⁴⁰ jointly, a controlling or relative majority interest as provided for in articles 147-ter, paragraph 3, of the CFA and 144-quinquies of the Issuers' Regulation and, more generally, of the Bank's Articles of Association and the regulations currently in force.

For further information, see the minutes of the Shareholders' Meeting filed at the head office of the Issuer and available to the public on the website of Borsa Italiana www.borsaitaliana.it and of the Bank www.bper.it – Sito Istituzionale > Governance > Shareholders' Meeting.

At the meeting of 1 February 2018, the Board of Statutory Auditors carried out the annual self-assessment of its composition and functioning, with reference to the 2017 financial year, on the basis of criteria and methods consistent with its characteristics and with the provisions of "Rules for the self-assessment of the functioning of BPER Banca's Board of Statutory Auditors".

On this occasion, the Board of Statutory Auditors checked, among other things, that its members still met the independence requirements pursuant to art. 148, paragraph 3, of Legislative Decree 58/98.

Subsequently, following the renewal of the Board of Statutory Auditors by the election of the Shareholders' Meeting of 14 April 2018, on 7 May 2018 the Board of Statutory Auditors carried out detailed and analytical checks on compliance with the independence criteria of its members, also in compliance with point 8.C.1 of the Code of Conduct. The checks had given a positive result, not giving rise to any problem areas. The Board informed the Board of Directors at the meeting of 8 May 2018.

In fact, on that date, the Board of Directors acknowledged that the Board of Statutory Auditors met the independence requirements for its members pursuant to art. 148, paragraph 3, of Legislative Decree 58/98. Subsequently, at the meetings of 30 May 2018 and 20 December 2018, the Board assessed whether Paolo De Mitri and Cristina Calandra Buonaura met the requirements.

At the date of approval of this Report, the annual self-assessment, with reference to 2018, of the composition and functioning on the basis of criteria and methods consistent with its characteristics and with the provisions of the "Rules for the self-assessment of the functioning of BPER Banca's Board of Statutory Auditors", is being finalised; the process is expected to be completed in the first quarter of 2019.

The "Operating Rules" of the Board of Statutory Auditors, in particular, provide for:

⁴⁰ On the basis of the communications of significant investments referred to in art. 120 of the CFA or the publication of the shareholders' agreements pursuant to art. 122 of the same Decree, that are identifiable at the date of signing the list on the websites of BPER and CONSOB.

- an assessment by the Board of Statutory Auditors - upon being appointed and thereafter if significant events occur, and whenever there is a requirement to do so - of compliance with the requisites and eligibility criteria by its individual members, of the appropriate composition of the Board of Statutory Auditors, of compliance with the maximum limit on the number of roles that may be held and compliance with the requirements to report internal audit findings to the Board of Directors;
- an assessment by the Board of Statutory Auditors of the proper application of the verification criteria and procedures adopted by the Board of Directors to assess the independence of its members;
- the formalisation of established practice whereby there is an obligation for a Statutory Auditor who, acting on his own behalf or on behalf of third parties, has an interest in a transaction of the Bank, to promptly and fully inform the other Statutory Auditors and the Chairman of the Board of Directors of the nature, terms, origin and size of the interest;
- an assessment of the independence of the members of the Board of Statutory Auditors based on criteria such as those established by the Code of Conduct.

In 2018, the Board of Statutory Auditors held 49 meetings, each lasting an average of 4 hours 17 minutes.

Moreover, the Board of Statutory Auditors participated in the meetings of the B.o.D. and of the Executive Committee.

The Board of Statutory Auditors held a meeting with the Independent Directors' Committee on 18 November 2018 to discuss matters of mutual interest. The Chairman of the Board of Statutory Auditors and/or another Auditor designated by him frequently attended meetings of the Independent Directors' Committee during analyses and checks of particular importance.

The Chairman and all Statutory Auditors can attend meetings of the Control and Risk Committee. The Board held 15 meetings in 2018 jointly (or partially) with this Committee and two meetings jointly with the Committee and the Supervisory Board pursuant to Legislative Decree 231/01 (6 March and 24 September 2018).

The Board also held one meeting with the Supervisory Board of the Pension Fund (20 December 2018).

In line with supervisory regulations, the Board of Statutory Auditors also had one annual meeting with the Chairman of the Board of Directors (17 May 2018) and four meetings, on a quarterly basis, with the Chief Executive Officer (16 March, 15 June, 14 September and 18 December 2018), in line with the requirements of art. 150 of Legislative Decree 58/98.

In 2018, the Board of Statutory Auditors held meetings with the Chairmen of the Group banks and of various non-banking Group companies to exchange information and to discuss matters of mutual interest.

On 26 May 2018 the annual Convention of the BPÉR Group was held, organised by BPÉR Banca, in which all Chairmen of the supervisory bodies of the banks and some Italian companies of the BPÉR Group took part.

The Board of Statutory Auditors also held, with the Chairmen of the Boards of Statutory Auditors of the banks and the main Group companies, two Information Conventions on regulatory updates on the subject of IFRS 9, VAT Group, Supervisory and Reporting Reports (21 July 2018) and Collaborative Compliance, new relationship with the Tax Authorities and Projects Update in the VAT field (4 October 2018).

During the year, members of the Board of Statutory Auditors took part in conferences and other initiatives promoted and/or indicated by the Bank to discuss and update people on various topics. For further information on this matter, please refer to Paragraph 4.2.1 "Board training activities".

For 2019, 50 meetings of the Board of Statutory Auditors are scheduled, of which 11 already held at the date of approval of this Report.

As regards transactions in conflict of interest and with related parties involving members of the Board of Statutory Auditors, see Chapter 18 above.

In performing its work, the Board of Statutory Auditors collaborates with the Internal Audit Department via:

- periodic attendance, usually every quarter, at meetings of the Board of Statutory Auditors by the CAE and Head of Internal Audit (in 2018 the Board of Statutory Auditors met 21 times with the latter);
- the examination of documentation provided to the Board by that Department ("support" for analyses performed, inspection reports etc.) and other information relating to the system of controls and the

outcome of verification work;

- the request of specific inspections.

The Board of Statutory Auditors also relied on the contribution made by all of the other control functions, with whom meetings were held on various occasions throughout the year (10 meetings with the Risk Department, 9 with the Compliance Unit, 6 with the Anti-Money Laundering Unit, 11 with the Manager responsible for preparing the company's financial reports/Financial Reporting Monitoring and Control Office). The Board also held meetings with other business functions as planned, or where it had a specific need to do so.

Lastly, note that the remuneration of the members of the Board of Statutory Auditors, including that of the Chairman, is determined at the time of their appointment by the Shareholders' Meeting, based on the role and responsibilities of this body. Variable remuneration is forbidden for the members of the Board of Statutory Auditors.

21 Relations with Shareholders

All information about the performance of the Bank, the communications and the documents of interest to the shareholders (financial statements, articles of association, prospectuses, corporate notices etc.) are published in the English version of the Bank's website www.bper.it – Sito Istituzionale in the "Investor Relations", "Governance" and Press & Media" sections.

An Investor Relations Office was set up to manage relationships with investors, intermediaries and, more generally, with stakeholder in the Bank. This office is the official point of contact with the Bank and the BPER Group for the national and international financial community, helping to create a channel through which the latter can receive constant information.

In particular, the Investor Relations Office communicates with the shareholders, bondholders, investors, financial analysts and rating agencies in order to disseminate in a homogeneous manner correct and timely information and news about the activities, results, strategy and growth prospects of the Bank and the Group. Mention should be made of the various presentations, also by conference call, of the periodic consolidated results of the BPER Group addressed mainly to the financial community and the press.

Currently the role of the Investor Relator is held by Gilberto Borghi, who is in charge of that Office.

The Investor Relations Office collaborates, as appropriate, with the External Relations and Corporate Social Responsibility Office, in managing the relationship with Shareholders through adequate and constant information on the life of the Bank and the Group.

Among its various activities, the External Relations and Corporate Social Responsibility Office maintains relations with journalists from national and local newspapers, prepares press releases and has them published in the media, organises press conferences and prepares communication plans, coordinating with other banks in the Group where necessary.

Note that for disclosure to the market, as well as to the Bank's shareholders, of regulated information pursuant to art. 113-ter of Legislative Decree 58/1998 as well as privileged information, the Bank uses the "System of Disclosure of Relevant Information" (aka e-Market SDIR), an electronic system run by Spafid Connect S.p.A., a Mediobanca Group company which has its head office at Foro Bonaparte 10, Milan. For the storage of the same Regulated Information, BPER makes use of the 1Info facilities provided by Computershare S.p.A., a company of the Computershare Group, located at Via Mascheroni 19, Milan. See Chapter 5 above for further information.

22 Shareholders' Meetings (art 123-bis, paragraph 2.c), Legislative Decree 58/98)

The functioning of Meetings is governed by arts. 10-16 of the articles of association, as summarised below.

The shareholders meet in ordinary or extraordinary session; meetings are held at the location specified in the notice of meeting, on condition that this is in Italy.

The Meeting is held at a single calling. However, the Board of Directors can decide to call a Meeting at first, second or - for Extraordinary Shareholders' Meetings only - also at third calling. This decision has to be disclosed in the notice of calling.

The meetings are valid if held using remote communications systems, if this is provided for in the notice of calling, on condition that the identity of the persons entitled to attend is assured and that all participants are able to intervene in real time in discussions about the matters on the agenda, as well as to vote on the resolutions. In any case, the Chairman and the Secretary must be present at the place indicated in the notice of calling, as mentioned above, and the meeting is deemed to be held in that place.

The Shareholders' Meeting is called by the Board of Directors, through a notice of calling, within the time-scale and manner established by current regulations. The Meeting may also be called by the Board of Statutory Auditors, or by at least two Statutory Auditors, in the circumstances established by law.

The Board of Directors must call a Shareholders' Meeting, without delay, if requested in writing by sufficient shareholders that on the date of the request represent, individually or jointly, the minimum amount of capital for this purpose required by law. The application must be accompanied by the deposit of the certificates of participation in the centralised share management system, confirming the applicants' right to make such a request.

On the basis, with the timing and within the limits established by law, shareholders representing, individually or jointly, the minimum capital required for this purpose by current regulations may, by written request, ask to integrate the list of matters to be discussed at the Shareholders' Meeting, specified in the notice of calling, or to submit proposed resolutions on matters already on the agenda. The application must be accompanied by the deposit of a copy of the communications of the authorised intermediaries, confirming the applicants' right to make such a request. Extension of the list of matters to be discussed cannot include matters for which, by law, the Meeting adopts resolutions based on a proposal from the directors, or based on a draft or a report prepared by them.

The Meeting is chaired by the Chairman of the Board of Directors or by his alternate pursuant to the articles of association or, failing this, by the person elected by those present. The Chairman of the Meeting checks that the Meeting is quorate, verifies the identity and rights of those present, moderates the business conducted and determines the results of voting.

Except as provided when the minutes of the Meeting are drawn up by a notary pursuant to art. 16, paragraph 2, the Secretary of the Ordinary Meeting is the Secretary of the Board of Directors or, if absent, another shareholder appointed by the Meeting.

The Chairman selects 2 or more scrutineers from among those present.

The resolutions adopted at the Meeting must be recorded in the minutes, prepared by the Secretary, that are signed by the Chairman, the Secretary and the scrutineers, if appointed.

In the circumstances required by law and when considered appropriate by the Chairman, the minutes are taken by a notary appointed by the Chairman, who acts as Secretary to the Meeting.

The Ordinary Shareholders' Meeting must be called at least once each year, within 120 days of the end of the financial year.

The Ordinary Shareholders' Meeting:

- on the reasoned proposal of the Board of Statutory Auditors, appoints the Independent Auditors from among the registered auditing firms, determines their fees and any criteria for fee adjustments during their period of office; can, under certain circumstances, revoke their appointment, having consulted with the Statutory Auditors;
- determines, in accordance with applicable legal and regulatory requirements, the remuneration payable to

the directors. The remuneration of directors that perform special duties pursuant to the articles of association is established by the Board of directors, having heard the opinion of the Board of Statutory Auditors;

- determines the fees payable to the Statutory Auditors;
- approves of the remuneration policies in favour of the bodies with supervisory, management and control functions and the staff;
- approves any remuneration plans based on the use of financial instruments;
- approves the criteria for calculating any special remuneration to be awarded in the event of early termination of employment or stepping down ahead of schedule, including the limits set on such remuneration in terms of the number of years of the fixed portion of remuneration and the maximum amount that derives from applying these criteria;
- has the power to resolve, with qualified majorities required by current supervisory regulations, a ratio between the variable and fixed element of individual staff remuneration higher than 1:1, but not exceeding the maximum established in such regulations;
- can appoint an honorary Chairman from among those - not necessarily members of the Board of directors - who have made a significant contribution to the Company's prestige and development. The position of honorary Chairman is not remunerated;
- resolves on all other matters reserved for it by law.

The Extraordinary Shareholders' Meeting resolves on all matters reserved for it by law.

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

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

Those who have the right to vote may be represented at the Meeting in compliance with the applicable regulations. The proxy can be notified electronically through the use of the appropriate section of the Company's website or by e-mail, as indicated in the notice of calling.

Postal voting is not allowed.

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

Members of the Board of Directors may not vote on resolutions regarding their responsibility for actions.

As regards the quorum needed to constitute a General Meeting, current regulations apply, as is the case for resolutions adopted thereby, without prejudice to arts. 18, 19, 20, 32, 33 and 34 of the articles of association.

On the occasion of the last Shareholders' Meeting, none of the shareholders proposed any additions or amendments to the items on the agenda.

BPER also adopted a specific regulation to govern the orderly and functional conduct of the meetings. Adoption of these regulations was approved by the Shareholders' Meeting held on 14 April 2018. At the date of this Report, the regulation is published on the Bank's website www.bper.it – Sito Istituzionale > Governance > Documents.

It should also be noted that, on the occasion of each Shareholders' Meeting, the Chairman explains the procedures for intervening, voting and taking the floor.

As a rule, all of the Directors took part to each Shareholders' Meeting.

At the last Shareholders' Meeting held on 14 April 2018, all the members of the Board of Directors and the Board of Statutory Auditors were present, with the exception of three Directors who gave apologies for their

absence. As regards the members of General Management, the General Manager, Fabrizio Togni, and the Deputy General Manager, as well as General Secretary of the Bank, Gian Enrico Venturini, were present on the stage.

The Shareholders' Meeting Regulations, as approved by this Shareholders' Meeting, foresee that members of the Board of Directors, the Board of Statutory Auditors and General Management have to attend Shareholders' Meetings.

On presenting the materials and documentation pertaining to the items on the agenda, particularly the Report on operations, the Chairman and/or the Chief Executive Officer ensure the provision of necessary information to the shareholders so that they may make informed decisions at the meeting. For information purposes, please note that the documentation on the agenda is also available on the website www.bper.it – Sito Istituzionale > Governance > Shareholders' Meeting.

The Remuneration Report pursuant to art. 123-ter of Legislative Decree 58/98 is also submitted for approval at the annual Shareholders' Meeting held to approve the financial statements. This comprises the remuneration policies of the BPER Banca Group for the year to which the financial statements refer and annual disclosure regarding implementation of remuneration policies for the previous year. On this occasion, the Chairman of the Remuneration Committee informs the shareholders of the manner in which the Committee performed its duties.

At 31 December 2018, the market capitalisation of the Bank's shares was Euro 1.6 billion, compared with Euro 2.0 billion at 31 December 2017.

23 Other Corporate Governance practices (art. 123-bis, paragraph 2.a), Legislative Decree 58/98)

On 29 January 2013, the Board of Directors of the Bank resolved to adhere to the opt-out system under arts. 70, paragraph 8, and 71, paragraph 1-bis of the Issuers' Regulation, as amended by CONSOB Resolution 18079 of 20 January 2012, taking advantage of the right to make an exception to the obligation to publish information documents in the event of significant mergers, spin-offs, increases in capital by contributions in kind, acquisitions and disposals.

Having taken account of CONSOB Resolution 19770 of 26 October 2016 that amended the Issuers' Regulations and of Borsa Italiana Recommendation 83 of 2 January 2017, BPER Banca has chosen voluntarily to carry on publishing additional periodic financial information with respect to the half-yearly and annual financial report, with reference to 31 March and 30 September of each financial year, including the information indicated in art. 154-ter paragraph 5 a) and b) of Legislative Decree 58/98 (i.e. the data contained in the former interim financial reports), ensuring consistency and fairness as well as comparability with the corresponding data contained in the press releases and financial reports previously disclosed to the public.

23.1 General Management

General Management comprises the General Manager and one or more Deputy General Managers.

They have to meet the requirements foreseen in current regulations.

The Board of Directors decides on the powers granted to each member of General Management.

The General Manager is the Head of Personnel and he is responsible for managing the staff in the terms established by the Board of Directors. The members of General Management report to the Board of Directors at least on a quarterly basis on how they have exercised their powers.

With the collaboration and assistance of the other members of General Management, the General Manager assists the Chief Executive Officer in implementing the decisions taken by the Board of Directors and the executive committee and executes the instructions given by the Chief Executive Officer in exercising the powers attributed to him.

If absent or unavailable, the General Manager is replaced in the exercise of all attributed powers and functions by one or more members of General Management designated by the Board of Directors.

For further details, please refer to the articles of association.

At the end of 2018, General Management comprised the General Manager Fabrizio Togni and the following Deputy General Managers: Eugenio Garavini (Senior Deputy General Manager), Pierpio Cerfogli (Chief Business Officer – CBO), Gian Enrico Venturini (Chief Legal & Governance Officer – CL&GO) and Claudio Battistella (Chief Lending Officer - CLO).

24 Changes since the end of the year

Absorption of BPER Services S.C.p.A. by BPER Banca S.p.A.

This transaction is consistent with the action plan that has led to a reduction in the number of legal entities belonging to the BPER Group with a view to improving operating efficiency and creating cost/income synergies.

The Plan, which was approved on 10 January 2019, will only be published and filed in the manner required by law after authorisation has been obtained from the competent Supervisory Authorities pursuant to art. 57 of Legislative Decree 385/93, thereby enabling the merger process to continue.

Purchase of a minority stake in Banco di Sardegna and transactions with the Unipol Group

On 7 February 2019, BPER's B.o.D. approved two important strategic operations:

1. Transfer to BPER Banca of all the ordinary and preference shares of Banco di Sardegna ("BdS") held by Fondazione di Sardegna ("FdS") for the issue in favour of FdS of 33,000,000 new BPER shares and an Additional Tier 1 ("AT1") subordinated convertible instrument with a nominal value of € 150 million, issued by BPER.
2. Transactions with the Unipol Group: (i) purchase of 100% of Unipol Banca by BPER for € 220 million in cash; (ii) simultaneous sale to the Unipol Group of a portfolio of bad loans of the BPER Group for a gross carrying amount of approximately € 1.0 billion (versus a gross receivable of € 1.3 billion).

These operations will allow the BPER Group to increase its size and its customer base, with the aim of creating value for the stakeholders, while maintaining a solid level of regulatory capital and accelerating the process of reducing non-performing loans.

The purchase of a minority stake in BdS will bring BPER the following benefits:

- a significant improvement in the level of regulatory capital (positive impact on the CET1 ratio and Tier 1 Fully Phased ratio equal to around +50 bps⁴¹ and +90 bps, respectively);
- acceleration of the cost optimisation process at BdS;
- further simplification of the Group structure.

As regards the transactions with the Unipol Group:

- acquisition of a bank that has completed a strong process of de-risking (thanks to the interventions carried out by the Unipol Group starting from 2017);
- increase in the operating size of the BPER Group with an increase in total assets of around +17% (total post-deal assets of more than € 80 billion) and total funding⁴² in the order of +70% (total post-deal funding close to € 150 billion); reinforcement of the customer base, with over 500 thousand new customers, and opportunities to optimise cross-selling and strengthen distribution channels;
- an acceleration in the process of de-risking;
- significant value creation thanks to potential pre-tax synergies of around € 85-95 million per year. These estimates do not take into account: (i) potential synergies in terms of capital absorption (assuming that Unipol Banca will be able to switch from standard models to internal ones); (ii) the possibility of strengthening the current partnership with the Unipol Group by extracting further commercial synergies through the development of an innovative approach to the distribution of banking products through the Unipol Group's insurance channels (so-called "Assurbanca").

⁴¹ Before conversion of the AT1. Assuming conversion of the AT1, the overall impact on CET1 would be around +90 bps. Benefit of the goodwill included in capital before taxes.

⁴² Total funding includes direct and indirect deposits.

Main financial impacts of these two transactions combined:

- increase in BPER's 2021 earnings per share of +33%⁴³;
- a significant improvement in the gross NPE ratio from 13.8% at the end of 2018 to 11.6% pro-forma, substantially in line with the target of 11.5% forecast at the end of 2020 in the 2018-2020 NPE Plan;
- confirmation of the financial strength of the BPER Group, with estimated pro-forma consolidated CET 1 and Tier 1 ratios Fully Phased of 11.4% and 11.8%, respectively⁴⁴.

BPER and Banca Popolare di Sondrio acquire 39.99% of Arca Holding S.p.A.

On 13 February 2019, BPER and Banca Popolare di Sondrio announced that they would acquire the shares of Arca Holding S.p.A. auctioned off by the receiverships of Banca Popolare di Vicenza S.p.A. in LCA and Veneto Banca S.p.A. in LCA, for a total of 39.99% of the share capital of Arca Holding, which in turn holds all the shares of Arca Fondi SGR.

As a result of this deal, the stakes held by BPER and Banca Popolare di Sondrio in Arca Holding will come to 57.06% and 36.83% respectively.

The initiative is based on a solid business and financial rationale and aims to enhance Arca SGR as a reference player in Italy's asset management market, further strengthening its competitive positioning and helping to develop its distribution and service capacity. This objective will be pursued by favouring the participation of minority shareholders and assessing potential new partners.

In general, for further information on the events that have occurred between the end of 2018 and the date of this Report, reference should be made to the Directors' Report on operations for 2018 as well as press releases published on the Bank's website www.bper.it – Sito Istituzionale > Media Relations and relevant documents that are available in other sections of the website.

⁴³ Calculated as an increase in the prospective earnings per share of BPER Banca in 2021 pro-forma for the transactions that have been announced (purchase of the minority stake in Banco di Sardegna and the transactions with the Unipol Group) compared with prospective earnings per share at 2021 (stand-alone) estimated by a consensus of analysts. The calculation excludes the potential conversion of the AT1 and includes estimates of the full synergies deriving from the purchase of Unipol Banca. The prospective earnings of BPER Banca according to a consensus of analysts. The prospective earnings of Unipol Banca and BdS based on internal estimates.

⁴⁴ These CET 1 and Tier 1 ratios do not include the potential benefits deriving from: i) a switch on the part of Unipol Banca from standard models to internal models and ii) the conversion of AT1.

25 Considerations regarding the letter issued by the Chairman of the Committee for Corporate Governance dated 21 December 2018

The recommendations made by the Chairman of the Committee for Corporate Governance in his letter of 21 December 2018 were examined by the B.o.D. and the Board of Statutory Auditors at the time this Report was being prepared and will be kept in strict consideration during the process of self-assessment, as already mentioned in paragraph 4.3.

With particular reference to the areas for improvement highlighted in the letter, the following should be noted.

Area of improvement 1) "The Committee invites the Boards of Directors to give their view of the adequacy of information circulated prior to Board meetings during the year. In particular, the Chairmen of the Board of Directors are invited to promote such as assessment and ensure that the requirements of confidentiality are protected without compromising the adequacy and timeliness of information flows prior to Board meetings"

The Board of Directors, at its meeting of 19 December 2017, amended its operating rules to address, among other things, the availability of information prior to Board meetings.

As a result of this resolution, the Board of Directors' operating rules now state that the documentation to be submitted in support of resolutions should generally be made available to the Directors, the Acting Statutory Auditors and the General Manager five days prior to each meeting, a deadline that is generally respected.

If, for particular reasons of organisation or confidentiality, the documentation made available after this deadline is not exhaustive, subsequent integrations are to be made, at latest by the day of the meeting, providing that, where it has not been possible to distribute the necessary information or documentation sufficiently in advance in a comprehensive manner, the Chairman ensures that adequate and detailed examinations are carried out during the meeting in order to achieve full compliance with the provisions of the Code.

The information circulated prior to Board meetings is made available to the members through an IT application (Cda On Board), which has advanced security management features. Between June and September 2018, the periodical "Application Security Assessment" was carried out successfully; this did not identify any vulnerabilities that could be exploited to "create an attack route to compromise the integrity, availability or confidentiality of data stored in the system or to violate system protection policies".

As part of the overall process of self-assessment by the Board for 2018, which is still underway at the date of preparation of this Report, the adequacy of the information circulated prior to Board meetings is included among the topics of investigation and will be the object of further analysis, starting from the comments that will be expressed in response to a specific question asked in the questionnaire given to each director.

Area of improvement 2) "The Committee invites the administrative bodies to apply the Code's independence criteria more rigorously and the control bodies to monitor correct application of these criteria: the Committee emphasises that cases of non-application should be an exception and, above all, should be subjected to an in-depth evaluation at an individual level, with reference to the situation of the individual director, giving a full explanation in the Report on Corporate Governance."

On 8 May 2018 the Board of Directors ascertained, based on the statements made by the members and the information available to the Company, that each of the directors appointed by the Shareholders' Meeting on 14 April 2018 met the requirements of integrity, professionalism and independence, and that there were no reasons for ineligibility and forfeiture under the legislation currently in force and the Articles of Association.

In particular, the Board has ascertained that the directors meet the independence requirements laid down in article 147-ter, paragraph 4, and article 148, paragraph 3 of Legislative Decree 58/98 as well as the recommendations contained in the Code of Conduct for listed companies – Application Criteria – para. 3.C.1.

Verification of the independence requirements, as regards the financial and professional relationships between the Bank and the parties concerned, was carried out on the basis of stringent parameters identified by the Board of Directors, pursuant to art. 21, paragraph 2, of the Articles of Association, summarised in a specific source of internal regulations. An extract of these criteria was given in the document made available

on the Bank's website and addressed to the shareholders in order to identify candidates to be included on the lists for the renewal of the administrative body.

The Board of Directors has extended the scope of this verification to indirect relationships via companies, entities or businesses controlled by or related to any director who claims to be independent, as well as to professional associations that the Director is a member of.

Without prejudice to what has just been said, the Board of Directors can make a reasoned decision, even if there are that in theory could affect their independence, that a director does meet the independence requirements when, in light of the relevant circumstances, it is obvious that the specific circumstances are not sufficient to jeopardise their independence.

Similarly, the Board of Directors can make a reasoned decision that, even without any financial or professional relationships of the type mentioned above, a director does not meet the independence requirements when, in light of the circumstances, it is obvious that there are other relevant circumstances that are sufficient to jeopardise their independence.

In this regard, note that the Board has never exercised this right in performing its annual verification of all directors, but has adhered strictly to the rules when assessing whether the independence requirements have been met or not.

Area of improvement 3) "The Committee invites the Board of Directors to ensure greater transparency regarding the procedures for carrying out a board review. The Committee hopes, especially for larger issuers, that a board member oversees the board review process and that methods are adopted to enhance the individual contribution of each director."

As is the case for all the other banks belonging to the Banking Group, in 2010 BPER Banca adopted, in accordance with the Supervisory Provisions for banks as per Bank of Italy's Circular no. 285/2013, a structured process - formalised in a specific internal regulation - for the annual self-assessment of the way that the Board functions. As mentioned in paragraph 4.3 above, this process reviews aspects of how the corporate body functions and the adequacy of its qualitative and quantitative composition.

In 2017, the Board approved a significant change to this process, having taken into account the new principles derived from (i) guidelines issued jointly by the European Banking Authority and by the European Securities Markets Authority on the suitability of corporate officers, (ii) the ECB Guide to fit and proper assessments of corporate officers and (iii) the draft Ministerial Decree implementing art. 26 of Legislative Decree 385/93 with the Regulations for the eligibility requirements to be met by corporate officers.

The self-assessment process is currently structured in three parts:

- assessment of how the Board functions: this involves giving a questionnaire to each director, together with one-to-one comparisons where necessary, aimed at evaluating various aspects of how the Board and its Committees function;
- assessment of the qualitative composition: this involves a combination of (i) an analysis of each director's curriculum vitae, with a system of scoring of the skills found, and (ii) a subjective evaluation by each director of the fairness of the score attributed to them; the result of this assessment is subsequently compared, both annually and whenever there are nominations being made, with the composition considered by the Board as being optimal;
- assessment of the quantitative composition: this involves an annual collection of data from the banks that make up the benchmark of reference and comparison with those of BPER, as well as a specific section of the individual questionnaires.

In line with the Supervisory Provisions for Banks, the figure of reference for the entire process is the Chairman of the Board of Directors.

In fact, he or she has to:

- ensure that (i) the self-assessment process is carried out effectively, (ii) the way in which it is carried out is consistent with the complexity of the Board's proceedings, (iii) the corrective measures to deal with any deficiencies found in the functioning of the administrative body are in fact adopted;
- identify the roles involved in the operational implementation of the process.

The Chairman of the Board of Directors is assisted in structuring and carrying out the process by the Nominations Committee, particularly by its Chairman, in relation to (i) the overall structuring of the process and the tools to support it, (ii) definition of the optimal composition of the bodies from a qualitative and quantitative point of view and subsequent verification of compliance with the actual one resulting from the process of nomination; (iii) the persons proposed (both internal staff and external professionals with respect to the Bank) to carry out the process.

Area of improvement 4) "The Committee invites the Boards of Directors and the Remuneration Committees to evaluate the adequacy of the remuneration policies with pursuit of the objective of the business's sustainability in the medium to long term.

In particular, the Committee recommends, especially to the competent bodies of medium-large issuers, to strengthen the link between variable remuneration and parameters tied to long-term objectives and to limit to exceptional individual situations, after adequate explanation, the possibility of payments not linked to predetermined parameters (i.e. "ad hoc" bonuses)".

The Group continues an important process of evolution of its Remuneration Policies, aimed at aligning its work with best practice in the banking system.

The Group has defined a variable bonus scheme (MBO) 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. Conditions that are assessed both in the short and medium/long term for the deferred components.

As further confirmation of the interest shown by the Board of Directors and the competent committees in the field of remuneration to direct remuneration policies towards the pursuit of the business's sustainability in the medium/long term, at the same time as the approval of the 2019-2021 Business Plan, BPER considered the introduction of a long-term incentive (LTI) plan as strategic.

The 2019-2021 Long Term Incentive Plan is designed to award the beneficiaries an incentive to be paid exclusively in BPER ordinary shares.

The LTI Plan has as its beneficiaries employees of the BPER Group included in the scope of Key Personnel of the Group (put at around 40 people); heads of corporate control and similar functions are excluded.

Implementation of the Plan is subject to achieving predetermined access conditions that guarantee not only profitability, but also the Group's capital stability and liquidity.

The bonus recognised at the end of the performance period - the size of which also depends on the achievement of specific objectives in terms of results, stock performance and sustainability - is paid by means of a free allocation of BPER ordinary shares, subject to deferral and retention clauses.

Between 55% and 60% of the bonus is deferred depending on the amount awarded at the end of the three-year period; deferral lasts for five years (2022-2026), during which the deferred portion is allocated in five annual instalments of the same amount, subject to verification of the *malus* conditions. Each portion that is allocated, whether up-front or deferred, is then subjected to a retention period of one year.

Considering the retention period, the Plan will end in 2027.

Table 1: Information on ownership structures

The figures in the Table have been updated as of the date of this Report.

SHARE CAPITAL STRUCTURE				
Type of shares	No. Shares	% of share capital	Listed (indicate markets) / unlisted	Rights and obligations
Ordinary Shares	481,308,435	100%	(MTA) Mercato Telematico Azionario	Voting rights if a member Equity Rights
Multiple-vote shares	/	/	/	/
Shares with limited voting rights	/	/	/	/
Shares without voting rights	/	/	/	/
Other	/	/	/	/
OTHER FINANCIAL INSTRUMENTS				
(attributing the right to subscribe newly issued shares)				
Type of financial instrument	Listed (indicate markets)/non listed	Number of instruments in circulation	Category of shares available for conversion/subsorption	Number of shares available for conversion/subsorption
Convertible Bonds	/	/	/	/
Warrant	/	/	/	/
SIGNIFICANT SHAREHOLDING*				
Declarant	Direct shareholders	% of ordinary capital	% of voting capital	
Unipol Gruppo S.p.A.	Unipol Gruppo S.p.A. and UnipolSai Assicurazioni S.p.A.	15.06%	15.06%	
Fondazione di Sardegna	Fondazione di Sardegna	3.02%	3.02%	
Fondazione Cassa di Risparmio di Modena	Fondazione Cassa di Risparmio di Modena	3.00%	3.00%	
(*): Information updated on the basis of form 120 A - Notification of subjects who own relevant shares ex art. 120 of the CFA (TUF) - received by BPER. It should be noted that at the date of the previous Report, 08/03/2018, on the basis of similar communications received by the Bank these were: Unipol Gruppo S.p.A. 9.87% (Direct shareholders UnipolSai Assicurazioni S.p.A.); Fondazione di Sardegna 3.02% and Fondazione Cassa di Risparmio di Modena 3.00%.				

Table 2: Structure of the Board of Directors and Committees at 31/12/2018

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES AT 31/12/2018																								
Board of Directors												Executive Committee		Control and Risk Committee		Nomination Committee		Remuneration Committee		Independent Directors Committee		Strategy Committee		
Office	Members (surname name)	Year of birth	Data first appointment *	In office from	In office until	List **	Exec.	Non-exec.	Indep. as per CFA	Indep. as per CoC §	Total (*)	Total (*)	C/M (**)	Total (*)	C/M (**)	Total (*)	C/M (**)	Total (*)	C/M (**)	Total (*)	C/M (**)			
Chairman ¹	Ferrari Pietro	10/10/1955	11/01/2013	14/04/2018	31/12/2020	BoD-M		x			23/24	4/6 ¹												
Chief Executive Officer ² (s) (s)	Vandelli Alessandro	23/02/1959	17/12/2013	14/04/2018	31/12/2020	BoD-M	x				24/24	12/13	M ⁴								3/3	M		
Deputy Chairman ²	Caponcelli Giuseppe	18/05/1957	14/04/2018	14/04/2018	31/12/2020	BoD-M		x	x	x	15/15													
Director	Barbieri Riccardo	31/01/1964	14/04/2018	14/04/2018	31/12/2020	BoD-M	x				15/15	7/7	M ⁴											
Director	Belcredi Massimo	24/02/1962	14/04/2018	14/04/2018	31/12/2020	BoD-M		x	x	x	15/15					10/10	C ⁵							
Director	Bernardini Mara	09/10/1957	12/04/2014	14/04/2018	31/12/2020	BoD-M		x	x	x	24/24					17/17	M	16/16	C					
Director	Camagni Luciano Filippo	31/08/1955	14/04/2018	14/04/2018	31/12/2020	BoD-M	x				15/15	6/7	M ⁴											
Director	Foti Alessandro Robin	26/03/1963	14/04/2018	14/04/2018	31/12/2020	m		x	x	x	14/15			12/15	M ⁶									
Director	Gualandri Elisabetta	12/06/1955	28/08/2012	14/04/2018	31/12/2020	BoD-M		x	x	x	24/24			23/23	C			16/16	M	24/24	M ⁹			
Director	Marracino Roberta	17/12/1967	08/04/2017	14/04/2018	31/12/2020	m		x	x	x	23/24			8/8 ⁶		10/10	M ⁷	8/8	M ⁷					
Director	Moro Ornella Rita Lucia	04/07/1961	14/04/2018	14/04/2018	31/12/2020	BoD-M		x	x	x	15/15			15/15	M ⁶									
Director	Noera Mario	30/03/1952	14/04/2018	14/04/2018	31/12/2020	BoD-M	x				15/15	6/7	M ⁴											
Director	Pappalardo Marisa	25/01/1960	14/04/2018	14/04/2018	31/12/2020	m		x	x	x	14/15									17/18	M ⁸			
Director	Schiavini Rossella	08/05/1966	14/04/2018	14/04/2018	31/12/2020	BoD-M	x				15/15	6/7	C ⁴											
Director	Venturelli Valeria	08/09/1969	16/04/2016	14/04/2018	31/12/2020	BoD-M		x	x	x	23/24			22/23							23/24	C ⁹		
DIRECTORS WHO LEFT OFFICE IN 2018																								
Chairman ⁽¹⁾	Odorici Luigi	13/05/1947	10/01/2012	08/04/2017	31/12/2017	BoD-M		x		n.a.	9/9											3/3	M	
Deputy Chairman ⁽²⁾	Boldrini Giosuè	31/07/1944	30/11/2010	18/04/2015	31/12/2017	M	x			n.a.	8/9	6/6	M										3/3	M
Deputy Chairman ⁽²⁾	Marri Alberto	13/08/1954	17/05/2003	08/04/2017	31/12/2017	BoD-M	x			n.a.	9/9	6/6	C										3/3	M
Director	Caselli Ettore	28/10/1942	10/12/2007	18/04/2015	31/12/2017	M	x			n.a.	7/9	5/6	M										3/3	C
Director	Cassani Pietro	12/11/1968	21/06/2016	26/11/2016	31/12/2017	n.a.		x		n.a.	7/9													
Director	Galante Alfonso Roberto	30/10/1967	08/04/2017	08/04/2017	31/12/2017	BoD-M		x	x	n.a.	0/9													
Director	Jannotti Pecci Costanzo	01/09/1952	16/04/2016	08/04/2017	31/12/2017	BoD-M		x		n.a.	9/9					8/8	M							
Director	Marotta Roberto	06/03/1948	18/04/2015	18/04/2015	31/12/2017	m		x	x	n.a.	9/9					7/7	M			6/6	M			
Director	Maspero Valeriana Maria	04/11/1950	21/04/2012	18/04/2015	31/12/2017	M		x	x	n.a.	9/9			8/8	M	7/7	C							
No. of meetings held during the year:											BoD: 24	EC: 13	CRC: 23	NC: 17	RC: 16	IDC: 24	SC: 3							
<p>Quorum required for the presentation of lists at the last appointment: the list can be presented by Shareholders holding, also jointly, not less than 1% of the share capital or by the B.o.D of BPER pursuant to art.18, paragraph 8 of the Articles of Association.</p>																								

NOTES:

The following symbols are indicated in the column "Office":

(•) This symbol indicates a director responsible for the internal control and risk management system.

◊ This symbol indicates the main person responsible for the management of the issuer (Chief Executive Officer or CEO).

(1) On 17 April 2018 the B.o.D. appointed Mr. Ferrari Chairman in place of Mr. Odorici who ended his turn. Until that date Mr. Ferrari was an executive Director whereas Mr. Odorici was a non-executive Director and an ex-officio member of the Strategic Committee.

(2) On 17 April 2018 the B.o.D. appointed Mr. Capponcelli Deputy Chairman in place of Messrs. Boldrini and Marri, who had ended their turn and who had both held the position since 14 April 2018.

(3) The B.o.D. of 17 April 2018 confirmed Mr. Vandelli as Chief Executive Officer, a role covered by him since 15 April 2014.

(4) On 17 April 2018 the B.o.D. appointed as members of the Executive Committee, in addition to Mr. Vandelli (by right, as Managing Director), Ms. Schiavini (Chairman), Mr. Barbieri, Mr. Camagni and Mr. Noera.

(5) Mr. Belcredi became Chairman of the Nominations Committee on 17 April 2018; previously this role had been covered by Ms. Valeriana Maria Masperi.

(6) On 17 April 2018 the B.o.D. appointed Mr. Foti and Ms. Moro Members of the Control and Risk Committee, in place of Ms. Marracino and of Ms. Valeriana Maria Masperi who ended his turn.

(7) On 17 April 2018 the B.o.D. appointed Ms. Marracino Member of the Nominations Committee, in place of Mr. Marotta who ended his turn, and of the Remuneration Committee, in place of Mr. Jannotti Pecci who ended his turn.

(8) On 17 April 2018 the B.o.D. appointed Mr. Pappalardo Member of the Independent Directors' Committee, in place of Mr. Marotta who ended his turn.

(9) Ms. Venturelli became Chairman of the Independent Directors' Committee on 17 April 2018; previously this role had been covered by Ms. Gualandri.

(10) On 17 April 2018 the B.o.D. resolved to abolish the Strategic Committee which until that date had been composed of Messrs. Caselli (Chairman), Odorici, Vandelli, Boldrini and Marri.

The following symbols are indicated in the column headings:

* Date first appointed indicates the date that a director was appointed for the first time ever to the Board of BPER Banca.

** This column indicates the list from which each director was taken ("M": majority list; "m": minority list; "BoD": list presented by the Board).

(*) In this column the attendance of each component at the meetings of the body in question is indicated in the reference year or, if appointed during the year, during the effective period of his/her appointment: no. of presences / no. of meetings attended (indication of the number of meetings he/she has attended with respect to the total number of meetings called; e.g. 6/8; 8/8 etc.).

(**) This column indicates the position held by the director within the Committee: "C": chairman; "M": member.

(§) The assessment of independence requirements ex Code of Conduct was performed for the first time after the election of the B.o.D. by the Shareholders' Meeting of 14 April 2018.

CFA: Consolidated Finance Act, Legislative Decree 58/1998.

CoC: Code of Conduct for listed companies, approved by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

Table 3: List of offices held by the members of the Board of Directors

The information shown here reflects what is known by the Bank at the date of this Report.

ESPONENTE CONSIGLIO DI AMMINISTRAZIONE	CARICA	SOCIETA'
Ing. Pietro Ferrari	Chairman of the Board of Directors	BPÉR Banca S.p.A.
	Chairman of the Board of Directors	Ing. Ferrari S.p.A.
	Chairman	Confindustria Emilia Romagna
	Member of the General Council	Confindustria
	Member of the Technical Group Credit and Finance	Confindustria
Dott. Alessandro Vandelli	Amministratore Delegato	BPÉR Banca S.p.A.
	Chief Executive Officer	Unione Fiduciaria S.p.A.
	Vice Chairman of the Board of Directors	ABI - Associazione Bancaria Italiana
	Director	BPÉR Services S.c.p.a.
	Director	FITD - Fondo Interbancario di Tutela dei Depositi
	Director	BPÉR Credit Management S.C.p.A.
Ing. Luigi Capponcelli	Member of the Governing Council	Federazione delle Banche, delle Assicurazioni e della Finanza (FeBAF)
	Vice Chairman	BPÉR Banca S.p.A.
	Vice Chairman	Nexi S.p.A.
	Director	Unione Fiduciaria S.p.A.
Dott. Riccardo Barbieri	Sole Director	Geco S.r.l.
	Director and Member of Executive Committee	BPÉR Banca S.p.A.
	Director	Sfirs S.p.A.
Prof. Massimo Belcredi	General Manager	Fidicoop Sardegna
	Director	BPÉR Banca S.p.A.
Dott.ssa Mara Bernardini	Director	Erg S.p.A.
	Chairman of the Board of Directors	BPÉR Banca S.p.A.
	Sole Director	Atriké S.p.A. WAY S.A.S. di Mara Bernardini & C.
Dott. Luciano Filippo Camagni	Director and Member of Executive Committee	BPÉR Banca S.p.A.
	Director	QC Terme S.r.l.
	Director	Finchimica S.p.A.
	Director	Omnisyst S.p.A.
Dott. Alessandro Robin Foti	Director	BPÉR Banca S.p.A.
	Director	Burgo Group S.p.A.
Prof. Elisabetta Gualandri	Director	BPÉR Banca S.p.A.
	Director	IGD SIIQ S.p.A.
	Director	ABIServizi S.p.A.
	Member of the Technical Committee	Incubatore Knowbel del Tecnopolo di Modena presso 'Unione Terre dei Castelli'
	Director	MAT3D S.r.l.
Dott.ssa Roberta Marracino	Vice General Manager	Softech-ICT (centro di ricerca industriale)
	Director	BPÉR Banca S.p.A.
Dott.ssa Roberta Marracino	Limited Partner	E-Studio di Pietro Elia e Ornella Selenati S.a.s.

ESPONENTE CONSIGLIO DI AMMINISTRAZIONE	CARICA	SOCIETA'
Prof.ssa Ornella Rita Lucia Moro	Director	BPER Banca S.p.A.
	Director	Sasso Blu S.r.l.
Dott. Mario Noera	Director	BPER Banca S.p.A.
	Chairman of the Board of Directors	Arkios SIM S.p.A.
Avv. Marisa Pappalardo	Director	BPER Banca S.p.A.
	Director	Finstar S.p.A.
	Director	Pirelli & C. S.p.A.
Dott.ssa Rossella Schiavini	Director and Chairman Executive Committee	BPER Banca S.p.A.
	Director	Marr S.p.A.
Prof.ssa Valeria Venturelli	Director	BPER Banca S.p.A.

Table 4: Structure of the Board of Statutory Auditors at 31/12/2018

TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AT 31/12/2018									
Board of Statutory Auditors									
Office	Members (surname name)		Year of Birth	Date of first appointment *	Serving since	Serving until	Slate **	Indep. as per CoC §	Attendance at Board meetings ***
Chairman ¹	De Mitri	Paolo	14/10/1963	14/04/2018	8/5/2018	next Shareholders' Meeting	m	X	29/29
Serving auditor ²	Calandra Buonaura	Cristina	24/07/1971	14/04/2018	22/11/2018	next Shareholders' Meeting	M	X	6/6
Serving auditor	Rizzo	Diana	21/07/1959	18/04/2015	14/04/2018	31/12/2020	M	X	47/49
Serving auditor	Sandrolini	Francesca	13/03/1967	18/04/2015	14/04/2018	31/12/2020	M	X	49/49
Serving auditor	Tardini	Vincenzo	07/02/1960	18/04/2015	14/04/2018	31/12/2020	M	X	49/49
Alternate auditor ³	De Mitri	Paolo	14/10/1963	14/04/2018	14/04/2018	31/12/2020	m	X	/
Alternate auditor ³	Calandra Buonaura	Cristina	24/07/1971	14/04/2018	14/04/2018	31/12/2020	M	X	/
-----STATUTORY AUDITORS WHO LEFT OFFICE IN 2018-----									
Chairman ¹	Ramenghi	Giacomo	09/10/1970	14/04/2018	14/04/2018	8/5/2018	m	X	3/3
Serving auditor ²	Mele	Antonio	05/06/1968	18/04/2015	14/04/2018	22/11/2018	M	X	25/26
Chairman	Mele	Antonio	05/06/1968	18/04/2015	18/04/2015	31/12/2017	m	/	17/17
Serving auditor	Baldi	Carlo	29/04/1939	18/04/2009	18/04/2015	31/12/2017	M	/	9/17
Alternate auditor	Butturi	Giorgia	23/08/1978	18/04/2015	18/04/2015	31/12/2017	M	/	/
Alternate auditor	Spinelli	Gianluca	24/05/1977	18/04/2015	18/04/2015	31/12/2017	m	/	/
Quorum required for the presentation of the lists at the last appointment: the list must be presented by Shareholders holding, also jointly, at least not less than 0,50% of the share capital pursuant to art. 32, paragraph 4 of the Articles of Association.									
No. of meetings held during the relevant year: 49									

NOTES:

(1) On 8 May 2018 Mr. Giacomo Ramenghi resigned as Chairman and on the same date Mr. Paolo De Mitri took his place, in accordance with the terms of the Articles of Association, being an Alternate Auditor on the same list as the outgoing Chairman, i.e. list no. 1 (a different list from that which obtained the highest number of votes at the Shareholders' Meeting of 14 April 2018). The Alternate Auditors, who stepped in during the year, remain in office until the next Shareholders' Meeting (in this case the one that approves the financial statements for 2018 convened on 17 April 2019) which will provide for the necessary integration of the Board of Statutory Auditors in compliance with regulatory requirements and the Articles of Association.

(2) On 22 November 2018 Mr. Antonio Mele retired as Serving Auditor and on the same date Ms. Cristina Calandra Buonaura stepped in, pursuant to the Articles of Association, being an Alternate Auditor on the same list as that of Mr. Mele, i.e. list no.2 (the list which obtained the highest number of votes in the above-mentioned Shareholders' Meeting). The Alternate Auditors who stepped in during the year remain in office until the next Shareholders' Meeting (in this case the one that approves the financial statement for 2018 convened on 17 April 2019) which will provide for the necessary integration of the Board of Statutory Auditors in compliance with regulatory provisions and the Articles of Association.

(3) The Auditors who stepped in as Serving Auditors are however indicated in the table as Alternate Auditors as, should they not be appointed as Serving Auditors by the next Shareholders' Meeting on 17 April 2019, they will remain in office as Alternate Auditors for the remainder of the 2018-2020 period as elected by the Shareholders' Meeting of 14 April 2018.

The following symbols are indicated in the column headings:

* Date of first appointment of each statutory auditor means the date on which the statutory auditor was appointed for the first time (overall) to the Board of Statutory Auditors of BPER Banca.

** This column indicates the slate from which each statutory auditor was chosen ("M": majority slate; "m": minority slate).

*** In this column the attendance of each component at the meetings of the body in question is indicated in the reference year or, if appointed during the year, during the effective period of his/her appointment: no. of presences / no. of meetings attended (indication of the number of meetings he/she has attended with respect to the total number of meetings called; e.g. 6/8; 8/8 etc.).

(§) The assessment of independence requirements ex Code of Conduct was performed for the first time after the election of the B.o.D. by the Shareholders' Meeting of 14 April 2018.

CoC: Code of Conduct for listed companies, approved by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

Table 5: List of offices held by the members of the Board of Statutory Auditors

The information shown here reflects what is known by the Bank at the date of this Report.

COMPONENT OF THE BOARD OF STATUTORY AUDITORS	POSITION	COMPANY
Paolo De Mitri	Chairman of the Board of Statutory Auditors	BPER Banca S.p.A.
	Chairman of the Board of Statutory Auditors	Biesse S.p.A.
	Chairman of the Board of Statutory Auditors	Riello Investimenti S.p.A.
	Chairman of the Board of Statutory Auditors	Towerclean S.p.A.
	Chairman of the Board of Statutory Auditors	Holdclean S.p.A.
	Chairman of the Board of Statutory Auditors	Ghibli & Wirbel S.p.A.
	Chairman of the Board of Statutory Auditors	Trafimet Group S.p.A.
	Statutory Auditor	Riello Industries S.r.l.
	Statutory Auditor	Mec-Fin S.p.A.
	Statutory Auditor	Riello Sistemi S.p.A.
	Statutory Auditor	Mandelli Sistemi S.p.A.
	Statutory Auditor	Studio Altieri S.p.A.
	Statutory Auditor	Pancioc S.p.A.
	Sole Auditor	Omniafibre S.r.l.
	Sole Auditor	Aerogest S.r.l.
	Sole Auditor	Viror S.r.l.
	Legal Auditor	Autoservizi Zani Evaristo S.r.l.
	Vice Chairman	CDS Consulting S.r.l.
	Director	CDS Immobiliare S.r.l.
	Sole Director	PDM S.r.l.
Alternate Auditor	Minor S.p.A.	
Cristina Calandra Buonauro	Statutory Auditor	BPER Banca S.p.A.
	Official Receiver	Impresa Fratelli Abrianello S.n.c.
	Official Receiver	Mate S.r.l.
	Judicial commissioner	Roberto Righi S.r.l. in liquidazione
	Official Receiver	F.Ili Tonini Costruzioni S.r.l.
	Official Receiver	Autotrasporti Puglia S.n.c.
	Official Receiver	Motem2005 S.r.l. in liquidazione
	Official Receiver	SassuolhotelS.r.l. in liquidazione
	Official Receiver	Villa Campomaggio Srl
	Official Receiver	Negrelli Finestre S.r.l. in liquidazione
	Judicial Liquidator	Procedura sovraindebitamento Enrico Franchini
	Liquidator	Procedura sovraindebitamento Anna Termanini
Diana Rizzo	Statutory Auditor	BPER Banca S.p.A.
	Chairman of the Board of Statutory Auditors	SITMA S.p.A.
	Chairman of the Board of Statutory Auditors	Sitma Machinery S.p.A.
	Chairman of the Board of Statutory Auditors	Unicom S.r.l.
	Chairman of the Board of Statutory Auditors	Kerakoll S.p.A.
	Chairman of the Board of Statutory Auditors	Fin-Firel S.p.A.
	Statutory Auditor	PLT Wind S.p.A.
	Statutory Auditor	Caolino Panciera S.p.A.
	Statutory Auditor	Ceramiche Speranza S.p.A.
	Statutory Auditor	Kronos 2 Ceramiche S.p.A.
	Statutory Auditor	Landi Renzo S.p.A.
	Partner	GI.RA. di Giulio Rayneri & C. S.S.
	Partner	Immobiliare S.P. S.a.s. di Canali Giancarlo e C.

COMPONENT OF THE BOARD OF STATUTORY AUDITORS	POSITION	COMPANY
	Partner	MA.DI S.S. di Diana Rizzo & C.
	Partner	Studio Professionisti S.s. - S.T.P.
	Official Receiver	Gruppo Emiliano Costruzioni S.r.l.
	Official Receiver	S.M. Legno S.p.A. - In Liquidazione
	Official Receiver	Banilupa S.r.l. - In liquidazione
	Official Receiver	Genesis di Copelli Gianfranco & C. S.a.s.
	Judicial commissioner	Spazio Sei S.r.l.
	Liquidator	GL Finishing S.r.l. - In Liquidazione
	Official Receiver	CAAB Società cooperativa - In Liquidazione
	Official Receiver	P.E. Piacentini Editore S.r.l. - In liquidazione
	Official Receiver	Matx Software S.r.l. - In liquidazione
	Alternate Auditor	Autin S.p.A.
	Alternate Auditor	Fin Twin S.p.A.
	Alternate Auditor	Finfloor S.p.A.
	Alternate Auditor	Florim Ceramiche S.p.A.
Francesca Sandrolini	Statutory Auditor	BPER Banca S.p.A.
	Chairman of the Board of Statutory Auditors	Ceuta S.p.A.
	Statutory Auditor	Marconi Gomma Group S.p.A.
	Statutory Auditor	Saccaria Immobiliare e di Partecipazioni S.p.A.
	Statutory Auditor	Marchesini Investment Group S.r.l.
	Statutory Auditor	Società Investimenti di Maurizio Marchesini e C. S.a.p.a.
	Statutory Auditor	Vibrotech S.r.l.
	Statutory Auditor	Schmucker S.r.l.
	Statutory Auditor	Proteo Engineering S.r.l.
	Common Representative of the Bondholders	Marchesini Group S.p.A.
	Alternate Auditor	HBC S.p.A.
	Alternate Auditor	Site S.p.A.
	Alternate Auditor	Rapid immobiliare S.r.l.
	Alternate Auditor	Rapid Lamiere S.p.A.
	Alternate Auditor	Saccaria Caffè S.r.l.
Vincenzo Tardini	Statutory Auditor	BPER Banca S.p.A.
	Chairman of the Board of Statutory Auditors	Consorzio Gruppo CEIS Cooperativa Sociale
	Chairman of the Board of Statutory Auditors	Cooperativa Sociale CEIS Formazione
	Statutory Auditor	CEIS A.R.T.E. Cooperativa Sociale Onlus
	Statutory Auditor	Unioncamere Emilia Romagna Servizi S.r.l.
	Statutory Auditor	Tenuta Forcirola S.p.A.
	Statutory Auditor	Fondazione CEIS Onlus
	Sole Director	EdilNova S.r.L.
	Sole Director	G & G - S.r.L.
	Partner	Azienda Agricola Dott. Paolo

COMPONENT OF THE BOARD OF STATUTORY AUDITORS	POSITION	COMPANY
		Tardini di Tardini Dott. Luigi e F.lli S.S.
	Official Receiver	C.E.M. S.r.L.
	Official Receiver	M.P.S. di Pattarozzi Tiziano e C. S.n.c.
	Official Receiver	Machì Coperture di Polidori Cinzia
	Judicial commissioner	Feligec S.r.l. - In Liquidazione
	Alternate Auditor	Opera Group S.r.l.
	Alternate Auditor	AET S.r.l.