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**This is a translation into English of the original in Italian. Group policy for the governance of the risk of non-compliance concerning conflicts of interest with related parties and risk activities with associated persons**

Modena, 20/05/2021

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## CONTENTS

<b>1. GENERAL ASPECTS .....</b>	<b>4</b>
<b>2. DEFINITIONS .....</b>	<b>6</b>
<b>3. CONTENTS OF THE REGULATORY SOURCES .....</b>	<b>8</b>
<b>3.1. TRANSACTIONS AND THE ROLE OF THE COMMITTEE .....</b>	<b>8</b>
3.1.1. TRANSACTIONS.....	8
3.1.2. THE COMMITTEE AND ALTERNATIVE EQUIVALENT PRINCIPALS .....	10
<b>3.2. DEFINITION OF RISK.....</b>	<b>10</b>
<b>3.3. RISK GOVERNANCE .....</b>	<b>10</b>
<b>3.4. RISK APPETITE .....</b>	<b>11</b>
<b>3.5. RISK EXPOSURE AND OPERATIONAL LIMITS.....</b>	<b>12</b>
<b>3.6. RISK MANAGEMENT .....</b>	<b>12</b>
3.6.1. IDENTIFICATION OF THE SECTORS OF ACTIVITY AND TYPES OF ECONOMIC RELATIONSHIPS.....	13
3.6.2. IDENTIFICATION OF RELEVANT PERSONS .....	14
3.6.3. PROCEDURES FOR THE PREPARATION AND APPROVAL OF TRANSACTIONS WITH RELEVANT PERSONS.....	15
3.6.4. IDENTIFICATION AND CLASSIFICATION OF TRANSACTIONS WITH RELEVANT PERSONS .....	15
3.6.5. TRANSACTIONS OF MINOR RELEVANCE .....	16
3.6.6. TRANSACTIONS OF MAJOR RELEVANCE .....	16
3.6.7. TRANSACTIONS FALLING WITHIN THE SCOPE OF ARTICLE 136 OF THE CONSOLIDATED BANKING ACT.....	17
3.6.8. TRANSACTIONS WITHIN THE SPHERE OF COMPETENCE OF THE SHAREHOLDERS' MEETING .....	18
3.6.9. FRAMEWORK RESOLUTIONS.....	18
3.6.10. ACCUMULATION OF TRANSACTIONS FOR THE CALCULATION OF THE MATERIALITY THRESHOLD .....	18
3.6.11. LITIGATION TRANSACTIONS .....	19
3.6.12. URGENT TRANSACTIONS .....	19
3.6.13. EXEMPTION CASES.....	19
3.6.13.1. <i>Transactions of a low amount</i> .....	19
3.6.13.2. <i>Ordinary transactions</i> .....	19
3.6.13.3. <i>Intercompany transactions concluded with or between subsidiaries or with companies subject to significant influence</i> .....	19
3.6.13.4. <i>Transactions relating to the remuneration of other managers with strategic responsibilities</i> ..	20
3.6.13.5. <i>Remuneration programme based on financial instruments</i> .....	20
3.6.13.6. <i>Transactions to be carried out on the basis of instructions from the Supervisory Authorities</i> ..	20
3.6.13.7. <i>Other exceptions</i> .....	20
3.6.14. NEGATIVE OR CONDITIONED OPINION OF THE COMMITTEE.....	20
3.6.15. "THROUGH" TRANSACTIONS .....	21
3.6.16. SUITABLE CONTROLS FOR FOREIGN GROUP BANKS AND COMPANIES .....	21
3.6.17. MONITORING AND MANAGEMENT OF BREACHES OF OPERATING AND PRUDENTIAL LIMITS .....	22

3.6.17.1.	<i>Risk activities and methods of calculation</i> .....	22
3.6.17.2.	<i>Definition of the management limits and prudential limits on risk activities</i> .....	23
3.6.17.3.	<i>Monitoring and management of breaches of internal and prudential limits</i> .....	23
<b>3.7.</b>	<b>INFORMATION FLOWS</b> .....	<b>24</b>
3.7.1.	INFORMATION FLOWS RELATED TO TRANSACTIONS WITH RELEVANT PERSONS – REPORTING TO CORPORATE BODIES AND INTERNAL FUNCTIONS .....	24
3.7.2.	DISCLOSURE TO THE PUBLIC OF TRANSACTIONS WITH RELATED PARTIES OF MAJOR RELEVANCE, BOTH ON AN INDIVIDUAL AND AN ACCUMULATED BASIS .....	24
3.7.3.	REPORTING TO THE PUBLIC PURSUANT TO ART. 17 MAR .....	25
3.7.4.	PERIODIC FINANCIAL INFORMATION .....	26
3.7.5.	EXCEPTION TO THE DISCLOSURE REQUIREMENTS FOR TRANSACTIONS OF MAJOR RELEVANCE .....	27
3.7.6.	REPORTING TO CONSOB .....	27
3.7.7.	INFORMATION FLOWS RELATING TO RISK ACTIVITIES WITH ASSOCIATED PERSONS.....	27
3.7.8.	SUPERVISORY REPORTS.....	28
3.7.8.1.	<i>Information flows relating to transactions carried out with Associated Persons</i> .....	28
3.7.8.2.	<i>Information flows relating to risk activities with Associated Persons</i> .....	28
<b>3.8.</b>	<b>ROLES AND RESPONSIBILITIES</b> .....	<b>29</b>
<b>4.</b>	<b>ANNEXES</b> .....	<b>37</b>
4.1.	UPDATE HISTORY .....	37
4.2.	REFERENCE REGULATORY CONTEXT .....	39

# 1. General Aspects

## Summary of main issues dealt with / changes made

In accordance with the principles of sound and prudent management and with current regulations on transactions with related parties and risk activities vis-à-vis associated persons, the BPER Banca Group adopts policies, processes and procedures, including those involving controls, adapted to its current characteristics and strategies, in order to pursue the objective of preventing and correctly managing the potential conflicts of interest inherent in any relationship, direct or indirect, that Group banks and companies have with related parties and/or associated persons.<sup>1</sup>

The document also provides specific guidance with regard to transactions involving the competition regime between the aforementioned regulations and art. 136 of Legislative Decree 385/93 "Consolidated Law on Banking and Credit"<sup>2</sup>.

In particular, in compliance with current regulatory provisions, with this policy (the "**Policy**") BPER Banca S.p.A. (hereinafter also "**BPER**" or "**Bank**" or "**Parent Company**"), establishes and regulates the following matters for the entire Group, exercising its duty of management and coordination:

- the criteria for the identification and classification of transactions of major or minor relevance with related parties, as well as transactions of a "low amount" and those "exempt".
- transactions with Relevant Persons, 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;
- rules regarding the various stages in the preliminary investigation, negotiation, resolution and approval of transactions, distinguishing between those that are of major or of minor relevance and clarifying, in particular, the ways and timing of involvement of the Related Parties Committee ("Committee") should become involved;
- the oversights to be applied to transactions, if these give rise to losses, transfers to non-performing loans, and in court or out-of-court settlements;
- the information flows (to be provided to: the Related Parties Committee and Corporate Bodies; to CONSOB and to the market with respect to related party transactions; periodic financial disclosure on related party transactions);
- rules with regard to cases whereby the Parent Company reviews or approves transactions of its Italian or foreign banks and subsidiaries and suitable controls on Italian non-banking companies and foreign banks.

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

The principles and guidelines of this Policy take into account the structure and composition of the BPER Banca Group; they also allow the identification, with regard to the prevention and management of conflicts of interest - particularly in relation to the overall rules of Consob Regulation no. 17221 and Banca d'Italia Circular no. 285 - as well as compliance with obligations to conduct a census of associated persons and to the obligation to continuously monitor exposures to associated persons, of:

- 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.

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<sup>1</sup> Hereinafter also the "Group".

<sup>2</sup> Hereinafter also the Consolidated Banking Act or CBA.

The main changes compared to the previous version concern:

- the adaptation of the procedure following the amendment to Consob Regulation no. 17221/2010 by means of Consob Resolution no. 21624 of 10 December 2020, and inclusion of the rules already contained in Banca d'Italia Circular no. 263/2006 (with some amendments) in Circular no. 285/2013 (a number of new provisions were introduced, such as the abstention obligation for a director involved in the transaction and the setting of maximum limits for transactions of low amounts based on the nature of the counterparty).

**Drafting party:**

Corporate Governance and Corporate Consultancy Office

**Approving party:**

Board of Directors

**Recipients of the document:**

Banks		Group Companies					
Computer aligned		Instrumental		Financial		Other subsidiaries*	
x	Bper	x	MO Terminal	- Credit		x	Adras
x	Bibanca	x	Nadia	x	Emil-Ro Factor	x	Ivi
x	Banco di Sardegna	x	Numera	x	Sardaleasing	x	Sifà
<b>Abroad</b>		x	BPER Management	Credit	x	Finitalia	
x	Bper Lux				- Non-Credit		
				x	Estense C. Bond		
				x	Estense C.B.CPT		
				x	Optima Sim		
				x	Bper Trust Company		
				x	Arca SGR		

\*falling within the scope of consolidation but not part of the Banking Group

## Process Map:

Process Map	Description
Area	Management Processes
Macro-process	Relevant Persons Obligations
Process	Consob Related Parties, Banca d'Italia Associated Persons and Obligations of Bank Representatives pursuant to art. 136 TUB (Consolidated Banking Act)

## 2. Definitions

Without prejudice to the definitions given in the relevant regulations, particularly those used to classify the persons to which they refer, for the purpose of this Policy we apply the following definitions:<sup>3</sup>

**Directors involved in the transaction:** directors with an interest in the transaction, on their own account or for third parties, in conflict with that of the company.

**Independent Directors:** all the Independent Directors as defined by the applicable regulation (including principles and application criteria of the Corporate Governance Code).

**Unrelated Directors:** all Directors other than the counterparty in a specific transaction, and its Related Parties and Associated Persons.

**Risk activities:** net exposures as defined in regulations on risk concentration.<sup>4</sup>

**Managers with strategic responsibilities:** persons who have the power and responsibility, directly or indirectly, for planning, managing and controlling the Bank's assets, including its directors (whether executive or not). For this purpose, the BPER Banca Group considers as managers with strategic responsibilities:

- the Members of the Board of Directors;
- the effective Members of the Board of Statutory Auditors;
- the Members of General Management as defined by the articles of association (the General Manager; and the Deputy General Managers);
- the Manager Responsible for Preparing the Company's Financial Reports;
- CBO - Chief Business Officer;
- CLO - Chief Lending Officer;
- COO - Chief Operating Officer;
- CL&GO - Chief Legal & Governance Officer;
- CRO - Chief Risk Officer;
- CFO - Chief Financial Officer;

or other subjects detected as such by the Board of Directors.

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<sup>3</sup> Consob Resolution no. 17211, Bank of Italy's Supervisory Provisions, CBA and IAS 24 par. 9.

<sup>4</sup>See Second Part, chapter 10 of Bank of Italy's Circular no. 285/2013 and "Instructions for banks and securities firms on the preparation of supervisory reports (Circular no. 286 of 17 December 2013), section 5 and section 6.

**Corporate Officers:** persons who perform administration, management and control functions at a bank, a financial parent company or a supervised intermediary. For this purpose, the BPER Banca Group considers as Corporate Officers:

- the Members of the Board of Directors;
- the Members of the Board of Statutory Auditors;
- the Members of General Management as defined by the articles of association (the General Manager; and the Deputy General Managers).

**Transaction:** a transaction with Relevant Persons which involves the assumption of risk activities, a transfer of resources, services or obligations, regardless of whether there is a consideration, including mergers and demergers by absorption or a non-proportional spin-off in the strictest sense, if carried out with Associated Persons, and increases in capital, excluding right of option; and in any event a transaction defined as a "related party transaction" under international accounting standards adopted in accordance with the procedure referred to in art. 6 of Regulation (EC) no. 1606/2002.

**Litigation-related transactions:** any kind of transaction, which give rise to: losses, a transfer to non-performing loans, in or out-of-court settlements.

**Intercompany transactions:** transactions carried out with or between subsidiaries or companies subject to significant influence, when other Relevant Persons do not have a significant interest in them. Interest resulting from the simple sharing of one or more Directors or Managers with strategic responsibilities shall not be considered significant.

**Transactions carried out through subsidiaries:** for which a preliminary examination shall be performed or prior approval obtained from the Parent Company before the transaction can be carried out by the subsidiary.

**Urgent transactions:** transactions that, due to objective circumstances, cannot be approved in accordance with the terms and methods laid down in this Policy.

**Transactions to be carried out on the basis of instructions from the Supervisory Authorities:** transactions carried out on the basis of instructions issued by the Supervisory Authorities or on the basis of the Parent Company's provisions for the application of instructions issued by the Supervisory Authorities for the purpose of maintaining the stability of the banking system.

**Subsidiary Companies:** the Group Italian and foreign companies, and the other Italian and foreign companies controlled by BPER pursuant to article no. 93 of the Consolidated Finance Act.

**Relevant Persons:** the set of Related Parties and Associated Persons as defined by the respective reference regulations CONSOB (Regulation No. 17221) and Bank of Italy (Circular No. 285), and the Relevant Shareholders.

- **Relevant Shareholders<sup>5</sup>:** BPER's shareholders (or BPER's subsidiary publicly listed company's shareholders) which, directly or indirectly, even through subsidiaries or intermediaries, hold a participation in BPER's capital (or BPER's subsidiary publicly listed company's shareholders) equal to or greater than the minimum threshold, relevant for the regulation of significant participation's notification pursuant to article no. 120 of the Consolidated Finance Act and the implementing legislation, and the subjects which control or which are directly or indirectly controlled by the same shareholders and their close family members if natural persons;
- **Related Parties:** all related parties as defined by CONSOB (Regulation no. 17221) and Relevant Shareholders.
- **Associated Persons:** the set of Related Parties and Connected Persons as defined by Banca d'Italia (Circular No. 285), and of Relevant Shareholders;

**Persons as per article 136 CBA:** Relevant Persons as defined by article 136 of the Consolidated Banking Act.

The regulation of relevant transactions pursuant to article 136 of the Consolidated Banking Act are only dealt with in this document when in contrast with the overall rules on Relevant Persons.

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<sup>5</sup>Relevant Shareholders have been included in the perimeter of Relevant Persons, in the process of self-regulation and with a view to best practice, as well as in order to better manage conflicts of interest.

#### Close family members:

- spouse (not legally separated);
- cohabiting partner;
- children;
- children of the spouse or cohabiting partner;
- parents;
- sisters/brothers;
- grandparents;
- grandchildren;
- dependent persons;
- persons dependent on the spouse, (not legally separated), or cohabiting partner.

### 3. Contents of the regulatory sources

This document explains the policies for the governance (i.e. assumption and management) of the risk of non-compliance in transactions with Relevant Persons<sup>6</sup>, as well as internal policies regarding controls of risk activities with Associated Persons adopted by BPER Banca Group banks and companies<sup>7</sup>; this, in order to ensure - within the organisational structure and the internal control system - the fulfilment, at a Group level, of the requirements of external regulations, the monitoring of reputational risk and constant compliance with the approved decision-making procedures and prudential limits, as well as the prevention and proper management of potential conflicts of interest inherent in any relationship with such persons.

#### 3.1. Transactions and the role of the Committee

##### 3.1.1. Transactions

The rules defined for the classification of Transactions are reported below, in line with the regulatory provisions:

- **Transactions of major relevance:** Transactions with at least one of the following materiality indices, applicable depending on the specific transaction, that is higher than the threshold of 5%:
  1. *Value materiality index:* this is the ratio between value of the Transaction and the eligible own funds taken from the latest consolidated balance sheet published by the Parent Company. If the economic conditions of the transaction have been determined, the countervalue of the transaction is:
    - a) for cash components, the amount paid to/by the contractual counterparty;
    - b) for components consisting of financial instruments, the fair value determined on the date of the transaction, in compliance with the international accounting standards adopted by Regulation (EC) no. 1606/2002;<sup>8</sup>
    - c) for financing or collateral transactions, the maximum amount payable.

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<sup>6</sup> For the sake of simplicity, understood as the set of Related Parties pursuant to Consob Regulation no. 17221 and the Associated Persons (intended as Related Parties and the related Connected Persons) pursuant to the Bank of Italy's Circular no. 285, whether they be natural or legal persons, as well as Relevant Shareholders (see paragraph 1 of this Policy "General Aspects - Definitions").

<sup>7</sup> Hereinafter also Company or Entity.

<sup>8</sup> See Group regulations for the fair value measurement of financial instruments, in force from time to time.



If the economic conditions of the transaction depend in whole or in part on amounts that are not yet known, the countervalue of the transaction is the maximum value receivable or payable under the agreement.

2. *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.<sup>9</sup> The figures to be used are taken from the most recent consolidated balance sheet published by the Parent Company; where possible, similar figures are used to determine the total assets of the entity involved in the transaction.

For transactions involving the acquisition and disposal of equity investments in companies that have an impact on the scope of consolidation, the value of the numerator is the total assets of the investee, regardless of the percentage of capital subject to disposal.

For transactions involving the acquisition and sale of investments in companies that do not affect the scope of consolidation, the value of the numerator is:

- a) in the case of acquisitions, the countervalue of the transaction increased by any liabilities of the acquired company taken on by the purchaser;
- b) in the case of sales, the consideration for the transferred asset.

For transactions involving the acquisition and disposal of other assets (other than equity investments), the value of the numerator is:

- a) in the case of acquisitions, the higher of the considerations and the carrying amount that will be attributed to the asset;
- b) in the case of sales, the carrying amount of the asset.

3. *Liability materiality index*: this is the ratio between the total liabilities of the entity acquired and the total assets of the Group. The figures to be used shall be taken from the most recent consolidated balance sheet published by the Parent Company; where possible, the figures to be used for determining the total liabilities of the company or business unit acquired shall be taken from the latest published consolidated balance sheet, if one has been prepared.

It should be noted that the Banks and Companies of the BPER Banca Group subject to the provisions of the Consob Regulation, for the application of the provisions of this definition, on an individual basis:

- shall refer to the own funds taken from the latest published balance sheet (consolidated, if one has been prepared);
- shall apply a threshold of 2.5% (instead of 5%) for transactions with the listed parent company or with related parties that are in turn related to the companies.
- **Transaction of minor relevance**: transactions other than Transactions of Major Relevance and Transactions of a Low Amount.
- **Transactions of a low amount**: transactions with a value less than or equal to Euro 200,000 if the counterparty is a natural person (including professional associations of which the Related Party is a member) or less than or equal to Euro 500,000 if the counterparty is not a natural person.

For the purposes of this regulation, the following sub-classifications have also been defined:

- **Ordinary transactions<sup>10</sup> carried out at market or standard conditions**: transactions of minor relevance that form part of the ordinary day-to-day operations of the Group bank or company, to which conditions equivalent to market or standard conditions are applied, i.e. at terms similar to those normally applied to ordinary customers, for transactions of a similar nature, size and risk, or based on regulated

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<sup>9</sup> "Off-balance sheet" items must be included in assets; for existing transactions put in place by components belonging to the sub-holding perimeter the data is taken from the sub-consolidated balance sheet.

<sup>10</sup> To define a transaction as ordinary: with regard to the object, only those transactions that form part of the main revenue generating activities are included among those admitted to mutual recognition; regarding the recurrence, for each of the types of transactions indicated above, only those that are repeated regularly and continuously over time are taken into consideration; in terms of size, transactions that are not significantly larger than those that usually characterise similar transactions carried out by the Bank are taken into consideration; with regard to the terms and conditions of the contract, only those transactions whose contractual characteristics do not deviate from the standard conditions or those prevailing in the market are considered; as regards the consideration for the transaction, transactions for which a non-monetary consideration is envisaged, even if subject to expert appraisals, do not form part of ordinary operating activities; as regards the nature of the counterparty, transactions carried out with a counterparty that has abnormal characteristics with respect to the type of transaction carried out are not taken into consideration.

tariffs or imposed prices or those charged to parties with whom the bank or company is obliged by law to contract for a set fee. Transactions involving the acquisition of equity investments are, in any case, not considered ordinary:

- in companies in temporary financial difficulty, through conversion of the loans and in order to allow rebalancing;
- in the debtor company aimed at facilitating recovery of the loan.
- **Transactions of major relevance by accumulation:** various transactions of minor relevance that are similar (in terms of type and characteristics of the transaction) or carried out in execution of a single plan, completed during the year with the same Related Party or with a same Associated Person, the value of which is accumulated for the purpose of calculating the more material threshold and applying the related decision-making procedure.
- **Transactions relating to the remuneration of Corporate Officers:** transactions with Relevant Persons pursuant to the Consob Regulation concerning the remuneration due to the members of the Board of Directors, the Executive Committee, the Directors vested with special powers, and the Managers with strategic responsibilities, provided that they comply with the remuneration policy approved by the Shareholders' Meeting and the policy does not involve discretionary assessments with respect to the criteria defined in the remuneration policy by the Bank.

### **3.1.2. The Committee and alternative equivalent principals**

The Committee shall be composed of three Independent Directors, not executive and unrelated, and has the consultative and inquiring functions provided for in Consob Regulation, in Bank of Italy Circular no. 285 and in this Policy.

A Committee member who has an interest in the transaction, for own account or on behalf of third parties, shall give prior notification to the other members, specifying kind, terms, origin and extent of the interest, and shall also abstain from voting.

Whenever, in relation to a Transaction, the Committee is not composed of three Independent Directors and unrelated, the following alternative equivalent principals shall be applied, in the order indicated: (i) the opinion of two Independent Directors; (ii) the opinion of the only Independent Director.

Note that the Committee has been established by the Parent Company and the BPER Group's Italian Banks; vice versa, for the foreign banks and non-banking companies, Italian or foreign, the establishment of a specific internal committee is not envisaged, with the related duties instead attributed to the Related Parties Committee of the Parent Company.

### **3.2. Definition of risk**

The compliance risk relating to transactions, risk activities and conflicts of interest with respect to Relevant Persons is the risk of incurring legal or administrative sanctions, financial losses and reputational damages due to non-compliance with the rules and obligations to prevent and correctly manage potential conflicts of interest - as understood by the current general regulations - pertaining to any direct or indirect relationship that the Group banks and companies have with the Relevant Persons.

### **3.3. Risk governance**

Strategic decisions at Group level concerning risk governance are taken by the corporate bodies of the Parent Company. Decisions made take account of the specific operations and risk profile of each Group company to ensure an integrated and consistent risk management policy.

In this regard, the BPER Banca Group has adopted a risk governance model that envisages decentralised risk-taking, coordinated by and under the guidance of the Parent Company.

BPER Banca, in its capacity as Parent Company, is responsible for establishing the governance guidelines on the risk of non-compliance for the entire Banking Group.

The Parent Company has the following responsibilities:

- to ensure adequate implementation of the model for the governance of the risk of non-compliance both at individual Group company level and at consolidated level;
- to ensure that the model for the governance of the risk of non-compliance is prepared in accordance with the requirements of the Supervisory Authorities, taking into account the specific features of the Group and of the individual Group companies belonging to it;
- to allocate loans in line with the qualitative indications established by the Board of Directors.

Implementation of these principles takes place through the adoption of the model for the governance of the risk of non-compliance with the regulations on conflicts of interest with Related Parties and risk activities with Associated Persons formalized in this Policy, which ensures:

- clarity in the attribution of roles and responsibilities;
- separation between the functions involved in the processes of assuming and operationally managing risks from those responsible for managing and controlling the risk of non-compliance, guaranteeing the separation of duties and responsibilities.

Implementation of the guidelines laid down by the Parent Company takes place according to principles of gradual approach and proportionality according to the specific features of the various companies belonging to the Group and included in the scope of consolidation.

The Parent Company, in its guiding and coordination role, defines and establishes the procedures by which BPER Banca Group, also by preparing and updating this Policy, intends to apply the regulations connected to Transactions with Relevant Persons, in order to limit the risk that the proximity of certain persons to decision-making centres of entities, belonging to the Group, might compromise the objectivity and impartiality of the decisions underlying the relationships with these persons, which could lead to distortions in the allocation of resources and exposure of the individual Bank and of the Group as a whole to risks not adequately measured or controlled and to potential damage for deposit holders and shareholders.

### **3.4. Risk appetite**

The governance of non-compliance risk in matters related to conflicts of interest with Related Parties and assets with Associated Persons should be seen in the wider context of the risk of non-compliance with laws and, consequently, adheres to the main principles thereof.

In this respect reference should be made to the Risk Appetite Statement in force from time to time for the risk appetite and risk tolerance level of compliance risk.

In relation to regulations on Related Parties and Associated Persons this assessment takes into account the presence of:

- the internal regulations which govern the methods of carrying out business processes involved in transactions with Relevant Persons, as well as the roles, responsibilities and coordination mechanisms between the different functions involved; the Group has also adopted necessary information systems to support these processes;
- a structured system of limits both at an individual and overall level (in terms of the maximum extent of risk activities vis-à-vis Associated Persons considered acceptable in relation to own funds, with reference to total exposures towards all Associated Persons);
- specific organisational structures as well as an internal controls system that ensure continuous compliance with both the system of limits and with internal processes and procedures, including those related to resolutions.

In addition, the BPER Banca Group oversees transactions that show potential risks of conflicts of interest - in particular transactions concerning the provision of credit - as employees and collaborators may have an interest in other activities.

In order to preside over such situations, the Group takes into consideration at least the group of persons identified in connection with the BPER Banca Group's current remuneration policies in force from year to year.

In accordance with the Code of Ethics, employees must avoid any situation or personal activity that could lead to real or even potential conflicts of interest with the company or that could interfere with the ability to make impartial decisions in the best interests of the Group.

In addition, in compliance with the regulation governing "Personal Transactions" and its Code of Conduct, it is the duty of each Relevant Person to report potential situations of conflict of interest that might result in violations of current regulations and internal rules.

In any event, if when exercising their professional activities and managerial skills in a relationship (e.g. granting credit, transferring a loan to non-performing, etc.), a real or potential conflict of interest arises or could arise, employees and collaborators must inform their immediate superior, without proceeding with any transaction.

### **3.5. Risk exposure and operational limits**

This paragraph has not been filled in as the risk of non-compliance mentioned above is one of the "unmeasurable" risks, for which quantitative exposure limits are not envisaged.

### **3.6. Risk management**

In exercising its role of guidance and coordination, the Parent Company defines the ways in which the BPER Banca Group intends to apply the rules on Transactions with Relevant Persons, in order to avoid the risk that the proximity of certain persons to the decision-making centres could compromise the objectivity and impartiality of decisions concerning the granting of loans and other transactions with respect to them.

To this end, the Parent Company establishes the rules and defines the actions, including controls, to prevent the risk of non-compliance with the relevant legislation, particularly with respect to:

- the identification of sectors of activity and types of economic relationships in which conflicts of interest could arise;
- the identification of Relevant Persons, including the definition of the subjective and objective scope of application of rules and controls;
- the procedures for preliminary investigation, negotiation, resolution and approval of Transactions, including the ways in which the Related Parties Committee should become involved;
- the criteria for the identification and classification between Transactions of major and of minor relevance;
- the criteria for the identification of Transactions of a "low amount" and those "exempt";
- any exceptions or exemptions, including the criteria for verifying the existence or otherwise of significant interests and the Transactions concluded in the event that they give rise to losses, transfers to non-performing loans, settlement agreements or in- or out-of-court settlements;
- the hypotheses in which the Parent Company examines or approves Transactions by Group banks or companies and the suitable controls established for Italian non-banking companies and foreign banks;
- definition and management of the prudential limits on risk activities vis-à-vis Associated Persons, as well as the methods of monitoring the limits on an ongoing basis and the management of overruns;

- information flows.

The operating activities and procedures for compliance with the obligations and activation of the controls are also regulated as part of the specific processes, particularly those relating to the granting and management of credit and loans.

### 3.6.1. Identification of the sectors of activity and types of economic relationships

The Parent Company has identified - in relation to the Group's operating characteristics and strategies - the sectors of activity and types of economic relationships in which conflicts of interest can arise:

- Lending: this includes all forms of credit lines granted to customers. The following types of transactions are also included in this area:
  - a) transfer to non-performing loans;
  - b) losses or forbearance, also resulting from settlement agreements related to loans booked to the bank's "non-performing loan account";
  - c) losses or forbearance, also arising from agreements relating to loans;
  - d) renegotiation of pre-existing credit facilities;
- Corporate banking: this includes corporate finance, merchant banking and advisory services to companies on financial structure, industrial strategy and related matters;
- Contracts/agreements and purchases: this includes agreements of a commercial nature, conventions for the distribution of products and services, sponsorships, purchases/sales of commercial/advertising spaces, other marketing/publishing initiatives, other agreements, as well as any other banking services offered by the Bank (e.g. agreements for the placement of third-party products through the banking network);
- Property: this includes purchase, sale and renting (in or out) of a building;
- Direct deposits: this includes direct deposit operations such as current accounts (also the virtual banking services management contract), savings deposits, certificates of deposit, deposits handled by the treasury function with corporate customers (cold money). Repo operations are not included in this area (under Finance for customers) as is the subscription of bonds in issue (also under Finance for customers);
- Equity investments: these include the purchase/sale of investments or extraordinary corporate finance transactions (e.g. mergers/demergers, etc.);
- Treasury management: this includes the deposit treasury and foreign exchange treasury;
- Finance for customers: this includes managing the securities deposit and investment services contracts (reception and transmission of orders, proprietary trading, placement with or without a firm commitment, asset management, consulting), including the online trading contract and the related safe-deposit box service. This category also includes all purchases of financial instruments carried out in relation to investment services such as bonds issued by the Bank and OTC derivatives and repurchase agreements with customers;
- Proprietary finance: this includes proprietary trading in financial instruments.

With reference to the acquisition of equity investments, in accordance with these regulations, the BPER Group has adopted specific regulations, which meet the following objectives:<sup>11</sup>

(i) to limit the risk of excessive immobilisation of assets deriving from equity investments in financial and non-financial companies by setting precise "limits" (both generic and specific) in relation to the size of own funds

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<sup>11</sup> See Bank of Italy's Circular no. 285/2013 "Supervisory Instructions for banks", Third Part "Other provisions of prudential supervision", Chapter 1 "Equity investments that can be held by banks and banking groups".

and consolidated eligible capital;<sup>12</sup>

(ii) to promote the management of risk and conflicts of interest in accordance with the criterion of sound and prudent management, through the adoption of appropriate organisational models and internal controls.

On the other hand, with reference to the provision of investment and ancillary services, as well as Personal Transactions as per article no. 18 of the Bank of Italy/CONSOB Joint Regulation of 29 October 2007, the BPER Banca Group adopts and maintains organisational and administrative arrangements that are able to prevent conflicts of interest adversely affecting the interests of customers: in this context, the Group has adopted specific rules on the subject, including the "BPER Group Internal Code of Conduct" and the "Policy on Conflicts of Interest".<sup>13</sup>

### 3.6.2. Identification of Relevant Persons

In accordance with Consob Regulation on Related Parties, the Bank of Italy's rules on Associated Persons, IAS 24 and this Policy, the Parent Company takes a census of Relevant Persons, within the limits of ordinary diligence.

To this end, it makes use of the information available internally, of the information achieved through access to its own data bases or to any suitable documentary support, as well as consulting archives and external databases (Cerved, etc.), and notifications made according to the law.

Those that qualify as Relevant Persons cooperate with Group banks and companies, with which they have relationships, in order to allow a complete and correct census of such Persons and their Associated Persons, and promptly report any updates.

The Parent Company defines and maintains the perimeter of the Banking Group in order to monitor its evolution and its characteristics over time, in accordance with these regulations and for an adequate supply of IT applications in use for the management of personal data.

It also defines the rules and functionalities of the IT application used by the banks and companies aligned for the census and classification of Corporate Officers and, in general, of the persons falling within the definitions and scope of application of the regulations, as well as for managing the scope of Associated Persons.

In any cases, the Parent Company ensures that the Group has IT systems that can handle the decision-making process of transactions and allow it to constantly verify compliance with the consolidated prudential limits. The IT solutions adopted by the banks and companies of the BPER Banca Group allow among other things:

- a census of Associated Persons and their identification from the start of the relationship;
- to provide each Group bank and company with updated knowledge of the persons or entities related to the Group;
- to record any changes appropriately;
- to monitor the trend in assets at risk and their total amount;
- to have a system for reporting information to government bodies and the general public.

In coordination with the Parent Company's guidelines and instructions, the Italian and foreign Group banks and companies, which are not aligned from an IT point of view, have adopted procedures and systems to facilitate the identification of counterparties and transactions with Relevant Persons.

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<sup>12</sup> See Bank of Italy's Circular no. 285/2013 "Supervisory Instructions for banks", Third Part "Other provisions of prudential supervision", Chapter 1 "Equity investments that can be held by banks and banking groups", more specifically the reference to the provisions of art. 89 of the CRR, which refers to the definition contained in art. 4 point 71 lett. a).

<sup>13</sup> See art. 23, MIFID II Directive 2014/65/UE; art. 23, paragraph 2, Joint Regulation of Consob – Bank of Italy.

### 3.6.3. Procedures for the preparation and approval of transactions with Relevant Persons

In compliance with CONSOB's Regulations and the Bank of Italy's Circular, the Parent Company has defined the controls to be adopted for the decision-making procedures to be applied to transactions with Relevant Persons carried out by the Italian Banks of the BPER Banca Group.

The Parent Company, in compliance with these regulations, has also identified additional oversights, proportionate to the effective relevance of potential conflicts of interest, to be applied to transactions concluded through Group Entities, as well as transactions concluded by foreign banks and by Italian or foreign non-banking companies.

The approval procedures include:<sup>14</sup>

- verification that the person interested belongs in the personal data perimeter; this is carried out from time to time by the function in charge of investigating the transaction;
- continuous verification and monitoring of compliance with the prudential limits, in cases where the transaction may generate risk activities;
- classification of the transaction, taking into account the importance of the personal data (Related Party and/or Associated Person and/or person subject to article 136 of the Consolidated Banking Act), of the value of the transaction (transaction of minor relevance, transaction of major relevance, possibly also for accumulation), of any exemptions that might be applicable or whether the transaction is attributable to a framework resolution;
- approval of the transaction by the competent decision-making body, in compliance with the system of delegated powers in force at the time, subject to involvement of the Related Parties Committee where necessary;
- fulfilment of the required information flows.

In managing its activities, each organisational unit of the BPER Banca Group is required, also with the support of the various IT procedures available, to verify promptly whether the transactions for which the preliminary investigation is being carried out qualify as transactions with Relevant Persons, in which case proceeding according to this Policy.

### 3.6.4. Identification and classification of transactions with Relevant Persons

Transactions involving the assumption of risk activities, transfer of resources, services or obligations constitute transactions with Relevant Persons, regardless of whether there is a consideration, including mergers and demergers, by absorption or non-proportional spin-off in the strictest sense, if carried out with Relevant Persons, and increases in capital, excluding right of option, and in any event transactions defined as "related party transactions" under international accounting standards adopted in accordance with the procedure referred to in art. 6 of Regulation (EC) no. 1606/2002.

For the sole purpose of the Bank of Italy's Supervisory Provisions, the following are not considered transactions with Associated Persons:

- those carried out between members of a banking Group when there is a relationship of 100% control between them, including joint control;
- the fees paid to Corporate Officers, if they comply with the supervisory provisions regarding bank remuneration and incentive systems;
- transactions involving intercompany transfers of funds or collateral as part of the system of liquidity risk management at consolidated level;
- the transactions to be carried out on the basis of instructions issued by the European Central Bank or Banca d'Italia for stability purposes or on the basis of provisions issued by the Parent Company for the

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<sup>14</sup> See also the rules applicable to the specific process.

execution of instructions issued by the European Central Bank or Banca d'Italia in the interest of the Group's stability.

It should be noted that, in compliance with the overall rules laid down in Consob Regulation and the Bank of Italy's Circular, the specific rules identified for the management of transactions with Relevant Persons are to be applied in the cases mentioned above, identifying differentiated procedures depending on the relevance and characteristics of the individual transactions, as explained below.

In any case, the Parent Company's Board of Directors has the right to decide whether it is appropriate to consider as material any transaction carried out by it or its subsidiaries.

### **3.6.5. Transactions of minor relevance**

For transactions of minor relevance, which do not form part of the exemptions, as provided for in the paragraph entitled "Exemption cases" of this Policy, the function in charge of the investigation sends the competent decision-making body complete and adequate information regarding the transaction, according to the times and procedures laid down in the current internal regulations. For decisions on transactions of minor relevance, the competent body is appropriately identified in accordance with the system of delegated powers, as defined internally from time to time.

The same information is provided to the Committee through the competent corporate function.

The Committee has the right to be assisted, at the Bank's expense, by one or more independent experts of its choice. For this purpose a maximum budget is set for each transaction at 0.1% of the value of the transaction, up to a maximum of 100,000 euro.<sup>15</sup> The Committee will perform prior verification of the independence of the experts, taking into account any economic, equity or financial relations between the independent experts and: a) the related party, its subsidiaries, its controlling entities, companies subject to joint control and the directors of these companies; b) the company, its subsidiaries, its controlling entities, companies subject to joint control and the directors of these companies. Any reasons as to why such relationships are considered immaterial for the purpose of the opinion on independence will be justified by the Committee, without prejudice to information on any relationships provided as an attachment to the declarations of the independent experts.

The Committee presents any shortcomings and inadequacies found to the decision-making functions.

On the basis of the information received, the Committee expresses, in due time for the assumption of the determination, to the decision-making body a preliminary, non binding, and motivated opinion on the Bank's interest in completing the transaction, as well as on the convenience and substantial fairness of the related conditions. The Committee's opinion is to be considered valid if at least two Independent Directors are present. The Committee resolves by majority vote among the attendees. If only two members are present, the vote must be unanimous.

The decisions made by the competent body on transactions with Relevant Persons shall contain adequate justification, regarding the economic opportunity and convenience of the transaction, as well as the reasons for any deviations, in terms of economic-contractual conditions and other characteristic profiles of the transaction, compared with standard or market ones. To this end, suitable documentation is provided to support each decision.

The Committee's opinion is attached to the meeting minutes.

If the transaction is the responsibility of the Board of Directors, the directors involved in the transaction must abstain from voting.

With regard to the Group's foreign banks and non-banking companies, please refer to the provisions on application of the "suitable controls" (see paragraph 3.6.16 below).

### **3.6.6. Transactions of major relevance**

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<sup>15</sup> By resolution of the Board of Directors, on the proposal of the Chairman.



For transactions of major relevance with Relevant Persons, the procedural rules defined for transactions of minor relevance apply, with the exception of the indications relating to the maximum expense in cases of recourse to the assistance of one or more independent experts, not applicable, as well as forecasts relating to transactions for which the Committee has expressed a negative opinion.

Furthermore, the Board of Directors is exclusively competent to approve transactions of major relevance, except for cases in which the law or the Articles of Association assign competence to the Shareholders' Meeting.

The Committee is promptly involved in the negotiations and in the investigation, at least through the receipt of a complete flow of information and has the right to request information and to make observations to the delegated bodies and to the persons appointed to conduct the negotiations or investigation.

For transactions of major relevance, the opinion expressed by the Committee is to be considered binding (except in the case envisaged in paragraph 3.6.14) and must be issued at least three days before the meeting of the Board of Directors called to decide on the matter. In the case of a conditional opinion or subject to qualifications, the transaction can only be completed or executed if all the conditions mentioned in the opinion expressed by the Committee have been fulfilled.

If transactions of major relevance form part of the list of transactions of major relevance mentioned in the internal and external regulations in force from time to time, for the purpose of expressing its binding and preliminary opinion on carrying out the transaction, the Committee receives preliminary information on the opinion regarding its consistency with the Risk Appetite Framework (RAF) issued by the Parent Company's Risk Management Function.<sup>16</sup>

The Committee's opinion is attached to the meeting minutes.

If the transaction is the responsibility of the Board of Directors, the directors involved in the transaction must abstain from voting.

With regard to the Group's foreign banks and non-banking companies, reference should be made to the provisions on application of "suitable controls" (see paragraph 3.6.16 below).

### **3.6.7. Transactions falling within the scope of article 136 of the Consolidated Banking Act**

These are transactions concluded with Relevant Persons also falling within the scope of application of article 136 of the Consolidated Banking Act and for whom these legislative provisions are applied.

Specifically as regards the information requirements, with reference to these transactions:

- a) with fair notice, normally at least five days prior to their meetings and for the purposes of their respective obligations, the Committee and the Board of Directors are provided with complete and adequate information regarding the various aspects of the transaction being decided on. The Committee is not notified in advance about transactions involving small amounts. If the transaction conditions are considered equivalent to those of the market or standard terms, the documentation prepared and made available must contain objective evidence of this. The Committee presents any shortcomings and inadequacies found to the decision-making functions;
- b) in the event of a transaction of major relevance, the Committee is involved in the negotiations and in the investigation phase, receiving complete and timely information. The Committee also has the right to ask for information and to make observations to the delegated bodies and the persons appointed to carry out the negotiations or the preliminary investigation;
- c) the Minutes of the approvals are adequately motivated with regard to the opportunity and economic convenience of the transaction for the Bank, as well as the reasons for any deviations in terms of economic-contractual conditions and other characteristics of the transaction, compared with standard market conditions. It also explains suitable elements to support this motivation, provided in the documentation supplied with the resolution.

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<sup>16</sup> See the "Group Regulation of the macro process for the management of More Significant Transactions (MST)".

### **3.6.8. Transactions within the sphere of competence of the Shareholders' meeting**

If the power to decide transactions with Relevant Persons is granted, by law or by the Articles of Association, to the Shareholders' Meeting, or shall be authorised by the Shareholders' Meeting, the following will be applied mutatis mutandis: (i) in case of a transaction of minor relevance, in the stage of investigation and adoption of the proposal for decision by the Board of Directors, to be submitted to the Shareholders' Meeting, the rules provided for in the paragraph "Transactions of minor relevance"; (ii) in case of a transaction of major relevance, in the stage of negotiations, inquiry and adoption of the proposal for decision by the Board of Directors, to be submitted to the Shareholders' Meeting, the rules provided for in the paragraph "Transactions of major relevance".

### **3.6.9. Framework resolutions**

It is the exclusive right of each Italian Group Bank's Board of Directors to adopt framework resolutions concerning a series of homogeneous and sufficiently defined transactions with Relevant Persons. By way of example, but without being exhaustive, the following transactions may be covered by framework resolutions:

- contracts for the purchase, sale, exchange or hire of movable assets for use in the business activities of Group banks or companies;
- contracts for the supply of goods for use by Group banks or companies;
- procurement contracts for works or services to support the activities of Group companies;
- rent, use, loan or leasing contracts of property or movable assets intended for use by Group banks or companies or to help employees, collaborators or shareholders of these banks and companies;
- contracts concerning the granting or acquisition of access rights to software or its execution or distribution.

For the adoption of framework resolutions, the rules for transactions of major and of minor relevance are applied to the transactions submitted for approval, based on the estimated maximum aggregate amount of transactions to be entered into.

Framework resolutions must not last longer than one year and shall contain all foreseeable information about the transactions to which they refer. In particular, they must at least envisage the maximum amount of transactions to be carried out in the reference period and the reason for the conditions stated.

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 and are no longer subject to the procedures for the management of transactions of major or minor relevance.

The Board of Directors receives on a quarterly basis a complete set of information on the status of the framework resolutions (see the paragraph "Information Flows related to Transactions concluded with Relevant Persons – Information to Corporate Bodies and internal functions").

If a transaction, initially attributable to a framework resolution, according to the assessments of the function that initiates the investigation, does not comply with the requirements of specificity, consistency and determination, the rules generally established for the execution of transactions with Relevant Persons provided for the management of transactions of major or minor relevance, apply.

In the event that the maximum amount of transactions with Related Parties, in accordance with the CONSOB Regulation subject to the same resolution, exceeds the threshold of materiality identified, the Italian bank or company of the Group are required to prepare an information document.

### **3.6.10. Accumulation of transactions for the calculation of the materiality threshold**

Transactions of low amount, transactions of minor relevance considered exempt (under the provisions of the paragraph below entitled "Exemption cases"), as well as transactions covered by framework resolutions, covered in an information document set out in the above paragraph "Framework resolutions", are not subject

to accumulation.

### 3.6.11. Litigation transactions

Without prejudice to the decision-making competence established by virtue of the system of delegated powers in force from time to time, for these transactions it is not possible to make recourse to exemption because of the low amount and the ordinary nature of the transaction; according to the amount of these transactions, the additional rules for the management of transactions of major or minor relevance apply together with the relative reporting obligations.

For transactions of low amount the approval procedure for transactions of minor relevance are applied.

### 3.6.12. Urgent transactions

Procedural exceptions are not provided in the event of urgent transactions.

### 3.6.13. Exemption cases

In line with the provisions of the Consob Regulation and the Bank of Italy Circular (no. 285), the types of transactions for which partial or full exemption is envisaged under the procedural obligations of these rules are identified below. Even if transactions that generate risk activities fall within the cases of exemption or waiver, they are always taken into consideration when calculating the prudential limits.

Disclosure obligations, under the provisions of article 17 of the Regulation (EU) 596/2014, the Market Abuse Regulation (**MAR**), will apply to the Transaction if appropriate (see paragraph 3.7.3 below).

#### 3.6.13.1. Transactions of a low amount

The approval and/or disclosure requirements laid down in this Policy do not apply to transactions of a low amount (see paragraph 3.1.1).

**Reporting:** transactions of a low amount which exceed 200,000 euro shall be mentioned in the quarterly report to the Board of Directors, the Committee, the Board of Statutory Auditors and the Chief Executive Officer (see paragraph 3.7.1).

#### 3.6.13.2. Ordinary transactions

In the case of ordinary transactions (see paragraph 3.1.1) concluded at standard/market conditions, the approval requirements laid down in this document for transactions with Relevant Persons do not apply. The related resolution shall contain elements that prove the ordinary nature of the transaction.

It is intended that this exemption cannot apply to Transactions of major relevance.

**Reporting:** (i) information flows to the Corporate Bodies, at least on an aggregate basis (see paragraph 3.7.1 below); (ii) regular financial reporting (see paragraph 3.7.4 below).

#### 3.6.13.3. Intercompany transactions concluded with or between subsidiaries or with companies subject to significant influence

Group banks and companies shall comply with the guidelines provided by the Parent Company in making use of this exemption, particularly when assessing whether there are any significant interest of other Associated Persons, as well as specific circumstances that are indicative that such interest may exist.

In such cases, the approval requirements laid down in this document do not apply.

**Reporting:** (i) Information flows to the Corporate Bodies, at least on an aggregate basis, to allow adequate monitoring of these transactions, also by the Committee, in order to take any corrective measures that may

be needed (see paragraph 3.7.1 below); (ii) regular financial reporting (see paragraph 3.7.4 below).

As regards transactions of major or minor relevance that are exempt under this chapter, the Parent Company's Related Parties Committee is the recipient of a specific flow of preliminary information on transactions of a strategic nature (for which the decision-making power is attributed to the Board of Directors, by law or the Articles of Association), and those involving the assumption or sale of controlling interests or significant investments.

#### *3.6.13.4. Transactions relating to the remuneration of other managers with strategic responsibilities*

For transactions relating to the remuneration of other managers with strategic responsibilities, the approval requirements laid down in this document do not apply. **Reporting:** (i) information flows to the Corporate Bodies, at least on an aggregate basis (see paragraph 3.7.1 below); (ii) regular financial reporting (see paragraph 3.7.4 below) if applicable.

For transactions other than those referred to above, the opinion of the Related Parties Committee is expressed, if necessary, having heard the opinion of the Parent Company's Nominations Committee and Remuneration Committee.

#### *3.6.13.5. Remuneration programme based on financial instruments*

For the adoption of remuneration programmes based on financial instruments, as provided in article 114-bis Consolidated Finance Act, the approval requirements laid down in this document do not apply.

**Reporting:** regular financial reporting (see paragraph 3.7.4), if applicable.

#### *3.6.13.6. Transactions to be carried out on the basis of instructions from the Supervisory Authorities*

For transactions to be carried out on the basis of instructions, issued by the Supervisory Authority, for the purpose of stability, or on the basis of instructions issued by the Parent Company for the application of instructions, issued by the Supervisory Authority, for the purpose of the Group stability, the approval requirements laid down in this Policy do not apply.

**Reporting:** (i) Information flows to the Corporate Bodies, at least on an aggregate basis (see paragraph 3.7.1 below); (ii) with exclusive reference to transactions concluded with Related Parties pursuant to the Consob Regulation, the obligations relating to disclosure to the public of transactions with Related Parties of major relevance, both individual and accumulated, need to be guaranteed (see paragraph 3.7.2); (iii) regular financial reporting (see paragraph 3.7.4); (iv) reporting to Consob (see paragraph 3.7.6).

This does not include transactions carried out within the scope of the Parent Company's decision-making autonomy, subject to prior authorisation or notification to the Supervisory Authority.

#### *3.6.13.7. Other exceptions*

The Consob Regulations do not apply to transactions targeting all shareholders on equal terms, including:

- a) share capital increases on option, also to service convertible bond loans, and share capital increases free of charge as envisaged in art. 2442 of the Italian Civil Code;
- b) total or partial spin-offs, in the strictest sense, with share allocation based on proportional criteria;
- c) share capital decreases through reimbursement to shareholders, as envisaged in art. 2445 of the Italian Civil Code, and treasury share purchases pursuant to art. 132 of the Consolidated Finance Act.

### **3.6.14. Negative or conditioned opinion of the Committee**

In the case of a negative or conditioned opinion to transactions submitted, the approval resolution of the transaction must provide detailed reasons for having been approved in any case and a timely response to the observations made by the Committee.

Furthermore, in the case of a negative or conditioned opinion by the Committee, the approval of Transactions of Minor Relevance falls within the exclusive competence of the Board of Directors, without prejudice to the powers and the responsibilities collectively assigned to this Body by law.<sup>17</sup>

The Transactions of Minor Relevance approved notwithstanding the Committee's negative or conditioned opinion are individually communicated to the Board of Statutory Auditors as soon as approved, without prejudice to the tasks and duties generally established for this Body by civil and banking legislation.

In case of the approval of Transactions of Minor Relevance in the presence of the Committee's negative opinion, within fifteen days from the closure of each quarter, a document is made available to the public, according to the methods indicated in Part III, Title II, Chapter I of the Issuers' Regulation, containing details of: (a) the counterparty, the subject and the consideration of the transactions of minor relevance approved in the relative quarter in the presence of a negative opinion, as well as (b) the reasons for which the opinion was not agreed with.

With regard to the Transactions of Major Relevance under the responsibility of the Shareholders' Meeting, the Board of Directors can approve the resolution proposal to be submitted to the Shareholders' Meeting also when the Committee has expressed a negative opinion. The proposed Shareholders' Meeting resolution can require that its effectiveness is conditional upon the special majority vote indicated in art. 11, paragraph 3 of Consob Resolution no. 17221/2010.

When the resolution proposal for submission to the Shareholders' Meeting regarding a Transaction of Major Relevance has been approved by the Board of Directors in the presence of a negative Committee opinion, without prejudice to the applicability of Italian Civil Code provisions on qualified majorities at Shareholders' Meetings and conflict of interest, and to any statutory provisions envisaged by law, the transaction cannot be completed if the majority of voting shareholders qualifying as "unrelated"<sup>18</sup> pursuant to Consob Regulation no. 17221/2010 votes against the transaction, always provided that the unrelated shareholders attending represent at least ten percent of the share capital with voting rights.

### **3.6.15. "Through" transactions**

In all cases where the Parent Company is required to examine and/or approve a transaction carried out by a subsidiary of the BPER Banca Group, even if the subsidiary is not registered as part of the Banking Group as it does not satisfy the "near-banking" requirements, the Parent Company is initially responsible for approving the Transaction in accordance with internal approval regulations in force at the time. To this end, the Transaction is notified in advance to the Parent Company (or to the direct holding company, if any, but only to examine the Transaction).

If the Transaction which has to be examined or approved by the Parent Company is being carried out with a Related Party of the Parent Company, the Subsidiary, having identified the relationship and verified that the transaction is not subject to exemption or waiver as envisaged in this document, informs the Corporate Body Secretarial and Regulatory Obligations Office of the Parent Company in advance.

### **3.6.16. Suitable controls for foreign Group banks and companies**

Under the Supervisory Provisions, the Parent Company provides the latter with specific instructions and guidelines, requiring the application of controls in line with this Policy in proportion to the effective importance of potential conflicts of interest, also to avoid possible circumvention of the legislation through transactions with Associated Persons carried out by Italian and foreign banks and non-banking companies (within the limits of the local legislation in force at the time).

To this end, appropriate internal operating processes have been defined to handle transactions with Group Relevant Persons, in compliance with the instructions that follow.

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<sup>17</sup> Except for transactions that fall within the sphere of competence of the Shareholders' Meeting, if the Articles of Association so provides.

<sup>18</sup> According to art. 3, paragraph 1, letter l) of Consob Resolution no. 17221/2010, "unrelated shareholders" are those which hold the right to vote other than the counterparty in a particular transaction and subjects related to both the counterparty in a particular transaction or to the company itself.

a) *Related Parties Committee*

For foreign banks and Italian and foreign non-banking companies, setting up a specific internal committee is not envisaged. The related duties are assigned to the Related Parties Committee of the Parent Company.

b) *Personal data perimeter*

According to Banca d'Italia Circular no. 285 mentioned above, for transactions with Associated Persons, the foreign banks and non-banking Italian and foreign companies belonging to the BPER Banca Group shall refer to the same perimeter of related parties as defined for the entire Banking Group.

c) *Exemptions and exclusions*

As regards exemptions and exclusions, in relation to the specific operations of an intermediary, the following exemptions apply, where possible and in the presence of the necessary conditions and requirements:

- for very low amounts;
- for ordinary activities, according to standard/market conditions, each Supervised Intermediary, considering the type of operations that it carried out, defines the "ordinary" activities, the standard conditions and those of the reference market;
- intercompany operations, for transactions with or among subsidiaries or companies subject to significant influence, in the absence of significant interests on the part of other Relevant Persons.

d) *Limits on risk activities*

Foreign banks and Italian and foreign non-banking companies are required to inform the Parent Company in advance, when necessary, about transactions involving the assumption of risk activities vis-à-vis Group Associated Persons, so that compliance with the prescribed consolidated limit can be verified.

e) *Transaction approval procedure*

All transactions with Relevant Persons not included in the cases of exemption or exclusion mentioned in this Policy shall always be approved by the Board of Directors of the foreign banks and foreign and Italian non-banking companies, based on the motivated binding opinion of the Parent Company's Related Parties Committee; to this end, the foreign banks and Italian and foreign non-banking companies transmit the documentation used to prepare the transaction to the Parent Company's Corporate Body Secretarial and Regulatory Obligations Office. The resolutions relating to transactions with Relevant Persons contain adequate justification regarding the expedience and economic convenience of the transaction for foreign banks or for Italian or foreign non-banking companies.

f) *Information flows*

All transactions with Relevant Persons are recorded in the appropriate Group application in order to generate information flows, with rules of content similar to those laid down in this Policy.

### **3.6.17. Monitoring and management of breaches of operating and prudential limits**

The Parent Company, in the performance of its guidance and coordination duties and in compliance with current legislation, defines the limits for the assumption of risk activities vis-à-vis Associated Persons, both on an individual and consolidated basis, which all the Group banks and companies must respect.

The Parent Company identifies and defines the controls, rules and tools for monitoring and managing them.

#### **3.6.17.1. Risk activities and methods of calculation**

In order to comply with the prudential limits, the BPER Banca Group considers all transactions that generate risk activities concluded with Group Associated Persons.

Transactions of an economic nature other than those that generate risk activities are therefore not included

in risk activities. In particular, the following are excluded:

- risk activities involved in Transactions between banks and entities belonging to the Banking Group;
- assets deducted from own funds in accordance with Chapter 10 of Circular No. 285/2013 relating to Large Exposures, temporary exposures related to the provision of the following services: fund transfer and clearing, settlement and custody of financial instruments, in the cases and under the conditions foreseen in the regulations on Large Exposures, as well as all other cases foreseen in them.

The Transactions, whether included or excluded, are in any case subject to the required approval procedures.

To calculate the limits on exposures to Associated Persons, the weighting factors and eligibility conditions of the risk mitigation techniques established for risk concentration discipline are applied.<sup>19</sup>

### *3.6.17.2. Definition of the management limits and prudential limits on risk activities*

The Group, in line with the provisions of the regulatory reference regulations, adopts a system of limits approved by the Board of Directors of the Parent Company, structured as follows:

- management limits:
  - overall exposure limit (at a consolidated level), related to total exposures towards all Associated Persons, definable as the maximum extent of risk activities expressed as a percentage of own funds at consolidated level;
- prudential limits:
  - exposure limits on single Associated Persons in line with Supervisory Provisions and referred to own funds on an individual and consolidated basis and differentiated according to the type of Associated Persons;

### *3.6.17.3. Monitoring and management of breaches of internal and prudential limits*

The BPER Group has adopted a specific system for monitoring transactions with Associated Persons in order to guarantee ongoing compliance with the management and prudential limits to risk activities. Therefore, each new transaction requested with Associated Persons produces a control which blocks the resolution in the event of a breach of the prudential and management limits. If the repayment plan is not approved, the transaction cannot be carried out.

Without prejudice to compliance with prudential limits, if for reasons beyond the control of the Parent Company or of the subsidiary companies, one or more limits are exceeded, the risk activities must be reduced to below the limits as soon as possible.

To this end, within 45 days of the limit being exceeded, the Parent Company prepares a repayment plan that is approved by the Board of Directors on the proposal of the Chief Executive Officer, after consulting the Board of Statutory Auditors.

The repayment plan, formulated in this way, is communicated to any Group Banks or Companies involved, which take steps to implement it.

The plan is also sent to the Bank of Italy within 20 days of approval by the Parent Company's Board of Directors, together with the Minutes of the relevant board resolutions.

If the overrun of the limit involves a Related Party (pursuant to Circular no. 285 of the Bank of Italy) by virtue of an investment held in a BPER Group Bank or Company, the administrative rights associated with the investment are suspended.

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<sup>19</sup> It should be noted that, according to the rules on risk concentration, unsecured and financial guarantees (within the limits and conditions at which they are admitted) make it possible to apply the substitution principle, i.e. to ascribe the exposure to the protection provider rather than to the main associated debtor. For the substitution principle to have the effect of reducing the exposure to a certain body of Associated Persons, the protection provider obviously must not be linked, directly or indirectly, to the body of Associated Persons in question.

## **3.7. Information flows**

### **3.7.1. Information flows related to transactions with Relevant Persons – Reporting to Corporate Bodies and internal functions**

The Board of Directors, the Board of Statutory Auditors, the Related Parties Committee and the Chief Executive Officer<sup>20</sup> are the recipients of a quarterly report (containing at least the name of the counterparty, the subject and the amount of each transaction) in relation to:

- a) transactions of major relevance;
- b) transactions of minor relevance, with a specific list of the transactions approved with a negative opinion from the Related Parties Committee;
- c) exempt transactions with an amount higher than Euro 200,000 (except for intra-group transactions and transactions to be carried out according to Supervisory Authority instructions, which are subject to reporting with no amount limits);
- d) implementation of the framework resolutions, as well as the individual transactions approved under them;
- e) transactions involving losses, a transfer to non-performing loans, in- or out-of-court settlements.

This report is prepared by the Corporate Body Secretarial and Regulatory Obligations Office of the Parent Company for all of the Group's Italian banks.

The above-mentioned Office<sup>21</sup>, making use of the specific systems and applications acquired by the Group, will prepare this report for the Related Parties Committee set up at each Bank or for the bodies that perform this Committee's function.

With exclusive reference to the BPER Banca Group banks or companies subject to the provisions of the CONSOB Regulation, in order to ensure coordination with the activities carried out by the Parent Company pursuant to art. 154 bis of the Consolidated Finance Act, the Manager responsible for preparing the company's financial reports is the recipient of a quarterly report (containing at least the name of the counterparty, the subject and the amount of each transaction), relating to all transactions.

### **3.7.2. Disclosure to the public of transactions with Related Parties of major relevance, both on an individual and an accumulated basis**

Only the BPER Banca Group banks or companies that are subject to the CONSOB Regulations are required to comply with the public disclosure requirements.

The information to be disclosed is prepared by the Corporate Body Secretarial and Regulatory Obligations Office or by the equivalent function at each Group bank or company.

For these purposes, the structure can make use of any additional support from other functions, which are responsible at the time for the activities related to publishing the information referred to in this chapter, and informs the Monitoring and Control of Financial Reporting Office.

Group banks or companies shall comply with the following requirements in relation to transactions with Related Parties pursuant to the CONSOB Regulation:

- a) in the event of transactions of major relevance, carried out also by Italian or foreign subsidiaries, pursuant to article 5 of the Consob Regulation, an information document shall be prepared in

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<sup>20</sup> General Manager, if the company has not appointed a Chief Executive Officer.

<sup>21</sup> Or the equivalent function at each Bank.



accordance with Attachment 4 of CONSOB Regulation ("**Information document relating to transactions of major relevance with related parties**"). This document is made available to the public at the registered office and in the manner indicated in Part III, Title II, Chapter I, of the Issuers' Regulation within seven days of the transaction being approved by the competent body, or, if the competent body decides to submit a contractual proposal, from the moment in which the contract, also in preliminary form, is concluded according to the applicable regulations. In cases where it is within the sphere of competence or authorisation of the Shareholders' Meeting, this information document shall be made available within seven days of approval of the proposal to be submitted to the Meeting;

- b) they prepare the same document referred to in point a) even if, during the course of the financial year, transactions of minor relevance are concluded with the same Related Party or with Associated Persons connected with the latter or with the companies, which are similar in type or carried out in execution of a single plan which, even if not classifiable as Transactions of Major Relevance, exceed the materiality thresholds set if considered on a cumulative basis. To this end, transactions carried out by Italian or foreign subsidiaries are also taken into consideration, whereas any transactions excluded as they are approved under the exemption regime are not taken into consideration. The information document is made available to the public:
- within fifteen days of approval of the transaction or of signing the contract that causes the materiality threshold to be exceeded and contains information, also on an aggregated basis for similar types of transactions, on all transactions considered for accumulation purposes;
  - if the transactions that cause the materiality thresholds to be exceeded are carried out by subsidiaries, the information document is made available to the public within fifteen days of the moment when the Company required to prepare the document received notice of approval of the transaction or of the signing of the contract that led to it being material. In this regard, the Group bank or company required to prepare the document shall issue the necessary instructions for the subsidiaries to provide the information needed to prepare the document. The subsidiaries are required to transmit the necessary information on a timely basis;
- c) with the same timing provided for in points a) and b) of this paragraph, the bank or company makes available to the public any opinion of the Related Parties Committee and independent experts, as an attachment to the information document referred to in point a) or on the website, as well as the opinions released by qualified independent experts requested by the Board of Directors. With reference to the opinions of independent experts, the bank or company can publish only the items indicated in Attachment 4 of the CONSOB Regulation, explaining the reasons for this decision;
- d) if, in relation to a transaction of major relevance with a Related Party the bank or company is required to prepare an information document pursuant to articles 70, paragraph 4, and 71 of the Issuers' Regulation, it can publish a single document containing the information required in point a) and in articles 70 and 71 referred to previously. In this case, the document is made available to the public at the registered office and in the manner indicated in Part III, Title II, Chapter I, of the Issuers' Regulation by the shortest deadline envisaged in each of the applicable provisions. If the bank or company decides to publish the information requested in two separate documents, it is possible to include, by reference, the information already published.

The Manager responsible for preparing the company's financial reports receives from the Parent Company's Corporate Body Secretarial and Regulatory Obligations Office, or from the equivalent function at the Group bank or company, the information prepared by this unit together with any items to be used in its analysis in order to issue the attestation as per article 154-*bis*, paragraph 2 of the Consolidated Finance Act.

### **3.7.3. Reporting to the public pursuant to art. 17 MAR**

If a transaction with a Relevant Person is subject to the disclosure requirements under article 17, of the UE Regulation no. 596/2014 (**MAR**), the Group Bank or Company shall also provide the following information in the body of the press release to be distributed to the public, in addition to the other information to be published according to the legislation mentioned previously:

- a) a description of the transaction;
- b) an indication that the counterparty in the transaction is a Related Party and a description of the nature of the correlation;
- c) the name of the counterparty in the transaction;

- d) whether or not the transaction exceeds the materiality thresholds established in paragraph 3.1 and an indication of any subsequent publication of an information document;
- e) the procedure that was followed or to be followed for the approval of the transaction and, in particular, if the bank or company took advantage of any exclusions under articles 13 and 14 of CONSOB Regulation no. 17221/10;
- f) whether the transaction was approved despite the contrary opinion of the Related Parties Committee.

The reports shall be prepared by the Corporate Body Secretarial and Regulatory Obligations Office of the Parent Company or by the equivalent function established by each Group bank and company.

For that purpose, those functions shall draw upon the support of other responsible structures for the activities connected to the publication of the reports here disciplined.

### **3.7.4. Periodic financial information**

Only the Group banks and companies subject to the CONSOB Regulation shall fulfil the financial reporting requirements, without prejudice to the reporting duties in accordance to IAS 24.

The information is prepared by the Parent Company's Administration and Financial Reporting Department or by the equivalent department at another Group bank or company also required to provide the same information on the basis of the documentation sent by the Parent Company's Corporate Body Secretarial and Regulatory Obligations Office, or the equivalent function at each Group bank or company.

The bank or the issuer issuing listed shares with Italy as its member state of origin, pursuant to article 154-*ter* of the Consolidated Finance Act, is required to provide the following information in its directors' report on operations annexed in the financial statements and in the interim report on operations of the Group included in the consolidated half-yearly financial report:

- a) on the individual transactions of major relevance concluded during the reference period (even through subsidiaries);
- b) on other individual transactions with Related Parties as defined under article 2426, second paragraph, of the Italian Civil Code, entered into in the reporting period, that have materially impacted the financial position and results of the Bank or Company;
- c) on any changes or developments in transactions with Related Parties disclosed in the last annual report that have had a material effect on the financial position or results of Bank or Companies in the reference period.

As regards, in particular, the information to be included in periodic documents on individual transactions, the following items of information are considered to be important:

*a) in the annual report on operations:*

1. where applicable, a description of policies for the identification of the transactions with Related Parties and the strategy followed for such transactions;
2. an indication for each transaction of the following information, which may be in tabular form:
  - the name of the transaction counterparty;
  - the nature of the relationship with the related party;
  - the object of the transaction;
  - the consideration for the transaction;
  - any other information that may be necessary for an understanding of the impact of the transaction with Related Parties on the financial statements;

*b) in the interim report on operations:*

1. any changes or developments in transactions with Related Parties disclosed in the last annual report that have had a material effect on the financial position or results of companies in the reference period;

2. an indication for each transaction of the information required in letter a) of point 2), which may be in tabular form.

Banks or companies can include this information in their periodic financial documentation by reference to the information documents published according to the rules on periodic disclosures to the public, indicating any significant updates

### **3.7.5. Exception to the disclosure requirements for transactions of major relevance**

In the event of an exception to the disclosure requirements for transactions of major relevance, the disclosure to be made to the public pursuant to article 17 MAR is still required:

- the banks or companies inform Consob and the Related Parties Committee, which express opinions on the related party transactions within seven days of approval of the transaction by the corporate body concerned (or, if the decision-making body submits a contractual proposal, from the moment in which the contract, even if preliminary, is concluded on the basis of applicable regulations), the counterparty, the subject, the consideration of transactions that have benefited from the exclusion relating to ordinary transactions and concluded at conditions equivalent to market or standard conditions, as well as the reasons the transaction is considered ordinary and concluded at conditions equivalent to market or standard conditions, providing objective elements of proof.
- the banks or companies with shares listed on regulated markets shall indicate in their interim report on operations and in their annual report on operations, as part of the information indicated above, which transactions subject to disclosure obligations have been carried out taking advantage of the exclusion as the terms are equivalent to standard market conditions;

### **3.7.6. Reporting to Consob**

Only the Group banks and companies subject to the CONSOB Regulation are required to comply with the disclosure requirements for information to be reported to CONSOB.

At the same time that information documents are distributed to the public, the bank or company shall transmit the same documents and opinions to CONSOB through the link with the authorised storage mechanism pursuant to article 65-septies, paragraph 3, of the Issuers' Regulation.

### **3.7.7. Information flows relating to risk activities with Associated Persons**

#### **Reporting to the Corporate Bodies**

A quarterly report has to be sent to the Parent Company's Board of Directors, Board of Statutory Auditors and Related Parties Committee, with the following information:

- a) consolidated exposure<sup>22</sup> attributable to all Associated Persons;<sup>23</sup>
- b) consolidated exposure attributable to individual Associated Persons;
- c) individual exposure<sup>24</sup> attributable to all the Associated Persons;
- d) individual exposure attributable to single Associated Persons.

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<sup>22</sup> Exposure calculated on consolidated own funds

<sup>23</sup> Broken down by macro type: Corporate Officers; participants in control or able to exercise significant influence; other participants and persons other than the participants; persons subject to control or significant influence.

<sup>24</sup> Exposure calculated on individual own funds

The Boards of Directors, Boards of Statutory Auditors, Related Parties Committees of the individual Italian Banks of the Group receive a quarterly report relating to individual exposures attributable to single Associated Persons.

The same information has to be reported to the Chief Executive Officer of the Parent Company on a monthly basis.

The same information has to be sent to the General Managers of the individual Group Banks<sup>25</sup> on a monthly basis.

The same information has to be sent to the Internal Audit Department on both a monthly and quarterly basis.

With specific regard to the stage of implementation of any repayment plans approved by the Parent Company's Board of Directors, in cases where the prudential limits or internal management limit for the Group have been exceeded, a quarterly report on the implementation of such repayment plans has to be sent to the Boards of Directors of the individual Group banks and companies concerned<sup>26</sup> by the competent corporate and Group structures.

### 3.7.8. Supervisory reports

#### 3.7.8.1. Information flows relating to transactions carried out with Associated Persons

In accordance with the reporting formats laid down in Circular 286/2013 and subsequent updates, the Parent Company shall send information flows during the reference period indicated below:

- on a quarterly basis: including all of the transactions of major relevance carried out;
- on an annual basis: all transactions with Associated Persons, with exclusion from the scope of recognition of transactions of low amount and of transactions non-classifiable as of major relevance which, jointly, are: i) inter-company; ii) ordinary; iii) concluded at market conditions.

#### 3.7.8.2. Information flows relating to risk activities with Associated Persons

In accordance with the reporting formats laid down in Circular 286/2013 and subsequent updates, the Parent Company shall send quarterly information flows containing the overall exposures with Associated Persons outstanding at the reference date, which exceed the lower of the following amounts: i) 250,000 euro; ii) 2% of individual own funds.

Sender	Recipients	Description of the flow	Frequency
<b>Information flows relating to transactions concluded with Relevant Persons</b>			
Corporate Body Secretarial and Regulatory Obligations Office (or by the corresponding structure at the Group bank that carried out the transaction)	Board of Directors* Chief Executive Officer*, ** Board of Statutory Auditors* Related Parties Committee* Manager Responsible for preparing the Company's financial reports (where envisaged)* *of the Parent Company and the Group Banks ** General Manager, if the company has not appointed a Chief Executive Officer.	Reporting on transactions concluded with Related Parties and Associated Persons	On a quarterly basis
Corporate Body Secretarial and Regulatory Obligations Office (or by the corresponding structure at the Group bank that carried out the transaction)	Public	Reporting to the public of transactions of major relevance with Related Parties, both on an individual and an accumulated basis	When the event takes place
Corporate Body Secretarial and Regulatory Obligations Office (or by the corresponding structure at the Group bank that carried out the transaction)	Public	Reporting to the Public pursuant to art.17 MAR	When the event takes place

<sup>25</sup> If there is no Chief Executive Officer.

<sup>26</sup> To be understood as the Group Entities involved in measures referred to in the approved repayment plan.

Administration and Financial Reporting Department of the Parent Company	Public	Periodic reporting to the Public	Semi-annual/annual
<b>Information flows relating to risk activities with Associated Persons</b>			
Operational Loan Management and Credit Advisory Office of the Parent Company	Chief Executive Officer*, ** Internal Audit Department  * of the Parent Company and the Group Banks (for the latter the information is limited to letters c and d)  ** General Manager, if the company has not appointed a Chief Executive Officer.	Reporting on: a) consolidated exposure attributable to all Associated Persons; b) consolidated exposure attributable to individual Associated Persons; c) individual exposure attributable to all Associated Persons; d) individual exposure attributable to individual Associated Persons.	On a monthly basis
Operational Loan Management and Credit Advisory Office of the Parent Company	Board of Directors* Chief Executive Officer*; ** Board of Statutory Auditors* Related Parties Committee* Manager Responsible for preparing the Company's financial reports* Internal Audit Department  *of the Parent Company and the Group Banks (for the latter, reporting is limited to letters c and d.)  ** General Manager, if the company has not appointed a Chief Executive Officer.	Reporting on: a) consolidated exposure attributable to all Associated Persons; b) consolidated exposure attributable to individual Associated Persons; c) individual exposure attributable to all Associated Persons; d) individual exposure attributable to individual Associated Persons.	On a quarterly basis
<b>Supervisory reports</b>			
Administration and Supervisory Reporting Function	Bank of Italy	Reporting on transactions of major relevance.	On a quarterly basis
Administration and Supervisory Reporting Function	Bank of Italy	Reporting relating to transactions with Associated Persons (excluding transactions of low amount and non-classifiable as major relevance, at the same time intercompany, ordinary and carried out at standard market conditions).	On an annual basis
Administration and Supervisory Reporting Function	Bank of Italy	Flows bearing the total exposures to Associated Persons outstanding at the reference date, which exceed the lower of the following amounts: i) 250,000 euro; ii) 2% of individual own funds.	On a quarterly basis

### 3.8. Roles and Responsibilities

#### - of the Parent Company:

Company Body / O.U.	Process name	Description of Roles and Responsibilities
<u>Board of Directors</u>	-	<p><b>Guidance and coordination</b></p> <ul style="list-style-type: none"> <li>approves any proposals for changes to the management limits (overall exposure limits related to total exposures towards all Associated Persons and the internal warning threshold);</li> <li>approves the agreed repayment plan in cases where the internal warning threshold defined for the Group has been exceeded, as well as in cases where the individual and consolidated prudential limits have been exceeded.</li> </ul> <p>For BPER</p>

		<ul style="list-style-type: none"> <li>receives the quarterly reports on transactions with Relevant Persons;</li> <li>receives the quarterly reports on risk activities (consolidated and individual exposures) vis-à-vis Associated Persons;</li> <li>approves transactions with persons as per art. 136 of the Consolidated Banking Act and transactions with Relevant Persons in the cases where this is foreseen;</li> <li>approves all transactions of major or minor relevance when the Related Parties Committee has issued a negative or conditional opinion;</li> <li>approves the operating rules of the Related Parties Committee.</li> </ul>
<u>Chief Executive Officer</u>	-	<p><b>Guidance and coordination</b></p> <ul style="list-style-type: none"> <li>proposes changes to this Policy to the Board of Directors, also at the time of the review, after consultation with the General Affairs Department;</li> <li>proposes a repayment plan to the Board of Directors in cases where the prudential and management limits have been exceeded;</li> <li>proposes to the Board of Directors any changes to the overall exposure limits and the internal warning threshold;</li> </ul> <p>For BPER</p> <ul style="list-style-type: none"> <li>receives the quarterly reports on transactions with Relevant Persons;</li> <li>receives the quarterly reports on risk activities vis-à-vis Associated Persons.</li> </ul>
<u>Related Parties Committee</u>	-	<p><b>Guidance and coordination</b></p> <ul style="list-style-type: none"> <li>plays a role that involves carrying out evaluations, providing support and making proposals on organisational matters and on the performance of internal controls with respect to the overall assumption and management of risk versus associated persons, as well as carrying out general checks on the overall consistency with the strategic and management guidelines.</li> </ul> <p>For BPER</p> <ul style="list-style-type: none"> <li>expresses a binding opinion for Transactions of Major Relevance, except in cases where, having formulated a negative opinion on a transaction under the responsibility of the Shareholders' Meeting, this is approved by the Shareholders' Meeting following a resolution proposal prepared by the Board of Directors that conditions its effectiveness to the special majority vote pursuant to art. 11, paragraph 3 of Consob</li> </ul>

		<p>Regulation no. 17221/2010;</p> <ul style="list-style-type: none"> <li>expresses a non-binding opinion for transactions of minor relevance;</li> <li>acts in an advisory role for transactions pursuant to art. 136 Consolidated Banking Act not of a low amount;</li> <li>receives the quarterly reports on transactions with Relevant Persons;</li> <li>receives information related to risk activities with Associated Persons;</li> <li>on first time approval or at the time of review it expresses in advance a binding, analytical and motivated opinion on the overall suitability of the Policy to achieve the objectives set by the relevant legislation.</li> </ul> <p>For other Group companies</p> <ul style="list-style-type: none"> <li>expresses a binding opinion in cases of appeal and application of "Suitable Controls", for which reference should be made to the paragraph "Suitable controls for the foreign banks and Group banking companies".</li> </ul>
<u>Chief Risk Officer</u>	-	<p>Guidance and coordination</p> <ul style="list-style-type: none"> <li>together with the Chief Lending Officer, proposes the updating of the management limits related to risk activities with Associated Persons to the Corporate Bodies of the Parent Company;</li> <li>handles the measurement and monitoring of the risks underlying the relationships with Associated Persons performing, in particular, analyses on the credit risk profile and single file review activities on such counterparties: the results of these activities are periodically included in the periodic information submitted to the Corporate Bodies.</li> </ul>
<u>Chief Lending Officer</u>		<ul style="list-style-type: none"> <li>together with the Chief Risk Officer, proposes the updating of the management limits related to risk activities with Associated Persons to the Corporate Bodies of the Parent Company;</li> </ul>
<u>Compliance Function</u>	-	<p>Guidance and coordination</p> <ul style="list-style-type: none"> <li>proposes to the Corporate Bodies of the Parent Company for their approval the metrics and tolerance thresholds for the risk of non-compliance to regulations;</li> <li>verifies the existence and reliability on an on-going basis of procedures and systems suitable to ensure compliance with all regulatory obligations and those established by internal regulations regarding conflicts of interest vis-à-vis Relevant Persons and risk activities vis-à-vis Associated Persons. In particular:</li> </ul>

		<ul style="list-style-type: none"> <li>- identifies compliance risks, at Group level, examining the standards applicable to the Group on an ongoing basis and assessing their impact on the Group banks and companies;</li> <li>- proposes organisational and procedural interventions to ensure adequate protection from any risks of non-compliance that have been identified and monitors their implementation.</li> </ul> <p>For BPER Banca and other Group companies</p> <ul style="list-style-type: none"> <li>• identifies the risks of non-compliance and continuously examines the applicable rules, assessing their impact on corporate performance;</li> <li>• is involved in the <i>ex-ante</i> assessment of compliance with regulations applicable to all innovative projects (including the launch of new products or services) that BPER Banca intends to undertake, as well as in the prevention and management of conflicts of interest concerning the various activities carried out by the Bank as well as employees and corporate officers;</li> <li>• performs system evaluations to verify compliance on the part of all operations;</li> <li>• performs functional checks on the compliance of processes and procedures; to carry out these functional checks, it can make agreements with the Group Internal Audit Department, in accordance with the principle of cost effectiveness; in any event, it is always possible to carry out direct checks in cases where such investigations require specialist skills or are particularly urgent;</li> <li>• monitors particular company phenomena, based on materiality levels to check that procedures are suitable to ensure compliance with the rules of conduct;</li> <li>• proposes organisational and procedural interventions to ensure adequate protection from any risks of non-compliance that have been identified and monitors their implementation.</li> </ul>
<u>Administration and Supervisory Reporting Function</u>	-	<p>Guidance and coordination</p> <ul style="list-style-type: none"> <li>• identifies the situations that, in accordance with compliance risk regulations, generate “risk activities with Relevant Persons”;</li> <li>• communicates these situations to the Corporate Body Secretarial and Regulatory Obligations Office, as quickly as possible, in order to update/carry out maintenance on the IT application, also in preparation of the overall activities related to so-called on-going</li> </ul>



		monitoring.
<u>Operational Loan Management and Credit Advisory Office</u>	-	<p>Guidance and coordination</p> <ul style="list-style-type: none"> <li>• provides ongoing management and monitoring of both individual and consolidated management and prudential limits, of the risk activities, after consulting the various competent corporate functions, and handles the periodic information for the Corporate Bodies of the Parent Company and the Group Companies;</li> <li>• together with the Risk Management Department, proposes to the Corporate Bodies, the updating of the management limits related to risk activities with Associated Persons;</li> <li>• handles the detection and the management of overruns of the management and prudential limits.</li> </ul> <p>For BPER Banca</p> <ul style="list-style-type: none"> <li>• prepares the reports on risk activities vis-à-vis Associated Persons, intended for the Corporate Bodies and Board sub-committees, completing the information to be disclosed.</li> </ul> <p>Other Group companies</p> <ul style="list-style-type: none"> <li>• prepares monthly and quarterly reports on risk activities to Associated Persons, intended for Corporate Bodies and Board sub-committees.</li> </ul>
<u>Corporate Body Secretarial and Regulatory Obligations Office</u>	-	<p>Guidance and coordination</p> <ul style="list-style-type: none"> <li>• maintains the personal data perimeter of the BPER Banca Group on an ongoing basis, after consulting the Financial Reporting Office, the Equity Investments Office and the Operational Loan Management and Credit Advisory Office of the Parent Company;</li> </ul> <p>For BPER Banca</p> <ul style="list-style-type: none"> <li>• verifies transactions carried out with Relevant Persons and, under the competition rules, persons as per art. 136 CBA, also using the IT application made available for the purpose;</li> <li>• performs the activities related to the approval of the transaction by the competent Decision-Making Bodies and the advance involvement of the Related Parties Committee - in the cases envisaged, already in the phases of negotiations and in the course of the investigation - for the purpose of issuing the (binding or non-binding) opinion or completing the information for disclosure;</li> <li>• manages and creates statistics for transactions, also using the IT application made available for the purpose;</li> <li>• prepares the information flows to the Bank's corporate bodies and to the public on transactions with Relevant Persons, after</li> </ul>

		<p>consulting the Financial Reporting Office, the Supervisory Reporting Office and the Monitoring and Control of Financial Reporting Office of the Parent Company;</p> <ul style="list-style-type: none"> <li>looks after the formalisation of information flows relating to transactions with Relevant Persons for the Corporate Bodies, the Related Parties Committee and the Manager responsible for preparing the company's financial reports.</li> </ul> <p>Other Companies</p> <ul style="list-style-type: none"> <li>prepares the information flows to the corporate bodies relating to transactions with Relevant Persons.</li> </ul>
<u>Corporate Governance and Corporate Consultancy Office</u>	-	<p>Guidance and coordination</p> <ul style="list-style-type: none"> <li>draws up the proposal to revise the model of governance of the risk of non-compliance with regard to conflicts of interest with Related Parties and Associated Persons, and risk activities vis-à-vis Associated Persons.</li> </ul>
<u>Manager Responsible for Preparing the Company's Financial Reports</u>	-	<p>For BPER Banca</p> <ul style="list-style-type: none"> <li>receives the quarterly reports on transactions with Relevant Persons;</li> <li>receives the information related to risk activities (individual and consolidated exposure) with Associated Persons.</li> </ul>
<u>Corporate Body Secretarial and Regulatory Obligations Office</u>	-	<p><b><u>Companies subject to "Suitable Controls"</u></b></p> <ul style="list-style-type: none"> <li>handles the formalities in connection with the advance involvement of the Related Parties Committee, during a preliminary investigation, for the purpose of issuing the (mandatory and binding) opinion in cases of application of the "Suitable Controls" and on the conclusion of "through" transactions;</li> </ul>

**of other Group companies:**

<b>Company Body / O.U.</b>	<b>Process name</b>	<b>Description of Roles and Responsibilities</b>
<u>Board of Directors</u>	-	<ul style="list-style-type: none"> <li>approves transactions with persons as per art. 136 of the Consolidated Banking Act<sup>27</sup> and transactions with Relevant Persons in the cases where this is foreseen;</li> <li>in cases where the internal warning threshold defined for the Group has been exceeded, as</li> </ul>

<sup>27</sup> Exclusively for Group banks.

		<p>well as in cases where the prudential limits have been exceeded, it takes note of the repayment plan set by the Parent Company, taking steps to implement it, if the Entity is interested;</p> <ul style="list-style-type: none"> <li>• in cases where both the individual and consolidated management and prudential limits have been exceeded, it takes note of the repayment plan set by the Parent Company, taking steps to implement it, if the Entity is interested;</li> <li>• receives the quarterly reports on transactions with Relevant Persons (carried out directly or indirectly by the Bank or by the Company);</li> <li>• receives information related to risk activities with Associated Persons;</li> <li>• approves all transactions of major or minor relevance when the Related Parties Committee has issued a negative or conditional opinion;</li> <li>• approves the operating rules of the Related Parties Committee.</li> </ul>
<u>General Manager</u>	-	<ul style="list-style-type: none"> <li>• receives the quarterly reports on transactions with Relevant Persons (carried out directly or indirectly by the Bank or by the Company);</li> <li>• receives the quarterly reports on risk activities vis-à-vis Associated Persons.</li> </ul>
Related Parties Committee	-	<ul style="list-style-type: none"> <li>• expresses a binding opinion for Transactions of Major Relevance, except in cases where, having formulated a negative opinion on a transaction under the responsibility of the Shareholders' Meeting, this is approved by the Shareholders' Meeting following a resolution proposal prepared by the Board of Directors that conditions its effectiveness to the special majority vote pursuant to art. 11, paragraph 3 of Consob Regulation no. 17221/2010;</li> <li>• expresses a non-binding opinion for transactions of minor relevance;</li> <li>• acts in an advisory role for transactions pursuant to art. 136 Consolidated Banking Act not of a low amount;</li> <li>• receives the quarterly reports on transactions with Relevant Persons (carried out directly or indirectly by the Bank or by the Company);</li> <li>• receives information related to risk activities with Associated Persons;</li> <li>• on first time approval or at the time of review it expresses in advance a binding, analytical and motivated opinion on the overall suitability of the Policy to achieve the objectives set by the relevant legislation.</li> </ul>

<u>Manager Responsible for Preparing the Company's Financial Reports</u> <sup>28</sup>	-	<ul style="list-style-type: none"> <li>receives the information related to the transactions carried out with Relevant Persons.</li> </ul>
<u>Function responsible for compliance with the rules on Relevant Persons</u> <sup>29</sup>	-	<p><b><u>For Italian Group Banks</u></b></p> <ul style="list-style-type: none"> <li>verifies transactions carried out with Relevant Persons and, under competitive rules, persons as per article 136 Consolidated Banking Act, also using the IT application made available for the purpose;</li> <li>manages and creates statistics for transactions, also using the IT application made available for the purpose;</li> <li>performs the activities related to the approval of the transaction by the competent Decision-Making Bodies and the advance involvement of the Related Parties Committee - in the cases envisaged, already in the phases of negotiations and in the course of the investigation - for the purpose of issuing the (binding or non-binding) opinion or completing the information for disclosure;</li> <li>looks after the formalisation of information flows, received from the Corporate Body Secretarial and Regulatory Obligations Office, on an individual basis, relating to transactions with Relevant Persons for the Corporate Bodies, the Board Sub-committees and, where present, the Manager responsible for preparing the company's financial reports.</li> </ul> <p><b><u>for Foreign Banks and Italian and foreign non-banking companies</u></b></p> <ul style="list-style-type: none"> <li>verifies transactions carried out with Relevant Persons, also using the IT application made available for the purpose;</li> <li>manages and creates statistics for transactions, also using the IT application made available for the purpose;</li> <li>prepares the communication to its own corporate bodies on the results of applying "Suitable Controls" in the cases where this is foreseen.</li> </ul>

<sup>28</sup> Where envisaged.

<sup>29</sup> For the identification of the OUs in question at banks and companies of the banking Group reference should be made to attachment 1 "Links with o.u".

## 4. Annexes

### 4.1. Update history

The update history is shown below:

Version	Approval date	No. of the Directive	Summary of amendments
1.0	13/11/2012	35/2012	Issue
2.0	11/11/2015	50/2015	Integration of references to internal and external regulations, reflecting the updates made at the date the document was revised (§§ 3.1 and 3.2); Revision of contents: a. identification of the sectors of activity and types of economic relations identified (§ 4); b. the risk appetite of the BPER Banca Group in assets with associated persons (§ 5); c. the identification of associated persons (§ 6.1); d. the roles and responsibilities of the Parent Company's functions with Group responsibilities (§§ 7.1.1, 7.1.2, 7.1.3).
3.0	11/07/2017	37/2017	Integration of the contents of the following documents: a. Group regulation for the management of transactions with related parties and with associated persons dated 12 November 2013; b. Group regulation on "Prudential Limits on risk activities" – monitoring of the prudential limits vis-à-vis associated persons dated 24 June 2014.
4.0	18/10/2018	65/2018	Insertion of new definitions in chapter 2.5 (Independent Directors, Non-related Directors and Relevant Shareholders) and the modification of the definition related to Relevant Persons;  Insertion of new of new external regulation sources;  Insertion of a new paragraph (4.2) related to the Committee and to alternative equivalent controls;  Updating of par. 9.1.5 related to transactions under the sphere of competence of the Shareholders' Meeting;  Insertion of a new paragraph (9.1.10.5) related to Compensation plans based on financial instruments; Some variations in financial disclosures to the public (par. 10.3).

5.0	14/03/2019	14/2019	<p>The main changes made, compared to the previous version, concern:</p> <ul style="list-style-type: none"> <li>- reorganization of some of the contents;</li> <li>- an explanation of the procedure to be followed in the event of a negative opinion from the Independent Directors' Committee;</li> <li>- a more detailed description of management and prudential limits on risk activities;</li> <li>- a more detailed description of the spheres of competence for tasks related to risk activities;</li> <li>- an indication of the spheres of competence for the identification of situations that generate "risk activities with related parties/associated persons";</li> <li>- reorganization, in line with internal regulations, of the issues related to the assumption/management of "compliance risk".</li> </ul>
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## 4.2. Reference regulatory context

### External regulations:

The following are the main external regulatory sources to which this document makes reference:

- "Related Parties Regulation" adopted by Consob with resolution no.17221 of 12 March 2010 on transactions with related parties and subsequent amendments and integrations;<sup>30</sup>
- Consob Communication no. DEM/10078683 of 24 September 2010, providing "*Indications and guidelines for the implementation of the Related Parties Regulation adopted by Consob with Resolution no. 17221 of 12 March 2010 on transactions with related parties and subsequent amendments and integrations*"<sup>31</sup>.
- International Accounting Standard IAS 24 "Related-Party Disclosures";
- "Instructions for the reporting of capital adequacy and prudent coefficients", Circular no. 155 of 18 December 1991 - 15th update of 19 March 2013; Persons associated on an individual basis - Section 13 (from 13.1.1 to 13.3.7) and Persons associated on a consolidated basis - Section 14 (from 14.1.1 to 14.3.3);
- Articles 2391, 2391-bis, 2497 et seq. and 2634 of the Italian Civil Code;
- Legislative Decree 58 dated 24 February 1998 as amended;<sup>32</sup>
- Legislative Decree no. 385 of 1 September 1993, the "Consolidated Banking Act" (with particular regard to the rules contained in art. 53 paragraph 4 and art 136)
- "Supervisory Provisions for Financial Intermediaries", Circular no. 288 dated 3 April 2015 and subsequent amendments;
- ICRC resolution no. 277 of 29 July 2008;
- EC Regulation no. 1126/2008 of the Commission of 3 November 2008, in compliance with EC Regulation no. 1606/2002 of the European Parliament and of the Council, published in the Official Journal of the European Union on 29 November 2008 and subsequent amendments;
- Supervisory Instructions for Banks - Title II - Chapter III (Bank Officers' Obligations) and subsequent amendments;
- Bank of Italy's Circular no. 285 of 17 December 2013 and subsequent amendments;
- "Instructions for banks and securities firms on the preparation of supervisory reports", Bank of Italy's Circular no. 286 of 17 December 2013 and subsequent amendments;
- EU Regulation 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment companies;
- Joint EBA-ESMA Guidelines "*on suitability assessment of members of the management body and key function holders*";
- ECB "*Guide to fit and proper assessments*" (updated version of May 2018);
- MEF Decree no. 169 of 23 November 2020, containing the "*Regulatory provisions on the requirements and criteria of eligibility for the performance of the role of officer of banks, financial intermediaries, Confidi, IMEL, payment institutions and deposit guarantee systems*";
- "*Core principles for effective banking supervision*", published by the Basel Committee, September 2012 update, with particular reference to "Principle 20: Transactions with Related Parties";
- Corporate Governance Code promoted by the Corporate Governance Committee.

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<sup>30</sup> Hereinafter also "Consob Regulation".

<sup>31</sup> Hereinafter also referred to as the "Application Communication".

<sup>32</sup> Hereinafter also Consolidated Finance Act or CFA.

**Internal regulations:**

The main internal regulatory sources are listed below:

- Articles of Association;
- Code of Ethics;
- Group Corporate Governance Guidelines;
- Group Internal Control System Guidelines.

**Regulations repealed:**

None.