

## **Regulation of the Independent Committee**

January 2014

## **Article 1 - Establishment and composition of the Committee**

1. The Independent Committee (the "Committee") is established, consisting of 3 directors fulfilling the independence requirements pursuant to Article 29.2, paragraphs 2 and 3 of the Articles of Association (independence requirements established for Statutory Auditors by Article 148, paragraph 3 of Italian Legislative Decree 58/1998 and laid out by the Italian Stock Exchange Self-Regulation Code, respectively).
2. The functioning and organisation of the Independent Committee are governed by this Regulation.
3. The Committee carries out the duties and exercises the powers assigned to independent directors:
  - a) by Article 2391-bis of the Italian Civil Code and the relative implementing provisions - both regulatory (Consob Resolution no. 17221 of 12 March 2010 as amended, Consob Communication DEM/10078683 of 24 September 2010 as amended or supplemented) and corporate (Procedure for regulating transactions with related parties adopted by Banco Popolare);
  - b) by Article 53, paragraphs 4 and 4-quater of the CBL and the respective implementing provisions - both regulatory (New Provisions of Prudential Supervision for Banks - Title V - Chapter 5) and corporate (Regulation on Procedures regarding risk activities and conflicts of interest with respect to Associated Entities adopted by the Parent Company and the other Group Banks);
  - c) by Article 53, paragraphs 1 and 2 of the CBL and the respective implementing provisions - both regulatory (New Provisions of Prudential Supervision for Banks - Title V - Chapter 4) and corporate (Regulation for investments in non-financial companies, adopted by the Parent Company).
4. Without prejudice to the application of the provisions of law and the articles of association on the validity of meetings of the Board of Directors and the relative resolutions, the resolution for the appointment of members of the Committee is adopted with the abstention:
  - a) of the Directors selected from the top directors of Banco Popolare or of Group banking companies or from individuals who hold or have held the position of Chief Executive Officer of Banco Popolare or of Group banking companies pursuant to Article 29.1 of the Articles of Association for over 12 months (Executive Directors);
  - b) of the other Directors on the Executive Committee;
  - c) of the individual candidates.
5. The Board of Directors, observing the procedures pursuant to the previous paragraph, also appoints the Independent directors called upon to replace members of the Committee who have an interest in the transaction pursuant to Article 7 below.

## **Article 2 - Term of office and replacement of members**

1. The Committee remains in office for the term established by the Board of Directors at the time of appointment; Article 2385, paragraph 2 of the Italian Civil Code also applies to the Committee.

2. The Committee submits the fulfilment by its Members of the requirements set forth in legislation and this Regulation to the Board of Directors for assessment at least once per year.
3. If a Member leaves office for any reason whatsoever, including failure to meet the requirements set forth by regulations, the latter is required to inform the Chairman without delay, who shall promptly notify the Chairman of the Board of Directors, who shall call a Board meeting without delay to appoint a replacement. The Member thus appointed remains in office until the end of the term of the Committee.
4. Pending the appointment of the new Member, the replacement mechanism pursuant to Article 7 below of this Regulation will apply.

### **Article 3 - Chairman of the Committee**

1. The Board of Directors appoints the Chairman of the Committee, in compliance with what is set forth in Article 1, point 4.
2. If the Chairman leaves office, the eldest member of the Committee will take over for him or her until the date on which the Board of Directors appoints a new Chairman.
3. The Chairman calls, chairs and organises the work of Committee meetings. In particular, the Chairman handles the preparation of the meeting agenda and provides information to the Committee Members beforehand on the agenda topics.
4. The Committee appoints a Secretary, who is not necessarily a Member, provided in that case that he or she is a member of the secretariat staff, pursuant to Article 29.12 of the Articles of Association.
5. The corporate Secretariat assists the Committee and carries out the duties assigned to it by the committee to ensure its regular and orderly functioning.

### **Article 4 - Procedures, terms and location of meetings.**

1. The Committee meets when called by the Chairman or the person acting in his or her stead any time this is deemed appropriate. Each Committee Member may ask the Chairman or the person acting in his or her stead to call the Committee meeting, indicating the topics to be discussed. In any case, the Committee must meet in due time to promptly screen or develop opinions and other decisions for which it is responsible.
2. Committee meetings are called via a notice to be sent via fax or by any other means that guarantees proof of receipt, at least three days before the date set for the meeting.
3. In cases of particular urgency, the meeting may be called 24 hours in advance, using any suitable means. In that case, during the meeting adequate due diligence must be ensured and exhaustive information must be provided on each topic to be discussed, with particular attention placed on the content of documents that it was not possible to transmit within ordinary terms.
4. The corporate Secretariat supports the Chairman in calling meetings, as well as sending the relative materials to the participants.
5. The Committee meets, based on criteria of convenience, in any location in Italy; meetings may be validly held via means of telecommunication as well, provided each participant can be identified by each of the others and each is able to follow the discussion and intervene in real time in the discussion of the topics in question; if these requirements are met, the meeting is deemed held in the place where the Secretary and the meeting Chairman are located.

## **Article 5 - Constitutional and decision-making quora. Voting methods.**

1. The Committee meeting quorum is met with the participation of the majority of the Members.
2. In any case - even without a formal notice of call - the meeting is deemed valid when all Committee Members participate and when each expressly provides consent to the meeting being held and the discussion of the topics.
3. The Committee decides on opinions and adopts other resolutions under its responsibility - pursuant to the regulations laid out in Article 1, paragraph 3 of this Regulation - with the approval of the majority of the meeting participants.
4. Each Committee Member has the right to one vote. The vote is open and cannot be carried out by proxy.

## **Article 6 - Minutes**

1. The Secretary prepares dedicated minutes for each Committee meeting. The minutes, approved by the Committee, are signed by the Chairman and by the Secretary.
2. The minutes must provide the justifications at the basis of the vote expressed by each Member.
3. For resolutions relating to the expression of opinions under the responsibility of the Committee pursuant to the rules specified in Article 1, paragraph 3 of this Regulation, the justifications underlying votes against or abstentions, when it is not possible to promptly transmit the meeting minutes, are reported in summary form to the Board of Directors or to the Executive Committee or to the different Body responsible for deciding on the transaction or the proposal to which the opinion refers.

## **Article 7 - Interests of the members**

1. If, with respect to an individual transaction, a Member is a counterparty or a Related Party pursuant to Article 2391-bis of the Italian Civil Code (provided the transaction is one of those considered by Article 2391-bis), or an Associated Entity pursuant to the Bank of Italy's New Provisions of Prudential Supervision for Banks - Title V - Chapter 5 (provided the transaction is one of those considered by the Provisions) or has an interest in the transaction pursuant to Article 2391 of the Italian Civil Code or has, outside of the previous cases, relations with the counterparty that are such so as to jeopardise its independence, the above-mentioned Director will be replaced by the Independent Director identified beforehand by the Board who has none of the above-mentioned impediments or, if this Director is absent or does have an impediment, the eldest Independent Director outside the Committee who has none of the above-mentioned impediments. The relative statement must be provided by the Member as soon as he or she has enough information to proceed with a reliable assessment of a transaction.
2. If the Committee Chairman is subject to one of the impediments pursuant to the previous paragraph, the eldest Member of the Committee who has no impediments will chair the meetings regarding the transaction in question.

3. The Member pursuant to this Article does not participate in or attend the meetings dedicated to communications, discussions or resolutions of the Committee regarding the transaction for which the impediment has been verified.
4. The Chairman of the Committee sends a written communication to the Chairman of the Board of Directors indicating that one or more members of the Committee have one of the impediments pursuant to the first paragraph and that, therefore, they were replaced in accordance with the mechanism outlined above, specifying the name of the replacement.
5. If there is any divergence in the assessments of the Committee Members regarding the suitability of the relations with the transaction counterparty to jeopardise the member's independence from it, the Committee shall decide after replacing the Member whose independence is in doubt with another Independent Director identified in accordance with the criteria laid out in point 1.

### **Article 8 - Disclosure to Members in view of the decisions to be made**

The Committee Members receive an adequate written disclosure from the corporate Secretariat prepared by the "Head of the procedure" relating to the completion of a given transaction, accompanied by the relative supporting documents, at least two business days in advance, except in the case of different and justified urgency or if a dedicated statement is issued by each Committee Member - before negotiations begin - indicating that they are fully aware of the content and conditions of the transaction.

### **Article 9 - Transactions subject to Article 136 of the CBL**

At the first possible meeting, the Committee Members expressly acknowledge that they have received the required information when the transaction is subject to the decision-making procedure laid out in Article 136 of the CBL.

### **Article 10 - Request for additional information**

Through its Chairman, the Committee may request further information - in addition to that already received - from the "Head of the procedure" or another function that it believes should be involved, also indicating that such information will be added to the documentation submitted or to be submitted to the Body or to the function responsible for the resolution. In addition, it reports any gaps or inadequacies in the information received to the Body or to the above-mentioned function.

### **Article 11 - Provisions regarding the involvement of the Committee in negotiations**

1. For transactions of greater significance (classifiable as such based on the regulations specified in Article 1, paragraph 3), the Committee, or one or more of its delegated Members, are involved in the phase of negotiations and in the phase of due diligence of the transaction through the receipt of a complete, prompt flow of information transmitted by the "Head of the procedure" relating to the completion of the transaction. This provision does not apply for transactions for which due diligence was carried out by Companies other than Group Banks, for which the resolution is subject to approval by the Parent Company.
2. The Committee has the right to request information and submit observations to the Delegated bodies and to the Parties responsible for managing the negotiations or due diligence, with regard to all circumstances deemed useful for the development of the opinion under its responsibility. In any case, the Committee or the delegated Member or Members participate in the meetings of the Board of Di-

rectors that have the disclosure regarding the status of negotiations on the agenda, when they can request information and make observations.

#### **Article 12 - Use of independent experts by the Committee.**

1. The Committee may request the support, at the expense of the Bank, of (i) one or more independent experts of its choosing, who work exclusively in favour of the Committee or (ii) independent experts to be appointed by the Board of Directors at the indication of the Committee, who support the Bank in regulated transactions and also receive a specific engagement to provide assistance to the Committee in carrying out its tasks based on the regulations pursuant to Article 1, paragraph 3.
2. In choosing experts, parties with recognised professionalism and skill in the topics of interest shall be selected, and their independence and absence of conflicts of interest will be closely evaluated by the Committee.
3. In order to evaluate the independence pursuant to the previous paragraph, the Committee takes into account any economic, equity and financial relations between the independent experts, on one hand, and the Bank, the Subsidiaries and the Directors of the Bank or the Subsidiaries, on the other.
4. The costs and expenses relating to the consulting services provided by the experts shall be borne by the Bank under the following terms:
  - in relation to the right laid out by the regulations to establish a maximum amount on the set of transactions subject to analysis, it has been decided not to establish limits on the total amount, irrespective of the significance of the transaction;
  - for transactions of lesser significance, the costs and expenses shall be incurred up to a maximum amount per transaction equal to 3% of its value and in any event, for no more than EUR 100,000 (one hundred thousand);
  - for transactions of greater significance, classifiable as such for the purpose of the regulations pursuant to Article 2391-bis of the Italian Civil Code, no expense limits are applicable relating to the individual transactions.

#### **Article 13 - Structure of opinions under the responsibility of the Committee**

The Committee formalises its prior justified opinion to the Body or to the function responsible for the resolution on the interest of the bank in carrying out transactions as well as on the benefits and substantial fairness of the relative conditions and supports it with suitable documentation accompanying the verifications and observations formulated.

#### **Article 14 - Transmission of the opinion.**

The Committee issues the opinion on the transaction to the Body or to the function responsible for the resolution in due time for adequate analysis. If the Body responsible for passing the resolution is the Shareholders' Meeting, the opinion is issued to the Board of Directors.

#### **Article 15 - Type of opinions.**

With reference to the "Procedure for regulating transactions with related parties" and the "Procedures and Policies of Controls in relation to Risk Activities and Conflicts of Interest with respect to Associated Entities", the Committee:

- a) is responsible for issuing a prior, analytical and justified opinion:
- on the overall suitability of internal regulations (to achieve the objectives of the provisions during the adoption or amendment [“substantial”, if referring to the “Bank of Italy’s New Provisions of Prudential Supervision”] thereof, as well as during periodic reviews;
  - on the adequacy of the organisational structures and on the suitability of the internal control system to ensure continuous compliance with prudential limits and decision-making procedures when internal policies on controls are adopted and during their periodic (three-year) review;
  - on the interest of the Bank in completing the transaction in question along with the benefit and essential fairness of the respective conditions;
  - on proposals to be forwarded to the Shareholders’ Meeting for amendments of the Articles of Association that may be necessary to come into compliance with external regulations on decision-making procedures for transactions subject to the rules pursuant to Article 2391-bis of the Italian Civil Code or Article 53, paragraph 4-quater of the CBL,
- b) in the negotiations phase of transactions of greater significance, it may request information or submit observations to the Delegated bodies and to the Parties responsible for managing the negotiations or due diligence, receiving a complete, prompt flow of information, which effectively involves the Committee in the negotiations.

The Committee, with reference to the “Regulation for investments in non-financial companies”, performs a role of assessment, support and proposal with regard to the organisation and performance of internal controls on all the activity involved in the acquisition and management of investments and with regard to general verification of consistency of the activity performed in the investments department with strategic and management guidelines, as defined in more detail in the above-mentioned “Regulation”.

### **Article 16 - Effects of opinions**

The opinion is favourable when it is in complete agreement with the transaction. The Committee may express a negative opinion or an opinion conditioned upon remarks, formulated in the opinion itself. The effects of the opinion depending on whether it is favourable, negative or conditioned upon remarks are governed in the procedures adopted by the Bank pursuant to Article 2391-bis of the Italian Civil Code and Article 53, paragraph 4-quater of the CBL.

### **Article 17 - Confidentiality**

1. The Committee Members are required to keep the information and news acquired in performing their functions confidential.
2. The Committee Members abstain from researching and using private information for purposes other than the performance of the Committee’s functions, except if the information is legitimately requested by the competent authorities.

### **Article 18 - Amendments of the Regulation.**

This Regulation may be amended by resolution of the Board of Directors, after consulting with the Committee and with the favourable opinion of the Board of Auditors.

### **Article 19 - Final provisions.**

For any matters not expressly addressed in this Regulation, the functioning of the Committee is governed, depending on the characteristics of the transaction and the regulations to which it is subject, by:

- Article 2391–bis of the Italian Civil Code;
- Article 53, paragraph 4-quater of the CBL, by the relative implementing administrative provisions (Consob Resolution no. 17221 of 12 March 2010 as amended and Consob Communication no. DEM/10078683 of 24 September 2010, as amended, Title V - Chapters 4 and 5 of the New Provisions of Prudential Supervision for Banks);
- Procedure for governing related party transactions;
- "Procedures and Policies of Controls in relation to Risk Activities and Conflicts of Interest with respect to Associated Entities" Regulation;
- Regulation for investments in non-financial companies.