



**BANCO POPOLARE**  
**Società cooperativa**

**Corporate Governance Code**

**TABLE OF CONTENTS**

- 1. Management and Control System ..... 3
- SUPERVISORY BOARD** ..... 3
- 2. Role of the Supervisory Board ..... 3
- 3. Composition of the Supervisory Board ..... 5
- MANAGEMENT BOARD** ..... 6
- 4. Role of the Management Board ..... 6
- 5. Composition of the Management Board ..... 8
- INDEPENDENCE REQUIREMENT** ..... 9
- 6. Independent directors ..... 9
- CORPORATE INFORMATION** ..... 10
- 7. Treatment of corporate information ..... 10
- NOMINATION AND REMUNERATION** ..... 11
- 8. Appointment of Supervisory Directors ..... 11
- 9. Appointment of Management Directors ..... 11
- 10. Remuneration of Supervisory and Management Directors ..... 11
- INTERNAL AUDIT** ..... 12
- 11. Internal control system ..... 12
- INTERNAL COMMITTEES** ..... 14
- 12. Setting up and operation of internal committees ..... 14
- 13. Nomination and Remuneration Committee ..... 14
- 14. Audit Committee ..... 16
- RELATED PARTIES** ..... 17
- 15. Transactions with related parties ..... 17
- REGISTERED SHAREHOLDERS AND INVESTORS** ..... 18
- 16. Relations with registered shareholders and investors ..... 18

## **1. Management and Control System**

Banco Popolare Società cooperativa (hereinafter “**Banco**” or “**Banco Popolare**”) adopted the tow-tier management and control system, and the following articles are consistent with the objectives of good corporate governance, transparency of information and protection of markets and investors pursued by Borsa Italiana’s Code of Corporate Governance and in the light of its enacting criteria.

## **SUPERVISORY BOARD**

### **2. Role of the Supervisory Board**

2.1 Banco Popolare is governed by a Supervisory Board that as a rule meets every month and has adopted an organization and a modus operandi enabling it to perform its functions in an effective and efficient manner.

2.2 The Supervisory Directors act and pass resolutions with full knowledge of the relevant facts and autonomously, and on a medium/long term horizon they pursue sustainable results that are repeatable over time, with the goal of creating shareholder value and constantly advancing the organizational efficiency, the quality of products and services offered to customers and to our business territories. In keeping with these goals, in the fulfillment of their duties the Supervisory Directors also take into account the directives and policies defined for the group of which Banco Popolare is the Parent company, as well as the benefits deriving from belonging to this group.

2.3 The Supervisory Board shall:

- (a) examine and approve the strategic transactions to be performed by the Management Board, the business and financial plans of Banco Popolare and of the Group it heads, prepared by the Management Board, and shall watch over the procedures through which Banco’s corporate governance rules are actually implemented and on the group’s structure;
- (b) watch over the adequacy of the organizational, administrative and accounting structure of the issuer and its subsidiaries having a strategic importance, as prepared by the Management Board, in particular with regard to the internal control system and the management of conflicts of interest;
- (c) provide guidelines to the Management Board regarding the granting and revocation of delegated powers to the Chief Executive Officer, specifying their limits and the procedure for their exercise;
- (d) after prior consultation with the Nomination and Remuneration Committee, define the compensation of the Chairman, the Vice Chairmen and the Supervisory Directors who have been assigned particular offices, duties, powers or functions by the Articles of Association or by the Supervisory Board itself.  
Based on the total compensation approved by the shareholders’ meeting, as well as on

the total dividend share due under article 52 of the Articles of Association, after prior consultation with the Nomination and Remuneration Committee as specified in the following article 13, the Supervisory Board shall approve its allocation among the members of the Supervisory Board, with due account being taken of the powers and functions they have been assigned by the Articles of Association or delegated by the Supervisory Board itself;

- (e) upon proposal of the Nomination and Remuneration Committee, define the compensation of the members of the Management Board, including special offices or delegated powers, as well as the profit share under article 52 of the Articles of Association to which non-executive directors are entitled;
- (f) exercise controlling functions on the performance and efficiency of the company, also by examining and assessing the appropriateness of the business choices with respect to the achievement of the company's profitability and capital valorization goals and their consistency with targets fixed in the planning instruments and in the business plans approved by the Supervisory Board itself;
- (g) approve the strategic transactions to be carried out by the Management Board regarding the Group as a whole, also as part of its management and coordination duty;
- (h) examine and approve in advance transactions put forward by the Management Board, bearing a significant strategic, operating, asset and liability or financial importance for Banco Popolare, as listed in art. 41.2, paragraph two of the Articles of Association, paying particular attention to situations in which one or more directors hold an interest on their own behalf or on behalf of third parties and, in general, to transactions with related parties; to this end, the Board shall establish general criteria to identify key transactions;
- (i) at least once a year, evaluate the size, composition and performance of the Board and its committees, and in case express a guidance as to which professional figures would be most appropriate to sit on the Board;
- (j) see to all the other activities, duties and functions assigned to the Board by the Articles of Association or under the law or any other applicable regulation.

2.4 The Supervisory Directors shall accept their office when they deem that they can devote the necessary time to the diligent performance of their duties, also considering the number of administration and control offices they fill in other listed companies or their parent companies or subsidiaries, in keeping with the articles of association and under the law.

2.5 Supervisory Directors are required to know the duties and responsibilities associated with their office.

The Chairman of the Supervisory Board shall take steps to ensure that Board members receive the necessary information through the appropriate modalities and in good time, concerning the matters on the agenda of the meetings of the Supervisory Board, together with the relating documents, that are important to make knowledgeable decisions.

2.6 As a rule, the Chairman of the Management Board and the Chief Executive Officer shall take part in the meetings of the Supervisory Board and shall provide on that occasion answers and clarifications on the work done. The Supervisory Board may also ask other members of the Management Board and other Group executives to participate in its meetings to provide clarifications on matters lying within their specific competence.

- 2.7 Should the Shareholders' meeting, in order to meet organizational needs, generally or preventively authorize derogations from the rules intended to forbid competition provided for in art. 2390 of the Civil Code, the Supervisory and Management Boards shall examine each relevant case in detail and at the first coming shareholders' meeting shall report any existing criticalities. To this end, each member of the Supervisory and Management Boards, upon accepting his/her appointment, shall inform the Board of any activities exercised in competition with Banco Popolare and its subsidiaries, and subsequently of any ensuing material change.

### 3. Composition of the Supervisory Board

- 3.1 As of the date of the Annual General Meeting convened to approve the second annual report of the Company following the approval on July 1<sup>st</sup>, 2007 of the merger between Banco Popolare di Verona e Novara S.c.a r.l. and Banca Popolare Italiana – Banca Popolare di Lodi Società cooperativa (the “**Merger**”) or to approve the allocation of the year's net income, and in any case without prejudice to art. 39.11 of the Articles of Association, the Supervisory Board shall comprise 20 (twenty) members:
- i. 8 (eight) chosen among the shareholders residing in the traditional franchise provinces of the BPI Group, namely in the provinces of Lombardy (other than Brescia, Bergamo and Mantova), Tuscany, Liguria, Lazio, Abruzzo, Sicily and of the province of Bologna (Imola area) (“**BPI's Original Franchise**”);
  - ii. 12 (twelve) chosen among the shareholders residing outside of BPI's Original Franchise, among which in particular the provinces of Veneto, Emilia – Romagna (other than Bologna, Imola area), Piedmont and Valle d'Aosta (“**BPVN's Original Franchise**”).

In any event, at least (i) 5 (five) members shall always be chosen among the shareholders residing or domiciled – and in any case residing in a province of BPI's Original Franchise – in the province of Lodi; (ii) 5 (five) among shareholders residing or domiciled – and in any case residing in a province of BPVN's Original Franchise – in the province of Verona and (iii) 3 (three) among shareholders residing or domiciled – and in any case residing in a province of Piedmont or Val d'Aosta – in the province of Novara.

- 3.2 Without prejudice to the foregoing, the first Supervisory Board shall comprise 10 (ten) members appointed with Banco's charter until the date of the annual general meeting convened to approve the first annual report after the approval of the Merger or to approve the allocation of that year's earnings. In that meeting, 5 (five) more members shall be appointed, of which:
- i. 2 (two) chosen among shareholders residing in the provinces of BPI's Original Franchise, as specified above in compliance with the articles of association ;
  - ii. 3 (three) chosen among shareholders residing in the provinces of BPVN's Original Franchise, as specified above in compliance with the articles of association.

In the annual meeting convened to approve the second annual report following the Merger or to approve the allocation of that year's earnings, five (five) more members shall be appointed, of which:

- i. 2 (two) chosen among shareholders residing in the provinces of BPI's Original Franchise, as specified in the articles of association;
- ii. 3 (three) chosen among shareholders residing in the provinces of BPVN's Original Franchise, as specified in the articles of association.

Hence, on the date of the annual meeting convened to approve the second annual report after the Merger or to approve the allocation of the earnings for that year, the Supervisory Board shall comprise 20 (twenty) members, of which:

- i. 8 (eight) chosen among shareholders residing in the provinces of BPI's Original Franchise;
- ii. 12 (twelve) chosen among shareholders residing in the provinces of BPVN's Original Franchise.

- 3.3 The members of the Supervisory Board are elected based on slates – whose presentation and voting procedures are regulated in detail in the articles of association – to be filed with the company's registered offices at least 15 (fifteen) days before the date of the general meeting's first call.
- 3.4 All members must meet the professional, integrity and independence requirements provided for under the law and the applicable regulations. Moreover, at least to Directors, or as soon as the Supervisory Board comprises at least 15 members, at least four Directors must meet the independence requirements specified in article 6 below.
- 3.5 Individuals who have exceeded the limit of five administration or control offices in other listed companies or their parent companies or subsidiaries (more offices, up to maximum five, with the same group shall be considered as one; more than five offices shall be considered as two), may not be appointed as members of the Supervisory Board, and if appointed, they shall be disqualified from office. The causes of ineligibility and disqualification from office provided for by laws, regulations and corporate governance provisions shall apply. Any lower limits imposed by laws or regulations shall be overriding.
- 3.6 Supervisory Directors act in autonomy and independence also with respect to the shareholders who elected them.

## **MANAGEMENT BOARD**

### **4. Role of the Management Board**

- 4.1 The management and administration of Banco Popolare is exercised by the Management Board in compliance with the general planning and strategic guidelines approved by the Supervisory Board.
- 4.2 As a rule, the Management Board meets once a month, and in any case any time the Chairman deems it necessary, or upon written request of the Chief Executive Officer or at

least two Management Directors, or, after prior communication to the Chairman of the Management Board, of the Supervisory Board or one of its members, even individually, under the law.

- 4.3 The Management Directors shall accept their office when they deem that they can devote the necessary time to the diligent performance of their duties, also considering the number of administration, management or control offices they fill in other listed companies or their parent companies or subsidiaries, in keeping with the articles of association.
- 4.4 Based on the information provided by the Directors, on a yearly basis the Board shall survey and communicate in the corporate governance report the administration, management or control offices filled by the directors in the above mentioned companies.
- 4.5 The Management Directors act and resolve with full knowledge of the relevant facts and autonomously, and on a medium/long term horizon they pursue sustainable results that are repeatable over time, with the goal of creating shareholder value and constantly advancing the organizational efficiency, the quality of products and services offered to customers and to our business territories. In keeping with these goals, in the fulfillment of their duties the Management Directors also take into account the directives and corporate governance policies defined for the group of which Banco Popolare is the Parent company, as well as the benefits deriving from belonging to this group.
- 4.6 The Management Board shall:
- take all the required, useful or in any case appropriate actions to attain the company’s objects, be they related to ordinary or extraordinary business transactions;
  - prepare proposals concerning the general planning and strategic guidelines of Banco Popolare and of the Group to be put forward to the Supervisory Board, as well as business and/or financial plans and budgets of the Company and of the Group to be submitted to the approval of the Supervisory Board;
  - assess the adequacy of the organizational, administrative and accounting structure of Banco Popolare and its strategic subsidiaries;
  - on indication of the Supervisory Board, appoint and remove the Chief Executive Officer, approving the delegation, modification or revocation of the relevant powers;
  - approve the granting of special duties or delegated powers to one or more Directors, and define the relevant powers;
  - appoint and remove one or more General Managers, defining their relevant powers and consideration;
  - after prior mandatory opinion of the Supervisory Board, appoint and remove the Manager in charge of preparing the accounting documents, and define the relevant powers, means and remuneration;
  - appoint and remove the Head of Internal Audit;
  - define the risk management and internal audit policy;
  - assess the general performance based on the information received by the delegated bodies, and periodically compare attained results with planned results, specifying the frequency by which delegated bodies must report to the Board on the activities performed in the exercise of their delegated powers, in any case no less than once every three months;
  - without prejudice to the competences of the Supervisory Board, propose the purchase

- or sale of equity investments entailing changes to the Banking group, define the criteria guiding the coordination and management of the companies of the Group;
- define criteria to identify transactions with related parties to be reserved to its competence;
- after prior approval of the Supervisory Board in compliance with the Articles of Association, designate the members of the corporate boards of the subsidiary banks and of the main non-banking subsidiaries of the Group;
- at least once a year, evaluate the size, composition and performance of the Board and its committees, and in case express a guidance as to which professional figures would be most appropriate to sit on the Board;
- provide information in the report on corporate governance on the application of this art. 4 and, in particular, on the number of meetings held by the Supervisory Board and the Management Board during the year and on the percentage of attendance of each director;
- see to all the other activities, duties and functions assigned to the Board by the Articles of Association, or under the law or any other applicable regulation.

4.7 The Management Board shall report to the Supervisory Board any time it is required, and in any case at least every month and exhaustively, on all matters relating to planning, business development, key operating performance data, industry comparison data and risk situations.

The Management Board shall also report to the Supervisory Board on the first coming meeting, and in any case at least every month, on the activities performed and the most significant transactions from an operating, financial and capital point of view carried out by the Company or by the companies of the Group.

4.8 As a rule, the Chairman and the Vice-Chairmen of the Supervisory Board shall take part in the meetings of the Management Board. The other members of the Supervisory Board may attend the meetings of the Management Board based on procedures to be defined by way of a specific regulation approved by the Supervisory Board.

## 5. Composition of the Management Board

5.1 Banco's Management Board comprises 12 members appointed by the Supervisory Board.

5.2 The Management Board is made up of executive and non-executive Directors. Under the Articles of association, at least 2/3 of the members of the Management Board shall be chosen by the Supervisory Board among the top managers of Banco or its subsidiaries or among individuals who, although not bound to Banco or its subsidiaries by employment relations, perform their professional activity basically exclusively with Banco or its subsidiaries ("**Executive Directors**"). At least 1/4 of the Directors, other than the former, shall be chosen by the Supervisory Board among individuals who meet the required professional and independence requirements. The latter shall not be vested with delegated powers or special assignments ("**Non-executive Directors**").

5.3 Executive and Non-Executive Directors shall bring their specific expertise to board

discussions, and shall take active part in the making of decisions that are consistent with the shareholders' interest.

- 5.4 All members must meet the requirements prescribed by the law and the articles of association.

## **INDEPENDENCE REQUIREMENT**

### **6. Independent directors**

- 6.1 An adequate number of Supervisory Directors (at least 2 (two), and when the Supervisory Board shall comprise at least 15 members, at least 4 (four)) and Non-executive Management Directors (at least 2 (two)) are independent, in the sense that they do not entertain, nor have recently entertained business relations with Banco or other related entities, such as to affect their autonomous judgment, as those illustrated as a non-exhaustive and non-binding example under the following article 6.3.
- 6.2 The independence of the Supervisory and Management Directors is periodically assessed by the Boards of belonging, taking into consideration the information submitted by the single individuals concerned. The outcome of the Board's evaluation is notified to the market.
- 6.3 Generally, Supervisory and Management Directors are considered non independent when even only one of the following assumptions occur:
- a) if, directly or indirectly, also through subsidiaries, fiduciaries or third parties, they control or exercise a significant influence over Banco Popolare;
  - b) if they are, or have been in the past three years, key managers of Banco Popolare, or of strategically key subsidiaries to be identified with a specific resolution, or of a jointly controlled company with Banco Popolare; whereby "key managers" refer to: the legal representative, the Chairman of the Supervisory Board, the Chairman of the Management Board, the Chairman of the Board of Directors, executives and managers with strategic responsibilities of the company or of the entity concerned;
  - c) if, either directly or indirectly, they entertain, or have entertained in the previous year, a significant business, financial or professional relation with Banco Popolare, one of its subsidiaries or of its key managers, or if they are, or have been in the last three years, employees of one of the above mentioned entities;
  - d) if they receive, or have received in the last three years, from Banco Popolare or one of its subsidiaries a significant additional remuneration on top of the "fixed" compensation as Supervisory Director and Non-executive Management Director of Banco, including the participation in incentive schemes linked to the company's performance, including stock option plans;
  - e) if they fill the office of executive directors in another companies in which Executive Directors of Banco Popolare hold the office of directors;
  - f) if they are shareholders or Directors of the auditing firm hired for the accounting audit of Banco or one of the companies belonging to the same network;

- g) if they are close relatives of persons who are in any of the situations illustrated above; whereby close relatives refer to:
  - the spouse, not legally separated;
  - relatives and similar up to the second degree;
  - cohabitants, even when not bound by family ties or similar.
  
- 6.4 After the appointment of a Supervisory Director or of a Management Director who qualifies as independent, and subsequently at least once a year, the Boards of belonging assess any relation which could or may appear to affect the Director's autonomy of judgment, based on the information provided by the director himself or in any case available to Banco Popolare.  
Upon appointing the director, the outcome of the above evaluation is disclosed to the market with a press release, and subsequently as part of the report on corporate governance, specifying whether any different parameters have been adopted, other than those illustrated in the above paragraph 6.3, with the appropriate explanation.
  
- 6.5 As part of its supervisory duties over the correct application of corporate governance rules, the Supervisory Board verifies that the assessment criteria and procedures adopted by the Management Board to evaluate the independence of its members have been correctly implemented.  
The outcome of the above controls is disclosed to the market in the report on corporate governance or in the report of the Supervisory Board to Banco's shareholders' meeting.
  
- 6.6 The independent Supervisory Directors meet at least once a year without the presence of the other directors.  
The independent non-executive Management Directors meet at least once a year without the presence of the other directors.

## **CORPORATE INFORMATION**

### **7. Treatment of corporate information**

- 7.1 The members of the Supervisory Board, the members of the Management Board and the executives of Banco Popolare must keep the documents and information acquired in the performance of their duties confidential and comply with the procedure adopted by Banco Popolare for the internal handling and disclosure to third parties of such documents and information.
  
- 7.2 The Chief Executive Officer, on a joint basis with the General Managers, shall ensure that corporate and confidential information is handled correctly; to this end, and after prior consultation with the Chairman of the Supervisory Board, he shall propose the adoption to the Management Board of a procedure for internal handling and disclosure to third parties of documents and information concerning Banco Popolare, with special regard to price sensitive, confidential corporate information.

- 7.3 Managing Directors, in agreement with the Parent Company's Chief Executive Officer, shall be in charge of managing price sensitive, confidential information concerning the subsidiaries.

## **NOMINATION AND REMUNERATION**

### **8. Appointment of Supervisory Directors**

- 8.1 Supervisory Directors shall be appointed along a transparent procedure. The proposed candidates shall be listed in specific slates, which shall be supplied with exhaustive information on the personal traits and professional qualifications of the candidates, and indicate in case their eligibility to qualify as independent directors under art. 6 above. The slates shall be filed with the company's registered office at least 15 (fifteen) days before the date of the General Meeting's first call.
- 8.2 Supervisory Directors shall be appointed based on slates as prescribed in the articles of association.  
The slates, supplied with information on the candidates' characteristics, shall be immediately published on Banco Popolare's website.
- 8.3 Supervisory Directors shall be replaced, even by cooptation, in compliance with the regulations prescribed by the Articles of association.

### **9. Appointment of Management Directors**

- 9.1 Management Directors shall be appointed by the Supervisory Board in compliance with the provisions prescribed by art. 5. above. If during the year one or more members of the Management Board leave service, the Supervisory Board shall substitute them without delay.

### **10. Remuneration of Supervisory and Management Directors**

- 10.1 The remuneration of the members of the Supervisory Board, for the portion not regulated by the Articles of association, shall be determined by the Shareholders' meeting.
- 10.2 The remuneration of the Management Directors, in compliance with the articles of association, shall be determined by the Supervisory Board, which shall establish an appropriate compensation level to attract, retain and motivate Directors possessing the right professional skills necessary to manage the company.

- 10.3 The remuneration of the Chief Executive Officer and of the Executive Management Directors shall be designed in such a way as to align their interest with the pursuit on a medium to long term horizon of sustainable results that are repeatable over time, with the goal of creating shareholder value and constantly advancing the organizational efficiency, the quality of products and services offered to customers and to our business territories.
- When defining the compensation of the Chief Executive Officer and of the Executive Management Directors, as a rule the Supervisory Board shall tie part of the compensation to the profitability results reported by the company and, in case, to the achievement of specific objectives laid down in advance by the Management Board.
- The compensation of the Chief Executive Officer shall be correlated to the importance of the position and the role and to the size of the Banking Group. It shall also provide for a variable part linked to a specific incentive scheme.
- The compensation of the Group's key executives shall be defined by the Management Board based on the criteria adopted by the Nomination and Remuneration Committee.
- 10.4 The compensation of Non-Executive Directors, for the portion not regulated by the Articles of Association, shall be proportional to the commitment required of each of them, taking into account their possible participation in one or more Committees.

## **INTERNAL AUDIT**

### **11. Internal control system**

- 11.1 The internal control system is a set of rules, procedures and organizational structures aiming at assuring that the company is managed in a sound, correct and consistent way with regard to the company's objectives, through an adequate identification, measurement, management and monitoring of the main risks.
- 11.2 An effective internal control system contributes to the protection of corporate assets, the efficiency and effectiveness of its operations, the reliability of financial reporting and the compliance with applicable laws and regulations.
- 11.3 **The Supervisory Board** shall:
- a. define the general guidelines of the internal control system, so that the main risks can be correctly identified, as well as properly measured, managed and monitored, and shall also define criteria to determine whether such risks are compatible with a sound and correct business management;
  - b. at least once a year verify the adequacy of the internal control system set up by the Management Board with respect to the company's characteristics;
  - c. propose the name of the Executive Director in charge of supervising the functionality of the internal control system to the Management Board.
- 11.4 The **Management Board** shall have the exclusive **competence** over the risk management and internal audit policy; it shall ensure that its assessments and decisions regarding the internal control system, the preparation of the company's annual reports and consolidated

financial statements, the half-year and quarterly reports, as well as the relationships between Banco Popolare and the independent auditing firm be supported by an adequate preparatory work.

The Management Board shall:

- a. appoint the Executive director in charge of supervising the functionality of the internal control system ;
- b. describe the basic elements of the internal control system in the report on corporate governance, expressing its assessment of the overall adequacy of said system;
- c. at least once a year, evaluate the adequacy, effectiveness and the actual functionality of the internal control system;
- d. upon proposal of the Executive Director mentioned above, appoint and remove one or more individuals in charge of internal audit and define their compensation in line with corporate policies.

11.5 The **Executive Director** in charge of supervising the functionality of the internal control system shall:

- a) identify the main business risks, taking into account the characteristics of the activities performed by Banco Popolare and its subsidiaries, and shall periodically submit them to the Management Board's review;
- b) implement the guidelines defined by the Management Board, by seeing to the planning, implementation and management of the internal control system, and by constantly verifying its overall adequacy, effectiveness and efficiency; the executive director shall also adjust the system to any changes in the operating conditions and in the legal and regulatory framework;
- c) propose the appointment, removal and remuneration of the Head of the internal audit function to the Management Board.

11.6 Banco Popolare shall set up an **internal audit function**, called Group Audit Service. As a rule, the manager in charge of internal audit is the head of this corporate function.

11.7 The manager in charge of internal audit (controller) shall:

- a) make sure that the internal control system is always adequate, fully operational and effective;
- b) not be in charge of any operating department and shall not report hierarchically to any head of operating departments, including administration and finance;
- c) have direct access to all useful information for the performance of his/her duties;
- d) have adequate means available to perform his/her functions;
- e) report its function's activities to the Supervisory Board by way of the Audit Committee and to the Executive Director in charge of supervising the functionality of the internal control system, also for the purpose of reporting to the Management Board: in particular, he/she shall report risk management procedures and on the compliance with plans put in place to contain risks and shall express his/her evaluation with regard to the internal control system suitability to achieve an acceptable overall risk profile.

11.8 The *internal audit function*, in its entirety or by operational segment, may be assigned to individuals external to Banco Popolare, albeit meeting the necessary professional and independence requirements; these same individuals may also be assigned the role of head (controller) of internal audit. The adoption of said organizational choices is disclosed to

the shareholders and to the market in the report on corporate governance, specifying the underlying reasons.

## **INTERNAL COMMITTEES**

### **12. Setting up and operation of internal committees**

12.1 In keeping with the Articles of association, the Supervisory Board shall set up among its members a Nomination and Remuneration Committee, an Audit Committee and other Technical Committees or Commissions with advisory and/or inquiry and/or control functions.

Again in compliance with the Articles of association, the Management Board may decide to set up advisory Committees or Commissions.

12.2 The setting up and operation of the above Committees and Commissions shall comply with the following criteria:

- they shall comprise no less than three members;
- the duties assigned to the single Committees or Commissions are defined by the same resolution approving their formation and may be integrated or amended by a following resolution of the Management Board or the Supervisory Board, as be the case; among other things, they have advisory functions that in practice translate into the formulation of proposals, recommendations and opinions aimed at allowing the board to adopt its decisions based on a better knowledge of the matter under examination;
- the minutes of the proceedings of the meetings of each Committee and Commissions are duly recorded;
- when performing their duties, the Committees and Commissions have the right to access all the information and corporate functions necessary to carry out their duties, and can hire external advisors, in compliance with the terms set by the Supervisory Board or the Management Board; Banco Popolare shall provide the Committees and Commissions with adequate financial resources to carry out their duties, within the limits of the approved budget;
- when invited by the Committee or the Commission, non-members may participate in the meetings to relate on specific issues on the agenda;
- in the annual report on corporate governance, Banco shall give adequate information on the setting up and makeup of the Committees and Commissions, their duties, as well as on the activities actually performed during the year, specifying the number of meetings held and the percentage of attendance of each member.

### **13. Nomination and Remuneration Committee**

13.1 In keeping with the Articles of association, the Supervisory Board shall set up among its

members the Nomination and Remuneration Committee, whose operations are regulated by the Articles of association and by a specific Regulation, which among other things prescribes:

- that the Committee shall comprise eight Directors, among which, by right, the Chairman of the Supervisory Board and the Vice Chairmen. The appointment of the members of the Nomination and Remuneration Committee shall be based on the following criteria:
  - three must be chosen among the members of the Board elected among shareholders residing in the provinces of BPI's Original Franchise;
  - five must be chosen among shareholders residing in the provinces of BPVN's Original Franchise;
  - in any case, at least two members of the Committee must always be chosen among shareholders resident or domiciled in the province of Lodi; at least two among shareholders resident or domiciled in the province of Verona and at least one among shareholders resident or domiciled in the province of Novara.
- that the Committee must meet at least 30 (thirty) days before the General Annual Meeting of the Parent company Banco Popolare, of the subsidiary banks, or of the main non-banking subsidiaries and/or before the meeting of the Supervisory Board, or of the boards of the Subsidiary banks and/or main non-banking subsidiaries, in the event that the appointment of corporate offices requiring the prior designation of the Committee is on the agenda;
- that the Committee can be convened by its Chairman, and also on request of at least two of its members or by the Chairman of the Supervisory Board;
- the criteria, procedures and majorities for the designation of candidates to the offices of Supervisory Director and Management Director with Banco Popolare, as well as for the designation of candidates to the offices of Director with the subsidiary banks and the main non-banking subsidiaries.

13.2 The Nomination and Remuneration Committee, in the performance of its advisory functions, shall formulate the proposals to be submitted to the review of the Supervisory Board regarding the identification of candidates to the office of Supervisory Director and of Management Director with Banco Popolare.

13.3 Based on the slates of three candidates proposed by the Management Board, the Nomination and Remuneration Committee shall express its opinion on the candidates to the office of Non-Executive Directors (i.e., also Management Directors that fill no executive offices in the Group, thus including also the Chairmen and Vice Chairmen of the boards of directors and the members of executive committees other than Group managers) of Banco Popolare's subsidiary banks and main non-banking subsidiaries of the Group.

13.4 The Nomination and Remuneration Committee shall make proposals to the Supervisory and Management Boards regarding their size and composition, as well as regarding the most appropriate professional figures to sit on the Boards, and the presence of an adequate number of independent directors.

13.5 With regard to the compensation of Supervisory and Management Directors, the Nomination and Remuneration Committee shall make proposals to the Supervisory Board concerning:

- the compensation of the Chairman, the Vice Chairmen and the Directors of the Supervisory Board vested with special offices or assignments, powers or functions by the Articles of association or by the Supervisory Board itself;
- the compensation of the members of the Management Board, including directors vested with special offices, assignments, or delegated powers or participating in committees or commissions in compliance with the articles of association, as well as the profit share allocation under art. 52 of the articles of association to non-executive Directors;
- the profit share allocation to be distributed under art. 52 of the Articles of association to the members of the Supervisory Board, taking into account the powers and functions they have been vested with by the Articles of association or by the Supervisory Board itself;
- the incentive schemes, and shall monitor the evolution and implementation over time of the Group incentive and/or retention schemes approved by the competent corporate boards.

Moreover, it shall periodically evaluate the criteria adopted for the compensation of the Group's key managers, watch over their application based on the information supplied by the Chief Executive Officer and formulate related general recommendations to the Supervisory Board.

- 13.6 No Director shall take part in meetings of the Nomination and Remuneration Committee in which proposals on his/her compensation are formulated.

## **14. Audit Committee**

- 14.1 In compliance with the Articles of association, the Supervisory Board shall set up among its members a committee in charge of internal control and business risk management, called "Audit Committee", and shall define its powers and regulation.

- 14.2 The Audit Committee shall comprise 6 members, among which, by right, the Vice Chairmen and other 4 members, who shall not fill particular offices with Banco Popolare – so as to be ensure an efficient discharge of their duties.

At least one member of the Committee shall have an appropriate accounting and financial expertise to be evaluated by the Supervisory Board upon his/her appointment.

Under the Articles of association, the Audit Committee shall elect its Chairman from among one of the Directors belonging to an original franchise other than that of the Chairman of the Supervisory Board.

- 14.3 As a rule, the Chairman of the Committee and/or another member of the Committee designated by the latter, shall participate in the meetings of the Management Board, and can participate in the meetings of the Board of Directors of all the Group companies, as well as in the meetings of the control boards of all the Group companies.

- 14.4 The Audit Committee is in charge of making inquiries and reporting to the Supervisory Board on all matters provided for by the Articles of association, In order to carry out its duties effectively, the Committee may conduct inspections and audits on all the Group's business areas, and within the limits of the annual budget approved by the Supervisory

Board, may hire authoritative external experts for advice.

In addition to assisting the Supervisory Board in the performance of its duties, the Audit Committee shall:

- a) assess, on a joint basis with the manager in charge of preparing the company's accounting documents and the auditors, the correct application of the accounting standards and their consistency throughout the group for the preparation of the consolidated financial statements;
- b) assess the offers submitted by the auditing firms applying to be hired, the work plan prepared for the audit, as well as the results described in the report and in case in the recommendations;
- c) examine any material issues connected with the performance of the accounting audit process identified during the periodical meetings with auditors;
- d) express its opinion on the proposals to appoint and remove the Head/s of Internal Control, as well as on the proposed compensation;
- e) examine the work plan prepared by the Head/s of Internal Control, as well as their periodic reports;
- f) express its opinion on the procedures to approve and implement transactions put in place by the Company, or its subsidiaries, with related parties, as well as on specific transactions (or the criteria to identify them) that, in compliance with the above procedures, require the prior opinion of the Committee to be approved;
- g) upon request of the Executive director in charge of supervising the functionality of the internal control system, express opinions on specific issues concerning the identification of main business risks, as well as the planning, implementation and management of the internal control system;
- h) perform any additional duties assigned by the Supervisory Board;
- i) give the Supervisory Board, at each meeting, an overview of the work performed and, at least once every six months, it shall prepare a written report on the work performed and on the adequacy of the internal control system.

## **RELATED PARTIES**

### **15. Transactions with related parties**

15.1 The Management Board, on indication of the Supervisory Board, shall take steps aiming at assuring that transactions in which Directors have an interest either on their own behalf or on behalf of third parties, and transactions with related parties are performed in a transparent manner, in compliance with criteria of substantial and procedural fairness.

15.2 As a rule, Gruppo Banco Popolare adopts the definition of "related parties" given by the international accounting standard IAS 24, unless the specific case makes it necessary to refer to a definition specifically stated by another applicable regulation.

15.2 The Management Board, after prior consultation with the Audit Committee, shall resolve and adopt the approval and implementation procedures for transactions with related parties

carried out by Banco Popolare or its subsidiaries.

Depending on the type and operating and/or strategic weight of the transactions, as well as on the nature and scope of the existing relations with counterparties, the Management Board shall decide to:

- restrict the most significant transactions to its sole competence;
- ask the Audit Committee for a prior opinion;
- entrust the negotiations to one or more independent Directors (or in any case having no ties with related parties);
- hire independent external experts, identified by independent Directors.

After consulting with the Supervisory Board, the Management Board shall adopt operating solutions suited to facilitate the identification and adequate management of those situations in which a Director holds an interest on his/her own behalf or on behalf of third parties.

- 15.3 In transactions with related parties, Supervisory Directors and Management Directors, each within his/her own area of competence, who have an interest, albeit potential or indirect, in the transaction shall:
- immediately and exhaustively inform their Board of said interest and of the relevant circumstances;
  - leave the board meeting at the time of the resolution, unless their participation in the resolution be required to finalize it.
- 15.4 The reasons underlying resolutions concerning transactions with related parties must specifically and accurately prove their benefit and their formal and substantial fairness.

## **REGISTERED SHAREHOLDERS AND INVESTORS**

### **16. Relations with registered shareholders and investors**

- 16.1 The Management Board, after prior favorable opinion of the Supervisory Board, shall promote initiatives favoring the broadest possible participation of shareholders in general meetings and facilitating the exercise of shareholding rights.  
The Management Board, after consulting with the Supervisory Board, shall take active steps to reduce constraints and obligations that might hinder or make the attendance of general meeting and the exercise of voting rights burdensome to shareholders.
- 16.2 As a rule, all Supervisory and Management Directors shall attend the Shareholders' meeting.  
Shareholders' meeting are also an opportunity to bring shareholders up to date with developments in Banco Popolare, in compliance with the procedure governing corporate and price-sensitive information.  
In particular, the Management Board shall inform the meeting of the work done and planned and shall adequately report on elements needed to make informed decisions on matters lying within the competence of the shareholders' meeting.  
The Supervisory Board shall inform the meeting of the supervisory work done, on reported negligence and deficiencies.

- 16.3 The Supervisory Board, after consulting with the Management Board, may submit a regulation to the approval of the general meeting, governing the orderly and effective proceeding of shareholders' meetings and guaranteeing the right of each shareholder to express his/her opinion on the matters under discussion.
- 16.4 The Supervisory Board, on a joint basis with the Management Board, shall take active steps to promote a continuing dialogue with registered shareholders and investors based on the understanding of each other's roles.  
In particular, it shall take steps to give a timely and easy access to information on Banco Popolare that is material to shareholders and investors, so as to allow them to make an informed use of their rights. To this end, in addition to specific "letters to shareholders", a special section shall be created on the company's website, easily identifiable and accessible, containing all the above information, especially the procedures to attend and exercise voting rights in general meetings, as well as the documentation on the items on the agenda, including the lists of candidates to the office of Supervisory Director, complemented with personal traits and professional qualifications.
- 16.5 The Management Board shall make sure that a head of investor relations be identified and shall periodically examine the opportunity to set up a corporate structure in charge of this function.